

NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
October 26, 2022

“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.”

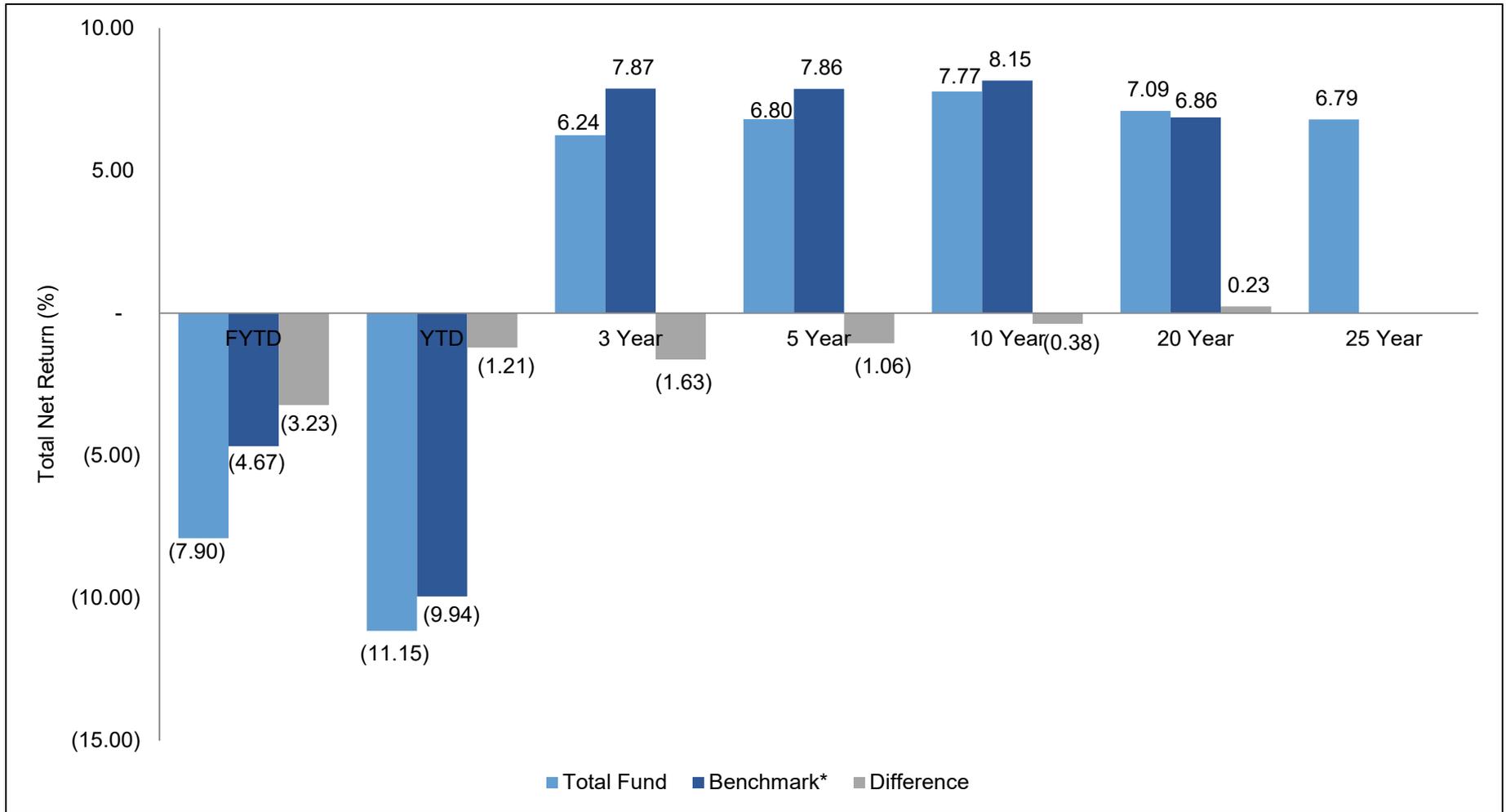
Capital Markets Update (through June 30, 2022)

	Calendar YTD	Fiscal YTD/ One Year	Three Years (Annualized)	Five Years (Annualized)
<u>Global Equity Indices</u>				
MSCI ALL Country World Index	-20.18	-15.75	6.20	7.00
<u>US Equity Indices</u>				
MSCI USA	-21.11	-12.80	10.44	11.20
Russell 1000	-20.95	-13.05	10.15	10.98
Russell 2000	-23.45	-25.24	4.17	5.14
Russell 3000	-21.11	-13.88	9.75	10.58
Russell Growth	-28.15	-19.78	11.82	13.62
Russell Value	-13.16	-7.50	6.78	6.98
<u>Non-US Equity Indices</u>				
MSCI EAFE	-19.57	-17.77	1.07	2.20
MSCI EAFE + Canada	-18.45	-16.29	2.24	3.23
MSCI Emerging Markets	-17.63	-25.29	0.57	2.18
<u>Fixed Income Indices</u>				
Bloomberg Barclays U.S. Aggregate	-10.35	-10.29	-0.93	0.88
Bloomberg Barclays U.S. Treasury	-9.14	-8.90	-0.88	0.74
Bloomberg Barclays U.S. Credit	-13.81	-13.64	-1.00	1.24
Bloomberg Barclays U.S. High Yield	-14.19	-12.81	0.21	2.10
<u>Real Estate</u>				
Bloomberg U.S. REIT Index	-19.41	-6.22	4.83	6.25

Capital Markets Update (through September 30, 2022)

	Monthly	Fiscal YTD	Calendar YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
<u>Global Equity Indices</u>						
MSCI ALL Country World Index	-9.57	-6.82	-25.62	-20.66	3.74	4.44
<u>US Equity Indices</u>						
MSCI USA	-9.27	-4.70	-24.81	-17.23	8.13	9.18
Russell 1000	-9.26	-4.62	-24.60	-17.23	7.92	8.98
Russell 2000	-9.57	-2.18	-25.11	-23.53	4.25	3.53
Russell 3000	-9.28	-4.47	-24.63	-17.65	7.67	8.60
Russell Growth	-9.68	-3.37	-30.57	-23.02	10.15	11.56
Russell Value	-8.86	-5.57	-17.99	-11.83	4.34	5.09
<u>Non-US Equity Indices</u>						
MSCI EAFE	-9.35	-9.36	-27.09	-25.13	-1.83	-0.84
MSCI EAFE + Canada	-9.20	-9.09	-25.87	-23.49	-0.67	0.16
MSCI Emerging Markets	-11.72	-11.57	-27.16	-28.11	-2.06	-1.81
<u>Fixed Income Indices</u>						
Bloomberg Barclays U.S. Aggregate	-4.32	-4.75	-14.61	-14.60	-3.25	-0.27
Bloomberg Barclays U.S. Treasury	-3.45	-4.35	-13.09	-12.94	-3.11	-0.23
Bloomberg Barclays U.S. Credit	-5.07	-4.95	-18.07	-17.89	-3.61	-0.05
Bloomberg Barclays U.S. High Yield	-3.97	-0.65	-14.74	-14.14	-0.45	1.57
<u>Real Estate</u>						
Bloomberg U.S. REIT Index	-12.59	-10.70	-28.03	-16.44	-1.40	3.65

Pension Fund Net Returns⁽¹⁾ for Periods Ending June 30, 2022



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

* Benchmark return not available for 25-Year period

Asset Allocation and Net Returns by Asset Class June 30, 2022

Asset Class	ASSET ALLOCATION As of June 30, 2022				PERFORMANCE (for periods ending June 30, 2022) ⁽¹⁾									
	Mkt Value	Actual (%)	Target (%)	Difference	FYTD		YTD		Five Year		Seven Year		Ten Year	
					NJ	Bench	NJ	Bench	NJ	Bench	NJ	Bench	NJ	Bench
<u>GLOBAL GROWTH</u>														
US Equity	22,030	25.61%	27.00%	-1.39%	-13.65%	-13.74%	-21.09%	-21.15%	9.95%	10.79%	9.56%	10.75%	12.10%	12.72%
Non-US Dev Market Eq	10,609	12.33%	13.50%	-1.17%	-17.37%	-16.63%	-19.30%	-18.60%	3.07%	2.62%	3.26%	2.95%	5.75%	5.43%
Emerging Market Eq	4,327	5.03%	5.50%	-0.47%	-25.32%	-25.41%	-17.74%	-17.69%	1.98%	2.22%	2.72%	2.90%		
Private Equity	11,050	12.84%	13.00%	-0.16%	6.15%	21.76%	1.28%	3.75%	15.50%	20.01%	13.85%	16.65%	15.55%	15.96%
TOTAL GLOBAL GROWTH	48,026	55.82%	59.00%	-3.18%	-11.96%	-8.71%	-16.19%	-15.25%	8.66%	10.42%	8.19%	9.73%	10.12%	10.99%
<u>REAL RETURN</u>														
Real Assets	2,288	2.66%	3.00%	-0.34%	16.22%	28.34%	11.84%	15.31%	6.55%	5.48%	4.80%	3.81%	3.09%	3.11%
Real Estate	5,575	6.48%	8.00%	-1.52%	11.43%	27.26%	3.52%	15.34%	9.80%	8.90%	9.97%	9.20%	11.38%	10.02%
TOTAL REAL RETURN	7,863	9.14%	11.00%	-1.86%	12.79%	27.61%	5.76%	15.34%	8.81%	8.22%	8.36%	7.72%	8.47%	7.71%
<u>INCOME</u>														
Investment Grade Credit	6,728	7.82%	8.00%	-0.18%	-12.71%	-12.55%	-12.61%	-12.60%	1.20%	1.07%	1.87%	1.96%	2.23%	2.05%
High Yield	2,140	2.49%	2.00%	0.49%	-12.55%	-12.82%	-13.88%	-14.19%	1.95%	2.09%	3.54%	3.47%		
Private Credit	6,481	7.53%	8.00%	-0.47%	1.25%	-4.32%	-2.93%	-5.80%	6.89%	4.60%	7.69%	5.34%	9.47%	
TOTAL INCOME	15,348	17.84%	18.00%	0.16%	-7.54%	-9.38%	-9.11%	-10.13%	3.41%	2.76%	3.99%	3.40%	4.61%	3.69%
<u>DEFENSIVE</u>														
Cash Equivalents	7,936	9.22%	4.00%	5.22%	0.33%	0.17%	0.25%	0.14%	1.48%	1.11%	1.36%	0.89%	1.33%	0.64%
U.S. Treasuries	4,035	4.69%	5.00%	-0.31%	-8.68%	-8.90%	-8.93%	-9.14%	0.66%	0.74%	0.70%	1.00%	0.08%	0.68%
Risk Mitigation Strategies	2,698	3.14%	3.00%	0.14%	5.46%	3.21%	4.97%	1.62%	6.03%	4.18%	4.43%	3.96%	4.23%	3.69%
TOTAL DEFENSIVE	14,669	17.05%	12.00%	5.05%	-2.14%	-2.71%	-2.30%	-3.18%	2.00%	1.35%	1.61%	1.21%		
<u>OTHER</u>														
OPPORTUNISTIC PE	0	0.00%												
OTHER	128	0.15%												
TOTAL FUND ⁽²⁾	86,035	100.00%			-7.90%	-4.67%	-11.15%	-9.94%	6.80%	7.86%	6.53%	7.47%	7.77%	8.15%

(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.

Notification: Northwood Real Estate Partners Funds - Management Fee Modification

Background: The Division established a relationship with Northwood Real Estate Partners (Northwood) in 2012 and has made two commitments into the Northwood's main fund series and one commitment into a related co-investment vehicle (collectively, the "Funds"). Total commitments were \$350 million and, over time, the aggregate amount invested in the Funds has grown to approximately \$543 million.

The investment period of the Funds has ended, and there is a fixed management fee of 1% for each of the Funds. Northwood has structured a tiered management fee on its recent funds, and has given existing investors in prior funds the option to elect the new tiered management fee. The revised tier structure provides for a lower fee of 0.875% for commitments over \$500 million, with higher fees ranging from 1.125% to 1.5% for commitments less than \$400 million.

Modification: To the extent the new management fee structure results in a reduced management fee given the Division's existing commitments, the Division intends to elect the new structure to obtain the benefit of the management fee reduction.

Impact on Pension Fund: The Division expects to benefit from the revised tier structure. If, at some point in the future, the Division becomes subject to a higher fee, it will consider taking action to either increase its commitments or to redeem out of the Funds.

**The Director is notifying the SIC of this modification in accordance with the
Alternative Investment Modification Procedures**