

SBCERS

Santa Barbara County Employees' Retirement System

DATE: December 13, 2023

TO: SBCERS BOARD OF RETIREMENT

FROM: SBCERS Investment Staff

RE: **2023-09-30 Quarterly Investment Performance Analysis**

Recommendation

That the Board of Retirement receive and file the Quarterly Investment Performance Analysis Report for the period end 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 third quarter of 2023. During the quarter the system returned negative 1.16%*, underperforming the policy benchmark by 46 basis points. SBCERS ended the quarter with a market value of \$4.05 billion. When compared to public pension funds with \$1B-\$5B AUM, the fund ranked 8th percentile for the quarter (net of fees). SBCERS continues to rank in the 9th percentile for the period ending 5 years.

Third quarter 2023 investors were sent mixed signals on the health of the economy. Inflation continued an upward trajectory; U.S. Debt rating was downgraded; and wage growth exceeded previous projects were contributing factors to the confound of investors. The Federal Open Market Committee (FOMC) paused interest-rate increases at their September meeting, which was the second pause since March of 2022, the other being June 2023. The Fed however did indicate another rate hike before the conclusion of 2023.

Equity and Fixed Income had negative returns in the third 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 -3.27% and -3.23% for the quarter, respectively. Non-U.S. Developed markets fared worse U.S. Equities, with an -4.11% quarterly return for the MSCI EAFE. Emerging Markets Equities continued the negative return trend, with 2.93% for the quarter, represented by MSCI EM index.

Attachments

- Quarterly Investment Performance Analysis - SBCERS September 2023 (Final)

*SBCERS Investment Staff has a preference to present Total Fund Composite which is inclusive of the 130 Robin Hill Road Investment and is located on page 28 under "Asset Allocation & Performance – Net of Fees" section of the of the report. "Executive Summary" on page 12 references Total Fund Composite Ex 130 Robin Hill Road.