Semi-Annual Investment Performance Summary

PERFORMANCE PULSE

December 2021

SamCERA

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CONTENTS

INTRODUCTION

The Performance Pulse is a semi-annual summary of SamCERA's investment performance answering key questions to explain the performance of the fund, where the fund was invested and any significant updates or changes.

THE KEY QUESTIONS

1 *How Did We Do?*

Learn about SamCERA's total fund performance and how it compares to the policy benchmark.

2 *Where Did We Invest?*

Discover where the fund was invested. Compare the market value and allocation percentages for the current period and the prior period.

3 *What Did We Do?*

Explore details about updates to policies and any changes to the fund that occurred during the current period.

HOW DID WE DO?

Table One shows SamCERA's total fund performance over various trailing time periods. As seen in the table, the portfolio returned 12.1% net of investment manager fees for the calendar year ended December 31, 2021, underperforming SamCERA's policy benchmark return of 13.9%. This calendar-year performance resulted in below median performance relative to SamCERA's peers, as defined by large (greater than $1 billion in assets) public plans.

TABLE ONE: SAMCERA TOTAL FUND NET PERFORMANCE CHARACTERISTICS
ENDING DECEMBER 31, 2021

	1 Year	3 Years	5 Years	10 Years
SamCERA Return	12.1%	12.5%	9.3%	9.1%
Benchmark Return	13.9%	13.3%	10.2%	9.6%
Excess Return	(1.8%)	(0.8%)	(0.9%)	(0.5%)
Peer Rank Return (Percentile)	84th	89th	90th	62nd
SamCERA Risk (Std Dev)	4.5	9.0	7.8	7.3
Benchmark Risk (Std Dev)	4.1	8.7	7.6	7.4
Peer Median Risk (Std Dev)	5.2	10.2	8.9	7.7
SamCERA Sharpe Ratio	2.7	1.3	1.1	1.2
Benchmark Sharpe Ratio	3.4	1.4	1.2	1.2
Peer Median Sharpe Ratio	2.7	1.3	1.1	1.2

RETURN/RISK MEASURE

SamCERA also looks at "risk-adjusted" returns to compare how much return was received given the risk (measured by standard deviation of returns) taken to achieve that return. This is typically measured by the Sharpe Ratio. The higher the ratio, the better, as it measures the return provided per unit of risk taken. For example, if a fund has a lower return than the benchmark but also a much lower risk level (as measured by standard deviation of returns), it may result in a higher risk-adjusted outcome. Conversely, if a fund has a higher return but also takes higher than commensurate risk than the benchmark, then its risk-adjusted return may be lower than that of the benchmark.

The portfolio had a lower return and higher risk than the policy benchmark during the past year, resulting in a lower risk adjusted return, and this trend continued (although to a lesser degree) over the three and five year periods. The portfolio exhibited lower risk levels than the peer median plan, resulting in similar risk-adjusted returns across all periods.

Table Two shows performance for each of SamCERA's four primary composites. All four of SamCERA's asset class composites had positive returns for the calendar year. Inflation Hedge was the best performing composite and returned 18.1%, while Fixed Income returned 1.6% and was the lowest returning asset class composite. Public Equity returned 16.7%, while Alternatives returned 15.8%.

While Inflation Hedge provided the highest return during the year, it was the worst performer relative to its benchmark return. Conversely, Fixed Income, despite having been the lowest returning composite, provided the highest level of relative outperformance during the calendar year.

TABLE TWO: SAMCERA COMPOSITE NET PERFORMANCE FOR TRAILING YEAR ENDING DECEMBER 31, 2021

Composite	Composite Return	Benchmark Return	Excess Return
Public Equity	16.7%	18.8%	-2.1%
Fixed Income	1.6%	0.4%	1.2%
Alternatives	15.8%	17.5%	-1.7%
Inflation Hedge	18.1%	23.2%	-5.1%

WHERE DID WE INVEST?

In this section we show where the fund is invested, displaying both the market value and resulting allocation percentages for the current period end as well as six months ago. The allocation percentages include exposures from SamCERA's cash overlay program. Table Three shows that SamCERA's total market value was $6.175 billion as of December 31, 2021, an increase of $310.7 million from June 30, 2021. As can be seen below, SamCERA used the strength in equity markets to raise cash and to rebalance into inflation hedge assets.

TABLE THREE: SAMCERA ASSET ALLOCATION COMPARISON

	12/31/2021		6/30/2021		Change in %
	Market Value ($m)	Allocation (%)	Market Value ($m)	Allocation (%)	
Public Equity	2,547.9	41.3	2,487.9	42.5	-1.2
Fixed Income	1,580.8	25.6	1,619.0	27.6	-2.0
Alternatives	858.4	13.9	808.0	13.7	+0.2
Inflation Hedge	1,039.2	16.9	927.8	15.8	+1.1
Cash	149.1	2.4	22.0	0.4	+2.0
Total	**6,175.4**		**5,864.7**		

WHAT DID WE DO?

During the period SamCERA approved the establishment of a dedicated cash-flow matched liquidity pool. SamCERA is actively researching providers and plans to implement the strategy by the end of the third quarter of 2022.

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