



SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM STAFF REPORT INVESTMENT DIVISION

DATE: December 23, 2016

TO: SDCERS' Investment Committee

FROM: Liza Crisafi, Chief Investment Officer, Investments

SUBJECT: Status Report - Investment Division

I. Trust Fund Status and Transactions

A. Trust Fund Status

The reconciled market valuation (unaudited) of net assets as of November 30th, as reported by the custodial bank, was \$7,062,167,746.

B. Payment of Benefits and Operating Expenses

Since the prior Board meeting, eight wires totaling approximately \$6.9 million were sent from the custodial bank to SDCERS' operating account at Wells Fargo for the payment of lump sum payroll payments and operating expenses. Two wires totaling approximately \$84.0 million were sent in October and November from the custodial bank to SDCERS' operating account at Wells Fargo to pay monthly benefit payments to retirees and beneficiaries.

C. Rebalancing Activities

On December 20th, staff initiated a rebalancing action raising \$120 million from U.S. Equities. The proceeds will be allocated between two existing U.S Fixed Income managers.

II. Corporate Governance Operations

A. Monthly Proxy Voting

SDCERS' voting agent voted ten ballots during the month of November and five ballots during the month of December. All proxies were voted in accordance with SDCERS' proxy voting policy and guidelines. A meeting summary report documenting all of the proxy voting activities for the months of August and

September is on file with SDCERS' staff.

III. Investment Operations

A. Public Markets

1. *Search Activity*

No active searches

2. *Manager Monitoring Report*

No new managers added or subtracted

3. *Due Diligence*

Since the last board meeting, staff performed on-site due diligence visits to Dodge & Cox and Allianz

B. Real Estate

1. *LaSalle Asia Opportunity Fund V, LP – Commingled Fund – Capital Call*

A capital call was funded on November 3rd totaling approximately \$10.9 million. SDCERS has a 2.7% ownership interest (\$20 million total commitment) in the target \$750 million total equity capital of this fund.

2. *Europa Fund IV, L.P. – Commingled, European Fund – Capital Call*

A capital call was funded on December 15th totaling approximately €1.6 million (or approximately \$1.7 million). SDCERS has a 2.5% ownership interest (\$20 million total commitment or approximately €17.8 million) in the €604.0 million (or approximately \$679.1 million) total equity capital of this fund.

3. *Long Wharf Real Estate Partners V, L.P. – Commingled Fund – Capital Call*

A capital call was funded on December 21st totaling approximately \$0.8 million. SDCERS has a 6.7% ownership interest (\$20 million total commitment) in the \$298 million total equity capital of this fund.

4. *Alcion Real Estate Partners Fund III-B, L.P. – Commingled Fund – Capital Call*

Two capital calls were funded since the last report – one on October 25th totaling approximately \$0.3 million and one on December 21st totaling approximately \$0.2 million. SDCERS has a 6.9% ownership interest (\$20 million total commitment) in the \$137.9 million total equity capital of this fund.

C. Private Markets (PE & Infrastructure)

1. *Private Markets (PE & Infrastructure) Capital Calls*

Since the last report, there have been three private markets capital calls totaling approximately \$16.3 million that were funded for investments and expenses.

2. *Private Markets (PE & Infrastructure) Distributions*

Since the last report, there has been one distribution totaling approximately \$6.7 million.

D. **Opportunity Fund**

1. *Davidson Kempner Special Opportunities Fund III LP – Commingled Fund – Capital Call*

A capital call was funded on December 12th totaling approximately \$12.5 million. SDCERS has a 3.7% ownership interest (\$50 million total commitment) in the \$1.1 billion total equity capital of this fund. This is the third capital call for this fund.

2. *Torchlight Debt Opportunity Fund V, L.P. – Commingled Fund – Capital Call*

A capital call was funded on December 15th totaling approximately \$1.0 million. SDCERS has a 2.3% ownership interest (\$20 million total commitment) in the \$857.6 million total equity capital of this fund.

E. **Research Activities**

Investment staff met with or engaged in discussions with the following firms to review products, processes, operations and services:

<u>Name of Firm</u>	<u>Type of Service/Product Offered</u>
Neuberger Berman	Emerging Market Equity
Prudential	Emerging Market Debt
Investec	Emerging Market Debt
KKR	Direct Lending
Brandes	International Equity
Dodge & Cox	Domestic Equity
Europa	Real Estate
Symphony Asset Management	Bank Loans
Driehaus	Domestic Equity
Torchlight Investors	Real Estate/Opportunistic Strategy
Fisher Investments	Domestic Equity
Allianz	Convertible Bonds
Brandywine	Emerging Market Debt
Copper Rock Capital Partners	International Equity
GCM Grosvenor	Private Equity

F. **Training and Related Activities**

SIO Hamrick and AIO Haldes attended the Invesco Annual Real Estate Conference.