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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

**July 9, 2025**

**To:** Retirement Board

**From:** Alison Romano
CEO & CIO

**Date:** July 9, 2025

**Agenda Item:** Chief Investment Officer's Report

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**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

July 9, 2025

# Summary

- On a preliminary basis[1], the SFERS Total Plan has returned +6.7% (annualized) over the trailing three years. Public Equity (+17.0%), Absolute Return[2] (+8.4%), and Private Credit (+8.2%) were the strongest performing asset classes, followed by Public Credit (+7.4%), Treasuries (+2.9%), Real Assets (+0.5%), and Private Equity (-0.8%).

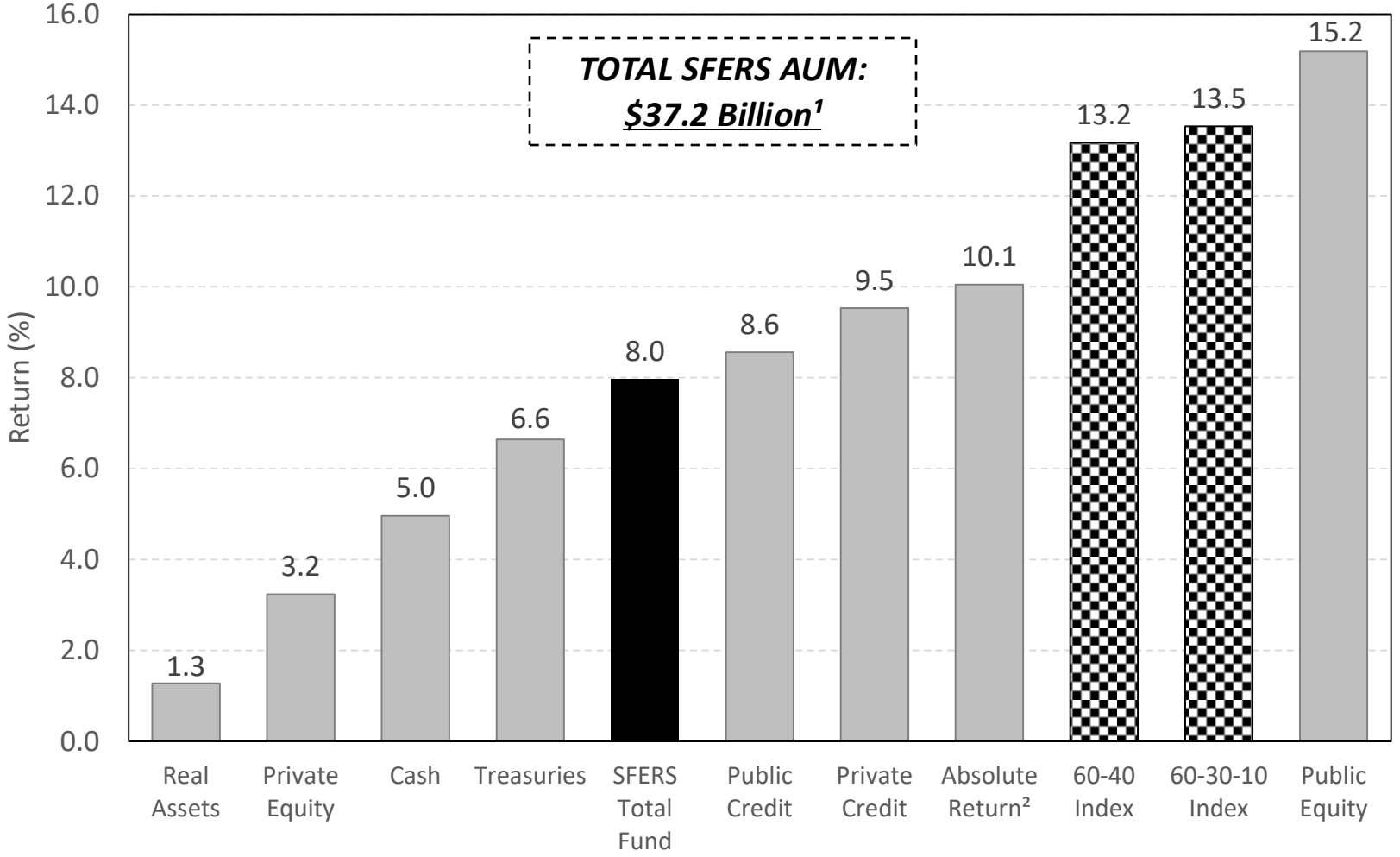
- On a preliminary basis[1], the SFERS Total Plan returned +8.0% for the 2025-2026 fiscal year. Public Equity (+15.2%) was the highest returning asset class, followed by Absolute Return[2] (+10.1%), Private Credit (+9.5%), Public Credit (+8.6%), Treasuries (+6.6%), Cash (+5.0%), Private Equity (+3.2%) and Real Assets (+1.3%).

- On a preliminary basis[1], the SFERS Total Plan returned +1.6% in the month of June. Public Equity (+4.5%) was the best performing asset class, followed by Public Credit (+1.6%), Treasuries (+1.3%), Real Assets (+0.7%), Cash (+0.4%), Private Credit (+0.2%), and Private Equity (+0.0%). Absolute Return[2] was positive (+0.9%) in May.

Notes: Preliminary data sourced from SFERS Plan Value Report, through June 30, 2025. [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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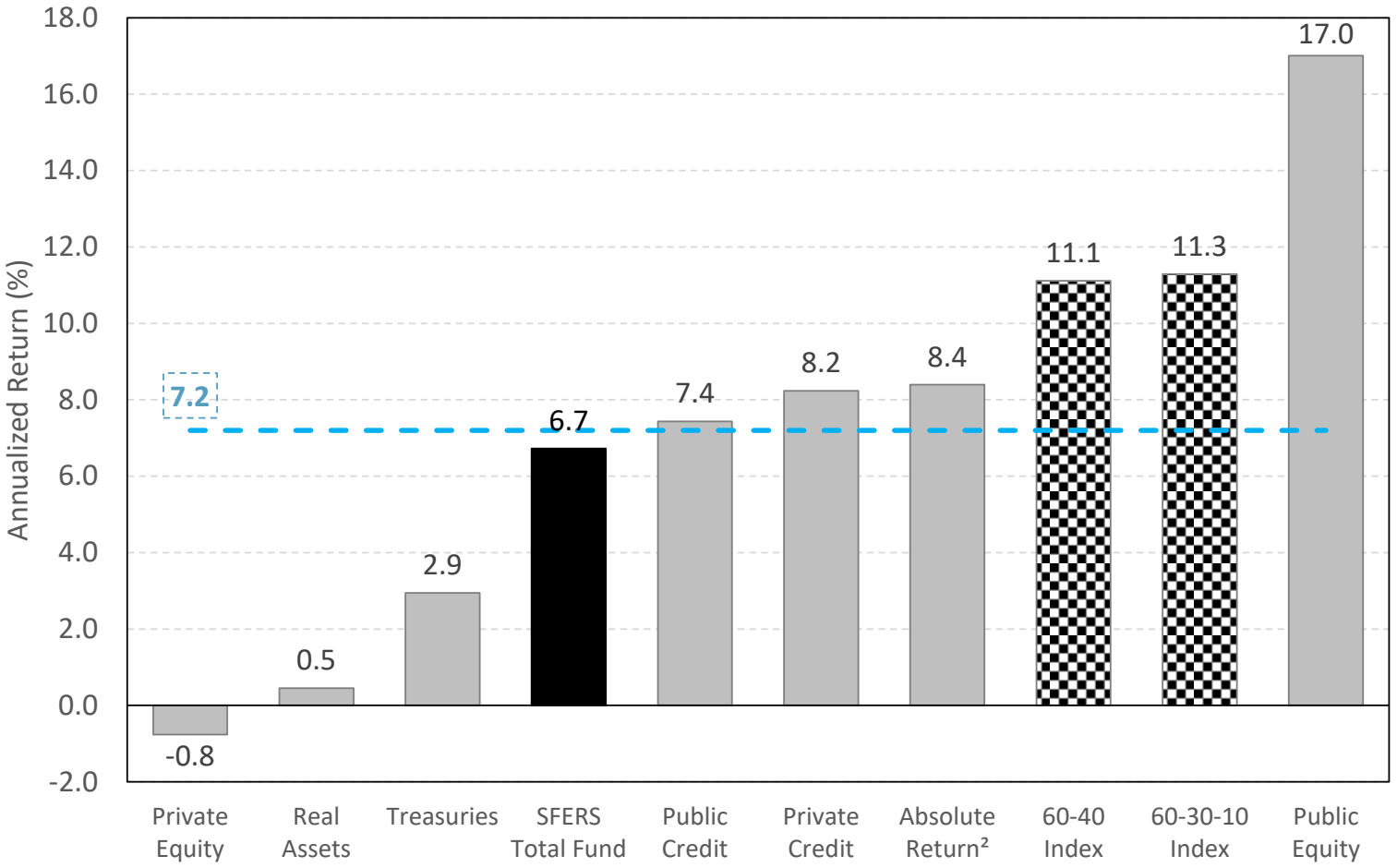
# Estimated FYTD Performance[1]




Notes: Preliminary data sourced from SFERS Plan Value Report, through June 30, 2025. [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.
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# Estimated Annualized 3 Year Performance[1]




Notes: Preliminary data sourced from SFERS Plan Value Report, through June 30, 2025. [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.
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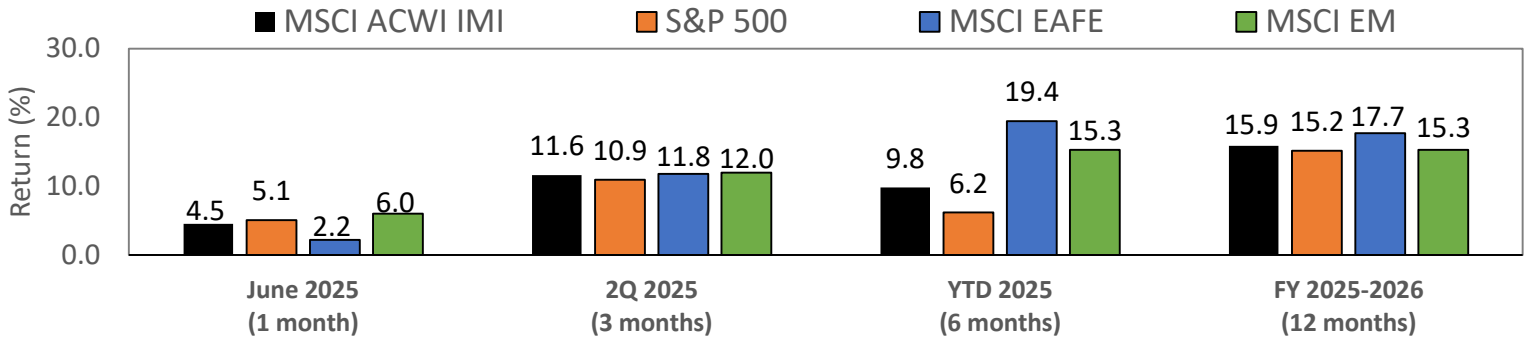
# Portfolio Construction Actions Taken or Implementing

| Asset Class | Key Changes |
|---|---|
| Absolute Return | • Reducing exposure to equity and credit beta<br>• Adding diversified sources of return, with a focus on downside protection |
| Fixed Income | • Realigned benchmark (removed EM Debt)<br>• Increased allocation to multi-sector strategies and expect to add new mandates<br>• Finding opportunities to add value in Treasuries (and Cash) |
| Real Assets | • Working to re-align exposures – increase Real Estate and Infrastructure while decreasing Natural Resources |
| Private Credit | • Revised guidelines to categorize investments as income-focused or opportunistic<br>• Maintain focus on relative value and risk-adjusted returns in evolving market environment<br>• Continue to focus on diversification or return drivers and risks |
| Public Equity | • Realigning portfolio to reduce uncompensated sector and style risk<br>• Increased risk aware-mindset |
| Private Equity | • Slowed pacing based on liquidity needs, environment and opportunity set<br>• Seeking middle/lower middle market buyout and growth opportunities while moderating pacing to VC |

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# Public Equity

- **Geography:** Equity markets had strong returns for the Fiscal Year 2025-2026. Developed ex-US Equity (+17.7%) led, followed by Emerging Markets Equity (+15.3%) and U.S. Equity (+15.2%). While U.S. Equity outperformed Developed ex-US Equity for the first 6 months of the fiscal year (+8.4% vs -1.4%), the outperformance reversed in the second half of the fiscal year with U.S. Equity underperforming Developed ex-US Equity (+6.2% vs +19.4%).



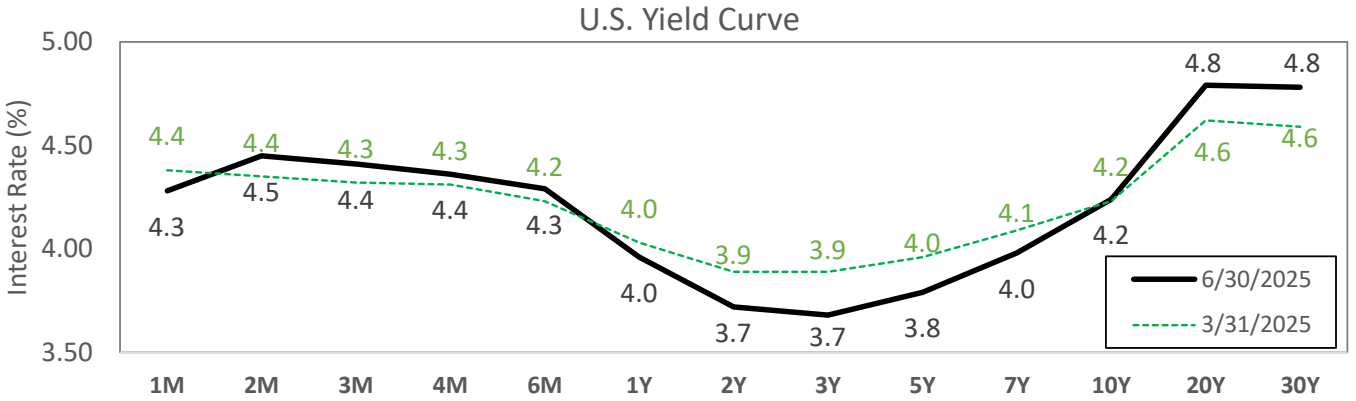

- **Sector:** Financials (+29.4%), Utilities (+23.4%), Telecommunication Services (+23.0%) and Industrials (+22.9%) led returns for the Fiscal Year while Health Care (-5.9%) and Energy (-4.0%) lagged.
- **Style:** For the Fiscal Year, Growth outperformed Value; but outperformance globally (+16.7% vs +15.6%) was more muted than in the U.S. (+19.9% vs +9.6%).
- **Size:** Large Caps (+15.7%) handily outperformed Small Caps (+7.7%) for this Fiscal Year.

Notes: Returns sourced from eVestment. Underlying sources are MSCI, S&P and Russell. Performance is reported on a total return basis through June 30, 2025. Sector and Style performance refers to S&P 500 unless stated otherwise. Size performance compares the Russell 1000 (large caps) vs Russell 2000 (small caps).

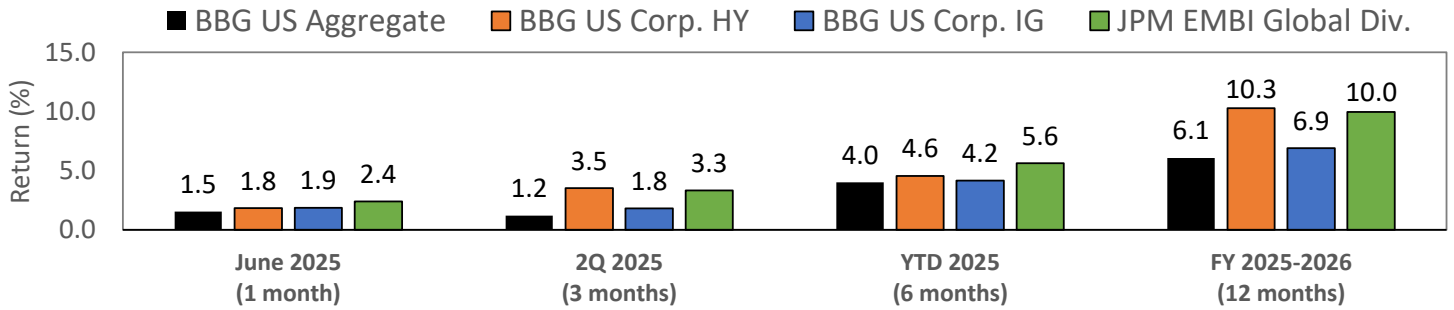
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# Fixed Income

- **Rates:** The Treasury curve rotated during the second quarter with intermediate yields down and longer rates up. The FOMC met twice during the quarter, as scheduled, and left their overnight rate unchanged, targeting a range of 4.25% to 4.50%.




- **Credit:** For the Fiscal Year 2025-2026, U.S. High Yield Credit (+10.3%) led returns followed by the JPM EMBI Global Diversified Index (+10.0%), U.S. Investment Grade Credit (+6.9%) and the Bloomberg Aggregate Index (+6.1%).




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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 June 30, 2025. Yield curve data sourced from https://home.treasury.gov.

# Liquid Real Assets

- Gold continues to be a standout performer across Real Assets with a +5.5% return in June, a +26.0% return for the first 6 months of 2025, and a +41.2% return for the Fiscal Year.
- Commodity prices were generally negative for the second quarter. Oil, as measured by the Brent Crude price, was down -7.2% in June, erasing all gains thus far in 2025. Volatility spiked around the Iran-Israel conflict, driving a -21.7% return for the Fiscal Year.
- Natural gas prices moved lower during the second quarter and after surging from March 2024 to March 2025. Prices were down -16.1% for the past three months but are still up 96% since March 2024.
- Bitcoin was up +79.0% for the Fiscal Year and +14.8% for the first six months of 2025.

Notes: Sourced from Wilshire's Global Markets Performance Report – June 30, 2025 and Wilshire's 2Q2025 Quarterly Market Commentary.

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## Exhibit 2: Plan Value Report

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**San Francisco City and County Employees' Retirement System**

**To:** Retirement Board

**Through:** Alison Romano
CEO & CIO

**From:** Kevin Cao
Associate Portfolio Manager

**Date:** July 09, 2025

**Re:** Plan Value Report

Best available data as of June 30, 2025

| | Value[1,3] (000) | Weight (%) | MTD (%) | QTD (%) | CYTD (%) | FYTD (%) |
|---|---|---|---|---|---|---|
| **SFERS TOTAL FUND** | **37,215,236** | **100.0** | **1.63** | **4.43** | **4.61** | **7.97** |
| Public Equity | 11,012,167 | 29.6 | 4.51 | 11.90 | 9.32 | 15.18 |
| Private Equity | 9,915,808 | 26.6 | 0.03 | 1.13 | 1.66 | 3.24 |
| **GROWTH ASSETS** | **20,927,975** | **56.2** | | | | |
| Real Assets | 5,084,265 | 13.7 | 0.67 | 1.02 | 1.12 | 1.28 |
| Absolute Return[2] | 3,615,584 | 9.7 | 0.89 | 1.63 | 4.69 | 10.05 |
| **DIVERSIFYING ASSETS** | **8,699,849** | **23.4** | | | | |
| Private Credit | 3,361,387 | 9.0 | 0.22 | 2.75 | 4.51 | 9.53 |
| Public Credit | 1,843,398 | 5.0 | 1.57 | 2.19 | 4.43 | 8.56 |
| Treasuries | 1,852,384 | 5.0 | 1.27 | 1.79 | 4.46 | 6.64 |
| **INCOME GENERATING ASSETS** | **7,057,169** | **19.0** | | | | |
| **NET CASH EXPOSURE[3]** | **530,243** | **1.4** | 0.36 | 1.13 | 1.99 | 4.96 |
| **NET LEVERAGE[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 June 30, 2025

| | 5/31/2025 | Value In | Value Out | MV Δ[1] | 6/30/2025 | Current | LT Target | Range | Unfunded |
|---|---|---|---|---|---|---|---|---|---|
| | | ---------- ($ Mn) ---------- | | | | ----- Weight (%) ----- | | | ($ Mn) |
| **GROWTH ASSETS** | **20,563.8** | **43.8** | **158.8** | **479.2** | **20,928.0** | **56.2** | **52.0** | **45 - 75** | **3,176.0** |
| Public Equity | *10,555.6* | *0.0* | 19.9 | 476.4 | 11,012.2 | 29.6 | 32.0 | 20 - 45 | |
| Private Equity | *10,008.2* | 43.7 | 138.9 | 2.8 | 9,915.8 | 26.6 | 20.0 | 15 - 30 | 3,176.0[3] |
| **DIVERSIFYING ASSETS** | **8,621.8** | **84.6** | **72.5** | **65.9** | **8,699.8** | **23.4** | **20.0** | **15 - 30** | **1,815.8** |
| Real Assets | *5,091.2* | 31.6 | 72.5 | 33.9 | 5,084.3 | 13.7 | 10.0 | 8 - 15 | 1,814.4[3] |
| Absolute Return | *3,530.7* | 53.0 | 0.0 | 31.9 | 3,615.6 | 9.7 | 10.0 | 5 - 15 | 1.4 |
| **INCOME ASSETS** | **5,104.9** | **114.2** | **50.1** | **35.7** | **5,204.8** | **14.0** | **22.0** | **8 - 30** | **2,315.0** |
| Public Credit | *1,814.9* | 0.0 | 0.0 | 28.5 | *1,843.4* | 5.0 | 12.0 | 3 - 15 | |
| Private Credit | *3,290.0* | 114.2 | 50.1 | 7.2 | 3,361.4 | 9.0 | 10.0 | 5 - 15 | 2,315.0[3] |
| **CAPITAL PRESERVATION** | **1,735.9** | **100.0** | **0.0** | **16.5** | **1,852.4** | **5.0** | **8.0** | **3 - 12** | **0.0** |
| Treasuries[2] | *1,735.9* | 100.0 | 0.0 | 16.5 | *1,852.4* | 5.0 | 8.0 | 3 - 12 | |
| **CASH[2]** | 733.9 | 596.3 | 802.6 | 2.7 | 530.2 | 1.4 | 1.0 | 0 - 5 | |
| *Investable Cash[4]* | *733.9* | *596.3* | *802.6* | *2.7* | *530.2* | *1.4* | | | |
| *Credit Facility* | *0.0* | *0.0* | *0.0* | --- | *0.0* | *0.0* | | | |
| **NET LEVERAGE[2]** | 0.0 | --- | 0.0 | --- | 0.0 | 0.0 | (3.0) | -5 - 0 | |
| *Gross Leverage* | *0.0* | *80.0* | *0.0* | *0.0* | *80.0* | *0.2* | | | |
| **TOTAL PORTFOLIO** | **36,760.3** | **0.0** | **145.0** | **600.0** | **37,215.2** | **100.0** | **100.0** | **100.0** | **7,306.8** |

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.

## San Francisco City and County Employees' Retirement System

## Cash Activities and Projections

**As of June 30, 2025**

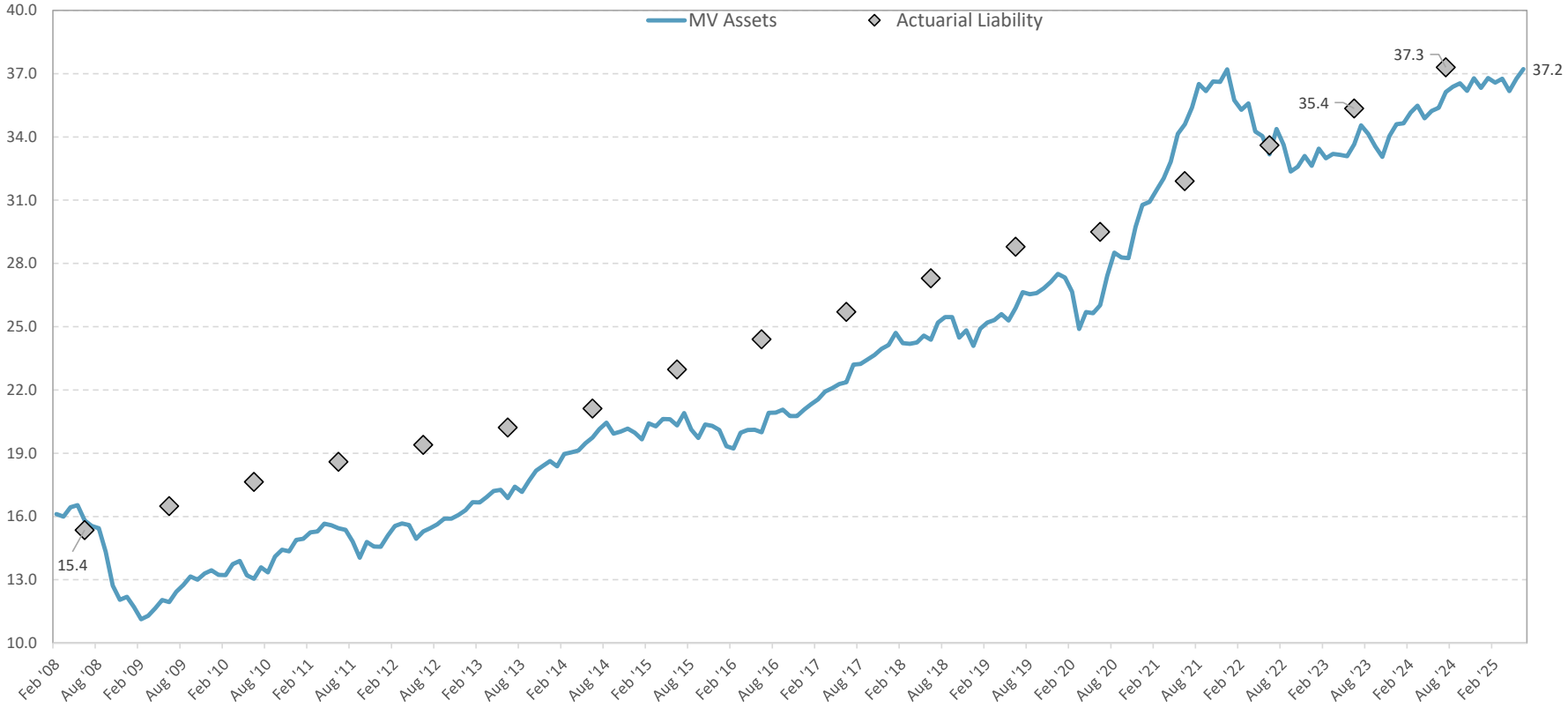
| Investable Cash Account (In $ Million)[1] | |
|---|---|
| | |
| **Beginning Balance as of June 1, 2025** | **733.9** |
| Employer Contribution Pre-Payment | 0.0 |
| Cash from Credit Line | 0.0 |
| Return to Credit Line | 0.0 |
| Public Equity Net Flows | 19.9 |
| Public Equity Synthetic Net Flows | 0.0 |
| Private Equity Net Flows | 95.2 |
| Real Assets Net Flows | 40.8 |
| Absolute Return Net Flows | -53.0 |
| Public Credit Net Flows | 0.0 |
| Private Credit Net Flows | -64.2 |
| Treasuries Net Flows | -100.0 |
| Investable Cash Market Value Change | 2.7 |
| Net Benefit Payment for June 2025 | -145.0 |
| **Ending Balance as of June 30, 2025** | **530.2** |

| 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 June 30, 2025** | **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 June 30, 2025. Total Plan market values through December 2022 are provided by NEPC. Data from January 2023 to April 2025 are provided by BNY Mellon and finalized. Data starting from May 2025 are provided by BNY Mellon and preliminary.

**Exhibit 3: Update on Approved Investments**

## CLOSED INVESTMENTS

**Strategic Partners Infrastructure IV L.P.**

Under its delegated authority, SFERS committed $75 million to Strategic Partners Infrastructure IV L.P., which closed on June 11, 2025. This investment is classified as an Infrastructure investment within the Real Assets portfolio and is SFERS' 13th investment with The Blackstone Group in the Real Assets portfolio.

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

**Stripes VII, LP**

Under its delegated authority, SFERS invested $50 million in Stripes VII, LP. The investment closed on June 30, 2025.

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

More information about Stripes Group is available at https://www.stripes.co/.

**Artemis Real Estate Partners Healthcare Fund III, L.P.**

Under its delegated authority, SFERS committed $60 million in Artemis Real Estate Partners Healthcare Fund III, L.P., of which $40 million closed on June 30, 2025. Subsequent closings can occur at future dates until the commitment amount is reached. The investment is classified as a Real Estate investment within the Real Assets portfolio and is SFERS' third investment with Artemis Real Estate Partners.

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

## TERMINATED INVESTMENTS

**Boyu Capital Investment Management Limited**

The CEO and CIO approved the termination of Boyu Capital Investment Management Limited on June 11, 2025 with final proceeds to be finalized at a future date. The termination was approved by the CEO & CIO in accordance with SFERS Manager Selection, Monitoring and Termination Policy approved by The Retirement Board at its meeting on July 20, 2023.

The investment was classified as Equities within SFERS' absolute return portfolio share class B of SFARI II.