

Board of Trustees

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Date: October 23, 2023

To: Board of Trustees

From: Carl Nelson – Executive Director
Amy Burke – Deputy Director

Agenda Item 6: Monthly Investment Report for September 2023

	September	Year to Date 2023	2022	2021	2020	2019	2018
Total Trust Investments (\$ millions)	\$1,627		\$1,614 year end	\$1,775 year end	\$1,552 year end	\$1,446 year end	\$1,285 year end
Total Fund Return	-1.9% Gross	+4.1% Gross	-8.0% Gross	15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross
Policy Index Return (r)	-2.2%	+3.7%	-9.7%	12.8%	10.0 %	16.4 %	-3.2 %

- (r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2023 Interim targets:
- Public Mkt Equity- 21% Russell 3000, 17% MSCI ACWI ex-US
 - Public Mkt Debt- 10% Barclays US Aggregate,
 - Risk Diversifying 4% Barclays US Aggregate, 5% Barclays 7-10yr Treasury, 4% Barclays 5-10yr US TIPS
 - Real Estate & Infrastructure- 15% NCREIF Index (inc. Infrastructure)
 - Private Equity- 10% actual private equity returns
 - Private Credit- 8% actual private credit returns
 - Liquidity- 6% 90 day T-Bills
- Pending annual updates to interim targets.

SLOCPT Investment Returns:

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of September. The attached market commentary from Verus details market conditions in September, but subsequent activity in October is not yet factored into these numbers. As of October 17th, the month has had positive returns for equities and small negative returns for bonds.

SLOCPT Investments:

The attached Verus Capital Markets Update details the investment results for the month and Verus' capital market commentary.

Capital Markets:

- **Investment Markets** – September saw falling markets in equities and bonds. For September, equity markets were generally negative throughout the month. Bond returns were negative as longer-term rates rose –
 - US stocks S&P 500 -4.6%
 - International stocks MSCI ACWI ex-US -3.3%
 - Bonds; Bloomberg US Aggregate bonds -2.5%
- **Interest Rates** – Of significance in September and into October was the increase in longer term interest rates which reduced the inverted slope of the yield curve. For example, 10-year Treasury yields rose from 4.09% at September 1st to 4.7% in mid-October. Much of the investment commentary on the rise in long term bond rates centered around the bond market “giving up” on the prospect of imminent Fed rate decreases. The thesis of short-term rates staying elevated for longer is influencing bond market expectations.

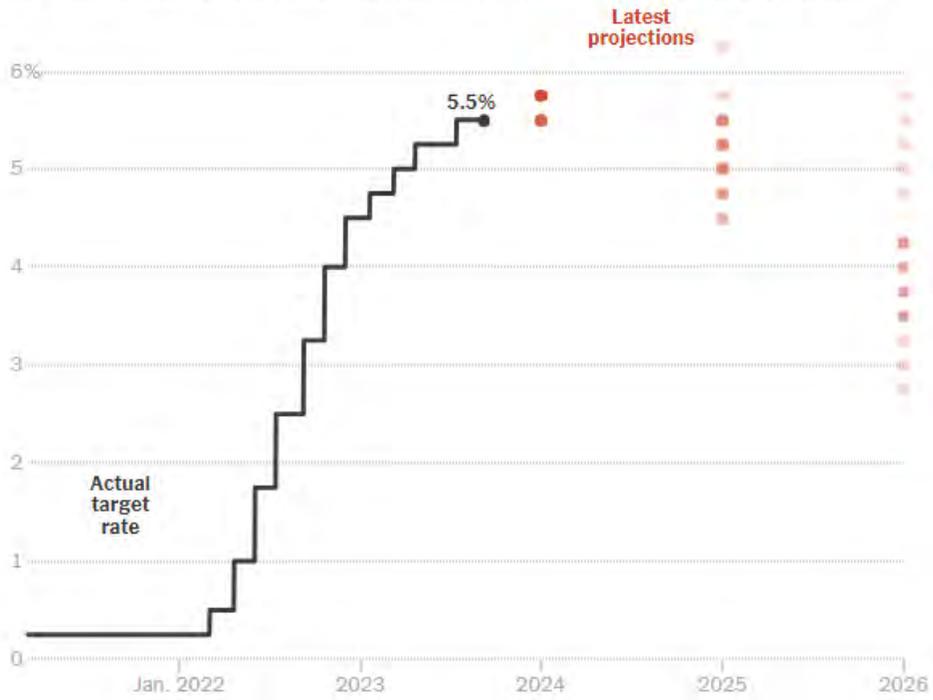
The Economy:

- **Inflation** –
 - The September US CPI inflation report, as expected, continued its slowdown in the trailing 12-month rate of CPI inflation. **The inflation rate remained unchanged at a +3.7% year-over-year increase.**
 - Social Security benefits are fully indexed to inflation and will increase 3.2% in 2024. The average Social Security benefit is \$1,907/month. With inflation declining, the 2024 SS increase is above the long-term average of 2.6%, but below the 8.7% increase in 2023 and the 5.9% increase in 2022.
- **New Jobs, Unemployment, Wages** –
 - The September jobs report from the BLS on nonfarm employment surprised economists with a substantial increase in hiring in the economy with **a gain of 336k new jobs – nearly double what was expected.** The new jobs data indicates an economy that is still growing despite significantly tightened monetary policy by the Fed. Fears of an imminent recession appear to have eased, allowing businesses to have increased confidence and unfreeze hiring plans that may have been held in check.

- **The unemployment rate in September was steady at 3.8%.**
 - The August report on California Central Coast unemployment showed San Luis Obispo County to be the lowest in the region at a 3.7% unemployment rate versus 4.6% for California as a whole.
 - **Wage growth in September came in at a 4.2%** year-over-year increase which was smaller than anticipated. This helped assuage market fears of a theoretical wage-price spiral in future inflation.
- **Monetary Policy –**
 - **The Fed, in its September 20th FOMC meeting left interest rates unchanged as was widely expected** with a target range for Fed Funds of 5.25% to 5.50%. The Fed reserved the expectation of another 0.25% rate increase at its early November or mid-December meetings.
 - Fed Chair Powell’s comments included “We want to see convincing evidence, really, that we have reached the appropriate level” said, suggesting that would require further evidence that inflation was coming down. “We’ve seen progress, and we welcome that.” We’re taking advantage of the fact that we have moved quickly to move a little more carefully now,”
 - Calibrating monetary policy is difficult, because it takes months for the full effect of rate increases to trickle through the economy. Adjusting interest rates slowly by pausing along the way gives policymakers more time to assess incoming data, allowing them to make better-informed decisions.
 - The Fed is trying to figure out how to thread a needle. The goal is to slow the economy enough so that inflation comes firmly and fully back under control. But the Fed does not want to overdo it, cooling demand too much in the interests of taming inflation but pushing the economy into a recession and increasing unemployment.
 - **The Fed forecasts released with the September 20th FOMC meeting reflected an implicit expectation for a “soft landing” for the US economy.** The Fed forecast for short term interest rates is for approximately a 5.6% rate by year end, but with the prospect of two rate cuts in 2024. The compilation of Fed expectations for the Fed Funds rate is shown in the following graph from the New York Times.

Fed officials project another rate increase this year

Circles represent where officials project the target rate to be by the beginning of each year. Darker, overlapping circles indicate multiple officials predicting the same rate.



Note: The actual target rate shows the upper limit of the federal funds target range. - Source: Federal Reserve - By Lazaro Gamio and Christine Zhang

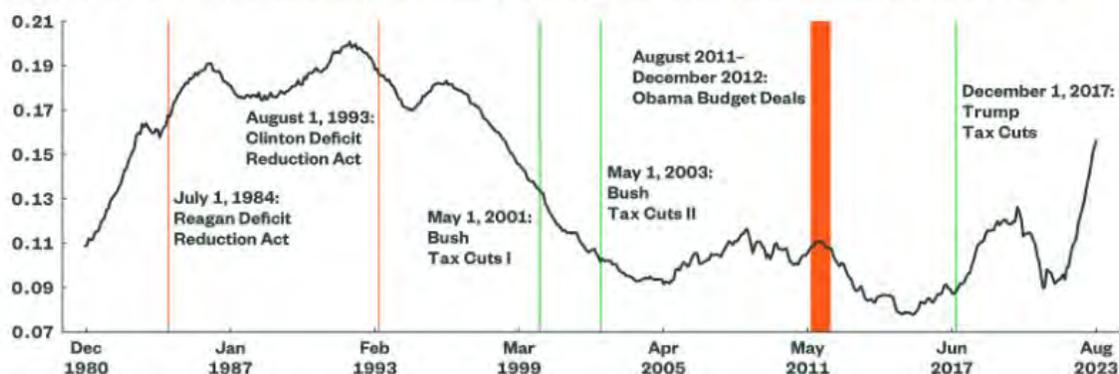
- **Recession Probability and Unemployment –**

- **Fed Forecasts:** From the Fed’s September 20th meeting’s policy statement and economic projections, the Federal Open Market Committee sees very little chance of a downturn. The median growth forecast for 2023 went up to +2.1%, from the forecast of +1.0% in June. The forecast for 2024 increased to +1.5%, from +1.1% in June.
- **Federal Government Shutdown:** State Street Global Advisors in their September 26, 2023 “insights” publication included the items shown below. With the Federal Government shutdown temporarily averted, it is looming again on the near-term horizon.

“The impending US government shutdown should not have significant macroeconomic implications. The debt ceiling agreement from mid-2022 would kick in by year-end and restore normal operations at similar levels. In this regard, it will mirror most previous shutdowns, with consumption and investment patterns largely unaffected. Government shutdowns began and were frequent during the Carter and Reagan eras, though most lasted only a few days before the US government passed a budget to ensure regular government operations resumed. The most recent shutdown in late 2018 lasted 34 days, but only a fraction of the government was closed in practice.”

The SSGA article further comments on the rise in cost of servicing the Federal government’s debt and the impacts this could have on the ability to apply stimulative Fiscal Policy during a future economic downturn.

Figure 1: US Federal Government Interest Payments as a Share of Total Revenues (Net Interest/Tax Receipts 12M MA)



Source: Macrobond, US Department of Treasury, State Street Global Advisors, as of August 1, 2023.

“Unsurprisingly, as Figure 1 also shows, major deficit reduction measures have occurred during times of divided government. The Reagan and Clinton budget deals were struck at a time when debt servicing costs were historically high. In comparison, similar measures during the Obama administration took place when interest payments were modest in absolute terms but still near ten-year highs. Similarly, major tax cuts typically have

been enacted during periods of low debt servicing costs and unified government.

The risks here are that this weak fiscal position and election politics would limit fiscal support for any US downturn ahead of the 2024 election, thereby making any downturn longer and deeper. Election analysis suggests a unified government is improbable albeit not impossible — so major deficit reduction, i.e., fiscal austerity, beckons in 2025.”

SLOCPT Asset Allocation:

October is a non-meeting month for the Board of Trustees. As a result, the normal reporting to the Board on the Pension Trust's asset allocation would be delayed until November. Because September is a quarter end, it is timelier if we include the typical table reporting on asset allocation in this document.

FFP Asset Mix	Est. Market Value (\$000s)	% Allocation	SAA Target Allocation	Variance	Strategic Asset Allocation
	09/30/23		2023 Revised Interim		Long Term
Bank (operating)	1,341	0.1%	0.1%	0.0%	0.1%
SLOC Treasury	34,567	2.1%	2.0%	0.1%	1.7%
JPM short term	39,026	2.4%	1.4%	1.0%	2.3%
Short Duration	33,832	2.1%	2.5%	-0.4%	6.0%
LIQUIDITY	108,765	6.7%	6.0%	0.7%	10.0%
Equity- Public Mkt US	314,051	19.3%	21.0%	-1.7%	16.0%
Equity- Public Mkt Intl	236,888	14.6%	17.0%	-2.4%	14.0%
Equity- Public Mkt Global	-	0.0%		0.0%	
Bank Loans	65,258	4.0%	4.0%	0.0%	
Bonds- Intl.	34,217	2.1%	3.0%	-0.9%	
Bonds- Emerging Mkts	37,384	2.3%	3.0%	-0.7%	
Real Estate- Core	148,938	9.2%	9.0%	0.2%	5.0%
Real Estate- Value Add	80,054	4.9%	4.0%	0.9%	5.0%
Infrastructure	4,169	0.3%	2.0%	-1.7%	5.0%
Private Equity	190,711	11.7%	10.0%	1.7%	18.0%
Private Credit	166,874	10.3%	8.0%	2.3%	12.0%
Opportunistic	42,731	2.6%	0.0%	2.6%	
GROWTH	1,321,277	81.2%	81.0%	0.2%	75.0%
Bonds- Core	59,190	3.6%	4.0%	-0.4%	
Treasuries - Intermediate	76,402	4.7%	5.0%	-0.3%	8.0%
TIPS	61,156	3.8%	4.0%	-0.2%	7.0%
RISK DIVERSIFYING	196,749	12.1%	13.0%	-0.9%	15.0%
TOTAL	1,626,791	100.0%	100.0%		100.0%
Liquidity + Risk Diversifying		18.8%	19.0%	-0.2%	25.0%

Respectfully Submitted,

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**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

SEPTEMBER 2023
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls surprised to the upside by almost double the consensus estimate of 170,000. The unexpected increase of 336,000 is yet another sign of a resilient U.S. economy. Gains in the leisure and hospitality segment (+96,000) and government (+73,000) led the print while most other segments saw more modest increases.
- The ISM Manufacturing PMI Index rose to 49 from the August reading of 47.6. While all other sub-indexes remain below 50, the Production and the Employment sub-indexes measured 52.5 and 51.2, respectively. Per ISM, this signals a more positive economic outlook for the manufacturing sector.
- The housing market is showing signs of weakness, with new and existing home sales falling 8.7% and 0.7% month-over-month, respectively. This comes as the median sales price increased 3.9% year-over-year, and 30-year mortgage rates ticked up to 7.31%. Home-building is also slowing down, with housing starts declining -11.3% over the same period.

U.S. EQUITIES

- Another difficult month for U.S. equities brought the S&P 500 down -4.8%, a total of -3.3% for the quarter. Optimism fell as another potential government shutdown loomed and investors faced a *higher for longer* interest rate environment.
- One of the few bright spots during the month was the Energy sector. Sector performance was influenced by increases in the price of oil and natural gas driven in part by higher demand, limited refining capacity, and production cuts. U.S. rig count alone is down nearly 20% over the 1-year period. The sustained rally in oil and natural gas contributed to the sector posting +2.6% on the month, bringing performance to +12.2% for the quarter.

U.S. FIXED INCOME

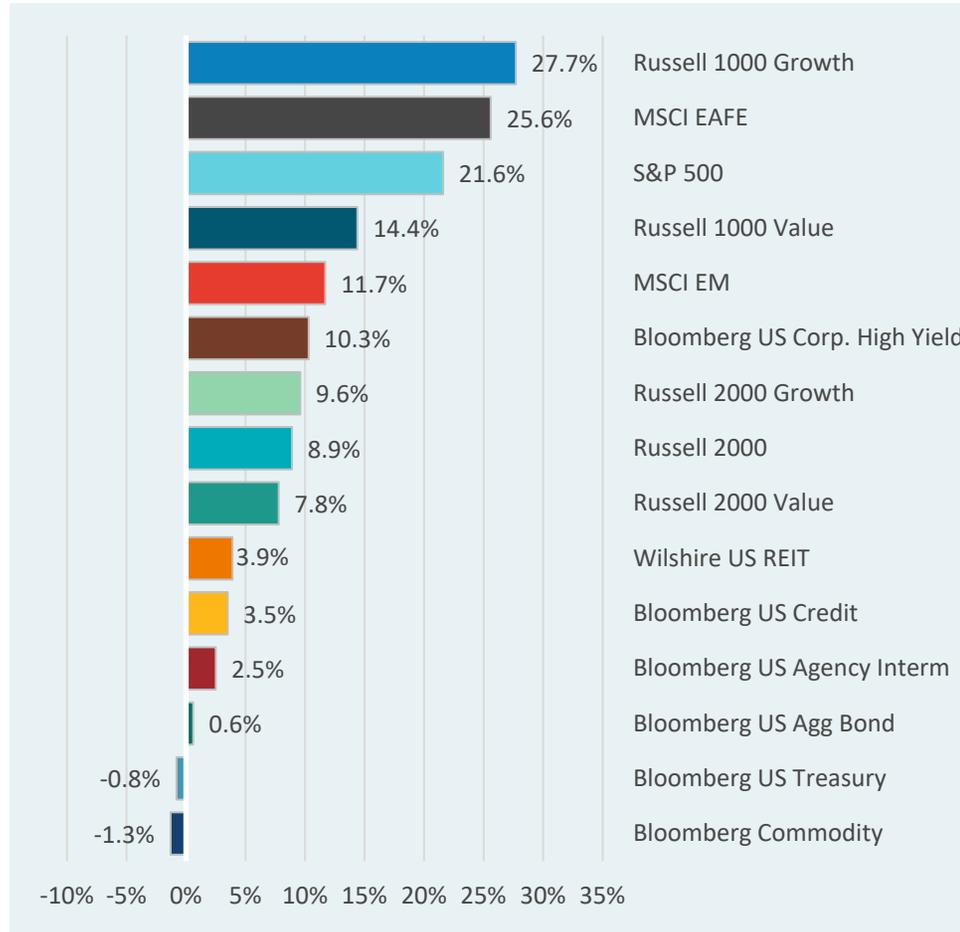
- Federal Reserve officials voted to maintain a target range of 5.25% to 5.50% - in line with expectations. Investors interpreted Chairman Powell's commentary as hawkish, and markets mostly fell on the news after Powell stated that policymakers forecast one more hike in 2023. The *higher for longer* scenario seems to now be the predominant theme, with expectations for a first interest rate cut being pushed out to late 2024.
- Driven in part by the *higher for longer* sentiment, U.S. Treasury yields moved broadly higher, with the largest moves seen in 30-year yields (+53 bps). The latest rate peak brought the 10-year to its highest (4.59%) since October 2007, and the 30-year (4.73%) to its highest since February 2011.
- Rising yields remained a headwind for the bond market. The Bloomberg U.S. Aggregate Bond Index, which broadly measures the U.S. investment grade bond market, fell -2.5%.

INTERNATIONAL MARKETS

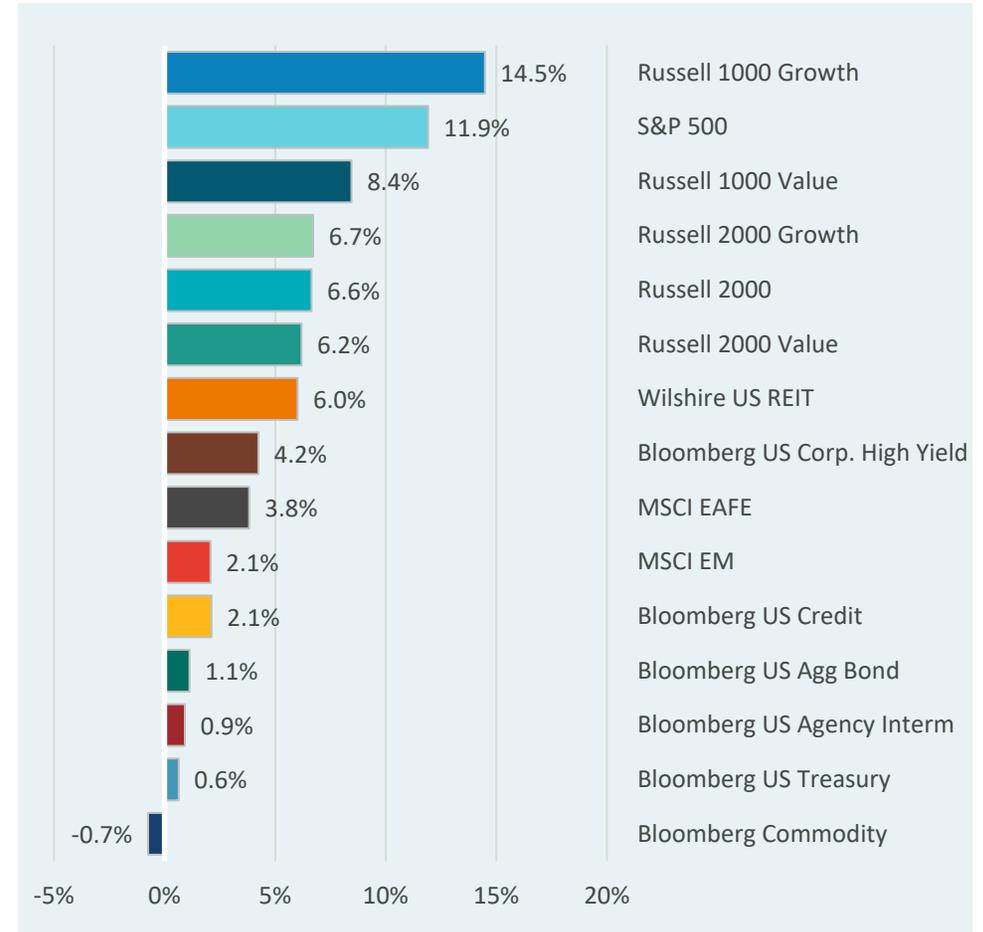
- The MSCI China Index fell -2.7% and erased the last of its July gains to finish the quarter -1.8%. A struggling property sector, which once made up a quarter of the Chinese economy, continues to have rippling effects. Per the China Beige Book survey, retail spending fell, particularly in food and luxuries. Corporate borrowing also slowed while loan rejections and average loan rates spiked.
- The Bank of Japan maintained its loose fiscal policy and left rates unchanged at -0.1%. This stance remains an outlier among central banks and has likely been a source of pressure for the yen, which fell another -2.4% against the dollar. Many investors maintain hope that the BOJ could have enough data to justify an end to its negative rate policy by mid-2024.

Major asset class returns

ONE YEAR ENDING SEPTEMBER



TEN YEARS ENDING SEPTEMBER



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

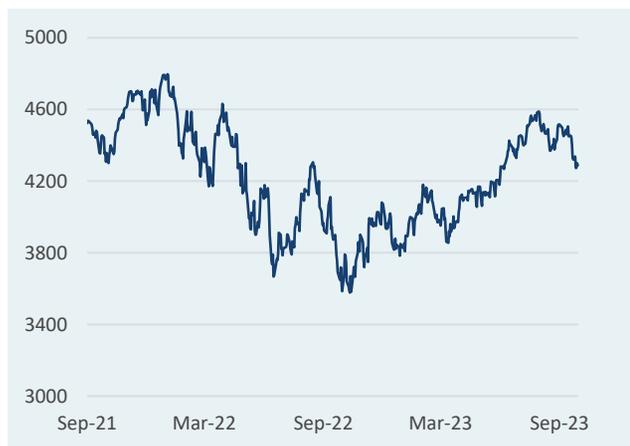
Source: Morningstar, as of 9/30/23

Source: Morningstar, as of 9/30/23

U.S. large cap equities

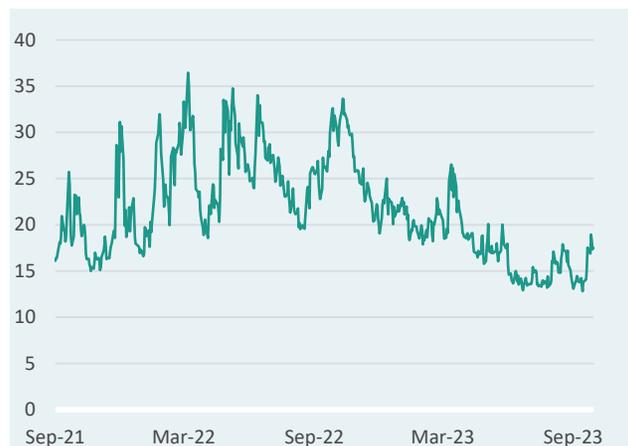
- The S&P 500 Index (-4.8%) continued its slide with the worst month of the year, bringing the year-to-date return to 13.1%. An upside surprise inflation print in August, hawkish Fed comments, and persistent consumer spending have solidified expectations of higher interest rates for longer.
- 10 out of 11 S&P 500 sectors declined in September, though Energy (+2.6%) continued to rally on higher fuel prices. Rate-sensitive sectors were hit the hardest, with Real Estate (-7.2%), Technology (-6.9%), and Consumer Discretionary (-6.0%) showing the worst performance.
- The 1-Year Forward P/E ratio is down to 18, from 19.4 in the previous quarter. Per FactSet, earnings are expected to decrease -0.3% in Q3 2023, which would be the fourth consecutive quarter of earnings declines.
- U.S. equity implied volatility was higher, increasing +3.9 points to end the month at 17.5, with the VIX peaking at 19 on September 26th. The increase in volatility followed a sharp jump in bond yields, comments from the Federal Reserve, and a potential government shutdown.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 9/30/23

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as 9/30/23

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 9/30/23

Domestic equity size and style

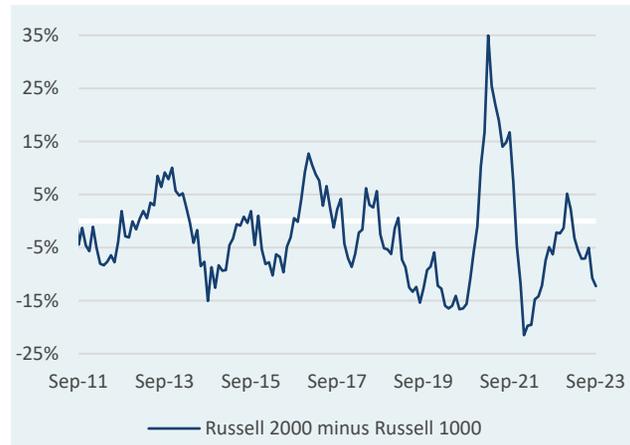
- September saw a trend reversal in which Value (Russell 1000 Value -3.9%) outperformed Growth (Russell 1000 Growth -5.4%). *Higher for longer* rate expectations likely led to a move away from growth-focused assets that are more sensitive to interest rates.
- Large-cap equities (Russell 1000 -4.7%) continued to outperform small-cap (Russell 2000 -5.9%) during the month, widening the performance gap on a year-to-date basis (+13% vs. +2.5%). This difference was most pronounced in Health Care, where small-cap declined -9%, while large-cap Health Care fell just -3.5%.
- Despite this month’s pullback from the growth stock rally seen so far this year, the Russell 1000 Growth is trading at 24.4x forward earnings, a 12% premium over the 10-year average. Value stocks are showing the opposite trend, with the Russell 1000 Value trading at 13.7x forward earnings, a -13.2% discount to the 10-year average.
- While large-cap growth underperformed in September, the outsized impact of the mega-cap tech stocks has driven large-cap growth to dominate style investing. Year-to-date, large-cap growth has outperformed large-cap value by 13.3%.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 9/30/23

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 9/30/23

1-YEAR SIZE & STYLE PERFORMANCE

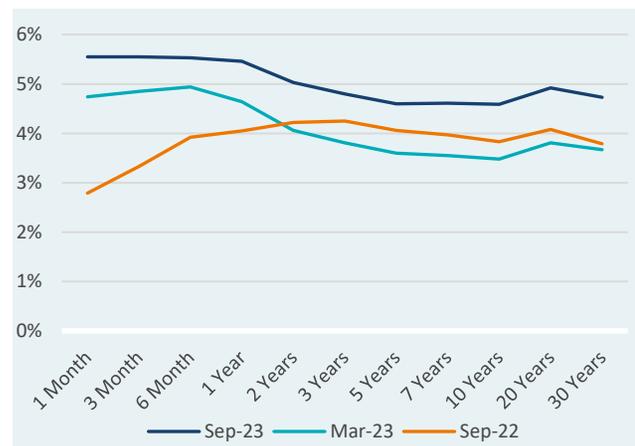
	Value	Core	Growth
Large Cap	14.4%	21.2%	27.7%
Mid Cap	11.0%	13.4%	17.5%
Small Cap	7.8%	8.9%	9.6%

Source: FTSE, Bloomberg, as of 9/30/23

Fixed income

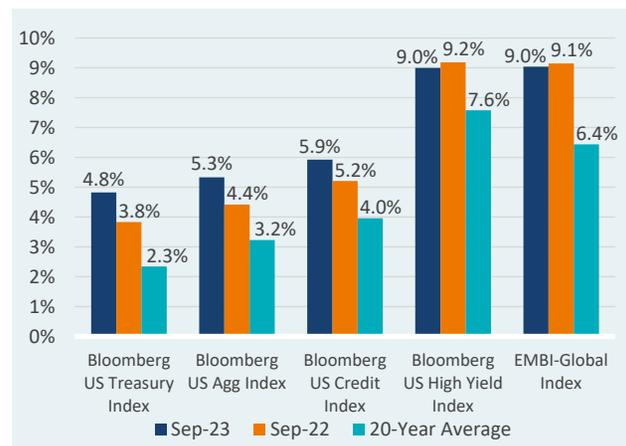
- The recent rise in yields combined with decelerating inflation has brought real 10- and 30-year Treasury yields to the highest levels in over a decade. Real yields for 10- and 30-year Treasuries finished the month at 2.24% and 2.33%, respectively. By comparison, in March of 2022, both of these rates were in the negative.
- Bank Loans (CS Leveraged Loan Index +0.9%) continued a run of strong performance, as spreads decreased -6bps to 514bps, and the annual default rate decreased -0.28% to 1.27%. High Yield (Bloomberg U.S. High Yield -1.2%) declined for the first time in 4 months, following a +18bps increase in spread to 403bps.
- Long Treasuries (-7.3%) were the worst performing index, following the +53bps increase in 30-year Treasury Yields to 4.7%. However, the 10yr/2yr yield curve inversion benefitted from these moves and flattened from -76bps on August 31st to -44bps at month end – a level not seen since May of this year.
- The U.S. dollar has continued its rally that began in mid-July when it briefly broke below 100. Since then, the DXY Index is up +5.9%, ending the month at 106.17. Dollar strength has likely been fueled by foreign inflows as international investors take advantage of higher U.S. yields.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 9/30/23

NOMINAL YIELDS



Source: Morningstar, as of 9/30/23

U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)

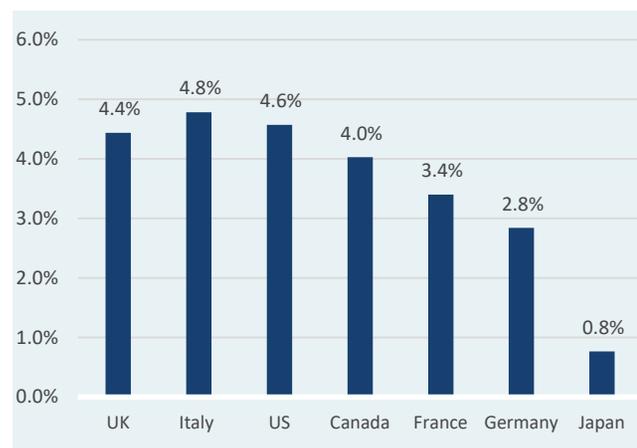


Source: Bloomberg, as of 9/30/23

Global markets

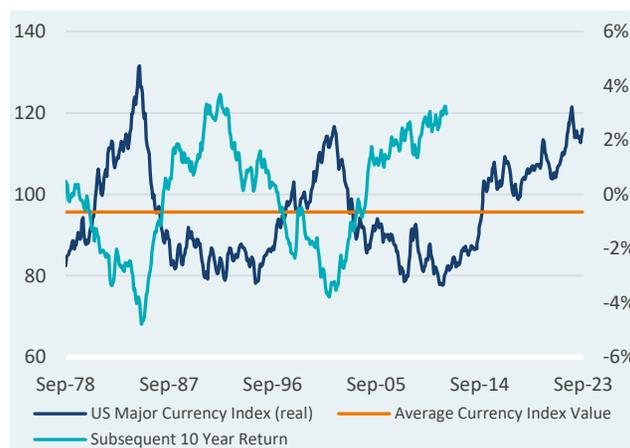
- International equities fared better than U.S. equities but still finished in the red. Buoyed by relative outperformance from Japan, the UK and China – which combined make up about 33% of the index – the MSCI ACWI ex-US declined -3.2%.
- International developed growth and value performance diverged sharply over the month. The MSCI EAFE Value Index fell -0.8% compared to MSCI EAFE Growth Index performance of -6.0%. Outperformance might be partially attributed to recent gains in the Energy sector, which makes up 9% of the value index, compared to a 0.3% weight to Energy in the growth index.
- The MSCI Euro Index (-5.4%) was hindered by an increased likelihood of German recession, which is reeling from high energy prices and increased Chinese competition in the manufacturing sector. France, which is a key trading partner, has cut growth forecasts and set expectations of increased unemployment for the next two years.
- The U.K. (+0.8%) was the top performing regional index, benefitting from a surprise decrease in inflation. This led the Bank of England to pause rate increases after 14 straight interest hikes, after markets were unsure of the direction the bank would take.

GLOBAL SOVEREIGN 10-YEAR YIELDS



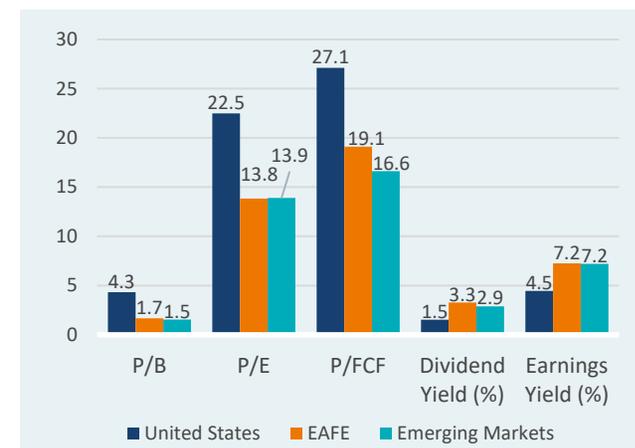
Source: Bloomberg, as of 9/30/23

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 9/30/23

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 9/30/23

Commodities

- The Bloomberg Commodity Index fell -0.7% on continued weakness in grains and precious metals, as well as mixed performance within industrial metals and softs. Energy posted another strong month of outperformance but was not enough to make up for losses in other areas.
- WTI Crude finished the month +8.6% and broke the \$90 per barrel mark for the first time this year. After peaking near \$94 per barrel, prices fell slightly to end the month at \$90.79. Saudi Arabia and Russia have restated their intent to maintain production cuts through year end, which could push crude prices higher.
- The Bloomberg Grains Sub-Index fell -5.2% following expectations of record soybean exports from Brazil. The USDA is forecasting larger than expected yields of corn, soybeans, and cotton in the U.S., after dry conditions looked to threaten this year's crop.
- The Bloomberg Precious Metals Sub-Index (-5.7%) was the worst performer, with Gold (-5.1%), and Silver (-8.3%) both falling on solidifying expectations of a *higher for longer* rate environment. Silver is now -6.6% year-to-date while gold remains in positive territory at +1.2% for the same period.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.7)	4.7	(3.4)	(1.3)	16.2	6.1	(0.7)
Bloomberg Agriculture	(4.2)	(3.2)	(4.2)	(1.8)	19.4	10.7	(0.2)
Bloomberg Energy	4.4	19.6	(4.3)	(13.0)	26.6	(1.2)	(7.1)
Bloomberg Grains	(5.2)	(8.3)	(13.8)	(14.1)	14.5	7.9	(2.3)
Bloomberg Industrial Metals	1.6	3.5	(9.3)	5.6	9.7	5.6	2.1
Bloomberg Livestock	0.3	2.7	7.8	17.0	8.8	(1.8)	(2.3)
Bloomberg Petroleum	7.7	29.6	18.1	27.0	49.8	7.8	(2.2)
Bloomberg Precious Metals	(5.7)	(3.6)	(0.7)	12.5	(1.5)	7.9	1.7
Bloomberg Softs	0.4	6.3	18.9	15.6	23.6	12.3	0.0

Source: Morningstar, as of 9/30/23

COMMODITY PERFORMANCE



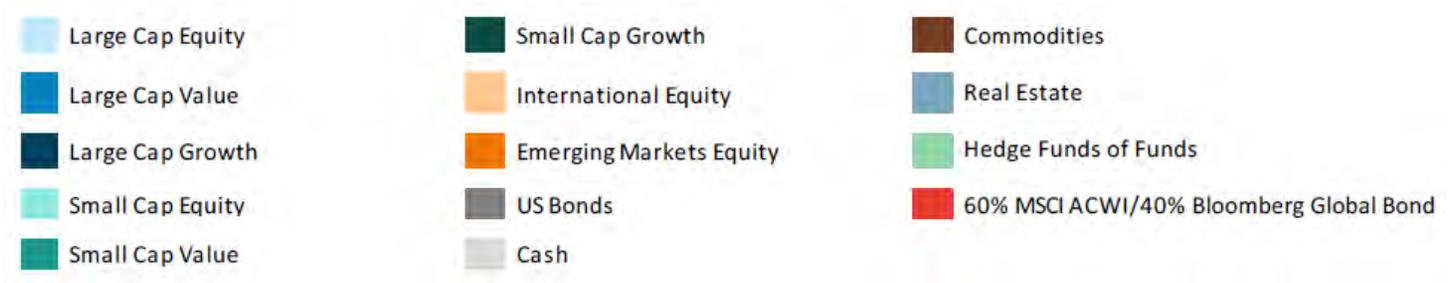
Source: Bloomberg, as of 9/30/23

Appendix

Periodic table of returns

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	5-Year	10-Year
Large Cap Growth	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	25.0	12.4	14.5
Large Cap Equity	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	13.0	9.6	11.6
International Equity	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	7.1	6.2	8.4
Small Cap Growth	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	5.2	6.1	7.8
60/40 Global Portfolio	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	5.1	5.9	6.7
Cash	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	3.6	3.5	6.6
Hedge Funds of Funds	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	3.0	3.4	6.2
Small Cap Equity	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	2.5	3.2	4.5
Emerging Markets Equity	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	1.8	2.6	3.8
Large Cap Value	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	1.8	2.4	3.3
Small Cap Value	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	-0.5	1.6	2.1
US Bonds	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	-1.2	1.6	1.1
Commodities	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-3.4	0.6	1.1
Real Estate	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-3.8	0.1	-0.7

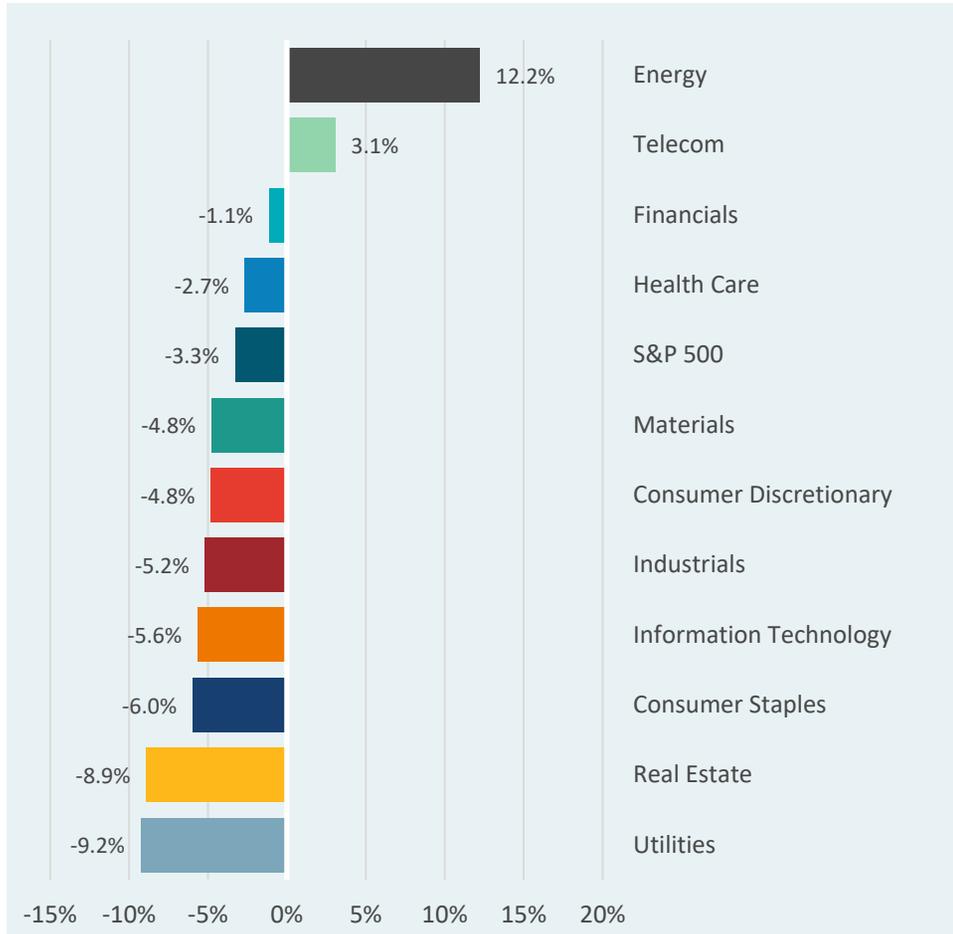
BEST
↑
↓
WORST



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/23.

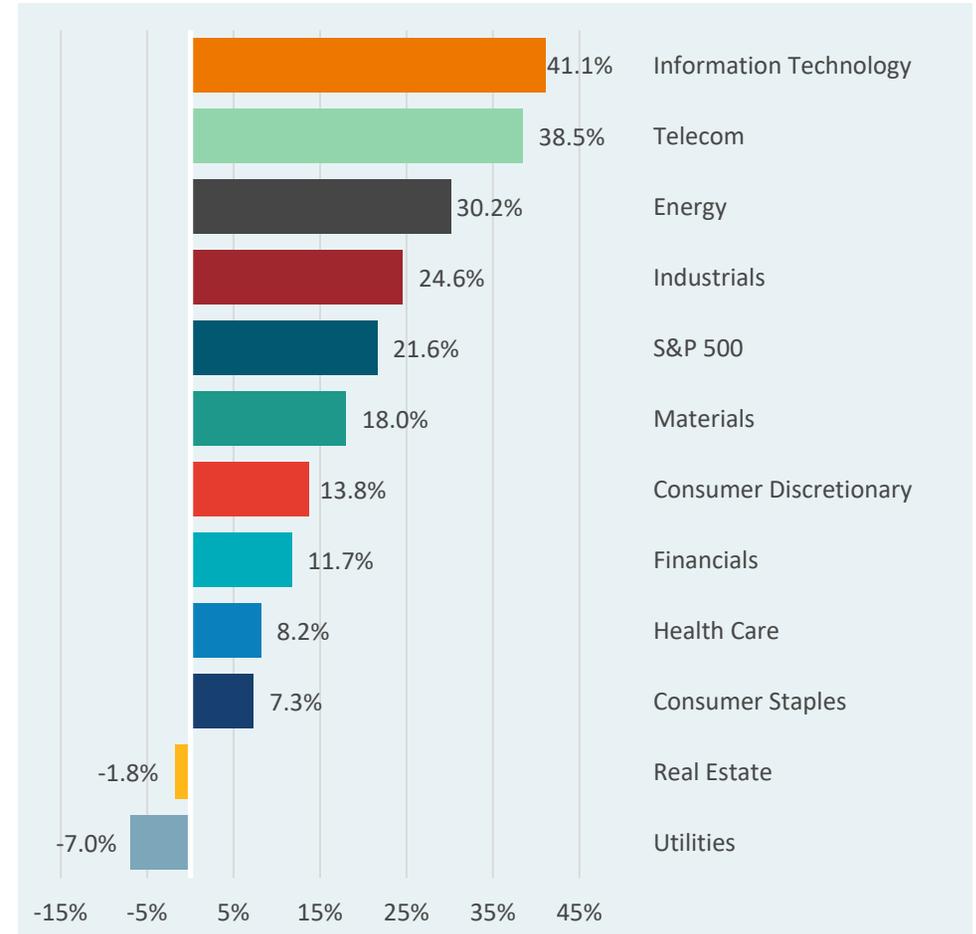
S&P 500 sector returns

QTD



Source: Morningstar, as of 9/30/23

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 9/30/23

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(4.8)	(3.3)	13.1	21.6	10.2	9.9	11.9
S&P 500 Equal Weighted	(5.1)	(4.9)	1.8	13.6	11.4	8.0	10.2
DJ Industrial Average	(3.4)	(2.1)	2.7	19.2	8.6	7.1	10.8
Russell Top 200	(4.6)	(2.7)	16.3	23.9	10.0	10.8	12.6
Russell 1000	(4.7)	(3.1)	13.0	21.2	9.5	9.6	11.6
Russell 2000	(5.9)	(5.1)	2.5	8.9	7.2	2.4	6.6
Russell 3000	(4.8)	(3.3)	12.4	20.5	9.4	9.1	11.3
Russell Mid Cap	(5.0)	(4.7)	3.9	13.4	8.1	6.4	9.0
Style Index							
Russell 1000 Growth	(5.4)	(3.1)	25.0	27.7	8.0	12.4	14.5
Russell 1000 Value	(3.9)	(3.2)	1.8	14.4	11.1	6.2	8.4
Russell 2000 Growth	(6.6)	(7.3)	5.2	9.6	1.1	1.6	6.7
Russell 2000 Value	(5.2)	(3.0)	(0.5)	7.8	13.3	2.6	6.2

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(4.1)	(3.4)	10.1	20.8	6.9	6.5	7.6
MSCI ACWI ex US	(3.2)	(3.8)	5.3	20.4	3.7	2.6	3.3
MSCI EAFE	(3.4)	(4.1)	7.1	25.6	5.8	3.2	3.8
MSCI EM	(2.6)	(2.9)	1.8	11.7	(1.7)	0.6	2.1
MSCI EAFE Small Cap	(4.4)	(3.5)	1.8	17.9	1.1	0.8	4.3
Style Index							
MSCI EAFE Growth	(6.0)	(8.6)	4.3	20.0	0.4	3.2	4.4
MSCI EAFE Value	(0.8)	0.6	9.9	31.5	11.1	2.8	3.0
Regional Index							
MSCI UK	(0.8)	(1.5)	6.8	24.9	12.1	2.9	2.5
MSCI Japan	(2.1)	(1.6)	11.2	25.9	2.8	2.1	4.4
MSCI Euro	(5.4)	(7.5)	10.9	36.4	7.3	3.7	3.8
MSCI EM Asia	(2.6)	(2.9)	1.0	11.9	(3.5)	1.0	3.8
MSCI EM Latin American	(2.3)	(4.7)	12.9	19.4	15.1	2.8	0.2

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(1.8)	(2.6)	(0.8)	1.2	(2.0)	2.1	1.7
Bloomberg US Treasury Bills	0.4	1.3	3.6	4.6	1.7	1.7	1.1
Bloomberg US Agg Bond	(2.5)	(3.2)	(1.2)	0.6	(5.2)	0.1	1.1
Bloomberg US Universal	(2.4)	(2.9)	(0.6)	1.6	(4.7)	0.3	1.4
Duration							
Bloomberg US Treasury 1-3 Yr	(0.0)	0.7	1.7	2.4	(0.9)	1.0	0.8
Bloomberg US Treasury Long	(7.3)	(11.8)	(8.6)	(9.1)	(15.7)	(2.8)	0.8
Bloomberg US Treasury	(2.2)	(3.1)	(1.5)	(0.8)	(5.8)	(0.1)	0.6
Issuer							
Bloomberg US MBS	(3.2)	(4.1)	(2.3)	(0.2)	(5.1)	(0.8)	0.6
Bloomberg US Corp. High Yield	(1.2)	0.5	5.9	10.3	1.8	3.0	4.2
Bloomberg US Agency Interim	(0.3)	0.2	1.6	2.5	(2.0)	0.7	0.9
Bloomberg US Credit	(2.6)	(3.0)	0.0	3.5	(4.8)	0.9	2.1

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(0.7)	4.7	(3.4)	(1.3)	16.2	6.1	(0.7)
Wilshire US REIT	(6.5)	(6.4)	(0.2)	3.9	5.7	2.9	6.0
CS Leveraged Loans	0.9	3.4	9.9	12.5	5.9	4.3	4.3
S&P Global Infrastructure	(4.7)	(7.3)	(3.7)	6.9	7.3	4.1	5.1
Alerian MLP	2.4	9.4	20.2	32.7	43.5	6.4	1.7
Regional Index							
JPM EMBI Global Div	(2.6)	(2.2)	1.8	10.0	(4.6)	(0.4)	2.5
JPM GBI-EM Global Div	(3.4)	(3.3)	4.3	13.1	(2.7)	(0.0)	(0.8)
Hedge Funds							
HFRI Composite	(0.2)	0.8	4.3	6.7	6.9	5.0	4.6
HFRI FOF Composite	(0.2)	0.7	3.0	4.8	3.8	3.4	3.3
Currency (Spot)							
Euro	(2.5)	(3.0)	(0.8)	8.1	(3.4)	(1.8)	(2.4)
Pound Sterling	(3.7)	(4.0)	1.5	9.3	(1.9)	(1.3)	(2.8)
Yen	(2.4)	(3.1)	(11.6)	(3.0)	(10.9)	(5.3)	(4.1)

Source: Morningstar, HFRI, as of 9/30/23.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	(6.4)	22.9	16.0	13.9
<i>MSCI World Index (PME)</i>	(6.7)	17.5	8.3	9.2
Global Private Equity Direct Funds ¹	(5.6)	23.6	17.1	15.9
<i>MSCI World Index (PME)</i>	(6.1)	15.6	8.0	9.0
U.S. Private Equity Direct Funds ¹	(6.1)	25.9	19.2	17.3
<i>Russell 3000 Index (PME)</i>	(7.7)	17.9	10.4	12.0
Europe Private Equity Direct Funds ¹	(2.4)	22.7	15.7	14.7
<i>MSCI Europe Index (PME)</i>	2.7	13.8	5.0	5.9
Asia Private Equity Direct Funds ^{1,4}	(4.2)	14.1	10.1	12.7
<i>MSCI AC Asia Pacific Index (PME)</i>	(7.3)	7.4	1.2	4.0

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	4.9	20.0	12.6	11.5
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	2.6	6.2	3.5	3.5

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(0.7)	14.6	10.3	12.4
<i>FTSE NAREIT Equity REIT Index (PME)</i>	(18.4)	13.6	6.9	6.8

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ^{3,4}	8.5	21.6	4.9	3.5
<i>S&P Global Natural Resources Index (PME)</i>	(7.0)	28.9	7.1	5.7
Global Infrastructure ⁴	6.7	13.4	10.3	11.1
<i>S&P Global Infrastructure Index (PME)</i>	(2.8)	14.6	6.0	6.3

Source: Pooled IRRs are from Thompson Reuters CJA and Time-weighted Returns are from Investment Metrics, as of March 31st, 2023. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

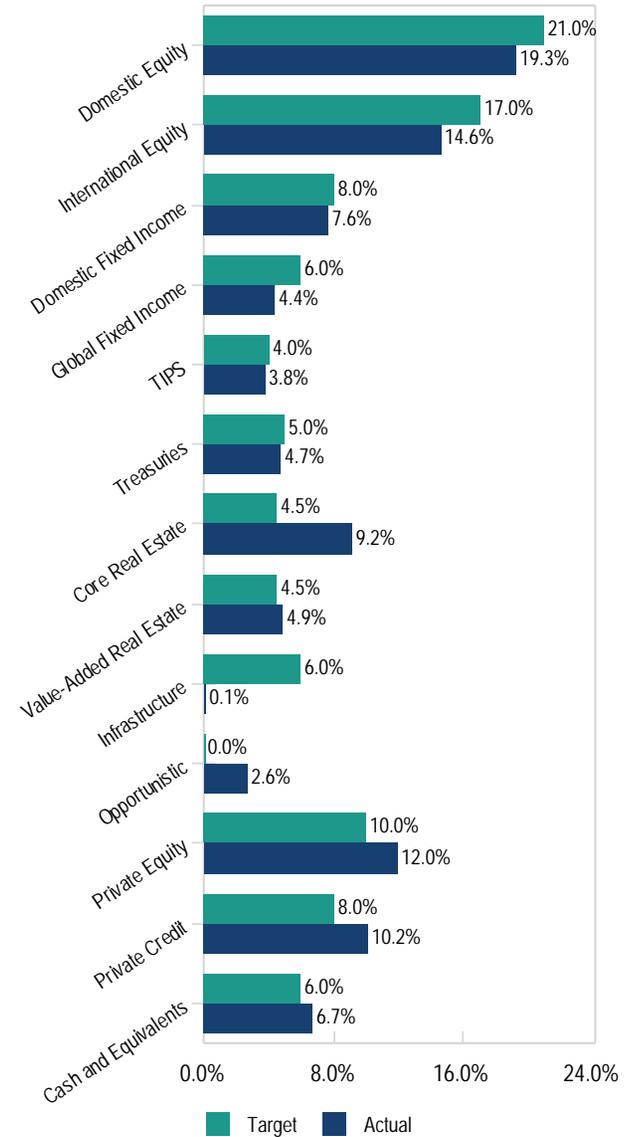
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Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: September 30, 2023

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,626,864,692	100.0	-1.9	4.1
<i>Interim Policy Index</i>			<i>-2.2</i>	<i>3.7</i>
<i>FFP SAA Index</i>			<i>-1.6</i>	<i>4.1</i>
Total Growth	1,141,680,933	70.2	-2.2	5.0
<i>Custom Growth Benchmark</i>			<i>-2.2</i>	<i>6.0</i>
Total Public Equity	550,945,000	33.9	-3.8	9.3
<i>Public Equity Benchmark</i>			<i>-4.0</i>	<i>9.4</i>
Total Domestic Equity	314,054,722	19.3	-3.7	10.8
<i>Russell 3000 Index</i>			<i>-4.8</i>	<i>12.4</i>
PIMCO RAE US	86,088,686	5.3	-2.1	5.4
<i>S&P 500 Index</i>			<i>-4.8</i>	<i>13.1</i>
Loomis Sayles Large Cap Growth	78,906,183	4.9	-6.5	32.8
<i>Russell 1000 Growth Index</i>			<i>-5.4</i>	<i>25.0</i>
Boston Partners Large Cap Value	75,650,834	4.7	-2.5	5.1
<i>Russell 1000 Value Index</i>			<i>-3.9</i>	<i>1.8</i>
Atlanta Capital Mgmt	73,409,020	4.5	-3.8	3.3
<i>Russell 2500 Index</i>			<i>-5.6</i>	<i>3.6</i>
Total International Equity	236,890,278	14.6	-3.8	7.4
<i>MSCI AC World ex USA Index</i>			<i>-3.7</i>	<i>5.8</i>
Dodge & Cox Intl Stock	124,713,033	7.7	-2.6	9.8
<i>MSCI AC World ex USA Value</i>			<i>-0.9</i>	<i>8.9</i>
WCM International Growth	112,177,245	6.9	-5.0	5.1
<i>MSCI AC World ex USA Growth</i>			<i>-5.2</i>	<i>2.9</i>
Total Private Equity	194,559,258	12.0		
Harbourvest Partners IX Buyout Fund L.P.	12,271,667	0.8		
Pathway Private Equity Fund Investors 9 L.P.	83,357,396	5.1		
Harbourvest 2018 Global Fund L.P.	21,549,977	1.3		
Harbourvest SLO Fund Private Equity	59,591,369	3.7		
Pathway Private Equity Fund Investors 10 L.P.	17,788,849	1.1		
Total Private Credit	165,383,269	10.2		
Sixth Street Partners DCP	87,525,204	5.4		
Harbourvest SLO Credit Fund	77,858,065	4.8		

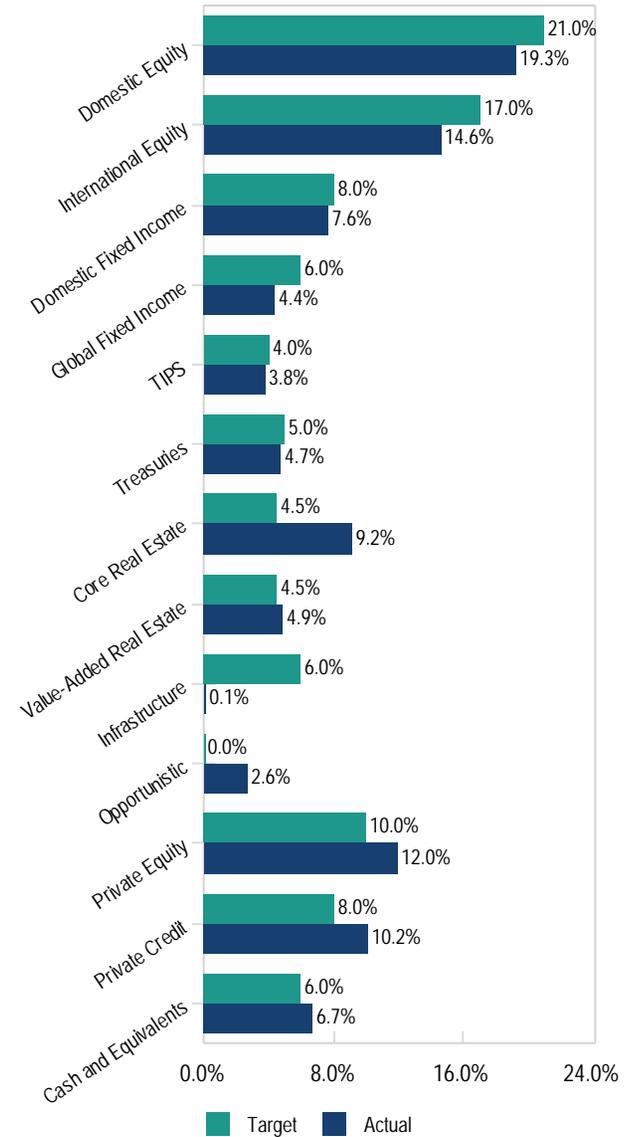


Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty, HarbourVest Funds, Sixth Street TAO and DCP, ARA American Strategic Value Realty and KKR Mezzanine Partners as of 6/30/23. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: September 30, 2023

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	230,793,406	14.2	-1.6	-6.5
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>-3.8</i>
JP Morgan Core Real Estate	148,939,122	9.2	-2.4	-7.5
<i>NCREIF-ODCE</i>			<i>-2.0</i>	<i>-7.6</i>
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>-3.8</i>
ARA American Strategic Value Realty	80,054,284	4.9	0.0	-4.6
<i>NCREIF-ODCE</i>			<i>-2.0</i>	<i>-7.6</i>
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>-3.8</i>
Brookfield Infrastructure Fund	1,800,000	0.1		
Total Risk Diversifying	333,610,505	20.5	-2.0	0.8
<i>Total Risk Diversifying Benchmark</i>			<i>-2.7</i>	<i>-1.8</i>
Total Domestic Fixed Income	262,008,636	16.1	-1.4	2.4
<i>Bloomberg U.S. Aggregate Index</i>			<i>-2.5</i>	<i>-1.2</i>
BlackRock Core Bond	2,896	0.0	0.4	-1.0
<i>Bloomberg U.S. Aggregate Index</i>			<i>-2.5</i>	<i>-1.2</i>
Dodge & Cox Income Fund	59,187,210	3.6	-2.4	0.7
<i>Bloomberg U.S. Aggregate Index</i>			<i>-2.5</i>	<i>-1.2</i>
Pacific Asset Corporate Loan	65,259,836	4.0	0.8	11.0
<i>Morningstar LSTA US Leveraged Loan</i>			<i>0.9</i>	<i>10.1</i>
SSGA U.S. Govt Bond Index	76,402,350	4.7	-2.2	-1.2
<i>Bloomberg U.S. Government</i>			<i>-2.2</i>	<i>-1.4</i>
BlackRock TIPS	61,156,345	3.8	-1.8	-0.5
<i>Bloomberg U.S. TIPS</i>			<i>-1.8</i>	<i>-0.8</i>
Total Global Fixed	71,601,868	4.4	-3.9	-4.2
<i>FTSE World Government Bond Index</i>			<i>-3.2</i>	<i>-2.7</i>
Brandywine Global Fixed Income	34,218,261	2.1	-4.9	-6.2
<i>FTSE Non-U.S. World Government Bond</i>			<i>-4.0</i>	<i>-3.7</i>
Ashmore EM Blended Debt Fund	37,383,607	2.3	-3.0	-2.4
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+</i>			<i>-2.5</i>	<i>2.7</i>

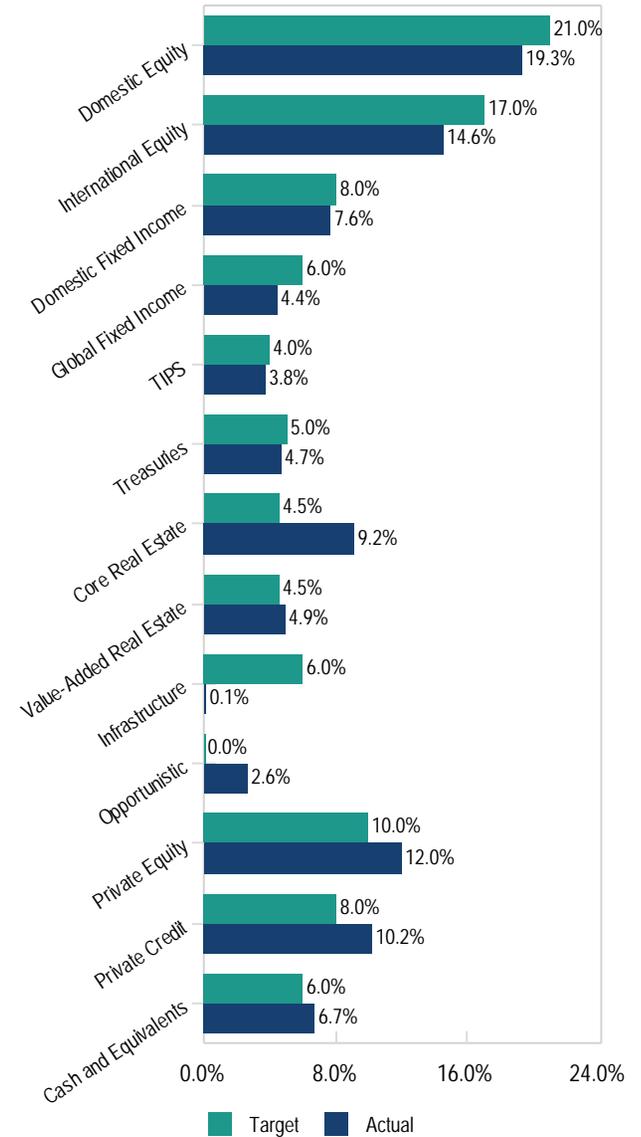


Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty, HarbourVest Funds, Sixth Street TAO and DCP, ARA American Strategic Value Realty and KKR Mezzanine Partners as of 6/30/23. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: September 30, 2023

	Market Value	% of Portfolio	1 Mo	YTD
Total Liquidity	108,764,582	6.7	0.1	2.2
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.6</i>
Total Cash	108,764,582	6.7	0.1	2.2
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.6</i>
PIMCO Short Duration Fund	33,831,598	2.1	-0.1	2.2
<i>Bimbg. 1-3 Year Gov/Credit index</i>			<i>0.0</i>	<i>1.9</i>
Cash Account	35,907,369	2.2	0.0	1.7
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.6</i>
Investment Cash	39,025,615	2.4	0.2	2.6
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.6</i>
Total Opportunistic	42,808,673	2.6		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	3,390,896	0.2		
Sixth Street Partners TAO	39,417,777	2.4		



Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty, HarbourVest Funds, Sixth Street TAO and DCP, ARA American Strategic Value Realty and KKR Mezzanine Partners as of 6/30/23. All data is preliminary.

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