



Performance Pulse

June 2019



Semi-Annual Investment Performance Summary

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SamCERA continues to actively rebalance the portfolio to its long-term policy asset allocation weights to keep a balanced risk posture without relying too much on any single asset, strategy, or return stream.

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 5.4% net of investment manager fees for the fiscal year ended June 30, 2019, underperforming SamCERA's policy benchmark return of 6.7%. This fiscal-year performance resulted in near 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 JUNE 30, 2019

	1 Year	3 Years	5 Years	10 Years
SamCERA Return	5.4%	8.2%	5.7%	9.3%
Benchmark Return	6.7%	9.0%	6.1%	9.7%
Excess Return	(1.3%)	(0.8%)	(0.4%)	(0.4%)
Peer Rank Return (Percentile)	52nd	79th	48th	40th
SamCERA Risk (Std Dev)	8.8	5.9	6.5	8.1
Benchmark Risk (Std Dev)	8.7	6.0	6.8	8.5
SamCERA Sharpe Ratio	0.4	1.1	0.8	1.1
Benchmark Sharpe Ratio	0.5	1.3	0.8	1.1

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. Underperformance in the past two fiscal years has resulted in a lower risk-adjusted return relative to the benchmark over the trailing one and three-year periods. Over longer-term periods, SamCERA had a similar risk-adjusted return relative to the benchmark.

Table Two shows performance for each of SamCERA’s five primary composites. All five of SamCERA’s asset class composites provided positive returns for the fiscal year. Risk Parity was the best performing composite and returned 10.8%, while Inflation Hedge returned 2.5% and was the lowest returning asset class composite. Fixed Income returned 6.7%, while Public Equity and Alternatives returned 4.8% and 4.6%, respectively.

Alternatives, while providing positive absolute returns, was the overwhelming main detractor in terms of relative performance versus the benchmark (primarily from hedge funds/absolute return). Fixed Income and Inflation Hedge also detracted, while Risk Parity outperformed during the year.

TABLE TWO: SAMCERA COMPOSITE NET PERFORMANCE FOR TRAILING YEAR ENDING JUNE 30, 2019

Composite	Composite Return	Benchmark Return	Excess Return
Public Equity	4.8%	5.0%	-0.2%
Fixed Income	6.7%	8.5%	-1.8%
Alternatives	4.6%	9.5%	-4.9%
Inflation Hedge	2.5%	4.8%	-2.3%
Risk Parity	10.8%	7.3%	3.5%


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 \$4.66 billion as of June 30, 2019, an increase of \$405.8 million from December 31, 2018. In terms of allocation changes, increases in Public Equity assets were funded from Cash.

TABLE THREE: SAMCERA ASSET ALLOCATION COMPARISON

	6/30/2019		12/31/2018		Change in %
	Market Value (\$m)	Allocation (%)	Market Value (\$m)	Allocation (%)	
Public Equity	1,931.1	41.4	1,684.6	39.6	+1.8
Fixed Income	980.2	21.0	851.5	20.0	+1.0
Alternatives	532.7	11.4	537.4	12.6	-1.2
Inflation Hedge	807.7	17.3	759.8	17.9	-0.5
Risk Parity	389.1	8.3	331.2	7.8	+0.6
Cash	19.1	0.4	89.6	2.1	-1.7
Total	4,659.9		4,254.1		

WHAT DID WE DO?



SamCERA held its annual retreat in April, during which much discussion was focused on plan maturity and how SamCERA is becoming a more mature plan (with larger numbers of inactive participants versus active participants and the expectation of the plan becoming cash flow negative within the next five years). SamCERA will take this into account as potential changes to its investment profile are addressed starting with the upcoming asset liability study, which is expected to be completed by 4Q 2019.

