

NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
July 24, 2024



“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 May 31, 2024)

| | Monthly | Calendar YTD | Fiscal YTD | One Year | Three Years (Annualized) | Five Years (Annualized) |
|------------------------------------|---------|--------------|------------|----------|-----------------------------|----------------------------|
| <u>Global Equity Indices</u> | | | | | | |
| MSCI ALL Country World Index | 4.06 | 8.88 | 16.77 | 23.48 | 5.11 | 11.66 |
| <u>US Equity Indices</u> | | | | | | |
| MSCI USA | 4.78 | 10.91 | 20.35 | 28.29 | 8.85 | 15.70 |
| Russell 1000 | 4.71 | 10.57 | 19.89 | 27.91 | 8.43 | 15.39 |
| Russell 2000 | 5.01 | 2.68 | 11.05 | 20.02 | -1.68 | 8.57 |
| Russell 2500 | 4.16 | 3.90 | 12.13 | 21.62 | 0.57 | 10.10 |
| Russell 3000 | 4.72 | 10.15 | 19.41 | 27.48 | 7.80 | 14.96 |
| Russell Growth | 5.96 | 12.66 | 24.23 | 32.72 | 10.22 | 18.63 |
| Russell Value | 3.25 | 7.23 | 14.03 | 21.62 | 5.06 | 10.57 |
| <u>Non-US Equity Indices</u> | | | | | | |
| MSCI EAFE | 3.87 | 7.07 | 13.37 | 18.47 | 3.06 | 8.04 |
| MSCI EAFE Canada | 3.82 | 6.72 | 13.10 | 18.42 | 3.04 | 8.14 |
| MSCI Emerging Markets | 0.57 | 3.41 | 8.28 | 12.35 | -6.22 | 3.54 |
| <u>Fixed Income Indices</u> | | | | | | |
| Bloomberg Barclays U.S. Aggregate | 1.70 | -1.64 | 1.67 | 1.30 | -3.10 | -0.17 |
| Bloomberg Barclays U.S. Treasury | 1.46 | -1.85 | 0.53 | -0.22 | -3.37 | -0.67 |
| Bloomberg Barclays U.S. Credit | 1.82 | -1.12 | 3.73 | 4.04 | -2.67 | 0.85 |
| Bloomberg Barclays U.S. High Yield | 1.10 | 1.63 | 9.40 | 11.20 | 1.77 | 4.19 |
| <u>Real Estate</u> | | | | | | |
| Bloomberg U.S. REIT Index | 5.24 | -4.90 | 1.82 | 7.28 | -2.99 | 2.06 |

Source: Bloomberg

Capital Markets Update (through June 30, 2024)

| | Monthly | Calendar YTD | Fiscal YTD | One Year | Three Years (Annualized) | Five Years (Annualized) |
|------------------------------------|---------|--------------|------------|----------|-----------------------------|----------------------------|
| Global Equity Indices | | | | | | |
| MSCI ALL Country World Index | 2.23 | 11.30 | 19.32 | 19.32 | 5.43 | 10.74 |
| US Equity Indices | | | | | | |
| MSCI USA | 3.58 | 14.88 | 24.58 | 24.58 | 9.12 | 14.95 |
| Russell 1000 | 3.31 | 14.23 | 23.79 | 23.79 | 8.72 | 14.57 |
| Russell 2000 | -0.93 | 1.73 | 10.00 | 10.00 | -2.61 | 6.90 |
| Russell 2500 | -1.50 | 2.34 | 10.42 | 10.42 | -0.32 | 8.28 |
| Russell 3000 | 3.10 | 13.56 | 23.04 | 23.04 | 8.02 | 14.11 |
| Russell Growth | 6.42 | 19.89 | 32.11 | 32.11 | 10.31 | 18.52 |
| Russell Value | -0.98 | 6.18 | 12.87 | 12.87 | 5.10 | 8.85 |
| Non-US Equity Indices | | | | | | |
| MSCI EAFE | -1.61 | 5.34 | 11.50 | 11.50 | 2.89 | 6.46 |
| MSCI EAFE Canada Net Total Ret | -1.66 | 4.96 | 11.19 | 11.19 | 2.82 | 6.55 |
| MSCI Emerging Markets | 3.94 | 7.49 | 12.51 | 12.51 | -5.06 | 3.09 |
| Fixed Income Indices | | | | | | |
| Bloomberg Barclays U.S. Aggregate | 0.95 | -0.71 | 2.62 | 2.62 | -3.02 | -0.23 |
| Bloomberg Barclays U.S. Treasury | 1.01 | -0.86 | 1.54 | 1.54 | -3.26 | -0.65 |
| Bloomberg Barclays U.S. Credit | 0.67 | -0.46 | 4.41 | 4.41 | -2.94 | 0.54 |
| Bloomberg Barclays U.S. High Yield | 0.94 | 2.58 | 10.41 | 10.41 | 1.64 | 3.91 |
| Real Estate | | | | | | |
| Bloomberg U.S. REIT Index | 1.71 | -3.28 | 3.55 | 3.55 | -3.34 | 2.09 |

Source: Bloomberg

Asset Allocation and Net Returns by Asset Class May 31, 2024

| ASSET ALLOCATION As of May 31, 2024 | | | | | PERFORMANCE (for periods ending May 31, 2024) ⁽¹⁾ | | | | | | | | | |
|--|---------------|----------------|---------------|---------------|--|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--|--|
| Asset Class | Mkt Value | Actual (%) | Target (%) | Difference | FYTD | | YTD | | Three Year | | Five Year | | | |
| | | | | | NJ | Bench | NJ | Bench | NJ | Bench | NJ | Bench | | |
| GLOBAL GROWTH | | | | | | | | | | | | | | |
| US Equity | 19,545 | 29.15% | 28.00% | 1.15% | 19.54 | 19.56 | 10.12 | 10.19 | 8.05 | 8.05 | 15.04 | 15.27 | | |
| Non-US Dev Market Eq | 8,216 | 12.26% | 12.75% | -0.49% | 13.58 | 13.14 | 7.00 | 6.70 | 3.37 | 3.05 | 8.55 | 8.08 | | |
| Int'l Small Cap Eq | 828 | 1.24% | 1.25% | -0.01% | 9.38 | 12.45 | 3.31 | 3.88 | -3.69 | -1.31 | 6.23 | 7.29 | | |
| Emerging Market Eq | 2,053 | 3.06% | 5.50% | -2.44% | 7.22 | 8.07 | 3.18 | 3.20 | -4.84 | -6.39 | 4.42 | 3.55 | | |
| Private Equity | 7,638 | 11.39% | 13.00% | -1.61% | 1.74 | 5.61 | 2.23 | 3.25 | 8.93 | 11.34 | 11.96 | 15.32 | | |
| TOTAL GLOBAL GROWTH | 38,281 | 57.10% | 60.50% | -3.40% | 13.38 | 14.02 | 7.27 | 7.26 | 5.72 | 6.63 | 11.94 | 13.23 | | |
| REAL RETURN | | | | | | | | | | | | | | |
| Real Assets | 1,645 | 2.45% | 3.00% | -0.55% | 2.11 | 4.43 | 1.98 | 0.39 | 8.13 | 15.93 | 4.81 | 7.34 | | |
| Real Estate | 3,536 | 5.27% | 8.00% | -2.73% | -0.45 | -9.68 | -1.62 | -5.00 | 3.85 | 4.01 | 5.12 | 3.34 | | |
| TOTAL REAL RETURN | 5,182 | 7.73% | 11.00% | -3.27% | 0.38 | -5.86 | -0.48 | -3.53 | 5.12 | 7.43 | 5.04 | 4.82 | | |
| INCOME | | | | | | | | | | | | | | |
| Investment Grade Credit | 4,875 | 7.27% | 7.00% | 0.27% | 2.63 | 2.88 | -1.42 | -1.37 | -3.04 | -2.91 | 0.42 | 0.43 | | |
| High Yield | 2,893 | 4.32% | 4.50% | -0.18% | 8.97 | 9.40 | 1.42 | 1.62 | 1.65 | 1.77 | 4.05 | 4.18 | | |
| Private Credit | 5,125 | 7.64% | 8.00% | -0.36% | 9.09 | 11.03 | 6.04 | 4.70 | 7.70 | 2.52 | 7.77 | 4.75 | | |
| TOTAL INCOME | 12,894 | 19.23% | 19.50% | -0.27% | 6.51 | 7.15 | 2.17 | 1.81 | 2.02 | -0.06 | 3.86 | 2.85 | | |
| DEFENSIVE | | | | | | | | | | | | | | |
| Cash Equivalents | 6,004 | 8.96% | 2.00% | 6.96% | 5.28 | 4.97 | 2.44 | 2.21 | 3.15 | 2.89 | 2.37 | 2.12 | | |
| U.S. Treasuries | 2,752 | 4.10% | 4.00% | 0.10% | 0.88 | 0.53 | -1.57 | -1.85 | -3.12 | -3.37 | -0.53 | -0.67 | | |
| Risk Mitigation Strategies | 1,914 | 2.86% | 3.00% | -0.14% | 9.66 | 7.89 | 6.08 | 3.49 | 6.80 | 6.01 | 6.87 | 5.22 | | |
| TOTAL DEFENSIVE | 10,670 | 15.92% | 9.00% | 6.92% | 4.90 | 4.16 | 2.08 | 0.82 | 1.81 | 1.25 | 2.24 | 1.76 | | |
| OTHER | | | | | | | | | | | | | | |
| OPPORTUNISTIC PE | 0 | 0.00% | | | | | | | | | | | | |
| OTHER | 15 | 0.02% | | | | | | | | | | | | |
| TOTAL FUND ⁽²⁾ | 67,043 | 100.00% | | | 9.48 | 9.54 | 4.87 | 4.40 | 4.24 | 5.01 | 8.31 | 9.24 | | |

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

(2) Total Pension Fund excludes all Police and Fire assets

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.



State of New Jersey

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ELIZABETH MAHER MUOIO
State Treasurer

SHOAIB KHAN
Director

July 24, 2024

To: State Investment Council
From: Shoaib Khan
Director
Subject: Recent Alternative Investment Fund Commitments

N.J.A.C. 17:16-69.9, requires the Division to provide an informational memorandum to the Council on each binding commitment made by the Division as part of its Alternative Investment Program.

This memorandum provides information regarding the following binding commitments which were made since April 2024:

| Name | Closing Date | Asset Class | Commitment Amount |
|---|---------------|--------------------------|-------------------|
| SONJ Private Opportunities Fund III, L.P. | May 31, 2024 | Private Equity | \$250,000,000 |
| PSG VI, L.P. | July 11, 2024 | Private Equity | \$100,000,000 |
| Graham Custom Investment Funds I SPC Ltd. – RMS Segregated Portfolio | July 18, 2024 | Absolute Return Strategy | \$300,000,000 |

Notification: Modification to Total Value to Paid-In Investment Multiple Calculation

Background: As part of the Director's Monthly Report, the Division provides transparency and disclosure for the Pension Fund's Alternative Investments. The Alternative Investments section of the report discloses commitments, contributions, distributions, the market value and Total Value to Paid-In (TVPI) investment multiple for each of its investments in Private Equity, Real Estate, Hedge Funds, Real Assets and Private Credit. The TVPI investment multiple represents the total value of a fund relative to the amount of capital paid into the fund to date. Since October 2010, the report has included a customized calculation for TVPI, which excluded certain fees and expenses outside the commitment amount.

Modification: Beginning with the May 2024 Director's Report, the Division will be reporting TVPI using the market standard calculation which includes all fees and expenses. The modification will result in a slightly lower reported TVPI (for example the TVPI for Common Pension Fund A as of 12/31/2023 will be lowered from 1.080 to 1.078).

Impact on Pension Fund: This change in reporting has no impact on the net returns for the Pension Fund. The Division believes that this action is more closely aligned with standard reporting and enhances the report's transparency.

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

Notification: Modification to Stonepeak CPF Investment Partners LP

Background: In 2021, the Division presented a \$125 million commitment to Stonepeak Infrastructure Fund IV (“Fund IV”) and a \$75 million to a co-investment side car vehicle. The commitment to the Fund closed in March 2021, and the co-investment side car vehicle, Stonepeak CPF Investment Partners LP (“CPF Fund”), closed in April 2023. Due to this late closing, few co-investment opportunities were presented to the Division. Division staff has been working with Stonepeak to identify ways for the Division to benefit from the side car vehicle, and, in March 2024, Stonepeak proposed a \$70 million investment for the CPF Fund in a data center platform. The investment would be made through a continuation vehicle, which will charge fees.

Modification: The Division had initially anticipated that the CPF Fund would be making investments on a no-fee, no-carry basis. The proposed investment will be increasing the total fees paid by the Pension Fund as a result of the CPF Fund investment. Note that the Division will not be paying any fees or carry at the side car level, but instead would be reimbursing the side car vehicle for fees charged for the underlying investment through the continuation vehicle.

Impact on Pension Fund: The Division anticipates that the proposed investment will provide a benefit to the Pension Fund net of the discounted fees paid by the CPF Fund. Staff anticipates that participation in the investment may also result in discounts and other benefits in future investments in other vehicles managed by Stonepeak.

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