

Semi-Annual Investment Performance Summary

# PERFORMANCE PULSE

December 2023



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# INTRODUCTION

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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

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### *How Did We Do?*

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

2

### *Where Did We Invest?*

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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?*

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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 9.1% net of investment manager fees for the calendar year ended December 31, 2023, underperforming SamCERA's policy benchmark return of 12.1% by 3.0%. 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, 2023

	1 Year	3 Years	5 Years	10 Years
<b>SamCERA Return</b>	9.1%	4.0%	7.4%	6.1%
<b>Benchmark Return</b>	12.1%	4.9%	8.1%	6.6%
<b>Excess Return</b>	(3.0%)	(0.9%)	(0.7%)	(0.5%)
<b>Peer Rank Return (Percentile)</b>	89th	66th	86th	58th
<b>SamCERA Risk (Std Dev)</b>	7.2	7.4	8.8	7.6
<b>Benchmark Risk (Std Dev)</b>	7.4	8.4	9.2	7.9
<b>Peer Median Risk (Std Dev)</b>	8.8	9.5	10.8	8.9
<b>SamCERA Sharpe Ratio</b>	0.6	0.3	0.6	0.7
<b>Benchmark Sharpe Ratio</b>	0.9	0.4	0.7	0.7
<b>Peer Median Sharpe Ratio</b>	0.7	0.3	0.6	0.6

## 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.

SamCERA’s portfolio has lower returns than its policy benchmark over all historical periods. However, consistent with its risk-based approach, SamCERA’s portfolio also exhibited lower risk levels to its policy benchmark (and the median plan) over all historical periods. Taken together, the more significant underperformance over the past year resulted in lower risk-adjusted returns over the three and five-year periods, while the ten-year period exhibits similar risk-adjusted returns. Relative to the median plan, the portfolio had a lower risk-adjusted return over the past year, similar risk-adjusted returns over the past three and five years, and higher risk-adjusted returns over the past ten-year period.

Table Two shows performance for each of SamCERA’s four primary composites. Three of the four composites had positive returns for the calendar year. Growth was the best performing composite and returned 14.8%, while Inflation Hedge returned -3.4% and was the lowest returning composite. Liquidity returned 5.5%, while Diversifying returned 5.0%.

Two of the composites had positive relative returns compared to their respective benchmark, with Inflation Hedge outperforming by 1.0% (even though it was our lowest returning composite on an absolute basis). Liquidity outperformed by 0.8%, while Growth underperformed by 5.5% and Diversifying underperformed by 1.2%.

TABLE TWO: SAMCERA COMPOSITE NET PERFORMANCE FOR TRAILING YEAR  
ENDING DECEMBER 31, 2023

Composite	Composite Return	Benchmark Return	Excess Return
Growth	14.8%	20.3%	-5.5%
Diversifying	5.0%	6.2%	-1.2%
Inflation Hedge	-3.4%	-4.4%	1.0%
Liquidity	5.5%	4.7%	0.8%

# 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 \$6.189 billion as of December 31, 2023, an increase of \$199 million from June 30, 2023. The portfolio changes shown below are primarily the result of SamCERA implementing a new asset allocation policy that the Board approved in February 2023.

TABLE THREE: SAMCERA ASSET ALLOCATION COMPARISON

	12/31/2023		6/30/2023		Change in %
	Market Value (\$m)	Allocation (%)	Market Value (\$m)	Allocation (%)	
Growth	3,658.2	59.1	3,483.2	58.1	+1.0
Diversifying	1,134.0	18.3	1,070.1	17.9	+0.4
Inflation Hedge	1,005.0	16.3	1,019.0	17.0	-0.7
Liquidity	391.9	6.3	418.0	7.0	-0.7
<b>Total</b>	<b>6,189.1</b>		<b>5,990.3</b>		

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# WHAT DID WE DO?

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In November, SamCERA approved replenishing the cash flow match pool to include fiscal year 2026's net cash flows, while also adding an additional year's worth (fiscal year 2027), resulting in pre-funding the next four years' worth of expected net benefit payments (for fiscal years 2024, 2025, 2026, and 2027). No additional new money is expected to be needed, due to higher expected contributions into the plan. As a result, there will be no changes to SamCERA's current asset allocation.

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