

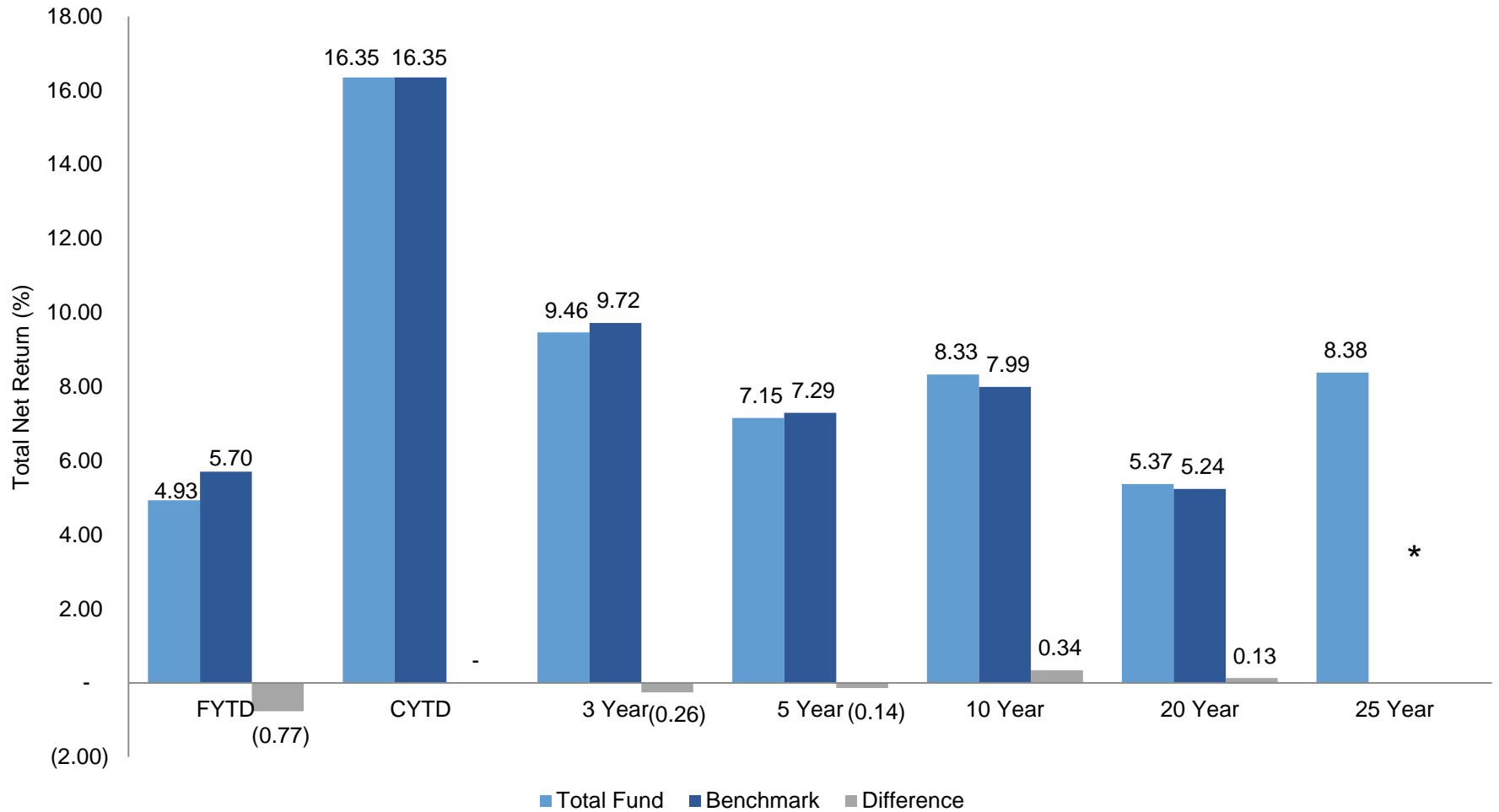
NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
January 29, 2020

“The mission of the New Jersey Division of Investment is to achieve the best possible return at an acceptable level of risk using the highest fiduciary standards.”

Pension Fund Net Returns⁽¹⁾ for Periods Ending December 31, 2019



(1) Returns are preliminary, unaudited, net of all fees, and exclude Police and Fire Mortgage Program. Certain asset class returns, including private equity, real assets, real estate, and private credit do not include up-to-date valuations and benchmark returns for these asset classes are calculated on a lagged basis. This results in performance comparisons that may be less meaningful.

* Benchmark return not available for 25-Year period

Capital Markets Update (through December 31, 2019)

	Fiscal YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
<u>Global Equity Indices</u>				
MSCI ALL Country World Index	8.92	26.60	12.44	8.40
<u>US Equity Indices</u>				
Russell 3000	10.36	31.01	14.56	11.23
Russell 1000	10.58	31.42	15.04	11.47
Russell 2000	7.28	25.49	8.57	8.20
Russell Growth	11.89	35.84	19.88	14.22
Russell Value	8.78	26.24	9.31	8.18
<u>Non-US Equity Indices</u>				
MSCI EAFE	7.01	22.01	9.56	5.67
MSCI Emerging Markets	7.09	18.42	11.57	5.61
<u>Fixed Income Indices</u>				
Bloomberg Barclays U.S. Aggregate	2.45	8.72	4.03	3.05
Bloomberg Barclays U.S. Treasury	1.59	6.86	3.31	2.35
Bloomberg Barclays U.S. Credit	4.06	13.80	5.76	4.39
Bloomberg Barclays U.S. High Yield	3.98	14.32	6.37	6.13
<u>Commodities</u>				
Bloomberg Commodities Index	1.55	5.44	-2.59	-4.96
<u>Real Estate</u>				
Bloomberg U.S. REIT Index	7.35	27.71	9.94	8.36

Asset Allocation and Net Returns by Asset Class (December 31, 2019)

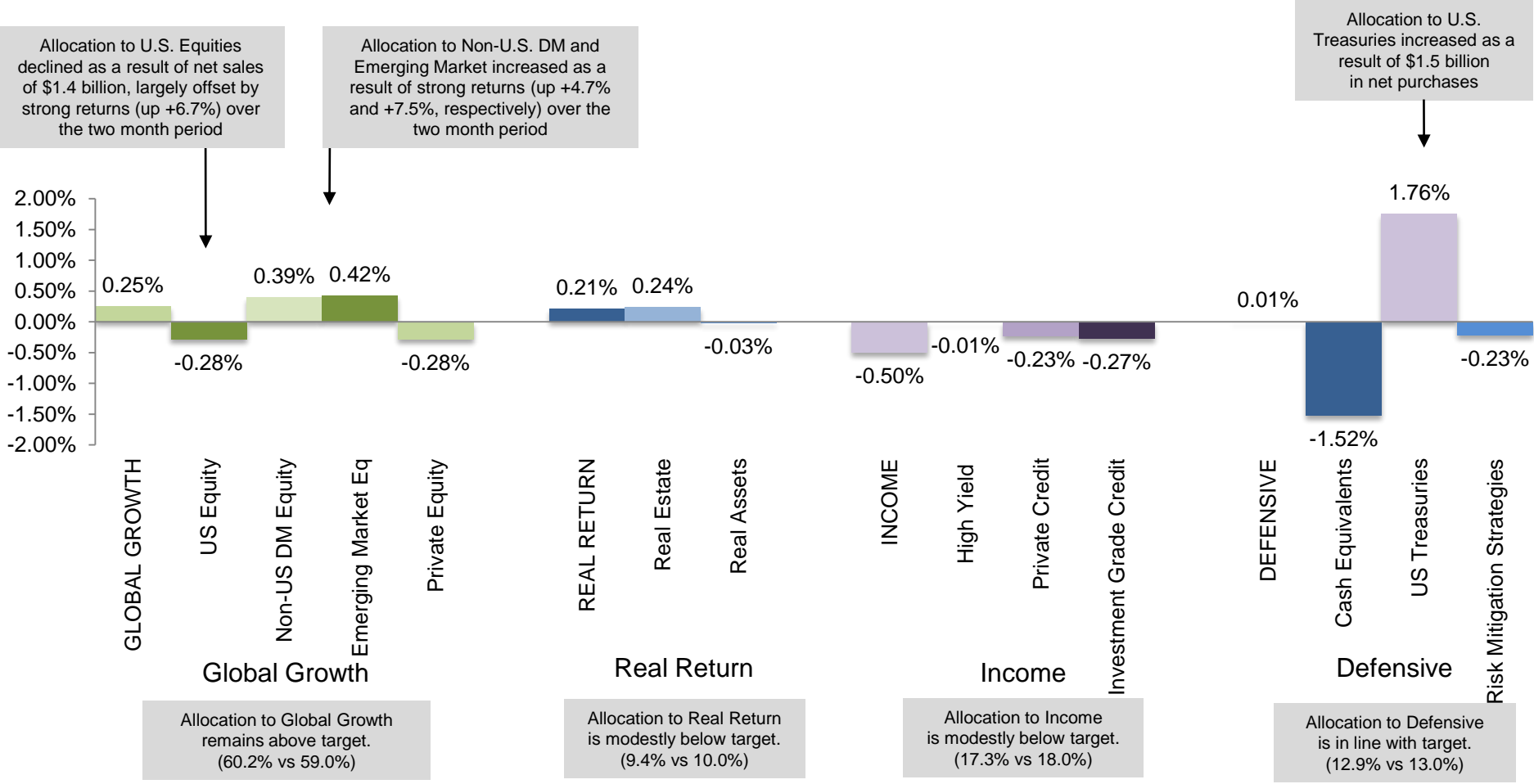
Asset Class	ASSET ALLOCATION				PERFORMANCE (for periods ending December 31, 2019) ⁽¹⁾					
	As of December 31, 2019				FYTD		Calendar YTD		Trailing Three Years	
	Mkt Value	Actual (%)	Target (%)	Difference	NJ	Bench	NJ	Bench	NJ	Bench
GLOBAL GROWTH										
U.S. Equity	23,173	29.54%	28.00%	1.54%	9.70%	10.75%	30.99%	31.09%	13.37%	14.70%
Non-U.S. Developed Market Equity	9,733	12.41%	12.50%	-0.09%	7.27%	6.80%	23.34%	22.45%	10.09%	9.36%
Emerging Market Equity	5,518	7.03%	6.50%	0.53%	7.22%	7.19%	18.99%	18.65%	10.91%	11.73%
Private Equity	8,520	10.86%	12.00%	-1.14%	-0.39%	4.28%	6.03%	8.63%	11.99%	14.86%
Equity-Oriented HFs	50	0.06%	0.00%	0.06%	-8.04%	5.41%	-4.39%	6.13%	-0.32%	4.34%
TOTAL GLOBAL GROWTH	46,995	59.91%	59.00%	0.91%	7.01%	8.58%	23.15%	24.12%	12.03%	13.38%
REAL RETURN										
Real Assets	2,051	2.61%	2.50%	0.11%	-1.72%	-2.58%	-1.64%	-7.77%	4.28%	4.88%
Real Estate	5,247	6.69%	7.50%	-0.81%	4.23%	1.86%	13.26%	4.64%	11.38%	6.34%
TOTAL REAL RETURN	7,298	9.30%	10.00%	-0.70%	2.41%	-0.48%	8.25%	-0.03%	9.03%	5.60%
INCOME										
High Yield	1,100	1.40%	2.00%	-0.60%	4.08%	3.98%	14.09%	14.32%	6.20%	6.37%
Private Credit	5,527	7.05%	6.00%	1.05%	0.77%	4.79%	5.70%	10.77%	8.10%	7.37%
Investment Grade Credit	6,835	8.71%	10.00%	-1.29%	3.10%	3.24%	11.51%	11.53%	4.99%	4.95%
TOTAL INCOME	13,462	17.16%	18.00%	-0.84%	2.05%	3.28%	8.53%	11.38%	6.07%	5.95%
DEFENSIVE										
Cash Equivalents	4,015	5.12%	5.00%	0.12%	1.31%	1.03%	3.00%	2.28%	2.26%	1.67%
U.S. Treasuries	2,933	3.74%	5.00%	-1.26%	1.60%	1.59%	6.54%	6.86%	3.21%	3.31%
Risk Mitigation Strategies	3,111	3.97%	3.00%	0.97%	1.63%	2.58%	7.05%	5.40%	4.08%	4.75%
TOTAL DEFENSIVE	10,060	12.82%	13.00%	-0.18%	1.45%	1.36%	5.15%	4.02%	2.73%	2.30%
OTHER										
Opportunistic PE	437	0.56%			0.77%	4.28%	-3.92%	8.63%	6.61%	14.86%
Other	194	0.25%								
TOTAL PENSION FUND⁽²⁾	78,447	100.00%			4.93%	5.70%	16.35%	16.35%	9.46%	9.72%

(1) Returns are preliminary, unaudited, and net of all fees

(2) Total Pension Fund excludes Police and Fire Mortgage Program

Notes: Sum of components may not equal totals due to rounding. Certain asset class returns, including private equity, real assets, real estate, and private credit do not include up-to-date valuations and benchmark returns for these asset classes are presented on a lagged basis. This results in performance comparisons that may be less meaningful for certain time periods.

Pension Fund Update: Change in Sector Allocation from October 31, 2019 – December 31, 2019



The Division shifted assets out of U.S. equities and into U.S. Treasuries as part of its rebalancing to the new targeted asset allocation