San Bernardino County Employees'
Retirement Association

SBCERA Investment Plan and Update

2026 Investment Forum

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Agenda

Purpose of our Investment Forum

- Share beliefs
- Share priorities/anticipated actions
- Strategy reminder during the tough times

Investment Beliefs

- The foundations
- The methods

What we said

- Asset allocation history
- Performance results

What concerns us

- Inflation, equity valuations, government budgets, and global growth

Investment Beliefs

The Foundations:

- Income
- Value
- Opportunistic

Income for SBCERA means:

Focus more on income, and less on price change as a return driver

Contractual income is preferrable to asset appreciation/dividends

Realized gains and income are worth more than unrealized gains and accrued income

Relying on Public Markets for liquidity is added risk

Cash flow allows investors to reinvest during volatile markets

Value for SBCERA means:

What you pay for an asset significantly determines your outcome

Losses hurt more than gains help (investment returns compound over time/negative cash outflows reinforce the need to manage volatility)

All assets must compete for an allocation, from both a return and risk perspective

Diversification (while important) is not a sufficient reason to invest in an asset

Opportunistic for SBCERA means:

Maintain liquidity for rebalancing or purchasing attractive assets in times of distress

Concentrate to size positions for our portfolio

Hold small (toe-hold) allocations until pricing improves when allocations can meaningfully increase

Cash has option value; probabilistic outcomes are part of the cost of capital.

Investment Beliefs

The Methods:

- Relationship
- Platform
- Governance

The Relationship:

Fiduciary for SBCERA

Formal recommendation to SBCERA

Senior-level, whole platform focused portfolio management

Collaborative, hands-on relationship for asset-level discussion

The Platform:

Negotiate fees based on actual assets managed versus committed

Single fee and master account level terms for more competitive fees and better alignment of interest

Unified contractual terms and conditions

Investment Allocation

2026 Asset Allocation		Ranges	Benchmarks
Domestic Equity	17%	10%-27%	R3000
International Equity	13%	8%-18%	ACWI ex US
Private Equity	18%	6%-23%	R3000
Domestic Fixed	15%	10%-20%	US Agg
International Fixed	17%	11%-21%	Global Agg ex US
Real Estate	5%	0%-10%	NCREIF
Real Assets	6%	0%-10%	Blend GSCI + TIPS
Absolute Return	7%	0%-12%	US Agg
Cash	2%	0%-10%	91-Day T-Bill

Role of Broad Asset Ranges

Broad ranges around the asset classes allow the Staff to effectively manage the portfolio and take asset price into consideration/Model based rebalancing

Role of Position Sizing

Modest allocations in conjunction with broad asset ranges allow SBCERA to allocate a meaningful amount when pricing is more appropriate, but to only maintain a nominal position when pricing is less attractive

The Governance:

Actuary

Evaluate Funding Adequacy

Board of Trustees

- Provide Administrative Oversight
- Review Strategic Asset Allocation
- Approve Recommendations

Consultant

Provide Independent Advice

Investment Committee

- Review Policy
- Make Recommendations

Investment Staff

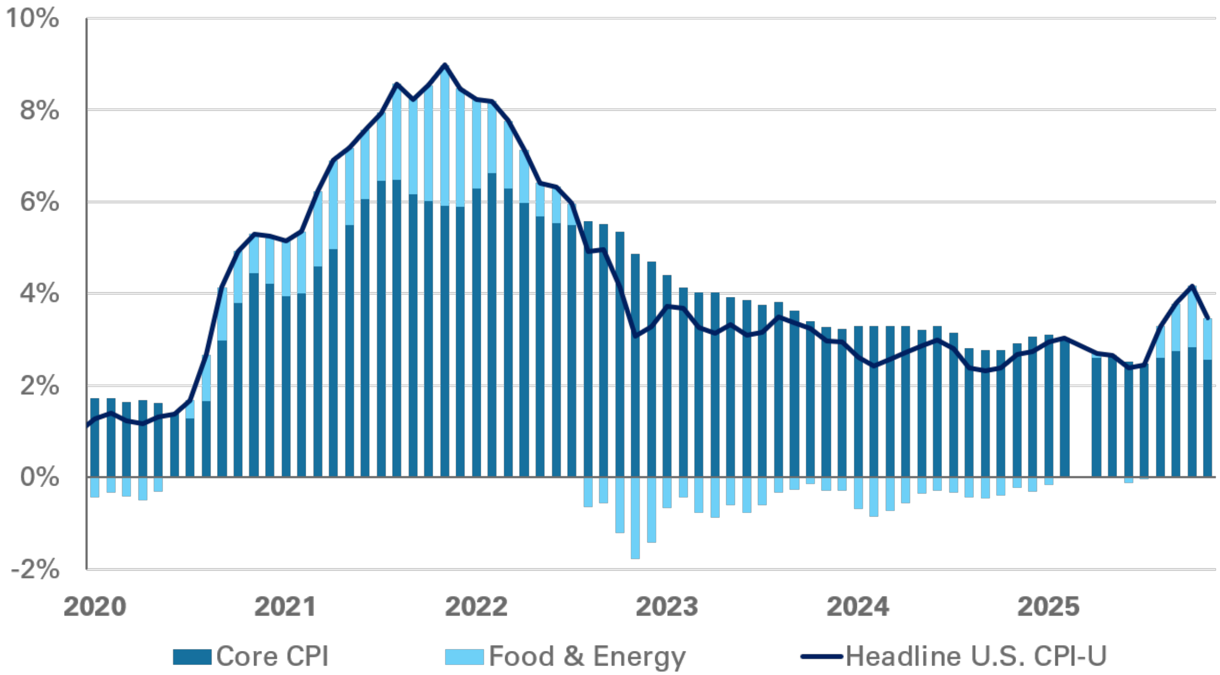
- Recommend Asset Allocation targets, ranges, benchmarks
- Implement Policy and Program, including structure, Manager Allocations
- Assist Committee and Board

What concerns us

- Inflation remains stubbornly higher than Fed target
- Impact of higher rates and disrupted supply chains on global economic growth
- Dependence of economy and markets on AI capital spending and sustained earnings growth
- Pressure on long-term fiscal health of US budget and lower quality corporate credit
- Relentless Manager Consolidation and Asset Growth

Inflation Remains Higher than Fed Target

U.S. CONSUMER PRICE INFLATION ANNUALIZED DATA



Note: Gap in data for October 2025 coincides with the U.S. government shutdown, where CPI data was not published.

Sources: Bureau of Labor Statistics, FactSet

LESS FED GUIDANCE MAY FUEL RATE VOLATILITY
FOMC STATEMENT WORD COUNT

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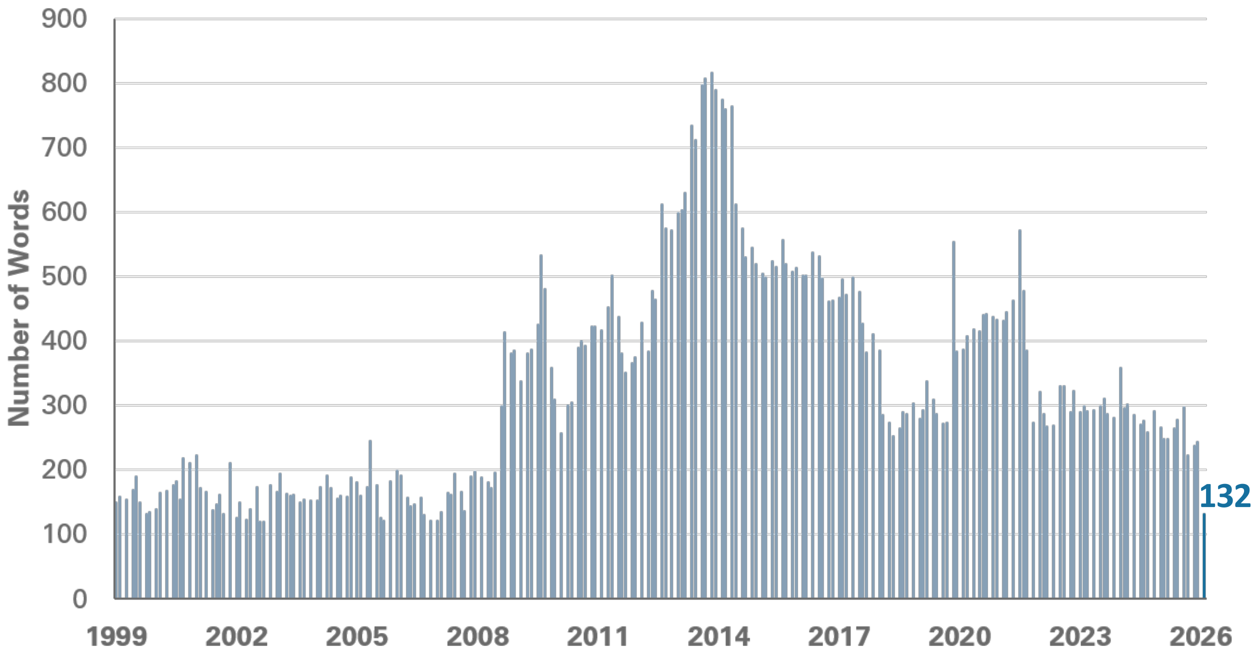
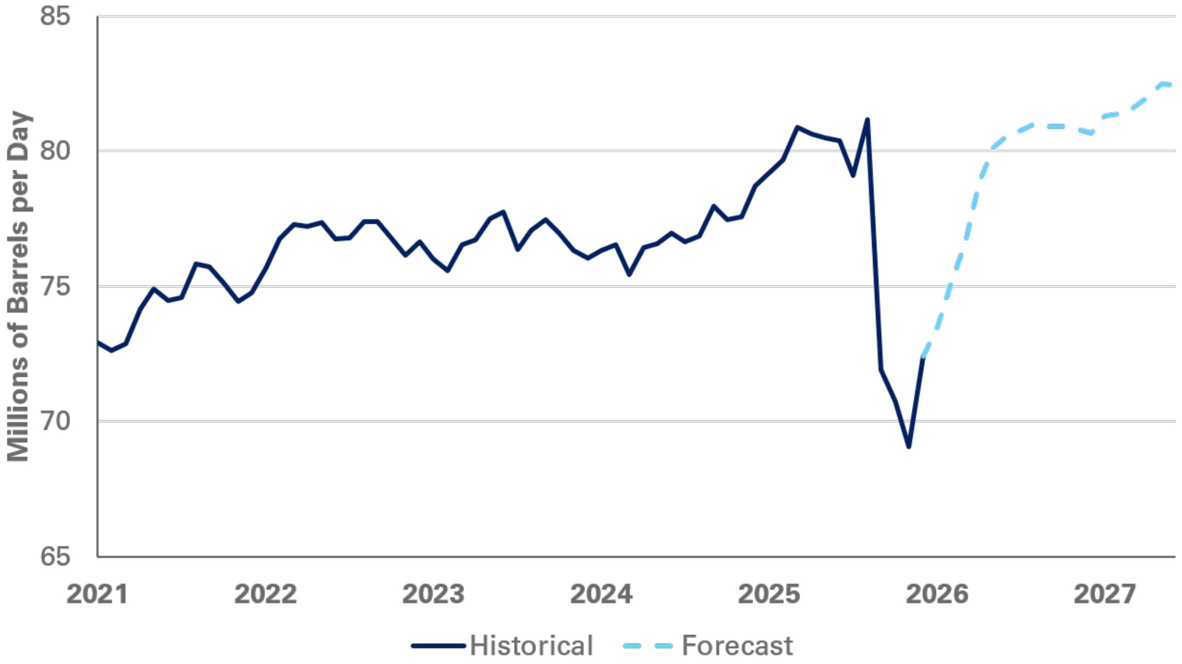


Note: Excludes voting information.

Sources: Federal Reserve, NEPC

STABILIZATION IN OIL SUPPLY HINGES ON HORMUZ

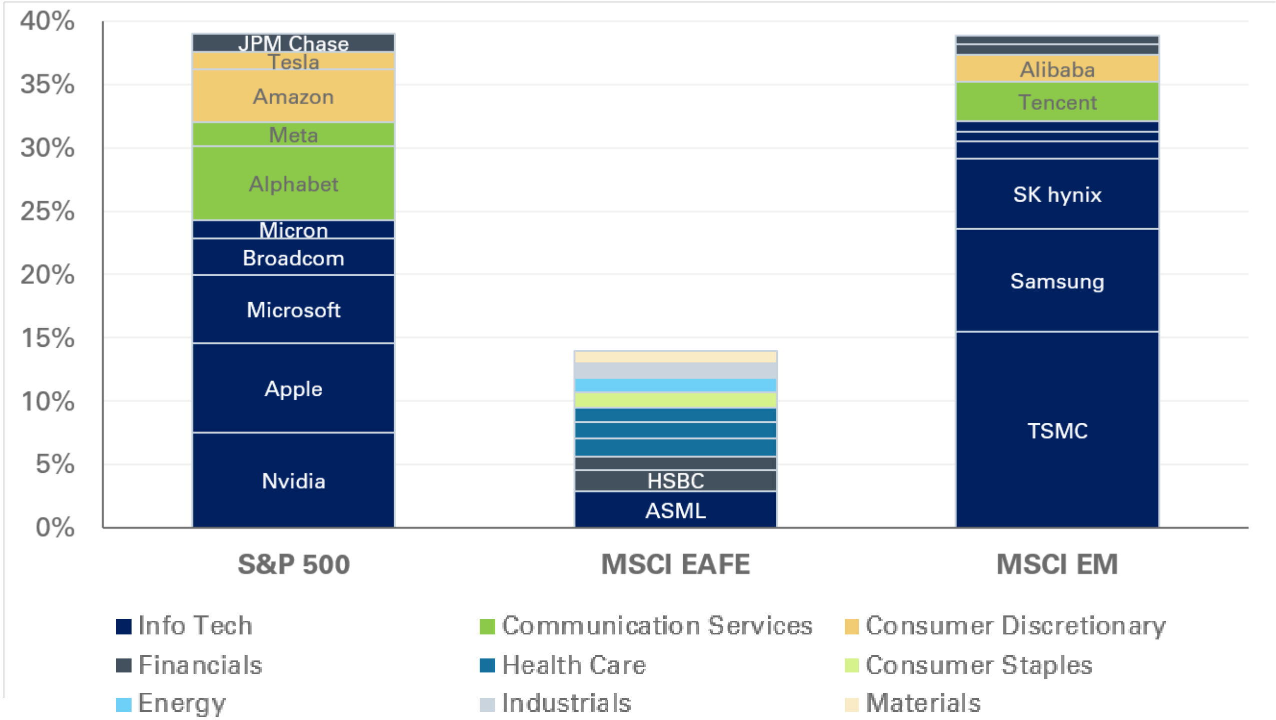
WORLD CRUDE OIL PRODUCTION



Sources: U.S. Department of Energy, FactSet

Global Public Market Concentration is High

TOP 10 COMPANIES: GLOBAL EQUITY INDEX COMPOSITION



Note: MSCI EAFE components not labeled include Mitsubishi UFJ, Roche Holdings, Novartis, AstraZeneca, Nestle, Shell, Siemens, and BHP Group. MSCI EM components not labeled include MediaTek, Delta Electronics, Hon Hai, China Construction Bank, and HDFC Bank. Weights as of 7/31/2026.

Sources: S&P, MSCI, FactSet

NO SIGNS OF SLOWING AI-RELATED CAPEX SPEND
ANNUAL CAPITAL EXPENDITURES

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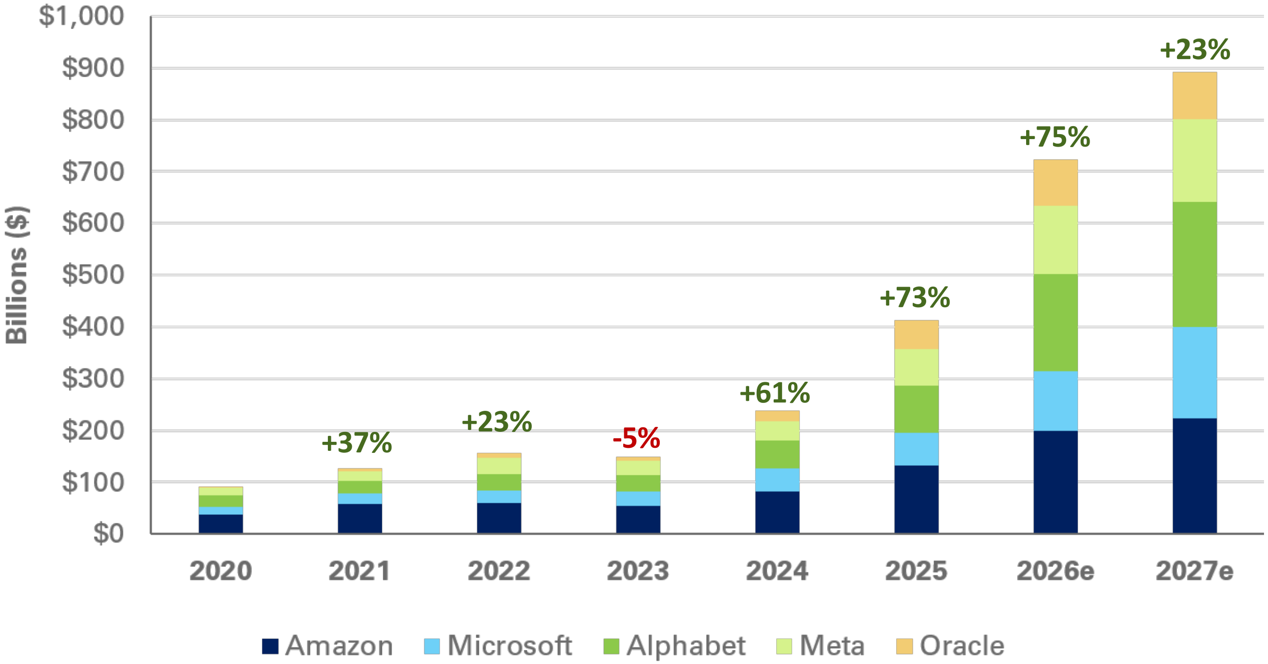
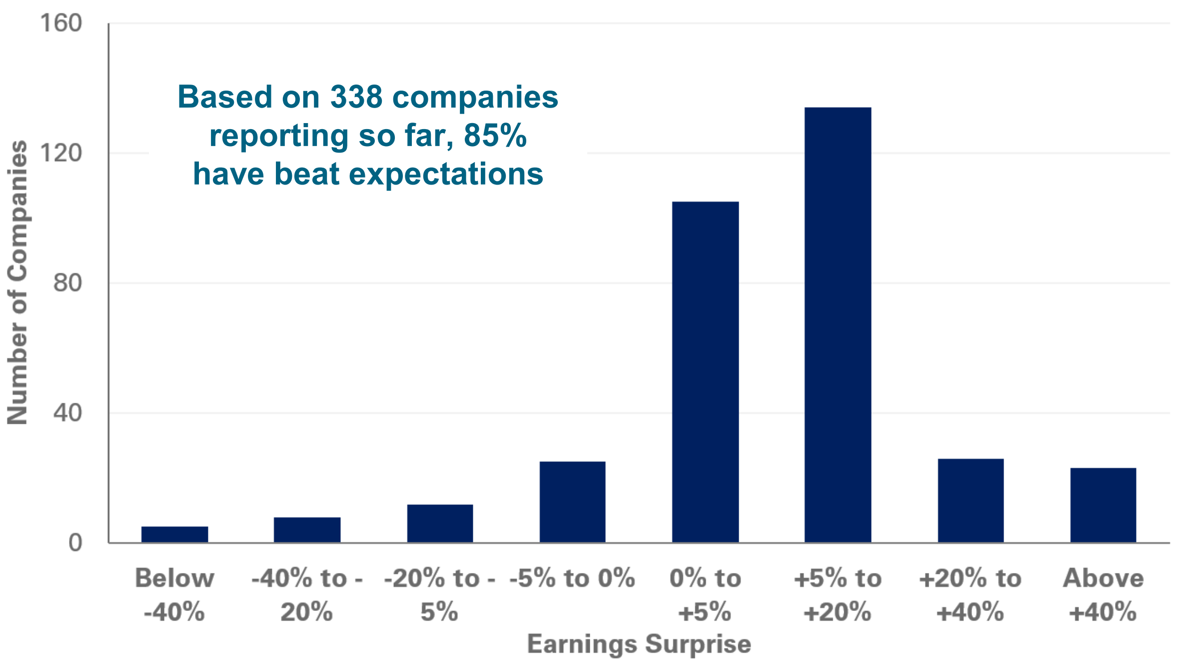


Note: 2026 and 2027 figures reflect FactSet consensus estimates. Percentages reflect year-over-year change in total spending.
Sources: FactSet, NEPC

Earnings Continue to Beat Expectations

S&P 500 Q2 2026 EARNINGS VERSUS CONSENSUS ESTIMATES

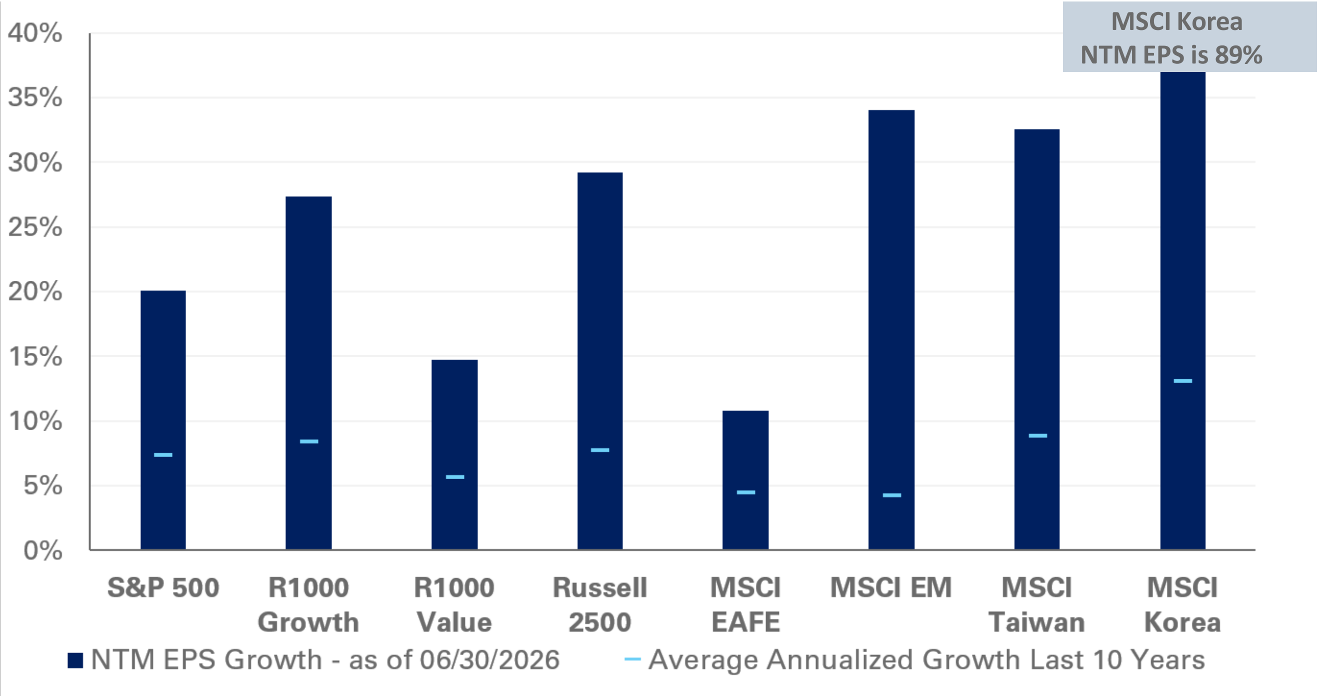


Note: Based on companies that have reported between 6/30/2026 and 8/4/2026.

Sources: S&P, FactSet, NEPC

EARNINGS GROWTH SUPPORTS EQUITY OUTLOOK

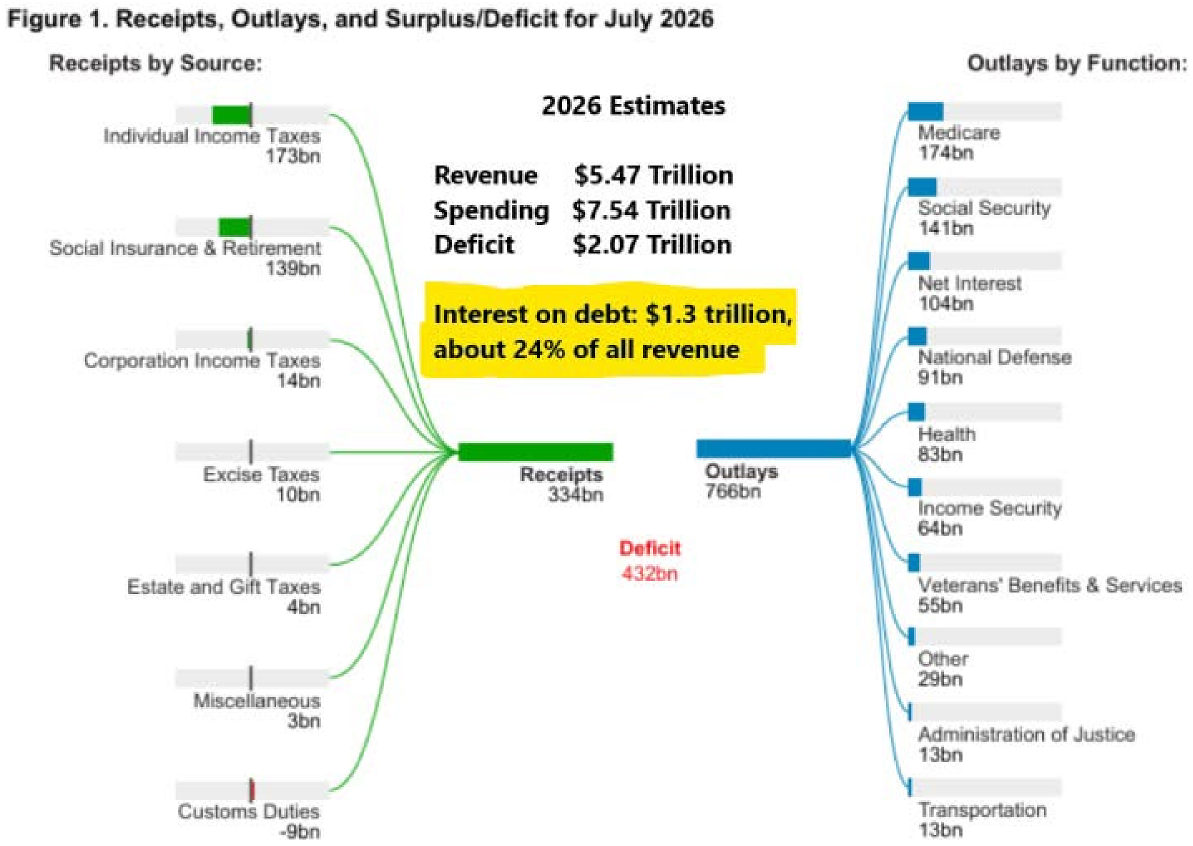
CURRENT EPS ESTIMATES VERSUS HISTORICAL AVERAGES



Note: Chart truncated at 40% - MSCI Korea NTM EPS growth rate as of 06/30/2026 is 89%. Average annualized growth over the last 10 years calculated from 6/30/2016-6/30/2026. NTM = next twelve months.

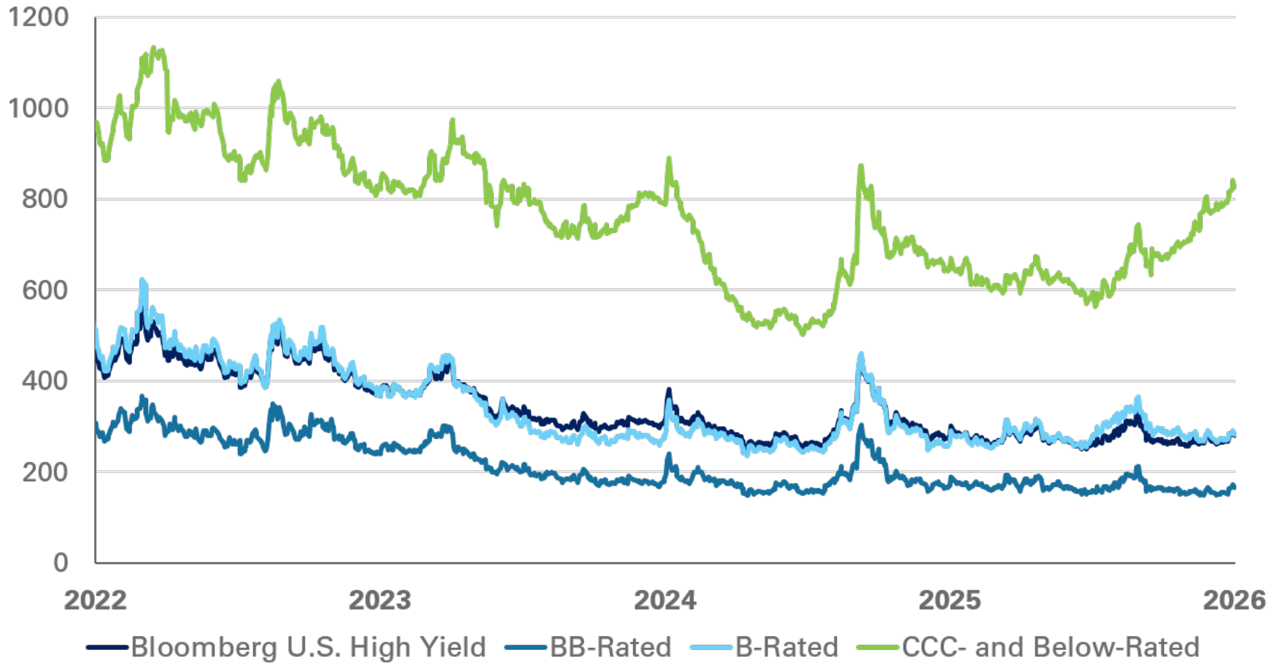
Sources: S&P, Russell, MSCI, FactSet, NEPC

Ferguson's Law



Stress Appearing in Lowest Quality Credits

U.S. HIGH YIELD CORPORATE BOND CREDIT SPREADS



Sources: Bloomberg, FactSet

Monitoring Impact of Manager Consolidations

What we said/How it worked

Asset allocation history and performance results

Year-by-Year Change in Asset Allocation

GFC Period

Asset Class	2005	2007	2008	2009	2010	2012	2013	2014	2017	2020	2021	2022	June 2026
Public Equity	48%	47%	35%	20%	22%	26%	28%	28%	28%	28%	28%	30%	30%
Private Equity	6%	9%	12%	16%	16%	16%	16%	16%	16%	16%	18%	18%	18%
Core Fixed Income	14%	10%	8%	8%	6%	3%	2%	2%	2%	2%	2%	2%	2%
Domestic Credit	8%	4%	8%	13%	13%	14%	13%	13%	13%	13%	13%	13%	13%
International Credit	5%	3%	8%	9%	10%	10%	11%	12%	12%	12%	11%	11%	11%
Emerging Market Debt	2%	4%	4%	4%	6%	6%	6%	6%	6%	8%	8%	6%	6%
Cash			2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Real Assets	10%	16%	16%	18%	18%	16%	15%	14%	14%	12%	11%	11%	11%
Absolute Return	7%	7%	7%	10%	7%	7%	7%	7%	7%	7%	7%	7%	7%

Past 20 Years

-reduction in public equities

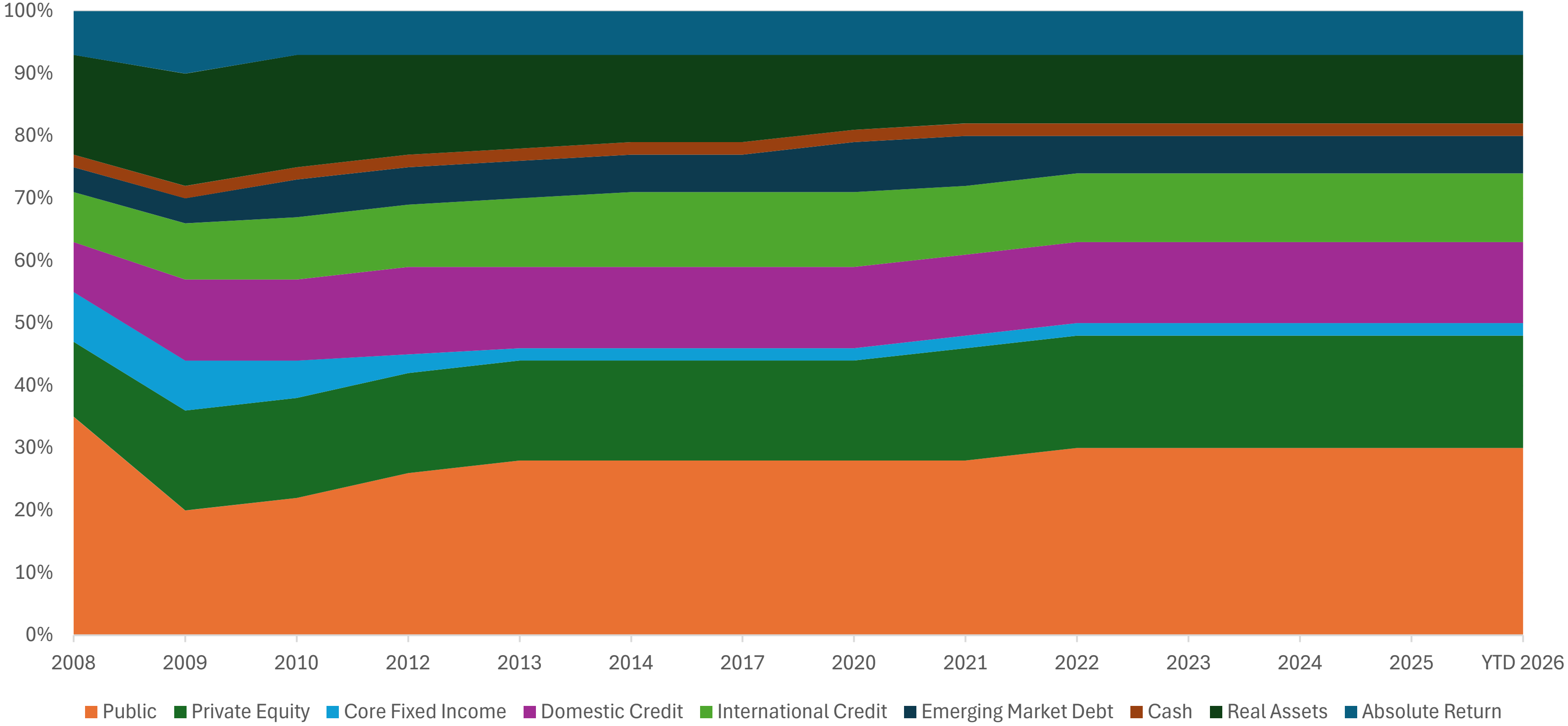
-reduction in public fixed income

-increase in private equity and credit

-reduction in real assets

-No major allocation changes over past 10 years

Asset Allocation History



As of June 30, 2026

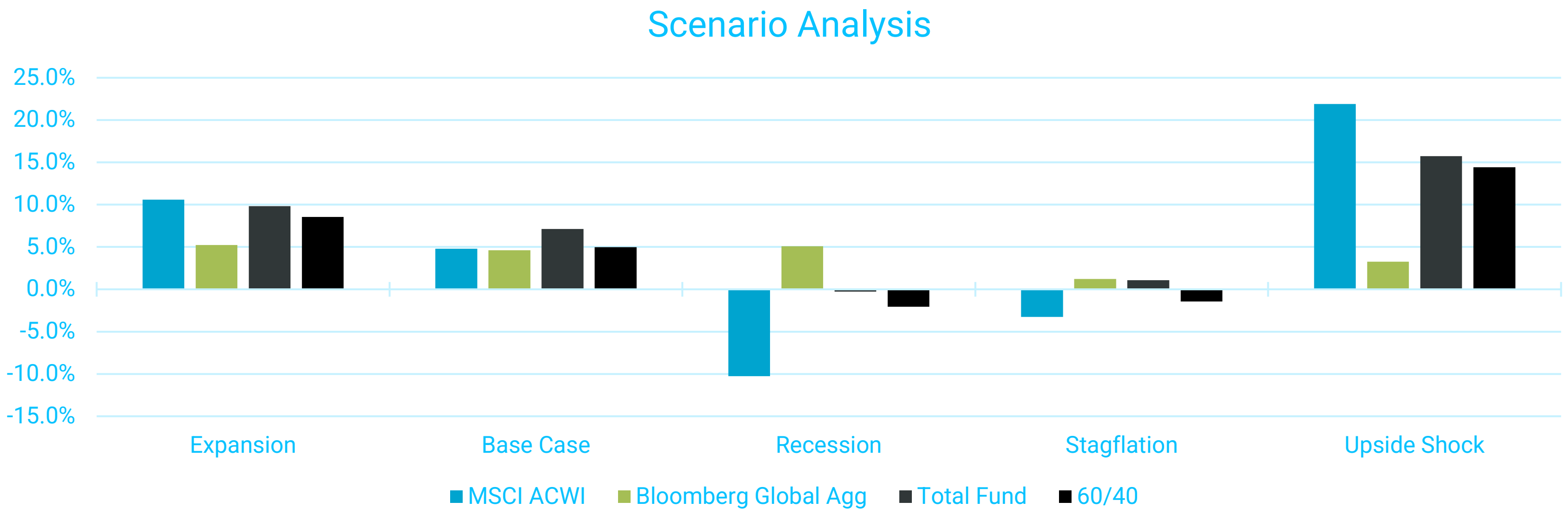
The Median Peer Allocation has Moved in Direction of SBCERA

- **This is likely due to general agreement on certain market realities:**
  - Recent high returns in global equities have “borrowed” from future expected returns for public equity
  - With lower forecasted returns for traditional 60/40 assets, allocators have opted for greater diversification
  - Private markets are believed to provide a liquidity premium as well as more persistence of returns from 1st and 2nd quartile managers

	SBCERA	Median Public Fund	SBCERA	Median Public Fund	SBCERA	Median Public Fund
Asset Class	**2002**		**2010**		**2026**	
Public Equity	61%	62%	22%	54%	30%	46%
Core Fixed Income	28%	40%	6%	29%	2%	12%
Private Equity	--	1%	16%	3%	18%	14%
Other Credit	5%	5%	29%	6%	30%	10%
Real Assets	6%	3%	18%	5%	11%	10%
Absolute Return	--	2%	7%	5%	7%	3%
Cash	--	1%	2%	2%	2%	3%
Total	**100%**		**100%**		**100%**	

Median public fund is comprised of InvMetrics All Public DB in 2002 and 2010. In 2022 InvMetrics Public Funds >$1B.
Other Credit comprises private credit, non-US fixed income including emerging markets.

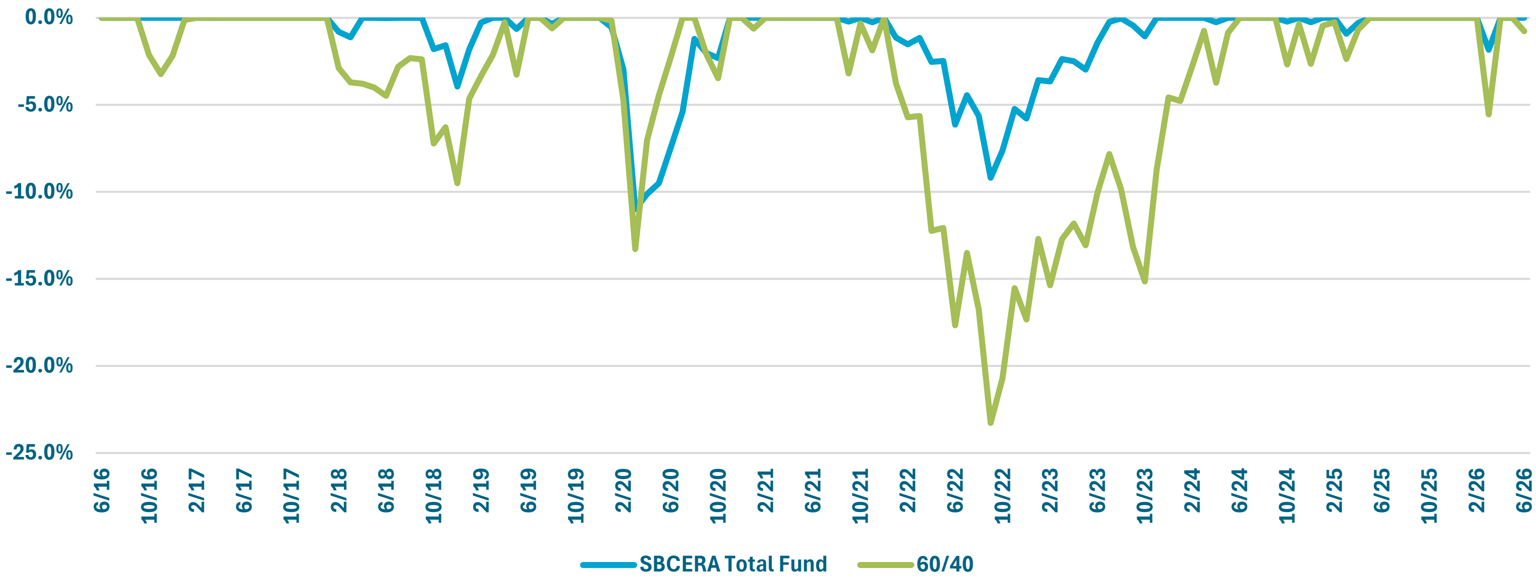
Predicted SBCERA Performance Tendencies



Note: Expansion, Base Case, Recession, and Stagflation scenarios are based on NEPC 5 Yr stress test assumptions, as of 6/30/26.
Upside Shock is based on NEPC one-year stress test assumptions, as of 6/30/26.

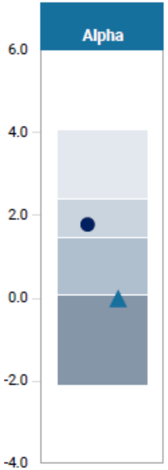
Total portfolio 10-Year drawdowns

The total portfolio has experienced fewer and less severe drawdowns over 10 years than those of a 60/40 portfolio ending 6/30/2026

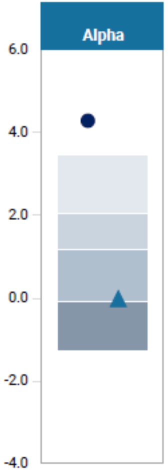


SBCERA Portfolio Alpha Production

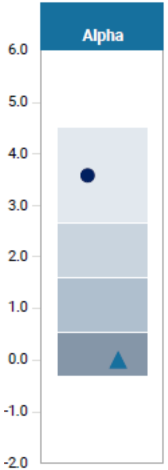
1 Year



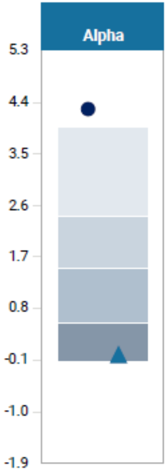
3 Year



5 Year



10 Year

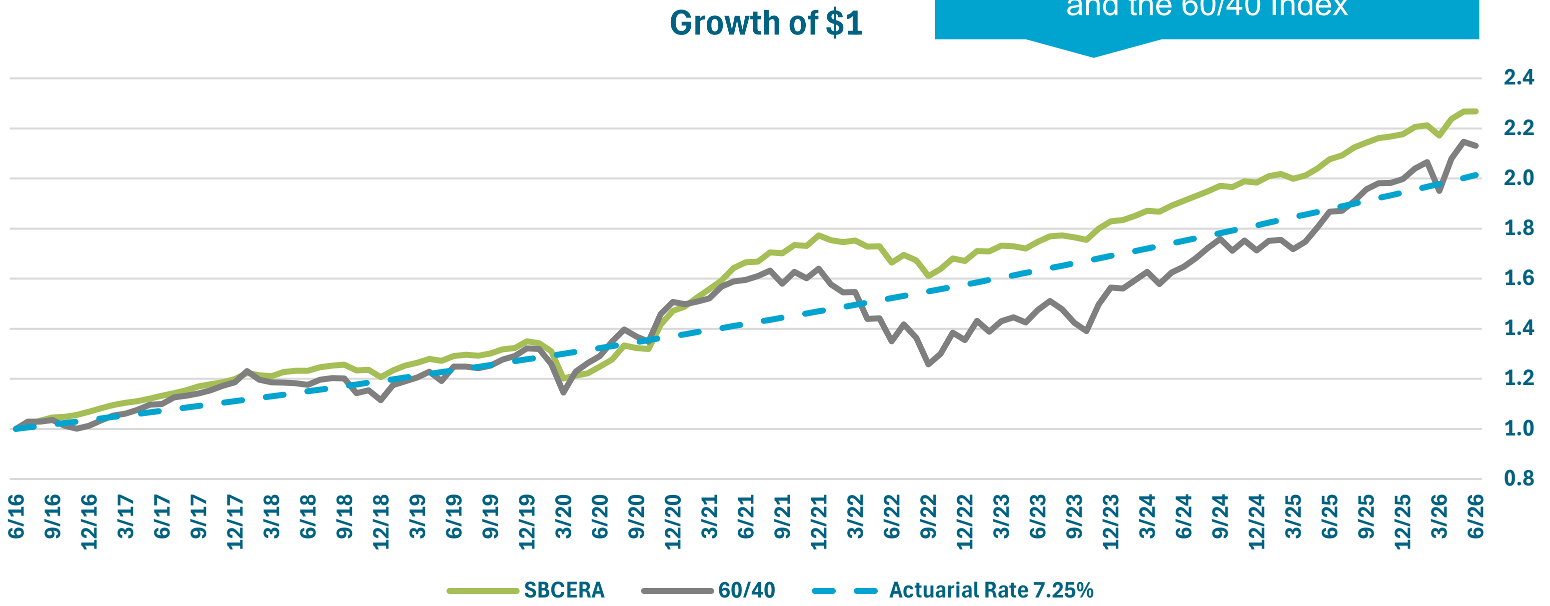


	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
● Total Fund	1.8 (40)	4.3 (3)	3.6 (13)	4.3 (3)
▲ *Policy Index*	*0.0 (79)*	*0.0 (74)*	*0.0 (88)*	*0.0 (94)*
5th Percentile	4.1	3.4	4.5	4.0
1st Quartile	2.4	2.0	2.7	2.4
Median	1.5	1.2	1.6	1.5
3rd Quartile	0.1	-0.1	0.5	0.6
95th Percentile	-2.1	-1.3	-0.3	-0.1
Population	101	101	98	94

Data as of 6/30/26 and sourced from NEPC IPA.

Total portfolio 10-Year growth

10-Year portfolio growth is above the 7.25% assumed rate of return and the 60/40 Index



Historical Risk Return

	Allocation	Performance (%)					
	Market Value ($)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund	17,702,974,154	4.4 (96)	4.2 (94)	9.2 (97)	9.1 (92)	6.4 (68)	8.5 (55)
Policy Index		*7.1 (59)*	*7.0 (46)*	*13.7 (61)*	*11.8 (42)*	*5.9 (88)*	*7.3 (99)*
SBCERA Implementation Benchmark		*4.3 (96)*	*4.2 (94)*	*10.0 (93)*	*9.3 (92)*	*5.8 (88)*	*8.3 (67)*
S&P 500 Index		*15.2 (1)*	*10.2 (1)*	*22.3 (1)*	*20.6 (1)*	*13.4 (1)*	*15.5 (1)*
Blmbg. U.S. Aggregate Index		*0.7 (100)*	*0.6 (100)*	*3.8 (99)*	*4.2 (99)*	*0.1 (100)*	*1.5 (100)*
60% MSCI World/40% FTSE WGBI		*8.5 (33)*	*5.8 (86)*	*12.7 (79)*	*12.7 (23)*	*6.1 (82)*	*8.0 (85)*
InvMetrics Public DB > $1 Billion Median		*7.4*	*6.9*	*14.2*	*11.6*	*6.7*	*8.7*

- Performance relative to the 7.25% actuarial rate and policy benchmark, as of June 30, 2026, was mixed given the rally in global equities and headwinds for any Plan that does not have a substantial allocation to the asset class. We do not believe that the pace of this performance is sustainable.

- Portfolio has outperformed the policy benchmark over the 5- and 10-year periods, and the actuarial rate over the 1-, 3-, and 10-year periods.

- Portfolio is designed and constructed to deliver high returns relative to risks taken.

- The high Sharpe Ratios (return relative to standard deviation) illustrate that the Plan design was effective relative to peers.

	5 Years Ending June 30, 2026		
	Return	Standard Deviation	Sharpe Ratio
Total Fund	6.37 (68)	4.64 (1)	0.62 (11)
Policy Index	*5.86 (88)*	*9.60 (67)*	*0.28 (92)*
InvMetrics Public DB > $1 Billion Median	*6.66*	*8.57*	*0.41*

	10 Years Ending June 30, 2026		
	Return	Standard Deviation	Sharpe Ratio
Total Fund	8.53 (55)	5.74 (3)	1.04 (5)
Policy Index	*7.30 (99)*	*8.56 (48)*	*0.60 (97)*
InvMetrics Public DB > $1 Billion Median	*8.70*	*8.70*	*0.74*

Data as of 6/30/26 and sourced from NEPC IPA.

Summary

SBCERA Investment History

- Early changes by SBCERA have seen public pension adoption over time

Investment Beliefs and Methods

- Income, Value, and Opportunistic – affirmed during the crisis
- Relationship and platform – open to more mandates
- Governance remains

We said the portfolio would hold up well in a rising rate environment

- Resilient results

What concerns us

- Stretched equity valuations
- Potential for higher interest costs to exacerbate dwindling discretionary budgets
- Has inflation been constrained?

Thank You

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Retirement Association

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