

# NJ DIVISION OF INVESTMENT

## Director's Report

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State Investment Council  
July 27, 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

Source: Bloomberg

## Capital Markets Update (through May 31, 2022)

	Calendar YTD	Fiscal YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
<b>Global Equity Indices</b>					
MSCI ALL Country World Index	-12.83	-8.00	-6.78	11.70	9.00
<b>US Equity Indices</b>					
MSCI USA	-13.99	-4.93	-2.28	16.26	13.28
Russell 1000	-13.72	-5.10	-2.72	16.00	13.10
Russell 2000	-16.58	-18.53	-16.96	9.66	7.68
Russell 3000	-13.90	-6.02	-3.70	15.57	12.73
Russell Growth	-22.06	-12.97	-7.60	17.49	15.49
Russell Value	-4.77	1.44	0.32	12.67	9.36
<b>Non-US Equity Indices</b>					
MSCI EAFE	-11.34	-9.36	-10.38	6.42	4.17
MSCI EAFE + Canada	-10.01	-7.62	-8.53	7.72	5.31
MSCI Emerging Markets	-11.76	-19.97	-19.83	4.99	3.80
<b>Fixed Income Indices</b>					
Bloomberg Barclays U.S. Aggregate	-8.92	-8.86	-8.22	0.00	1.17
Bloomberg Barclays U.S. Treasury	-8.33	-8.09	-7.50	-0.28	0.88
Bloomberg Barclays U.S. Credit	-11.50	-11.32	-9.99	0.62	1.83
Bloomberg Barclays U.S. High Yield	-8.00	-6.52	-5.27	3.33	3.56
<b>Real Estate</b>					
Bloomberg U.S. REIT Index	-13.24	0.97	3.83	7.99	8.26

Source: Bloomberg

## Asset Allocation and Net Returns by Asset Class May 31, 2022

Asset Class	ASSET ALLOCATION				PERFORMANCE (for periods ending May 31, 2022) <sup>(1)</sup>							
	As of May 31, 2022				YTD		FYTD		Three Year		Five Year	
	Mkt Value	Actual (%)	Target (%)	Difference	NJ	Bench	NJ	Bench	NJ	Bench	NJ	Bench
<b>GLOBAL GROWTH</b>												
US Equity	24,105	26.35%	27.00%	-0.65%	-13.93%	-13.95%	-5.81%	-5.86%	15.57%	15.95%	12.11%	12.92%
Non-US Dev Market Eq	11,739	12.83%	13.50%	-0.67%	-10.92%	-10.22%	-8.78%	-8.05%	7.44%	7.05%	5.16%	4.69%
Emerging Market Eq	4,654	5.09%	5.50%	-0.41%	-11.58%	-11.82%	-19.73%	-20.09%	5.24%	5.12%	3.61%	3.87%
Private Equity	11,937	13.05%	13.00%	0.05%	6.70%		11.83%		20.16%		17.77%	
<b>TOTAL GLOBAL GROWTH</b>	<b>52,444</b>	<b>57.32%</b>	<b>59.00%</b>	<b>-1.68%</b>	<b>-9.08%</b>	<b>-9.85%</b>	<b>-4.50%</b>	<b>-2.92%</b>	<b>13.75%</b>	<b>15.18%</b>	<b>10.76%</b>	<b>12.05%</b>
<b>REAL RETURN</b>												
Real Assets	2,006	2.19%	3.00%	-0.81%	7.47%	6.17%	11.69%	18.22%	5.07%	4.57%	5.47%	4.15%
Real Estate	5,774	6.31%	8.00%	-1.69%	5.23%	7.65%	13.27%	18.77%	10.78%	8.22%	10.75%	7.74%
<b>TOTAL REAL RETURN</b>	<b>7,781</b>	<b>8.50%</b>	<b>11.00%</b>	<b>-2.50%</b>	<b>5.80%</b>	<b>7.21%</b>	<b>12.83%</b>	<b>18.64%</b>	<b>9.07%</b>	<b>7.62%</b>	<b>9.13%</b>	<b>7.00%</b>
<b>INCOME</b>												
Investment Grade Credit	7,110	7.77%	8.00%	-0.23%	-10.61%	-10.69%	-10.71%	-10.64%	0.43%	0.35%	1.61%	1.55%
High Yield	1,985	2.17%	2.00%	0.17%	-7.65%	-7.98%	-6.23%	-6.52%	3.25%	3.31%	3.35%	3.55%
Private Credit	6,634	7.25%	8.00%	-0.75%	0.98%	-6.10%	5.32%	-4.63%	8.33%	3.87%	8.15%	4.73%
<b>TOTAL INCOME</b>	<b>15,729</b>	<b>17.19%</b>	<b>18.00%</b>	<b>-0.81%</b>	<b>-5.75%</b>	<b>-8.57%</b>	<b>-4.12%</b>	<b>-7.81%</b>	<b>3.72%</b>	<b>2.38%</b>	<b>4.25%</b>	<b>3.14%</b>
<b>DEFENSIVE</b>												
Cash Equivalents	8,397	9.18%	4.00%	5.18%	0.17%	0.12%	0.25%	0.15%	0.89%	0.69%	1.48%	1.12%
U.S. Treasuries	4,391	4.80%	5.00%	-0.20%	-8.19%	-8.33%	-7.94%	-8.09%	-0.27%	-0.28%	0.73%	0.88%
Risk Mitigation Strategies	2,709	2.96%	3.00%	-0.04%	5.06%	1.35%	5.55%	2.93%	7.20%	3.76%	5.90%	4.20%
<b>TOTAL DEFENSIVE</b>	<b>15,498</b>	<b>16.94%</b>	<b>12.00%</b>	<b>4.94%</b>	<b>-2.08%</b>	<b>-2.92%</b>	<b>-1.92%</b>	<b>-2.46%</b>	<b>1.49%</b>	<b>0.94%</b>	<b>1.96%</b>	<b>1.40%</b>
<b>OTHER</b>												
OPPORTUNISTIC PE	0	0.00%										
OTHER	59	0.06%										
<b>TOTAL FUND <sup>(2)</sup></b>	<b>91,487</b>	<b>100.00%</b>			<b>-6.29%</b>	<b>-6.49%</b>	<b>-2.86%</b>	<b>-1.04%</b>	<b>9.61%</b>	<b>10.68%</b>	<b>8.16%</b>	<b>8.86%</b>

(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.

## FY22 Public Market Update: Asset Allocation and Net Returns (May 31, 2022)

Asset Class	ASSET ALLOCATION As of May 31, 2022			FYTD through May 31, 2022	
	Mkt Value (in \$ millions)	Actual (%)	Target (%)	NJ	Benchmark
<b><u>GLOBAL GROWTH</u></b>					
US Equities	24,104	26.35%	27.00%	-5.81%	-5.86%
Non-US Developed Market Equities	11,739	12.83%	13.50%	-8.78%	-8.05%
Emerging Market Equities	4,654	5.09%	5.50%	-19.73%	-20.09%
<b><u>INCOME</u></b>					
Investment Grade Credit	7,110	7.77%	8.00%	-10.71%	-10.64%
High Yield	1,985	2.17%	2.00%	-6.23%	-6.52%
<b><u>DEFENSIVE</u></b>					
U.S. Treasuries	4,391	4.80%	5.00%	-7.94%	-8.09%

## Notification: Modification to CVC Credit Partners European Direct Lending Fund III (Co-Invest – DL) SCSp

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**Background:** During the September 2021 Council meeting, the Division presented a commitment of up to €300 million to be split between CVC Credit Partners European Direct Lending Fund III (the “Fund”) and a co-invest vehicle investing alongside the Fund (the “co-invest vehicle”). The Fund and co-invest vehicle closed on different dates, approximately six months apart. For both the Fund and co-invest vehicle, the Pension Fund’s commitment was made in U.S. dollars to a dollar-denominated vehicle. It was the intention of the Division to allocate the €300 million equally between the Fund and co-invest vehicle, which charges no management fees or carried interest.

Foreign exchange rates moved during the period of time between the closing of the Fund and the closing of the co-invest vehicle. At the time of closing the Fund, the Pension Fund committed \$168,890,000 to the Fund (the U.S. dollar equivalent of €150 million at the time of the closing). At the time of closing the co-invest vehicle, the Pension Fund committed \$157,627,500 to the co-invest vehicle (the U.S. dollar equivalent of €150 million at the time of the closing).

**Modification:** The Division is seeking to commit up to an additional \$12 million to the co-invest vehicle. The additional capital will allow the U.S. dollar commitments to both the Fund and co-invest vehicle to be equal, as originally intended by the Division.

**Impact on Pension Fund:** This will increase the Pension Fund’s exposure to CVC Credit Partners’ European direct lending strategy. However, the Division does not believe this increase to have a material impact. The modification will also further blend down the fees, by allocating more capital to the co-invest vehicle, which charges no management fees or carried interest. On the whole, the Division believes this modification is beneficial to the Pension Fund.

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