

Semi-Annual Investment Performance Summary

PERFORMANCE PULSE

June 2022



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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 -4.4% net of investment manager fees for the fiscal year ended June 30, 2022, matching SamCERA's policy benchmark return of -4.4%. This fiscal-year performance resulted in above 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, 2022

	1 Year	3 Years	5 Years	10 Years
SamCERA Return	-4.4%	5.9%	5.9%	7.6%
Benchmark Return	-4.4%	6.3%	6.7%	7.9%
Excess Return	0.0%	(0.4%)	(0.8%)	(0.3%)
Peer Rank Return (Percentile)	22nd	57th	63rd	49th
SamCERA Risk (Std Dev)	6.9	9.2	8.2	7.2
Benchmark Risk (Std Dev)	7.5	9.2	8.3	7.4
Peer Median Risk (Std Dev)	8.5	10.9	9.6	8.0
SamCERA Sharpe Ratio	n.a.	0.6	0.6	1.0
Benchmark Sharpe Ratio	n.a.	0.6	0.7	1.0
Peer Median Sharpe Ratio	n.a.	0.6	0.6	0.9

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 similar return and lower risk than the policy benchmark during the past year, which results in a higher risk-adjusted return. However, since the one-year excess return was negative, the Sharpe Ratio ranking is counterintuitive, and as a result ‘n.a.’ is shown for the one-year results. For the three and ten-year periods, the portfolio exhibited both slightly lower return and risk compared to the policy benchmark, resulting in similar risk-adjusted returns. For the five-year period, the portfolio also had slightly lower level of risk to the benchmark, but a more substantial lower return results in a slightly lower risk-adjusted return. Relative to the median plan, the portfolio exhibited lower risk levels, resulting in similar risk-adjusted returns across the three and five-year periods, and a higher risk-adjusted return over the longer-term ten-year period.

Table Two shows performance for each of SamCERA’s four primary composites. Two of the four asset class composites had positive returns for the fiscal year. Inflation Hedge was the best performing composite and returned 16.9%, while Public Equity returned -14.2% and was the lowest returning asset class composite. Alternatives returned 8.7%, while Fixed Income returned -8.8%.

While Inflation Hedge provided the highest return during the fiscal year, it was the worst performer relative to its benchmark return. Conversely, Public Equity and Fixed Income, despite having negative returns during the fiscal year, provided positive relative outperformance of 0.3% and 1.9%, respectively.

**TABLE TWO: SAMCERA COMPOSITE NET PERFORMANCE FOR TRAILING YEAR
ENDING JUNE 30, 2022**

Composite	Composite Return	Benchmark Return	Excess Return
Public Equity	-14.2%	-14.5%	0.3%
Fixed Income	-8.8%	-10.7%	1.9%
Alternatives	8.7%	9.3%	-0.6%
Inflation Hedge	16.9%	23.2%	-6.3%

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 \$5.667 billion as of June 30, 2022, a decrease of \$508.3 million from December 30, 2021 due to the negative returns from public equity and fixed income. SamCERA increased its cash position to just under 3% of plan assets during the period to prepare for funding a new cash-flow matched liquidity pool mandate. The other asset class changes were primarily the result of the large variation in performance across asset classes during the period.

TABLE THREE: SAMCERA ASSET ALLOCATION COMPARISON

	6/30/2022		12/31/2022		Change in %
	Market Value (\$m)	Allocation (%)	Market Value (\$m)	Allocation (%)	
Public Equity	2,137.5	37.7	2,547.9	41.3	-3.6
Fixed Income	1,416.3	25.0	1,580.8	25.6	-0.6
Alternatives	840.8	14.8	858.4	13.9	+0.9
Inflation Hedge	1,109.9	19.6	1,039.2	16.9	+2.7
Cash	162.6	2.9	149.1	2.4	+0.5
Total	5,667.1		6,175.4		

WHAT DID WE DO?

SamCERA selected a manager to manage a dedicated cash-flow matched liquidity pool. The cash-flow matched pool will contain the next three years' worth of expected benefit payments, with potential annual replenishment. An initial \$90 million investment was contributed to cover the expected net cash outflows for fiscal years 2022, 2023, and 2024. A process is being developed to consider whether to replenish the liquidity pool annually. It is anticipated that SamCERA will consider this annually during the 4th quarter every year.

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