



# Monthly Risk-Return Report

## As of December 31, 2020

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Based on actual BNY Mellon data through November 2020 and preliminary data for December 2020.  
Private asset valuations and returns are presented with a quarterly lag per industry standard.



### Asset Allocation and Policy Guidelines

As of December 31, 2020

Asset Class	Assets and Allocation		Policy Target	Minimum Target	Maximum Target	Difference	
	\$ ( MM )	%				From Policy Target	Within Target?
<b>Public Markets Equity</b>	<b>8,251</b>	<b>54.1%</b>	<b>50.0%</b>	<b>45.0%</b>	<b>55.0%</b>	<b>4.1%</b>	<b>Yes</b>
Global Equity	808	5.3%	8.0%	0.0%	15.0%	-2.7%	Yes
US Equity	3,868	25.4%	22.0%	17.0%	27.0%	3.4%	Yes
Non-US Equity Developed	2,531	16.6%	15.0%	11.0%	19.0%	1.6%	Yes
Non-US Equity Emerging	1,044	6.8%	5.0%	0.0%	10.0%	1.8%	Yes
<b>Fixed Income and Cash</b>	<b>3,856</b>	<b>25.3%</b>					
Risk-Reducing Fixed Income	2,926	19.2%	19.0%	13.0%	25.0%	0.2%	Yes
Return-Seeking Fixed Income	930	6.1%	6.0%	0.0%	12.0%	0.1%	Yes
<b>Opportunistic</b>	<b>861</b>	<b>5.6%</b>	<b>6.0%</b>	<b>0.0%</b>	<b>15.0%</b>	<b>-0.4%</b>	<b>Yes</b>
<b>Private Assets</b>	<b>2,284</b>	<b>15.0%</b>	<b>19.0%</b>	<b>8.0%</b>	<b>25.0%</b>	<b>-4.0%</b>	<b>Yes</b>
Real Estate	1,137	7.5%	10.0%	5.0%	15.0%	-2.5%	Yes
Private Equity	646	4.2%	6.0%	0.0%	12.0%	-1.8%	Yes
Private Real Assets	502	3.3%	3.0%	0.0%	9.0%	0.3%	Yes
<b>Total Invested</b>	<b>15,252</b>	<b>100.0%</b>					



## Portfolio and Benchmark Returns

As of December 31, 2020

	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years
<b>SDCERA Total Trust Fund</b>	3.1%	9.9%	15.2%	10.3%	10.3%	7.1%	8.8%
SDCERA Policy Benchmark	3.3%	10.5%	16.6%	12.3%	12.3%	8.1%	9.5%
Balanced Benchmark	3.6%	11.1%	17.5%	13.8%	13.8%	8.5%	9.9%

<b>SDCERA Public Markets</b>	3.6%	11.1%	17.1%	11.7%	11.7%	7.1%	9.3%
Balanced Benchmark	3.6%	11.1%	17.5%	13.8%	13.8%	8.5%	9.9%
<b>Total Public Markets Equity</b>	5.1%	16.0%	24.8%	15.5%	15.5%	9.2%	12.0%
MSCI ACWI IMI	5.0%	15.7%	25.1%	16.3%	16.3%	9.7%	12.2%
<b>Total Fixed Income and Cash</b>	0.7%	1.8%	3.6%	6.2%	6.2%	4.5%	4.5%
Bloomberg Barclays US Intermediate Aggregate	0.2%	0.4%	0.9%	5.6%	5.6%	4.4%	3.5%

<b>Opportunistic</b>							
<b>Opportunistic</b>	3.5%	10.7%	16.2%	-0.3%	-0.3%	0.3%	2.5%
Balanced Benchmark	3.6%	11.1%	17.5%	13.8%	13.8%	8.5%	9.9%

<b>Private Assets</b>							
	<i>The industry standard is to present private asset returns with a quarterly lag</i>						
<b>Real Estate</b>	-0.1%	1.7%	1.3%	5.5%	5.5%	8.5%	9.0%
NCREIF ODCE	0.1%	0.3%	0.5%	-0.5%	-0.5%	3.7%	5.1%
<b>Private Equity</b>	0.9%	8.8%	16.4%	6.1%	6.1%	9.6%	11.3%
MSCI ACWI IMI	5.0%	15.7%	25.1%	16.3%	16.3%	9.7%	12.2%
<b>Private Real Assets</b>	0.0%	2.1%	4.2%	-4.1%	-4.1%	-0.2%	3.1%
MSCI ACWI IMI	5.0%	15.7%	25.1%	16.3%	16.3%	9.7%	12.2%

<b>Equities by Sub-Asset Class</b>							
<b>Global Equity</b>	4.9%	14.5%	23.3%	12.5%	12.5%	7.8%	11.2%
MSCI ACWI IMI	5.0%	15.7%	25.1%	16.3%	16.3%	9.7%	12.2%
<b>US Equity</b>	4.6%	15.0%	25.2%	20.4%	20.4%	14.2%	15.0%
MSCI USA IMI	4.5%	14.6%	25.0%	20.5%	20.5%	14.0%	14.9%
<b>Non-US Equity Developed</b>	4.9%	16.4%	22.4%	9.7%	9.7%	5.0%	8.0%
MSCI EAFE IMI	5.0%	16.2%	22.7%	8.5%	8.5%	4.4%	7.7%
<b>Non-US Emerging</b>	7.3%	20.0%	30.5%	15.3%	15.3%	4.9%	12.1%
MSCI Emerging Markets	7.4%	19.7%	31.1%	18.3%	18.3%	6.2%	12.8%

<b>Fixed Income by Sub-Asset Class</b>							
<b>Risk-Reducing Fixed Income</b>	0.1%	0.1%	0.7%	4.9%	4.9%	4.0%	3.4%
Bloomberg Barclays US Intermediate Aggregate	0.2%	0.4%	0.9%	5.6%	5.6%	4.4%	3.5%
<b>Return-Seeking Fixed Income</b>	2.4%	7.3%	12.8%	7.2%	7.2%	5.0%	7.4%
ICE BofA U.S. High Yield Constrained	1.9%	6.5%	11.5%	6.1%	6.1%	5.9%	8.4%

Please note: SDCERA Benchmark returns are before fees.



## Portfolio Risk and Tracking Error

As of December 31, 2020

	10/31/20 Trailing three years		11/30/20 Trailing three years		12/31/20 Trailing three years	
Total Trust Fund	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
SDCERA Total Trust Fund Assets	9.4%	N/A	10.3%	N/A	10.4%	N/A
SDCERA Policy Benchmark	11.8%	2.7%	12.7%	2.8%	12.8%	2.8%

  

	Forecasted		Forecasted		Forecasted	
Total Trust Fund	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
SDCERA Total Trust Fund Assets	8.5%	N/A	9.5%	N/A	9.6%	N/A
SDCERA Policy Benchmark	9.4%	1.1%	10.1%	0.8%	10.1%	0.7%
Balanced Benchmark	10.1%	1.7%	10.8%	1.4%	10.8%	1.4%
SDCERA Public-Only Assets	10.0%	N/A	11.1%	N/A	11.1%	N/A
SDCERA Public Benchmark	10.1%	0.4%	10.7%	0.5%	10.8%	0.5%

  

Equities	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Global Equity	14.3%	N/A	15.2%	N/A	15.3%	N/A
MSCI ACWI IMI	14.5%	1.2%	15.4%	1.2%	15.5%	1.1%
US Equity	15.5%	N/A	16.3%	N/A	16.4%	N/A
MSCI USA IMI	15.2%	0.5%	16.0%	0.6%	16.0%	0.6%
Non-US Equity Developed	14.2%	N/A	15.6%	N/A	15.7%	N/A
MSCI EAFE IMI	14.0%	0.7%	15.5%	0.7%	15.6%	0.6%
Non-US Emerging	17.5%	N/A	17.8%	N/A	18.0%	N/A
MSCI Emerging Markets	17.1%	1.1%	17.4%	1.1%	17.6%	1.1%

  

Fixed Income	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Risk-Reducing Fixed Income	2.2%	N/A	2.3%	N/A	2.1%	N/A
Bloomberg Barclays US Intermediate Aggregate	2.2%	0.5%	2.2%	0.5%	2.1%	0.5%
Return-Seeking Fixed Income	8.2%	N/A	8.4%	N/A	8.3%	N/A
ICE BofA U.S. High Yield Constrained	8.0%	1.3%	8.0%	1.3%	7.9%	1.3%

  

Opportunistic	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Opportunistic	9.7%	N/A	10.4%	N/A	10.2%	N/A
Balanced Benchmark	10.1%	1.7%	10.8%	1.7%	10.8%	1.7%

  

Private Assets	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Real Estate	1.4%	N/A	1.4%	N/A	1.4%	N/A
NCREIF ODCE	1.0%	1.2%	1.0%	1.2%	0.9%	1.2%
Private Equity	6.3%	N/A	6.5%	N/A	6.6%	N/A
MSCI ACWI IMI	14.5%	13.4%	15.4%	13.8%	15.5%	13.8%
Private Real Assets	11.5%	N/A	12.4%	N/A	12.8%	N/A
MSCI ACWI IMI	14.5%	17.0%	15.4%	17.0%	15.5%	17.0%



**Allocation Changes (millions)**

Decrease: Allianz Global Equity \$70  
 Decrease: PIMCO OPP II \$16.8  
 Decrease: PIMCO OPP III \$1.4  
 Increase: PIMCO Coll Cash \$18.2

**Public Markets Portfolio Changes in December 2020**

Portfolio \$ millions		Portfolio %		Summary Comments
Begin	End	Begin	End	
\$473	\$422	3.2%	2.8%	To fund retiree payroll and reduce exposure to Global Equities Reverse capital call Reverse capital call Reverse capital call
\$34	\$18	0.2%	0.1%	
\$48	\$46	0.3%	0.3%	
\$556	\$576	3.7%	3.8%	

**Private Markets Portfolio Changes in December 2020**

Decrease: Red Kite Mine Finance Fund \$28.2

Portfolio \$ millions		Portfolio %		Summary Comments
Begin	End	Begin	End	
\$81.7	\$54.6	0.6%	0.4%	Decrease exposure to Red Kite Mine Finance Fund

## Benchmarks

- The SDCERA Policy benchmark is composed as follows: 50% MSCI ACWI Investable Market Index (IMI), 19% Bloomberg Barclays US Intermediate Aggregate Index, 6% ICE BofA U. S. High Yield Constrained Index, 6% Balanced Benchmark, 19% SDCERA Private Asset Benchmark.
- The SDCERA Balanced Benchmark is composed of 70% MSCI ACWI IMI and 30% Bloomberg Barclays U.S. Intermediate 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 Index.
- The Risk-Reducing Fixed Income Benchmark is the Bloomberg Barclays U.S. Intermediate Aggregate Index.
- The Return-Seeking Fixed Income Benchmark is the ICE BofA U.S. High Yield Constrained Index.
- The Opportunistic Benchmark is 70% MSCI ACWI IMI and 30% Bloomberg Barclays U.S. Intermediate Aggregate Index.
- The Total Private Assets Benchmark is composed of 1/2 NCREIF and 1/2 MSCI ACWI IMI.
- The Real Estate Benchmark is the NCREIF ODCE Index.
- The Private Equity Benchmark is the MSCI ACWI IMI.
- The Private Real Assets Benchmark is the MSCI ACWI IMI.
- The MSCI ACWI IMI captures large, mid and small cap representation across 23 Developed Markets (DM) and 27 Emerging Markets (EM) countries.
- The SDCERA Public Markets Risk Benchmark is an aggregate of 9.9% MSCI ACWI IMI, 27.2% MSCI USA IMI, 18.5% MSCI EAFE IMI, 6.2% MSCI Emerging Markets Index, 23.4% Bloomberg Barclays U.S. Intermediate Aggregate Index, 7.4% ICE BofA US High Yield Constrained Index, and 7.4% Balanced Benchmark.

## Glossary

MSCI ACWI IMI: Morgan Stanley Capital International All Country World - Investable Market Index. A capitalization-weighted stock index that captures large, mid and small cap representation across 23 Developed Markets (DM) and 27 Emerging Markets (EM) countries. The index is comprised of 8,982 equity securities that cover approximately 99% of the global equity investment opportunity set as of December 31, 2020.

Bloomberg Barclays U.S. Intermediate Aggregate: A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of \$250 million or greater.

NCREIF ODCE: National Council of Real Estate Investment Fiduciaries – Open End Diversified Core Equity Index. A capitalization weighted index comprised of open-end, Core funds investing in commercial real estate properties. The funds that constitute the index are subject to certain geographic and property type diversification requirements as well as leverage restrictions. The index returns reflect the property-level leverage contained within each underlying fund. The returns shown in this report are net of management fees of the respective funds included in the index.

MSCI USA IMI: Morgan Stanley Capital International USA - Investable Market Index. A capitalization-weighted stock index designed to measure the performance of the large, mid and small cap segments of the U.S. market. The index is comprised of 2,375 equity securities that cover approximately 99% of the free float-adjusted market capitalization in the U.S. as of December 31, 2020.

MSCI EAFE IMI: Morgan Stanley Capital International Europe Australasia and Far East - Investable Market Index A capitalization-weighted index of stocks that captures large, mid and small cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index is comprised of 3,237 equity securities that cover approximately 99% of the free float-adjusted market capitalization in each country as of December 31, 2020.

MSCI Emerging Markets Index: A capitalization-weighted index of stocks that captures large and mid-cap representation across 27 Emerging Markets (EM) countries. The Index is comprised of 1,397 equity securities that cover approximately 85% of the free float-adjusted market capitalization in each country as of December 31, 2020.

ICE BofA U.S. High Yield Constrained Index: Intercontinental Exchange Bank of America. A market capitalization-weighted index that tracks the performance of U.S. dollar-denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Issuers are constrained to no more than 2% of the index.