

# NJ DIVISION OF INVESTMENT

## Director's Report

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State Investment Council  
November 18, 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.”***

## FY21 Public Market Update: Asset Allocation and Net Returns (October 31, 2020)

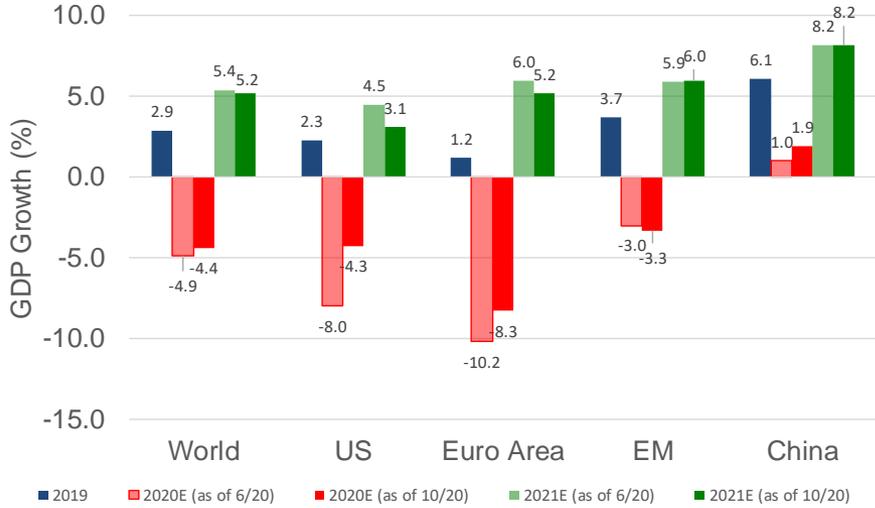
Asset Class	ASSET ALLOCATION As of October 31, 2020			NET RETURNS FYTD through October 31, 2020	
	Mkt Value (in \$ millions)	Actual (%)	Target (%)	NJ	Benchmark
<b><u>GLOBAL GROWTH</u></b>					
US Equities	20,424	26.99%	27.00%	6.94%	6.93%
Non-US Developed Market Equities	10,117	13.37%	13.50%	1.42%	0.71%
Emerging Market Equities	4,764	6.30%	5.50%	12.26%	12.02%
<b><u>INCOME</u></b>					
Investment Grade Credit	6,825	9.02%	8.00%	0.69%	0.57%
High Yield	1,427	1.89%	2.00%	5.57%	5.09%
<b><u>DEFENSIVE</u></b>					
U.S. Treasuries	4,057	5.36%	5.00%	-0.88%	-0.77%

## Capital Markets Update (through October 31, 2020)

	Fiscal YTD	Calendar YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
<u>Global Equity Index</u>					
MSCI ALL Country World Index	5.50	-1.09	4.89	5.51	8.10
<u>US Equity Indices</u>					
Russell 3000	6.85	3.13	10.14	10.02	11.46
Russell 1000	6.83	3.83	10.85	10.61	11.76
Russell 2000	7.13	-6.78	-0.16	2.16	7.24
Russell Growth	9.29	19.11	28.20	17.99	16.82
Russell Value	4.32	-13.15	-8.02	1.50	5.67
<u>Non-US Equity Indices</u>					
MSCI EAFE	0.61	-10.80	-6.86	-1.24	2.84
MSCI Emerging Markets	11.81	0.87	8.25	1.94	7.91
<u>Fixed Income &amp; Credit Indices</u>					
Bloomberg Barclays U.S. Aggregate	0.17	6.32	6.19	5.06	4.08
Bloomberg Barclays U.S. Treasury	-0.77	7.88	6.95	5.21	3.62
Bloomberg Barclays U.S. Credit	1.27	6.15	6.66	5.99	5.59
Bloomberg Barclays U.S. Credit (A or better)	0.57	7.07	7.13	5.79	5.09
Bloomberg Barclays U.S. Credit (BBB)	2.14	5.23	6.24	6.24	6.24
Bloomberg Barclays U.S. High Yield	5.13	1.13	3.49	4.23	6.32
S&P/LSTA Leveraged Loan Index	4.35	-0.46	1.72	2.97	4.09
Wells Fargo BDC Index	0.52	-27.37	-24.38	-4.92	1.47
<u>Real Estate Index</u>					
Bloomberg U.S. REIT Index	-2.03	-15.46	-16.26	1.84	4.38
<u>Real Assets &amp; Commodities Indices</u>					
Bloomberg Commodities Index	10.57	-11.18	-9.33	-5.88	-3.85
Bloomberg Energy Subindex	3.77	-44.26	-41.96	-16.68	-13.50
Alerian MLP Index	-12.59	-43.80	-42.52	-18.46	-12.45

# The Outlook for the Global Economy Remains Uncertain

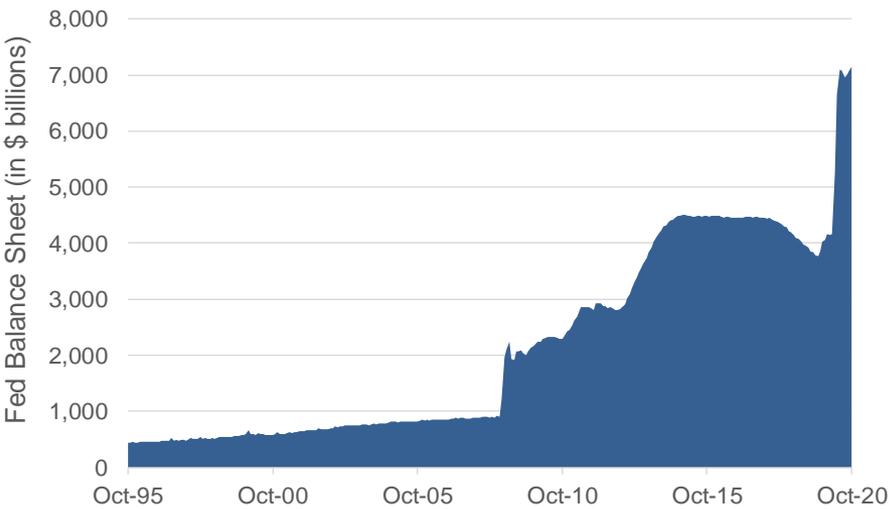
### IMF Global Economic Projections



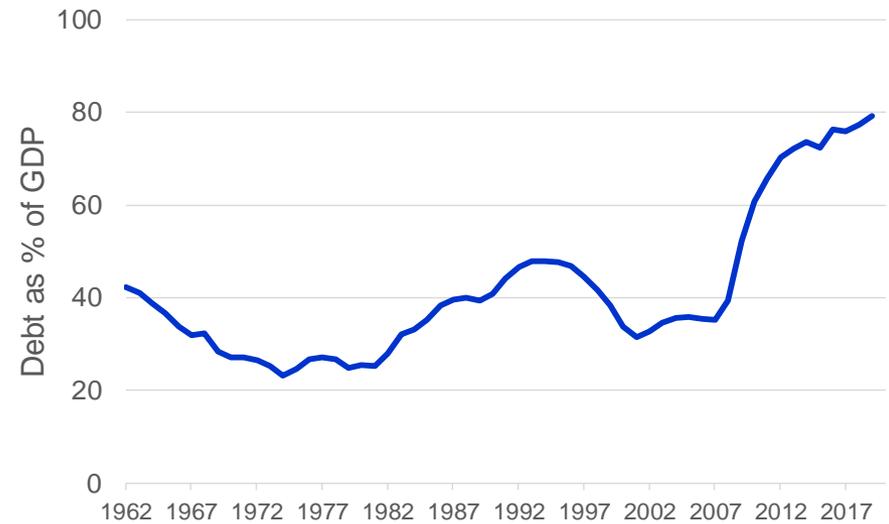
### U.S. Unemployment



### Federal Reserve Balance Sheet



### U.S. Debt as % of GDP



# Capital Market Valuations Are Elevated

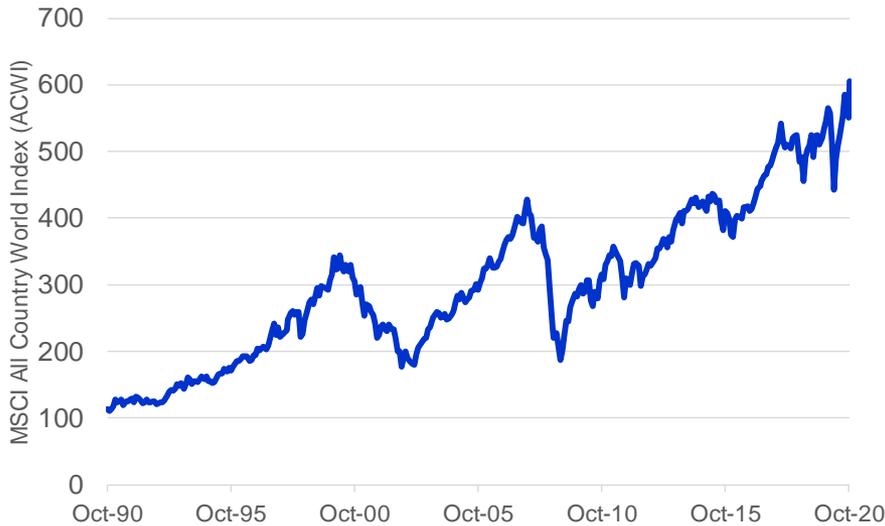
Global Bond Market With Negative Yields



U.S. High Yield Market Valuations



Global Equity Market



U.S. Equity Market Valuations



— S&P 500 P/E Multiple    - - - 25 year avg

## Notification: Modification to Winton Futures Fund

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**Background:** In January 2011, the Division made an initial commitment to the Winton Futures Fund LP (the “Fund”), a systematic macro hedge fund managed by Winton Capital Management Ltd. (“Winton”). As of September 30, 2020, the market value of the Division’s interest in the Fund was approximately \$140 million.

**Modification:** As part of the rebalancing of the portfolio, the Division has submitted a partial redemption of \$50 million from the Fund effective December 1, 2020.

**Impact on Pension Fund:** The proceeds from the redemption will reduce the Pension Fund’s allocation to systematic hedge funds and allow these funds to be reinvested elsewhere in the portfolio.

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