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 MEETING CALENDAR SHEET
June 12, 2024

To: Retirement Board

From: Alison Romano
CEO & CIO

Date: June 12, 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

June 12, 2024

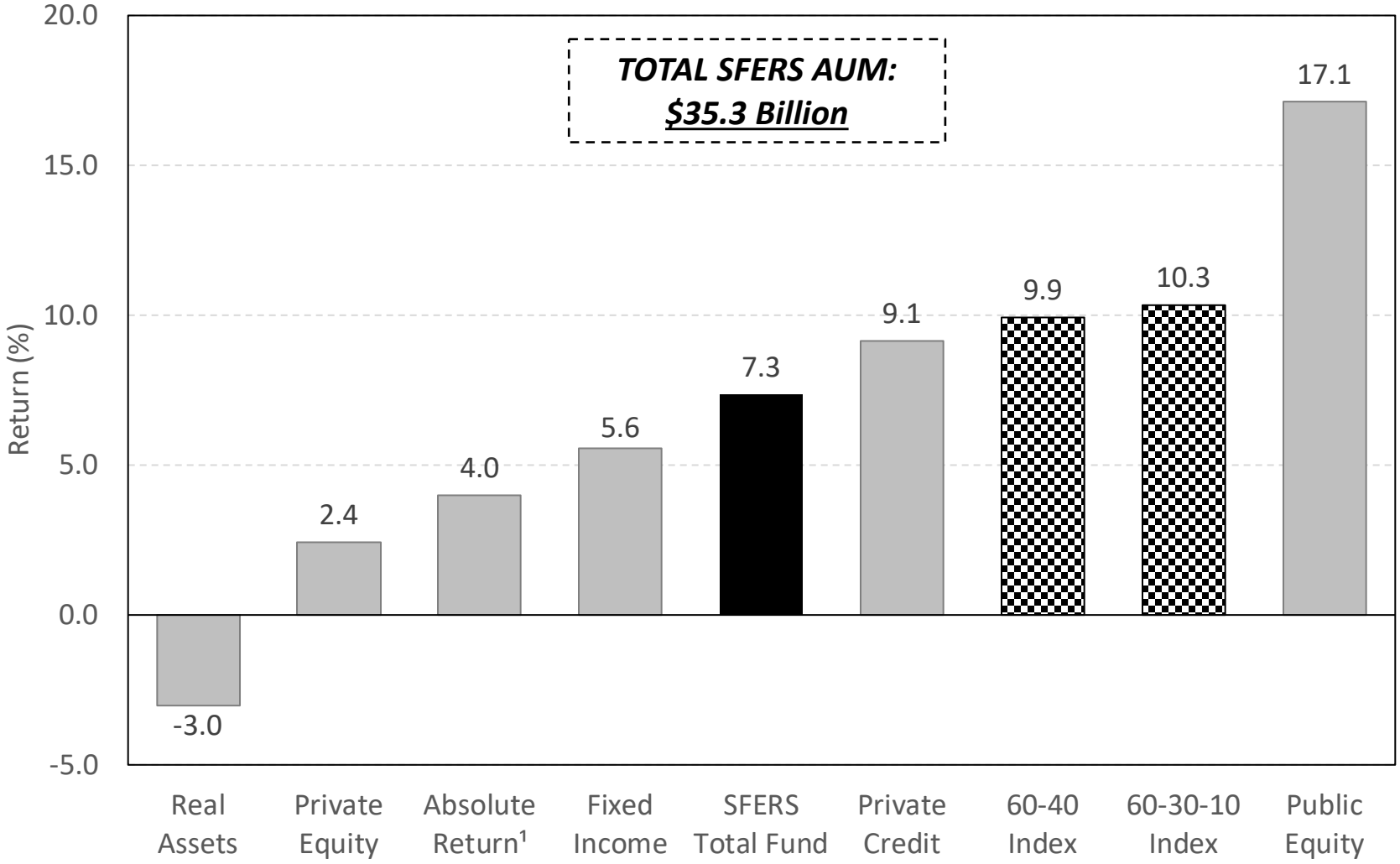
Summary

- On a preliminary basis, the SFERS Total Plan returned +1.5% in the month of May. Public Equity (+3.6%) was the strongest performer followed by Fixed Income (+1.2%), Private Credit (+1.0%), Private Equity (+0.7%) and Real Assets (+0.3%). Absolute Return[1] was up +0.4% in April.
- For the current fiscal year, Public Equity (+17.1%) has been the highest returning asset class. Private Credit (+9.1%), Fixed Income (+5.6%), Absolute Return[1] (+4.0%), and Private Equity (+2.4%) are positive for the fiscal year to date, while Real Assets (-3.0%) is down.

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

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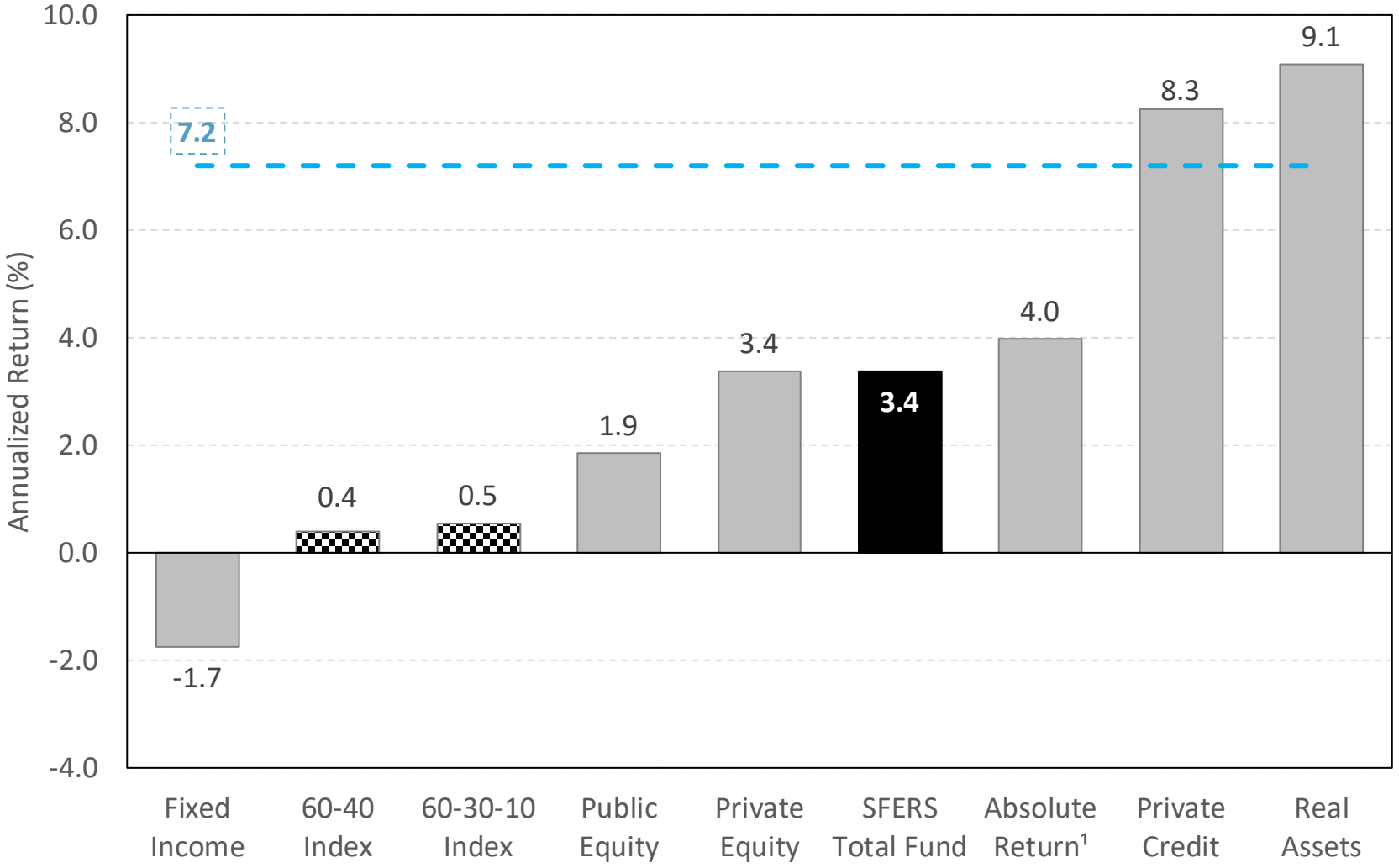
Estimated FYTD Performance



Notes: Preliminary data sourced from SFERS Plan Value Report, through May 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

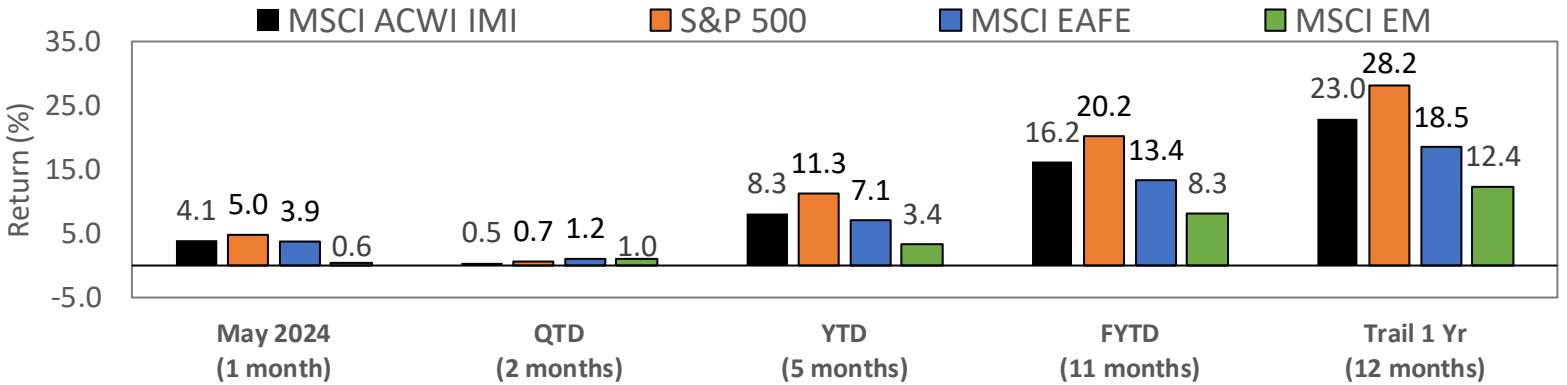


Notes: Preliminary data sourced from SFERS Plan Value Report, through May 31, 2024.
[1] Absolute Return performance is lagged by one month.
60-40 and 60-30-10 indices comprise of the MSCI ACWI IMI (ND), Bloomberg Global Aggregate and FTSE EPRA/NAREIT Global.

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Public Equity

- **Geography:** In May, equity markets were positive, reversing the negative start to the quarter from the prior month. The best performing market was U.S. equities (+5.0%), followed by developed market ex US equities (+3.9%). For the fiscal year to date, U.S. equities led (+20.2%), followed by DM ex US equities (+13.4%) and emerging market equities (+8.3%).



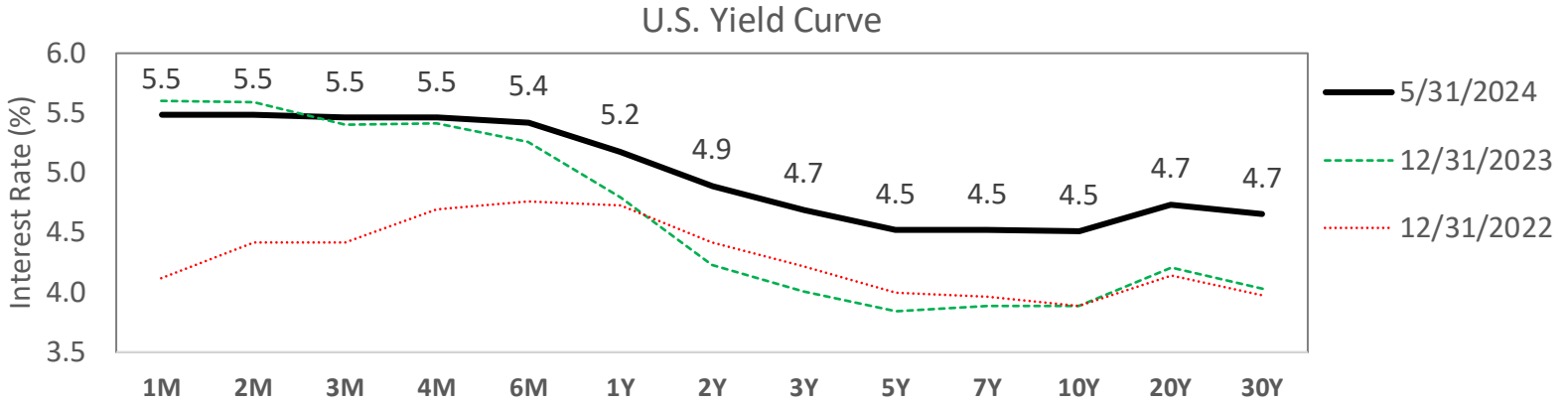
- **Sector:** Most U.S. GICS sectors were positive in May, except for Energy (-0.4%). Information Technology (+10.1%) was the best performing sector for the month.
- **Style:** In U.S. markets, growth (+6.6%) outperformed value (+3.0%) during May.
- **Size:** From a size perspective, small caps (+5.0%) marginally outperformed large caps (+4.7%) in May. For the FYTD, large caps (+19.9%) have outperformed small caps (+11.1%).

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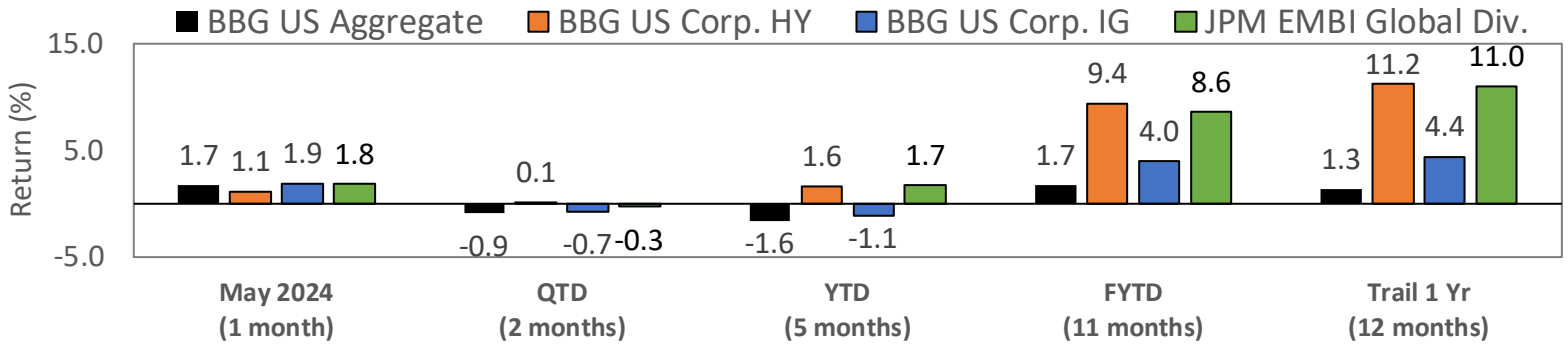
Notes: Returns sourced from eVestment. Underlying sources are MSCI, S&P and Russell. Performance is reported on a total return basis through May 31, 2024. Sector and Size performance metrics refer to large cap U.S. markets (S&P 500 and Russell 1000) unless specified.

Fixed Income

- **Rates:** The next FOMC meeting is scheduled for June 11. The Federal Funds target range has remained steady at 5.25-5.50% for the past 6 meetings. May saw marginal increases in intermediate and long-term yields, ranging between 7 basis points and 20 basis points.



- **Credit:** Credit index returns for May were positive. U.S. Investment Grade Corporate bonds (+1.9%) were the best performer, followed by emerging market debt (+1.8%). For the FYTD, US High Yield Corporate bonds (+9.4%) had the best return.



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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 May 31, 2024. Yield curve data sourced from https://home.treasury.gov.

Liquid Real Assets

- The Dow Jones US Select Real Estate Securities Index returned +4.8% in May, bringing the year-to-date return to -3.2%.
- Energy, as measured by the Alerian Midstream Energy Index, was up +3.9% in May leading to a year-to-date return of +12.9% and a 12 month return of +31.7%.
- Gold declined -2.7% in May, after hitting an all-time high price of $2,450 per ounce mid-month.

Notes: Sourced from Dow Jones factsheet, Alerian index returns and www.monex.com/gold-prices/.

Exhibit 2: Plan Value Report

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RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of June 12, 2024

To: Retirement Board

Through: Alison Romano
CEO & CIO

From: Kevin Cao
Investment Officer

Date: June 12, 2024

Re: Plan Value Report

Best available data as of May 31, 2024

	Value[1,3] (000)	Weight (%)	MTD (%)	QTD (%)	CYTD (%)	FYTD (%)
SFERS TOTAL FUND	**35,280,371**	**100.0**	**1.55**	**0.13**	**3.80**	**7.35**
Public Equity	10,905,671	30.9	3.56	(0.47)	9.49	17.10
Private Equity	10,074,028	28.6	0.71	0.66	1.86	2.43
GROWTH ASSETS	**20,979,698**	**59.5**				
Real Assets	5,136,546	14.6	0.32	(0.93)	(2.96)	(3.02)
Absolute Return[2]	3,001,685	8.5	0.39	0.39	10.50	3.98
DIVERSIFYING ASSETS	**8,138,231**	**23.1**				
Private Credit	3,053,028	8.7	1.01	1.77	3.76	9.14
Fixed Income	2,530,761	7.2	1.21	(0.17)	0.74	5.56
INCOME GENERATING ASSETS	**5,583,789**	**15.8**				
NET CASH EXPOSURE[3]	**578,652**	**1.6**	---	---	---	---
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 May 31, 2024

	4/30/2024	Value In	Value Out	MV Δ[1]	5/31/2024	Current	LT Target	Range	Unfunded
		---------- ($ Mn) ----------				----- Weight (%) -----			($ Mn)
GROWTH ASSETS	**20,714.0**	**40.3**	**225.6**	**451.0**	**20,979.7**	**59.5**	**60.0**	**45 - 75**	**3,454.8**
Public Equity	*10,675.9*	*0.0*	150.3	380.1	10,905.7	30.9	37.0	25 - 50	
Physical	*10,675.9*	*0.0*	150.3	380.1	10,905.7	30.9			
Private Equity	*10,038.2*	40.3	75.3	70.9	10,074.0	28.6	23.0	15 - 30	3,454.8[3]
DIVERSIFYING ASSETS	**8,165.8**	**19.9**	**75.6**	**28.1**	**8,138.2**	**23.1**	**20.0**	**15 - 30**	**2,138.4**
Real Assets	*5,129.2*	19.9	29.1	16.5	5,136.5	14.6	10.0	8 - 15	2,137.0[3]
Absolute Return	*3,036.5*	0.0	46.5	11.7	3,001.7	8.5	10.0	5 - 15	1.4
INCOME ASSETS	**4,213.1**	**182.4**	**54.0**	**46.8**	**4,388.2**	**12.4**	**15.0**	**5 - 25**	**2,153.7**
Liquid Credit	*1,169.1*	150.0	0.0	16.1	*1,335.2*	3.8	5.0	0 - 10	
Private Credit	*3,044.0*	32.4	54.0	30.7	3,053.0	8.7	10.0	3 - 15	2,153.7[3]
CAPITAL PRESERVATION	**1,084.4**	**100.0**	**0.0**	**11.1**	**1,195.5**	**3.4**	**8.0**	**3 - 12**	**0.0**
Treasuries[2]	*1,084.4*	100.0	0.0	11.1	*1,195.5*	3.4	8.0	3 - 12	
Physical	*1,084.4*	*100.0*	*0.0*	*11.1*	*1,195.5*	*3.4*			
CASH[2]	694.2	485.2	602.5	1.8	578.7	1.6	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	*327.4*	*355.2*	*472.5*	*0.0*	*210.0*	*0.6*			
Short-term Treasury	*365.9*	*0.0*	*0.0*	*1.8*	*367.8*	*1.0*			
Dedicated Cash	*0.9*	*130.0*	*130.0*	*0.0*	*0.9*	*0.0*			
Credit Facility	*0.0*	*0.0*	*0.0*	---	*0.0*	*0.0*			
TOTAL PORTFOLIO	**34,871.5**	**0.0**	**130.0**	**538.9**	**35,280.4**	**100.0**	**103.0**	**100 - 105**	**7,746.9**

Notes: Target allocations and ranges were approved by the Board in November 2020.

[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 May 31, 2024

Investment Cash Account (In $ Million)	
Beginning Balance as of May 1, 2024	**327.4**
Employer Contribution	0.0
Cash from Credit Line	0.0
Return to Credit Line	0.0
Cash Collateral	0.0
Public Equity Net Flows	150.3
Public Equity Synthetic Net Flows	0.0
Private Equity Net Flows	35.0
Real Assets Net Flows	9.2
Absolute Return Net Flows	46.5
Liquid Credit Net Flows	-150.0
Private Credit Net Flows	21.7
Treasuries Net Flows	-100.0
Short-term Treasury Net Flows	0.0
Funds to Dedicated Cash	-130.0
Ending Balance as of May 31, 2024	**210.0**

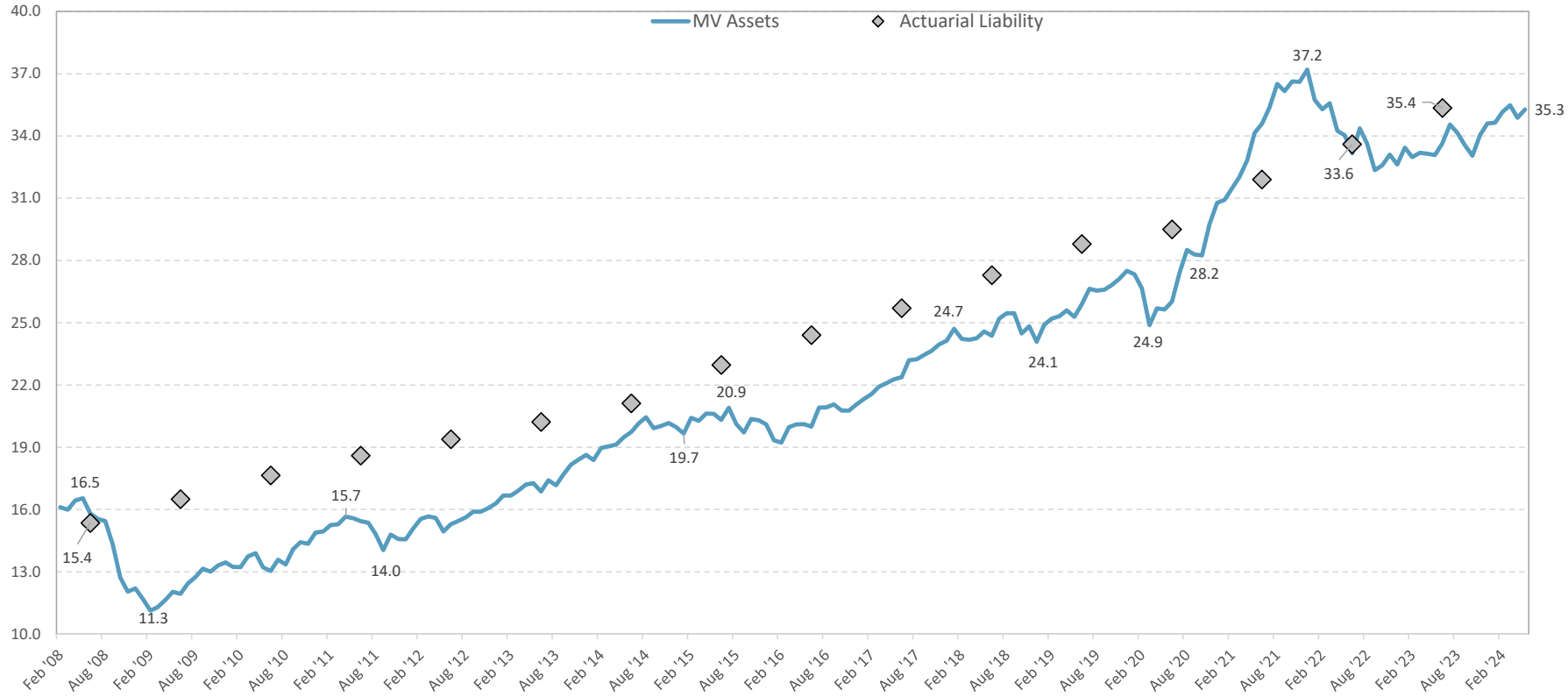
Credit Line	
Total Credit Available	600.0
Net Credit Drawn from BNY Mellon's Cash Release	0.0
Period of Credit Utilization	N/A
Annualized Cost of Credit (basis points)	N/A
Cost of Credit ($)	N/A
Ending Balance of Credit Drawn as of May 31, 2024	**0.0**

All Cash (In $ Million)[1]	
Beginning Balance as of May 1, 2024	**694.2**
Benefit Payment for May 2024	-130.0
Investment Cash Flows	12.6
Short-term Treasury	1.8
Cash from Credit Line	0.0
Return to Credit Line	0.0
Ending Balance as of May 31, 2024	**578.6**

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 May 31, 2024. Total Plan market values through December 2022 are provided by NEPC. Data from January 2023 to April 2024 are provided by BNY Mellon and finalized. Data starting from May 2024 are provided by BNY Mellon and preliminary.

Exhibit 3: Update on Approved Investments

CLOSED INVESTMENTS

Gasherbrum Fund II, L.P.

Under its delegated authority, SFERS rolled $16.6 million of its existing exposure in K4 Private Investors, L.P. to Gasherbrum Fund II, L.P., which closed on May 22, 2024.

Gasherbrum Fund II, L.P. is managed by K1 Investment Management ("K1"). Gasherbrum Fund II, L.P. is classified as a Buyout investment within SFERS' Private Equity portfolio and is SFERS' fourth investment in a K1 sponsored investment vehicle.

More information about the firm is available at www.k1.com.

Atalaya Special Opportunities Fund IX, L.P.

Under its delegated authority, SFERS invested $75 million in Atalaya Special Opportunities Fund IX, L.P. This investment closed on May 31, 2024.

This investment is classified as a Credit Opportunities investment within SFERS' Private Credit portfolio.

More information about Atalaya Capital Management is available at https://www.atalayacap.com/.