

NJ DIVISION OF INVESTMENT

Director's Report

State Investment Council
April 24, 2024

“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 March 31, 2024)

	Monthly	Calendar YTD	Fiscal YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
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Global Equity Indices

MSCI ALL Country World Index	3.14	8.20	16.04	23.15	6.95	10.90
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US Equity Indices

MSCI USA	3.18	10.41	19.81	30.17	10.79	15.00
Russell 1000	3.21	10.29	19.59	29.76	10.43	14.72
Russell 2000	3.58	5.17	13.76	19.60	-0.14	8.06
Russell 3000	3.23	10.02	19.27	29.19	9.75	14.30
Russell Growth	1.81	11.22	22.65	37.83	11.52	17.79
Russell Value	4.97	8.62	15.51	20.09	7.69	10.13

Non-US Equity Indices

MSCI EAFE	3.29	5.78	12.01	15.27	4.78	7.32
MSCI EAFE Canada	3.37	5.59	11.90	15.25	4.93	7.47
MSCI Emerging Markets	2.48	2.37	7.19	8.13	-5.05	2.22

Fixed Income Indices

Bloomberg Barclays U.S. Aggregate	0.92	-0.78	2.56	1.69	-2.45	0.36
Bloomberg Barclays U.S. Treasury	0.64	-0.96	1.45	0.05	-2.73	-0.08
Bloomberg Barclays U.S. Credit	1.23	-0.41	4.47	4.13	-1.86	1.39
Bloomberg Barclays U.S. High Yield	1.18	1.47	9.24	11.12	2.19	4.20

Real Estate

Bloomberg U.S. REIT Index	1.59	-2.03	4.89	6.21	0.78	2.69
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Asset Allocation and Net Returns by Asset Class March 31, 2024

ASSET ALLOCATION As of March 31, 2024					PERFORMANCE (for periods ending March 31, 2024) ⁽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	28,909	29.45%	28.00%	1.45%	19.28	19.31	9.88	9.96	10.02	9.99	14.31	14.59		
Non-US Dev Market Eq	12,060	12.29%	12.75%	-0.46%	12.06	12.00	5.58	5.61	5.38	4.98	7.83	7.40		
Int'l Small Cap Eq	1,214	1.24%	1.25%	-0.01%	8.52	10.55	2.50	2.12	-1.88	0.38	5.94	6.27		
Emerging Market Eq	3,017	3.07%	5.50%	-2.43%	6.63	7.05	2.61	2.22	-4.00	-5.19	3.33	2.24		
Private Equity	11,012	11.22%	13.00%	-1.78%	0.96	2.25	1.44	0.00	12.04	10.17	12.27	14.58		
TOTAL GLOBAL GROWTH	56,214	57.26%	60.50%	-3.24%	12.71	12.69	6.64	6.01	7.79	7.86	11.35	12.42		
REAL RETURN														
Real Assets	2,240	2.28%	3.00%	-0.72%	-0.16	3.97	-0.29	0.00	9.92	15.51	4.31	7.22		
Real Estate	5,251	5.35%	8.00%	-2.65%	0.81	-9.68	-0.37	-5.00	5.95	4.01	5.73	3.34		
TOTAL REAL RETURN	7,491	7.63%	11.00%	-3.37%	0.51	-5.97	-0.34	-3.63	7.10	7.31	5.29	4.78		
INCOME														
Investment Grade Credit	6,858	6.99%	7.00%	-0.01%	3.48	3.72	-0.60	-0.57	-2.22	-2.12	0.94	0.97		
High Yield	3,920	3.99%	4.50%	-0.51%	8.90	9.24	1.35	1.47	2.05	2.19	4.07	4.19		
Private Credit	6,920	7.05%	8.00%	-0.95%	6.60	10.59	3.62	4.28	7.97	2.86	7.77	5.19		
TOTAL INCOME	17,699	18.03%	19.50%	-1.47%	5.81	7.24	1.50	1.89	2.53	0.47	4.11	3.24		
DEFENSIVE														
Cash Equivalents	9,882	10.07%	2.00%	8.07%	4.30	4.02	1.49	1.29	2.84	2.58	2.28	2.02		
U.S. Treasuries	4,052	4.13%	4.00%	0.13%	1.65	1.45	-0.82	-0.96	-2.52	-2.73	0.01	-0.08		
Risk Mitigation Strategies	2,807	2.86%	3.00%	-0.14%	7.88	6.37	4.35	2.03	6.99	5.69	7.08	5.12		
TOTAL DEFENSIVE	16,741	17.05%	9.00%	8.05%	4.20	3.87	1.40	0.54	1.89	1.34	2.43	1.91		
OTHER														
OPPORTUNISTIC PE	0	0.00%												
OTHER	22	0.02%												
TOTAL FUND ⁽²⁾	98,166	100.00%			8.85	8.72	4.27	3.63	5.71	5.82	8.06	8.89		

(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.

*Equity Oriented Hedge Funds have been excluded from the table due to the lack of materiality.

Commitments and Investment Sleeves Updates

- Private Equity (PE) Sleeve
 - PE sleeve legal closing took place in June 2023 with a commitment of \$250 million
 - Program partner for this sleeve is Barings
 - To date, \$95 committed to six (6) sub funds

- Real Estate (RE) Sleeve
 - RE sleeve legal closing took place in December 2023 with a commitment of \$250 million
 - Program partner for this sleeve is GCM Grosvenor
 - Review, evaluation and diligence of sub fund managers has begun and is ongoing

- Private Credit (PC) Sleeve
 - The Division's private credit team is currently working on the evaluation and diligence to identify the best program partner available
 - It is anticipated work on identifying a program partner for this sleeve will be completed in time for presentation to the State Investment Council in July 2024

Next Steps

The Division is currently exploring the possibility of expanding the Emerging Managers Platform to include investment advisers that focus in the areas of public market investments. This would enable the Division to continue to increase and enhance its ability to access smaller, off-the-radar investment management firms, including women-owned and minority-owned firms.

Police & Firemen's Retirement System of New Jersey (PFRSNJ) Asset Transfer Update

- As of April 1, 2024, NJDOI transferred PFRS' proportional share of assets that were in Common Pension Fund D, the publicly traded securities in the Pension Fund, to Police & Firemen's Retirement System of New Jersey. PFRSNJ owned 32.376131% of Common Pension Fund D.
- NJDOI transferred in-kind 8,135 securities as part of the asset transfer to PFRSNJ. The assets totaled \$19,627,039,580 and interest totaled \$41,127,169. As of April 4, 2024, all in-kind transfers have settled.
- NJDOI transferred \$1,101,499,304 of cash to PFRSNJ on April 1, 2024.
- For securities that could not be transferred in-kind due to regulatory restrictions or other issues, NJDOI transferred cash in-lieu of these securities.
- This transaction was highly complex, given the number of securities, the substantial value of the transfer, international market restrictions, and the number of parties involved, including the Division of Investment, Police & Firemen's Retirement System of New Jersey and our respective consultants.



State of New Jersey

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ELIZABETH MAHER MUOIO
State Treasurer

SHOAIB KHAN
Director

April 19, 2024

To: State Investment Council

From: Shoaib Khan
Director

Subject: Recent Alternative Investment Fund Commitments

N.J.A.C. 17:16-69.9, as amended as of November 1, 2021, requires the Division to provide an informational memorandum to the Council on each binding commitment made by the Division as part of its Alternative Investment Program.

This memorandum provides information regarding the following binding commitments which were made between January 13, 2024 and April 19, 2024:

Name	Closing Date	Asset Class	Commitment Amount
Institutional Venture Partner. XVIII, L.P.	January 31, 2024	Private Equity	\$100,000,000
Cerberus Institutional Real Estate Partners VI, L.P.	January 31, 2024	Real Estate	\$350,000,000
Tiger Iron Garden Fund, L.P.	February 28, 2024	Private Equity	\$250,000,000
HPS Garden Private Credit Fund, L.P.	March 1, 2024	Private Credit	\$550,000,000
Silver Lake Partners Fund VII, L.P.	March 8, 2024	Private Equity	\$100,000,000

Notification: Modification to Blackrock SONJ FAIR, L.P.; Davidson Kempner Institutional Partners, L.P.; and Woodley Park NJ, L.P.

Background: As part of the Division's tactical rebalancing of the Risk Mitigation Strategies (RMS) portfolio, the Division is reducing its exposure to certain strategies, while increasing its exposure to others. The Division is redeeming from existing holdings in phases in order to maintain an optimal profile throughout the rebalancing process. The first phase includes redemptions from: Blackrock SONJ FAIR, L.P. ("Blackrock FAIR"), a multi-strategy fund of funds initiated in 2017 with a value of approximately \$218 million as of December 31, 2023; Davidson Kempner Institutional Partners, L.P. ("Davidson Kempner"), an event-driven fund initiated in 2006 with a value of approximately \$235 million as of December 31, 2023; and Woodley Park NJ, L.P. ("Rock Creek Woodley Park") an absolute return fund of funds initiated in 2006 with a value of approximately \$170 million as of December 31, 2023.

Modification: The Division has submitted, or intends to submit, redemption and/or withdrawal requests from Blackrock FAIR, Davidson Kempner and Rock Creek Woodley Park. The Division is fully redeeming its interest in Blackrock FAIR and Davidson Kempner, and is withdrawing approximately \$65 million from Rock Creek Woodley Park.

Impact on Pension Fund: The Division believes that these actions will have a positive impact on the Pension Fund, as it helps the Division to implement its tactical rebalancing of the RMS portfolio. The Division intends to utilize a portion of the redemption proceeds to fund other investment opportunities, including those "Core Portfolio" investments presented at the IPC's January meeting. The rebalancing aims to achieve higher liquidity, lower equity correlations, and enhanced protection against market downturns.

The Director is notifying the SIC of this modification in accordance with the Alternative Investment Modification Procedures.