



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 17

MEETING DATE: April 15, 2026

SUBJECT: Investment Manager Compliance and Watch List Report—First Quarter 2026

SUBMITTED FOR: Action Information

RECOMMENDATION

Receive and file the Investment Manager Compliance and Watch List Report for the quarter ended March 31, 2026.

PURPOSE/STRATEGIC PRIORITY

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

DISCUSSION

SCERS' investment manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of December 31, 2025, the following managers were on the Watch List:

- LSV Asset Management (Global Equity) – organizational concerns
- Walter Scott & Partner (Global Equity) – performance related
- Weatherbie Capital (Global Equity) – performance related

During the first quarter of 2026, there have been no official changes to the Watch List. Staff and Verus continue to closely monitor managers included on the Watch List.

Staff and Verus recommend removal of LSV Asset Management during the second quarter. LSV was placed on the Watch List during the fourth quarter of 2024 due to concerns following civil litigation filed by former LSV Partners against the Firm and its Partners. Potential concerns from the litigation included reputational damage and loss of assets.

Since Q4 2024, total Firm assets have increased from \$77 billion to approximately \$106 billion, as of March 2026. Notably, the primary lawsuit against the Firm claiming fraudulent actions was

dismissed, with certain key plaintiffs dropping all claims. While outstanding litigation remains against the Partners of the Firm, the primary risks have subsided. Also worth noting is that performance at LSV has remained strong over the past several years. During calendar year 2025, LSV was SCERS' top performing equity manager, up 50.2% and outperforming its benchmark by 8%. SCERS has been invested with LSV since 2005 and the International Developed Large Cap Value strategy has delivered top decile performance across nearly all trailing periods, meaningfully outperforming its benchmark. SCERS has approximately \$819 million invested with LSV at the end of Q1 2026. Given reduced risk from outstanding litigation, growth in total assets under management, and continued strong performance, Staff and Verus recommend removing LSV from the Watch List.

Therefore, managers on the Watch List going forward are:

- Walter Scott & Partner (Global Equity) – performance related
- Weatherbie Capital (Global Equity) – performance related

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS' investment managers and update the Watch List accordingly.

ATTACHMENTS

- Board Order
- Quarterly Watch List and Compliance Report—First Quarter 2026

Prepared by:

/S/

Brian Miller
Senior Investment Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer

/S/

Steve Davis
Chief Investment Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
April 15, 2026

AGENDA ITEM:

**Investment Manager Compliance and Watch List Report—
First Quarter 2026**

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to receive and file the Investment Manager Compliance and Watch List Report for the quarter ended March 31, 2026.

I HEREBY CERTIFY that the above order was passed and adopted on April 15, 2026 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Quarterly Investment Manager Watch List - March 2026

#	Investment Manager	Fund Type	Net Asset Value (as of March 2026, \$ thousands)	Reason	Effective (month - year)	Commentary
1	LSV Asset Management	Global Equity	\$ 819,249	Organizational	Dec-24	LSV Asset Management was added to the Watch List due to organizational concerns. In the fourth quarter of 2024, civil litigation was filed against LSV by four former partners. The litigation seeks monetary damages based on the valuation of the equity stakes sold by the departed partners. The claim is that LSV significantly undervalued the equity stakes of the partners. Staff will monitor LSV for a resolution to the litigation and any impact to the organization. SCERS first invested with LSV in January 2005 and has approximately \$819 million invested in the international developed large cap equity strategy as of March 2026.
2	Walter Scott	Global Equity	\$ 461,261	Performance	Sep-25	The Walter Scott strategy (international developed large cap) has significantly underperformed its benchmark over the past several quarters, leading to bottom quartile performance ranking over the trailing 1, 3, and 5 year periods. The Walter Scott strategy takes a fundamental, bottom-up approach to stock selection and portfolio construction. The strategy has relatively high active share and tracking error, which can result in meaningful departure from benchmark returns, requiring evaluation over a full market cycle. However, the recent performance is below expectations leading to the Watch List addition. SCERS has approximately \$461 million invested with Walter Scott as of March 2026.
3	Weatherbie Capital	Global Equity	\$ 130,292	Performance	Dec-25	The Weatherbie Specialized Growth strategy (domestic equity small cap growth) has significantly underperformed its benchmark over the past year, leading to bottom quartile performance ranking over the trailing 1, 3, and 5 year periods. Weatherbie takes a fundamental, bottom-up approach to stock selection with the Specialized Growth strategy focused on investing in a portfolio of fifty high conviction small cap stocks. The strategy has added value since inception, however, the recent performance is below expectations leading to the Watch List addition. SCERS has approximately \$130 million invested with Weatherbie as of March 2026.