

# \*Public Agenda Item #26

## *Chief Investment Officer's Report*

December 8, 2021

David Veal, CFA, CAIA, FRM, Chief Investment Officer

# Trust Performance

## Mission & Objectives



Invest prudently in a diversified portfolio at a reasonable cost to maximize the probability that promised benefits are provided.



Obtain returns over rolling five-year periods in excess of adopted benchmarks



Achieve results that are commensurate with the amount of active risk assumed

# Trust Performance

## Investment Strategy



Allocate  
thoughtfully to  
available assets



Select carefully  
managers that  
add value



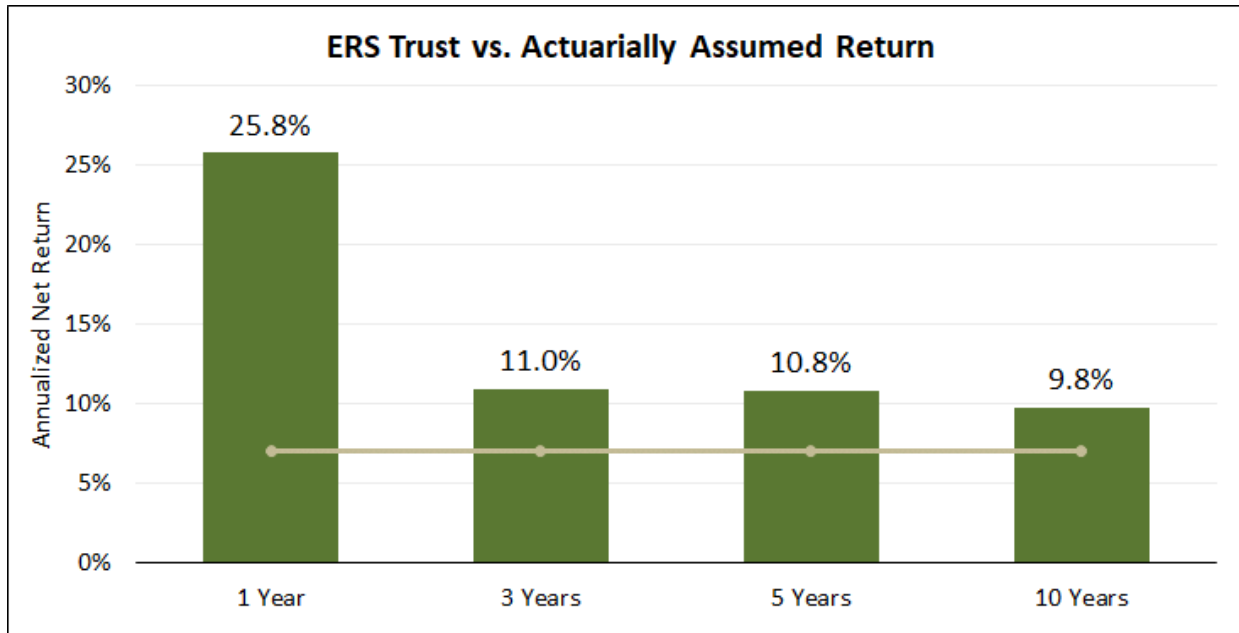
Diversify well to  
control risk as  
markets change

# ERS Trust Performance

## *Relative Return*



- Strong performance versus Policy Index across all time horizons

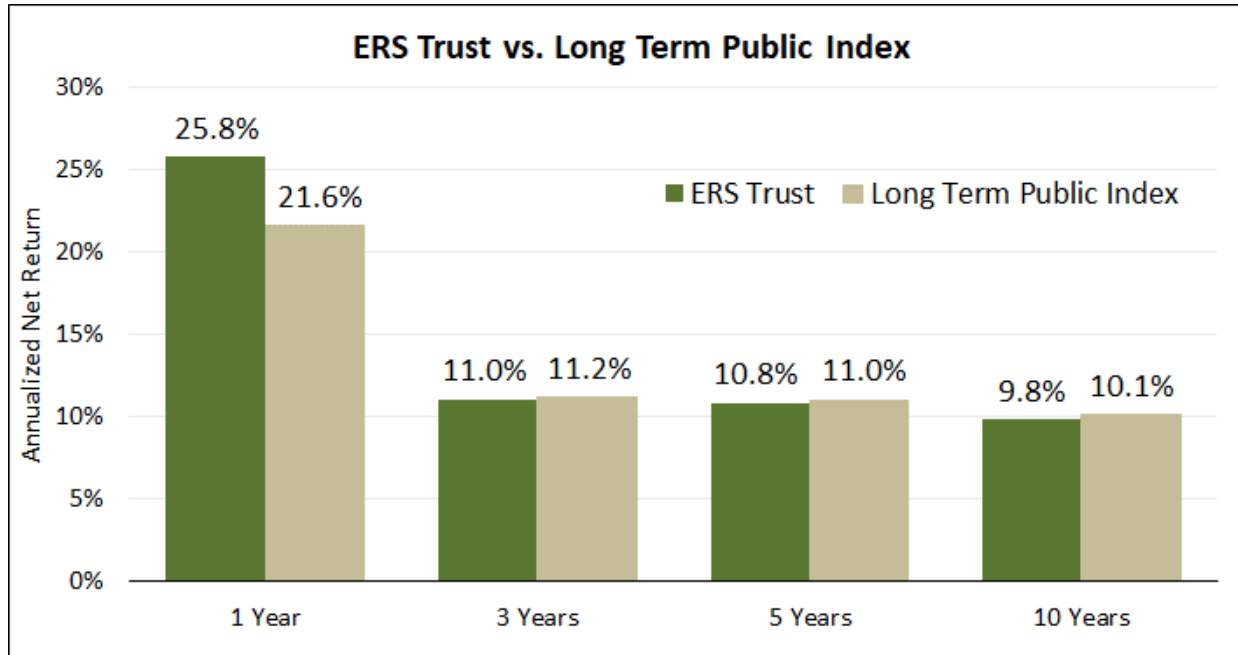


# ERS Trust Performance

## Relative Return



- Outperformance versus Long-Term Public Index across shorter time horizons

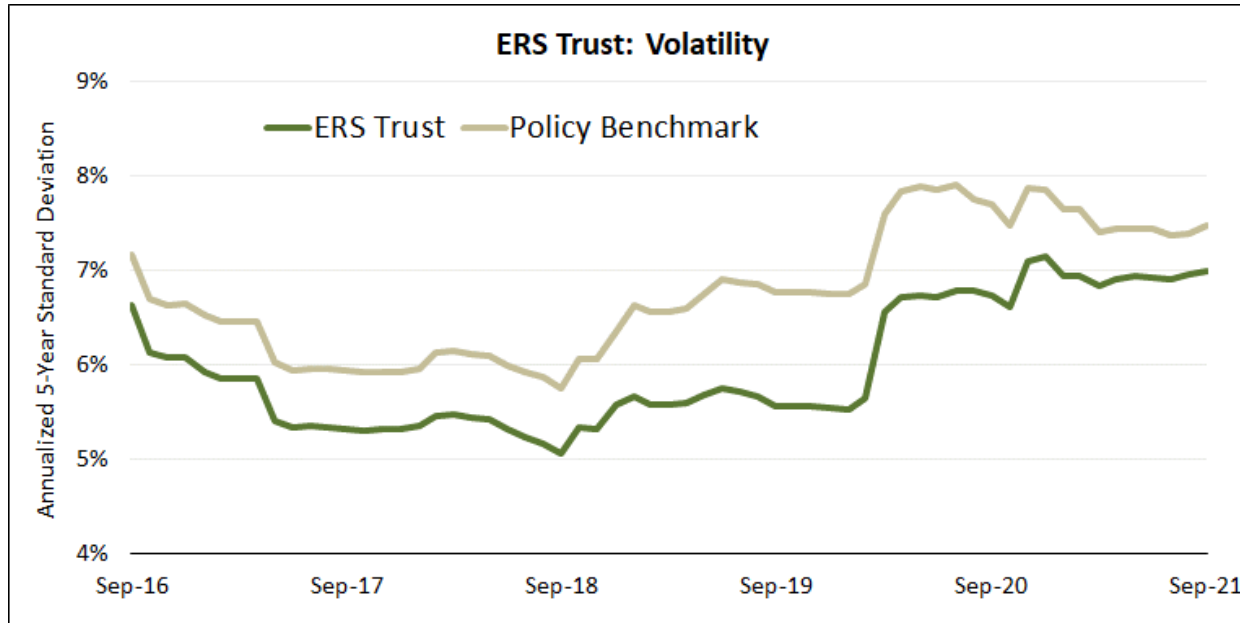


# ERS Trust Performance

## *Absolute Risk*



- Volatility levels trending upward and remain below that of the benchmark

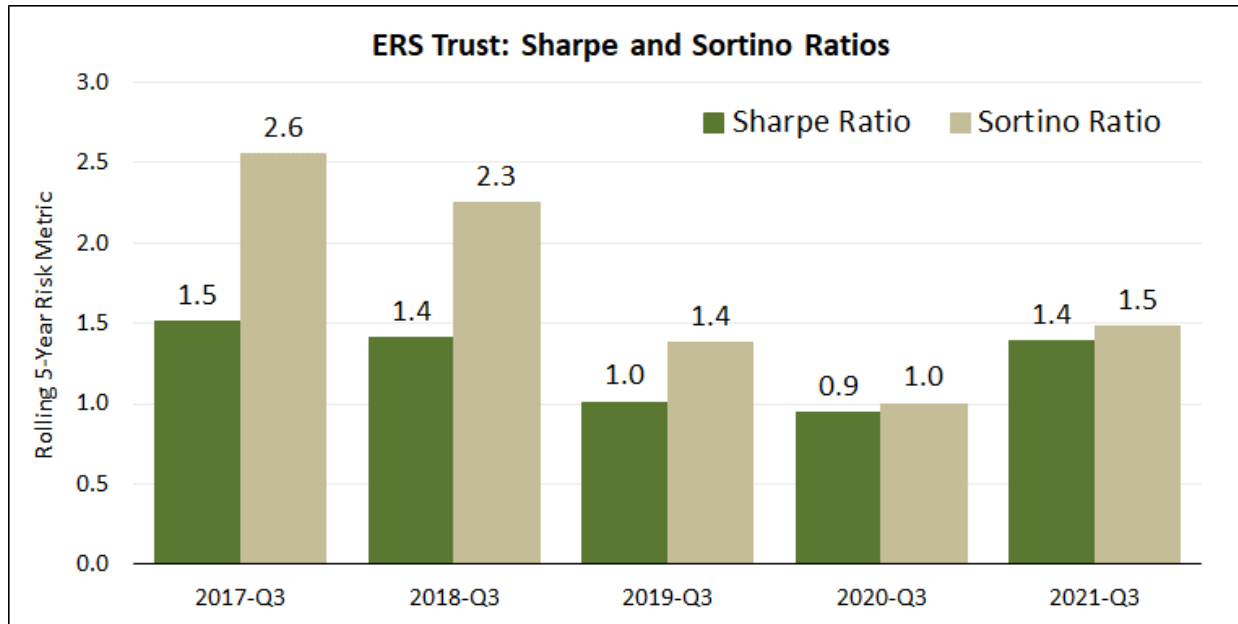


# ERS Trust Performance

## *Risk-Adjusted Returns*



- Good returns per unit of absolute risk and downside risk

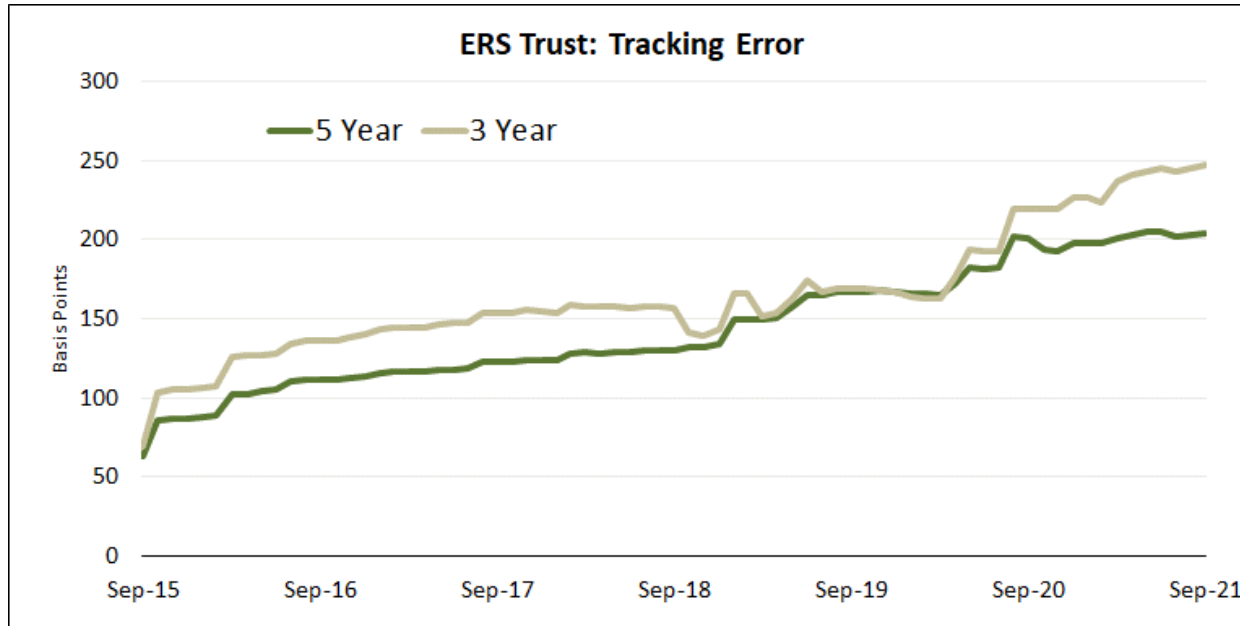


# ERS Trust Performance

## Relative Risk



- Tracking error trending upward over time as portfolio matures



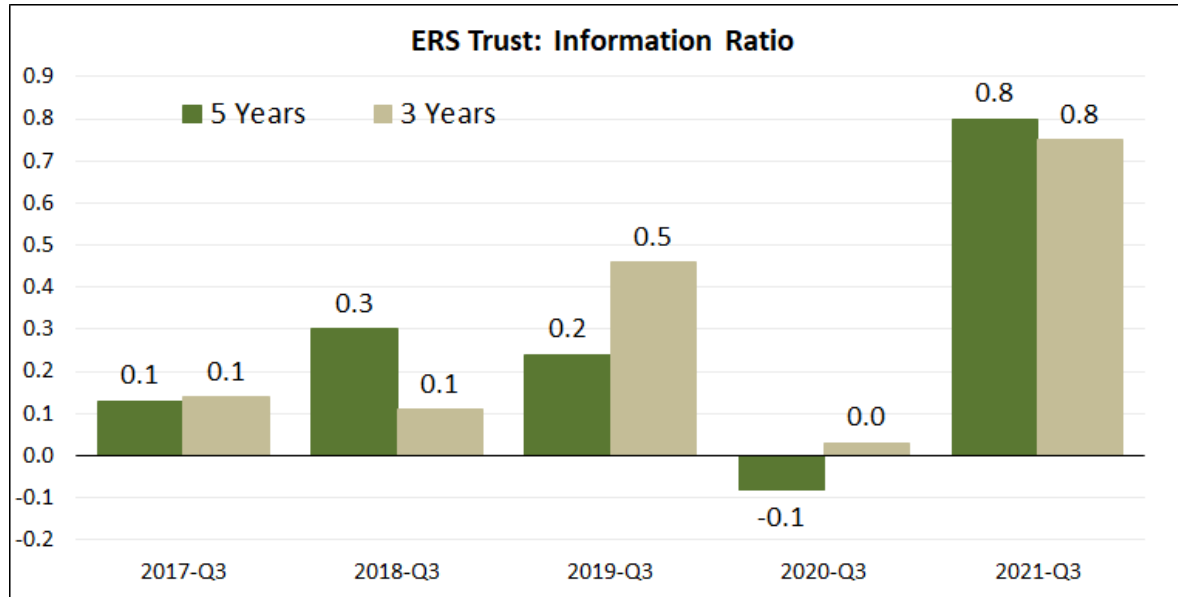


# ERS Trust Performance

## *Risk-Adjusted Returns*



- Returns per unit of relative risk now at their highest levels in several years

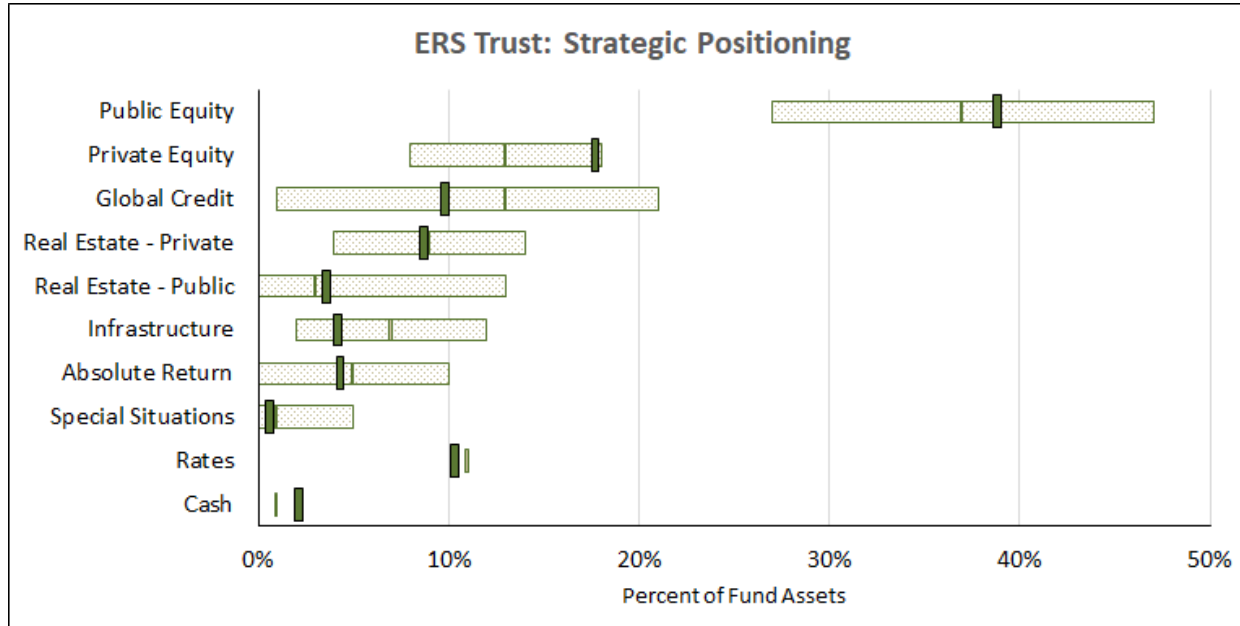


# ERS Trust Performance

## Fund Positioning



- Asset classes remain within ranges with private equity near maximum

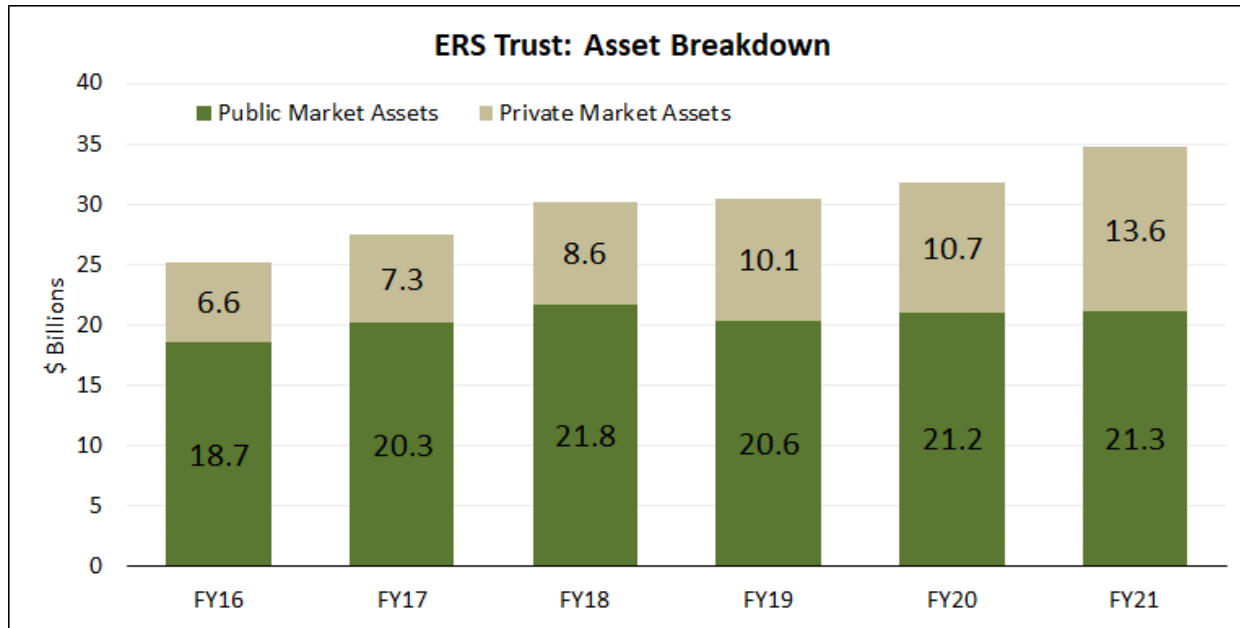


# ERS Trust Performance

## Asset Mix



- Mix shift toward private markets has left public markets essentially flat

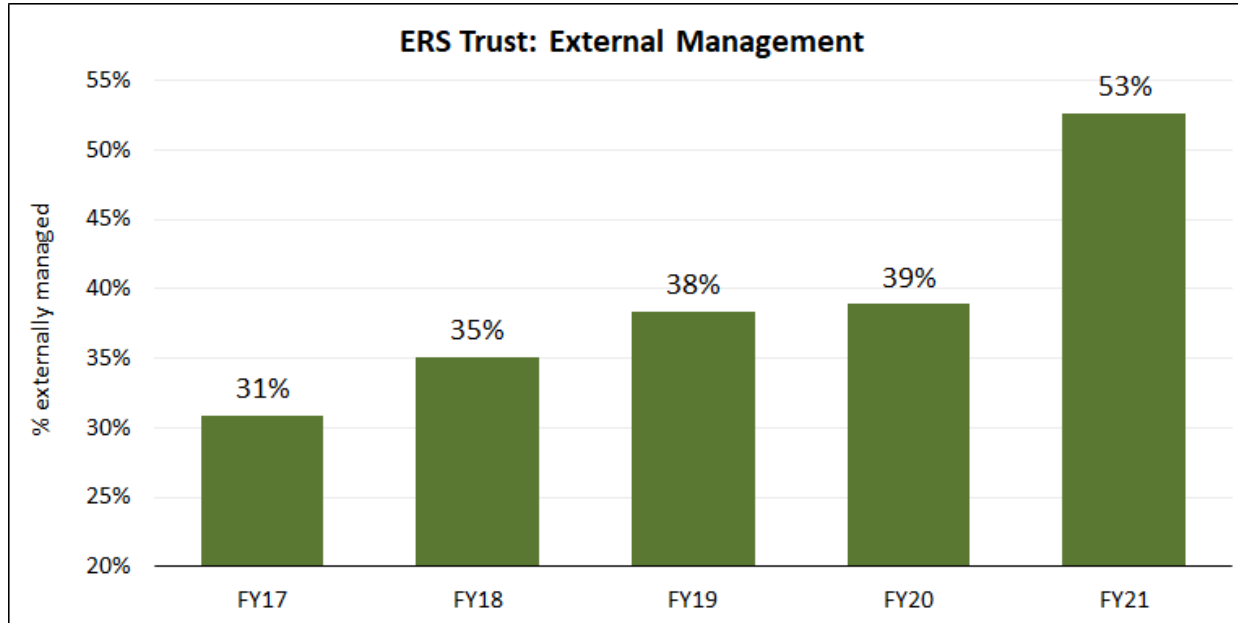


# ERS Trust Performance

## Asset Mix



- Mix shift toward external management has made that the majority of the Trust

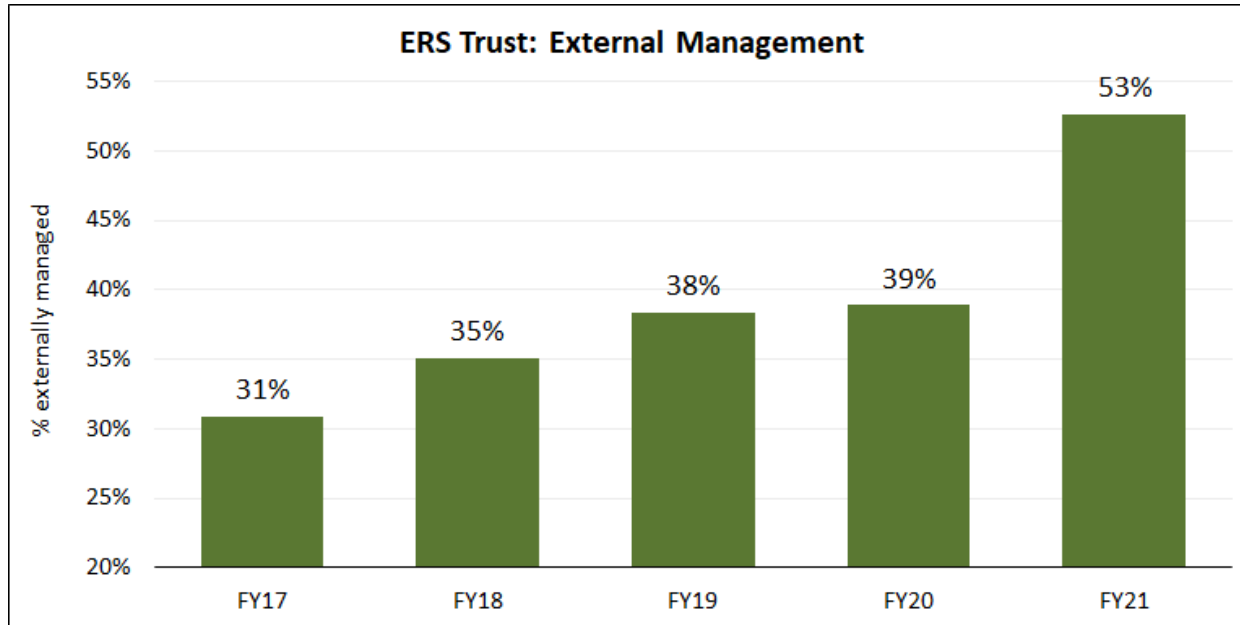


# ERS Trust Performance

## Asset Mix



- Mix shift toward external and private markets has added to illiquidity

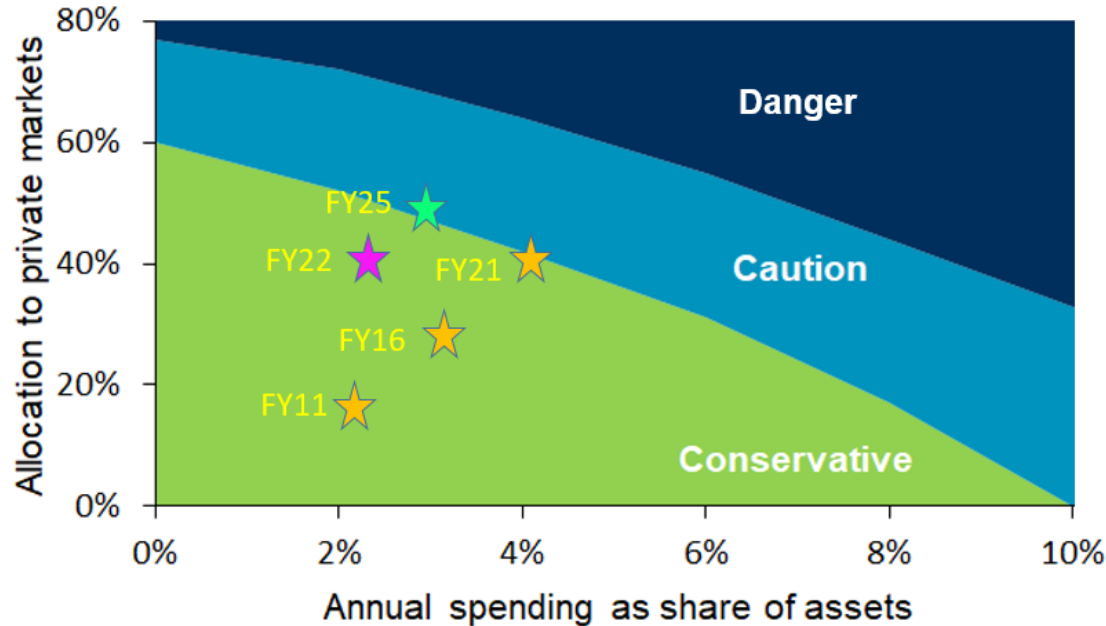


# ERS Trust Performance

## *Liquidity vs. Spending*



- Liquidity is balanced with the payment obligations of the System

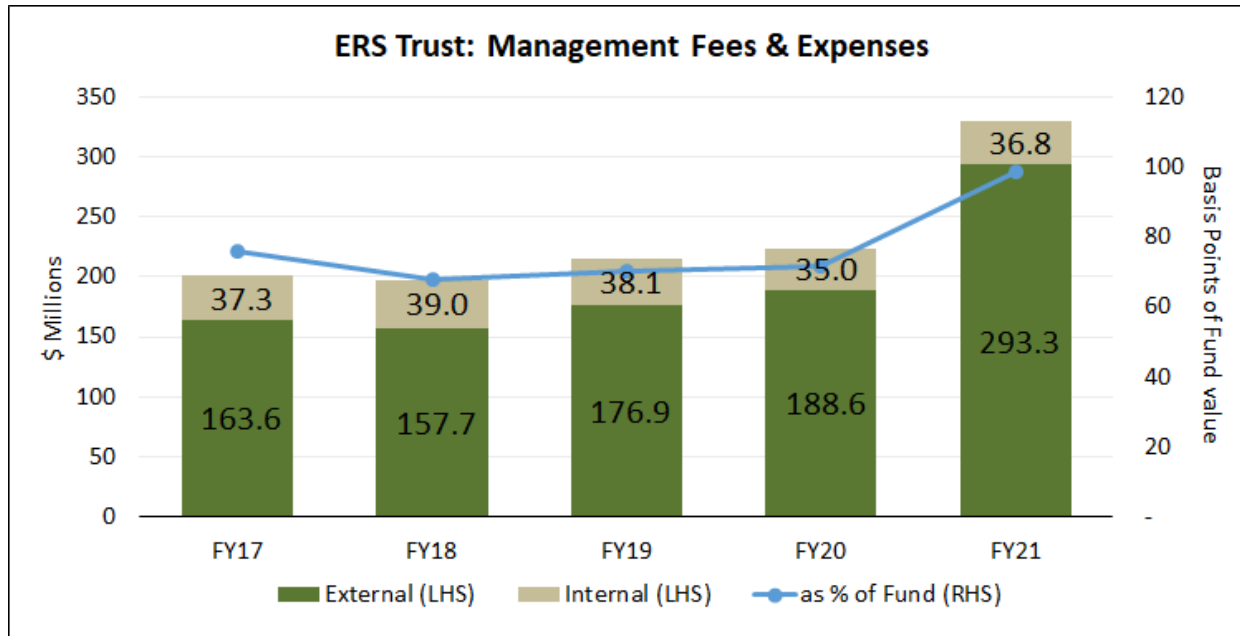


# ERS Trust Performance

## Fees & Expenses



- Mix shift toward private markets has led to an increase in expense levels



Questions?