

SBCERS

Santa Barbara County Employees' Retirement System

DATE: February 26, 2025

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 December 31, 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 fourth quarter of 2024. During the quarter, the system returned -1.25% underperforming the policy benchmark by 68 basis points. SBCERS ended the quarter with a market value of almost \$4.53 billion. When compared to public pension funds with \$1B-\$5B AUM, the fund ranked 76th percentile for the quarter (net of fees). SBCERS ranks in the 25th percentile for the period ending 5 years.

In the fourth quarter 2024, investor sentiment around Chinese and other non-U.S. securities weakened due to trade measures expected from the second Trump administration which caused the drawdown of global equities. Within Fixed Income, tightening credit spreads lead to attractive returns for Non-Core sector such as hard currency emerging markets debt and leveraged loans. The Organization for Economic Co-operation and Development (OECD) forecasted GDP growth of 3.2% for 2024 while slightly increasing to 3.3% in both 2025 and 2026. Federal Open Market Committee (FOMC) continued to cut rates in December by .25%. This comes after rate cuts of .25% in November and .50% in September. The Federal Funds Rate is now 4.025%-4.50%.

Equity and Fixed Income had mixed results in the fourth 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 2.41% and -3.06% for the quarter, respectively. Non-U.S. Developed markets significantly underperformed compared to U.S. equities with a -8.11% quarterly return illustrated by the MSCI EAFE. Similar to Non-U.S. Developed, Emerging Markets Equities had a negative return, with -8.01% for the quarter, represented by MSCI EM index.

Through September 30th, 2024 the Private Credit portfolio had a since inception IRR of 9.38% which represents an increase of 14 bps from the previously reported returns as of June 30th, 2024. SBCERS contributed \$14.6 million to its Private Credit portfolio and received cash distributions

of \$6.2 million for the period. The total fund market value as of September 30th, 2024, was \$190.7 million.

Attachments

- Final Monthly Investment Performance Analysis – SBCERS December 2024
- Private Credit Report