

SBCERS

Santa Barbara County Employees' Retirement System

DATE: December 11, 2024

TO: SBCERS Board of Retirement

FROM: SBCERS Investment Staff

RE: **Quarterly Public Markets Portfolio Review**

Recommendation

That the Board of Retirement receive and file the Quarterly Investment Performance Analysis Report for the period ended September 30, 2024, presented by Principals and Co-Lead Consultants Marcia Beard and Matthias Bauer, CFA of RVK, Inc.

Summary

SBCERS' quarterly report provides a detailed review of investment performance and status for the third quarter of 2024. During the quarter, the system returned 4.24% underperforming the policy benchmark by 16 basis points. SBCERS ended the quarter with a market value of almost \$4.60 billion. When compared to public pension funds with \$1B-\$5B AUM, the fund ranked 78th percentile for the quarter (net of fees). SBCERS ranks in the 20th percentile for the period ending 5 years.

In the third quarter 2024, both equity and fixed income markets reacted to heightened expectations that central banks, including the U.S. Federal Reserve would see reductions in rate policies in the near term. Among equities non-U.S., value-oriented and small cap stock were the strongest performers. For Fixed Income, both longer duration and non-U.S. outpaced other subsectors. The broad Fixed Income markets experienced marginally positive returns. The Consumer Price Index (CPI) remained the same from 2Q24 at 3.3%. The Federal Open Market Committee (FOMC) announced a 50-basis point reduction to the Federal Funds rate during the third quarter, the range is now 4.75%-5.00%.

Equity and Fixed Income both had positive returns in the third quarter 2024. Broad Equity and Fixed Income domestic markets, represented by the S&P 500 Index and Bloomberg U.S. Aggregate Bond Index, posted returns of 5.89% and 5.20% for the quarter, respectively. Non-U.S. Developed markets had a 7.26% quarterly return illustrated by the MSCI EAFE. Emerging Markets Equities had a positive return, with 8.72% for the quarter, represented by MSCI EM index.

Through June 30, the Private Credit portfolio had a since inception IRR of 9.24% which represents an increase of 2 bps from the previously reported first quarter 2024 returns. The total fund market value as of June 30 was \$177.4 million. SBCERS contributed \$7.8 million to its Private Credit

portfolio and received cash distributions of \$4.1 million in the second quarter. SBCERS' total commitment to Private Credit as of June 30 was \$239.4 million, of which \$61.7 million is unfunded.

Attachments

- Quarterly Investment Performance Analysis as of September 30, 2024
- Private Credit Report as of June 30, 2024