



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 10

**MEETING DATE:** October 19, 2022

**SUBJECT:** Quarterly Investment Manager Compliance and Watch List Report – Third Quarter 2022

**SUBMITTED FOR:**  Consent       Deliberation and Action       Receive and File

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#### **RECOMMENDATION**

Staff recommends the Board receive and file the Quarterly Investment Manager Compliance and Watch List report for the third quarter as of September 2022.

#### **PURPOSE**

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

#### **DISCUSSION**

At the August 2022 Board meeting, Staff provided an education on the monthly Investment Manager Activity, Compliance, and Watch list report. The goal of the education was to familiarize the Board with the objectives and layout of the report as well as to survey the Board for feedback on potential changes to the report. As highlighted at the September 2022 Board meeting, and based on the internal Staff discussions and feedback from the Board, the report has been modified to remove the exposure and activity data and convert it into a quarterly report. The revised report will only provide summary data related to investment managers on the Watch List and material investment compliance violations from investment guidelines.

In 2023, a separate report will be created to include a range of more relevant exposure data and activity in easy to digest charts and graphs, utilizing the new portfolio analytics software by Caissa.

The Board can expect to receive the revised Quarterly Investment Manager Compliance and Watch List report on a going forward basis at the following Board meetings:

- January
- April
- August
- October

SCERS' investment manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of September 30, 2022, the following managers were on the Watch List:

- Mondrian (Public Equity)

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS' investment managers and update the Watch List accordingly.

## **ATTACHMENTS**

1. Board Order
2. Quarterly Watch List and Compliance Report – Third Quarter

Prepared by:

/S/

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Michael Vang  
Investment Analyst

Reviewed by:

/S/

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Steve Davis  
Chief Investment Officer

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
October 19, 2022

AGENDA ITEM:

**Quarterly Investment Manager Compliance and Watch List Report –  
Third Quarter 2022**

THE BOARD OF RETIREMENT hereby accepts the recommendation of Staff to receive and file the Quarterly Investment Manager Compliance and Watch List report for the third quarter as of September 2022.

I HEREBY CERTIFY that the above order was passed and adopted on October 19, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:  
(Present but not voting)

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Keith DeVore  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary

**SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**Quarterly Compliance Report - September 2022**

#	Investment Manager	Fund Type	Net Asset Value (as of Sept 2022)	Report Month	Compliance Violation	Commentary
None						

**SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**Quarterly Investment Manager Watch List - September 2022**

#	Investment Manager	Fund Type	Net Asset Value (as of Sept 2022)	Reason	Effective (month - year)	Commentary
1	<b>Mondrian International Small Cap</b>	Public Equity	\$ 81,040,586	<b>Performance</b>	Oct-21	Mondrian is a value oriented public equity manager and its International Small Cap strategy invests in International Small Cap Equities within Developed Markets. As of June 30, 2022, Mondrian generated a return of -15.7% for Q2 and a YTD return of -24.6%. Across the various time periods, Mondrian continues to underperform with a 1-yr return of -26.7%, 3-yr return on -1.2%, and a 5-yr return of 1.4%. Staff will continue to monitor Mondrian's performance
2	<b>Mondrian Emerging Markets Equity</b>	Public Equity	\$ 152,963,043	<b>Performance</b>	Oct-21	Mondrian is a value oriented public equity manager and its Emerging Market strategy invests in public equity securities across the market cap spectrum. As of June 30, 2022, Mondrian generated a return of -9.5% for Q2 and a YTD return of -14.3%. Across the various time periods, Mondrian continues to underperform with a 1-yr return of -23.3%, 3-yr return on 0.9%, and a 5-yr return of 1.7%. Staff will continue to monitor Mondrian's performance