



# SWIB Update

*Rochelle Klaskin, Deputy ED/Chief Administrative Officer*

*Edwin Denson, Managing Director of Asset & Risk Allocation*

*November 16, 2020*

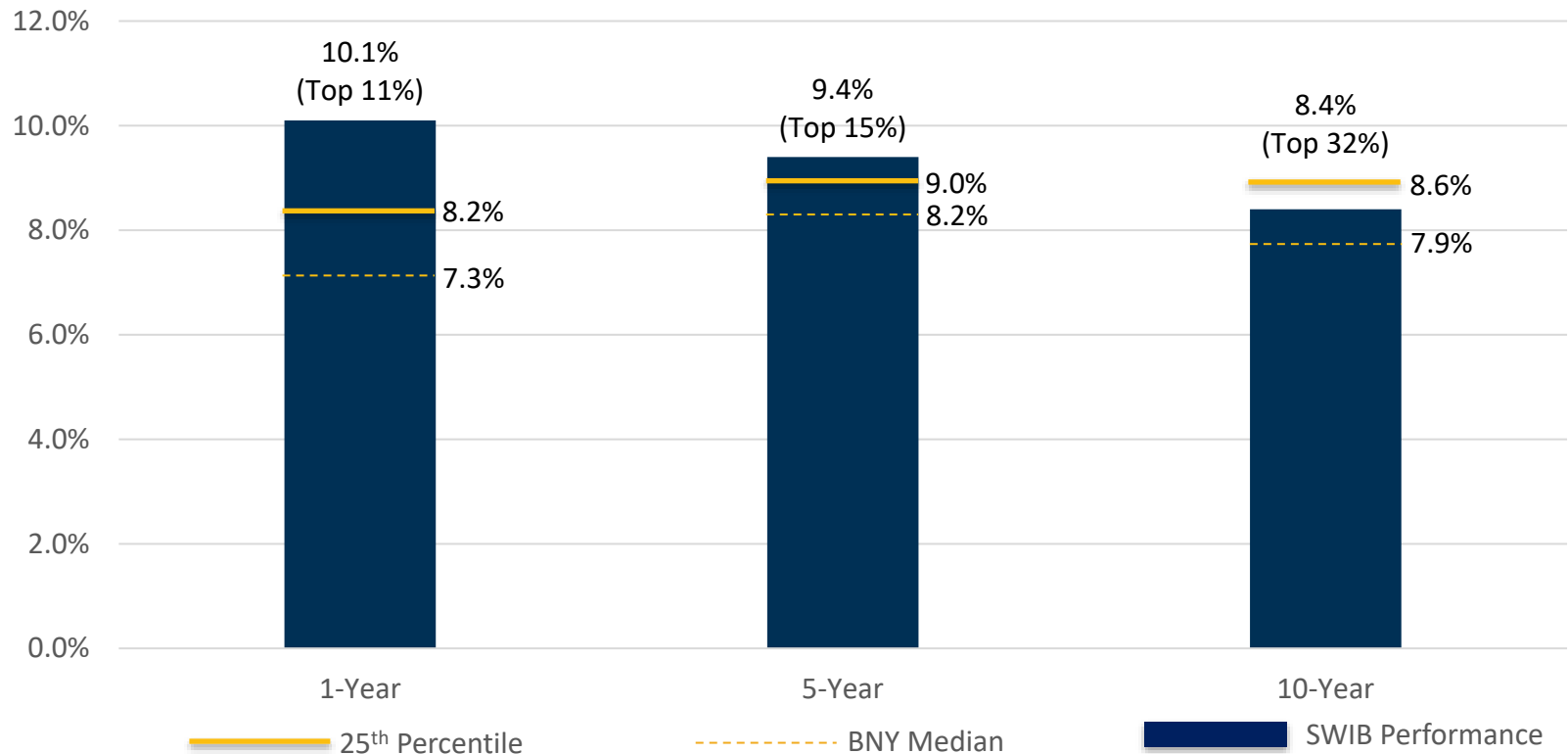
# Q3 2020 Performance

*Net of external manager fees as of Sept. 30, 2020*

<b>Core Fund</b>	<b>Year-to-Date</b>	<b>5-Year</b>	<b>10-Year</b>
Performance	4.41%	8.98%	8.02%
Benchmark	4.33%	8.75%	7.69%
<b>Variable Fund</b>	<b>Year-to-Date</b>	<b>5-Year</b>	<b>10-Year</b>
Performance	1.73%	11.57%	10.83%
Benchmark	2.17%	11.58%	10.71%

# Peer Rankings

*BNY Mellon Clients \$5 billion and greater as of Sept. 30, 2020*



- SWIB ranks above the BNYM peer group median for the 1-, 5-, and 10-year periods.

# Facility Update

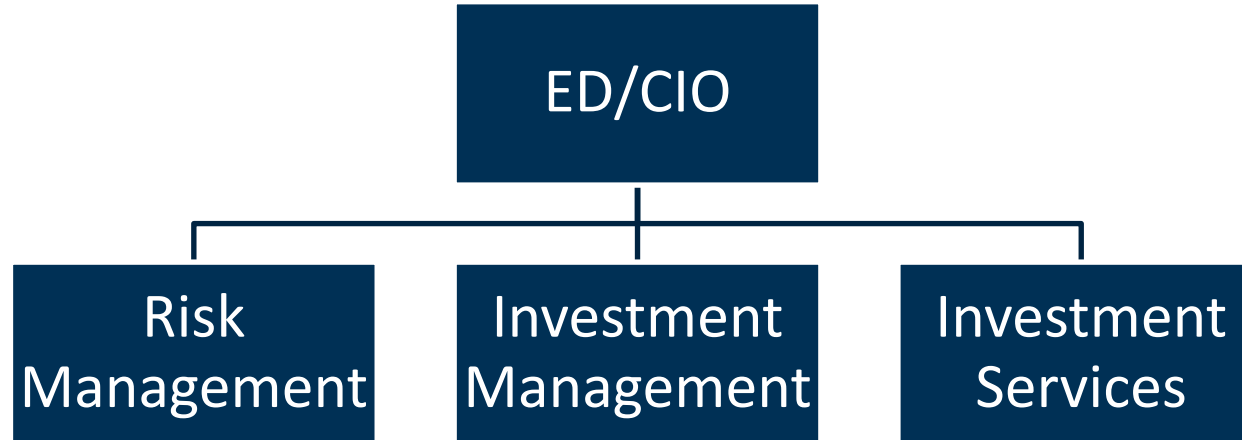
# Madison Yards: New Home for SWIB!



Visit [www.swib.state.wi.us/newsroom](http://www.swib.state.wi.us/newsroom) for more information.

# Risk Management Division

# Risk Management Division



- **Head of Risk Management** – investment professional, ideally with some operational experience
- Initially 2 additional FTEs

# Risk Areas

*The new Risk Management Division will assess, evaluate, and monitor both investment risk and enterprise risk, and establish dashboards of key risk metrics to guide the ED/CIO*

<b>Investment Risk*</b>	<b>Enterprise Risk*</b>
Policy Risk	Data Quality and Governance
Measure/Monitor Active Risk and Drawdowns	Technology and Business Continuity
Strategy Risk (Execution)	Operations
Soft Risk Parameters	Turnover
Benchmark Mismatch	Vacancy Rate
Liquidity Risk	Legal Risk
Assumption Risk	Financial Results
Counterparty Risk	Obsolescence

\*As the Division becomes more established and fully staffed, it may be prudent to expand into other risk areas over time.



# Asset Allocation

# Benefits of Diversification & Leverage

- Asset Allocation: The selection of what asset classes to invest in and in what proportions
- Diversification and leverage provide tools to:
  - Reduce the volatility associated with a given return series
  - Reduce the likelihood of negative outcomes over time

# Potential 2021 Asset Allocation Changes

- Increase leverage target to 115%
  - Increase target allocation to Private Equity/Debt from 9% to 11%
  - Increase Public Equity allocation from 49% to 51%
  - Increase Public Fixed Income and Inflation Sensitive Assets 0.5% each

# Core Fund Asset Allocation

	<b>Current Policy Portfolio</b>	<b>Adjusted Policy Portfolio</b>	<b><i>Adjusted Rebalance Ranges</i></b>
Public Equity	49.0%	51%	45% - 57%
Public Fixed Income	24.5%	25%	19% - 31%
Inflation Sensitive Assets	15.5%	16%	11% - 21%
Private Equity/Debt	9.0%	11%	8% - 14%
Real Estate	8.0%	8%	5% - 11%
<u>Multi Asset</u>	<u>4.0%</u>	<u>4%</u>	<u>1% - 7%</u>
<b>Total</b>	<b>110%</b>	<b>115%</b>	<b>110%* - 120%</b>
<i>10 Yr Expected Return</i>	<i>5.70%</i>	<i>6.0%</i>	
<i>30 Yr Expected Return</i>	<i>6.35%</i>	<i>6.6%</i>	
<i>Standard Deviation</i>	<i>11.7%</i>	<i>12.5%</i>	*SWIB Staff allowed to eliminate leverage, i.e., down to 100%
<i>Sharpe Ratio 10 Yr</i>	<i>0.435</i>	<i>0.432</i>	
<i>Target Active Risk</i>	<i>1.2%</i>	<i>1.2%</i>	

# Active Return Enhances Total Return

<b>10-Years</b>	<b>Return Contribution</b>	<b>Risk</b>
Proposed Policy Portfolio	6.0%	12.5%
Active Return	0.3% to 0.8%	0.6% to 1.8%
Total	6.3% to 6.8%	12.7% to 13.1%

<b>30-Years</b>	<b>Return Contribution</b>	<b>Risk</b>
Proposed Policy Portfolio	6.6%	12.5%
Active Return	0.3% to 0.8%	0.6% to 1.8%
Total	6.9% to 7.4%	12.7% to 13.1%

# Questions?