



RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of November January 19, 2023

To: Retirement Board
From: Alison Romano
CEO & CIO
Date: January 19, 2023

Agenda Item:

Chief Investment Officer's Report

Background:

Alison Romano, Chief Executive Officer and Chief Investment Officer, will report on the following items:

Investment Update

- Update on investment market environment, preliminary performance and plan value

Recommendation:

This is a discussion item only

Attachments for Informational Purposes:

- Exhibit 1: Monthly Investment Snapshot
- Exhibit 2: Update on Board Approved Investments
- Exhibit 3: CIO Report – Plan Value

Exhibit 1:

Monthly Investment Snapshot

Alison Romano
Chief Executive Officer & Chief Investment Officer

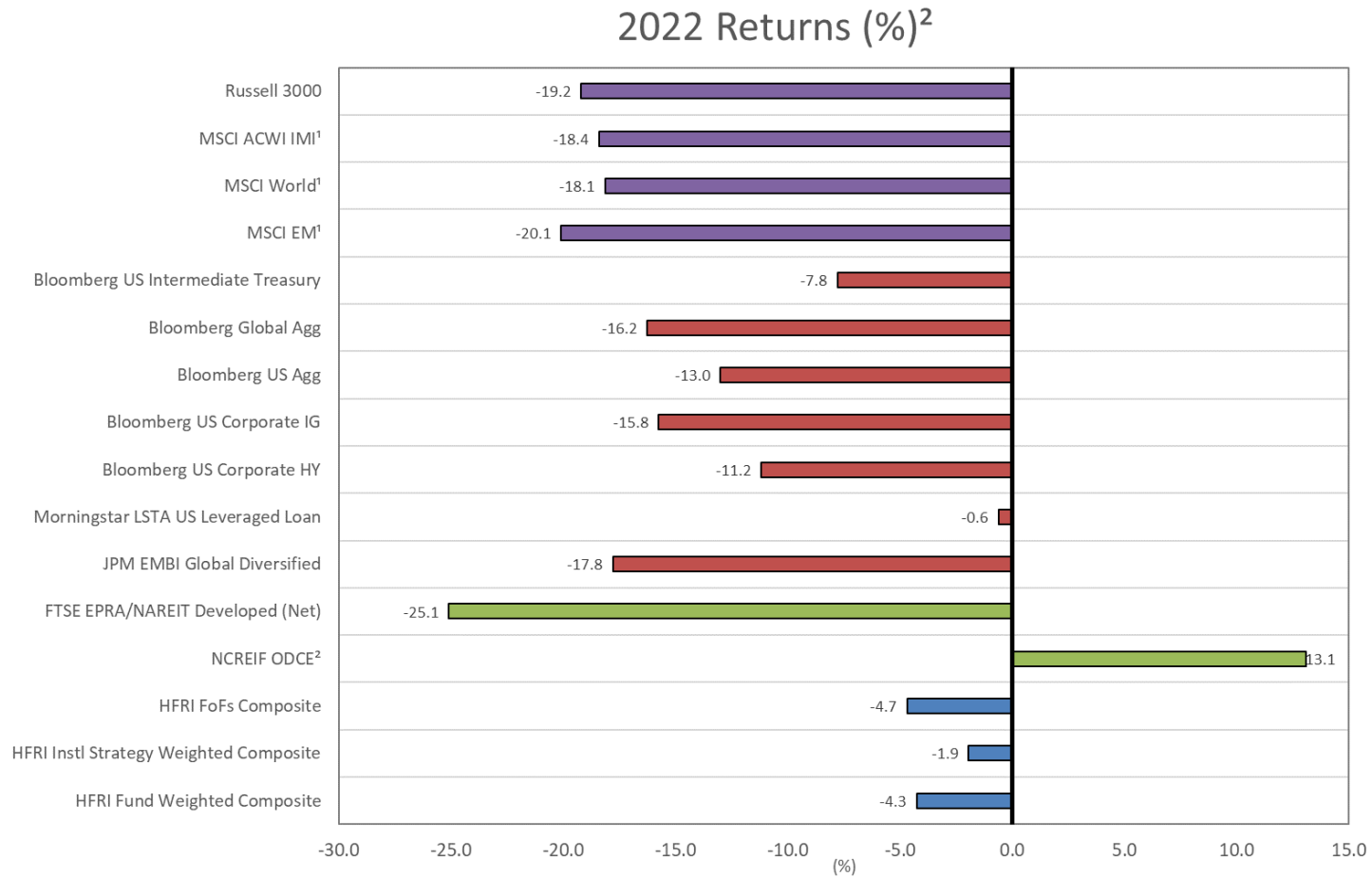
January 2023



SFERS

San Francisco Employees' Retirement System

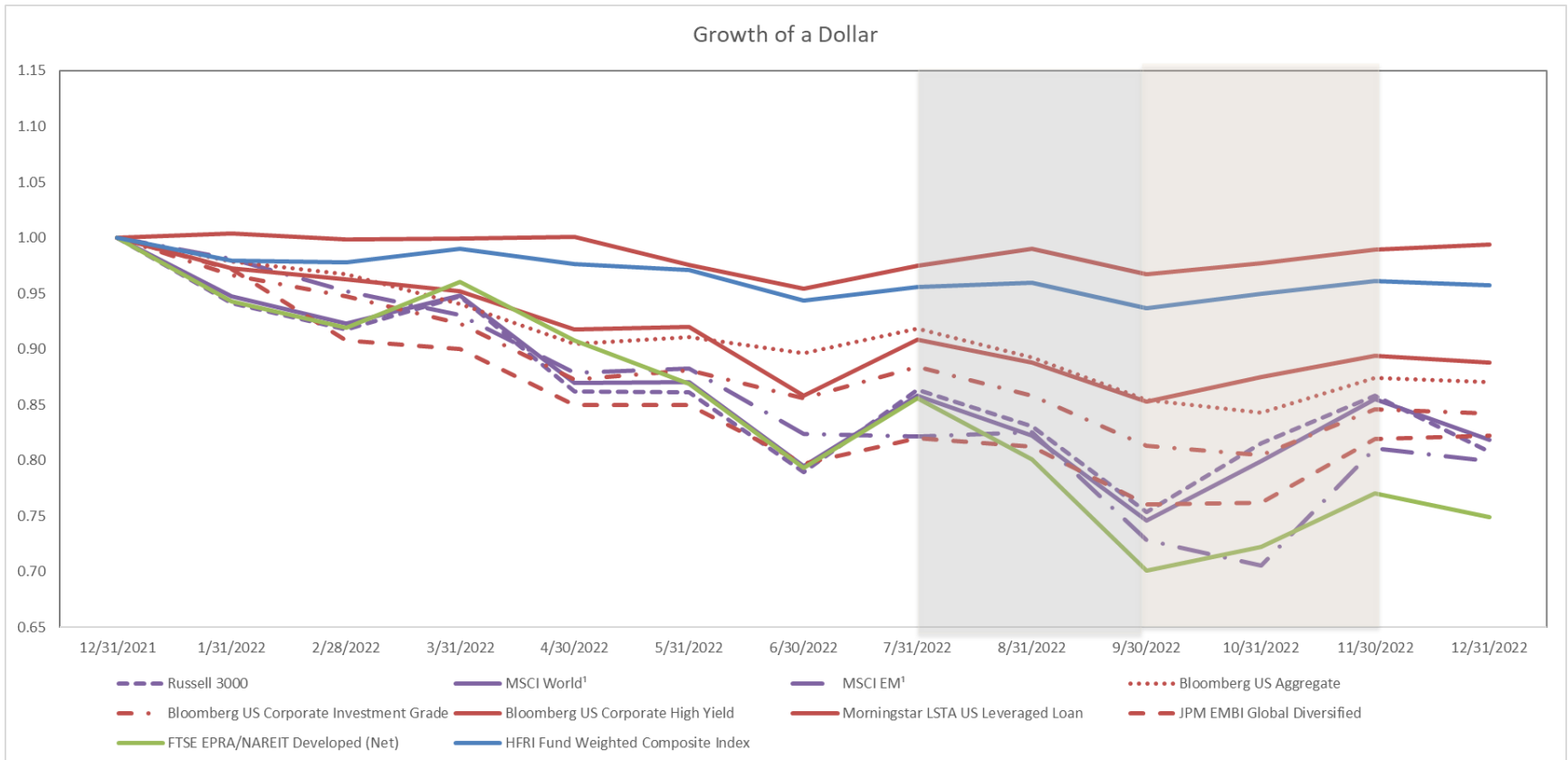
2022 Was a Challenging Year Across Most Markets



Notes: ¹Reflects net-dividend indices. ²NCREIF ODCE index reflects quarterly returns through 9/30/2022.



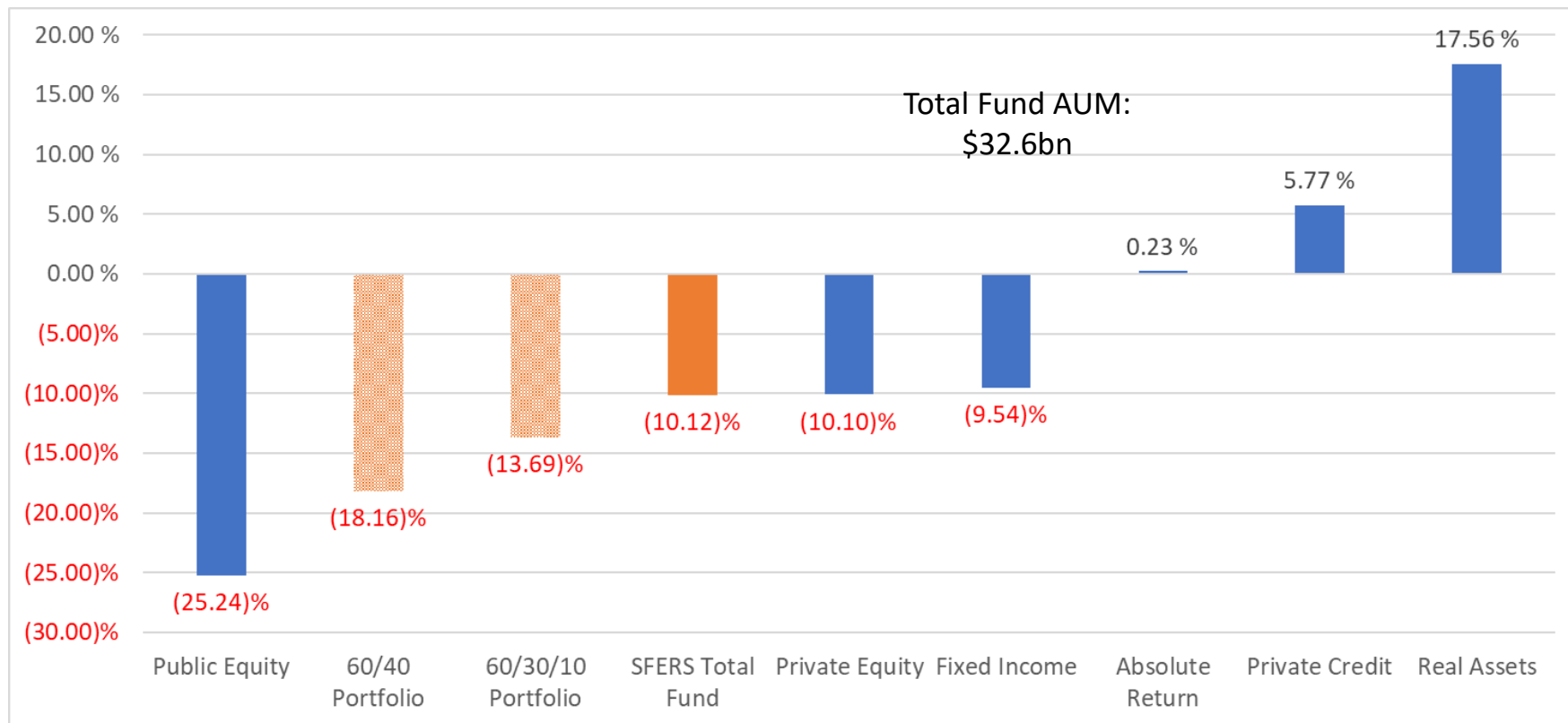
Positive Momentum in October and November Stalled



Notes: ¹Reflects net-dividend indices.



SFERS
San Francisco Employees' Retirement System

Estimated CYTD Performance: Absolute Performance Remains Negative Though Diversification Has Helped Mitigate Downside


Through December 31, 2022. CYTD returns include estimates for the month of December, based on prior month-end values that have been audited and adjusted by SFERS' Custody Bank since the last report. For non-daily priced public fund vehicles, returns may include estimates or be proxied using benchmarks. For private equity, private credit and real assets, returns are based on the most currently available manager data. 60/40 is comprised of MSCI ACWI IMI and FTSE WGBI. 60/30/10 includes MSCI ACWI IMI, BBBs Barclays US Agg and NCREIF ODCE.



Summary of Returns

	Dec-22	CYTD	FYTD
SFERS Total Fund	(1.01)%	(10.12)%	(0.91)%
Public Equity	(3.44)%	(25.24)%	0.97 %
Private Equity	(0.30)%	(10.10)%	(7.18)%
Fixed Income	(0.33)%	(9.54)%	(0.64)%
Private Credit	0.75 %	5.77 %	1.75 %
Real Assets	0.36 %	17.56 %	3.66 %
Absolute Return	0.83 %	0.23 %	0.75 %
60/40 Portfolio	(2.37)%	(18.16)%	(0.01)%
60/30/10 Portfolio	(2.44)%	(13.69)%	0.88 %

Through December 31, 2022. Returns include estimates for the month of December, based on prior month-end values that have been audited and adjusted by SFERS' Custody Bank since the last report. For non-daily priced public fund vehicles, returns may include estimates or be proxied using benchmarks. For private equity, private credit and real assets, returns are based on the most currently available manager data. 60/40 is comprised of MSCI ACWI IMI and FTSE WGBI. 60/30/10 includes MSCI ACWI IMI, BBBs Barclays US Agg and NCREIF ODCE.



Update on Selected Initiatives

- Utilize technology to enhance processes, data management and information sharing
 - Implement investment management software platform
 - Augment use of software for collaboration
- Evolve investment process
 - CIO review at diligence stage
 - Review by Investment Managing Directors (Portfolio Management Group) of all investment recommendations followed by CIO approval
 - Work with Consultants on timely ODD review
- Enhance portfolio construction guardrails within asset classes
- Continual evaluation of investment themes
- Recruit talent to support efforts in Private Equity, Private Credit and Asset Allocation & Risk



Continue Portfolio Construction Discussions

- Ensure diversification as volatility persists
 - Asset allocation
 - Real Assets and Absolute Return – uncorrelated sources of returns
 - Diversification of exposures within asset classes
- Optimize risk and return for a higher rate environment
 - Identify opportunities to achieve comparable return at lower risk
- Evaluate long term secular growth themes vs short/mid term headwinds
- Monitor and manage risk exposures
 - Consider and potentially implement additional guardrails
- Effectively plan and source for liquidity needs



Exhibit 2: Update on Board Approved Investments

Accel-KKR Capital Partners VII LP

At its meeting on December 15, 2022, the Retirement Board approved in closed session an investment of up to \$75 million in Accel-KKR Capital Partners VII LP. The investment was approved by the following vote:

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, Thomas

Absent: Commissioners Safai, Stansbury

SFERS' investment of \$65 million in Accel-KKR Capital Partners VII LP closed on December 16, 2022.

This investment is classified as a buyout investment within SFERS' private equity portfolio and is SFERS' first commitment to Accel-KKR.

More information about Accel-KKR is available at accel-kr.com.

Hellman & Friedman Capital Partners XI, L.P.

At its meeting on October 20, 2022, the Retirement Board approved in closed session a commitment of up to \$50 million to Hellman & Friedman Capital Partners XI, L.P. The commitment was approved by the following vote:

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, Thomas

Absent: Commissioners Safai, Stansbury

SFERS' commitment of \$50 million to Hellman & Friedman Capital Partners XI, L.P. closed on December 16, 2022.

Hellman & Friedman Capital Partners XI, L.P. is classified as a mega buyout investment within SFERS' private equity portfolio and is SFERS' tenth commitment to a Hellman & Friedman sponsored equity fund.

More information about Hellman & Friedman is available on hf.com.

Miravast ILS Credit Opportunities II, L.P.

At its meeting on November 17, 2022, the Retirement Board approved in closed session an investment of up to \$50 million to Miravast ILS Credit Opportunities II, L.P. This investment was approved by the following vote:

Ayes: Commissioners Bridges, Heldfond, Safaí, and Thomas

Nays: None

Absent: Commissioners Driscoll, Gandhi, and Stansbury

SFERS' investment of \$50 million to Miravast ILS Credit Opportunities II, L.P. closed on December 30, 2022. This investment is classified as a Credit Opportunities investment within SFERS' Private Credit portfolio. This is SFERS' first investment with Miravast.

More information about Miravast is available at <https://www.miravast.com/>.

Squarepoint Atlas US Feeder LP

At its meeting on November 17, 2022 the Retirement Board approved in closed session an investment of \$100 million in Squarepoint Atlas US Feeder LP by San Francisco Absolute Return Investors II, LP ("SFARI II"). The investment was approved by the following vote:

Ayes: Commissioners Bridges, Heldfond, Safaí, Thomas

Nays: None

Absent: Commissioner Driscoll, Gandhi, Stansbury

SFERS's investment of \$20 million in Squarepoint Atlas US Feeder LP closed on January 1, 2023.

This investment is classified as a Global Macro investment within SFERS' absolute return portfolio share class B of SFARI II.

More information about the firm is available at: <https://www.squarepoint-capital.com/>



**City and County of San Francisco
Employees' Retirement System**

**RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of January 19, 2023**

To: Retirement Board

Through: Alison Romano
CEO & CIO

From: Dennis Esselsagoe
Investment Officer

Date: January 19, 2023

Re: Plan Value Report

Best available data as of December 31, 2022

	<u>Value^{1,3}</u> (000)	<u>Weight</u> (%)	<u>MTD</u> (%)	<u>QTD</u> (%)	<u>YTD</u> (%)	<u>FYTD</u> (%)
SFERS TOTAL FUND	32,626,980	100.0	(1.01)	1.96	(10.12)	(0.91)
Public Equity	9,975,813	30.6	(3.44)	7.41	(25.24)	0.97
Private Equity	10,004,018	30.7	(0.30)	(2.36)	(10.10)	(7.18)
GROWTH ASSETS	19,979,832	61.2				
Real Assets	5,167,438	15.8	0.36	1.69	17.56	3.66
Absolute Return ²	3,315,823	10.2	0.83	0.10	0.23	0.75
DIVERSIFYING ASSETS	8,483,262	26.0				
Private Credit	2,477,059	7.6	0.75	1.86	5.77	1.75
Fixed Income	2,258,915	6.9	(0.33)	2.21	(9.54)	(0.64)
INCOME GENERATING ASSETS	4,735,974	14.5				
NET CASH EXPOSURE³	0	0.0	---	---	---	---
LEVERAGE OFFSET³	(572,088)	(1.8)	---	---	---	---

¹ Valuations are preliminary and are reported gross of fees. The reported returns and market values are based on prior month-end values that have been audited and adjusted by SFERS' Custody Bank since the last report. For non-daily priced public fund vehicles, returns and market values may include estimates or be proxied using benchmarks. For private equity, private credit and real assets, returns and market values are based on the most currently available manager data.

² Absolute Return market value and return are lagged by one month.

³ Values reflect net exposures, not necessarily physical holdings.

SFERS - Asset Allocation Summary Report |

As of December 31, 2022

	11/30/2022	Value In	Value Out	MV Δ ¹	12/31/2022	Current	LT Target	Range	3/31/2023 Projection			Unfunded
	----- (\$ Mn) -----					---- Weight (%) ----			Expected Δ ²	End \$	End %	(\$ Mn)
GROWTH ASSETS	20,469.5	152.4	252.1	(390.0)	19,979.8	61.2	60.0	45 - 75	(331.0)	19,648.8	61.0	3,534.8
Public Equity	10,483.0	50.0	197.0	(360.1)	9,975.8	30.6	37.0	25 - 50	(337.0)	9,638.8	29.9	
<i>United States</i>	2,939.8	0.0	97.6	(157.6)	2,684.6	8.2			0.0			
<i>Developed Ex US</i>	863.1	0.0	49.0	(16.4)	797.7	2.4			0.0			
<i>Emerging</i>	1,609.0	50.0	0.0	1.9	1,660.9	5.1			(237.0)			
<i>Global</i>	3,012.9	0.0	50.5	(103.3)	2,859.0	8.8			(100.0)			
<i>Opportunistic</i>	1,804.0	0.0	0.0	(84.6)	1,719.4	5.3			0.0			
<i>Synthetic</i> ⁴	254.2	0.0	0.0	0.0	254.2	0.8			0.0			
Private Equity	9,986.6	102.4	55.1	(29.8)	10,004.0	30.7	23.0	15 - 30	6.0	10,010.0	31.1	3,534.8 ³
DIVERSIFYING ASSETS	8,467.1	71.1	100.6	45.7	8,483.3	26.0	20.0	15 - 30	(173.0)	8,310.3	25.8	2,201.4
Real Assets	5,194.2	55.3	100.6	18.5	5,167.4	15.8	10.0	8 - 15	18.0	5,185.4	16.1	2,200.0 ³
Absolute Return	3,272.9	15.8	0.0	27.2	3,315.8	10.2	10.0	5 - 15	(191.0)	3,124.9	9.7	1.4
INCOME ASSETS	3,442.1	94.3	51.6	9.5	3,494.3	10.7	15.0	5 - 25	111.0	3,605.3	11.2	2,150.6
Liquid Credit	1,035.2	0.0	9.4	(8.5)	1,017.3	3.1	5.0	0 - 10	0.0	1,017.3	3.2	
Private Credit	2,406.9	94.3	42.2	18.0	2,477.1	7.6	10.0	3 - 15	111.0	2,588.1	8.0	2,150.6 ³
CAPITAL PRESERVATION	1,267.9	2.6	29.8	1.0	1,241.6	3.8	8.0	3 - 17	0.0	1,241.6	3.9	0.0
Treasuries ⁴	1,267.9	2.6	29.8	1.0	1,241.6	3.8	8.0	3 - 12	0.0	1,241.6	3.9	
<i>Physical</i>	749.7	0.0	29.8	(0.4)	719.4	2.2			0.0	719.4	2.2	
<i>Synthetic</i>	495.4	2.6	0.0	(0.4)	497.5	1.5			0.0	497.5	1.5	
<i>Treasuries Collateral</i>	22.9	0.0	0.0	1.9	24.7	0.1			0.0	24.7	0.1	
CASH⁴	0.0	581.6	557.8	(1.8)	0.0	0.0	0.0	0 - 5	0.0	0.0	0.0	
LEVERAGE OFFSET⁴	(564.1)	7.9	---	---	(572.1)	(1.8)	0.0	0 - 5	(27.0)	(569.1)	(1.8)	
<i>Gross Synthetic Exposure</i>	749.6	2.6	0.0	(0.4)	751.7	2.3			0.0	751.7	2.3	
<i>Investment Cash</i>	80.6	464.2	437.8	0.0	107.0	0.3			(27.0)	80.0	0.2	
<i>Dedicated Cash</i>	0.8	120.0	120.0	0.0	0.8	0.0			0.0	0.8	0.0	
<i>Cash Collateral</i>	104.0	0.0	0.0	(2.2)	101.8	0.3			0.0	101.8	0.3	
<i>Credit Facility</i>	0.0	0.0	30.0	---	(30.0)	(0.1)			30.0	0.0	0.0	
TOTAL PORTFOLIO	33,082.5	0.0	120.0	(335.5)	32,627.0	101.8	103.0	100 - 105	(390.0)	32,237.0	101.8	7,886.8

Notes: Target allocations and ranges were approved by the Board in November 2020.

¹ For non-daily priced vehicles, performance may include estimates or be proxied using benchmark performance.

² Expected Changes include Staff's planned rebalancing activity (for Liquid and Semi-Liquid asset classes) and Staff's estimated capital call and distribution projections (for Illiquid asset classes).

³ Unfunded commitment estimates for private markets are provided by Burgiss as of the current month end and include only active funds.

⁴ Values reflect net exposures, not necessarily physical holdings.

San Francisco City and County Employees' Retirement System
Cash Activities and Projections
As of December 31, 2022

Investment Cash Account (In \$ Million)	
Beginning Balance as of December 1, 2022	80.6
Cash from Credit Line	30.0
Return to Credit Line	0.0
Cash Collateral	0.0
Public Equity Net Flows	147.0
Private Equity Net Flows	-47.3
Real Assets Net Flows	45.3
Absolute Return Net Flows	-15.8
Liquid Credit Net Flows	9.4
Private Credit Net Flows	-52.1
Treasuries Net Flows	29.8
Funds to Dedicated Cash	-120.0
Ending Balance as of December 31, 2022	107.0
3 Month Forward Projections	
Public Equity Estimated Flows	337.0
Private Equity Estimated Flows	-6.0
Real Assets Estimated Flows	-18.0
Absolute Return Estimated Flows	191.0
Liquid Credit Estimated Flows	0.0
Private Credit Estimated Flows	-111.0
Treasuries Estimated Flows	0.0
Return to Credit Line	-30.0
Transfer to Dedicated Cash	-390.0
Projected Ending Balance as of March 31, 2023	80.0

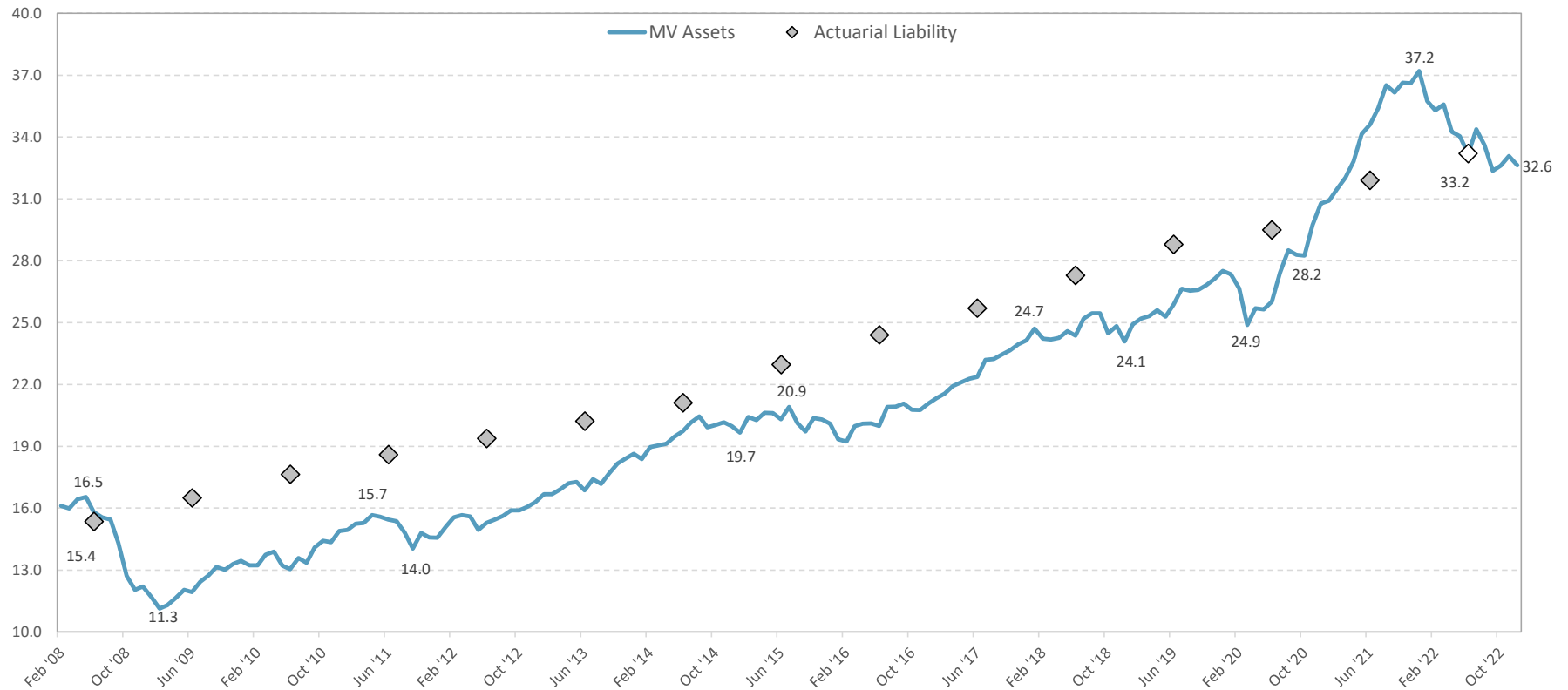
Credit Line	
Total Credit Available	570.0
Net Credit Drawn from BNY Mellon's Cash Release	30.0
Period of Credit Utilization	12/29 - 12/31
Annualized Cost of Credit (basis points)	487bps
Cost of Credit (\$)	\$12,191.40
Ending Balance of Credit Drawn as of December 31, 2022	30.0

All Cash (In \$ Million) ¹	
Beginning Balance as of December 1, 2022	81.4
Benefit Payment for December 2022	-120.0
Investment Cash Flows	116.4
Employer Contribution	0.0
Cash Collateral	0.0
Cash from Credit Line	30.0
Return to Credit Line	0.0
Ending Balance as of December 31, 2022	107.8
3 Month Forward Projections	
January 2023 through March 2023 Benefit Payments	-390.0
Investment Cash Flows	363.0
Projected Ending Balance as of March 31, 2023	80.8

Note: Positive sign denotes an inflow into the cash account and a negative sign denotes an outflow from the cash account.

¹All Cash comprises Investment and Dedicated cash accounts.

SFERS - Monthly Assets



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Notes: Data from January 31, 2008 through November 30, 2022. Total Plan market values through September 2022 are provided by NEPC. Data starting October 2022 is provided by BNY Mellon and should be considered preliminary. The 2022 actuarial liability should be considered preliminary.