

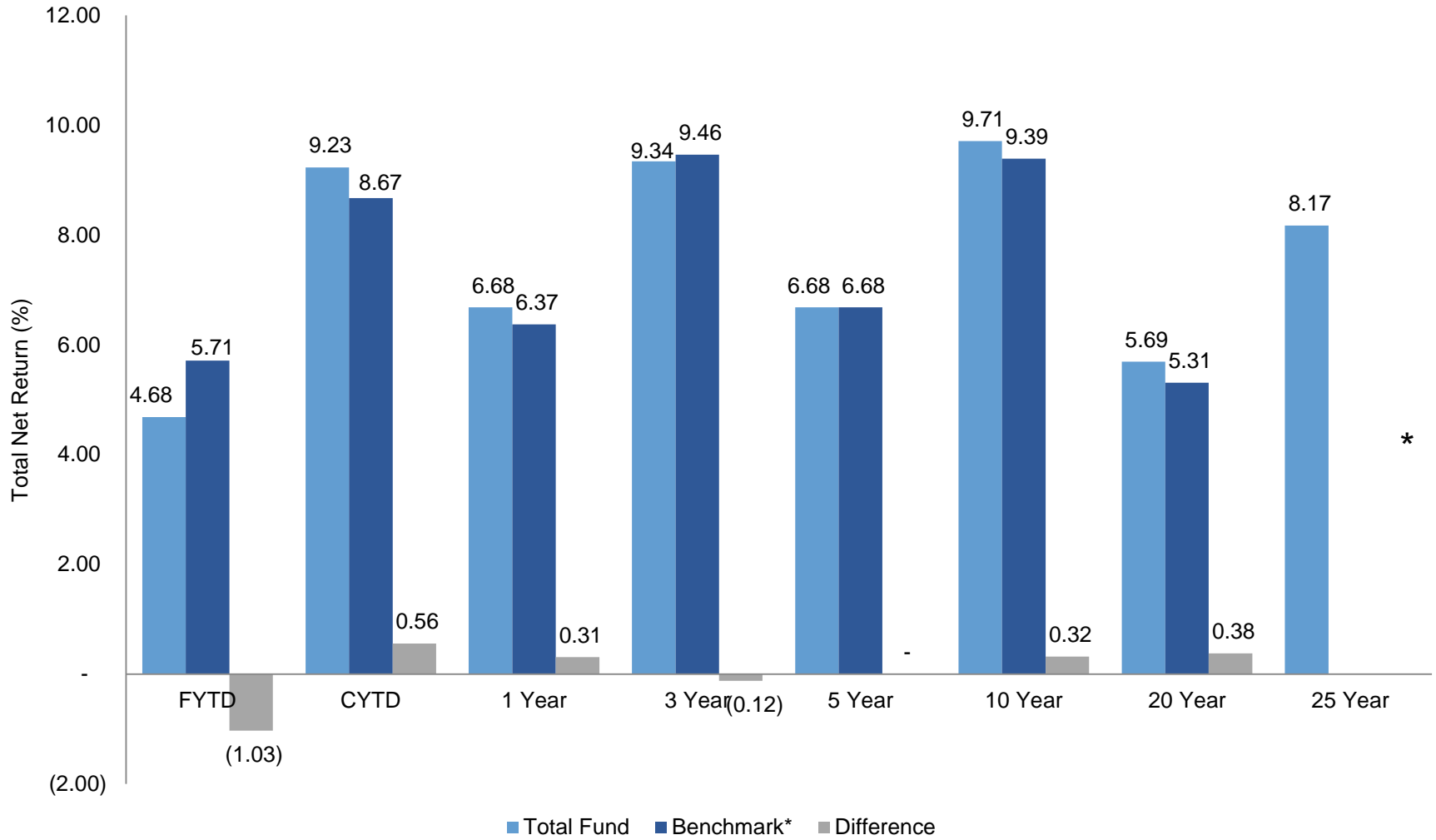
NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
May 29, 2019

“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.”

Pension Fund Net Returns⁽¹⁾ for Periods Ending April 30, 2019



(1) Returns are preliminary, unaudited, net of all fees, and exclude Police and Fire Mortgage Program

*Benchmark return not available for 25-Year period

Capital Markets Update (through April 30, 2019)

Total Return for Periods Ending April 30, 2019

| | Calendar YTD | Fiscal YTD | One Year | Three Years (Annualized) | Five Years (Annualized) |
|------------------------------------|--------------|------------|----------|-----------------------------|----------------------------|
| <u>Global Equity Indices</u> | | | | | |
| MSCI ALL Country World Index | 15.96 | 5.50 | 5.06 | 11.36 | 6.96 |
| <u>US Equity Indices</u> | | | | | |
| Russell 3000 | 18.60 | 8.87 | 12.68 | 14.73 | 11.18 |
| Russell 1000 | 18.60 | 9.80 | 13.33 | 14.81 | 11.40 |
| Russell 2000 | 18.46 | -2.11 | 4.57 | 13.57 | 8.61 |
| Russell Growth | 21.30 | 10.51 | 16.62 | 18.40 | 14.16 |
| Russell Value | 15.92 | 7.21 | 8.57 | 11.01 | 8.16 |
| <u>Non-US Equity Indices</u> | | | | | |
| MSCI EAFE | 13.07 | 0.23 | -3.22 | 7.24 | 2.60 |
| MSCI Emerging Markets | 12.23 | 2.72 | -5.04 | 11.25 | 4.04 |
| <u>Fixed Income Indices</u> | | | | | |
| Bloomberg Barclays U.S. Aggregate | 2.97 | 4.67 | 5.29 | 1.90 | 2.57 |
| Bloomberg Barclays U.S. Treasury | 1.83 | 3.82 | 4.77 | 0.98 | 1.99 |
| Bloomberg Barclays U.S. Credit | 5.39 | 6.34 | 6.38 | 3.23 | 3.46 |
| Bloomberg Barclays U.S. High Yield | 8.78 | 6.35 | 6.74 | 7.69 | 4.84 |
| <u>Commodities</u> | | | | | |
| Bloomberg Commodities Index | 5.03 | -7.82 | -10.07 | -1.97 | -10.17 |
| <u>Real Estate</u> | | | | | |
| Bloomberg U.S. REIT Index | 16.86 | 10.53 | 18.81 | 8.59 | 9.20 |

Asset Allocation and Net Returns by Asset Class (April 30, 2019)

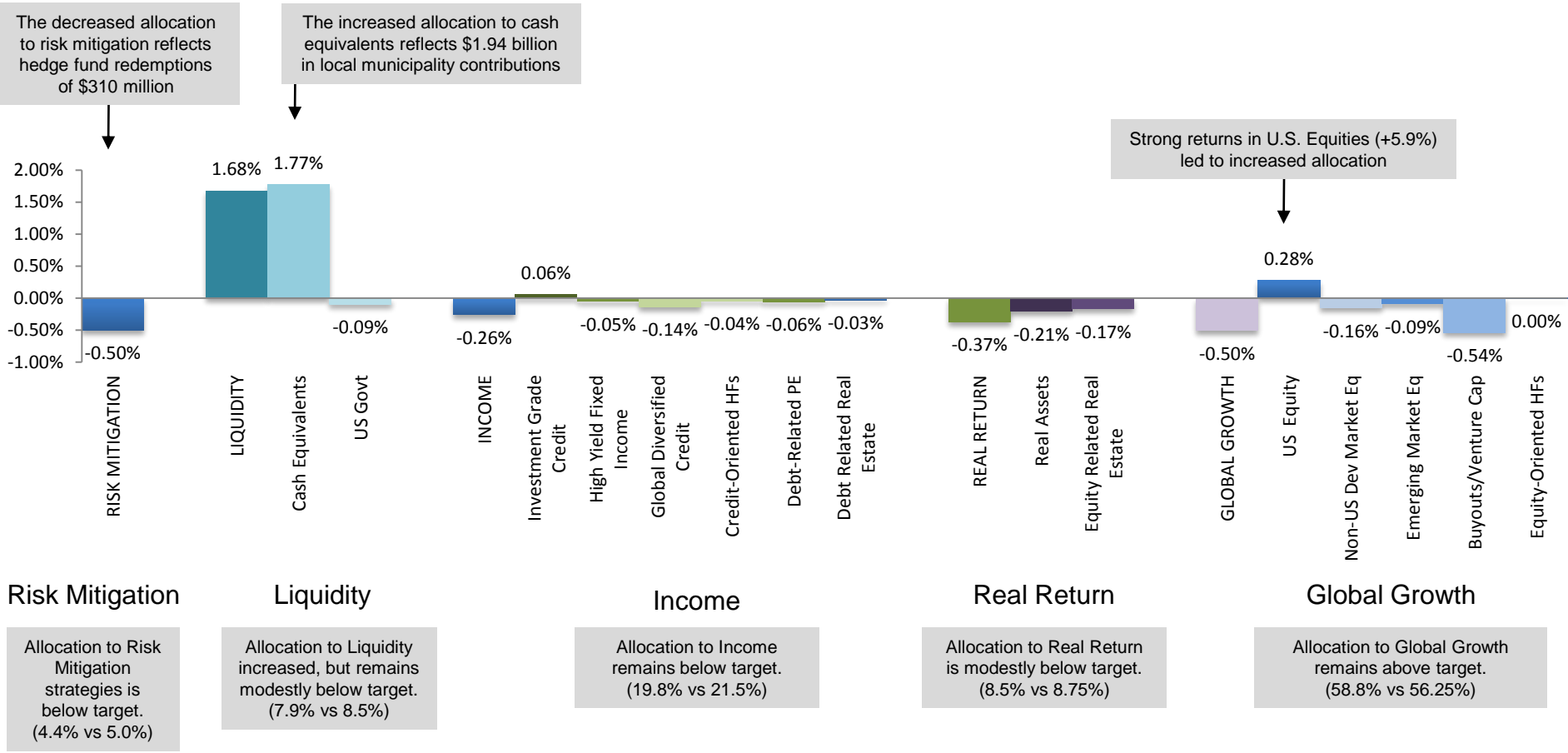
| Asset Class | ASSET ALLOCATION | | | | PERFORMANCE (for periods ending April 30, 2019)(1) | | | | | | | |
|-----------------------------------|----------------------|----------------|---------------|---------------|--|--------------|---------------|---------------|------------------------|--------------|----------------------|---------------|
| | As of April 30, 2019 | | | | FYTD | | Calendar YTD | | Trailing Twelve Months | | Trailing Three Years | |
| | Mkt Value | Actual (%) | Target (%) | Difference | NJ | Bench | NJ | Bench | NJ | Bench | NJ | Bench |
| RISK MITIGATION | | | | | | | | | | | | |
| RISK MITIGATION STRATEGIES | 3,438 | 4.39% | 5.00% | -0.61% | 2.34% | 4.39% | 2.63% | 1.77% | 4.38% | 5.27% | 3.40% | 4.31% |
| LIQUIDITY | | | | | | | | | | | | |
| Cash Eqv & Short Term | 4,592 | 5.87% | 5.50% | 0.37% | 2.54% | 1.85% | 1.10% | 0.79% | 2.88% | 2.18% | 1.91% | 1.25% |
| U.S. Government | 1,553 | 1.98% | 3.00% | -1.02% | 3.53% | 3.82% | 1.72% | 1.83% | 4.40% | 4.77% | 0.47% | 0.97% |
| TOTAL LIQUIDITY | 6,145 | 7.85% | 8.50% | -0.65% | 3.03% | 2.55% | 1.40% | 1.16% | 3.44% | 3.10% | 1.04% | 1.18% |
| INCOME | | | | | | | | | | | | |
| Investment Grade Credit | 7,735 | 9.89% | 10.00% | -0.11% | 6.07% | 5.58% | 4.22% | 4.23% | 6.53% | 5.82% | 2.61% | 2.67% |
| Public High Yield | 1,101 | 1.41% | 2.50% | -1.09% | 5.69% | 6.35% | 8.52% | 8.78% | 5.60% | 6.74% | 7.28% | 7.69% |
| Global Diversified Credit | 4,549 | 5.81% | 5.00% | 0.81% | 2.84% | 6.35% | 1.97% | 8.78% | 5.68% | 6.74% | 11.07% | 7.69% |
| Credit-Oriented HFs | 809 | 1.03% | 1.00% | 0.03% | -1.60% | 2.13% | -1.25% | 2.07% | 0.24% | 3.10% | 6.54% | 8.25% |
| Debt-Related PE | 912 | 1.17% | 2.00% | -0.83% | | 5.80% | | 0.76% | | 4.81% | | 12.72% |
| Debt Related Real Estate | 403 | 0.52% | 1.00% | -0.48% | 3.26% | 8.36% | 2.31% | 2.26% | 6.36% | 9.10% | 4.77% | 10.30% |
| TOTAL INCOME | 15,509 | 19.82% | 21.50% | -1.68% | 3.65% | 5.79% | 2.69% | 5.24% | 5.22% | 6.05% | 5.89% | 6.08% |
| REAL RETURN | | | | | | | | | | | | |
| Real Assets & Commodities | 2,218 | 2.83% | 2.50% | 0.33% | -0.10% | -1.44% | -0.43% | -7.04% | 7.39% | -0.67% | 8.85% | 8.02% |
| Equity Related Real Estate | 4,425 | 5.65% | 6.25% | -0.60% | 4.92% | 5.29% | 4.89% | 1.52% | 9.31% | 7.36% | 10.41% | 7.27% |
| TOTAL REAL RETURN | 6,643 | 8.49% | 8.75% | -0.26% | 3.18% | 3.40% | 3.04% | -0.93% | 8.69% | 5.09% | 9.90% | 7.48% |
| GLOBAL GROWTH | | | | | | | | | | | | |
| US Equity | 24,558 | 31.39% | 30.00% | 1.39% | 8.29% | 9.20% | 19.89% | 18.24% | 12.01% | 12.78% | 14.09% | 14.67% |
| Non-US Dev Market Eq | 8,635 | 11.04% | 11.50% | -0.46% | 0.27% | 0.47% | 13.97% | 13.59% | -2.26% | -2.47% | 7.63% | 7.17% |
| Emerging Market Eq | 5,201 | 6.65% | 6.50% | 0.15% | 3.42% | 2.78% | 12.10% | 12.30% | -5.04% | -5.07% | 10.51% | 11.37% |
| Buyouts/Venture Cap | 7,475 | 9.55% | 8.25% | 1.30% | 4.32% | 7.06% | 0.92% | -0.79% | 13.50% | 9.90% | 12.38% | 13.88% |
| Equity-Oriented HFs | 120 | 0.15% | 0.00% | 0.15% | -3.94% | -1.82% | 2.60% | 2.68% | -3.69% | -0.16% | 4.83% | 5.86% |
| TOTAL GLOBAL GROWTH | 45,989 | 58.77% | 56.25% | 2.52% | 5.52% | 6.43% | 14.28% | 13.40% | 7.24% | 7.07% | 11.98% | 12.68% |
| OTHER | | | | | | | | | | | | |
| OPPORTUNISTIC PE | 446 | 0.57% | | | 1.77% | 7.06% | 0.97% | -0.79% | 8.68% | 9.90% | 9.72% | 13.88% |
| OTHER | 77 | 0.10% | | | | | | | | | | |
| TOTAL FUND (2) | 78,248 | 100.00% | | | 4.68% | 5.71% | 9.23% | 8.67% | 6.68% | 6.37% | 9.34% | 9.46% |

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

(2) Total Fund excludes Police and Fire Mortgage Program

Sum of components may not equal totals due to rounding

Pension Fund Update: Change in Sector Allocation from February 28, 2019 – April 30, 2019



Employer contributions increased the allocation to cash. U.S. Equities realized strong returns.

Legislative Updates

Assembly Bill A4134 was signed by Governor Murphy and took effect as P.L. 2019, c. 56 on March 28, 2019. The bill, known as the “New Jersey Secure Choice Savings Program Act,” establishes a retirement savings program for private sector workers. The Division anticipates that it will be assisting the Treasurer’s office in preparing an RFI and/or RFQ to procure investment managers for the new program.

Appointment of Council Members. The Senate met on May 13, 2019 and confirmed the appointment of Deepak Raj and Theodore Aronson to the State Investment Council. It also confirmed the reappointment of James Hanson to the Council.