

February 22, 2024



## **Executive Summary Fourth Quarter 2023**

Arkansas Judicial Retirement  
System

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**Brianne Weymouth, CAIA**  
Senior Vice President

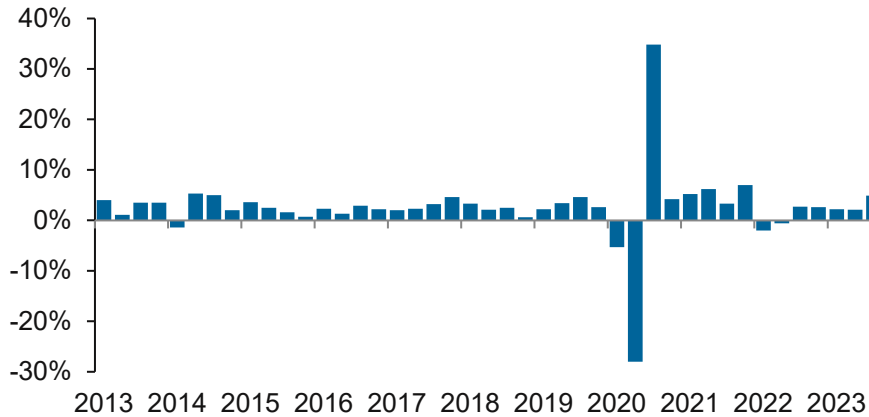
**John Jackson, CFA**  
Senior Vice President

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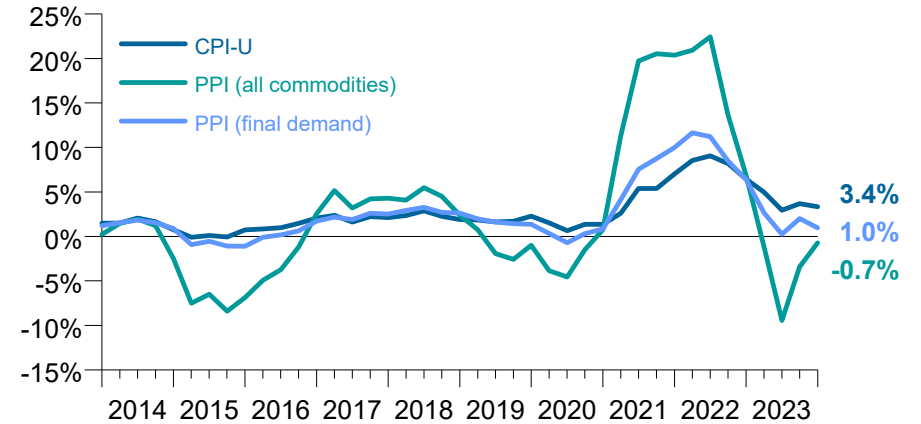
# U.S. Economy—Summary

For periods ended 12/31/23 (Except GDP which is as of 9/30/23)

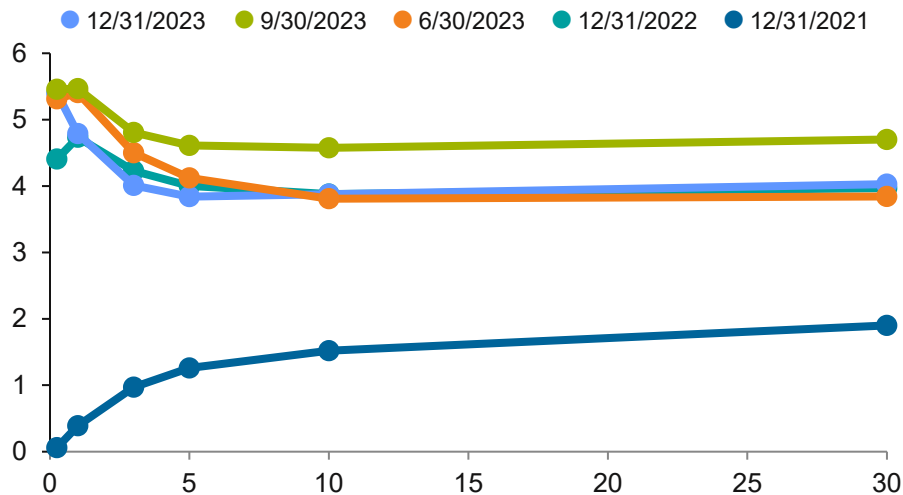
Quarterly Real GDP Growth



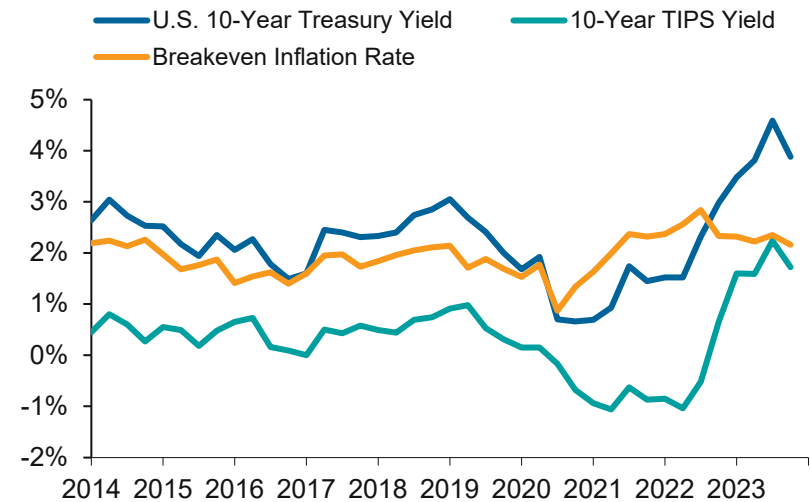
Inflation Year-Over-Year



U.S. Treasury Yield Curves



Historical 10-Year Yields Through 12/31/23



Sources: Bloomberg, Bureau of Labor Statistics, Callan

# Equity Markets Down in 3Q, Following Rebound in First Half of 2023

Stocks and bonds still have ground to make up after declines in 2022

## S&P 500 soared 11.7% in 4Q23

- Loss through first three quarters of 2022 was 23.9%; the rebound in the following five quarters brought the index back to a positive return of 1.7% over the past two years.

## Fixed income recovered in 4Q, up 6.8% after a sharp loss of 3.2% in 3Q

- The Bloomberg Aggregate was on track for another negative year through 3Q; softening Fed language on rates and a dot plot that showed cuts on the horizon in 4Q turned the market around.
- CPI-U declined in 4Q compared to 3Q, though up 3.4% year-over-year; the index is still 10% higher than it was at the start of 2022.

## Economic data defied expectations of recession in 2023

- GDP growth came in at 2.1% in 1Q, 2.2% in 2Q, and jumped to a stunning 4.9% in 3Q. Preliminary 4Q forecasts have GDP over 2%.
- Job market remains solid, providing support to Fed efforts to fight inflation.

## Returns for Periods ended 12/31/23

	Quarter	1 Year	2 Years	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
Russell 3000	12.07	25.96	0.88	15.16	11.48	7.74
S&P 500	11.69	26.29	1.69	15.69	12.03	7.56
Russell 2000	14.03	16.93	-3.55	9.97	7.16	7.91
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	10.51	17.94	0.54	8.45	4.32	4.62
MSCI Emerging Markets	7.86	9.83	-6.32	3.69	2.66	--
MSCI ACWI ex USA Small Cap	10.12	15.66	-3.79	7.89	4.88	7.28
<b>Fixed Income</b>						
Bloomberg Aggregate	6.82	5.53	-4.19	1.10	1.81	3.85
90-day T-Bill	1.37	5.01	3.22	1.88	1.25	1.90
Bloomberg Long Gov/Credit	13.24	7.13	-11.62	1.12	3.22	5.21
Bloomberg Global Agg ex-US	9.21	5.72	-7.29	-1.56	-0.79	2.25
<b>Real Estate</b>						
NCREIF Property*	-1.37	-8.39	3.12	5.26	7.40	8.31
FTSE Nareit Equity	16.22	13.73	-7.25	7.39	7.65	9.27
<b>Alternatives</b>						
HFRI Fund Weighted	3.59	7.52	1.52	7.00	4.53	6.30
Cambridge Private Equity*	1.60	2.78	3.19	15.18	14.78	13.61
Bloomberg Commodity	-4.63	-7.91	3.40	7.23	-1.11	2.83
Gold Spot Price	11.02	13.45	6.44	10.09	5.59	8.19
<b>Inflation - CPI-U</b>	-0.34	3.35	4.89	4.07	2.79	2.54

\*Cambridge PE data as of 6/30/23; NCREIF Property data as of 9/30/23

Sources: Bloomberg, Callan, Cambridge, FTSE Russell, HFRI, MSCI, NCREIF, S&P Dow Jones Indices

# U.S. Equity Performance: 4Q23

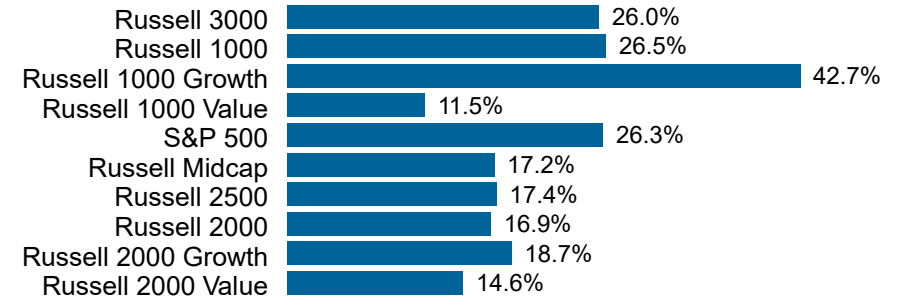
The U.S. equity market rallied in 4Q, closing the year near record highs

- ▶ U.S. equity markets rebounded in the last two months of the year as the impact of possible rate cuts in 2024 started to get priced in.
- ▶ 2023 saw the narrowest breadth of leadership (“the Magnificent Seven”) since 1987 with just 27% of stocks outperforming the S&P 500. Historically, such concentrated leadership has not been the sign of a healthy market. However, gains started broadening out in the last two months of the year with the equal-weighted S&P index outperforming the capitalization-weighted version.
- ▶ Smaller cap stocks also outperformed their large cap counterparts in 4Q23, further proof of the broadening out of returns; for the full year, large cap stocks outperformed small cap stocks by almost 10 percentage points.
- ▶ Growth vs. value performance was mixed across market capitalization during the quarter. Within large cap, growth outperformed value, while the opposite was true within small cap.

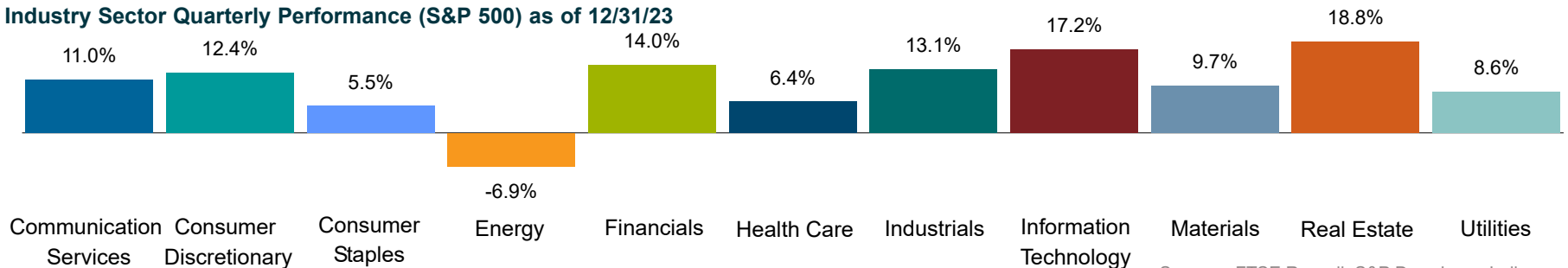
## U.S. Equity: Quarter Ended 12/31/23



## U.S. Equity: One Year Ended 12/31/23



## Industry Sector Quarterly Performance (S&P 500) as of 12/31/23



Sources: FTSE Russell, S&P Dow Jones Indices

# Global/Global ex-U.S. Equity Performance: 4Q23

Dovish central banks drove market higher

## Global markets in the black for 4Q

### Broad market

- ▶ Dovish signaling from central banks and dropping yields led to a broad market rally in 4Q.
- ▶ Global ex-U.S. small caps reclaimed some of their lagging performance in 4Q but ended the year as the worst-performing broad-based index, albeit up over 12%. Elevated borrowing costs and the persistent risk of a recession have kept investors away.
- ▶ Japan's low rates have benefited exporters, and the threat of being delisted spurred a stock buy-back spree. Coupled with an increased focus on governance, this spurred Japan to a multi-decade high.

### Emerging markets

- ▶ Emerging markets underperformed developed markets.
  - India's rally couldn't overcome China's weakness, whose economic growth was near the government's target, but investor concerns around stimulus and a surprisingly sluggish reopening drove stocks lower.

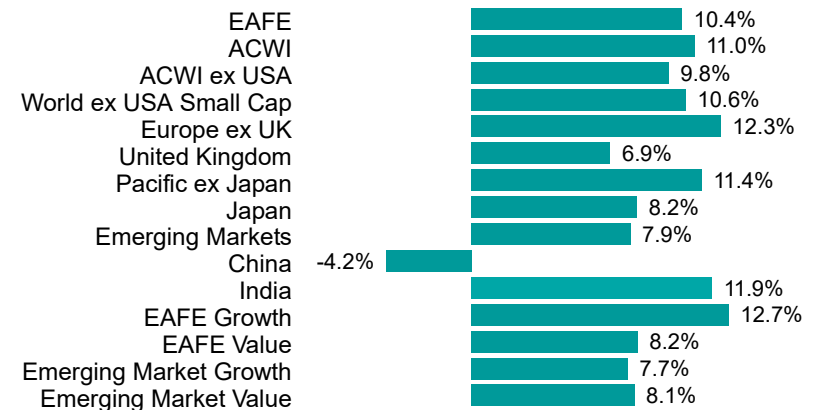
### Growth vs. value

- ▶ Energy, a volatile area in the market, pulled back value's rally after having a strong 3Q. Global ex-U.S. growth rallied on lowering yields but couldn't overcome earlier underperformance and ended the year behind its value peers in both emerging and developed markets.

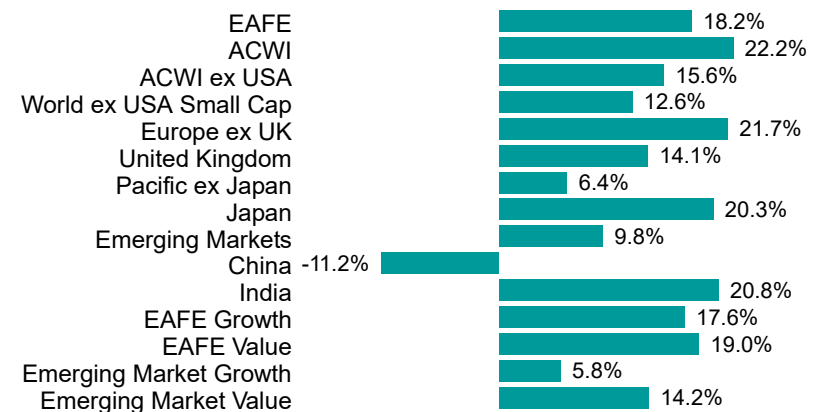
### U.S. dollar vs. other currencies

- ▶ The U.S. dollar weakened in 4Q as investors believed that U.S. interest rates would fall faster than much of the developed world.

Global Equity Returns: Quarter Ended 12/31/23



Global Equity Returns: One Year Ended 12/31/23



Source: MSCI

# U.S. Fixed Income Performance: 4Q23

Bonds bounce back at year-end; U.S. Treasury yield has volatile 2023

## Strong returns at end of year

- ▶ Driven by falling rates and strong risk-on sentiment, the Aggregate returned 6.8%, the highest quarterly return since 2Q89
- ▶ 10-year U.S. Treasury yield closed the year at 3.88%.
  - A round trip from 12/2022, masking significant volatility during the year
  - High was 4.98% in October and low was 3.30% in April
- ▶ Corporates and mortgages outperformed Treasuries for the quarter and year.
- ▶ High yield corporates soared as defaults remained low, economy resilient.

## U.S. Treasury yield curve remained inverted, but less so

- ▶ 1.06% as of 6/30; 0.44% as of 9/30; 0.35% as of 12/31

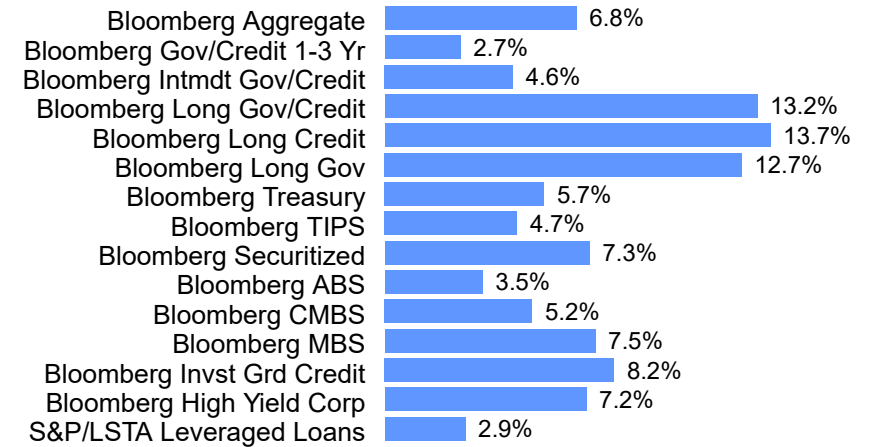
## Fed kept Fed Funds rate on hold and softened language

- ▶ Pivoted from “higher for longer” to projected rate cuts in 2024
- ▶ Inflation over past six months below Fed’s 2% target
  - Core PCE Price Index was 1.9% annualized in November
- ▶ Markets expect six rate cuts in 2024 versus three in the Fed’s Summary of Economic Projections

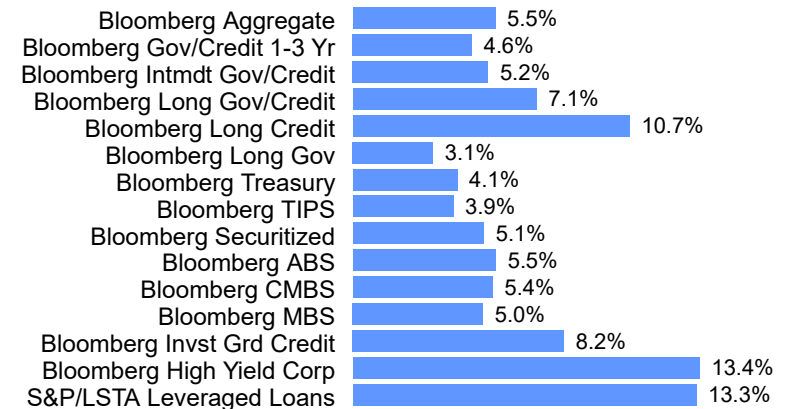
## Valuations

- ▶ Investment grade and high yield corporate spreads now below 10-year averages

## U.S. Fixed Income Returns: Quarter Ended 12/31/23



## U.S. Fixed Income Returns: One Year Ended 12/31/23



Sources: Bloomberg, Callan, S&P Dow Jones Indices

# Asset Allocation Review

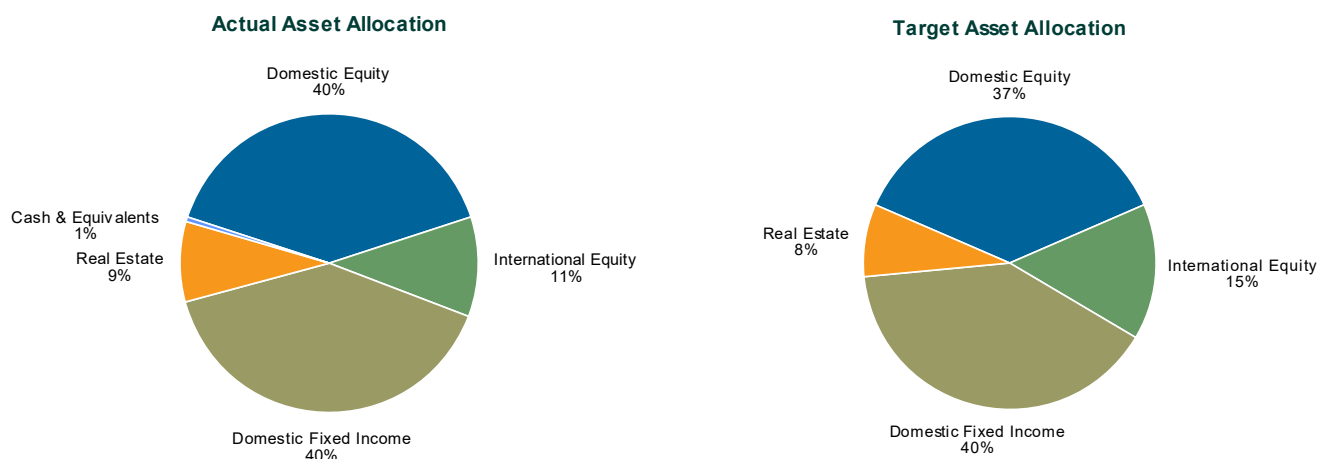
December 31, 2023

## Change in AJRS Market Value during the Quarter :

Beginning-of-Quarter Market Value:	\$ 301,691,096
Net Increase in Market Value:	+ \$21,137,117
<b>End-of-Quarter Market Value:</b>	<b>\$ 322,828,213</b>

## Asset Allocation of AJRS Assets as of December 31, 2023

As of quarter-end, all asset classes are within the target allocation range established in the Investment Policy. International Equity is the largest underweight asset class at 4.2% below the target allocation. This position is offset by overweights to Domestic Equity (+3.0%), Real Estate (+0.7%), and Cash (+0.5%).



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	129,106	40.0%	37.0%	3.0%	9,660
International Equity	34,847	10.8%	15.0%	(4.2%)	(13,577)
Domestic Fixed Income	129,192	40.0%	40.0%	0.0%	61
Real Estate	28,021	8.7%	8.0%	0.7%	2,195
Cash & Equivalents	1,662	0.5%	0.0%	0.5%	1,662
<b>Total</b>	<b>322,828</b>	<b>100.0%</b>	<b>100.0%</b>		

# Asset Allocation Review

December 31, 2023

	December 31, 2023			September 30, 2023		
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$129,106,135</b>	<b>39.99%</b>	<b>\$(112,722)</b>	<b>\$12,971,704</b>	<b>\$116,247,153</b>	<b>38.53%</b>
Mellon Russell 1000 Growth Index	48,430,843	15.00%	(4,276)	6,028,503	42,406,616	14.06%
Boston Partners	61,635,919	19.09%	(74,120)	5,046,916	56,663,124	18.78%
Aristotle Capital Boston	19,039,373	5.90%	(34,326)	1,896,285	17,177,414	5.69%
<b>International Equity</b>	<b>\$34,847,040</b>	<b>10.79%</b>	<b>\$(1,700,000)</b>	<b>\$3,804,880</b>	<b>\$32,742,161</b>	<b>10.85%</b>
Baillie Gifford	34,847,040	10.79%	(1,700,000)	3,804,880	32,742,161	10.85%
<b>Fixed Income</b>	<b>\$129,192,457</b>	<b>40.02%</b>	<b>\$(89,379)</b>	<b>\$9,315,371</b>	<b>\$119,966,465</b>	<b>39.76%</b>
MacKay Shields LLC	129,192,457	40.02%	(89,379)	9,315,371	119,966,465	39.76%
<b>Real Estate</b>	<b>\$28,020,809</b>	<b>8.68%</b>	<b>\$(29,302)</b>	<b>\$(1,365,632)</b>	<b>\$29,415,743</b>	<b>9.75%</b>
Invesco Core Real Estate	28,020,809	8.68%	(29,302)	(1,365,632)	29,415,743	9.75%
<b>Cash &amp; Equivalents</b>	<b>\$1,661,772</b>	<b>0.51%</b>	<b>\$(1,690,280)</b>	<b>\$32,478</b>	<b>\$3,319,575</b>	<b>1.10%</b>
AJRS Cash Account	1,661,772	0.51%	(1,690,280)	32,478	3,319,575	1.10%
<b>Total Fund</b>	<b>\$322,828,213</b>	<b>100.0%</b>	<b>\$(3,621,683)</b>	<b>\$24,758,800</b>	<b>\$301,691,096</b>	<b>100.0%</b>



# Total Fund Performance Review

December 31, 2023

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	9.72	16.69	5.70	10.20	7.84	7.38
25th Percentile	8.75	14.69	5.04	9.58	7.39	7.24
Median	8.17	13.37	3.94	8.95	6.89	7.05
75th Percentile	7.70	12.07	3.04	8.07	6.38	6.78
90th Percentile	7.27	11.29	1.99	7.41	5.85	6.33
<span style="color: yellow;">●</span> <b>Total Fund</b>	<b>8.27 (44)</b>	<b>11.64 (85)</b>	<b>2.04 (89)</b>	<b>8.24 (70)</b>	<b>6.57 (67)</b>	<b>6.87 (68)</b>
<span style="color: green;">●</span> <b>Total Fund Target</b>	<b>8.24 (46)</b>	<b>12.79 (65)</b>	<b>2.69 (82)</b>	<b>7.91 (80)</b>	<b>6.43 (72)</b>	<b>6.52 (85)</b>

- The above chart shows the distribution of returns for the Callan Public Fund Mid DB (100M -1B) Peer Group across time periods ended December 31, 2023. Returns longer than one year annualized.
- The returns and peer group ranking for the APERS Total Fund and Total Fund Target are shown in the bottom two rows.
  - **The 25th percentile return** represents the value above which 25% of the returns fall. In other words, it's the point where a quarter of the peer group earned a higher return, and three-quarters of the peer group earned a lower return.
  - **The median return** represents the middle value in a distribution of returns. If we arrange all the returns in ascending order, the median is the value that separates the lower half from the higher half.
  - **The 75th percentile return** represents the value above which 75% of the returns fall. In other words, it's the point where three-quarters of the peer group earned a higher return, and a quarter of the peer group earned a lower return.
- Over the last 1- and 3-year periods, the Fund trailed its benchmark and finished below its peer group median.
- For the last 5-, 10-, and 20-year periods, the Fund outpaced its benchmark and ranked in the third quartile of peers.

*Policy Target consists of 40% Blmbg Aggregate Index, 37% Russell 3000 Index, 15% MSCI ACWI xUS GD, and 8% NCREIF NFI-ODCE Eq Wt Net*

# Investment Manager Performance Review

December 31, 2023

	Last Quarter		Fiscal YTD		Last Year		Last 3 Years		Last 5 Years	
<b>Domestic Equity</b>	<b>11.17%</b>	<b>89</b>	<b>9.37%</b>	<b>8</b>	<b>22.91%</b>	<b>62</b>	<b>9.64%</b>	<b>15</b>	<b>15.18%</b>	<b>24</b>
Domestic Equity Benchmark	12.07%	34	8.43%	22	25.96%	11	8.54%	55	15.16%	25
Russell 3000 Index	12.07%	34	8.43%	22	25.96%	11	8.54%	55	15.16%	25
S&P 500 Index	11.69%	65	8.04%	42	26.29%	7	10.00%	8	15.69%	9
Med Public Fd - Dom Eqty	11.82%		7.98%		23.66%		8.60%		14.71%	
Mellon Russell 1000 Growth Index	14.22%	48	10.64%	43	42.40%	38	8.74%	29	-	
Russell 1000 Growth Index	14.16%	51	10.59%	47	42.68%	35	8.86%	26	19.50%	10
Callan Large Cap Growth	14.19%		10.49%		40.49%		6.74%		17.14%	
Boston Partners	8.92%	79	9.78%	14	14.59%	34	13.09%	18	13.10%	31
Russell 1000 Value Index	9.50%	64	6.03%	85	11.46%	66	8.86%	90	10.91%	87
Callan Large Cap Value	10.04%		7.60%		12.99%		11.11%		12.61%	
Aristotle Capital Boston	11.07%	85	5.00%	87	7.53%	97	5.29%	69	-	
Russell 2000 Index	14.03%	19	8.18%	52	16.93%	61	2.22%	94	9.97%	90
Callan Small Cap Core	12.75%		8.35%		17.63%		6.83%		12.25%	
<b>International Equity</b>	<b>11.66%</b>	<b>4</b>	<b>(0.39%)</b>	<b>99</b>	<b>10.39%</b>	<b>99</b>	<b>(8.19%)</b>	<b>99</b>	<b>6.57%</b>	<b>74</b>
International Equity Benchmark	9.82%	30	5.78%	32	16.21%	50	2.04%	30	7.60%	60
Med Public Fd - Int Eqty	9.64%		5.36%		16.21%		1.37%		7.98%	
Baillie Gifford Intl Choice Fd	11.66%	23	(0.39%)	98	10.39%	98	(8.19%)	99	6.57%	93
MSCI ACWIxUS Gross	9.82%	55	5.78%	36	16.21%	72	2.04%	65	7.60%	78
Callan NonUS Eq	10.07%		5.09%		18.08%		3.36%		8.86%	

Domestic Equity Benchmark: Russell 3000 Index

International Equity Benchmark: MSCI ACWI xUS (Gross)

# Investment Manager Performance Review

December 31, 2023

	Last Quarter		Fiscal YTD		Last Year		Last 3 Years		Last 5 Years	
<b>Domestic Fixed Income</b>	<b>7.77%</b>	<b>8</b>	<b>5.02%</b>	<b>4</b>	<b>8.30%</b>	<b>4</b>	<b>(2.38%)</b>	<b>52</b>	<b>2.64%</b>	<b>16</b>
Domestic Fixed Income Benchmark	6.82%	48	3.37%	93	5.53%	93	(3.31%)	93	1.10%	97
Med Public Fd - Dom Fixed	6.74%		3.81%		6.36%		(2.29%)		1.95%	
MacKay Shields LLC	7.77%	4	5.02%	6	8.30%	3	(2.38%)	39	2.64%	21
Blmbg Aggregate Index	6.82%	81	3.37%	87	5.53%	96	(3.31%)	90	1.10%	98
Callan Core Plus FI	7.17%		4.03%		6.90%		(2.52%)		2.23%	
<b>Real Estate</b>	<b>(4.64%)</b>	<b>89</b>	<b>(6.13%)</b>	<b>73</b>	<b>(12.14%)</b>	<b>80</b>	<b>4.64%</b>	<b>61</b>	<b>3.75%</b>	<b>62</b>
Med Public Fd - Real Est	(2.97%)		(5.07%)		(10.65%)		5.23%		4.10%	
Invesco Core Real Estate	(4.64%)	84	(6.13%)	76	(12.14%)	72	4.64%	58	3.75%	68
NFI-ODCE Equal Weight Net	(5.37%)	88	(7.37%)	84	(13.33%)	82	4.35%	62	3.78%	68
Callan OE Core Cmngld RE	(0.22%)		(2.08%)		(8.63%)		5.52%		4.70%	
<b>Total Fund</b>	<b>8.27%</b>	<b>44</b>	<b>4.98%</b>	<b>59</b>	<b>11.64%</b>	<b>85</b>	<b>2.04%</b>	<b>89</b>	<b>8.24%</b>	<b>70</b>
Callan Public Fd Mid DB	8.17%		5.15%		13.37%		3.94%		8.95%	
<b>Total Fund ex Cash</b>	<b>8.29%</b>	<b>44</b>	<b>4.96%</b>	<b>59</b>	<b>11.62%</b>	<b>85</b>	<b>2.04%</b>	<b>90</b>	<b>8.29%</b>	<b>69</b>
Target Benchmark*	8.24%	46	4.75%	71	12.79%	65	2.69%	82	7.91%	80
Callan Public Fd Mid DB	8.17%		5.15%		13.37%		3.94%		8.95%	

Domestic Fixed Income Benchmark: Bloomberg Aggregate Index

\*Policy Target consists of 40% Blmbg Aggregate Index, 37% Russell 3000 Index, 15% MSCI ACWI xUS GD, and 8% NCREIF NFI-ODCE Eq Wt Net

Callan

# Investment Manager Performance Review

December 31, 2023

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 16-1/2 Years
<b>NET OF FEE RETURNS</b>					
<b>Domestic Equity</b>					
Mellon Russell 1000 Growth Index	14.21%	42.34%	8.70%	-	-
Russell 1000 Growth Index	14.16%	42.68%	8.86%	19.50%	11.94%
Boston Partners	8.78%	13.99%	12.49%	12.49%	8.09%
Russell 1000 Value	9.50%	11.46%	8.86%	10.91%	6.61%
Aristotle Capital Boston	10.86%	6.68%	4.45%	-	-
Russell 2000 Index	14.03%	16.93%	2.22%	9.97%	6.99%
<b>International Equity</b>					
Baillie Gifford Intl Choice Fd	11.51%	9.84%	(8.65%)	6.04%	-
MSCI ACWIXUS Gross	9.82%	16.21%	2.04%	7.60%	2.99%
<b>Domestic Fixed Income</b>					
Mackay Shields LLC	7.69%	7.98%	(2.67%)	2.33%	-
Blmbg Aggregate Index	6.82%	5.53%	(3.31%)	1.10%	3.11%
<b>Real Estate</b>					
Invesco Core Real Estate	(4.71%)	(12.38%)	4.35%	3.42%	-
NFI-ODCE Equal Weight Net	(5.37%)	(13.33%)	4.35%	3.78%	4.33%
<b>Total Fund</b>	<b>8.17%</b>	<b>11.25%</b>	<b>1.69%</b>	<b>7.84%</b>	<b>5.71%</b>
<b>Total Fund ex Cash</b>	<b>8.20%</b>	<b>11.23%</b>	<b>1.68%</b>	<b>7.89%</b>	<b>5.90%</b>
Target Benchmark*	8.24%	12.79%	2.69%	7.91%	6.01%

\*Policy Target consists of 40% Blmbg Aggregate Index, 37% Russell 3000 Index, 15% MSCI ACWI xUS GD, and 8% NCREIF NFI-ODCE Eq Wt Net

# Total Fund Performance Attribution

December 31, 2023

## Relative Attribution Effects for Quarter ended December 31, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	37%	11.17%	12.07%	(0.35%)	0.07%	(0.28%)
Domestic Fixed Income	40%	40%	7.77%	6.82%	0.38%	0.00%	0.38%
Real Estate	10%	8%	(4.64%)	(5.37%)	0.07%	(0.24%)	(0.16%)
International Equity	11%	15%	11.66%	9.82%	0.20%	(0.06%)	0.14%
Cash & Equivalents	1%	0%	1.34%	1.34%	0.00%	(0.04%)	(0.04%)
<b>Total</b>			<b>8.27%</b>	<b>= 8.24%</b>	<b>+ 0.30%</b>	<b>+ (0.27%)</b>	<b>0.03%</b>

## One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	22.91%	25.96%	(1.07%)	0.08%	(1.00%)
Domestic Fixed Income	40%	40%	8.30%	5.53%	1.16%	(0.04%)	1.12%
Real Estate	10%	8%	(12.14%)	(13.33%)	0.14%	(0.61%)	(0.47%)
International Equity	11%	15%	10.39%	16.21%	(0.66%)	(0.14%)	(0.80%)
Cash & Equivalents	0%	0%	4.98%	4.98%	0.00%	0.00%	0.00%
<b>Total</b>			<b>11.64%</b>	<b>= 12.79%</b>	<b>+ (0.44%)</b>	<b>+ (0.71%)</b>	<b>(1.15%)</b>

# Total Fund Performance Attribution

December 31, 2023

## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	9.64%	8.54%	0.39%	0.02%	0.42%
Domestic Fixed Income	40%	40%	(2.38%)	(3.31%)	0.36%	0.10%	0.46%
Real Estate	9%	8%	4.64%	4.35%	0.04%	(0.16%)	(0.12%)
International Equity	13%	15%	(8.19%)	2.04%	(1.38%)	(0.02%)	(1.39%)
Cash & Equivalents	0%	0%	2.17%	2.17%	0.00%	0.00%	0.00%
<b>Total</b>			<b>2.04%</b>	<b>= 2.69%</b>	<b>+ (0.59%)</b>	<b>+ (0.05%)</b>	<b>(0.64%)</b>

## Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	15.18%	15.16%	0.02%	(0.07%)	(0.05%)
Domestic Fixed Income	39%	40%	2.64%	1.10%	0.55%	0.03%	0.58%
Real Estate	9%	8%	3.75%	3.78%	0.00%	(0.18%)	(0.18%)
International Equity	14%	15%	6.57%	7.60%	0.02%	(0.00%)	0.02%
Cash & Equivalents	0%	0%	1.85%	1.85%	0.00%	(0.03%)	(0.03%)
<b>Total</b>			<b>8.24%</b>	<b>= 7.91%</b>	<b>+ 0.59%</b>	<b>+ (0.26%)</b>	<b>0.33%</b>

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# Investment Manager Performance Overview

*December 31, 2023*

The Total Fund fourth quarter return of 8.27% (gross of fees) was in line with the benchmark and ranked ahead of the peer group median. Equity and Fixed Income managers generated positive returns, and active management added value for the quarter. The Fund gained 4.98% fiscal year-to-date and exceeded the benchmark return of 4.75%. For the 2023 calendar year, the Total Fund returned 11.64% versus the benchmark return of 12.79% and ranked at the 85<sup>th</sup> percentile of peers. The Fund has outperformed the benchmark over the last 7-, 10-, 15-, 20-, and 32.5-year periods on an annualized basis.

The AJRS Domestic Equity Composite notched an 11.17% in the quarter but trailed the Russell 3000 Index (+12.07%). Fourth quarter returns for the composite ranked in the 89<sup>th</sup> percentile of peers. For the fiscal year-to-date, Domestic Equity gained 9.37%, ahead of the benchmark return (+8.43%) ranking in the top decile of peers. The composite outperformed its benchmark and peer group median over the last 3-, 5-, 15-, 20- and 32.5-year periods.

- The **Mellon** Russell 1000 Growth Index Fund is passively invested in the Russell 1000 Growth Index. The Fund (+14.22%) edged the index return for the quarter and finished at the 48<sup>th</sup> percentile of the Callan Large Cap Growth peer universe. Over the trailing year, the Fund returned a staggering 42.40% and ranked at the 38<sup>th</sup> percentile of peers.
- In large cap value equity, **Boston Partners** returned 8.92% and underperformed the benchmark (+9.50%) for the quarter. Fourth quarter performance ranked in the 79<sup>th</sup> percentile of the Callan Large Cap Value peer group. Over the last year, the Fund generated a return of 14.59% versus the benchmark return of 11.46% and ranked at the 34<sup>th</sup> percentile of peers. The Fund leads its benchmark and ranks in the top third of its peer group across longer time periods.
- In small cap equity, **Aristotle Capital's** 11.07% return trailed the benchmark (+14.03%) and placed at the 85<sup>th</sup> percentile of the Callan Small Cap Core peer group. For the last year, Aristotle returned 7.53% and underperformed the benchmark return of 16.93%. Despite near term underperformance, the strategy has outperformed the benchmark by 3.07% on an annualized basis over the last three years.

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# Investment Manager Performance Overview

*December 31, 2023*

The AJRS International Equity Composite returned 11.66% for the quarter and outperformed the benchmark return of 9.82%, ranking at the 4<sup>th</sup> percentile of peers. For the year, International Equity returned 10.39% versus the benchmark return of 16.21%. The Composite outperformed the benchmark over the trailing 15-year period, but recent underperformance has weighed on results across other trailing periods.

- **Baillie Gifford** is the only manager in the international equity composite. The Fund outpaced the benchmark and ranked in the top quartile of peers for the quarter. The strategy trails its benchmark and peers across longer time periods.

The AJRS Domestic Fixed Income Composite returned 7.77% for the quarter and outperformed the benchmark (+6.82%). The composite ranked in the top decile of its peer group for the quarter. Over the trailing year, Fixed Income returned 8.30% and outpaced the benchmark return of 5.53%. AJRS' Fixed Income return for the fiscal year-to-date and last year ranked in the 4<sup>th</sup> percentile of peers. The Composite has outperformed its benchmark across longer-term periods and ranks in the top half of its peer group over the last 5-, 7-, 10-, 15-, and 20-year periods.

- **Mackay Shields**, the only manager in the fixed income composite, outperformed the Bloomberg Aggregate and ranked at the 4<sup>th</sup> percentile of its peer group for the quarter. Over the last year, the Fund added value over the benchmark and earned a higher return than 94% of peers. The Fund leads its benchmark and ranks in the top half of peers across longer time periods.

The AJRS Real Estate Composite declined 4.64% for the quarter but held up better than the benchmark return of -5.37%. The fourth quarter return ranked in the 89<sup>th</sup> percentile of the Callan Medium Public Fund Real Estate peer universe. Real Estate was down 12.14% for the last year but managed to outperform the benchmark return of -13.33%.

- **Invesco Core Real Estate** is the lone fund within the real estate composite. The Fund ranked at the 84<sup>th</sup> percentile of peers for the quarter. Over the last year, the fund outperformed the benchmark and ranked at the 72<sup>nd</sup> percentile of peers. The Fund outpaced the benchmark across long-term periods and ranked in the top half of peers over the last 7 and 10 years.



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# Organizational Developments

*4<sup>th</sup> Quarter 2023*

## **Baillie Gifford – International Equity**

Baillie Gifford announced that on March 1st, the strategy's Portfolio Construction Group (PCG) will be expanding from five to six members with the addition of Alex Summers, an experienced Emerging Markets investor. At the same point, existing PCG members Iain Campbell and Joe Faraday will establish a dedicated central desk for the strategy, focusing on additional portfolio monitoring, construction, and complimentary research. Iain and Joe will now only be responsible for this strategy with no other regional or client servicing focused responsibilities. Efforts have been made to refine portfolio construction and risk oversight, aiming to strike a balance between high-growth, pre-profit companies and quality compounders.

Overall, while the changes seem incremental, Callan views the heightened focus on risk management to aid in the portfolio balance as a positive development.

## **Boston Partners – Large Cap Value Equity**

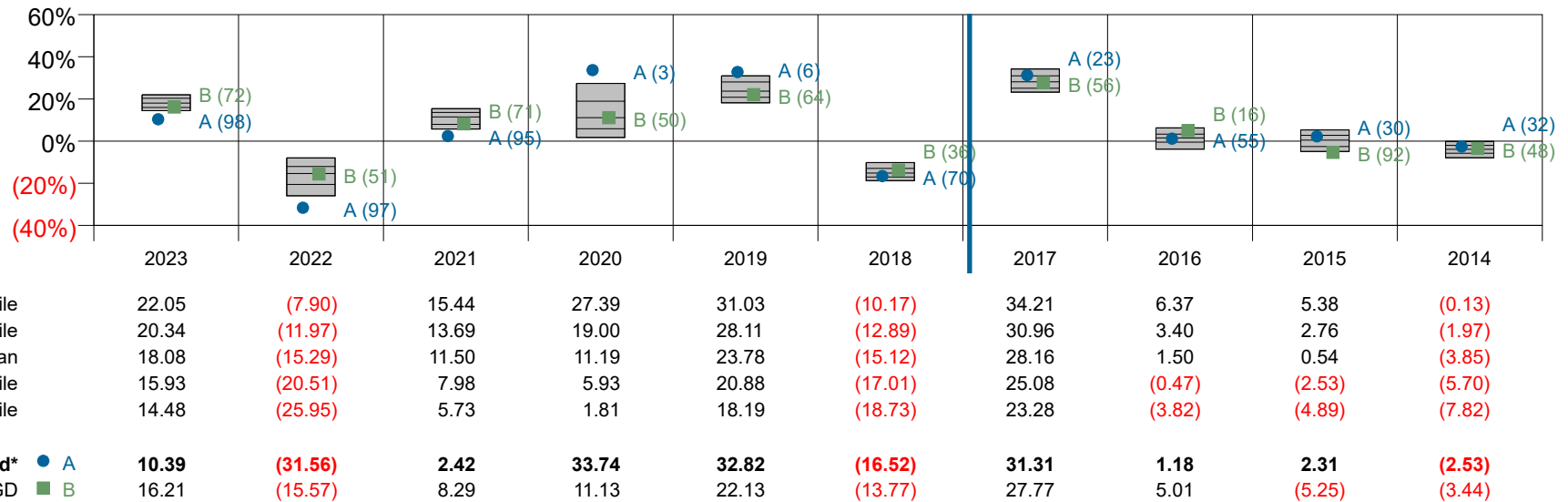
Boston Partners announced that David Pyle, a longstanding Large Cap Value Portfolio Manager (PM), will retire in the third quarter of 2024. He will remain with the firm until September 2024. Pyle's departure will lead to a reduction in the Large Cap Value PM team from four members to three. His duties within the team will primarily transition to portfolio managers Josh White (18 years of tenure at Boston Partners) and David Cohen (7 years of tenure at Boston Partners). Mark Donovan, a founder of Boston Partners, continues to serve as an active portfolio manager for the strategy, with no retirement timeline provided by the firm. Donovan is now the most experienced portfolio manager on the strategy, while Boston Partners has gradually promoted White and Cohen to portfolio manager roles over the past decade in preparation for future transitions.

Callan views this announcement as notable but not actionable given the presence of other tenured PMs who remain in their roles. We will continue to monitor the portfolio for incremental changes but do not foresee any significant deviations, given the collaborative structure and iterative research process in place.

# Manager Spotlight

## Baillie Gifford

Calendar Year Returns  
Group: Callan Non-US Equity



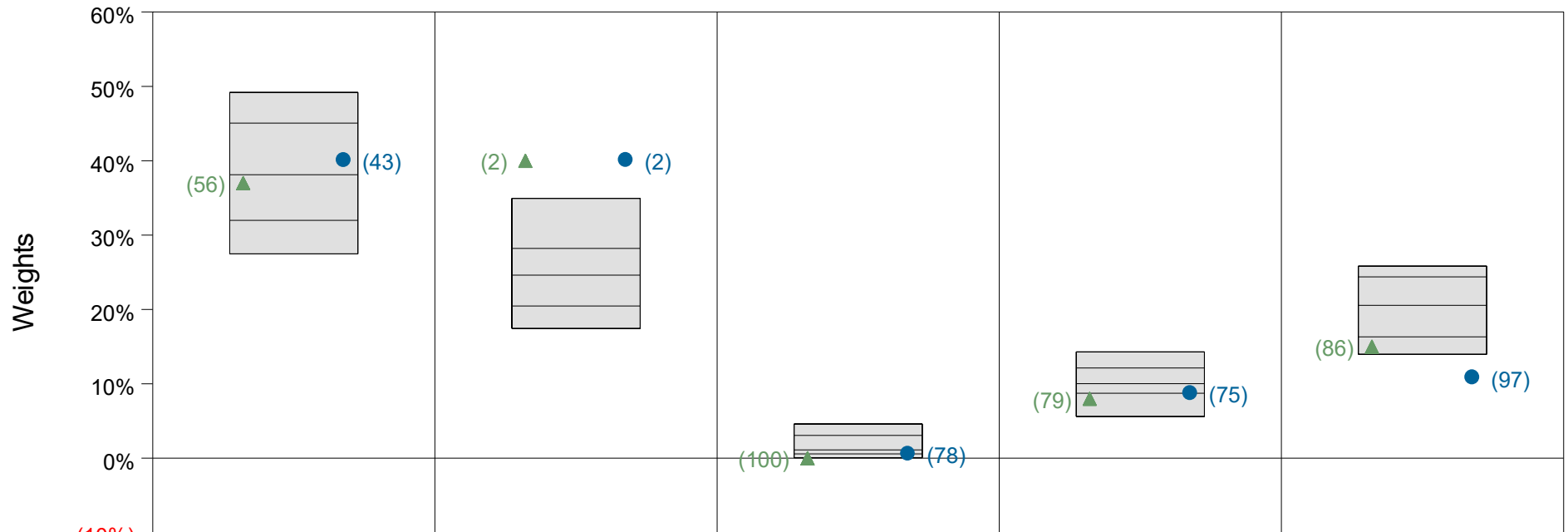
- Baillie Gifford outperformed the benchmark and placed in the top third of its peer group in 5 of the last 10 full calendar years.
- Recently, Baillie Gifford has underperformed the benchmark and ranked in the bottom decile of peers in two consecutive calendar years. The strategy trailed the benchmark and ranked in the 97<sup>th</sup> percentile of its peer group in 2023 despite positive 4Q performance.
- Performance in 2023 struggled due to some key detractors:
  - Japan: a strong value market was a headwind, and several holdings were hurt by their exposure to Chinese consumers and regulations.
  - Consumer Discretionary: luxury goods and cosmetics companies struggled post-COVID as the reopening economy in China was weaker than expected.

\*AJRS investment occurred on 7/1/2017, prior returns represent strategy performance

# Asset Allocation Review

December 31, 2023

## Asset Class Weights vs Callan Public Fund Spons- Mid (100M-1B)



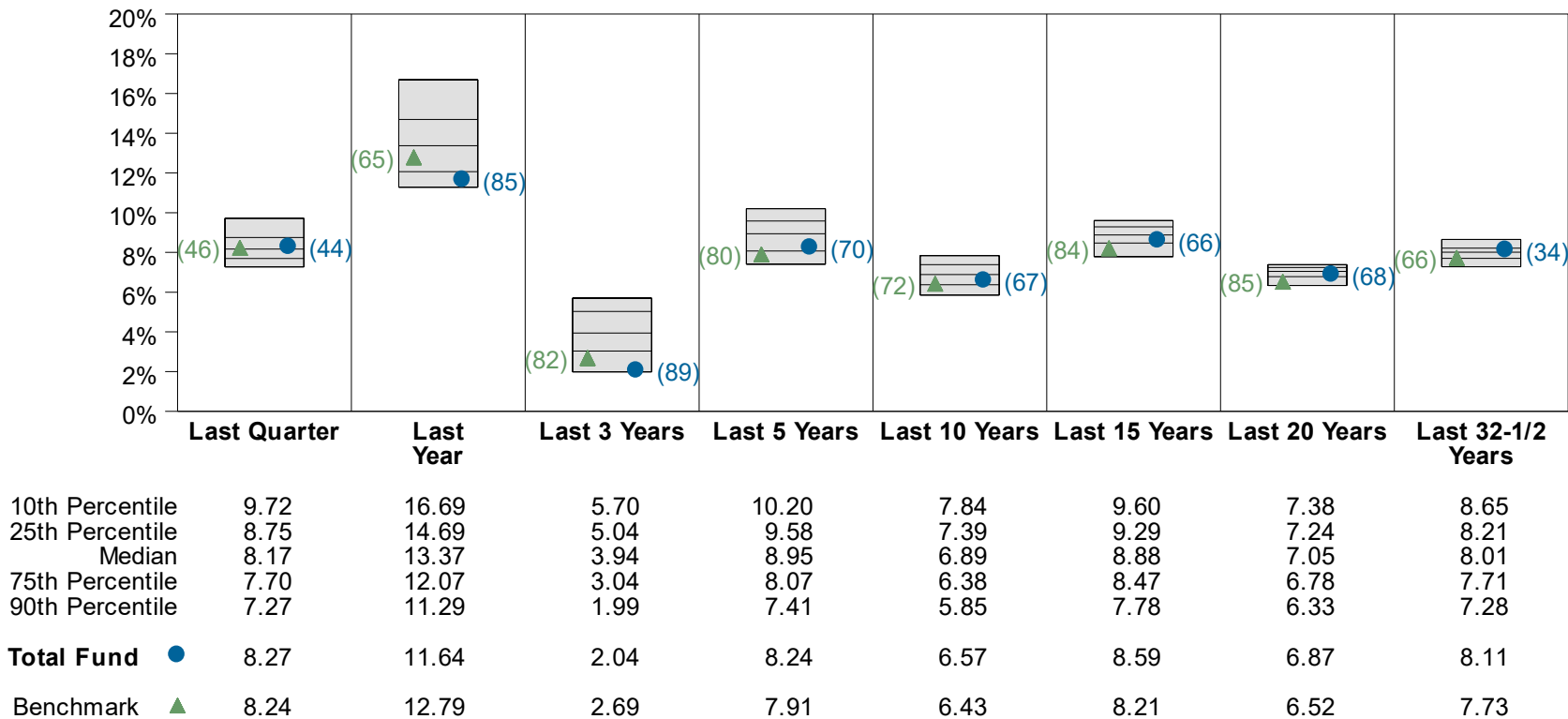
(10%)

	Domestic Equity	Domestic Fixed Income	Cash & Equivalents	Real Estate	International Equity
10th Percentile	49.20	34.93	4.62	14.30	25.83
25th Percentile	45.05	28.20	3.07	12.14	24.37
Median	38.12	24.62	1.12	10.03	20.54
75th Percentile	31.99	20.48	0.57	8.73	16.32
90th Percentile	27.48	17.44	0.07	5.62	13.98
<b>Fund</b> ●	39.99	40.02	0.51	8.68	10.79
<b>Target</b> ▲	37.00	40.00	0.00	8.00	15.00
% Group Invested	100.00%	100.00%	81.82%	66.67%	96.97%

# AJRS Long-Term Performance

December 31, 2023

## Performance vs Callan Public Fund Spons- Mid (100M-1B) (Gross)

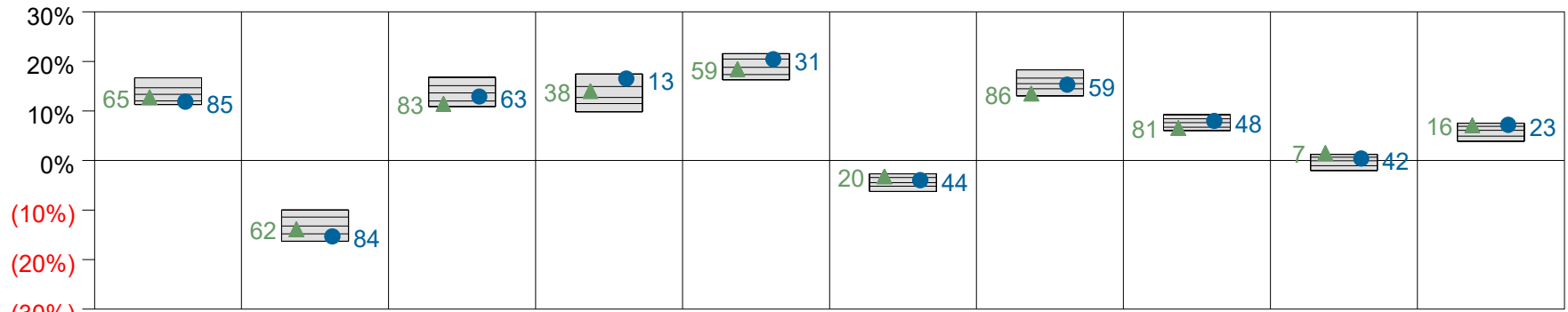


- The Total Fund and the Benchmark both rank in the bottom half of peers over the last 3-, 5-, 10-, 15-, and 20-year periods due to the asset allocation difference of AJRS versus peers.
  - The benchmark represents the market performance of the asset allocation for AJRS.
  - The peer group consists of public funds of similar size, but each constituent has a unique asset allocation that influences their risk/return profile. The peers largely have higher allocations to equities which have outperformed fixed income over the periods measured.

\*Policy Target consists of 40% Blmbg Aggregate Index, 37% Russell 3000 Index, 15% MSCI ACWI xUS GD, and 8% NCREIF NFI-ODCE Eq Wt Net

# AJRS Calendar Year Performance

## Performance vs Callan Public Fund Spons- Mid (100M-1B) (Gross)



	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
10th Percentile	16.69	(9.97)	16.80	17.48	21.58	(2.68)	18.30	9.29	1.27	7.54
25th Percentile	14.69	(11.40)	15.11	14.95	20.48	(3.44)	16.63	8.44	0.67	6.92
Median	13.37	(13.23)	13.64	12.75	18.82	(4.47)	15.51	7.66	(0.03)	6.11
75th Percentile	12.07	(14.77)	12.03	11.49	17.36	(5.17)	14.48	6.75	(1.05)	4.93
90th Percentile	11.29	(16.26)	10.91	9.84	16.29	(6.24)	13.06	6.05	(2.00)	3.89
<b>Total Fund</b> ●	11.64	(15.54)	12.68	16.31	20.20	(4.23)	15.08	7.75	0.15	6.95
<b>Benchmark</b> ▲	12.79	(13.86)	11.45	14.03	18.48	(3.19)	13.53	6.58	1.54	7.13

- The Total Fund has outpaced the benchmark in 5 of the last 10 calendar years, but this does not always guarantee favorable performance relative to its peer group.
  - AJRS' benchmark is a blended mix of asset class public indices that reflect the Fund's strategic asset allocation.

\*Policy Target consists of 40% Blmbg Aggregate Index, 37% Russell 3000 Index, 15% MSCI ACWI xUS GD, and 8% NCREIF NFI-ODCE Eq Wt Net

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