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
October 9, 2024

To: Retirement Board

From: Alison Romano
CEO & CIO

Date: October 9, 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

October 9, 2024

Summary

- On a preliminary basis[1], the SFERS Total Plan has returned +2.8% (annualized) over the trailing three years. Private Credit (+8.1%) and Real Assets (+7.0%) were the strongest performing asset classes, followed by Absolute Return (+5.0%), Public Equity (+3.9%), Fixed Income (-0.2%), and Private Equity (-0.9%).

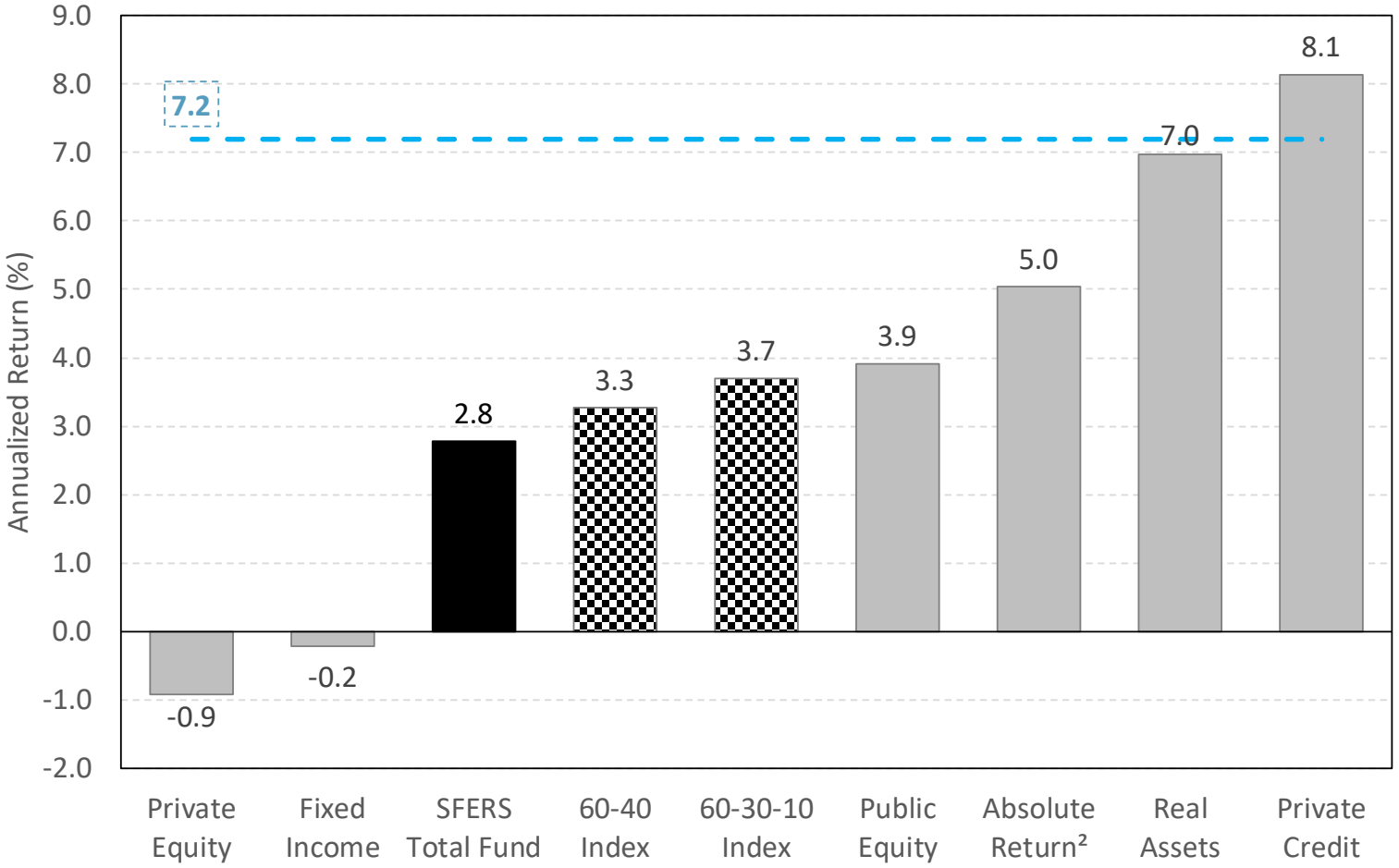
- On a preliminary basis[1], the SFERS Total Plan returned +7.0% for the calendar year-to-date. Public Equity (+17.3%) has been the highest returning asset class thus far in 2024, followed by Private Credit (+7.4%), Absolute Return[2] (+6.3%), Fixed Income (+6.0%), Private Equity (+2.0%) and Real Assets (-2.8%).

- On a preliminary basis[1], the SFERS Total Plan returned +0.8% in the month of September. Public Equity (+2.2%) was the strongest performer, followed by Fixed Income (+1.1%), Private Credit (+0.1%), Real Assets (+0.1%), and Private Equity (-0.2%). Absolute Return[2] was up +0.6% in August.

Notes: Preliminary data sourced from SFERS Plan Value Report, through September 30, 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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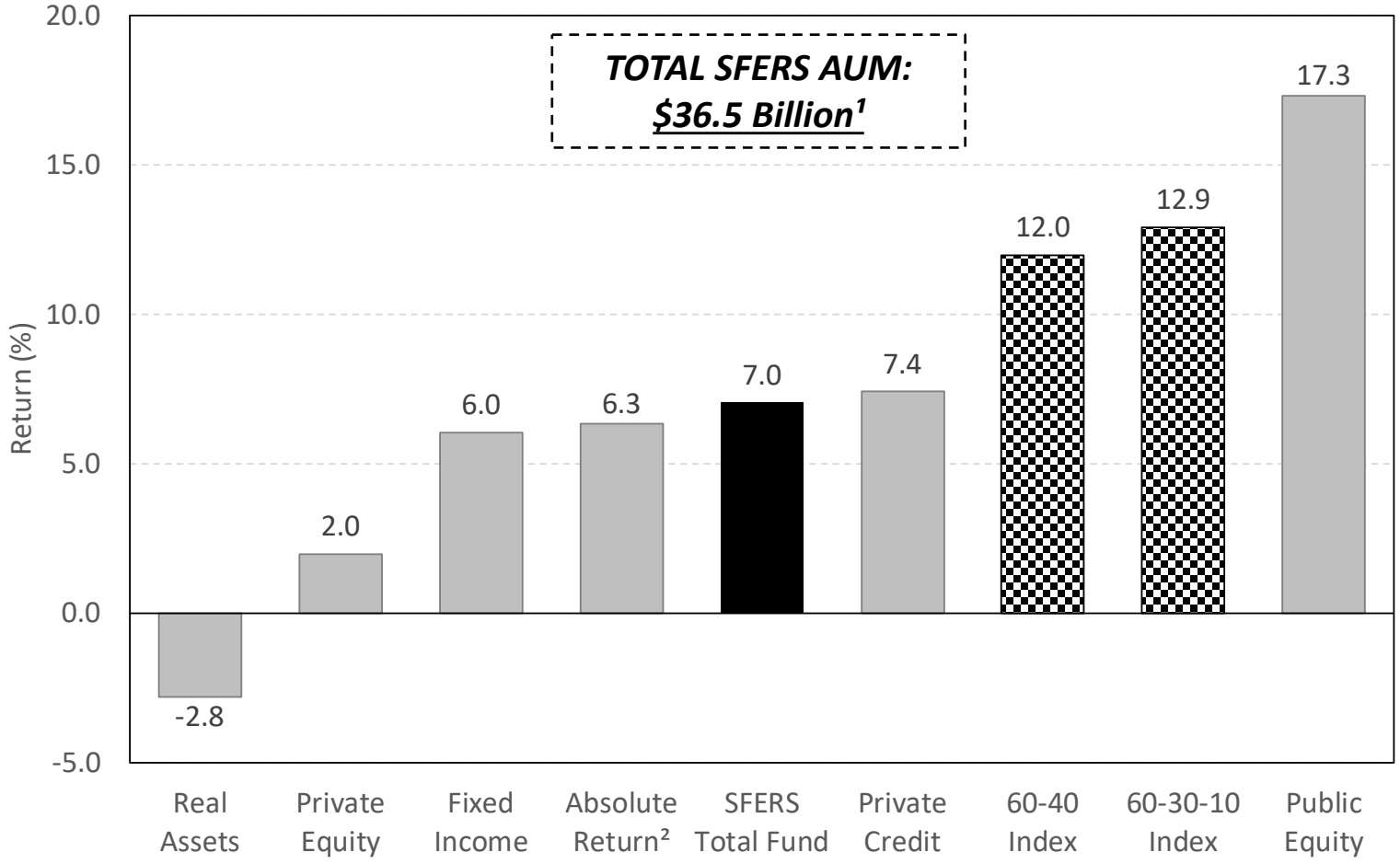
Estimated Annualized 3 Year Performance[1]



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Estimated CYTD Performance[1]

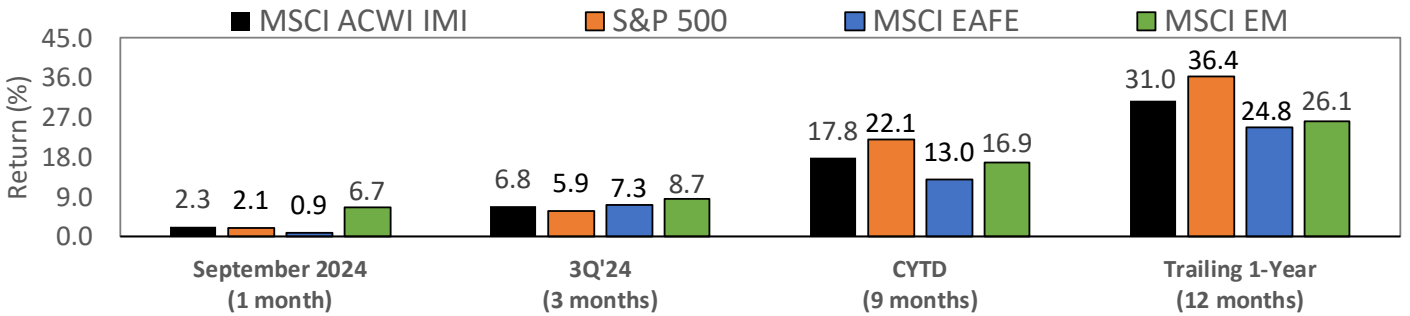


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Public Equity

- **Geography:** In September, equity markets were positive. Emerging Markets were the best performer (+6.7%), helped by an aggressive stimulus package announced by China towards the end of the month. US equities (+2.1%) and Developed ex-US equities (+0.9%) were also positive. In the 3rd quarter, global equity markets in aggregate returned +6.8%.



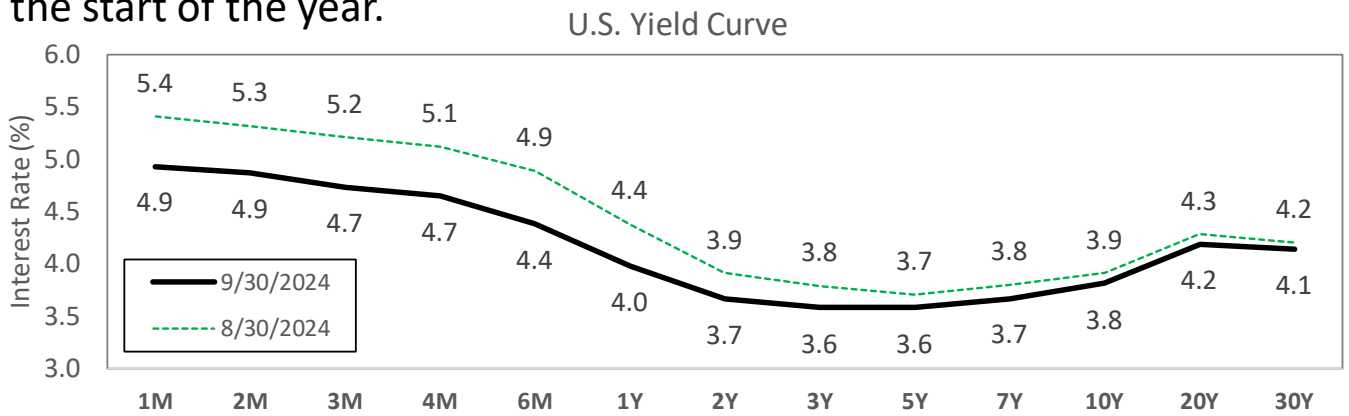
- **Sector:** 8 out of the 11 major sectors groups were positive in September. Consumer Discretionary (+7.1%) and Utilities (+6.6%) led returns for the month. Energy (-2.7%), Health Care (-1.7%) and Financials (-0.5%) were the laggards in September. In the 3rd quarter, Utilities (+19.4%) and Real Estate (+17.2%) were the best performing sectors.
- **Style:** In September, Value (+1.1%) underperformed Growth (+2.8%). However, in the 3rd quarter, Value (+9.1%) outperformed Growth (+3.7%).
- **Size:** From a size perspective, large caps (+2.1%) outperformed small caps (+0.7%) in September. In the third quarter, small caps (+9.3%) outperformed large caps (+6.1%).

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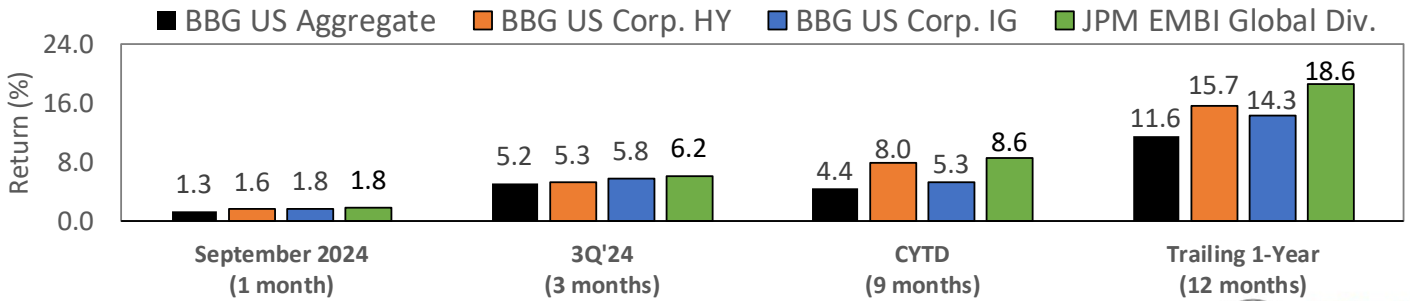
Notes: Returns sourced from eVestment. Underlying sources are MSCI, S&P and Russell. Performance is reported on a total return basis through September 30, 2024. Sector and Style performance refers to S&P 500. Size performance compares the Russell 1000 (large caps) vs Russell 2000 (small caps).

Fixed Income

- **Rates:** At the September 18 meeting, the FOMC announced a rate cut of 50 basis points. During September, the front end of the yield curve (one to six months) fell between 45 and 51 basis points, in line with the cut in the Federal Funds rate. After peaking at 4.70% in late April, the ten-year rate ended the month at 3.81%, approximately in line with its yield at the start of the year.



- **Credit:** Credit indices were positive in September, led by emerging market debt (+1.8%) and US Investment Grade Corporate Debt (+1.8%). Emerging Market debt was also the best performing credit sector in the 3rd quarter.



Notes: Returns sourced from eVestment. Underlying sources are Bloomberg and JP Morgan. Performance is reported on a total return basis through September 30, 2024. Yield curve data sourced from https://home.treasury.gov.

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Liquid Real Assets

- Real estate securities were up during the third quarter, both in the United States and in non-U.S. markets.
- Commodity results were slightly positive for the quarter although crude oil fell meaningfully by -16.4% to $68.17 per barrel. Current prices are near their lows of the past twelve months but generally in-line with post-COVID levels.
- Natural gas prices moved higher during the third quarter and have surged during the past six months. Prices were up 12.4% for the past three months and 65.8% since March. There is little change, however, for the past 1-year.
- Gold prices were up during the quarter and have enjoyed a very strong twelve-month period, up 43% since September of last year. Gold closed September at $2,636 per troy ounce. Prices above the $2,000 mark have not happened often in its history but gold has been on a steady climb since February of this year.

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

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Exhibit 2: Plan Value Report

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RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of October 9, 2024

To: Retirement Board

Through: Alison Romano
CEO & CIO

From: Kevin Cao
Associate Portfolio Manager

Date: October 09, 2024

Re: Plan Value Report

Best available data as of September 30, 2024

	Value[1,3] (000)	Weight (%)	MTD (%)	QTD (%)	CYTD (%)	FYTD (%)
SFERS TOTAL FUND	**36,502,364**	**100.0**	**0.78**	**2.52**	**7.04**	**2.52**
Public Equity	10,869,048	29.8	2.18	5.80	17.29	5.80
Private Equity	10,026,500	27.5	(0.17)	(0.00)	1.98	(0.00)
GROWTH ASSETS	**20,895,547**	**57.2**				
Real Assets	5,159,555	14.1	0.08	0.51	(2.82)	0.51
Absolute Return[2]	3,099,279	8.5	0.64	0.79	6.32	0.79
DIVERSIFYING ASSETS	**8,258,834**	**22.6**				
Private Credit	3,197,843	8.8	0.13	2.67	7.41	2.67
Fixed Income	3,005,552	8.2	1.09	4.33	6.05	4.33
INCOME GENERATING ASSETS	**6,203,395**	**17.0**				
NET CASH EXPOSURE[3]	**1,144,588**	**3.1**	0.42	1.32	4.02	1.32
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 September 30, 2024

	8/31/2024	Value In	Value Out	MV Δ[1]	9/30/2024	Current	LT Target	Range	Unfunded
	---------- ($ Mn) ----------					----- Weight (%) -----			($ Mn)
GROWTH ASSETS	**20,876.1**	**23.1**	**221.7**	**218.1**	**20,895.5**	**57.2**	**52.0**	**45 - 75**	**3,393.0**
Public Equity	*10,784.9*	*0.0*	151.5	235.6	10,869.0	29.8	32.0	20 - 45	
Physical	*10,784.9*	*0.0*	151.5	235.6	10,869.0	29.8			
Private Equity	*10,091.2*	23.1	70.2	(17.5)	10,026.5	27.5	20.0	15 - 30	3,393.0[3]
DIVERSIFYING ASSETS	**8,238.5**	**88.1**	**91.8**	**24.0**	**8,258.8**	**22.6**	**20.0**	**15 - 30**	**2,048.6**
Real Assets	*5,198.9*	38.1	81.8	4.4	5,159.6	14.1	10.0	8 - 15	2,047.2[3]
Absolute Return	*3,039.7*	50.0	10.0	19.6	3,099.3	8.5	10.0	5 - 15	1.4
INCOME ASSETS	**4,539.8**	**61.5**	**32.9**	**21.6**	**4,589.9**	**12.6**	**22.0**	**8 - 30**	**2,204.3**
Public Credit	*1,374.5*	0.0	0.0	17.5	*1,392.1*	3.8	12.0	3 - 15	
Private Credit	*3,165.2*	61.5	32.9	4.1	3,197.8	8.8	10.0	5 - 15	2,204.3[3]
CAPITAL PRESERVATION	**1,549.2**	**50.0**	**0.0**	**14.3**	**1,613.5**	**4.4**	**8.0**	**3 - 12**	**0.0**
Treasuries[2]	*1,549.2*	50.0	0.0	14.3	*1,613.5*	4.4	8.0	3 - 12	
Physical	*1,549.2*	*50.0*	*0.0*	*14.3*	*1,613.5*	*4.4*			
CASH[2]	1,154.8	486.5	502.7	6.0	1,144.6	3.1	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]	*1,154.8*	*486.5*	*502.7*	*6.0*	*1,144.6*	*3.1*			
Credit Facility	*0.0*	*0.0*	*0.0*	---	*0.0*	*0.0*			
TOTAL PORTFOLIO	**36,358.4**	**0.0**	**140.0**	**283.9**	**36,502.4**	**100.0**	**100.0**	**100.0**	**7,645.9**

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 September 30, 2024

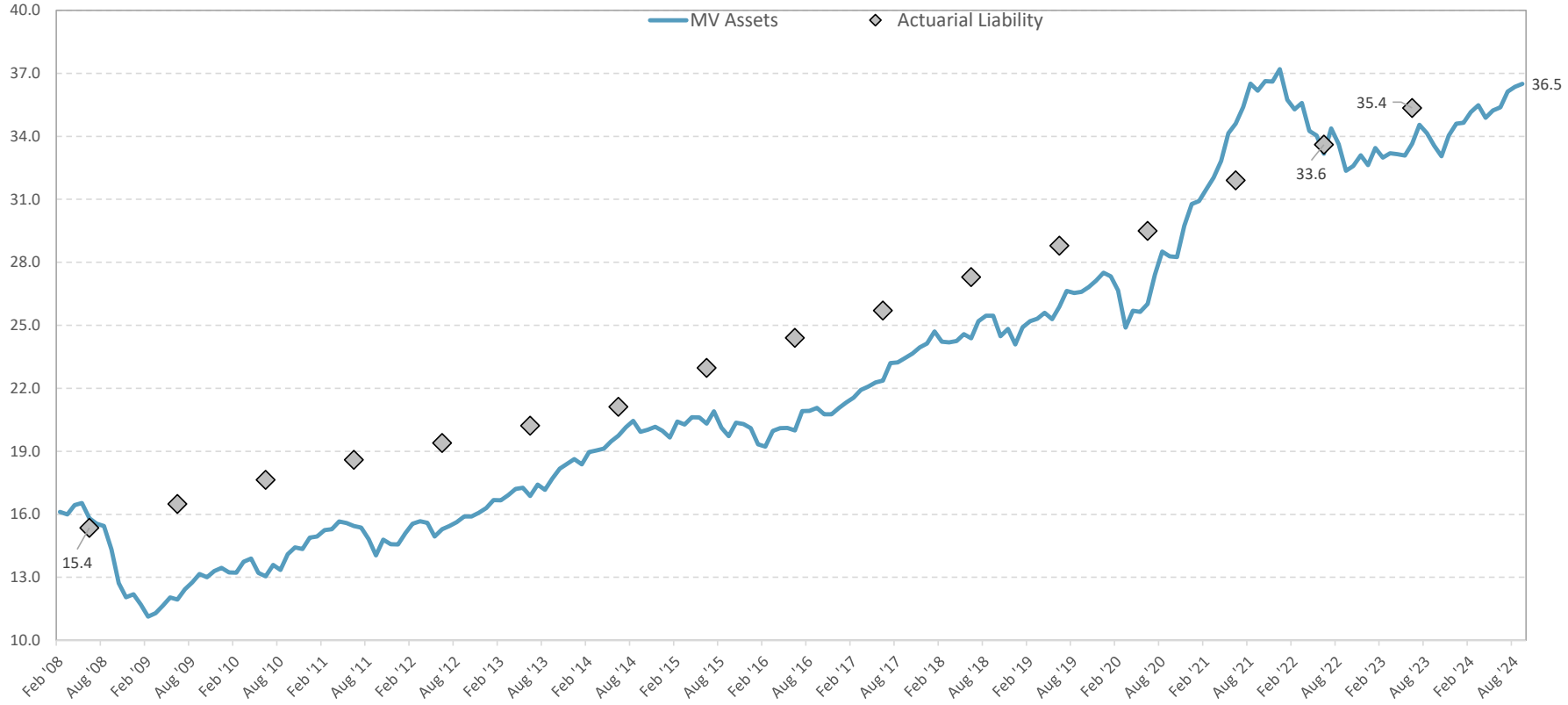
Investable Cash Account (In $ Million)[1]	
Beginning Balance as of September 1, 2024	**1,154.8**
Employer Contribution	0.0
Cash from Credit Line	0.0
Return to Credit Line	0.0
Public Equity Net Flows	151.5
Public Equity Synthetic Net Flows	0.0
Private Equity Net Flows	47.2
Real Assets Net Flows	43.7
Absolute Return Net Flows	-40.0
Public Credit Net Flows	0.0
Private Credit Net Flows	-28.5
Treasuries Net Flows	-50.0
Investable Cash Market Value Change	6.0
Benefit Payment for September 2024	-140.0
Ending Balance as of September 30, 2024	**1,144.6**

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 September 30, 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 September 30, 2024. Total Plan market values through December 2022 are provided by NEPC. Data from January 2023 to July 2024 are provided by BNY Mellon and finalized. Data starting from August 2024 are provided by BNY Mellon and preliminary.

Exhibit 3: Update on Approved Investments

CLOSED INVESTMENTS

Level Equity Growth Partners VI, L.P. and Level Equity Opportunities Fund 2025, L.P.

Under its delegated authority, SFERS invested $55 million in Level Equity Growth Partners VI, L.P. and $20 million in Level Equity Opportunities Fund 2025, L.P. The investments closed on September 18, 2024.

The funds will be classified as Growth Equity within SFERS' Private Equity portfolio.

More information about Level Equity is available at https://www.levelequity.com/.