



Monthly Risk-Return Report As of January 31, 2016

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Based on actual BNY Mellon data through December 2015 and preliminary data for January 2016



Asset Allocation and Policy Guidelines

As of January 31, 2016

Asset Class	Assets and Allocation		Policy Target	Minimum Target	Maximum Target	Difference	
	\$ (MM)	%				From Policy Target	Within Target?
Total Public Markets Equity	4,062	40.8%	45.0%	42.0%	48.0%	-4.2%	No
Global Equity	546	5.5%	3.0%	0.0%	6.0%	2.5%	Yes
US Equity	1,316	13.2%	18.0%	13.0%	23.0%	-4.8%	Yes
Non-US Equity Developed	1,407	14.1%	15.0%	12.0%	18.0%	-0.9%	Yes
Non-US Equity Emerging	793	8.0%	9.0%	6.0%	11.0%	-1.0%	Yes
Fixed Income	2,720	27.3%	24.0%	21.0%	27.0%	3.3%	No
Alternative Beta/Opportunistic/Other	773	7.8%	8.0%	7.0%	9.0%	-0.2%	Yes
Total Private Assets	2,408	24.2%	23.0%	10.0%	N/A	1.2%	Yes
Real Estate	1,005	10.1%	9.0%	5.0%	N/A	1.1%	Yes
Private Equity	748	7.5%	8.0%	3.0%	N/A	-0.5%	Yes
Private Real Assets	655	6.6%	6.0%	3.0%	N/A	0.6%	Yes
Total Invested	9,963	100.0%					

In January 2016, the equity markets fell 6% and the fixed-income markets were up 1%. The asset allocation result was a decrease in the equity allocation below 42% and an increase in fixed income above 27%. Per the SDCERA Investment Policy Statement, the Investment Staff will bring the asset allocation to within the guidelines within 20 business days.



Portfolio and Benchmark Returns

As of January 31, 2016

	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years
SDCERA Total Trust Fund	-2.6%	-2.6%	-4.7%	-2.6%	-4.2%	3.2%	5.9%
Actuarial Rate of Return	0.6%	0.6%	4.4%	7.7%	7.7%	7.8%	7.9%
SDCERA Policy Benchmark	-3.3%	-3.3%	-5.7%	-3.3%	-3.4%	2.7%	5.4%
Balanced Benchmark	-4.0%	-4.0%	-7.2%	-4.0%	-4.7%	3.6%	4.4%
SDCERA Public Markets							
SDCERA Public Markets Benchmark	-6.3%	-6.3%	-11.1%	-6.3%	-6.9%	4.0%	4.5%
Equities							
Global Equity	-6.0%	-6.0%	-9.7%	-6.0%	-5.5%	5.2%	5.9%
MSCI ACWI IMI	-6.3%	-6.3%	-11.1%	-6.3%	-6.9%	4.0%	4.5%
US Equity	-5.5%	-5.5%	-8.6%	-5.5%	-3.4%	7.5%	6.8%
MSCI USA IMI	-5.7%	-5.7%	-7.3%	-5.7%	-2.9%	9.9%	9.8%
Non-US Equity Developed	-7.2%	-7.2%	-12.6%	-7.2%	-8.2%		
MSCI EAFE	-7.3%	-7.3%	-12.2%	-7.3%	-7.3%		
Non-US Emerging	-6.2%	-6.2%	-20.7%	-6.2%	-19.1%	-9.2%	-4.3%
MSCI Emerging Markets	-6.7%	-6.7%	-22.5%	-6.7%	-20.2%	-8.7%	-5.4%
Total Public Markets Equity	-6.3%	-6.3%	-15.3%	-6.3%	-10.4%	1.7%	6.0%
MSCI ACWI IMI	-6.3%	-6.3%	-11.1%	-6.3%	-6.9%	4.0%	4.5%
Fixed Income							
Fixed Income	1.0%	1.0%	-2.0%	1.0%	-0.4%	3.2%	5.4%
Barclay's US Intermediate Aggregate	1.3%	1.3%	1.8%	1.3%	1.1%	2.0%	2.9%
Alternative Beta/Oppportunistic/Other							
Alternative Beta/Oppportunistic/Other	-0.9%	-0.9%	2.4%	-0.9%	4.5%	4.8%	4.2%
US T-Bills Plus 500 basis points	0.4%	0.4%	2.9%	0.4%	5.0%	5.0%	5.1%
Private Assets							
	<i>The industry standard is to present private asset returns with a quarterly lag</i>						
Real Estate	0.3%	0.3%	8.3%	0.3%	14.5%	12.0%	
NCREIF ODCE Plus 50 basis Points	1.1%	1.1%	8.1%	1.1%	14.5%	13.4%	
Private Equity	1.3%	1.3%	2.0%	1.3%	6.0%	13.2%	10.5%
MSCI ACWI IMI Plus 200 Basis Points	-6.1%	-6.1%	-10.1%	-6.1%	-5.0%	6.0%	6.5%
Private Real Assets	-1.5%	-1.5%	-2.2%	-1.5%	-6.0%	4.9%	2.9%
MSCI ACWI IMI Plus 200 Basis Points	-6.1%	-6.1%	-10.1%	-6.1%	-5.0%	6.0%	6.5%

Please note: The MSCI EAFE (3 yr & 5 yr) and Real Estate (5 yr) returns are blank because the current composite returns calculated by BNY Mellon do not cover these time periods.



As of January 31, 2016

Portfolio Risk and Tracking Error

	11/30/15 Trailing three years		12/31/15 Trailing three years		1/31/16 Trailing three years	
Total Trust Fund	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
SDCERA Total Trust Fund Assets	5.4%		5.5%		5.5%	
SDCERA Policy Benchmark	5.9%	1.8%	5.9%	2.0%	6.2%	2.2%
	Forecasted		Forecasted		Forecasted	
Total Trust Fund	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
SDCERA Total Trust Fund Assets	8.8%		8.9%		8.9%	
SDCERA Policy Benchmark	8.8%	1.5%	8.7%	1.5%	8.7%	1.6%
Balanced Benchmark	9.7%	1.8%	9.5%	1.7%	9.6%	1.9%
SDCERA Public-Only Assets	8.8%		9.0%		9.1%	
SDCERA Public Benchmark	8.1%	1.5%	7.9%	1.7%	8.0%	1.9%
	Equities		Equities		Equities	
Global Equity	14.3%		13.8%		13.8%	
MSCI ACWI IMI	13.9%	1.9%	13.7%	1.7%	13.7%	2.0%
US Equity	13.2%		12.8%		12.2%	
MSCI USA IMI	13.8%	0.9%	13.6%	1.1%	13.7%	1.8%
Non-US Equity Developed	16.7%		16.0%		16.2%	
MSCI EAFE	15.9%	1.0%	15.5%	0.7%	15.6%	1.1%
Non-US Emerging	17.1%		16.8%		16.8%	
MSCI Emerging Markets	17.3%	1.1%	17.0%	1.1%	16.9%	1.1%
	Fixed Income		Fixed Income		Fixed Income	
Fixed Income	3.6%		4.5%		4.5%	
Barclay's US Intermediate Aggregate	3.1%	2.0%	3.2%	2.5%	2.9%	2.6%
	Alternative Beta/Oppportunistic/Other		Alternative Beta/Oppportunistic/Other		Alternative Beta/Oppportunistic/Other	
Alternative Beta/Oppportunistic/Other	7.5%		5.8%		7.0%	
50% Barclays CTA, 50% HFRI Macro	3.8%	6.9%	3.9%	5.6%	3.9%	6.6%
	Private Assets		Private Assets		Private Assets	
Real Estate	9.0%		9.0%		9.0%	
NCREIF ODCE	9.5%	1.4%	9.5%	1.5%	9.4%	1.5%
Private Equity	16.5%		16.4%		16.5%	
MSCI ACWI IMI	13.9%	8.4%	13.7%	8.4%	13.7%	8.4%
Private Real Assets	16.2%		15.8%		15.9%	
MSCI ACWI IMI	13.9%	8.8%	13.7%	8.5%	13.7%	8.6%



Allocation Changes (millions)

No asset allocation changes in January.

Public Markets Portfolio Changes in January 2016

Portfolio %		Portfolio \$ millions		Summary Comments
Begin	End	Begin	End	

Private Market Portfolio Changes in January 2016

Portfolio %		Portfolio \$ millions		Summary Comments
Begin	End	Begin	End	

Benchmarks

- The actuarial rate of return represents the long-term return assumption adopted by the Board of Retirement based on the analysis provided by SDCERA's actuary. SDCERA's actuarial rate of return is 7.5 percent.
- The SDCERA Policy benchmark is composed as follows: 45% MSCI ACWI IMI, 24% Barclays US Intermediate Aggregate Index, 8% US T-Bills, 23% SDCERA Private Asset Benchmark.
- The SDCERA Balanced benchmark is composed of 70% MSCI ACWI IMI index and 30% Barclay's U.S. Aggregate index – this is an investable index and represents an alternative to asset allocation and to active managers.
- The Total Public Markets Equity Benchmark is the MSCI ACWI IMI Index.
- The Global Equity Benchmark is the MSCI ACWI IMI Index.
- The US Equity Benchmark is the MSCI USA IMI Stock Market Index.
- The Non-US Equity (Developed) Benchmark is the MSCI EAFE IMI Index.
- The Non-US Equity Emerging Markets Benchmark is the MSCI Emerging Markets IMI Index.
- The Total Fixed Income Benchmark is the Barclay's U.S. Intermediate Aggregate Index and is a broad based benchmark that measures the investment grade, U.S. fixed-rate, and taxable bond market.
- The Alternative Beta/ Opportunistic/Other Benchmark is the T-Bills plus 500 basis points.
- The Total Private Assets Benchmark is composed of 1/3 NCREIF and 2/3 MSCI ACWI IMI index plus 200 basis points.
- The Real Estate Benchmark is the NCREIF ODCE Index plus 50 basis points.
- The Private Equity Benchmark is the MSCI ACWI IMI plus 200 basis points.
- The Private Real Assets Benchmark is the MSCI ACWI IMI plus 200 basis points.

- The MSCI ACWI Investable Market Index (IMI) captures large, mid and small cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries.
- The SDCERA Public Markets Risk Benchmark is an aggregate of 58.44% ACWI IMI, 31.77% Barclay's Intermediate Aggregate, 5.19% Barclay's CTA, and 5.19% HFRI Macro.
- The Barclay CTA index is an index of 535 representative commodity-trading advisors.
- The HFRI Macro index is based on investment managers which trade a broad range of strategies predicated on movements in underlying economic variables.

Note: The MSCI and T-Bills benchmarks plus a basis point spread (500, 50, and 200) are not investable indexes. The purpose of having a higher-than-market index benchmark, such as MSCI ACWI plus 200 basis points, is to set the expectation for that asset class. For example, the illiquid nature and lower transparency of Private Equity is matched by an expectation of higher returns than can be realized in public markets.