



# Monthly Risk-Return Report

## As of September 30, 2020

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



### Asset Allocation and Policy Guidelines

As of September 30, 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>7,154</b>	<b>51.0%</b>	<b>50.0%</b>	<b>45.0%</b>	<b>55.0%</b>	<b>1.0%</b>	<b>Yes</b>
Global Equity	745	5.3%	8.0%	0.0%	15.0%	-2.7%	Yes
US Equity	3,364	24.0%	22.0%	17.0%	27.0%	2.0%	Yes
Non-US Equity Developed	2,174	15.5%	15.0%	11.0%	19.0%	0.5%	Yes
Non-US Equity Emerging	870	6.2%	5.0%	0.0%	10.0%	1.2%	Yes
<b>Fixed Income and Cash</b>	<b>3,747</b>	<b>26.7%</b>					
Risk-Reducing Fixed Income	2,832	20.2%	19.0%	13.0%	25.0%	1.2%	Yes
Return-Seeking Fixed Income	915	6.5%	6.0%	0.0%	12.0%	0.5%	Yes
<b>Opportunistic</b>	<b>796</b>	<b>5.7%</b>	<b>6.0%</b>	<b>0.0%</b>	<b>15.0%</b>	<b>-0.3%</b>	<b>Yes</b>
<b>Private Assets</b>	<b>2,341</b>	<b>16.7%</b>	<b>19.0%</b>	<b>8.0%</b>	<b>25.0%</b>	<b>-2.3%</b>	<b>Yes</b>
Real Estate	1,115	7.9%	10.0%	5.0%	15.0%	-2.1%	Yes
Private Equity	660	4.7%	6.0%	0.0%	12.0%	-1.3%	Yes
Private Real Assets	566	4.0%	3.0%	0.0%	9.0%	1.0%	Yes
<b>Total Invested</b>	<b>14,037</b>	<b>100.0%</b>					



## Portfolio and Benchmark Returns

As of September 30, 2020

	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years
<b>SDCERA Total Trust Fund</b>	-1.6%	4.9%	4.9%	0.4%	5.3%	5.1%	7.1%
SDCERA Policy Benchmark	-2.1%	5.4%	5.4%	1.5%	7.8%	5.9%	8.0%
Balanced Benchmark	-2.2%	5.8%	5.8%	2.4%	9.0%	6.1%	8.3%

<b>SDCERA Public Markets</b>	-2.0%	5.4%	5.4%	0.6%	6.2%	4.7%	7.5%
Balanced Benchmark	-2.2%	5.8%	5.8%	2.4%	9.0%	6.1%	8.3%
<b>Total Public Markets Equity</b>	-3.0%	7.6%	7.6%	-0.4%	8.8%	5.9%	9.7%
MSCI ACWI IMI	-3.1%	8.1%	8.1%	0.5%	9.6%	6.5%	10.0%
<b>Total Fixed Income and Cash</b>	0.1%	1.7%	1.7%	4.3%	5.0%	4.0%	4.2%
Bloomberg Barclays US Intermediate Aggregate	0.0%	0.5%	0.5%	5.2%	5.7%	4.2%	3.3%

<b>Opportunistic</b>							
<b>Opportunistic</b>	-2.2%	4.9%	4.9%	-10.0%	-8.0%	-1.6%	0.8%
Balanced Benchmark	-2.2%	5.8%	5.8%	2.4%	9.0%	6.1%	8.3%

<b>Private Assets</b>							
<i>The industry standard is to present private asset returns with a quarterly lag</i>							
<b>Real Estate</b>	0.0%	-0.4%	-0.4%	3.7%	6.7%	8.9%	8.7%
NCREIF ODCE	-0.6%	-1.8%	-1.8%	-2.8%	-1.5%	3.5%	5.3%
<b>Private Equity</b>	0.2%	7.0%	7.0%	-2.5%	-0.8%	7.6%	9.3%
MSCI ACWI IMI	-3.1%	8.1%	8.1%	0.5%	9.6%	6.5%	10.0%
<b>Private Real Assets</b>	0.2%	2.1%	2.1%	-6.0%	-6.6%	0.8%	2.6%
MSCI ACWI IMI	-3.1%	8.1%	8.1%	0.5%	9.6%	6.5%	10.0%

<b>Equities by Sub-Asset Class</b>							
<b>Global Equity</b>	-2.8%	7.7%	7.7%	-1.8%	6.9%	5.0%	9.3%
MSCI ACWI IMI	-3.1%	8.1%	8.1%	0.5%	9.6%	6.5%	10.0%
<b>US Equity</b>	-3.7%	8.9%	8.9%	4.8%	14.4%	11.3%	13.2%
MSCI USA IMI	-3.7%	9.1%	9.1%	5.2%	14.5%	11.1%	13.1%
<b>Non-US Equity Developed</b>	-2.5%	5.2%	5.2%	-5.8%	2.2%	1.2%	5.9%
MSCI EAFE IMI	-2.3%	5.6%	5.6%	-6.7%	1.4%	0.7%	5.6%
<b>Non-US Emerging</b>	-1.7%	8.8%	8.8%	-3.9%	7.2%	1.2%	8.2%
MSCI Emerging Markets	-1.6%	9.6%	9.6%	-1.2%	10.5%	2.4%	9.0%

<b>Fixed Income by Sub-Asset Class</b>							
<b>Risk-Reducing Fixed Income</b>	0.2%	0.6%	0.6%	4.7%	4.8%	4.0%	
Bloomberg Barclays US Intermediate Aggregate	0.0%	0.5%	0.5%	5.2%	5.7%	4.2%	
<b>Return-Seeking Fixed Income</b>	-0.5%	5.2%	5.2%	-0.1%	2.5%	2.8%	
ICE BofA U.S. High Yield Constrained	-1.0%	4.7%	4.7%	-0.4%	2.2%	3.8%	

Please note: The Risk-Reducing Fixed Income, Return-Seeking Fixed Income and ICE BofA U.S. High Yield Constrained 5 yr returns are blank because the current composite returns calculated by BNY Mellon do not cover these time periods. SDCERA Benchmark returns are before fees.



## Portfolio Risk and Tracking Error

As of September 30, 2020	7/31/20 Trailing three years	8/31/20 Trailing three years	9/30/20 Trailing three years			
Total Trust Fund	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
SDCERA Total Trust Fund Assets	9.1%	N/A	9.3%	N/A	9.3%	N/A
SDCERA Policy Benchmark	11.6%	2.7%	11.7%	2.7%	11.8%	2.7%

  

Total Trust Fund	Forecasted	Forecasted	Forecasted			
Total Trust Fund	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
SDCERA Total Trust Fund Assets	8.6%	N/A	8.6%	N/A	8.6%	N/A
SDCERA Policy Benchmark	9.8%	1.3%	9.6%	1.1%	9.6%	1.1%
Balanced Benchmark	10.4%	2.0%	10.3%	1.8%	10.3%	1.8%
SDCERA Public-Only Assets	10.3%	N/A	10.2%	N/A	10.2%	N/A
SDCERA Public Benchmark	10.4%	0.5%	10.3%	0.4%	10.2%	0.4%

  

Equities	Forecasted	Forecasted	Forecasted			
Equities	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Global Equity	14.7%	N/A	14.6%	N/A	14.6%	N/A
MSCI ACWI IMI	15.0%	1.3%	14.8%	1.3%	14.7%	1.2%
US Equity	15.8%	N/A	15.6%	N/A	15.7%	N/A
MSCI USA IMI	15.5%	0.5%	15.4%	0.5%	15.5%	0.5%
Non-US Equity Developed	14.7%	N/A	14.4%	N/A	14.3%	N/A
MSCI EAFE IMI	14.6%	0.7%	14.4%	0.7%	14.3%	0.7%
Non-US Emerging	18.3%	N/A	17.8%	N/A	17.7%	N/A
MSCI Emerging Markets	17.9%	1.1%	17.4%	1.1%	17.4%	1.1%

  

Fixed Income	Forecasted	Forecasted	Forecasted			
Fixed Income	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Risk-Reducing Fixed Income	1.9%	N/A	1.9%	N/A	2.0%	N/A
Bloomberg Barclays US Intermediate Aggregate	2.2%	0.5%	2.2%	0.5%	2.2%	0.5%
Return-Seeking Fixed Income	8.3%	N/A	8.3%	N/A	8.2%	N/A
ICE BofA U.S. High Yield Constrained	8.2%	1.2%	8.1%	1.3%	8.0%	1.3%

  

Opportunistic	Forecasted	Forecasted	Forecasted			
Opportunistic	Volatility	Tracking Error	Volatility	Tracking Error	Volatility	Tracking Error
Opportunistic	9.1%	N/A	8.9%	N/A	9.8%	N/A
Balanced Benchmark	10.4%	2.6%	10.3%	2.6%	10.3%	1.8%

  

Private Assets	Forecasted	Forecasted	Forecasted			
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	0.9%	1.1%	0.9%	1.1%	0.9%	1.1%
Private Equity	3.2%	N/A	3.2%	N/A	3.3%	N/A
MSCI ACWI IMI	15.0%	14.1%	14.8%	13.9%	14.7%	13.8%
Private Real Assets	12.1%	N/A	12.1%	N/A	12.3%	N/A
MSCI ACWI IMI	15.0%	18.0%	14.8%	17.8%	14.7%	17.6%



**Allocation Changes (millions)**

Decrease: Allianz Multi-Asset Long-Short \$99.7  
 Increase: BlackRock US Intermediate Agg Fund \$30  
 Increase: BlackRock ACWI IMI Fund \$70

**Public Markets Portfolio Changes in September 2020**

Portfolio %		Portfolio \$ millions		Summary Comments
Begin	End	Begin	End	
0.7%	0.0%	\$100	\$0	Decrease exposure to zero-correlation assets within Opportunistic allocation Increase exposure to Risk-Reducing Fixed Income Increase exposure to Global Equities
5.9%	6.2%	\$841	\$871	
1.9%	2.4%	\$272	\$334	

**Private Markets Portfolio Changes in September 2020**

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

## 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 26 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 26 Emerging Markets (EM) countries. The index is comprised of 8,766 equity securities that cover approximately 99% of the global equity investment opportunity set as of September 30, 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 2,336 equity securities that cover approximately 99% of the free float-adjusted market capitalization in the U.S. as of September 30, 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 3,217 equity securities that cover approximately 99% of the free float-adjusted market capitalization in each country as of September 30, 2020.

MSCI Emerging Markets Index: A capitalization-weighted index of stocks that captures large and mid-cap representation across 26 Emerging Markets (EM) countries. The Index is comprised of 1,387 equity securities that cover approximately 85% of the free float-adjusted market capitalization in each country as of September 30, 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.