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
September 11, 2024

To: Retirement Board

From: Alison Romano
CEO & CIO

Date: September 11, 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

September 11, 2024

Summary

- On a preliminary basis[1], the SFERS Total Plan has returned +2.3% (annualized) over the trailing three years. Private Credit (+8.2%) and Real Assets (+7.1%) were the strongest performing asset classes, followed by Absolute Return (+4.9%), Public Equity (+1.9%), Private Equity (-0.0%), and Fixed Income (-0.9%).

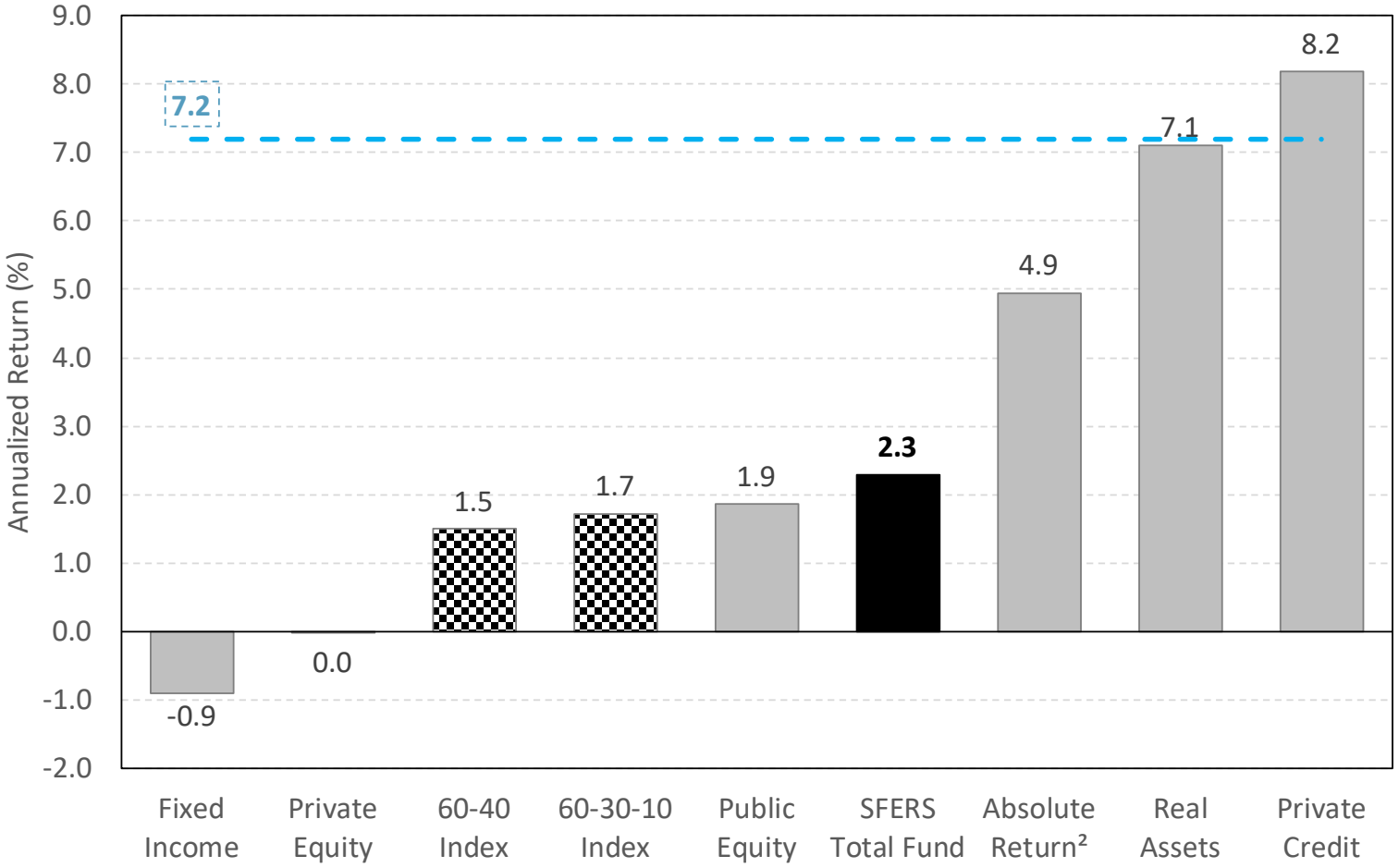
- On a preliminary basis[1], the SFERS Total Plan returned +6.2% for the calendar year-to-date. Public Equity (+14.9%) has been the highest returning asset class thus far in 2024, followed by Private Credit (+7.1%), Absolute Return[2] (+5.6%), Fixed Income (+4.8%), Private Equity (+2.1%) and Real Assets (-2.4%).

- On a preliminary basis[1], the SFERS Total Plan returned +1.1% in the month of August. Public Equity (+2.3%) was the strongest performer, followed by Private Credit (+2.0%), Fixed Income (+1.3%), Real Assets (+0.7%), and Private Equity (-0.2%). Absolute Return[2] was up +0.2% in July.

Notes: Preliminary data sourced from SFERS Plan Value Report, through July 31, 2024. [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 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 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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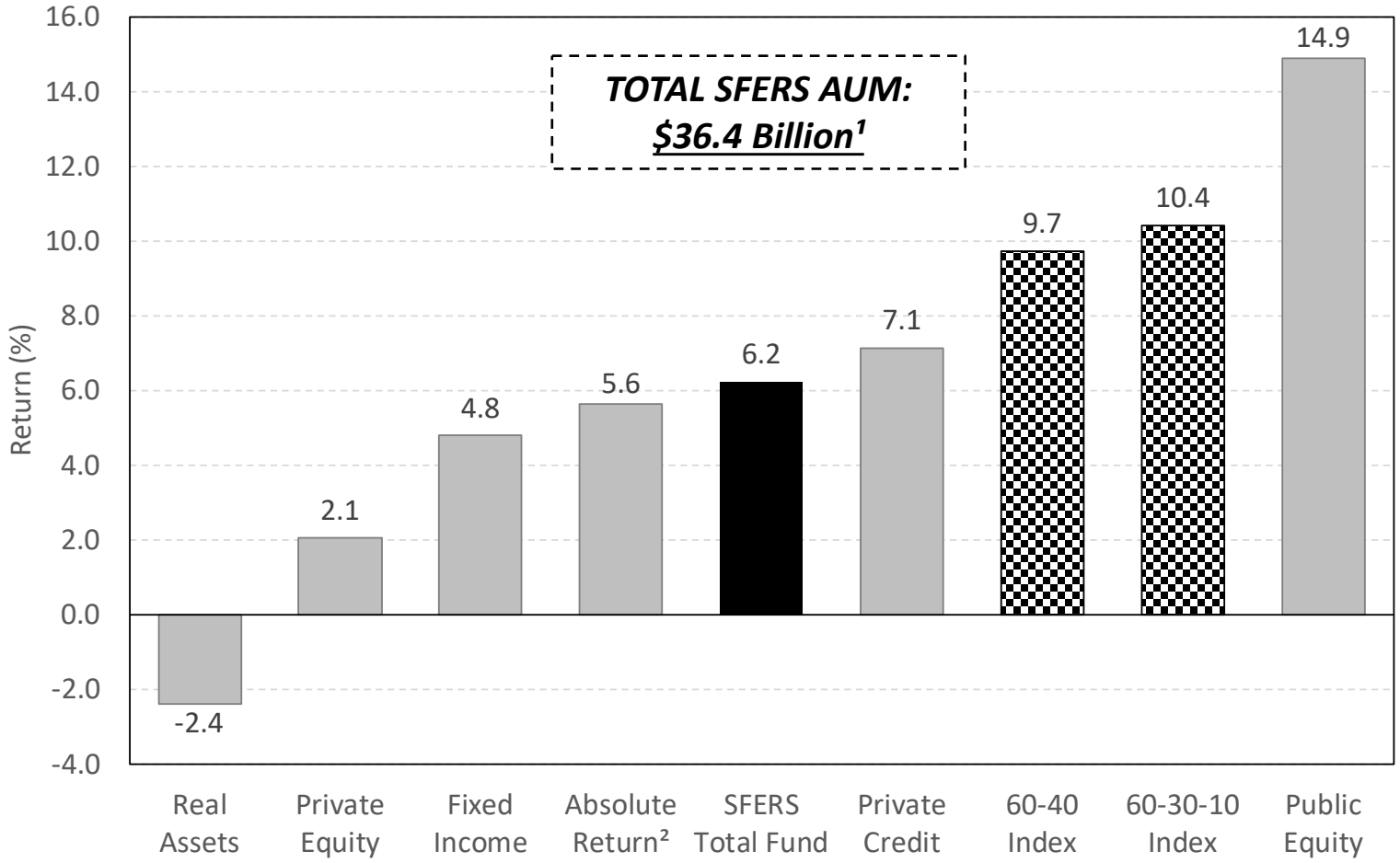
Estimated Annualized 3 Year Performance[1]



Notes: Preliminary data sourced from SFERS Plan Value Report, through August 31, 2024. [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 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 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 CYTD Performance[1]

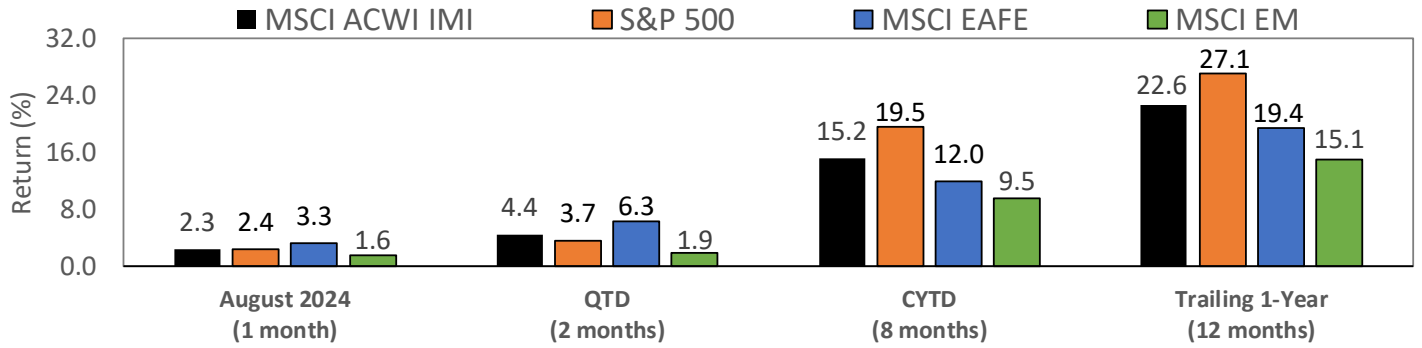


Notes: Preliminary data sourced from SFERS Plan Value Report, through August 31, 2024. [1] Valuations are preliminary and are reported gross of fees. The reported returns and market values are based on prior month-end values that have been adjusted by SFERS' Custody Bank since the last report. For non-daily 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 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 August, equity markets were positive. Developed Market ex US equities (+3.3%) had the best month, followed by US equities (+2.4%) and Emerging Market equities (+1.6%). Thus far in 2024, global equity markets in aggregate have returned +15.2%, led by U.S. equities (+19.5%).



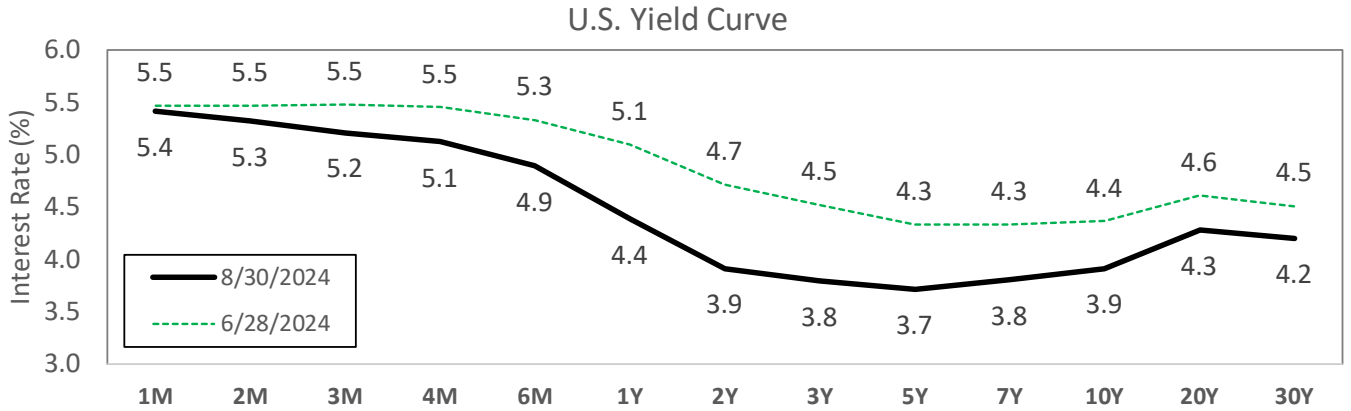
- **Sector:** 9 out of the 11 major sectors groups were positive in August. Consumer Staples (+5.9%) and Real Estate (+5.8%) led returns for the month. Energy (-1.7%) and Consumer Discretionary (-1.0%) were the laggards in August. Thus far in 2024, the best performing sectors have been Information Tech. (+27.1%) and Telecommunication Services (+23.1%).
- **Style:** In August, Value (+3.0%) again outperformed Growth (+2.2%), extending its lead for the current quarter (+7.8% for Value versus +0.9% for Growth). Thus far in 2024, Growth (+24.6%) has outperformed Value (+14.1%).
- **Size:** From a size perspective, large caps (+2.4%) outperformed small caps (-1.5%) in August. Thus far in 2024, large caps (+18.6%) have outperformed small caps (+10.4%).

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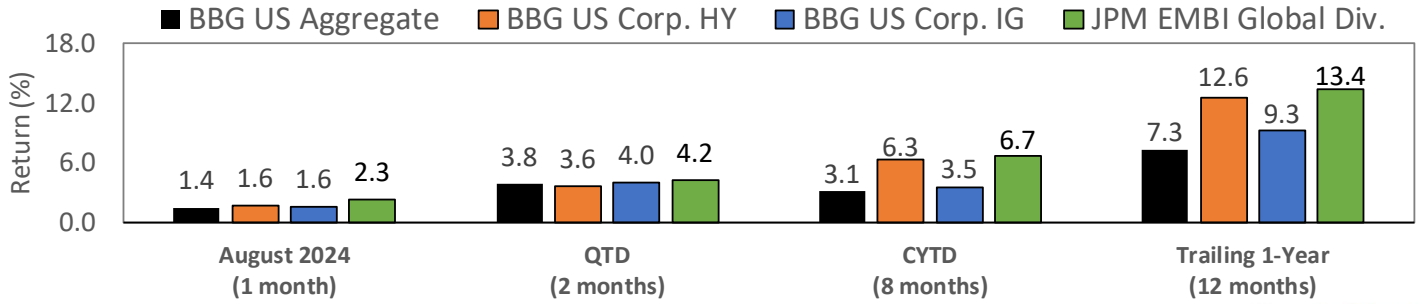
Notes: Returns sourced from eVestment. Underlying sources are MSCI, S&P and Russell. Performance is reported on a total return basis through August 31, 2024. Sector and Style performance refers to S&P 500. Size performance compares the Russell 1000 (large caps) versus Russell 2000 (small caps).

Fixed Income

- **Rates:** Attention is focused on the September 18 FOMC meeting. There is speculation in the market of the likelihood of a cut in the Federal Funds Target Range between 25 and 50 basis points. The yield curve has dipped over the past two months, with the 10-year key rate falling by almost 50 basis points



- **Credit:** Credit indices were positive in August, led by emerging market debt (+2.3%). Thus far in 2024, the best performing credit sectors have been emerging market debt (+6.7%) and high yield corporate credit (+6.3%).



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

Liquid Real Assets

- Real assets were generally up during August.
- Listed real asset markets were up with the Wilshire Global Real Estate Securities Index℠ returning +6.3% and the FTSE Global Core Infrastructure Index returning +4.0%.
- The Bloomberg Commodity Index, which measures a broad group of assets including energy, grains and metals, eked out a positive return of +0.05% during August.
- Oil prices were down (-5.6%) from $77.91 per barrel at the end of July to $73.55 per barrel.
- TIPS were positive for the month; the Bloomberg U.S. TIPS index returned +0.8%.

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

Exhibit 2: Plan Value Report

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RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of September 11, 2024

To: Retirement Board

Through: Alison Romano
CEO & CIO

From: Kevin Cao
Associate Portfolio Manager

Date: September 11, 2024

Re: Plan Value Report

Best available data as of August 31, 2024

	Value[1,3] (000)	Weight (%)	MTD (%)	QTD (%)	CYTD (%)	FYTD (%)
SFERS TOTAL FUND	**36,379,668**	**100.0**	**1.05**	**1.74**	**6.23**	**1.74**
Public Equity	10,797,124	29.7	2.32	3.64	14.89	3.64
Private Equity	10,081,637	27.7	(0.17)	0.06	2.05	0.06
GROWTH ASSETS	**20,878,761**	**57.4**				
Real Assets	5,225,934	14.4	0.71	0.96	(2.38)	0.96
Absolute Return[2]	3,040,474	8.4	0.15	0.15	5.64	0.15
DIVERSIFYING ASSETS	**8,266,407**	**22.7**				
Private Credit	3,161,125	8.7	1.98	2.42	7.14	2.42
Fixed Income	2,920,042	8.0	1.33	3.10	4.79	3.10
INCOME GENERATING ASSETS	**6,081,168**	**16.7**				
NET CASH EXPOSURE[3]	**1,153,332**	**3.2**	0.45	0.90	3.58	0.90
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. Cash returns are estimated using historical STIF yield and effective federal fund rates.

[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 August 31, 2024

	7/31/2024	Value In	Value Out	MV Δ[1]	8/31/2024	Current	LT Target	Range	Unfunded
		---------- ($ Mn) ----------				----- Weight (%) -----			($ Mn)
GROWTH ASSETS	**20,832.5**	**56.9**	**243.2**	**232.5**	**20,878.8**	**57.4**	**52.0**	**45 - 75**	**3,439.1**
Public Equity	*10,747.5*	*0.0*	200.0	249.6	10,797.1	29.7	32.0	20 - 45	
Physical	*10,747.5*	*0.0*	200.0	249.6	10,797.1	29.7			
Private Equity	*10,085.0*	56.9	43.2	(17.1)	10,081.6	27.7	20.0	15 - 30	3,439.1[3]
DIVERSIFYING ASSETS	**8,136.8**	**111.3**	**23.0**	**41.4**	**8,266.4**	**22.7**	**20.0**	**15 - 30**	**2,040.5**
Real Assets	*5,200.9*	11.3	23.0	36.7	5,225.9	14.4	10.0	8 - 15	2,039.2[3]
Absolute Return	*2,935.8*	100.0	0.0	4.6	3,040.5	8.4	10.0	5 - 15	1.4
INCOME ASSETS	**4,457.4**	**40.9**	**45.3**	**79.1**	**4,532.0**	**12.5**	**22.0**	**8 - 30**	**2,234.3**
Public Credit	*1,353.2*	0.1	0.0	17.6	*1,370.9*	3.8	12.0	3 - 15	
Private Credit	*3,104.2*	40.7	45.3	61.5	3,161.1	8.7	10.0	5 - 15	2,234.3[3]
CAPITAL PRESERVATION	**1,479.1**	**50.0**	**0.0**	**20.0**	**1,549.1**	**4.3**	**8.0**	**3 - 12**	**0.0**
Treasuries[2]	*1,479.1*	50.0	0.0	20.0	*1,549.1*	4.3	8.0	3 - 12	
Physical	*1,479.1*	*50.0*	*0.0*	*20.0*	*1,549.1*	*4.3*			
CASH[2]	1,224.3	442.6	521.1	7.6	1,153.3	3.2	1.0	0 - 5	
LEVERAGE OFFSET[2]	0.0	---	0.0	---	0.0	0.0	(3.0)	-5 - 0	
Gross Synthetic Exposure	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*			
Investable Cash[4]	*1,224.2*	*442.6*	*521.1*	*7.6*	*1,153.3*	*3.2*			
Credit Facility	*0.0*	*0.0*	*0.0*	---	*0.0*	*0.0*			
TOTAL PORTFOLIO	**36,130.1**	**0.0**	**131.0**	**380.6**	**36,379.7**	**100.0**	**100.0**	**100.0**	**7,714.0**

Notes: Target allocations and ranges were approved by the Board in June 2024.

[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. Month-end redemptions are moved into cash.

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

[4] Investable cash comprises investment, enhanced, and dedicated cash accounts.

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Cash Activities and Projections

As of August 31, 2024

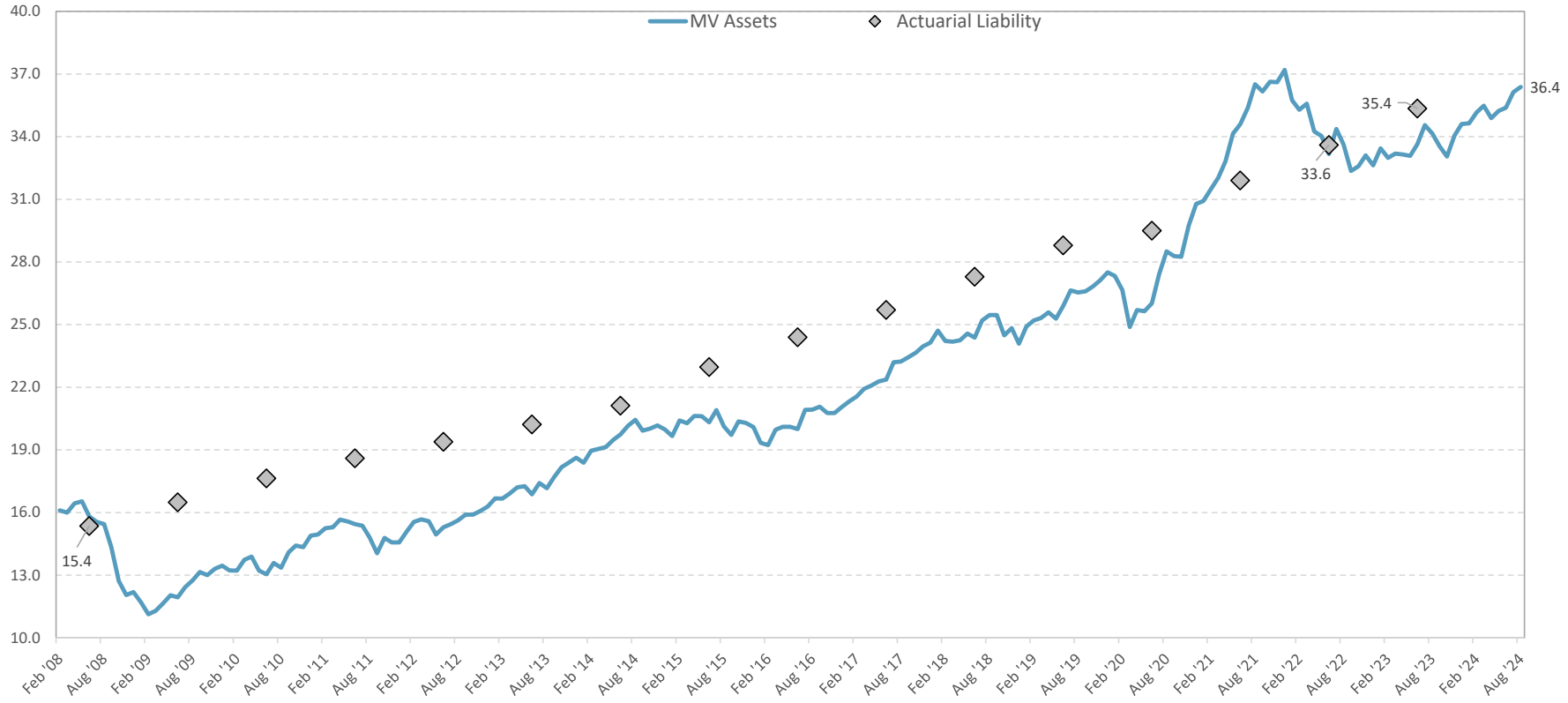
Investable Cash Account (In $ Million)[1]	
Beginning Balance as of August 1, 2024	**1,224.3**
Employer Contribution	0.0
Cash from Credit Line	0.0
Return to Credit Line	0.0
Public Equity Net Flows	200.0
Public Equity Synthetic Net Flows	0.0
Private Equity Net Flows	-13.7
Real Assets Net Flows	11.7
Absolute Return Net Flows	-100.0
Public Credit Net Flows	-0.1
Private Credit Net Flows	4.6
Treasuries Net Flows	-50.0
Investable Cash Market Value Change	7.6
Benefit Payment for August 2024	-131.0
Ending Balance as of August 31, 2024	**1,153.3**

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 August 31, 2024	**0.0**

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

[1]Investable Cash comprises investment, enhanced, and dedicated cash accounts.

SFERS - Monthly Assets



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Notes: Data from January 31, 2008 through August 31, 2024. Total Plan market values through December 2022 are provided by NEPC. Data from January 2023 to June 2024 are provided by BNY Mellon and finalized. Data starting from July 2024 are provided by BNY Mellon and preliminary.

Exhibit 3: Update on Approved Investments

CLOSED INVESTMENTS

Sculptor Real Estate Fund V, LP

Under its delegated authority, SFERS invested $50 million in Sculptor Real Estate Fund V, LP, which closed on August 27, 2024. This investment is classified as a Real Estate investment within the Real Assets portfolio and is SFERS' first investment with Sculptor Capital Management.

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

Thoma Bravo Discover Fund V, L.P.

Under its delegated authority, SFERS committed $75 million to Thoma Bravo Discover Fund V, L.P. The commitment closed on August 30, 2024. The commitment is classified as buyout within SFERS' Private Equity portfolio.

More information about Thoma Bravo is available at thomabravo.com.