Executive Team:
Dominic D. Brown, CPA, CFE
Chief Executive Officer
Daryn Miller, CFA
Chief Investment Officer
Jennifer Zahry, JD
Chief Legal Officer
Matthew Henry, CFE
Chief Operations Officer

KCERA
KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement:
Joseph D. Hughes, Chair
Jordan Kaufman, Vice-Chair
Ajaib Gill
Rocio Mosqueda
David Couch
John Sanders
Rick Kratt
Jeff Frapwell
Tyler Whitezell
Chase Nunneley, Alternate
Robb Seibly, Alternate
Alternate 7th Member (Vacant)

November 11, 2026

Trustees, Board of Retirement
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association Investment Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Investment Committee will be held on Monday, November 16, 2026, at 12:00 p.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

HOW TO PARTICIPATE: LISTEN TO OR VIEW THE BOARD MEETING
To listen to the live audio of the Board meeting, please dial one of the following numbers and enter ID# 857 1891 1573:

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- https://us02web.zoom.us/j/85718911573?pwd=6SdoxkJQ8j7icvCAXldhAwnGo8pFF3.1
- Passcode: 026327

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to Administration@kcera.org.

Sincerely,

Dominic D. Brown
Chief Executive Officer

Attachments

❖ ***KCERA Board Agenda Notifications:*** *Sign up here on the KCERA website.*

AGENDA:

All agenda item supporting documentation is available for public review on KCERA's website at www.kcera.org following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

AMERICANS WITH DISABILITIES ACT
(Government Code Section 54953.2)

Disabled individuals who need special assistance to listen to and/or participate in the meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to Administration@kcera.org. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

CALL TO ORDER

ROLL CALL (IN PERSON)

REMOTE APPEARANCE(S)
Item 1 withdrawn from agenda if no trustee(s) request to appear remotely:

1. Trustee(s) who have notified the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code Section 54953.8.3).

PUBLIC COMMENTS

2. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

MATTERS FOR CONSIDERATION

3. Presentation and update on Japanese equity investment thesis, Japan overweight, and Japan dedicated investment managers overweight by Chief Investment Officer Daryn Miller, Investment Officer Rafael Jimenez, Investment Analyst Daivik Buch, and Investment Consultant Scott Whalen, Cerity – HEAR PRESENTATION

REFERRALS TO STAFF, ANNOUNCEMENTS, OR REPORTS

4. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.

5. Adjournment

Update on Japanese Equity Allocation

Presented by:

Daryn Miller, CFA

Chief Investment Officer

Rafael A. Jimenez, CFA

Investment Officer

Daivik Buch

Investment Analyst

November 2026

Introduction and Objective

What is Staff seeking to achieve with this analysis?

- Provide an overview of Staff's original investment thesis and an update on the development of the thesis
- Provide an overview of the Plan's Japan positioning at the absolute level and relative to the Global Public Equity universe
- Understand the Japan allocation's risk and return drivers on both an absolute and relative basis
- Communicate to trustees the efficacy of the dedicated country exposure to meet Staff's objectives
- Contemplate strategic considerations that will dictate potential initiatives and actions

KCERA
KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Executive Summary

- The Plan's dedicated Japan allocation was funded in November 2023, and the allocation has completed a 36-month investment period as of October 2026
  - The size of the Plan's overweight is notable; the monthly average overweight relative to the Policy benchmark has been approximately **+9.79%**
- Staff acknowledges that while the invested time horizon is on the shorter-end of a *market cycle*, the three-year mark is sensible for a holistic review of positioning and performance relative to expectations
- The Japanese corporate governance narrative is still intact and has demonstrated measurable evidence of acceleration
- The KCERA dedicated Japan allocation has **outperformed** the Plan's Policy benchmark (MSCI ACWI IMI) on a net-of-fees basis on an inception-to-date basis through October 31st, 2026
  - In an environment with concentrated Global Equity returns (on both a country and sectoral basis), Japan has provided a ***diversified*** source of return
- Staff believes that the relative opportunity in Japanese equity is still attractive and there is further upside potential in being overweight Japan

Recap of Thesis & History

Staff's allocation was based on an expected alpha opportunity relative to the Policy benchmark (MSCI AWI IMI)

Explored the opportunity in Japan at the end of 2022

- Attractive valuations relative to Japan's history and similar developed markets
- Improving corporate fundamentals & capital allocation practices
- Corporate governance improvements, Tokyo Stock Exchange reforms (2022)

Staff's expected impact:

- Accelerate earnings growth and multiple expansion in Japan
- Secondary macro tailwinds included reflation, monetary policy, and Yen appreciation

RFP (Feb 2023), Managers Selected (Sept 2023)

- Staff received responses from 23 managers
- Staff gained conviction in the "Beta" story and the opportunity to generate incremental return through active management
- The BOR approved the investment in two active managers in September 2023

Selection:

- Staff selected 2 strategies: Lazard Japanese Equity & Dalton Japan Long Only

Staff expected the alpha opportunity to be a combination of Japan "country Beta" and an alpha opportunity from active manager selection

Portfolio Construction

- Core-Satellite approach to Japanese exposure construction

Core *(+100M)*	Satellite *(+50M)*
Lazard Japanese Equity	Dalton Japan Long Only
• Universe: Large & Mid-Cap • Benchmark: TOPIX • Staff's Goal: Generate alpha through a benchmark-aware manager with similar Beta to the benchmark	• Universe: Small-Cap • Benchmark: MSCI Japan Small Cap • Staff's Goal: Generate alpha through an activist approach that emphasizes corporate engagement to maximize shareholder value

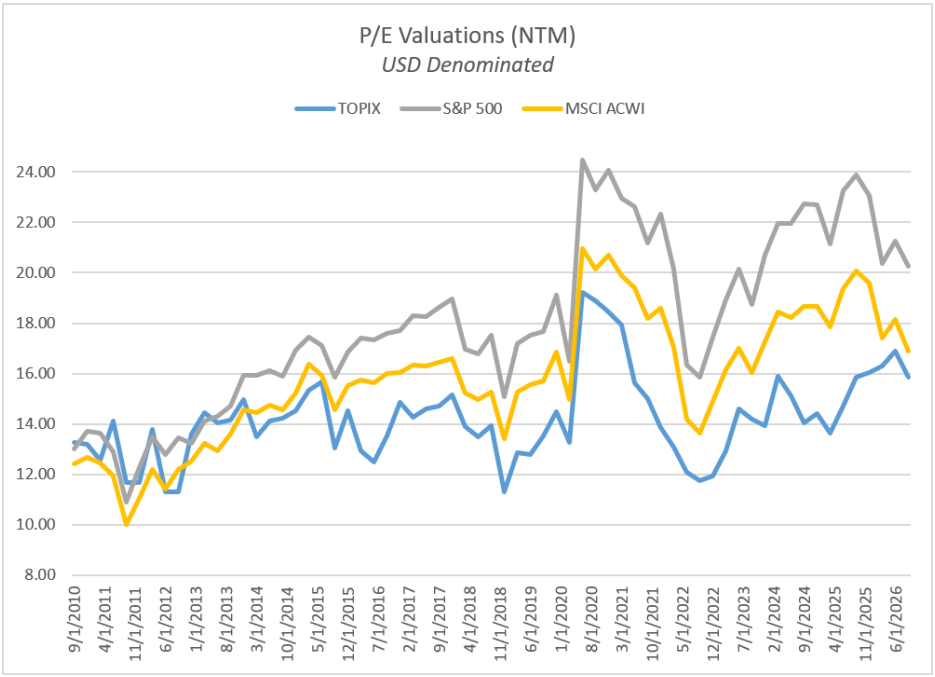
Japanese Equity Market Valuations

Absolute (TOPIX) & Relative (TOPIX-S&P 500)

Price-to-forward earnings

(TOPIX)

September 30, 2023: 14.20
September 30, 2026: 15.86
Multiples have expanded approximately +11.7%



Relative Price-to-forward earnings

TOPIX – S&P 500

September 30, 2023: -24.22% discount
September 30, 2026: -21.70% discount
The multiple discount has contracted approximately +10.4%

Staff believes Japanese multiples have further room to expand relative to the US and ACWI

Update

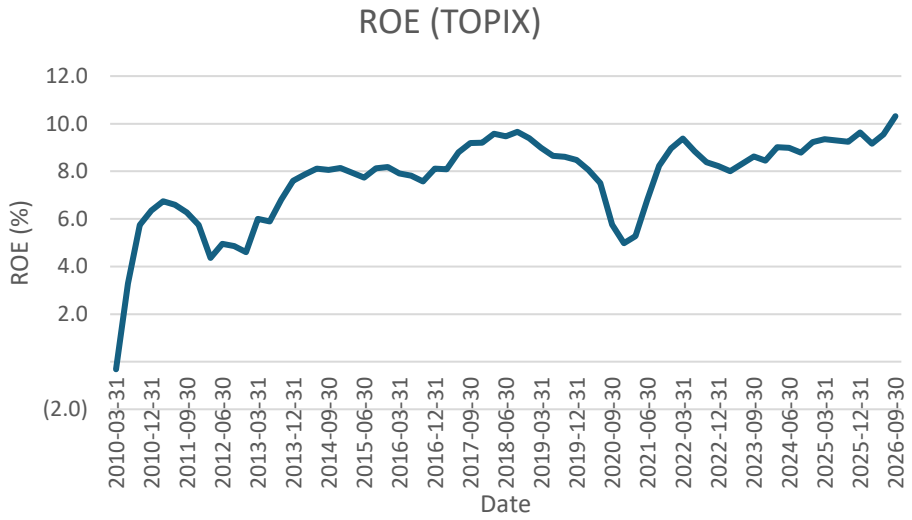
Corporate Governance & Capital Allocation

2022 - Present

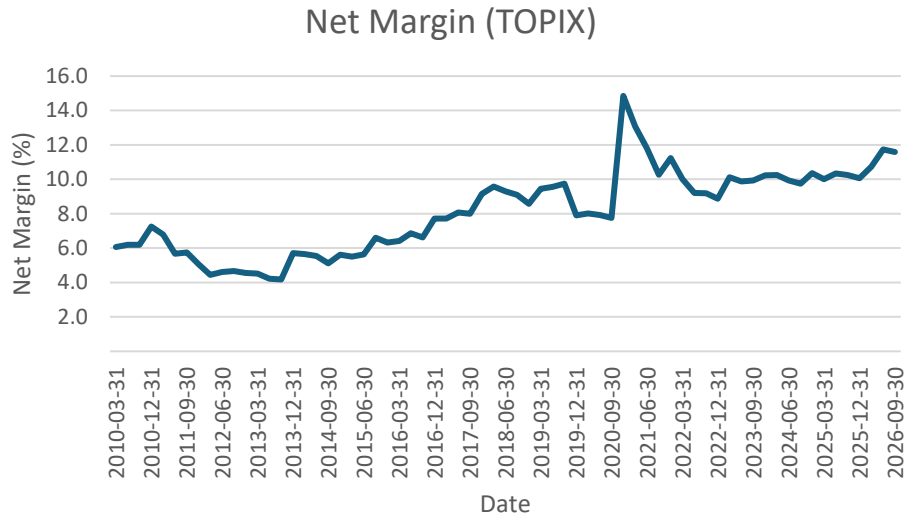
Topic	Status
Board independence	Increasing, rate slowing (median & mkt cap weighted)
Total shareholder proposals	Large increase
% of companies paying dividends (MSCI Japan)	Marginal increase
% of companies increasing dividends (MSCI Japan)	Modest increase
Number of delisted companies	Notable increase
Reported/announced buybacks (TOPIX)	Notable increase
Annual buyback value, number of companies	Significant increase

Capital Allocation Update

Return on Equity (ROE)



Net Profit Margin

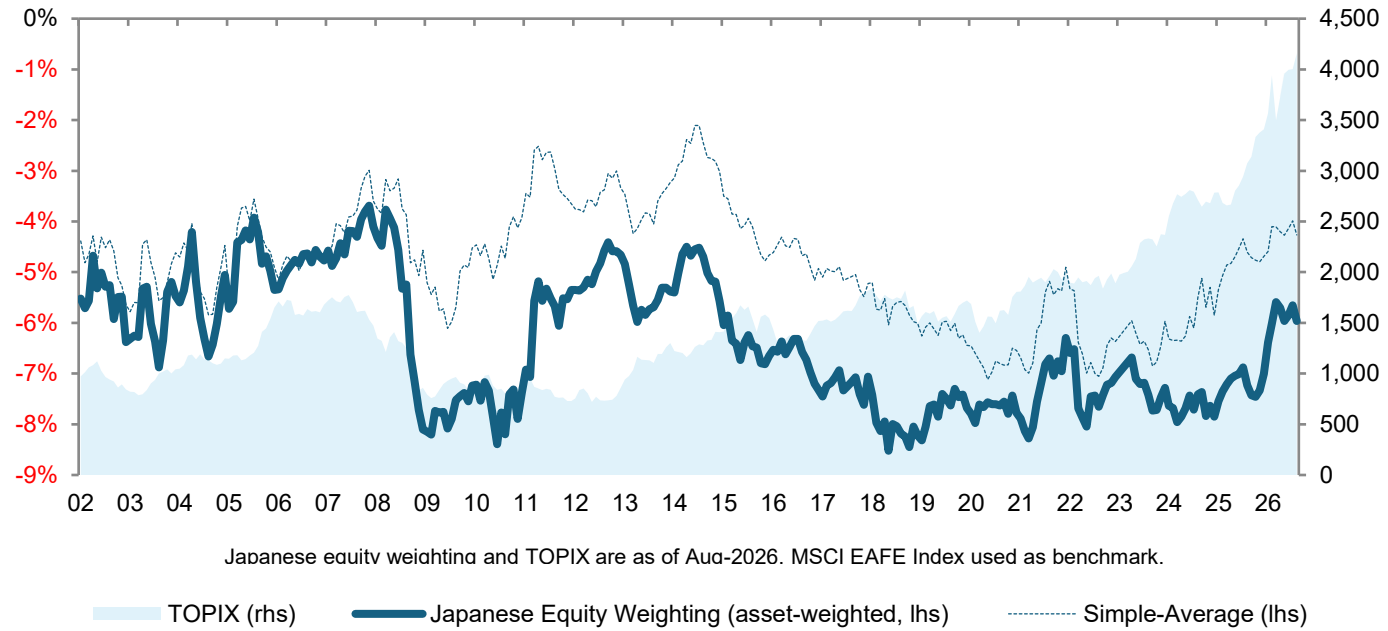


Positive trends since 2010, which has continued post-2022. Improving corporate fundamentals signal stronger profitability and capital efficiency, supporting higher earnings growth and potentially greater upside appreciation.

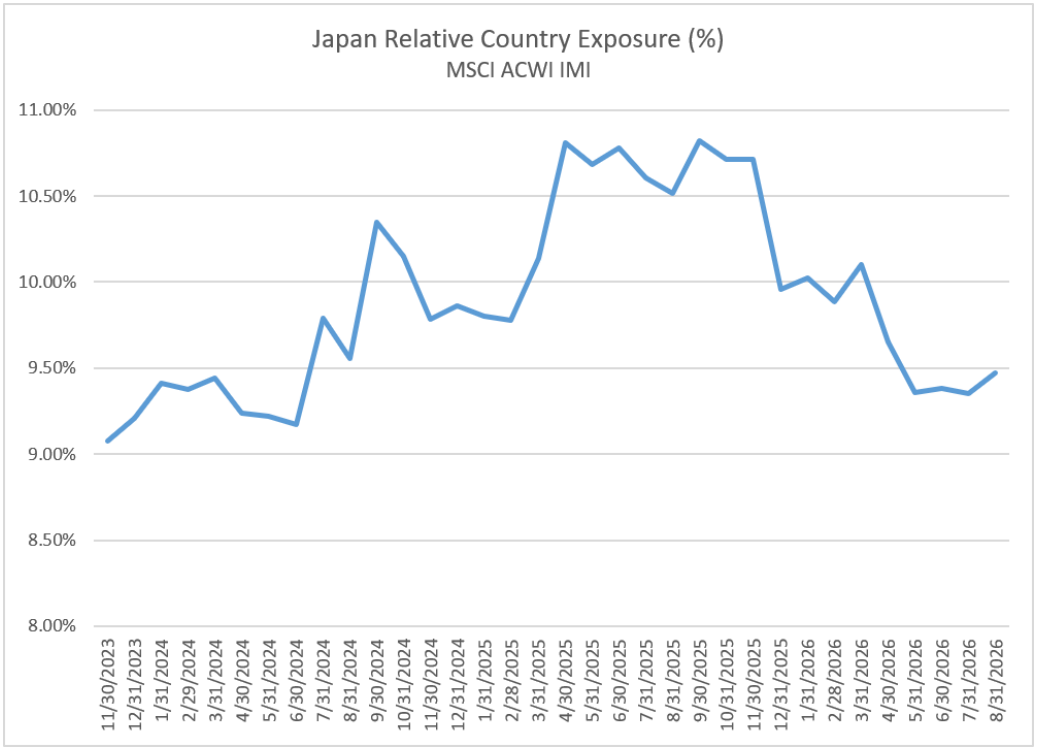
Update

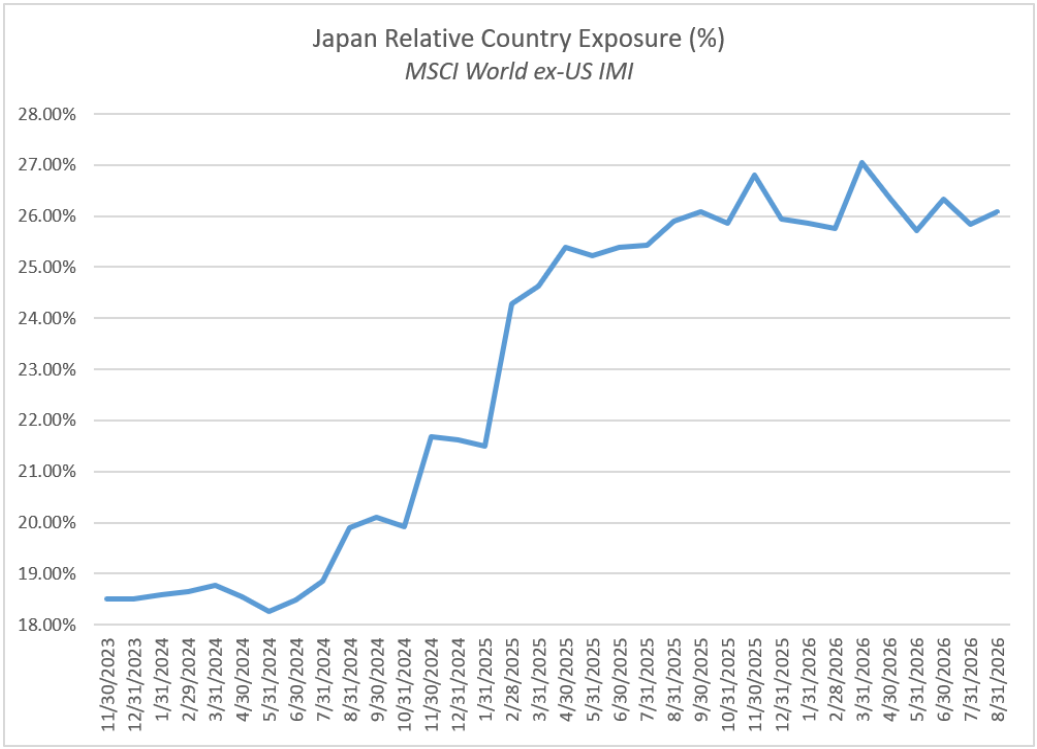
Institutional Ownership of Japanese Equity

- On average, Japanese equity has been underweight among active managers (relative to the MSCI EAFE Index)
- Japanese active managers have indicated that domestic Japanese investors have increased buying of the country's equity (retail and institutional)
- An increase in institutional capital flows can create a source of incremental demand that can support price appreciation and relative equity market outperformance



Update
Relative Positioning





KCERA Japanese Equity Relative Exposure		
	Global Equity	International DM Equity
Average	9.88%	23.09%
Min	9.08%	18.26%
Max	10.82%	27.06%
**Relative to Japan country weight in MSCI ACWI IMI & World ex-US IMI*		

The Japan overweight at the Global Equity level has ranged between 9.1% - 10.8% on a monthly basis & 18.3% - 27.1% at the International Developed Markets level.
Japanese Equity has strongly outperformed relative to other Developed Markets.

The total level of Japanese Equity exposure includes Lazard, Dalton, ACI prior to termination, and passive exposure within Mellon.

KCERA Japan Composite Performance

November 2023 – October 2026

- Relative performance drivers:
  - Country Allocation
    - Japan *Beta* relative to MSCI ACWI IMI
  - Manager Selection
    - Alpha of active managers relative to domestic indices
  - Expectation: [Beta + Alpha] > [MSCI ACWI IMI]
- Performance Summary:

Historical Performance and Risk Summary	
KCERA Japan Composite	
Nov. 2023 - Oct. 2026	
Annualized Excess Return	**0.68%**
Country Allocation	-0.51%
Manager Selection	1.19%
**Excess return relative to MSCI ACWI IMI*	

	Alpha +	**Alpha -**
Beta +	Beta +, Alpha +	Beta +, Alpha -
Explanation	*Allocation is additive at both manager and portfolio level*	*Japan beta outperforming, but managers underperform. Allocation contribution depends on ACWI*
Beta -	Beta -, Alpha +	Beta -, Alpha -
Explanation	*Managers outperforming, but Japan beta underperforming. Allocation contribution depends on ACWI*	*Japan allocation is detracting from performance*

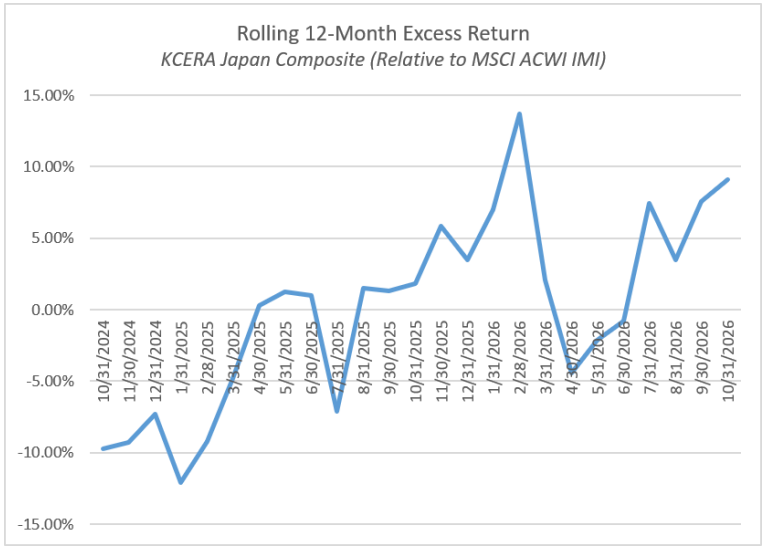
Japan Composite Performance

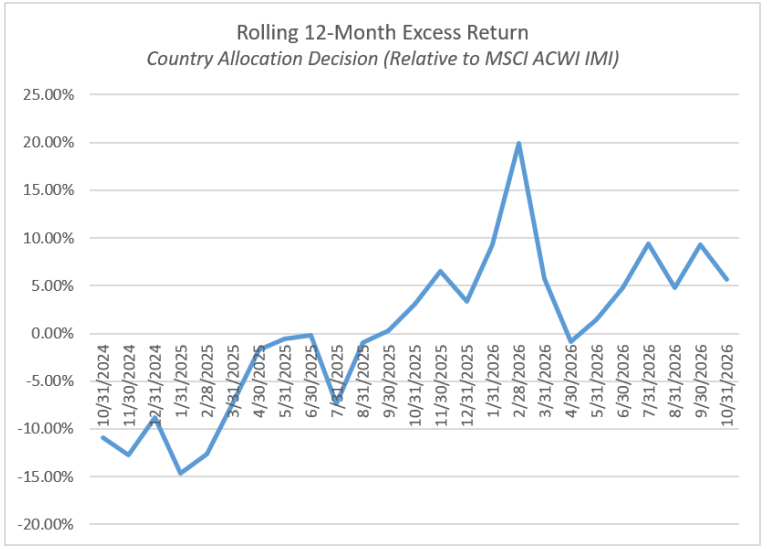
Country Allocation Decision

- The MSCI Japan IMI has underperformed relative to the MSCI ACWI IMI from inception through October month-end
  - Cumulative Alpha: *-2.28%*
  - Annualized Alpha: ***-0.51%***
- The Country Allocation Decision has been a detractor to the relative performance of the dedicated Japan allocation
- The underperformance could be attributed in part to the robust performance of AI-related mega-cap companies, which are underrepresented in Japan

- The companies that benefitted from this thematic tailwind are concentrated in the US.
- Japan's greater exposure to cyclical sectors, such as industrials and financials, left the country less exposed to the global technology growth trade.

Regional Market Performance				
Nov 2023 - Oct 2026 **Annualized**	MSCI Japan IMI	MSCI USA IMI	MSCI ACWI IMI	MSCI ACWI ex-US IMI
(%)	21.49%	22.79%	22.01%	20.74%





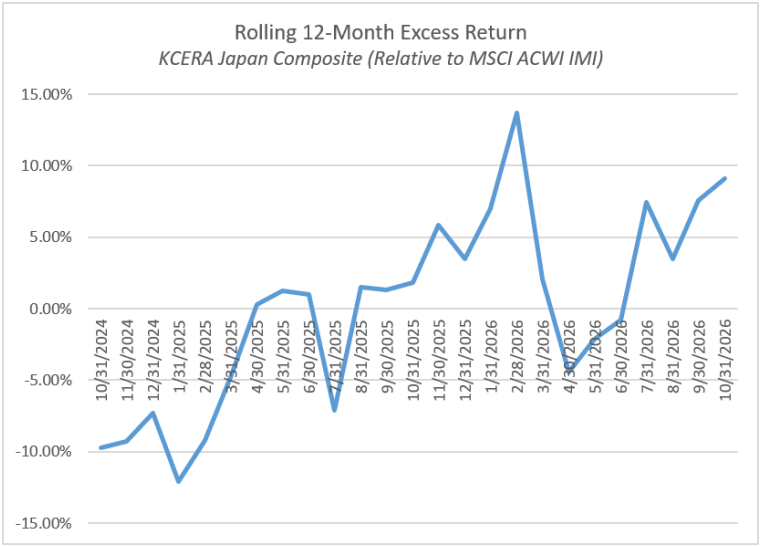
Japan Composite Performance

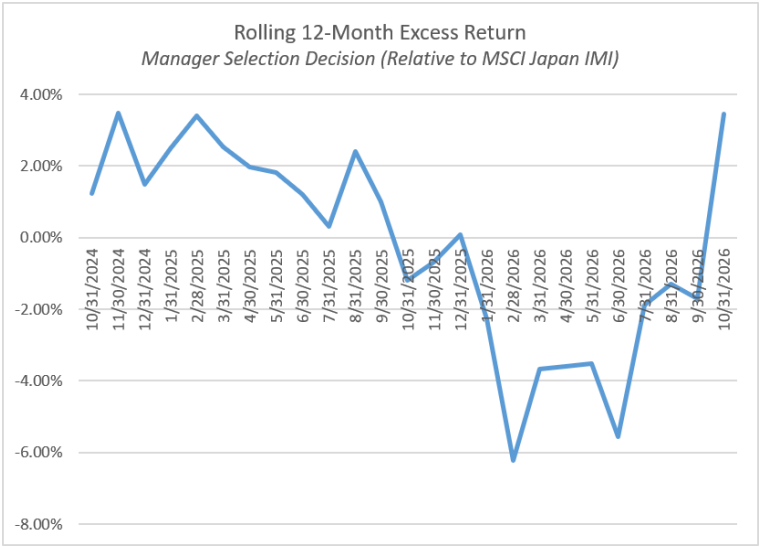
Manager Selection Decision

- The KCERA Japan Composite (Lazard + Dalton) has outperformed relative to MSCI Japan IMI from inception through October month-end
  - Cumulative Alpha: *+5.34%*
  - Annualized Alpha: ***+1.19%***
- The Manager Selection Decision has been a contributor to the relative performance of the dedicated Japan allocation
- The excess return of the KCERA Japan Composite could be attributed to active management and supports the notion that the market has rewarded fundamentals and the narrative of corporate governance & capital allocation improvement

The KCERA Japan Composite has outperformed the Policy benchmark (MSCI ACWI IMI) by an annualized **+0.68%** on a net-of-fees basis since inception.

The country allocation decision detracted -0.51% and the manager selection decision has contributed +1.19%.





Japan Composite Performance
Observations
Excess Return Correlation

- Staff has observed that on a rolling 12-month basis from November 2023 – October 2026, the excess return from the country allocation decision and the manager selection decision has been **meaningfully negatively correlated**
- This has been a notable headwind to aggregate alpha-generation as the interaction between active allocation and selection decisions has not been positive, as originally expected in Staff's thesis
- The interaction between country allocation and manager selection has recently *inflected positively* and if sustained, Staff expects positive interaction to be a tailwind for the Japan allocation

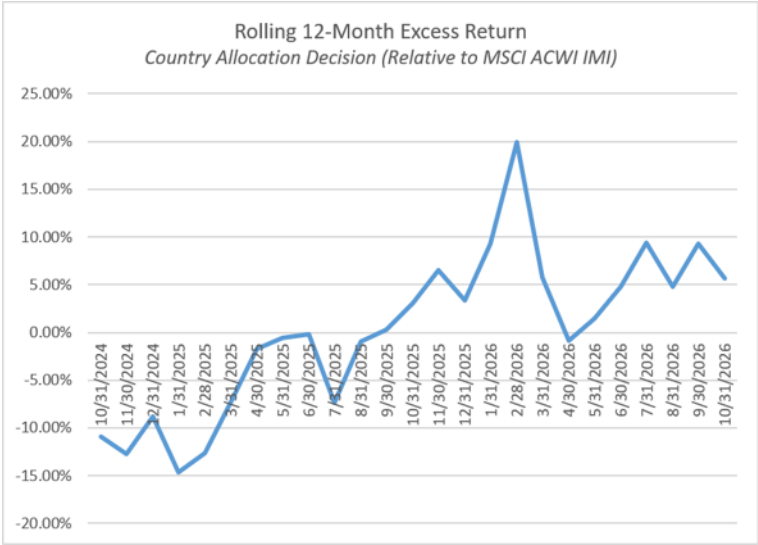
Rolling Excess Return Correlation

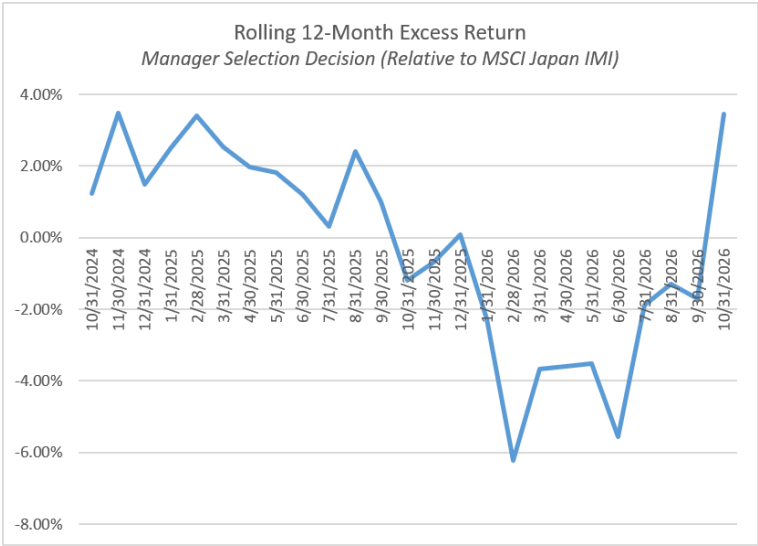
Country Allocation & Manager Selection *Excess Return Correlation*	*Japan Composite*	*Lazard*	*Dalton*
Correlation (Inception - Present)	-0.71	-0.44	-0.65
Correlation (Inception - March 2025)	-0.87	-0.78	-0.83
Correlation (April 2025 - Present)	0.30	0.04	0.48

The negative interaction could be attributed to a discrepancy between the factors that drove the performance of broad Japanese *Beta* and the factors that Lazard and Dalton lean into for alpha-generation.

Staff believes that prior to the inflection in excess return correlation, the relative performance of Japanese equity was concentrated in companies that benefit from a weak Yen.

The positive interaction may be evidence that the broader market is embracing the themes pursued by Lazard and Dalton, such as the corporate governance regime shift.





Considerations & Next Steps

- The decision to introduce a dedicated Japan allocation has been successful relative to the Plan's Policy benchmark (MSCI ACWI IMI)
  - The KCERA dedicated Japan allocation has outperformed by an annualized **+0.68%** net-of-fees
  - Japan has been a diversified source of return with less concentration and AI-related risk
  - Staff acknowledges that the invested time horizon is on the shorter-end of a complete market cycle
- The Japan allocation has outperformed despite the negative interaction headwind; Staff expects positive interaction to support a higher level of alpha
- Staff believes that the relative opportunity in Japanese equity is still attractive and there is further upside potential in being overweight Japan
- Staff will continue to monitor the development of the investment thesis and believes that an exit could be catalyzed by a view that prices reflect 1) executive management that is better aligned with shareholders 2) companies that are better stewards of capital and 3) absolute and relative valuations that reflect the improvement in corporate fundamentals

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