

INVESTMENTS MONTHLY SUMMARY

JUNE 2024



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INVESTMENTS MONTHLY SUMMARY – JUNE 2024

Recent Results

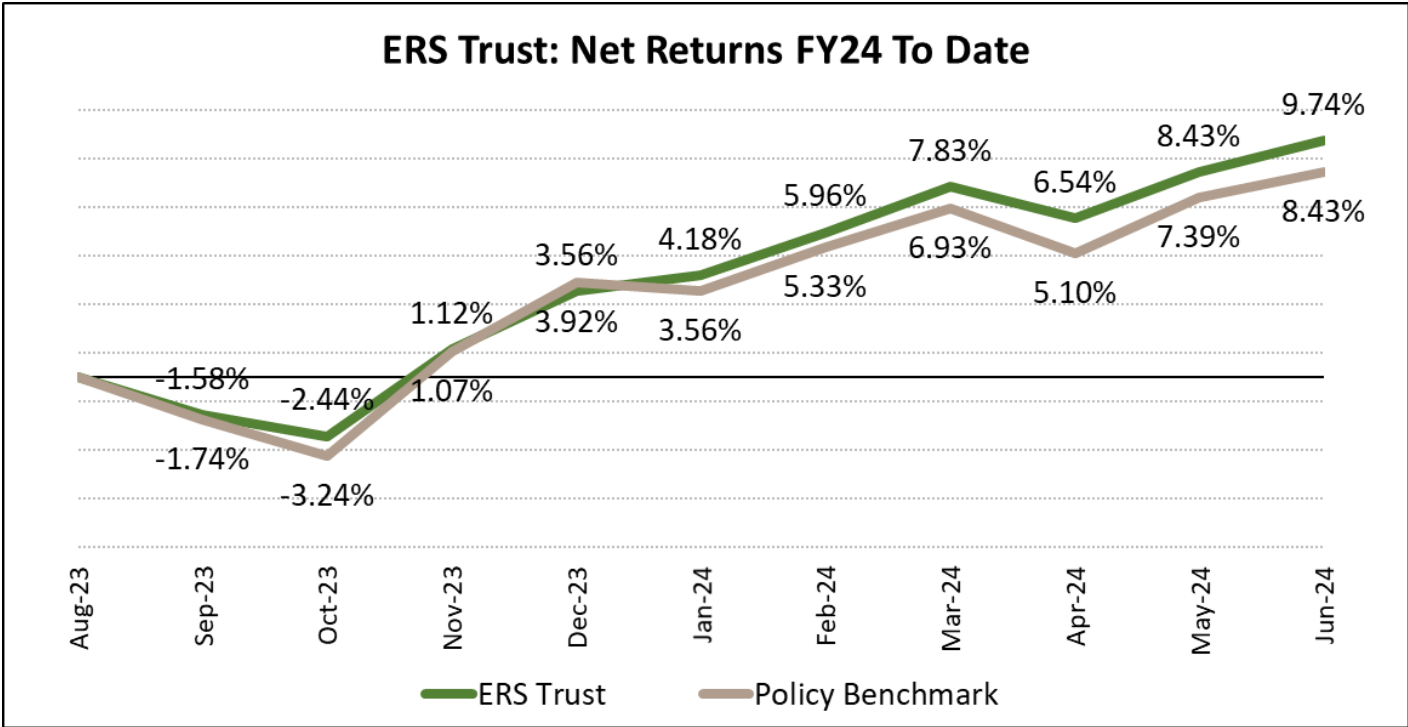
In June 2024, investments managed by the ERS Trust achieved a net return of 1.2%. This performance was primarily driven by gains in its investments in Public Equity and Private Credit, each increasing by +2.6%. Overall, the ERS Trust has delivered positive returns of +9.7% for Fiscal Year 2024 and +10.8% over the past year.

Exhibit 1. Investment Returns of the ERS Trust

Asset Class Returns	June 2024	Fiscal Year 2024	Trailing One Year
ERS Trust	1.2%	9.7%	10.8%
Policy Benchmark	1.0%	8.4%	9.3%
Excess Return	0.2%	1.3%	1.5%

In June, the ERS Trust achieved an absolute return of 1.2%, surpassing the benchmark by 0.2%. For Fiscal Year 2024 to date, the Trust has exceeded the Policy Benchmark by 1.3%, and has upheld a robust lead of 1.5% over the previous twelve months.

Exhibit 2. Returns of ERS Trust and Policy Benchmark



Return Seeking assets, which accounted for 81.5% of total Trust assets at month end, returned 1.3% for the month. Within this category, Public Equity and Private Credit delivered the strongest results, with gains of 2.6% each.

Exhibit 3. Investment Returns of Return Seeking Assets

Asset Class Returns	% of Trust	June 2024	Fiscal Year 2024
Public Equity	35.3%	2.6%	21.4%
Private Equity	17.3%	0.0%	4.6%
Public Credit	7.5%	0.9%	8.8%
Private Credit	3.8%	2.6%	17.7%
Public Real Estate	1.7%	0.4%	6.1%
Private Real Estate	9.8%	-0.6%	-5.0%
Private Infrastructure	6.0%	0.6%	4.7%
RETURN SEEKING ASSETS	81.5%	1.3%	11.1%

Simultaneously, Risk-Reducing assets yielded a 0.8% return for the month, while Special Situations generated a gain of 3.6%.

Exhibit 4. Investment Returns of Risk Reducing Assets

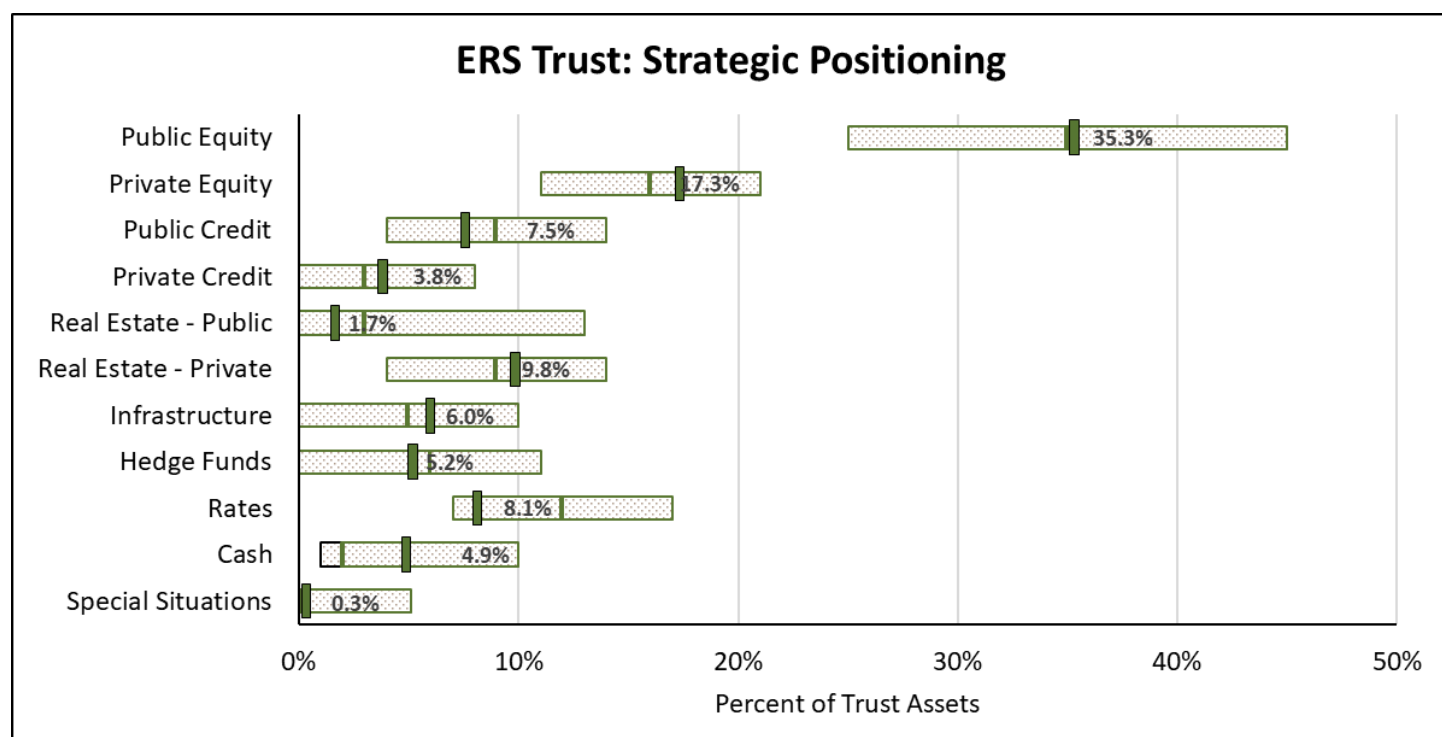
Asset Class Returns	% of Trust	June 2024	Fiscal Year 2024
Rates	8.1%	0.9%	3.7%
Hedge Funds	5.2%	0.9%	5.0%
Special Situations	0.3%	3.6%	21.8%
Cash	4.9%	0.5%	4.5%
RISK REDUCING ASSETS	18.5%	0.8%	4.4%

As of Q2 2024, indications of decelerating US inflation have heightened expectations for Federal Reserve interest rate cuts, aligning with prior financial market forecasts. Moreover, strong Q1 earnings reported by top Artificial Intelligence firms have sustained optimism across global equity markets.

Trust Positioning

As of the end of the month, Trust investments were positioned within the asset allocation ranges established by the ERS Investment Policy Statement. From a relative positioning standpoint, the Trust maintained an overweight in Cash and private market investments including Private Equity, Private Credit, Private Real Estate, and Infrastructure. Relative underweights came primarily from Public Credit, Public Real Estate, Hedge Funds and Rates.

Exhibit 5. Trust Positioning Relative to Strategic Targets and Tactical Bands



The ERS Investment Policy Statement recognizes that an overweight to private market assets may occur from time to time, and managing this positioning back toward the target allocation over time occurs by adjusting the pacing of commitments. Those efforts remain ongoing and the target range for capital commitments has been adjusted accordingly for Fiscal Year 2024 and beyond.

Trust Liquidity

In June, the Trust had a net cash outflow of \$124 million for the month. Excluding significant one-time and legacy payments of \$1,381 million from the State of Texas, the total outflows over the trailing year amounted to \$1.39 billion, representing 3.9% of the Trust's initial value during that period.

Exhibit 6. Cash Flow Sources and Uses for ERS Trust

Asset Class	June 2024 (\$M)	Fiscal Year 2024 (\$M)	One Year (\$M)
Contributions	128	1,261	1,500
Distributions	117	1,314	1,564
Benefit Payments	(260)	(2,486)	(2,967)
Capital Calls	(108)	(1,347)	(1,526)
Legacy Payments	0	1,381	1,381
TOTAL	(124)	164	(8)

Trust liquidity remains healthy with a 13.0% allocation to Rates and Cash, which equates to more than three years of net benefit payments for the Trust based on recent levels of \$1.5 billion annually.

Investment Activity

There were two investment approvals by Asset Class Investment Committees during the month.

Exhibit 7. Asset Class Investment Committee (ACIC) Approvals for June 2024

Asset Class	# of Investments	Commitments (\$M)	Other Actions
Private Equity	1	2	0
Private Credit	0	0	0
Hedge Funds	0	0	0
Private Real Estate	0	0	0
Infrastructure	1	19	0
Special Situations	0	0	0
TOTAL	2	21	0

For the fiscal year to date, there have been thirty one commitments totaling around \$1,146 million.

Exhibit 8. Asset Class Investment Committee (ACIC) Approvals for Fiscal Year 2024

Asset Class	# of Investments	Commitments (\$M)	FY24 Tactical Plan (\$M)
Private Equity	21	702	450-750
Private Credit	2	150	100-150
Hedge Funds	3	50	N/A
Private Real Estate	2	125	150-450
Infrastructure	3	120	150-250
Special Situations	0	0	N/A
TOTAL	31	1,146	900-1500

Trading desk activity was also robust during the month, with around 28.6 million shares totaling \$1,318 million in value routed through the desk.

Exhibit 9. Trading Desk Activity for June 2024

Portfolio Type	Shares Jun '24	Value Jun '24	Shares FYTD	Value FYTD
Internally Managed	27 million	\$1,307 million	281.5 million	\$9,063 million
Externally Advised	1.6 million	\$11 million	12.3 million	\$364 million

Long-Term Performance

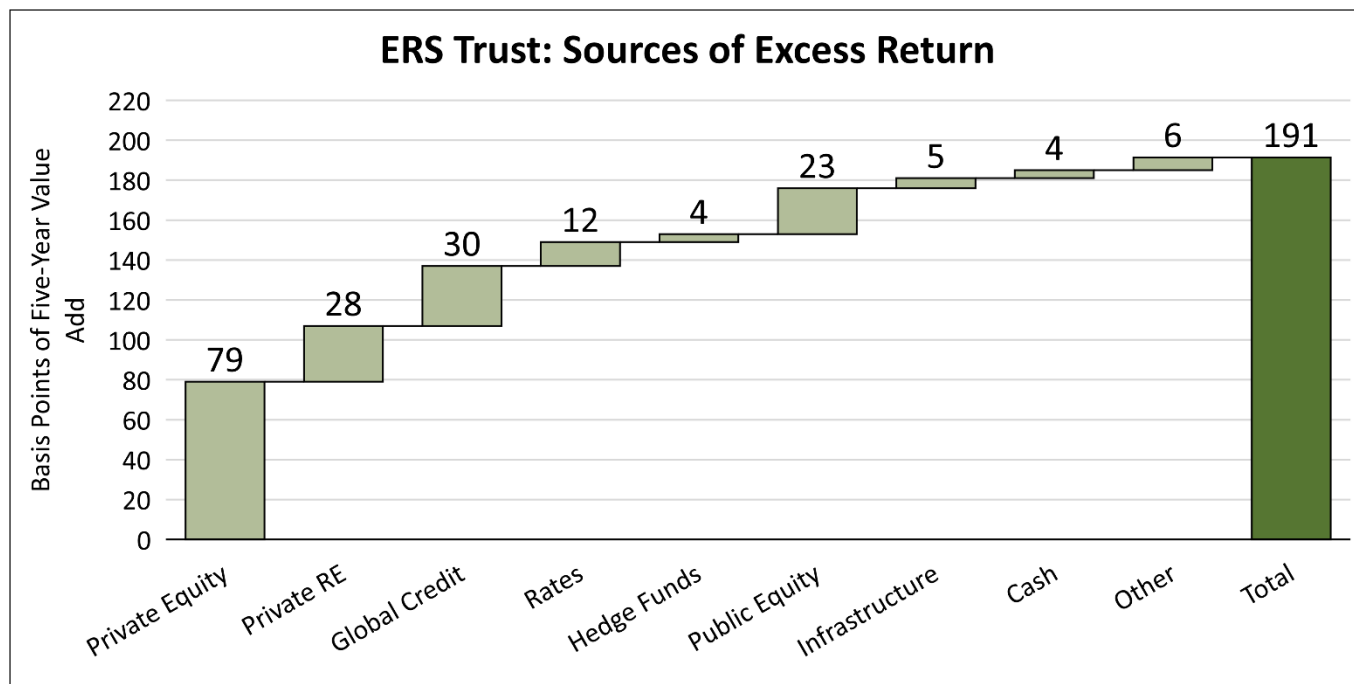
The performance of the Trust remains well above the Policy Benchmark across all time horizons and represents significant value added from investment implementation. Staff believes that such high levels of relative performance are among the best in the history of the ERS Trust.

Exhibit 10. Investment Returns of ERS Trust

	3 years	5 years	10 years
ERS Trust	6.1%	9.1%	7.6%
Policy Benchmark	4.6%	7.2%	6.6%
Passive Index	3.6%	8.5%	6.9%

The ten-year return for Trust investments remains strong and continues to exceed the Policy Benchmark and the Passive Index. Almost all asset classes have contributed meaningfully to the excess returns of the Trust.

Exhibit 11. Five-Year Excess Return Attribution for ERS Trust



Risk Metrics

Absolute risk for the Trust as measured by realized volatility has risen over the last 36 months and is now at 7.6% on a trailing five-year basis. This level represents an increase from pre-pandemic levels of 5-6% and is in line with the long-term average of 8%. This metric for the Trust is slightly below the realized volatility of the Policy Benchmark and it is well below that of the Passive Index of 14.3% due in large part to the smoothing effects of private market valuations.

Exhibit 12. Realized Volatility of ERS Trust

	3 years	5 years	10 years
ERS Trust	6.6%	7.6%	6.7%
Policy Benchmark	7.6%	8.0%	7.4%
Passive Index	13.9%	14.3%	12.1%

Relative to the amount of absolute risk taken, the performance of the Trust has been good as evidenced by high Sharpe ratios, which measures the amount of return per unit of absolute risk. As measured over the last five years the Sharpe ratio was 0.91, significantly above the typical threshold value of 0.3-0.4.

Exhibit 13. Realized Sharpe Ratio of ERS Trust

	3 years	5 years	10 years
ERS Trust	0.46	0.91	0.91
Policy Benchmark	0.21	0.63	0.68
Passive Index	0.04	0.45	0.45