

NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
October 25, 2023

“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, 2023)

	Monthly	Calendar YTD	Fiscal YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
Global Equity Indices						
MSCI ALL Country World Index	4.84	13.94	16.53	16.53	11.36	8.10
US Equity Indices						
MSCI USA	6.07	17.13	19.57	19.57	14.70	12.17
Russell 1000	6.14	16.67	19.34	19.34	14.65	11.90
Russell 2000	7.07	8.06	12.27	12.27	11.30	4.17
Russell 3000	6.19	16.16	18.93	18.93	14.44	11.37
Russell Growth	6.24	28.05	26.59	26.59	13.94	14.38
Russell Value	6.12	4.95	11.18	11.18	14.79	7.76
Non-US Equity Indices						
MSCI EAFE	2.84	11.67	18.77	18.77	9.03	4.39
MSCI EAFE Canada Net Total Ret	3.13	11.29	17.41	17.41	9.43	4.58
MSCI Emerging Markets	2.54	4.89	1.75	1.75	2.36	0.93
Fixed Income Indices						
Bloomberg Barclays U.S. Aggregate	0.01	2.09	-0.94	-0.94	-3.96	0.77
Bloomberg Barclays U.S. Treasury	-0.42	1.59	-2.13	-2.13	-4.83	0.44
Bloomberg Barclays U.S. Credit	0.58	3.13	1.39	1.39	-3.35	1.65
Bloomberg Barclays U.S. High Yield	1.59	5.38	9.06	9.06	3.15	3.35
Real Estate						
Bloomberg U.S. REIT Index	5.96	1.87	-7.02	-7.02	5.37	3.80

Capital Markets Update (through August 31, 2023)

	Monthly	Fiscal YTD	Calendar YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
Global Equity Indices						
MSCI ALL Country World Index	-2.79	0.76	14.80	13.95	7.13	7.45
US Equity Indices						
MSCI USA	-1.69	1.70	19.12	15.76	9.87	11.03
Russell 1000	-1.75	1.63	18.57	15.38	9.87	10.75
Russell 2000	-5.01	0.80	8.93	4.61	7.71	3.11
Russell 3000	-1.93	1.58	18.00	14.73	9.73	10.23
Russell Growth	-1.12	2.28	30.96	21.02	8.07	13.03
Russell Value	-2.83	0.82	5.81	8.17	11.34	6.80
Non-US Equity Indices						
MSCI EAFE	-3.83	-0.72	10.87	17.92	6.04	4.13
MSCI EAFE Canada	-3.87	-0.76	10.45	16.45	6.24	4.31
MSCI Emerging Markets	-6.16	-0.32	4.55	1.25	-1.98	0.98
Fixed Income Indices						
Bloomberg Barclays U.S. Aggregate	-0.64	-0.71	1.37	-1.19	-4.33	0.49
Bloomberg Barclays U.S. Treasury	-0.52	-0.87	0.70	-2.07	-4.99	0.19
Bloomberg Barclays U.S. Credit	-0.72	-0.42	2.70	0.85	-3.95	1.32
Bloomberg Barclays U.S. High Yield	0.28	1.66	7.13	7.16	1.83	3.32
Real Estate						
Bloomberg U.S. REIT Index	-3.29	-2.22	-0.40	-11.02	2.47	2.69

Source: Bloomberg

Capital Markets Update (through September 30, 2023)

	Monthly	Fiscal YTD	Calendar YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
<u>Global Equity Indices</u>						
MSCI ALL Country World Index	-4.36	-3.40	10.06	20.80	7.04	6.46
<u>US Equity Indices</u>						
MSCI USA	-4.77	-3.07	13.53	21.62	9.81	9.87
Russell 1000	-4.78	-3.15	13.00	21.17	9.80	9.61
Russell 2000	-6.04	-5.14	2.51	8.87	7.19	2.36
Russell 3000	-4.85	-3.25	12.38	20.43	9.63	9.12
Russell Growth	-5.38	-3.34	23.77	26.62	7.82	11.69
Russell Value	-4.25	-3.15	1.64	14.01	11.42	5.95
<u>Non-US Equity Indices</u>						
MSCI EAFE	-3.75	-4.11	7.08	25.65	5.51	3.24
MSCI EAFE Canada	-3.68	-4.10	6.73	24.00	5.84	3.44
MSCI Emerging Markets	-3.40	-2.93	1.82	11.70	-1.32	0.55
<u>Fixed Income Indices</u>						
Bloomberg Barclays U.S. Aggregate	-2.38	-3.23	-1.21	0.64	-5.25	0.10
Bloomberg Barclays U.S. Treasury	-2.05	-3.06	-1.52	-0.81	-5.90	-0.07
Bloomberg Barclays U.S. Credit	-2.43	-3.01	0.03	3.46	-4.89	0.86
Bloomberg Barclays U.S. High Yield	-1.10	0.46	5.86	10.28	1.85	2.96
<u>Real Estate</u>						
Bloomberg U.S. REIT Index	-7.62	-9.03	-7.33	-5.29	1.39	1.72

Source: Bloomberg

Asset Allocation and Net Returns by Asset Class June 30, 2023

ASSET ALLOCATION As of June 30, 2023					PERFORMANCE (for periods ending June 30, 2023) ⁽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	25,633	28.05%	27.00%	1.05%	19.10	19.19	16.30	16.35	14.06	14.09	11.15	11.69		
Non-US Dev Market Eq	12,134	13.28%	13.50%	-0.22%	16.89	17.16	11.09	11.28	9.02	9.20	4.68	4.53		
Emerging Market Eq	4,615	5.05%	5.50%	-0.45%	6.75	1.61	7.48	4.77	4.59	2.23	2.23	0.98		
Private Equity	11,139	12.19%	13.00%	-0.81%	5.00	-1.42	5.69	5.51	18.12	22.02	12.84	15.55		
TOTAL GLOBAL GROWTH	53,522	58.57%	59.00%	-0.43%	14.27	13.22	11.98	12.00	12.84	14.18	9.19	10.49		
REAL RETURN														
Real Assets	2,237	2.45%	3.00%	-0.55%	2.65	7.75	2.62	4.07	15.74	18.55	4.67	5.98		
Real Estate	5,290	5.79%	8.00%	-2.21%	-3.58	-3.91	-1.25	-8.37	9.20	7.46	6.50	6.56		
TOTAL REAL RETURN	7,527	8.24%	11.00%	-2.76%	-1.76	-0.45	-0.11	-4.71	11.03	10.65	5.87	6.78		
INCOME														
Investment Grade Credit	6,337	6.94%	7.00%	-0.06%	0.44	0.40	2.88	2.80	-4.07	-3.93	1.42	1.29		
High Yield	3,217	3.52%	4.00%	-0.48%	9.04	9.07	5.20	5.38	3.37	3.12	3.16	3.34		
Private Credit	6,654	7.28%	8.00%	-0.72%	9.01	1.05	7.93	3.51	10.88	3.93	6.80	4.12		
TOTAL INCOME	16,208	17.74%	19.00%	-1.26%	5.47	1.83	5.39	3.42	2.66	-0.13	3.69	2.73		
DEFENSIVE														
Cash Equivalents	7,853	8.59%	4.00%	4.59%	3.88	3.59	2.40	2.25	1.47	1.27	1.89	1.55		
U.S. Treasuries	3,530	3.86%	4.00%	-0.14%	-1.90	-2.13	1.65	1.59	-4.72	-4.80	0.43	0.44		
Risk Mitigation Strategies	2,618	2.87%	3.00%	-0.13%	3.30	6.73	2.39	3.76	7.26	4.35	5.67	4.63		
TOTAL DEFENSIVE	14,001	15.32%	11.00%	4.32%	2.12	2.12	2.28	2.37	0.42	-0.38	2.02	1.64		
OTHER														
OPPORTUNISTIC PE	0	0.00%												
OTHER	121	0.13%												
TOTAL FUND ⁽²⁾	91,382	100.00%			9.06	8.43	8.16	7.45	8.91	9.39	6.80	7.86		

(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.

Asset Allocation and Net Returns by Asset Class August 31, 2023

ASSET ALLOCATION As of August 31, 2023					PERFORMANCE (for periods ending August 31, 2023) ⁽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	26,001	28.54%	27.00%	1.54%	1.63	1.62	18.20	18.24	9.98	10.01	10.04	10.54		
Non-US Dev Market Eq	11,982	13.15%	13.50%	-0.35%	-0.69	-0.68	10.33	10.52	5.95	6.24	4.37	4.28		
Emerging Market Eq	4,596	5.05%	5.50%	-0.45%	-0.42	-0.34	7.04	4.41	0.78	-1.49	2.29	1.04		
Private Equity	11,015	12.09%	13.00%	-0.91%	0.08	0.00	5.78	5.51	18.04	22.02	12.84	15.55		
TOTAL GLOBAL GROWTH	53,596	58.84%	59.00%	-0.16%	0.61	0.62	12.66	12.70	9.70	11.11	8.53	9.84		
REAL RETURN														
Real Assets	2,236	2.45%	3.00%	-0.55%	-0.05	0.00	2.56	4.07	15.83	18.55	4.49	5.98		
Real Estate	5,307	5.83%	8.00%	-2.17%	-0.05	0.00	-1.30	-8.37	8.51	7.46	6.31	6.56		
TOTAL REAL RETURN	7,543	8.28%	11.00%	-2.72%	-0.06	0.00	-0.17	-4.71	10.53	10.65	5.69	6.78		
INCOME														
Investment Grade Credit	6,413	7.04%	7.00%	0.04%	-0.58	-0.53	2.29	2.25	-4.68	-4.49	1.08	0.98		
High Yield	3,244	3.56%	4.00%	-0.44%	1.61	1.68	6.90	7.15	1.93	1.81	3.14	3.31		
Private Credit	6,781	7.44%	8.00%	-0.56%	0.75	3.24	8.73	6.87	10.55	3.05	6.81	4.45		
TOTAL INCOME	16,438	18.05%	19.00%	-0.95%	0.40	1.18	5.81	4.64	2.18	-0.81	3.58	2.69		
DEFENSIVE														
Cash Equivalents	7,193	7.90%	4.00%	3.90%	0.91	0.85	3.33	3.12	1.76	1.55	1.98	1.65		
U.S. Treasuries	3,676	4.04%	4.00%	0.04%	-0.80	-0.87	0.84	0.70	-4.96	-5.08	0.20	0.19		
Risk Mitigation Strategies	2,622	2.88%	3.00%	-0.12%	0.43	1.36	2.83	5.18	6.85	4.63	5.73	4.74		
TOTAL DEFENSIVE	13,491	14.81%	11.00%	3.81%	0.36	0.31	2.65	2.69	0.44	-0.33	2.03	1.63		
OTHER														
OPPORTUNISTIC PE	0	0.00%												
OTHER	25	0.03%												
TOTAL FUND ⁽²⁾	91,094	100.00%			0.46	0.63	8.66	8.13	6.99	7.52	6.39	7.48		

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Asset Allocation and Net Returns by Asset Class September 30, 2023

ASSET ALLOCATION As of September 30, 2023					PERFORMANCE (for periods ending September 30, 2023) ⁽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	23,805	26.81%	27.00%	-0.19%	-3.21	-3.24	12.57	12.58	9.58	9.57	8.90	9.39
Non-US Dev Market Eq	11,503	12.95%	13.50%	-0.55%	-4.06	-4.02	6.62	6.81	5.70	6.05	3.59	3.41
Emerging Market Eq	4,466	5.03%	5.50%	-0.47%	-3.24	-3.00	3.99	1.63	0.32	-1.87	1.75	0.63
Private Equity	10,885	12.26%	13.00%	-0.74%	-0.44	2.21	5.23	7.84	17.64	19.13	12.47	15.05
TOTAL GLOBAL GROWTH	50,660	57.06%	59.00%	-1.94%	-2.82	-2.25	8.82	9.48	9.34	10.22	7.69	9.00
REAL RETURN												
Real Assets	2,223	2.50%	3.00%	-0.50%	-0.40	0.67	2.20	4.77	15.65	17.48	4.58	5.36
Real Estate	5,187	5.84%	8.00%	-2.16%	-1.62	-2.88	-2.85	-11.01	8.28	7.04	6.04	5.56
TOTAL REAL RETURN	7,410	8.35%	11.00%	-2.65%	-1.26	-1.81	-1.37	-6.44	10.33	10.14	5.54	5.90
INCOME												
Investment Grade Credit	6,036	6.80%	7.00%	-0.20%	-3.14	-3.10	-0.35	-0.38	-5.43	-5.25	0.66	0.55
High Yield	3,158	3.56%	4.00%	-0.44%	0.30	0.46	5.52	5.86	1.77	1.75	2.75	2.95
Private Credit	6,776	7.63%	8.00%	-0.37%	1.76	3.62	9.83	7.25	10.49	2.83	6.98	4.35
TOTAL INCOME	15,971	17.99%	19.00%	-1.01%	-0.42	-0.12	4.94	3.29	1.80	-1.27	3.44	2.41
DEFENSIVE												
Cash Equivalents	8,436	9.50%	4.00%	5.50%	1.36	1.31	3.79	3.60	1.91	1.70	2.03	1.72
U.S. Treasuries	3,628	4.09%	4.00%	0.09%	-2.88	-3.06	-1.28	-1.52	-5.68	-5.83	-0.04	-0.07
Risk Mitigation Strategies	2,657	2.99%	3.00%	-0.01%	1.77	2.08	4.20	5.92	6.94	4.79	5.89	4.80
TOTAL DEFENSIVE	14,722	16.58%	11.00%	5.58%	0.26	-0.21	2.55	2.16	0.29	-0.54	1.96	1.58
OTHER												
OPPORTUNISTIC PE	0	0.00%										
OTHER	25	0.03%										
TOTAL FUND ⁽²⁾	88,789	100.00%			-1.81	-1.55	6.20	5.79	6.67	6.84	5.86	6.85

(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.