

NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
January 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 December 31, 2021)

	Fiscal YTD	Calendar YTD/ One Year	Three Years (Annualized)	Five Years (Annualized)
Global Equity Indices				
MSCI ALL Country World Index	5.55	18.54	20.36	14.39
US Equity Indices				
MSCI USA	10.53	26.97	26.56	18.74
Russell 3000	9.15	25.64	25.75	17.94
Russell 1000	9.99	26.43	26.17	18.40
Russell 2000	-2.34	14.78	19.97	11.99
Russell Growth	11.66	25.84	33.17	24.54
Russell Value	6.52	25.33	17.61	10.97
Non-US Equity Indices				
MSCI EAFE	2.24	11.26	13.53	9.54
MSCI EAFE + Canada	2.65	13.19	14.68	10.23
MSCI Emerging Markets	-9.30	-2.54	10.93	9.87
Fixed Income Indices				
Bloomberg Barclays U.S. Aggregate	0.06	-1.54	4.79	3.57
Bloomberg Barclays U.S. Treasury	0.26	-2.32	4.07	3.07
Bloomberg Barclays U.S. Credit	0.20	-1.08	7.16	5.05
Bloomberg Barclays U.S. High Yield	1.60	5.28	8.83	6.29
Commodities				
Bloomberg Commodities Index	4.90	27.05	8.93	2.53
Real Estate				
Bloomberg U.S. REIT Index	16.37	40.94	19.34	12.08

Source: Bloomberg

Asset Allocation and Net Returns by Asset Class December 31, 2021

Asset Class	ASSET ALLOCATION				PERFORMANCE (for periods ending December 31, 2021) ⁽¹⁾					
	As of December 31, 2021				FYTD		Trailing Twelve Months		Trailing Five Years	
	Mkt Value	Actual (%)	Target (%)	Difference	NJ	Bench	NJ	Bench	NJ	Bench
GLOBAL GROWTH										
US Equity	29,304	29.91%	27.00%	2.91%	9.43%	9.40%	26.02%	26.12%	17.33%	18.18%
Non-US Dev Market Eq	13,304	13.58%	13.50%	0.08%	2.40%	2.41%	12.68%	12.48%	10.38%	9.58%
Emerging Market Eq	5,264	5.37%	5.50%	-0.13%	-9.21%	-9.38%	-2.26%	-2.73%	9.59%	10.02%
Private Equity	10,673	10.89%	13.00%	-2.11%	4.03%	11.81%	37.66%	36.94%	16.96%	19.66%
TOTAL GLOBAL GROWTH	58,540	59.75%	59.00%	0.75%	4.87%	6.63%	21.90%	22.70%	14.87%	16.22%
REAL RETURN										
Real Assets	1,994	2.04%	3.00%	-0.96%	3.92%	7.44%	25.79%	20.80%	4.66%	3.82%
Real Estate	5,698	5.82%	8.00%	-2.18%	7.69%	10.33%	23.99%	13.64%	10.81%	6.56%
TOTAL REAL RETURN	7,693	7.85%	11.00%	-3.15%	6.64%	9.51%	24.52%	15.85%	8.89%	6.07%
INCOME										
Investment Grade Credit	9,018	9.21%	8.00%	1.21%	-0.11%	0.05%	-2.13%	-1.68%	4.51%	4.46%
High Yield	2,119	2.16%	2.00%	0.16%	1.53%	1.59%	4.95%	5.26%	6.05%	6.28%
Private Credit	6,824	6.97%	8.00%	-1.03%	4.30%	1.57%	19.79%	6.33%	9.25%	7.35%
TOTAL INCOME	17,962	18.33%	18.00%	0.33%	1.73%	0.83%	6.97%	2.17%	6.37%	5.83%
DEFENSIVE										
Cash Equivalents	4,532	4.63%	4.00%	0.63%	0.08%	0.02%	0.18%	0.05%	1.54%	1.14%
U.S. Treasuries	5,696	5.81%	5.00%	0.81%	0.28%	0.26%	-2.42%	-2.32%	3.01%	3.07%
Risk Mitigation Strategies	2,769	2.83%	3.00%	-0.17%	0.47%	1.56%	8.98%	3.11%	5.12%	4.22%
TOTAL DEFENSIVE	12,997	13.27%	12.00%	1.27%	0.16%	0.48%	0.76%	-0.16%	2.52%	2.18%
OTHER										
OPPORTUNISTIC PE	0.01	0.00%								
OTHER	760	0.78%								
TOTAL FUND ⁽²⁾	97,968	100.00%			3.66%	5.10%	16.14%	15.07%	11.02%	11.56%

(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.

FY21 Public Market Update: Asset Allocation and Net Returns (December 31, 2021)

Asset Class	ASSET ALLOCATION As of December 31, 2021			FYTD through December 31, 2021	
	Mkt Value (in \$ millions)	Actual (%)	Target (%)	NJ	Benchmark
<u>GLOBAL GROWTH</u>					
US Equities	29,304	29.91%	27.00%	9.43%	9.40%
Non-US Developed Market Equities	13,304	13.58%	13.50%	2.40%	2.41%
Emerging Market Equities	5,264	5.37%	5.50%	-9.21%	-9.38%
<u>INCOME</u>					
Investment Grade Credit	9,018	9.21%	8.00%	-0.11%	0.05%
High Yield	2,119	2.16%	2.00%	1.53%	1.59%
<u>DEFENSIVE</u>					
U.S. Treasuries	5,696	5.81%	5.00%	0.28%	0.26%

Noteworthy Developments

Request for Proposals:

The Division of Investment is working on the following Requests for Proposals (RFP):

- Private Equity Investment Consulting Services
- Real Assets Investment Consulting Services
- Investment Advisers for Emerging Markets Equities
- Investment Advisers for Small Cap Equities
- Investment Advisers for High Yield Fixed Income