

Semi-Annual Investment Performance Summary

PERFORMANCE PULSE

June 2024



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INTRODUCTION

The Performance Pulse is a semi-annual summary of SamCERA's investment performance answering key questions to explain the performance of the fund, where the fund was invested and any significant updates or changes.

THE KEY QUESTIONS

1

How Did We Do?

Learn about SamCERA's total fund performance and how it compares to the policy benchmark.

2

Where Did We Invest?

Discover where the fund was invested. Compare the market value and allocation percentages for the current period and the prior period.

3

What Did We Do?

Explore details about updates to policies and any changes to the fund that occurred during the current period.

HOW DID WE DO?

Table One shows SamCERA's total fund performance over various trailing time periods. As seen in the table, the portfolio returned 9.2% net of investment manager fees for the fiscal year ended June 30, 2024, underperforming SamCERA's policy benchmark return of 11.7% by 2.5%. This fiscal-year performance resulted in below median performance relative to SamCERA's peers, as defined by large (greater than \$1 billion in assets) public plans.

TABLE ONE: SAMCERA TOTAL FUND NET PERFORMANCE CHARACTERISTICS
ENDING JUNE 30, 2024

	1 Year	3 Years	5 Years	10 Years
SamCERA Return	9.2%	3.2%	6.4%	6.1%
Benchmark Return	11.7%	4.4%	7.4%	6.7%
Excess Return	(2.5%)	(1.2%)	(1.0%)	(0.6%)
Peer Rank Return (Percentile)	59th	47th	79th	66th
SamCERA Risk (Std Dev)	6.3	7.4	8.4	7.5
Benchmark Risk (Std Dev)	6.9	8.6	9.0	7.9
Peer Median Risk (Std Dev)	7.9	9.0	10.1	8.3
SamCERA Sharpe Ratio	0.6	0.1	0.5	0.6
Benchmark Sharpe Ratio	0.9	0.2	0.6	0.7
Peer Median Sharpe Ratio	0.6	0.1	0.5	0.6

RETURN/RISK MEASURE

SamCERA also looks at “risk-adjusted” returns to compare how much return was received given the risk (measured by standard deviation of returns) taken to achieve that return. This is typically measured by the Sharpe Ratio. The higher the ratio, the better, as it measures the return provided per unit of risk taken. For example, if a fund has a lower return than the benchmark but also a much lower risk level (as measured by standard deviation of returns), it may result in a higher risk-adjusted outcome. Conversely, if a fund has a higher return but also takes higher than commensurate risk than the benchmark, then its risk-adjusted return may be lower than that of the benchmark.

SamCERA’s portfolio had lower returns than its policy benchmark over all historical periods. However, consistent with its risk-based approach, SamCERA’s portfolio also exhibited lower risk levels to its policy benchmark (and the median plan) over all historical periods. Taken together, the more significant underperformance over the past year impacted longer-term periods and resulted in lower risk-adjusted returns over all periods, while relative to the median plan, the portfolio matched the risk-adjusted returns over all periods.

Table Two shows performance for each of SamCERA’s four primary composites. All four composites had positive returns for the fiscal year. Growth was the best performing composite and returned 13.6%, while Inflation Hedge returned 0.9% and was the lowest returning composite. Liquidity returned 5.6%, while Diversifying returned 4.2%.

Three of the composites had positive relative returns compared to their respective benchmark, with Inflation Hedge outperforming by 3.4% (even though it was our lowest returning composite on an absolute basis). Liquidity and Diversifying both outperformed by 0.6%, while Growth underperformed by 5.9%.

TABLE TWO: SAMCERA COMPOSITE NET PERFORMANCE FOR TRAILING YEAR
ENDING JUNE 30, 2024

Composite	Composite Return	Benchmark Return	Excess Return
Growth	13.6%	19.5%	-5.9%
Diversifying	4.2%	3.6%	0.6%
Inflation Hedge	0.9%	-2.5%	3.4%
Liquidity	5.6%	5.0%	0.6%

WHERE DID WE INVEST?

In this section we show where the fund is invested, displaying both the market value and resulting allocation percentages for the current period end as well as six months ago. The allocation percentages include exposures from SamCERA's cash overlay program. Table Three shows that SamCERA's total market value was \$6.474 billion as of June 30, 2024, an increase of \$284.4 million from December 31, 2023. The portfolio changes shown below are primarily the result of market movements, in particular very strong U.S. equity returns compared to other asset classes.

TABLE THREE: SAMCERA ASSET ALLOCATION COMPARISON

	6/30/2024		12/31/2023		Change in %
	Market Value (\$m)	Allocation (%)	Market Value (\$m)	Allocation (%)	
Growth	3,903.6	60.3	3,658.2	59.1	+1.2
Diversifying	1,175.0	18.2	1,134.0	18.3	-0.1
Inflation Hedge	1,048.5	16.2	1,005.0	16.2	0.0
Liquidity	346.4	5.3	391.9	6.4	-1.1
Total	6,473.5		6,189.1		

WHAT DID WE DO?

In the growth category, we continued building out and further diversifying our opportunistic credit portfolio. We added a new \$60 million dedicated emerging market debt strategy, funded via a combination of rebalancing from other opportunistic credit managers (\$20 million) and the balance from cash (\$40 million).

Within the diversifying category, we restructured and downsized our absolute return portfolio. One of the strategies in the portfolio closed and returned money to investors. We took the opportunity to reallocate a portion of the proceeds to the remaining three strategies within absolute return, and the remainder going into defensive fixed income (also within diversifying). The net result is we are slightly overweight to defensive fixed income and underweight to absolute return.

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