

SBCERS

Santa Barbara County Employees' Retirement System

DATE: August 23, 2023

TO: SBCERS Board of Retirement

FROM: SBCERS's Investment Staff

RE: 2023-06-30 Quarterly Investment Performance Analysis

Recommended Action:

That the Board of Retirement receive and accept the Quarterly Investment Performance Analysis Report presented by Principals and Co-Lead Consultants Marcia Beard and Matthias Bauer, CFA of RVK, Inc.

Summary:

The SBCERS' quarterly report will give a detailed review of investment performance and status for the second quarter of 2023. During the quarter the system returned 2.23%, underperforming the policy benchmark by 71 basis points. SBCERS' ended the quarter with a market value of \$4.01 billion. When compared to public pension funds with \$1B-\$5B AUM, the fund ranked 78th percentile for the quarter (net of fees). SBCERS continues to rank in the 4th percentile for the period ending 5 years.

During the second quarter 2023, investors saw less volatility despite the uncertainty around future interest rates and markets generally trended positive with the exception of Domestic Fixed Income, Commodities and Real Estate. The Federal Open Market Committee (FOMC) paused interest-rate increases at their June meeting sighting consumer spending and job growth. This put an end to consecutive rate hikes from the Fed, which end with 10 consecutive hikes the last of which, was in March of 2023. Outside of the U.S., the World Bank released its 2023 Global Economic Prospects Report which forecasted GDP growth of 2.1% in 2023 and 2.4% in 2024.

Equity and Fixed Income had mixed returns in the second quarter 2023. Broad Equity and Fixed Income domestic markets represented by the S&P 500 Index and Bloomberg U.S. Aggregate Bond Index posted returns of 8.74% and -0.84% for the quarter, respectively. Non-U.S. Developed markets trailed U.S. Equities, with an 2.95% quarterly return for the MSCI EAFE. Emerging Markets Equities continued the positive return trend with a 3.65% quarterly return, exceeding benchmarks by 90bps.

Attachments:

- **Quarterly Investment Performance Analysis - SBCERS June 2023 (Final)**