SFERS
San Francisco Employees' Retirement System

San Francisco City and County
Employees' Retirement System

Office of the
Chief Executive Officer & Chief Investment Officer

RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of February 14, 2024

To: Retirement Board

From: Alison Romano
CEO & CIO

Date: February 14, 2024

Agenda Item: Chief Investment Officer's Report

Recommendation:
This is a discussion item only.

Background:
Alison Romano, Chief Executive Officer and Chief Investment Officer, will report on the following items:

Performance and Market Update and Plan Value
Update on Closed Investments

Attachments for Informational Purposes:

- Exhibit 1: Performance and Market Update
- Exhibit 2: Plan Value Report
- Exhibit 3: Update on Closed Investments

Exhibit 1: Performance and Market Update

February 14, 2024

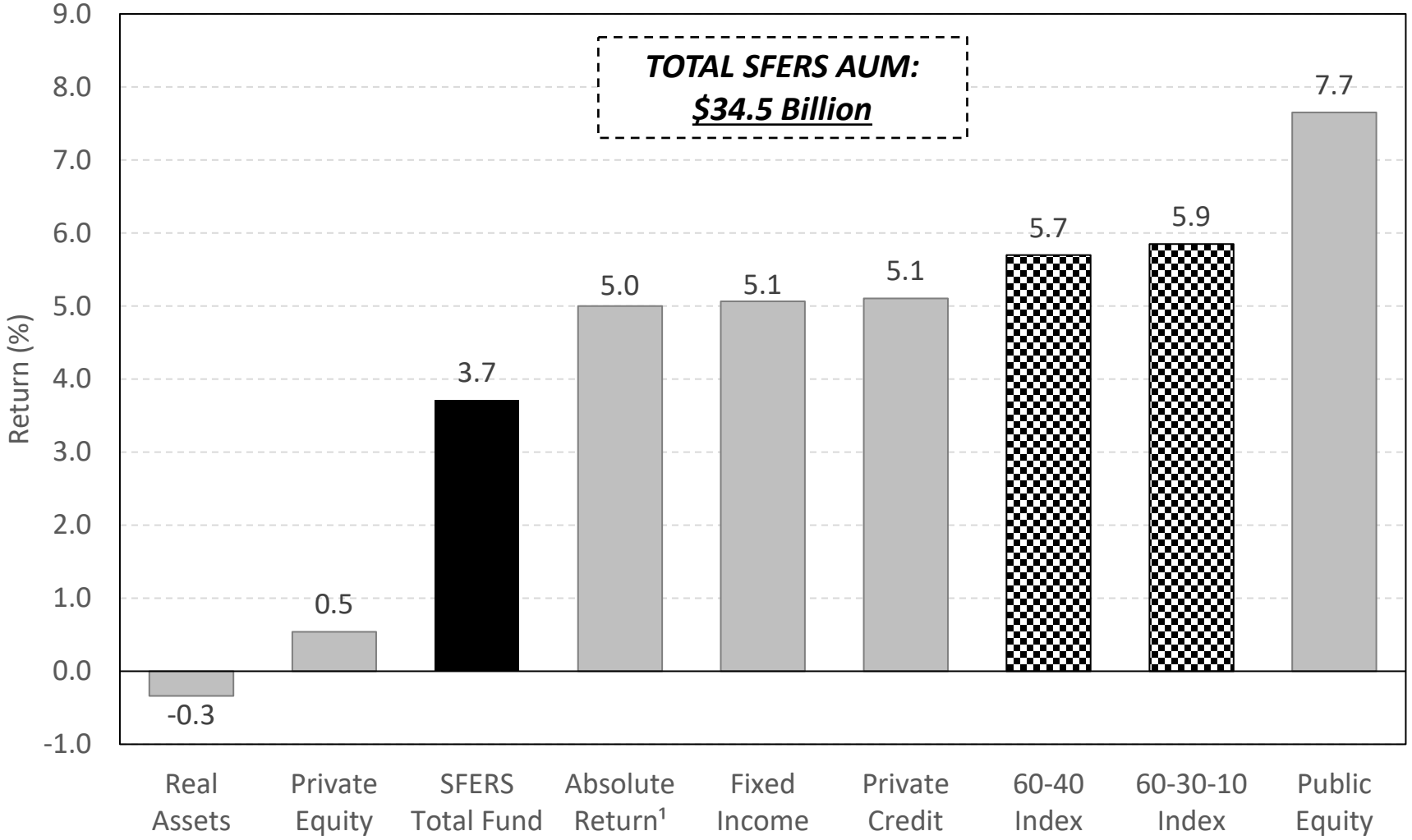
Summary

- On a preliminary basis, the SFERS Total Plan returned +0.3% in the month of January. Public Equity (+0.6%) was the strongest performing asset class, followed by Fixed Income (+0.2%). Real Assets (-0.3%), Private Credit (-0.1%), and Private Equity (-0.0%) were slightly down for the month. Absolute Return[1] was up +0.6% in December.
- For the seven months of the current fiscal year, Public Equity has been the best performing asset class with a return of +7.7%. Private Credit (+5.1%), Fixed Income (+5.1%), Absolute Return[1] (+5.0%) and Private Equity (+0.5%) are positive for the fiscal year to date, while Real Assets (-0.3%) is slightly down.

Notes: Preliminary data sourced from SFERS Plan Value Report.
[1]Absolute Return performance is lagged by one month.

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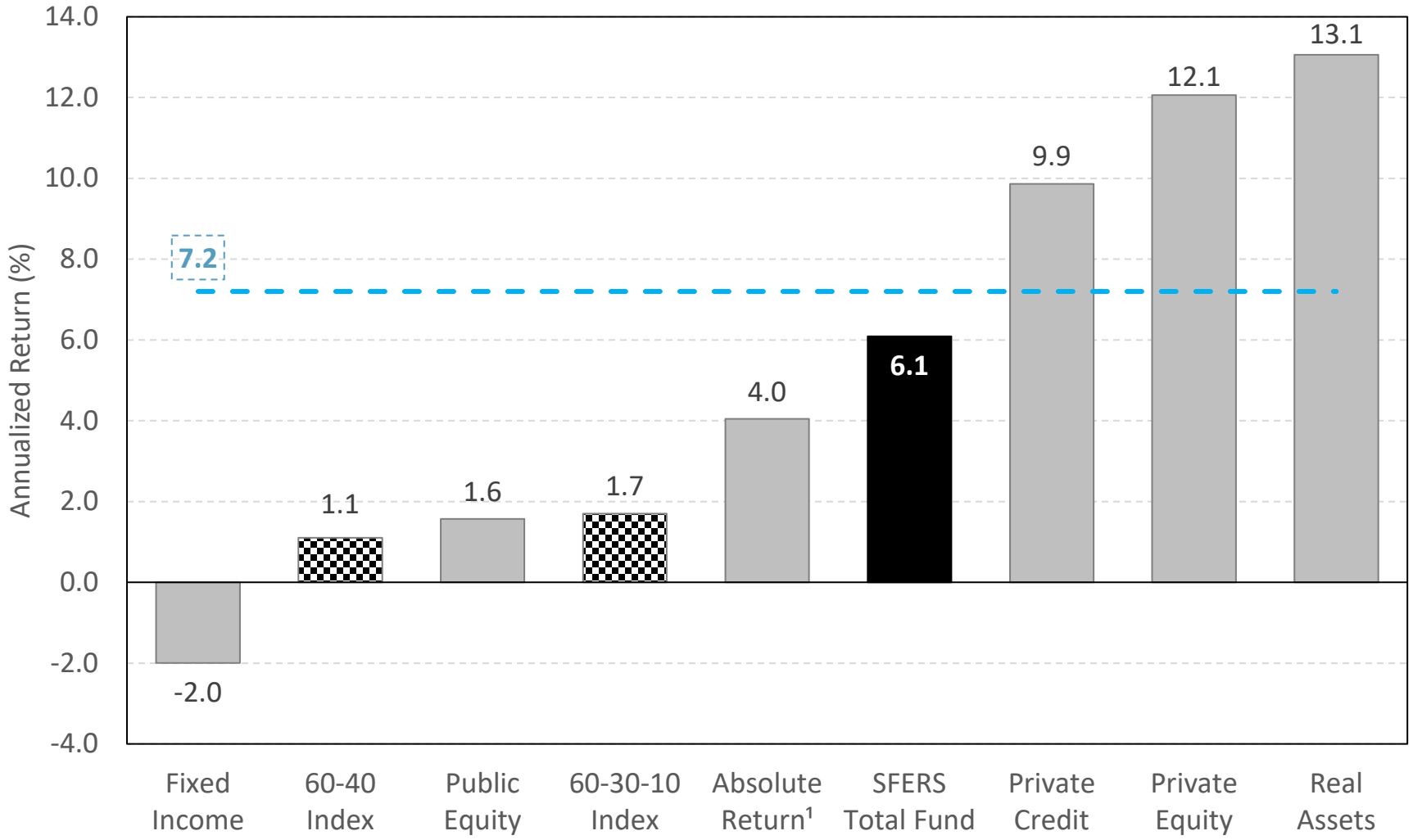
Estimated FYTD Performance



Notes: Preliminary data sourced from SFERS Plan Value Report, through January 31, 2024.
[1] Absolute Return performance is lagged by one month.
60-40 and 60-30-10 indices comprise of the MSCI ACWI IMI (ND), Bloomberg Global Aggregate and FTSE EPRA/NAREIT Global.

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Estimated Annualized 3 Year Performance



Notes: Preliminary data sourced from SFERS Plan Value Report, through January 31, 2024.

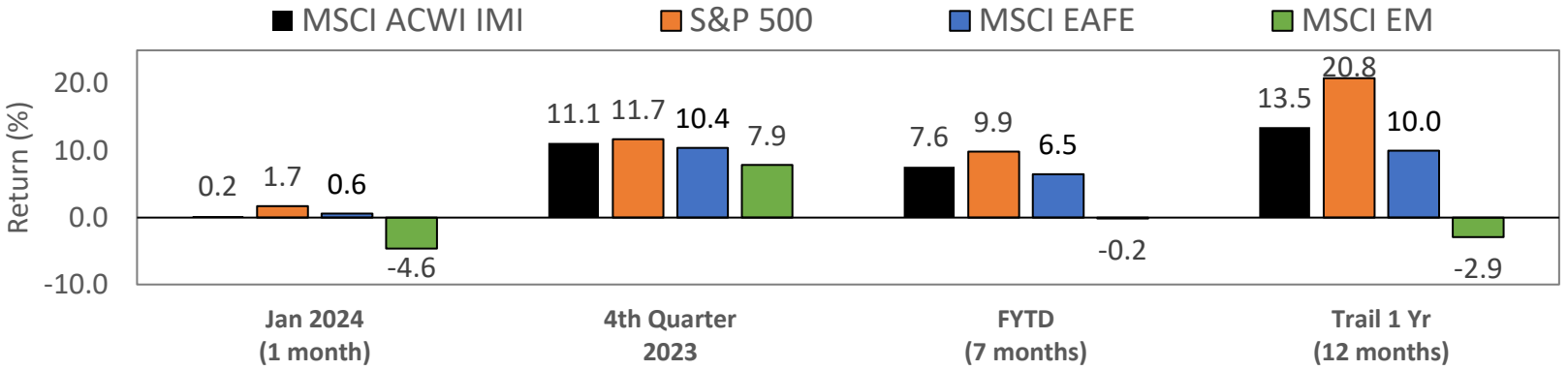
[1] Absolute Return performance is lagged by one month.

60-40 and 60-30-10 indices comprise of the MSCI ACWI IMI (ND), Bloomberg Global Aggregate and FTSE EPRA/NAREIT Global.

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Public Equity

- **Geography:** Following a strong fourth quarter, public equity markets had a mixed January. U.S. equities led the way (+1.7%), followed by non-U.S. developed equities (+0.6%), while emerging market equities fell (-4.6%).



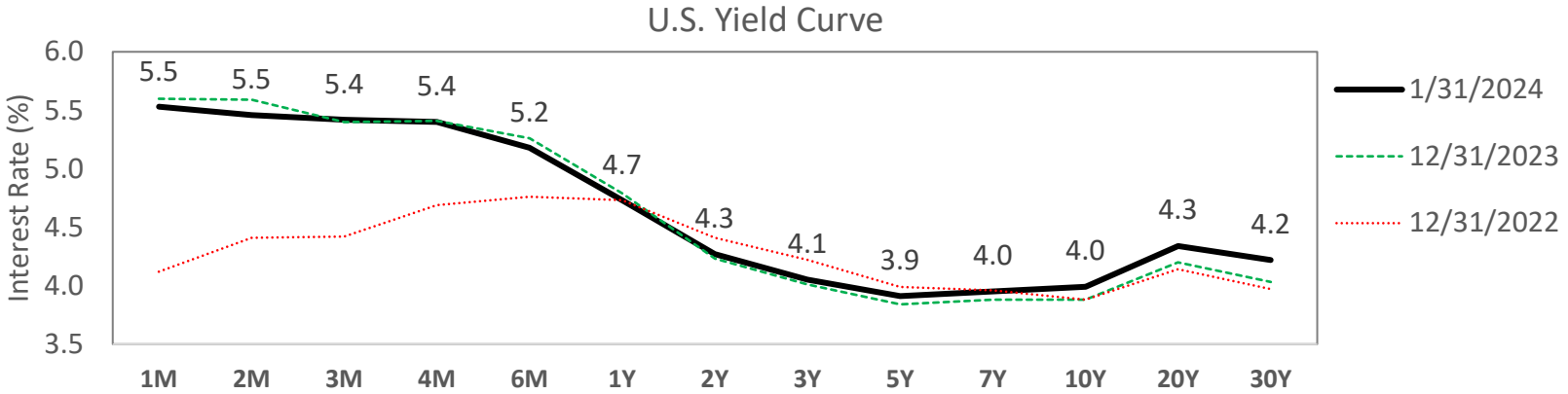
- **Sector:** The best performing sectors in January were Telecommunication Services (+5.0%) and Information Technology (+3.9%). Real Estate (-4.7%) and Materials (-3.9%) were the worst performing sectors for the month.
- **Style:** Across U.S. markets, growth (+2.9%) outperformed value (+0.3%) for the month of January.
- **Size:** From a size perspective, large caps (+1.4%) outperformed small caps (-3.9%) in January.

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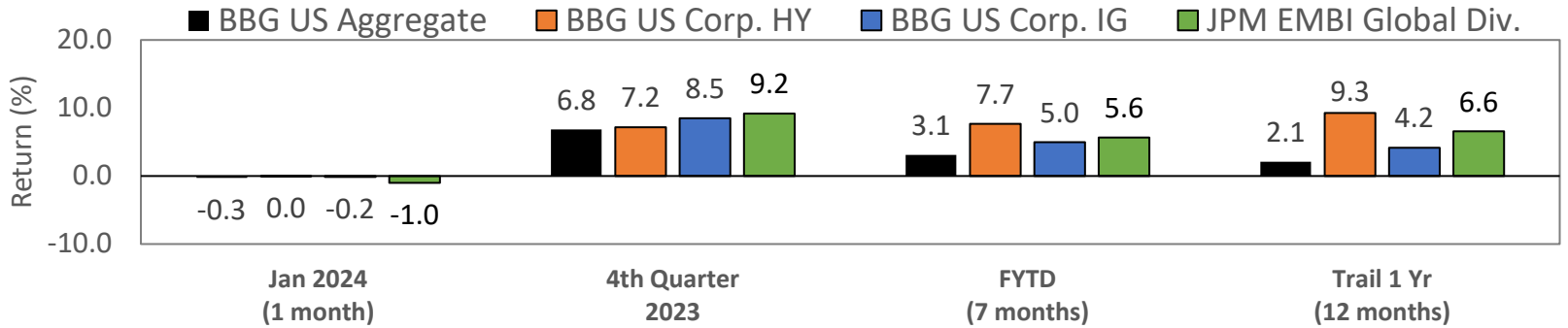
Notes: Returns sourced from eVestment. Underlying sources are MSCI, S&P and Russell. Performance is reported on a total return basis through January 31, 2024. Sector and Size performance metrics refer to large cap U.S. markets (S&P 500 and Russell 1000) unless specified.

Fixed Income

- **Rates:** As of the end of January, the yield curve remained inverted, close to the levels seen at the end of 2023. The Fed did not lower rates at the January 31st FOMC meeting, seeking greater confidence that inflation is on a downward trajectory.



- **Credit:** Credit index returns for January ranged from flat (high yield) to -1.0% (emerging market debt). For the 7 months of the fiscal year, interest rate sensitive indices like the US Aggregate (+3.1%) and US Investment Grade (+5.0%) have underperformed the high yield index (+7.7%)



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Notes: Returns sourced from eVestment. Underlying sources are Bloomberg and JP Morgan. Performance is reported on a total return basis through January 31, 2024. Yield curve data sourced from https://home.treasury.gov.

Liquid Real Assets

- Multiple listed real asset markets were down in January with the Wilshire Global Real Estate Securities Index℠ returning -3.78% and the FTSE Global Core Infrastructure Index down -2.42%.
- Commodities, as measured by the Bloomberg Commodity Index, were up 0.40% in January.

Notes: Sourced from Wilshire's Monthly Market Commentary – January 2024. Underlying sources are Wilshire, FTSE and Bloomberg.

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Exhibit 2: Plan Value Report

San Francisco City and County
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RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of February 14, 2024

To: Retirement Board

Through: Alison Romano
CEO & CIO

From: Kevin Cao
Investment Officer

Date: February 14, 2024

Re: Plan Value Report

Best available data as of January 31, 2024

	Value[1,3] (000)	Weight (%)	MTD (%)	QTD (%)	CYTD (%)	FYTD (%)
SFERS TOTAL FUND	**34,518,480**	**100.0**	**0.26**	**0.26**	**0.26**	**3.72**
Public Equity	10,691,821	31.0	0.60	0.60	0.60	7.65
Private Equity	10,038,412	29.1	(0.02)	(0.02)	(0.02)	0.54
GROWTH ASSETS	**20,730,232**	**60.1**				
Real Assets	5,261,991	15.2	(0.27)	(0.27)	(0.27)	(0.34)
Absolute Return[2]	3,013,964	8.7	1.25	2.78	7.72	5.00
DIVERSIFYING ASSETS	**8,275,955**	**24.0**				
Private Credit	2,947,888	8.5	(0.07)	(0.07)	(0.07)	5.11
Fixed Income	1,877,845	5.4	0.22	0.22	0.22	5.06
INCOME GENERATING ASSETS	**4,825,733**	**14.0**				
NET CASH EXPOSURE[3]	**686,560**	**2.0**	---	---	---	---
LEVERAGE OFFSET[3]	**0**	**0.0**	---	---	---	---

[1] Valuations are preliminary and are reported gross of fees. The reported returns and market values are based on prior month-end values that have been audited and adjusted by SFERS' Custody Bank since the last report. For non-daily priced public fund vehicles, returns and market values may include estimates or be proxied using benchmarks. For private equity, private credit and real assets, returns and market values are based on the most currently available manager data.

[2] Absolute Return market value and return are lagged by one month.

[3] Values reflect net exposures, not necessarily physical holdings.

SFERS - Asset Allocation Summary Report

As of January 31, 2024

	12/31/2023	Value In	Value Out	MV Δ[1]	1/31/2024	Current	LT Target	Range	Unfunded
	---------- ($ Mn) ----------					----- Weight (%) -----			($ Mn)
GROWTH ASSETS	**21,001.5**	**58.2**	**393.2**	**63.8**	**20,730.2**	**60.1**	**60.0**	**45 - 75**	**3,547.8**
Public Equity	*10,994.7*	*0.1*	368.7	65.7	10,691.8	31.0	37.0	25 - 50	
Physical	*10,994.7*	*0.1*	368.7	65.7	10,691.8	31.0			
Private Equity	*10,006.8*	58.1	24.5	(2.0)	10,038.4	29.1	23.0	15 - 30	3,547.8[3]
DIVERSIFYING ASSETS	**8,401.0**	**26.4**	**174.6**	**23.1**	**8,276.0**	**24.0**	**20.0**	**15 - 30**	**1,783.2**
Real Assets	*5,281.7*	26.4	32.1	(14.0)	5,262.0	15.2	10.0	8 - 15	1,781.8[3]
Absolute Return	*3,119.3*	0.0	142.5	37.2	3,014.0	8.7	10.0	5 - 15	1.4
INCOME ASSETS	**4,053.3**	**41.3**	**21.2**	**0.6**	**4,073.9**	**11.8**	**15.0**	**5 - 25**	**2,150.2**
Liquid Credit	*1,123.3*	0.0	0.0	2.7	*1,126.0*	3.3	5.0	0 - 10	
Private Credit	*2,930.0*	41.3	21.2	(2.1)	2,947.9	8.5	10.0	3 - 15	2,150.2[3]
CAPITAL PRESERVATION	**750.4**	**0.0**	**0.0**	**1.4**	**751.8**	**2.2**	**8.0**	**3 - 12**	**0.0**
Treasuries[2]	*750.4*	0.0	0.0	1.4	*751.8*	2.2	8.0	3 - 12	
Physical	*750.4*	*0.0*	*0.0*	*1.4*	*751.8*	*2.2*			
CASH[2]	361.1	828.1	503.9	0.0	686.6	2.0	0.0	0 - 5	
LEVERAGE OFFSET[2]	0.0	---	0.0	---	0.0	0.0	3.0	0 - 5	
Gross Synthetic Exposure	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*			
Investment Cash	*100.4*	*589.1*	*364.9*	*0.0*	*324.6*	*0.9*			
Short-term Treasury	*259.9*	*100.0*	*0.0*	*1.2*	*361.1*	*1.0*			
Dedicated Cash	*0.9*	*139.0*	*139.0*	*0.0*	*0.9*	*0.0*			
Credit Facility	*0.0*	*0.0*	*0.0*	---	*0.0*	*0.0*			
TOTAL PORTFOLIO	**34,567.4**	**0.0**	**139.0**	**88.9**	**34,518.5**	**100.0**	**103.0**	**100 - 105**	**7,481.3**

Notes: Target allocations and ranges were approved by the Board in January 2023.

[1] For non-daily priced vehicles, performance may include estimates or be proxied using benchmark performance.

[2] Values reflect net exposures, not necessarily physical holdings.

[3] Unfunded commitment estimates for private markets are provided by Burgiss as of the current month end and include only active funds.

San Francisco City and County Employees' Retirement System

Cash Activities and Projections

As of January 31, 2024

Investment Cash Account (In $ Million)	
Beginning Balance as of December 1, 2023	**100.4**
Cash from Credit Line	0.0
Return to Credit Line	0.0
Cash Collateral	0.0
Public Equity Net Flows	368.6
Public Equity Synthetic Net Flows	0.0
Private Equity Net Flows	-33.6
Real Assets Net Flows	5.7
Absolute Return Net Flows	142.5
Liquid Credit Net Flows	0.0
Private Credit Net Flows	-20.0
Treasuries Net Flows	0.0
Short-term Treasury Net Flows	-100.0
Funds to Dedicated Cash	-139.0
Ending Balance as of December 31, 2023	**324.6**

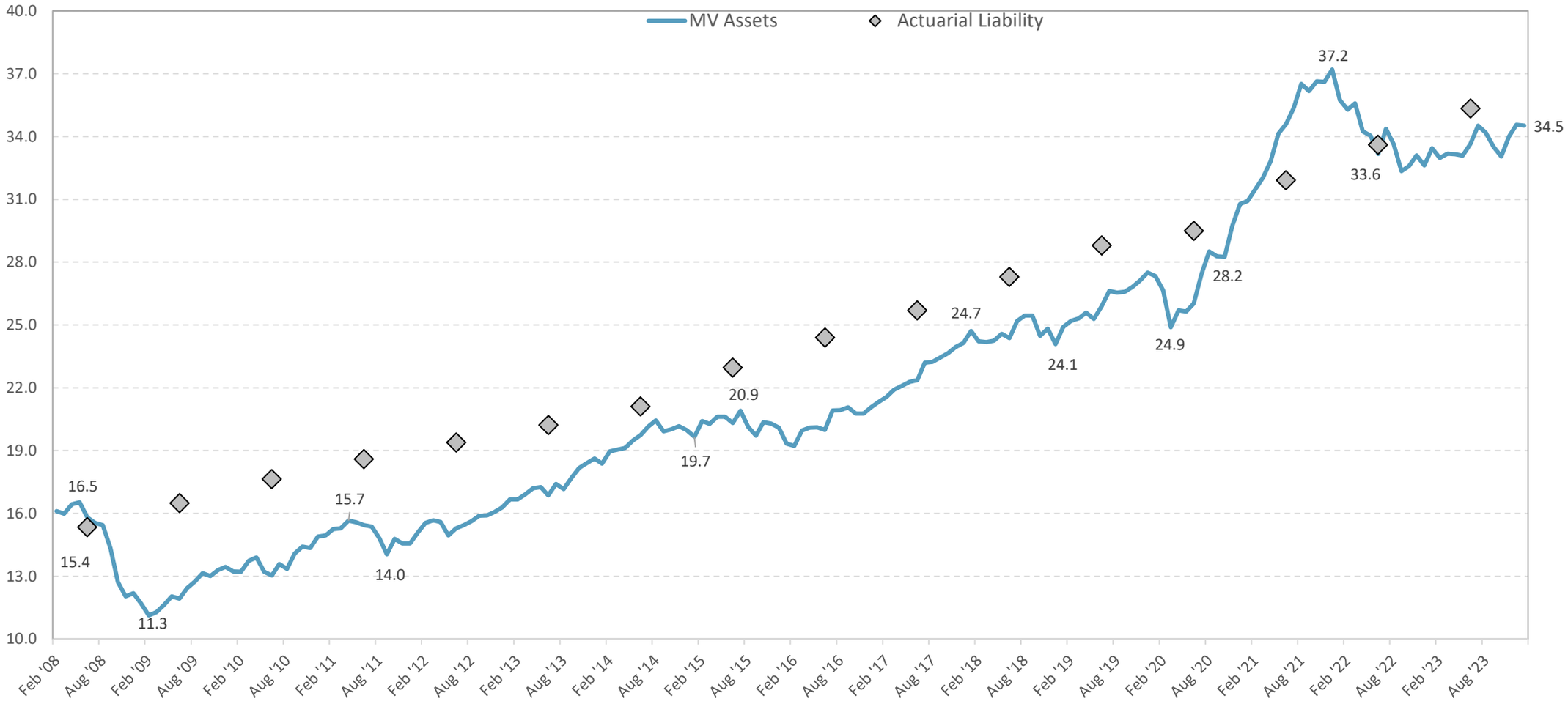
Credit Line	
Total Credit Available	600.0
Net Credit Drawn from BNY Mellon's Cash Release	0.0
Period of Credit Utilization	N/A
Annualized Cost of Credit (basis points)	N/A
Cost of Credit ($)	N/A
Ending Balance of Credit Drawn as of December 31, 2023	**0.0**

All Cash (In $ Million)[1]	
Beginning Balance as of December 1, 2023	**101.2**
Benefit Payment for December 2023	-139.0
Investment Cash Flows	463.2
Short-term Treasury	-100.0
Cash from Credit Line	0.0
Return to Credit Line	0.0
Ending Balance as of December 31, 2023	**325.5**

Note: Positive sign denotes an inflow into the cash account and a negative sign denotes an outflow from the cash account.

[1]All Cash comprises Investment and Dedicated cash accounts.

SFERS - Monthly Assets



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Notes: Data from January 31, 2008 through December 30, 2023. Total Plan market values through December 2022 are provided by NEPC. Data from January 2023 to June 2023 is provided by BNY Mellon. Data starting July 2023 is provided by BNY Mellon and should be considered preliminary.

Exhibit 3: Update on Approved Investments

CLOSED INVESTMENTS

Torus Feeder 2 LP

Under its delegated authority, SFERS invested $25 million in Torus Feeder 2 LP by San Francisco Absolute Return Investors II, LP ("SFARI II"). The investment closed on January 1, 2024.

The investment is an additional investment to an existing fund classified as Quantitative within SFERS' absolute return portfolio share class B of SFARI II.

More information about the firm is available at: https://www.qube-rt.com/

SDC Digital Infrastructure Opportunity Fund IV, L.P.

Under its delegated authority, SFERS invested $60 million in SDC Digital Infrastructure Opportunity Fund IV, L.P., which closed on January 11, 2024. This investment is classified as an Infrastructure investment within the Real Assets portfolio and is SFERS' second investment with SDC Capital Partners.

More information about the firm is available at www.sdccapitalpartners.com.

Milestone Real Estate Investors VI, LP

Under its delegated authority, SFERS invested $70 million in Milestone Real Estate Investors VI, LP, which closed on January 16, 2024. This investment is classified as a Real Estate investment within the Real Assets portfolio and is SFERS' second investment with The Milestone Group.

More information about the firm is available at https://www.milestonegp.com.

Institutional Venture Partners XVIII, L.P.

At its meeting on January 19, 2023, the Retirement Board approved in closed session an investment of up to $75 million to Institutional Venture Partners XVIII, L.P. The investments were approved by the following vote:

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, Safaí, Thomas
Nays: None
Absent: Commissioner Stansbury

SFERS committed $50 million on February 3, 2023, and this was disclosed at the Board meeting on February 16, 2023. On January 31, 2024, SFERS closed on an additional $15 million, bringing the total commitment to $65 million.

This investment will be classified as Venture Capital within SFERS' Private Equity portfolio.

More information about Institutional Venture Partners is available at https://www.ivp.com.