



Monthly Risk-Return Report

As of June 30, 2017

Asset Allocation	Page 1
Returns	Page 2
Risk	Page 3
Portfolio Changes	Page 4
Benchmarks	Page 5

Based on actual BNY Mellon data through May 2017 and preliminary data for June 2017.



Asset Allocation and Policy Guidelines

As of June 30, 2017

Asset Class	Assets and Allocation		Policy Target	Minimum Target	Maximum Target	Difference	
	\$ (MM)	%				From Policy Target	Within Target?
Total Public Markets Equity	5,463	47.9%	45.0%	42.0%	48.0%	2.9%	Yes
Global Equity	656	5.8%	3.0%	0.0%	6.0%	2.8%	Yes
US Equity	1,853	16.2%	18.0%	13.0%	23.0%	-1.8%	Yes
Non-US Equity Developed	1,757	15.4%	15.0%	12.0%	18.0%	0.4%	Yes
Non-US Equity Emerging	1,196	10.5%	9.0%	6.0%	11.0%	1.5%	Yes
Fixed Income	2,682	23.5%	24.0%	21.0%	27.0%	-0.5%	Yes
Alternative Beta/Opportunistic/Other	673	5.9%	8.0%	0.0%	9.0%	-2.1%	Yes
Total Private Assets	2,591	22.7%	23.0%	10.0%		-0.3%	Yes
Real Estate	949	8.3%	9.0%	5.0%	12.0%	-0.7%	Yes
Private Equity	880	7.7%	8.0%	3.0%	10.0%	-0.3%	Yes
Private Real Assets	762	6.7%	6.0%	3.0%	8.0%	0.7%	Yes
Total Invested	11,409	100.0%					



Portfolio and Benchmark Returns

As of June 30, 2017

	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years
SDCERA Total Trust Fund	0.3%	3.2%	12.0%	7.6%	12.0%	4.9%	7.1%
SDCERA Policy Benchmark	0.4%	3.1%	12.5%	7.8%	12.5%	4.7%	6.9%
Balanced Benchmark	0.3%	3.4%	12.9%	8.5%	12.9%	4.3%	8.2%
Actuarial Rate of Return	0.6%	1.8%	7.3%	3.6%	7.3%	7.5%	7.7%

SDCERA Public Markets	0.2%	3.6%	13.7%	9.3%	13.7%	2.5%	8.1%
Balanced Benchmark	0.3%	3.4%	12.9%	8.5%	12.9%	4.3%	8.2%
Total Public Markets Equity	0.4%	4.5%	19.8%	12.4%	19.8%	2.6%	11.6%
MSCI ACWI IMI	0.6%	4.3%	19.0%	11.3%	19.0%	4.9%	10.7%
Fixed Income	-0.1%	1.3%	1.6%	2.5%	1.6%	2.1%	2.3%
Bloomberg Barclays US Intermediate Aggregate	-0.3%	0.9%	-0.2%	1.6%	-0.2%	2.0%	1.9%

Alternative Beta/Oppportunistic/Other/HF							
Hedge Funds and Relative Value	0.9%	-1.1%	4.5%	0.5%	4.5%	4.2%	4.0%
Managed Futures	-3.0%	0.4%	0.2%	2.6%	0.2%	7.7%	6.2%
US T-Bills Plus 500 basis points	0.5%	1.4%	5.5%	2.8%	5.5%	5.2%	5.2%

Private Assets							
<i>The industry standard is to present private asset returns with a quarterly lag</i>							
Real Estate	1.0%	0.9%	8.7%	3.2%	8.7%	12.3%	11.0%
NCREIF ODCE Plus 50 basis Points	0.6%	1.7%	7.5%	3.4%	7.5%	10.9%	11.3%
Private Equity	0.6%	6.4%	15.2%	10.0%	15.2%	9.3%	13.2%
MSCI ACWI IMI Plus 200 Basis Points	0.8%	4.8%	21.4%	12.4%	21.4%	7.0%	13.0%
Private Real Assets	0.6%	4.1%	13.6%	4.7%	13.6%	3.6%	6.1%
MSCI ACWI IMI Plus 200 Basis Points	0.8%	4.8%	21.4%	12.4%	21.4%	7.0%	13.0%

Equities by Sub-Asset Class							
Global Equity	0.1%	4.0%	18.8%	11.3%	18.8%	5.5%	11.3%
MSCI ACWI IMI	0.6%	4.3%	19.0%	11.3%	19.0%	4.9%	10.7%
US Equity	0.7%	2.5%	17.6%	8.4%	17.6%	6.9%	12.6%
MSCI USA IMI	0.8%	2.8%	17.7%	8.7%	17.7%	8.5%	13.9%
Non-US Equity Developed	-0.2%	6.1%	20.8%	14.0%	20.8%	1.4%	
MSCI EAFE IMI	-0.2%	6.4%	20.7%	14.2%	20.7%	1.7%	
Non-US Emerging	0.9%	5.6%	23.2%	17.8%	23.2%	0.8%	4.5%
MSCI Emerging Markets IMI	1.0%	5.8%	22.8%	18.1%	22.8%	1.0%	4.1%
Total Public Markets Equity	0.4%	4.5%	19.8%	12.4%	19.8%	2.6%	11.6%
MSCI ACWI IMI	0.6%	4.3%	19.0%	11.3%	19.0%	4.9%	10.7%

Please note: The Non-US Equity Developed and MSCI EAFE IMI 5 yr returns are blank because the current composite returns calculated by BNY Mellon do not cover these time periods. The SDCERA Benchmark is before fees and cannot be indexed because Global Stocks + 2% for the private market assets subcomponent and NCREIF ODCE plus 50 basis points for Real Estate subcomponent cannot be indexed.



Portfolio Risk and Tracking Error

As of June 30, 2017	4/30/17 Trailing three years		5/31/17 Trailing three years		6/30/17 Trailing three years	
	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Total Trust Fund						
SDCERA Total Trust Fund Assets	5.3%	N/A	5.2%	N/A	5.2%	N/A
SDCERA Policy Benchmark	6.2%	1.9%	6.1%	1.9%	6.1%	1.9%
	Forecasted		Forecasted		Forecasted	
Total Trust Fund						
SDCERA Total Trust Fund Assets	6.3%	N/A	5.8%	N/A	5.9%	N/A
SDCERA Policy Benchmark	7.2%	1.3%	6.7%	1.3%	6.6%	1.1%
Balanced Benchmark	7.8%	1.9%	7.2%	1.9%	7.0%	1.7%
SDCERA Public-Only Assets	7.2%	N/A	6.6%	N/A	6.8%	N/A
SDCERA Public Benchmark	6.7%	0.7%	6.2%	0.7%	6.1%	0.9%
Equities						
Global Equity	11.1%		10.2%		9.8%	
MSCI ACWI IMI	11.0%	0.6%	10.1%	0.6%	10.0%	1.0%
US Equity	9.5%		9.7%		9.6%	
MSCI USA IMI	10.4%	0.8%	9.9%	0.8%	9.8%	0.8%
Non-US Equity Developed	13.3%		12.2%		11.9%	
MSCI EAFE IMI	13.1%	0.9%	11.9%	0.9%	11.6%	0.9%
Non-US Emerging	15.7%		14.8%		14.7%	
MSCI Emerging Markets IMI	15.1%	1.0%	14.2%	1.0%	14.2%	1.0%
Fixed Income						
Fixed Income	3.0%		2.7%		3.3%	
Bloomberg Barclays US Intermediate Aggregate	2.1%	1.1%	2.1%	1.0%	2.1%	1.2%
Alternative Beta/Oppportunistic/HF						
Alternative Beta/Oppportunistic/Other/HF	4.0%		4.0%		4.0%	
50% BarclayHedge CTA, 50% HFRI Macro	4.1%	4.0%	4.0%	4.0%	3.9%	4.0%
Private Assets						
Real Estate	7.7%		7.6%		7.5%	
NCREIF ODCE + 50 bps	8.8%	9.5%	8.3%	9.3%	8.1%	8.9%
Private Equity	7.6%		7.2%		7.3%	
MSCI ACWI IMI + 200 bps	11.0%	5.4%	10.1%	5.0%	10.0%	4.9%
Private Real Assets	9.9%		9.7%		10.3%	
MSCI ACWI IMI + 200 bps	11.0%	11.8%	10.1%	11.8%	10.0%	12.6%



Public Markets Portfolio Changes in June 2017

Allocation Changes (millions)

Increase Allianz Global Equity: \$300
 Decrease Operational Cash: \$300
 Increase Blackrock S&P Index: \$125
 Decrease Blackrock ACWI Index: \$125
 Increase PIMCO Short Term Fixed: \$305
 Decrease PIMCO Collateral Cash: \$305

Portfolio %		Portfolio \$ millions		Summary Comments
Begin	End	Begin	End	
0.0%	2.6%	\$0	\$300	Rebalance from convertible securities portfolio; increase manager alignment
3.7%	1.1%	\$426	\$126	Rebalance from convertible securities portfolio; increase manager alignment
4.5%	5.6%	\$515	\$640	Internal rebalance to maintain IPS guidelines
3.5%	2.4%	\$398	\$273	Internal rebalance to maintain IPS guidelines
0.0%	2.7%	\$0	\$305	Reflects portfolio guideline changes and repositioning within Trust Fund
2.7%	0.0%	\$305	\$0	Reflects portfolio guideline changes and repositioning within Trust Fund

Private Market Portfolio Changes in June 2017

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 7.25 percent.
- The SDCERA Policy benchmark is composed as follows: 45% MSCI ACWI Investable Market Index (IMI), 24% Bloomberg Barclays US Intermediate Aggregate Index, 8% US T-Bills + 500 bps, 23% SDCERA Private Asset Benchmark.
- The SDCERA Balanced benchmark is composed of 70% MSCI ACWI IMI and 30% Bloomberg Barclays U.S. Aggregate Index.
- The Total Public Markets Equity Benchmark is the MSCI ACWI IMI.
- The Global Equity Benchmark is the MSCI ACWI IMI.
- The US Equity Benchmark is the MSCI USA IMI.
- The Non-US Equity (Developed) Benchmark is the MSCI EAFE IMI.
- The Non-US Equity Emerging Markets Benchmark is the MSCI Emerging Markets IMI.
- The Total Fixed Income Benchmark is the Bloomberg Barclays 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 T-Bills plus 500 basis points.
- The Total Private Assets Benchmark is composed of 1/3 NCREIF and 2/3 MSCI ACWI IMI 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 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 58.4% MSCI ACWI IMI, 31.2% Bloomberg Barclays U.S. Intermediate Aggregate, 5.2% BarclayHedge CTA, and 5.2% HFRI Macro.
- The BarclayHedge CTA Index is comprised 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.