

# NJ DIVISION OF INVESTMENT

## Director's Report

---

State Investment Council  
April 26, 2023

***“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, 2023)

	Monthly	Calendar YTD	Fiscal YTD	One Year	Three Years (Annualized)	Five Years (Annualized)
<u>Global Equity Indices</u>						
MSCI ALL Country World Index	3.08	7.30	9.75	-7.44	15.11	6.92
<u>US Equity Indices</u>						
MSCI USA	3.55	7.73	9.98	-8.47	17.85	11.08
Russell 1000	3.16	7.45	9.91	-8.42	17.90	10.85
Russell 2000	-4.78	2.73	6.72	-11.63	17.29	4.68
Russell 3000	2.67	7.17	9.72	-8.61	17.84	10.43
Russell Growth	6.25	13.85	12.55	-10.89	17.70	13.00
Russell Value	-0.87	0.89	6.88	-6.39	17.37	7.27
<u>Non-US Equity Indices</u>						
MSCI EAFE	2.48	8.47	15.36	-1.38	13.00	3.52
MSCI EAFE Canada	2.22	8.02	13.96	-2.74	13.58	3.80
MSCI Emerging Markets	3.03	3.95	0.84	-10.70	8.53	-0.91
<u>Fixed Income Indices</u>						
Bloomberg Barclays U.S. Aggregate	2.54	2.96	-0.09	-4.78	-2.80	0.90
Bloomberg Barclays U.S. Treasury	2.89	3.00	-0.76	-4.51	-4.29	0.74
Bloomberg Barclays U.S. Credit	2.74	3.45	1.71	-5.31	-0.56	1.54
Bloomberg Barclays U.S. High Yield	1.07	3.57	7.19	-3.34	6.13	3.21
<u>Real Estate</u>						
Bloomberg U.S. REIT Index	-1.94	0.59	-8.19	-21.87	8.15	5.15

Source: Bloomberg

## Asset Allocation and Net Returns by Asset Class March 31, 2023

ASSET ALLOCATION As of March 31, 2023					PERFORMANCE (for periods ending March 31, 2023) <sup>(1)</sup>							
Asset Class	Mkt Value	Actual (%)	Target (%)	Difference	FYTD		YTD		Three Year		Five Year	
					NJ	Bench	NJ	Bench	NJ	Bench	NJ	Bench
<b>GLOBAL GROWTH</b>												
US Equity	23,762	27.14%	27.00%	0.14%	9.94	9.97	7.36	7.35	18.78	18.77	10.12	10.69
Non-US Dev Market Eq	11,906	13.60%	13.50%	0.10%	13.52	13.71	7.89	8.00	13.49	13.32	3.97	3.74
Emerging Market Eq	4,545	5.19%	5.50%	-0.31%	5.12	0.76	5.81	3.90	9.97	7.80	-0.14	-0.88
Private Equity	10,755	12.29%	13.00%	-0.71%	0.31	-6.58	1.02	0.00	16.23	15.80	13.98	14.80
<b>TOTAL GLOBAL GROWTH</b>	<b>50,979</b>	<b>58.23%</b>	<b>59.00%</b>	<b>-0.77%</b>	<b>8.15</b>	<b>6.91</b>	<b>5.93</b>	<b>5.76</b>	<b>16.23</b>	<b>16.85</b>	<b>8.41</b>	<b>9.47</b>
<b>REAL RETURN</b>												
Real Assets	2,274	2.60%	3.00%	-0.40%	1.05	3.72	1.02	0.00	11.09	10.09	6.01	5.24
Real Estate	5,241	5.99%	8.00%	-2.01%	-2.38	-0.55	-0.03	-5.17	8.24	8.97	7.74	7.71
<b>TOTAL REAL RETURN</b>	<b>7,515</b>	<b>8.58%</b>	<b>11.00%</b>	<b>-2.42%</b>	<b>-1.37</b>	<b>0.74</b>	<b>0.29</b>	<b>-3.62</b>	<b>9.09</b>	<b>9.71</b>	<b>7.28</b>	<b>7.34</b>
<b>INCOME</b>												
Investment Grade Credit	6,152	7.03%	7.00%	0.03%	0.77	0.93	3.22	3.35	-1.89	-1.89	1.41	1.28
High Yield	3,194	3.65%	4.00%	-0.35%	7.40	7.19	3.63	3.57	6.23	5.88	2.93	3.19
Private Credit	6,428	7.34%	8.00%	-0.66%	4.44	-0.34	3.40	2.08	8.17	2.35	6.57	3.89
<b>TOTAL INCOME</b>	<b>15,775</b>	<b>18.02%</b>	<b>19.00%</b>	<b>-0.98%</b>	<b>3.46</b>	<b>1.34</b>	<b>3.36</b>	<b>2.92</b>	<b>2.88</b>	<b>0.85</b>	<b>3.57</b>	<b>2.67</b>
<b>DEFENSIVE</b>												
Cash Equivalents	7,292	8.33%	4.00%	4.33%	2.58	2.40	1.12	1.07	1.08	0.89	1.73	1.41
U.S. Treasuries	3,328	3.80%	4.00%	-0.20%	-0.52	-0.76	3.08	3.00	-4.19	-4.20	0.72	0.74
Risk Mitigation Strategies	2,611	2.98%	3.00%	-0.02%	3.03	4.72	2.12	1.81	6.87	3.95	5.95	4.49
<b>TOTAL DEFENSIVE</b>	<b>13,231</b>	<b>15.12%</b>	<b>11.00%</b>	<b>4.12%</b>	<b>1.70</b>	<b>1.75</b>	<b>1.85</b>	<b>2.00</b>	<b>0.25</b>	<b>-0.38</b>	<b>2.07</b>	<b>1.63</b>
<b>OTHER</b>												
OPPORTUNISTIC PE	0	0.00%										
OTHER	40	0.05%										
<b>TOTAL FUND</b> <sup>(2)</sup>	<b>87,537</b>	<b>100.00%</b>			<b>5.21</b>	<b>4.78</b>	<b>4.33</b>	<b>3.83</b>	<b>10.56</b>	<b>11.07</b>	<b>6.49</b>	<b>7.32</b>

(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.

## **Notification: Modification to Asia Alternatives Separately Managed Investment Vehicle**

---

**Background:** In 2020, the Division presented to the Council an investment of up to \$600 million in a separately managed vehicle (the “Fund”) to be managed by Asia Alternatives Management LLC (“Asia Alternatives”). The investment was to be funded by \$100 million in new money plus \$500 million recycled from future distributions from existing NJDOI/Asia Alternative vehicles.

**Modifications:** Consistent with the Division’s September 2021 notification to the Council, the investment in the Fund will be made by Common Pension Fund A (in which the Police and Firemen’s Retirement System of New Jersey (“PFRS”) does not participate), rather than Common Pension Fund E (in which PFRS does participate). As a result of this change, the \$500 million to be “recycled” from the prior Asia Alternatives funds will be funded only from the portions of distributions from the other Asia Alternatives funds that are allocable to the four pension funds that invest through CPFA.

**Impact on the Pension Fund:** Division staff continues to believe that this investment will be beneficial to Common Pension Fund A and its beneficiaries.

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

## **Notification: Modification to BlackRock Separately Managed Investment Vehicle**

---

**Background:** In 2020, the Division presented an investment of up to \$250 million in a separately managed investment vehicle (the “Fund”) to be managed by BlackRock Private Equity Partners (“BlackRock”) to pursue direct co-investments and select primary funds. Principal and gains from SONJ Private Opportunities II, L.P. (SONJ II) would be recycled into either SONJ II or the Fund, and capital from co-investments within SONJ II would be generally recycled into the Fund.

**Modifications:** Consistent with the Division’s September 2021 notification to the State Investment Council, investment in the Fund will be made by Common Pension Fund A (in which the Police and Firemen’s Retirement System of New Jersey (“PFRS”) does not participate), rather than Common Pension Fund E (in which PFRS does participate). As a result of this change, the Fund will be unable to fully recycle funds from SONJ II to the Fund.

**Impact on the Pension Fund:** Division staff continues to believe that this investment will be beneficial to Common Pension Fund A and its beneficiaries.

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



# State of New Jersey

**PHILIP D. MURPHY**  
*Governor*

**SHEILA Y. OLIVER**  
*Lt. Governor*

DEPARTMENT OF THE TREASURY  
DIVISION OF INVESTMENT  
P.O. BOX 290  
TRENTON, NJ 08625-0290  
Telephone (609) 292-5106  
Facsimile (609) 984-4425

**ELIZABETH MAHER MUOIO**  
*State Treasurer*

**SHOAIB KHAN**  
*Director*

April 21, 2023

**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 23, 2023 and April 21, 2023:

<b>Name</b>	<b>Closing Date</b>	<b>Asset Class</b>	<b>Commitment Amount</b>
Stonepeak CPF Investment Partners, L.P.	April 4, 2023	Real Assets	\$75,000,000