

SONOMA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RETIREMENT BOARD EDUCATIONAL FORUM MINUTES

DoubleTree Resort
One Doubletree Drive, Rohnert Park, CA 94928

Wednesday, October 8, 2025
9:15 a.m.

Presiding: Chair Travis Balzarini, presided

Present: Trustees Neil Baker (Retiree Alternate), Chris Coursey, Amos Eaton, Greg Jahn, Erick Roeser, Mark Walsh, and Bob Williamson; Chief Executive Officer Julie Wyne; Assistant CEO/Chief Legal Counsel Cristina Hess; Chief Investment Officer Jim Failor; Investment Officer Mickey Nguyen; Finance and Retiree Services Manager Cheryl Enold; Department Analyst Michelle Johnson; Retirement Benefits Specialist II Andrea Robles; Accountant II Stacy Vasquez; and Accountant I Katelyn Groman.

Also Present: Chris Behrns, Ronak Chitnis, and Tim Pflugradt (of Aon); Amy Brown (of Arc Strategies); Jon Simon (of Arrowstreet Capital); Tim Marzec (of CC&L); Kevin Johnson (of Dodge and Cox); Christine Chun and Vitaliy Liberman (of DoubleLine); Antoine Bisson McLernon and Jeff Zweig (of Fiera Comox); Leigh Poggio (of Guggenheim); Lisa Fridman (of IFM Investors); Erik Olsen (of Jacobs Levy); Jason Curran, Jared Gross, and Tom Klugherz (of JP Morgan); Lawrence Ou (of KKR); Macki Anderson (of Parametric); Matt Clark and Marc Seidner (of PIMCO); Clark Holland and Nathan Wong (of Reams); Ken Burgess and Steve Shaw (of Systematic); Nick Klein (of Sonoma County Administrator's Office); Kim Cook (of State Street Global Services); Susan McDonough and Sonya Park (of State Street Investment Management); Husayn Hasan, Tom O'Shea, and Erik Roget (of USB); Andre Bercut and Kathy Young (of Sonoma County Association of Retired Employees); Lilo Kangas (of Independent Citizens' Pension Committee); and David Wallace (interested member of the public).

Absent: Trustees Jared Gonce and Joe Tambe

I. WELCOME AND INTRODUCTIONS

Chair Travis Balzarini and Chief Executive Officer Julie Wyne welcomed attendees and provided a brief overview of the planned presentations.

II. MARKET AND ECONOMIC REVIEW

Investment Officer Mickey Nguyen introduced Jared Gross, Head of Institutional Portfolio Strategy at JP Morgan. Mr. Gross presented on the economic outlook and highlighted important market and macro trends. Trustees expressed concern about the independence of the Federal Reserve and whether economic data would be biased from the administration's influence. Although controlling each Fed governor would be an unlikely situation, policy decisions could result in reversing the flow of capital toward overseas investments if the longstanding theme of US exceptionalism is questioned. A weakening US dollar past its peak would lead to a period of outperformance for non-US equity developed markets. Mr. Gross commented on the volatility of GDP growth due to import purchases front-running the enactment of higher tariffs, as well as tariff impacts on higher inflation, but besides some negative externalities, tariffs can be viewed as simply a tax on consumption. US equity valuations are skewed upward from the substantial returns attributed to the Magnificent 7 technology stocks. The resulting index concentration and uncertainty of AI's future contribute to a highly challenging environment. Due to these risk factors, moving away from passive indexing toward active management might be prudent. The yield curve is expected to steepen as the short end settles in at 3% and the long end stays unchanged. Credit spreads are narrow and therefore investment grade credit is not as attractive based on long-term historical ranges, while returns are likely to decline in private credit where portfolio quality is beginning to show signs of stress.

III. INVESTMENT MANAGER PANEL – FIXED INCOME

Panelists included Clark Holland of Reams, Marc Seidner of PIMCO, and Vitaliy Liberman of DoubleLine.

CIO Jim Failor asked the panel about their expectations for Fed funds rate policy going forward. Mr. Holland noted that non-farm payroll data was indicating a slowdown, and CPI has also been downward trending although the effect of tariffs had yet to be reflected. Mr. Seidner felt the administration was causing market uncertainty, while Powell is one of the more dovish members. The jobs market is stuck in a no hire/no fire limbo, and the personal consumption expenditures (PCE) index is forecast to approach 2% by the end of next year. With data that is not inflationary, bonds are offering great diversification value. The starting point for valuation of fixed income is attractive because short-term interest rates will likely fall well below 3%. In addition, bringing down the mortgage spread should be a policy goal that would help the US consumer. Mr. Liberman disagreed with both panelists. He is critical of the Fed interfering with markets. Inflation was worse under Powell since he did not raise rates fast enough. Fed action should be the last resort if there is an actual dislocation, not if one is forecasted since we are generally bad at forecasting. The panelists all agree the labor market is weak, and the economy is slowing down. However, household wealth is high. The

Fed will ignite a credit war with lower rates, and then inflation will follow. The administration wants credit creation to reduce the deficit; the goal is to put the pieces in place to reduce government spending and increase consumer and corporate spending. Mr. Liberman believes Fed funds goes to 2% in year and half. Significant monetization of home equity is also possible. Half of mortgage-backed securities are trading at 80c, so 20% below par, meaning most mortgages are locked in at low rates.

The panelists were asked how capital flows into private credit has impacted the public market opportunities and their own strategies. Mr. Liberman noted the tight spread difference between public and private credits indicating a thin illiquidity premium. Dislocation usually happens when everyone is fully allocated. Mr. Holland was concerned as well that the sizeable flows and quality of deals pointed to a cycle in the later innings. The bankruptcy cases of First Brands and Tricolor could be hiccups or canaries in the coalmine. Issues of transparency arise when too much money is chasing too few deals. Mr. Seidner cautioned that default rates are under the control of the borrower through “amending and extending” deals. Therefore, credit selection skill is critical in this current environment.

On the topic of electronic fixed income trading, Mr. Seidner spoke of the improvements in efficiency, liquidity, and price transparency. Mr. Liberman said that ETFs will be the preferred structure in the future; market makers like Citadel have been able to see mispricings in pools of capital; and AI increases the opportunity set by generating alpha through algorithmic trading although not in the same manner as equity market trading. Mr. Holland added that there is still room to add value through tactical responses to investor emotions.

In response to a question on federal deficit spending on entitlements, Mr. Liberman believes the best solution is to orchestrate a recession and allow asset prices to fall and have consumers take over the debt creation. Mr. Seidner suggests, with high government debt loads, buying 2 year bonds not 30 year and investing globally, such as in Australia, since the US dollar will continue to depreciate.

IV. INVESTMENT MANAGER PANEL – EQUITIES

Panelists included Ken Burgess of Systematic and Kevin Johnson of Dodge & Cox. Investment Officer Mickey Nguyen moderated this panel and posed the seeding questions for the panelists. In response to a seeding question, the panelists addressed some of the stretched valuations in tech stocks such as the Magnificent 7 (Mag 7) and Artificial Intelligence (AI) stocks. To avoid “value trap” Dodge & Cox (D&C) noted that when a stock idea is championed there is an analyst or portfolio manager formally assigned to play the role of a devil’s advocate to challenge the idea. Both managers are value-oriented and they discussed how they are investing in the current market environment. Systematic commented on the

strong performance of growth over value and that this had made value stocks even more attractive today. He also stated that small caps were particularly attractive versus large cap on a valuation basis. The impact of tariffs were also discussed. It was noted that the environment was very fluid, that tariffs continued to be adjusted, and that the impact varied greatly depending on the industry and the particular company.

In response to a question about their considerations when voting proxies, Systematic stated that they start with the Glass Lewis standard policy but issues that garner their particular attention often relate to management stock options where they have seen abuses. They, like D&C, are focused on the long-term interests of shareholders and vote with that in mind. D&C noted that their firm starts with the ISS standard proxy policy but they sometimes differ with ISS on issues relating to corporate governance and management compensation. When asked about the source of the "best ideas", D&C noted that as a value-oriented manager they tend to look in the less popular sectors. They are underweight Technology and the Magnificent 7 though they do hold TSMC. They have been adding in Industrials and Health Care and selling or trimming in Banks and Communications. Systematic commented on their exposure to the AI supply chain and the technology upgrade cycle, which is long-in-the-tooth, with suppliers to the manufacturers of PCs, cars, and smart phones.

V. LEGISLATIVE UPDATE

Amy Brown, of Arc Strategies presented an update covering action in Sacramento over this legislative session including pension related bills on the Governor's desk, budget negotiations, legislative seats and assignments changing hands, redistricting, immigration and the Governor's race.

VI. INVESTMENT MANAGER PANEL – REAL ESTATE

Panelists included Jason Curran of JP Morgan and Husayn Hasan of UBS Realty. CIO Jim Failor asked the panelists to discuss the outlook for traditional office properties. Mr. Curran believes office has hit a trough and described a K-shaped recovery in which the top 40% of buildings practically have no vacancy, while 30% of buildings represent 90% of total vacancies. Office appreciation has been positive in SCERA's portfolio with JP Morgan. Mr. Hasan described the office landscape as still challenging but supply is better through conversions and demolition, seller capitulation, and better debt availability. Lending activity is improving; originations are up 80%. Challenges include a wave of pre-COVID leases which have yet to be renegotiated, and return-to-office policies are inconsistent.

Regarding the state of recovery of the San Francisco/Bay area real estate market, Mr. Curran commented on the strong rent growth they are seeing in SF multifamily that is leading the country and emphasized the importance of the right location in the right market makes all the

difference (ex. Sunnyvale). Mr. Hasan also noted a positive pick up in activity in SF and believed the city is on the rebound with a new mayor. Additionally, in regard to retail properties, Mr. Curran noted JP Morgan's Valley Fair Mall in San Jose is doing well, and retail overall has been the best performing sector for the past 3 years and may be a good lesson for how the Office sector recovery may play out.

The panelists discussed the relative value of private real estate given cap rate compression. Despite the lower spread over the 10 yr Treasury, real estate offers income growth and appreciation, the ability to pass on costs thereby maintaining purchasing power in inflationary periods, low correlation with other asset classes, and yields that are the best now than in past recovery cycles.

Each panelist reviewed alternative property types their funds are focused on, such as truck terminals, industrial outdoor storage, single family rental, manufactured and senior housing, self-storage. Mr. Curran discussed reasons why data centers are not considered attractive property types for Strategic Property Fund. JP Morgan is keen on low capex/operating expenditures so that more top line is flowing to the bottom line. That dynamic does not exist for data centers. Circular deal making is also raising caution flags. The sector's future is unknown and when leases expire, the space is not reusable. The technology itself will evolve and potentially not require as much capacity. UBS Realty has the same philosophy.

Regarding management of redemption queues, Mr. Hasan noted foreign capital is reengaging in the US, recessions are likely as real estate recovers, creative liquidity solutions (secondaries) are options, and asset sales. Mr. Curran stated that performance cures a lot of these issues by bringing in new capital and increasing recessions. What concerns the panelists? Mr. Curran is concerned about the possibility of stagflation, declining real interest rates combined with economic deterioration. Mr. Hasan worries about volatility and increased uncertainty.

VII. END OF DAY ONE

Thursday, October 9, 2025
9:30 a.m.

Presiding: Chair Travis Balzarini presided

Present: Trustees Neil Baker (Retiree Alternate), Chris Coursey, Amos Eaton, Greg Jahn, Erick Roeser, Mark Walsh, and Bob Williamson; Chief Executive Officer Julie Wyne; Assistant CEO/Chief Legal Counsel Cristina Hess; Chief Investment Officer Jim Failor; Investment Officer Mickey Nguyen; Finance and Retiree Services Manager Cheryl Enold; Department Analyst Michelle Johnson; Accountant III Bobbi Lovold; and Accountant II Stacy Vasquez.

Also Present: Chris Behrns, Ronak Chitnis, and Tim Pflugradt (of Aon); Thierry Vandal (of Axiom); Kevin Johnson (of Dodge and Cox); Christine Chun (of DoubleLine); Leigh Poggio (of Guggenheim); Tom Dobney (of IFM Investors); Erik Olsen (of Jacobs Levy); Jason Curran and Tom Klugherz (of JP Morgan); Felix Boyeaux and Vance Serchuk (of KKR); Ken Burgess and Steve Shaw (of Systematic); Nick Klein (of Sonoma County Administrator's Office); Husayn Hasan and Erik Roget (of USB); Andre Bercut (of Sonoma County Association of Retired Employees); and David Wallace (interested member of the public).

Absent: Trustees Jared Gonce and Joe Tambe

VIII. INVESTMENT MANAGER PANEL – FARMLAND

Panelists included Erik Roget of UBS AgriVest and Jeff Zweig of Fiera Comox.

CIO Jim Failor asked the panel to evaluate the impact of tariffs and deglobalization on the agriculture market. Mr. Roget responded that soybean farmers in particular have been hit hard by China's decision to stop purchasing US soybeans. Tariffs have been commodity specific, and so California specialty crop producers are nervous, even though federal support payments are helpful to some degree. Mr. Zweig added that export-focused US farmers are the most impacted. Fiera Comox has a global presence, so some markets will have an inverse impact versus others. Agricultural inputs are also affected by tariffs. Fiera Comox is not a net exporter and also not importing anything from outside the US. Therefore, they are seeing a positive impact on a net basis. Globalization within the portfolio for diversification is the most important characteristic to mitigate these risks.

Regarding labor costs, Mr. Zweig commented on the serious decline in labor availability globally, driven in part by generational preference, and causing dramatically rising

costs. Counteracting this effect is the increase in productivity that plays to the advantage of the institutional investor who has scale and can employ a large balance sheet. Fiera Comox is working to build a cadre of partners with benefits, training and stability to attract the best talent. Mr. Roget concurred and noted the higher minimum wage in California combined with regulations for hours worked. Grapes/tree fruits have higher labor costs versus the mechanization cost of almond picking. H2A foreign labor is increasingly relied upon and is expensive due to housing and transportation requirements. Adoption of technology solutions such as precision application of fertilizer is key to balancing operational costs.

Turning to the role of technology to enhance efficiencies and investment returns, Mr. Zweig reviewed how Fiera Comox employs various advanced technologies and constantly surveils, trials and disseminates these systems. Examples include autonomous fertilizer spreader (swarm bots) that operate 24 hrs/day and can dock and refuel; boom sprayers replaced with camera sprayers that can variably apply herbicide with optical sensors; soil mapping for drainage, pests. Crop selection of biological traits that optimize for both yield and quality are also a key component of AgTech benefits. Mr. Roget highlighted drone use for precision versus aerial application by crop dusters and autonomous tractors.

CIO Failor asked about shifting consumer demand for major crop types. Mr. Roget described increasing consumer demand for tree nuts, while fruit consumption has declined. Mr. Zweig noted different trends from global markets, such as significant fruit demand coming from Asia due to rising income and healthier diets. Consumer tastes shift but changes happen slowly. Plum cherries have been incredibly lucrative, as an example of a crop with strong market demand. Retailers can sometimes drive demand as well (asking for yellow apples to improve display of red apples). Mr. Roget talked about the changing demand for wine as younger generations consume less. Appraisal values have softened for vineyards, and some are now pulling wine grapes but uncertain as to what to plant.

Lastly, the panelists commented on "Organic vs GMO." The line is beginning to blur because of biologics and the method for controlling weeds. The bottom line is does it make sense economically; balancing the tradeoff for resiliency is part of farmland management. UBS is agnostic on the matter. If lease tenants can make money, that's their choice to make. There is a risk underwriting to an organic premium because an unexpected pest problem can force a transition to a non-organic conventional product. Fiera Comox has been selectively breeding for traits that flow to the consumer, such as almonds that can be grown with less water.

IX. GEOPOLITICAL OUTLOOK

Presented by Vance Serchuk of the KKR Global Institute.

Mr. Serchuk commented that we have moved from an era of benign globalization to a new era of hyper-competitive geopolitics. As a result, greater scrutiny, regulations, and restrictions are being applied to the movement of capital, goods, technology, and data across borders. Geopolitics is driving economics and technology policy and we are seeing “The Weaponization of Everything”, meaning that a wide swath of private commercial activity is in the crosshairs of national security. Governments and businesses are rediscovering that we still live in a physical world, and the digital world is downstream of that. He went on to explain what precipitated these developments, the growing adversarial relationship between the US and China over recent years, and the current Administration’s “Art of the Deal” approach to diplomacy. The trend toward de-globalization was reviewed but it was noted that fully decoupling from China could not be accomplished briskly because of their deep integration with the global economy. In his view, the urgent priority in this regard is de-risking. Mr. Serchuk stated that large amounts of capital will need to be invested over many years to reduce this dependency risk. He also commented that Europe was going to have to spend significantly more on its own security. Mr. Serchuk’s conclusion was both serious but optimistic. He commented that geopolitics and great power competition, like that between the US and China, can be very dangerous but in the past it has also delivered great advances such as the interstate highway system and the US space program.

X. INVESTMENT MANAGER PANEL – INFRASTRUCTURE

Panelists included Thierry Vandal of Axium, Tim Dobney of IFM, and Felix Boyeaux of KKR.

Investment Officer Mickey Nguyen moderated this panel and asked the seeding questions of the panelists. In response to questions from Ms. Nguyen, the panelists addressed the rollout of AI and cloud services and its impact on data centers and power generation. KKR has a significant thematic investment in AI and AI Adjacent investments involving long-term contracts with hyperscalers for data center service and adjacent power generation. IFM discussed the different segments of the data center market and noted that they are investing in providing adjacent power with long-term contracts while Axium is not investing in data centers or adjacent power generation at this time. They also addressed the impact of the phase-out of the Inflation Reduction Act incentives and the hostility of the current Administration to the “energy transition”. Generally, the comments noted that existing investments were safe but that new investments in the energy transition will likely diminish as tax credits expire. They also discussed the capital flows into Infrastructure, the size of the opportunity set, and the impact on pricing and liquidity. It was noted that there is a large amount of capital flowing into Infrastructure but there is also a need for significant capital as

governments are overindebted and are increasingly relying on private capital for infrastructure investment. Broadly, they view the market as “in balance”.

Deglobalization and increased protectionism and its impact on infrastructure opportunities was discussed next. It was stressed that this will eliminate some opportunities but also create new ones and that diversification is important to protect against the impact of changing regulation. The impact of rising interest rates and its impact on investment returns was also discussed. Comment was made that out of 2024 we saw base rates rise 2.5%-3.0% and this had resulted in fewer transactions over the short-term. However, there are many assets that pass-through inflation and the cost of financing and that this provides a natural hedge. KKR discussed their “Sweat the Equity” strategy which is required to maintain attractiveness in a more capital-constrained environment. In response to a trustee question, Axiom noted that long-term care centers in Canada, which they invest in, are regulated and that asset owners are generally protected by Provincial law unless gross negligence can be proven. Generally, the operators, and not the asset owners, are more exposed to the risk of tenant claims

XI. EDUCATIONAL FORUM WRAP-UP

Chair Travis Balzarini and CEO Julie Wyne thanked the attendees for their participation and the staff for their efforts in making the Educational Forum a success.

XII. ADJOURNMENT

The meeting was adjourned at 2:30 pm.

XIII. APPROVAL

The above minutes for the Educational Forum on October 8 and 9, 2025, were approved at the Retirement Board meeting on December 18, 2025.

TRAVIS BALZARINI, CHAIR