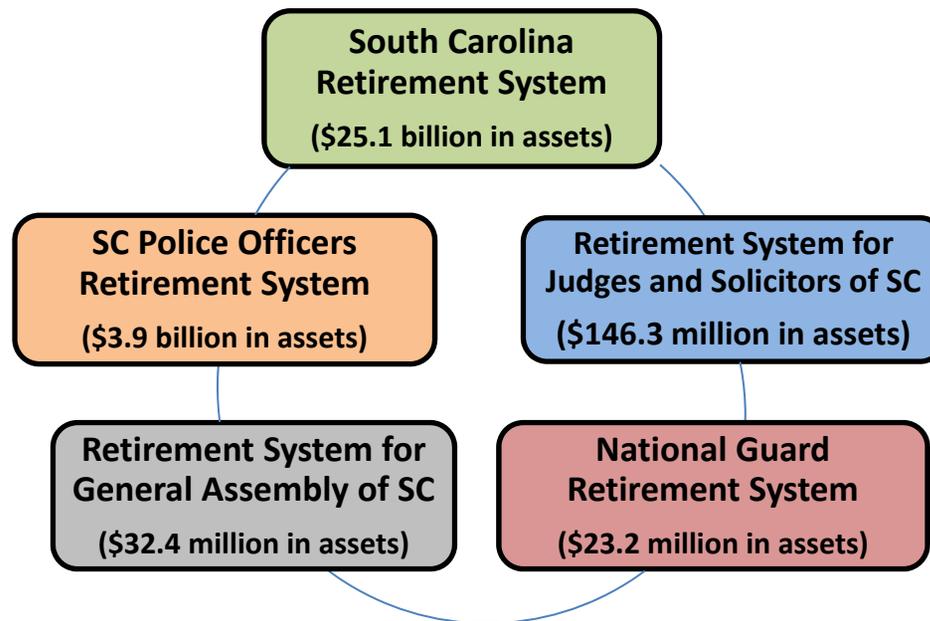


RSIC Performance Update

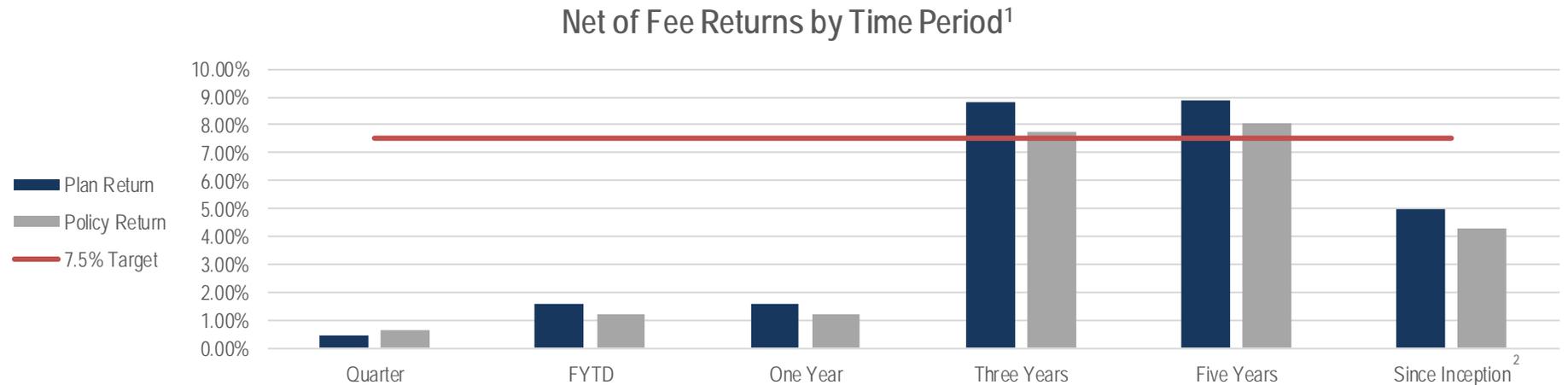
Michael Hitchcock
Executive Director
October 27, 2015

Purpose & Duties



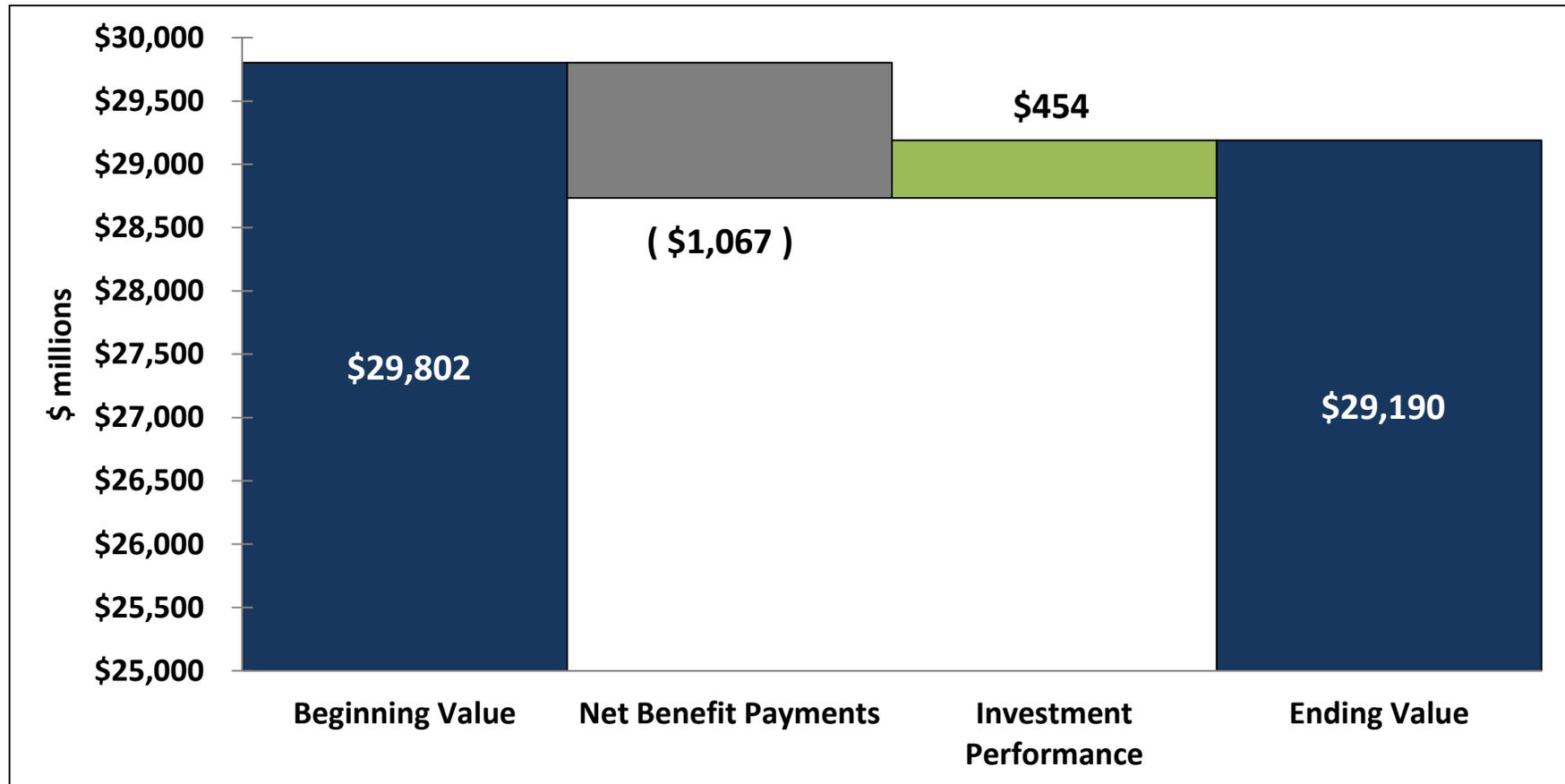
- The assets of the five defined-benefit plans are held collectively in a group trust referred to as the “South Carolina Retirement Systems Group Trust” or “Systems”.
- RSIC is responsible for investing and managing assets held in trust for the five systems.
- As of the end of FY 2015, Systems totaled approximately \$29.2 billion in assets.

Net of Fee Returns by Time Period

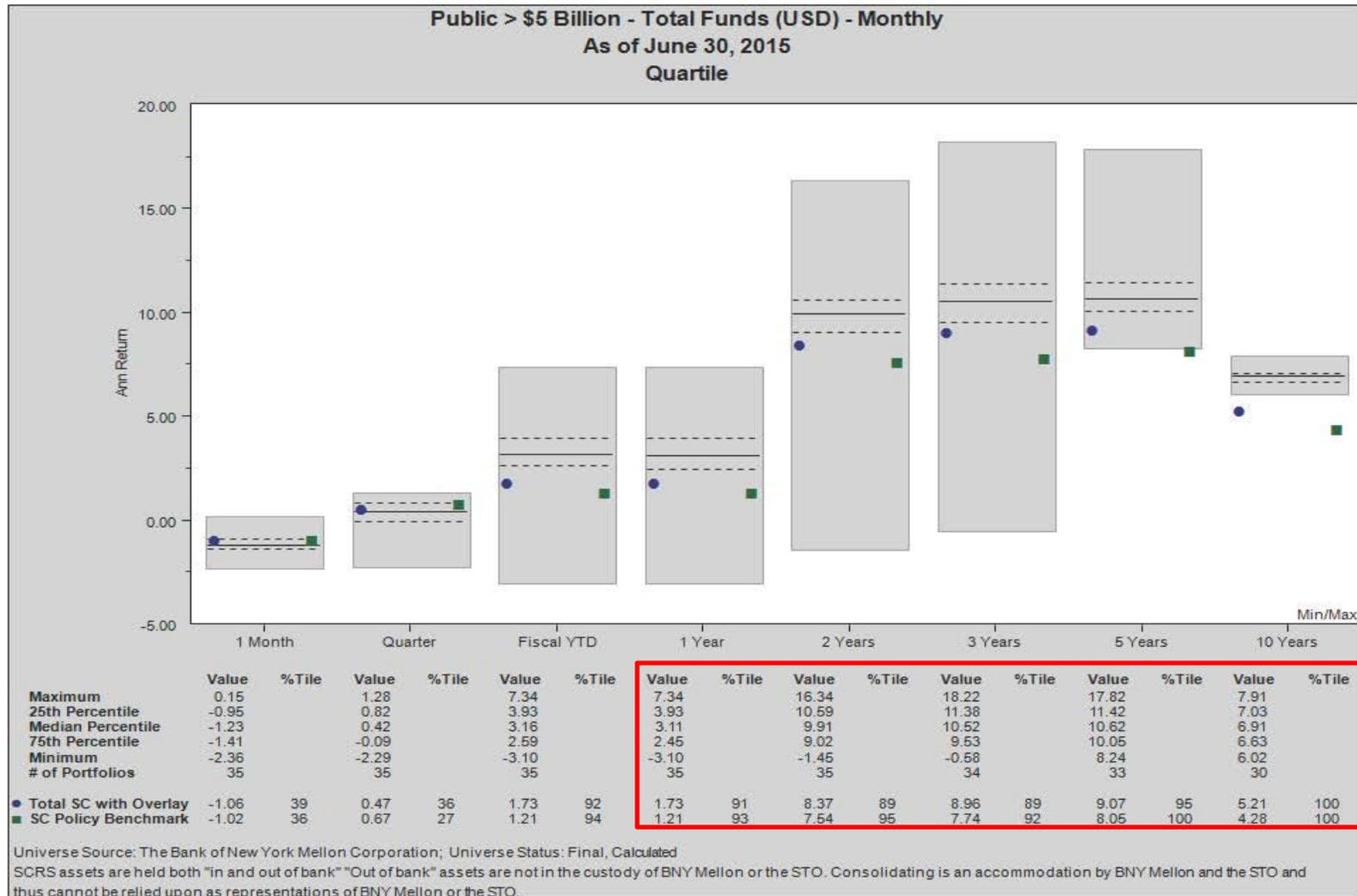


Executive Summary	Market Value (millions)	Quarter	FYTD	One Year	Three Years	Five years	Since RSIC Inception ²
Total Plan	\$29,190	0.44%	1.60%	1.60%	8.81%	8.87%	4.99%
Policy Benchmark		0.67%	1.21%	1.21%	7.74%	8.05%	4.27%
Net Benefit Payments (\$ millions)		(287)	(1,067)	(1,067)	(3,093)	(5,036)	(9,073)

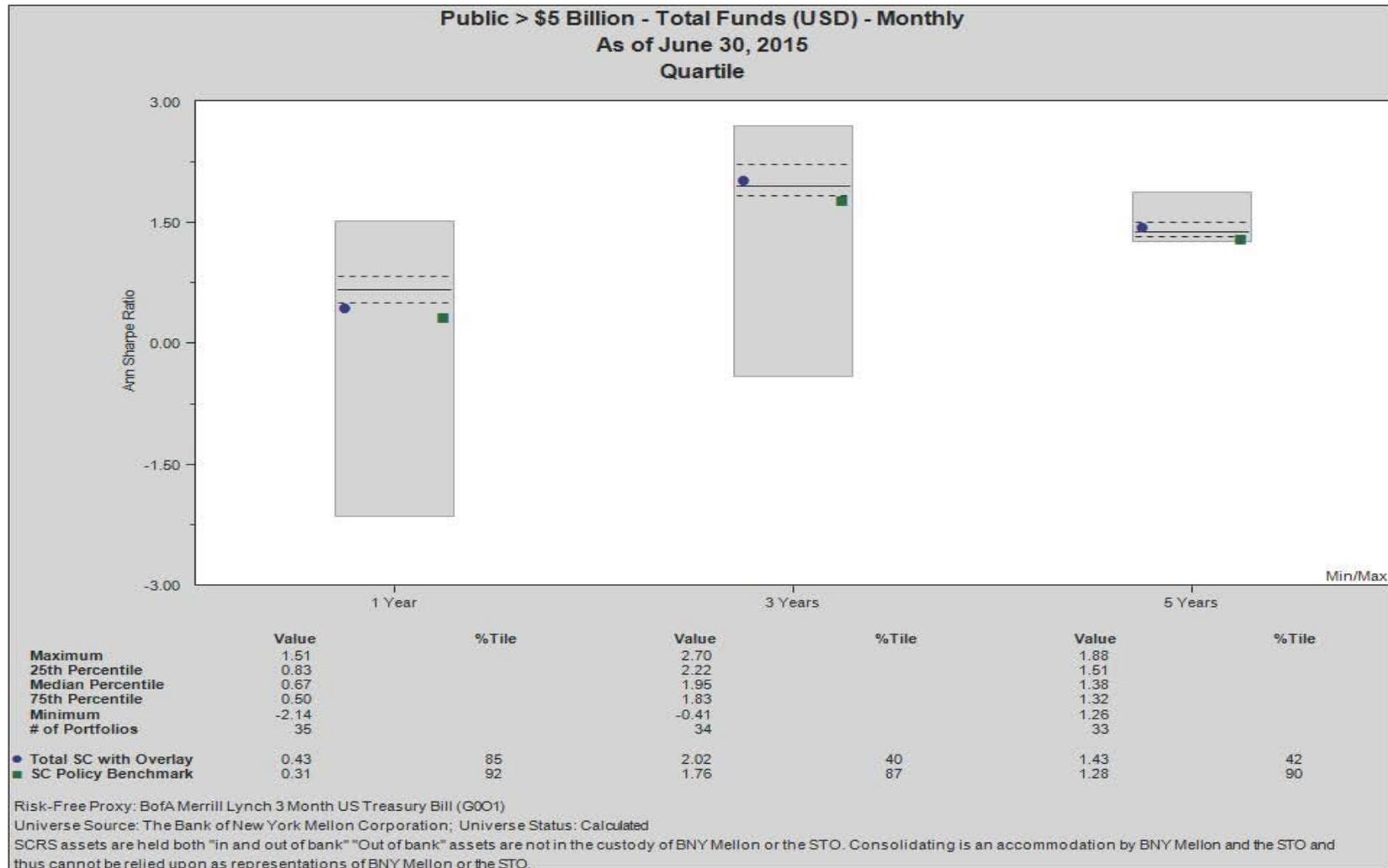
Fiscal Year 2015 Contributions to Plan Value



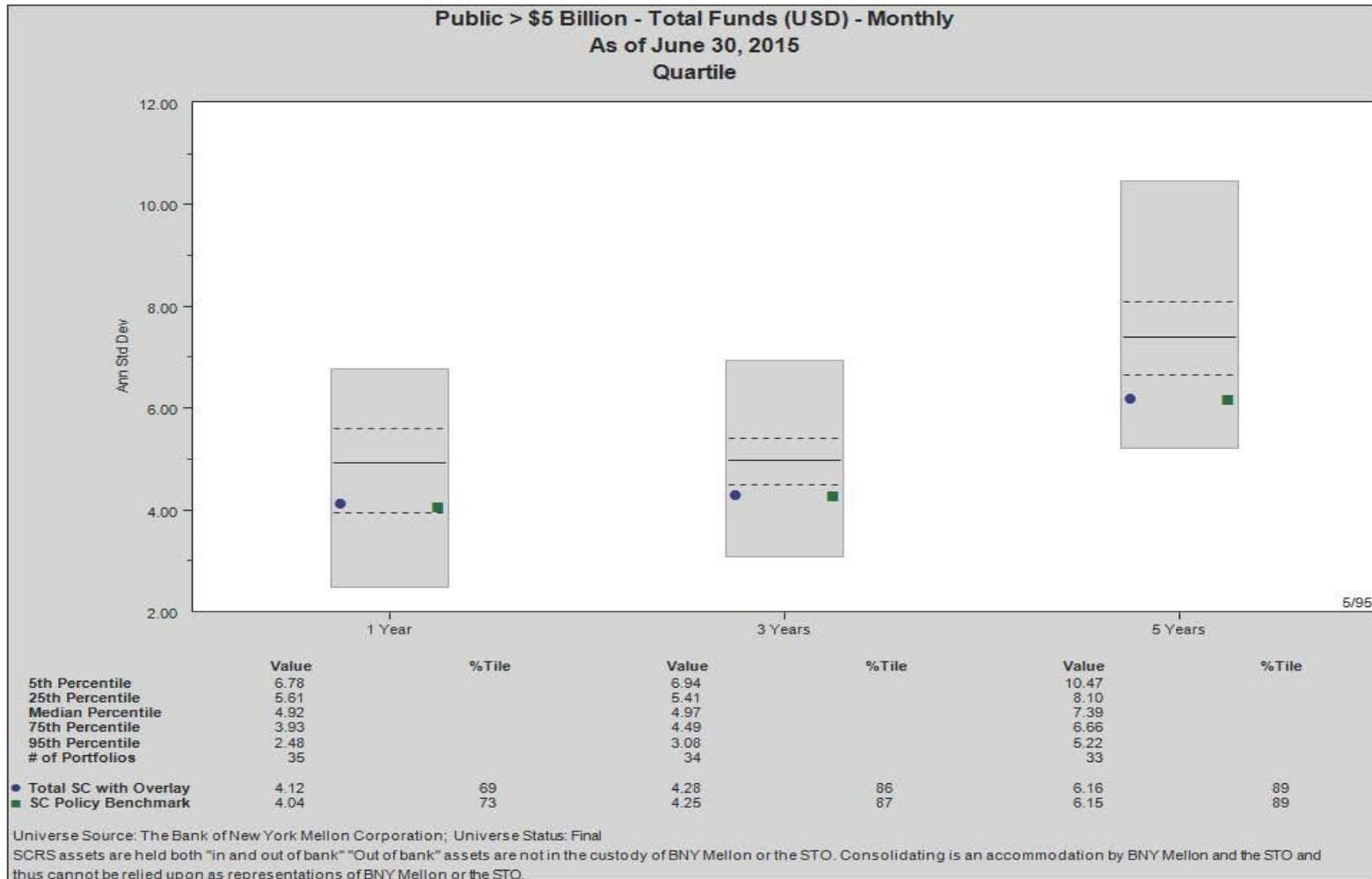
Universe Comparison- Annualized Returns



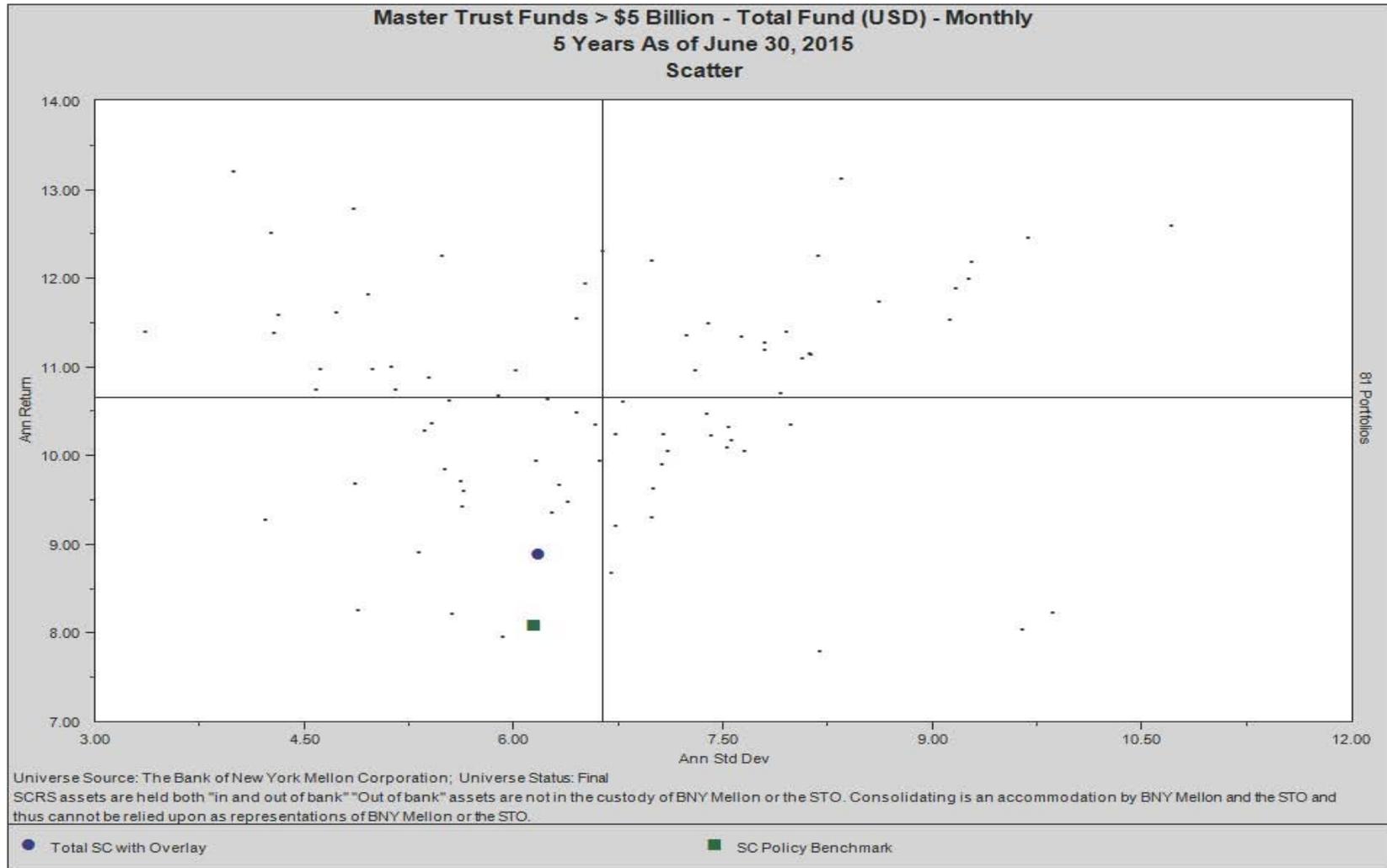
Universe Comparison- Sharpe Ratio



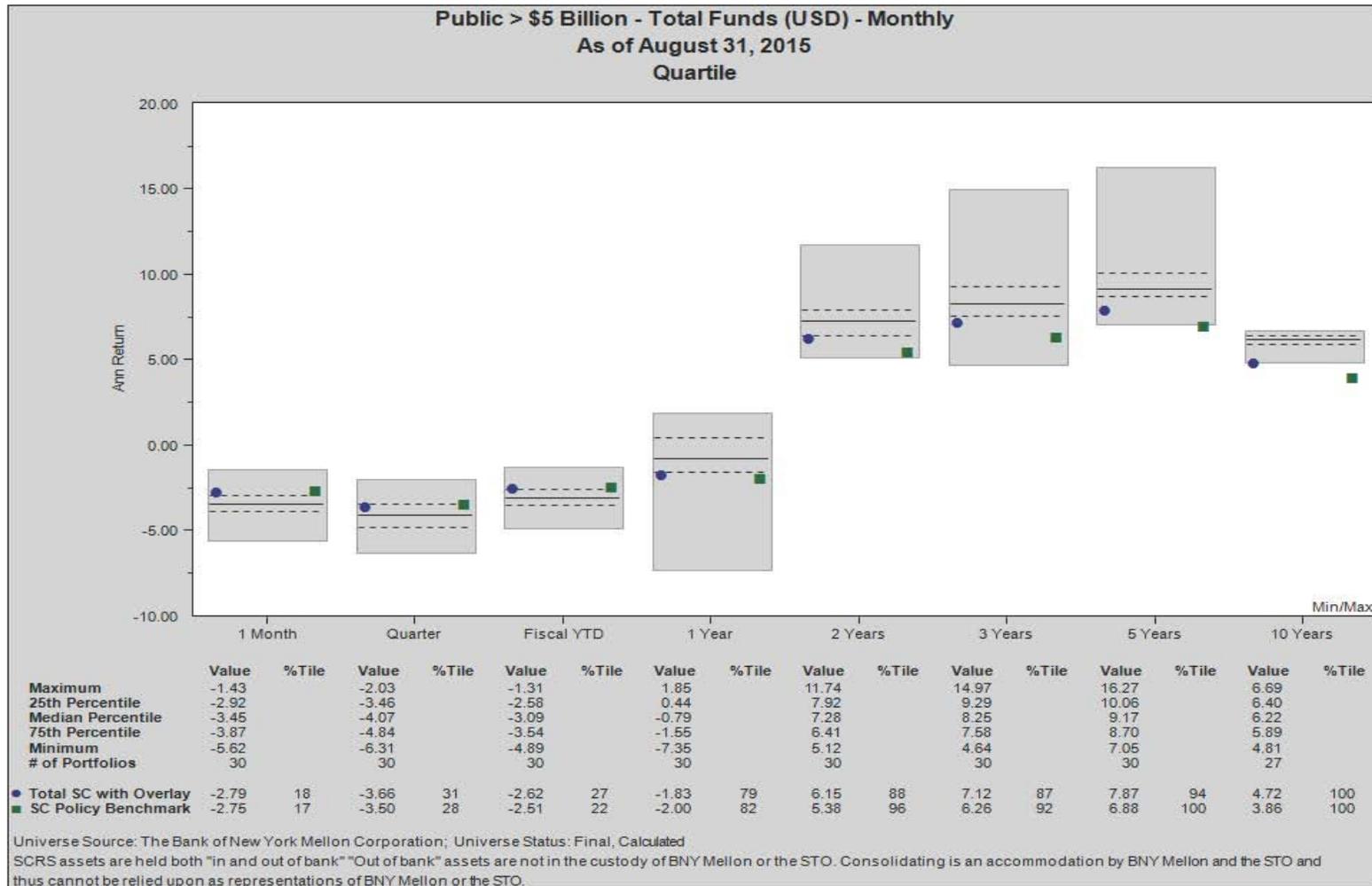
Universe Comparison- Standard Deviation



Universe Comparison- Risk vs. Reward



Universe Comparison- Annualized Returns



Performance Estimate

Estimated Performance Update as of September 30, 2015

	RSIC Return	Policy Return	Excess Return
FYTD RETURN	-4.59%	-4.27%	-0.32%
1 Yr Return	-2.07%	-2.34%	0.26%
3 Yr Return	5.62%	4.86%	0.77%
5 Yr Return	6.31%	5.55%	0.77%
10 Yr Return	4.37%	3.70%	0.67%

Returns include an estimate for September 2015 that uses index proxies.

Asset Allocation

	RSIC Asset Allocation	Median Pension Fund ¹	Difference	20-Year Returns ^{2,3}	5-Year Returns ³
US Equity	15%	28%	-13%	8.9%	17.3%
Non-US Equity	13%	17%	-4%	5.2%	9.5%
Emerging Mkts Equity	3%	4%	-1%	6.3%	4.0%
Private Equity	9%	8%	1%	11.6%	19.4%
GTAA	10%	2%	8%	5.8%	7.1%
Core Fixed Income	7%	17%	-10%	5.6%	3.3%
Global Fixed Income	3%	1%	2%	5.7%	3.7%
Mixed Credit	6%	4%	2%	6.3%	5.7%
Emerging Markets Debt	6%	1%	5%	10.9%	6.8%
Private Debt	7%	0%	7%	6.5%	7.1%
Hedge Funds (Low Beta)	8%	5%	3%	8.4%	5.1%
Commodities	3%	1%	2%	3.0%	-3.9%
Real Estate	5%	7%	-2%	9.7%	12.8%
Internal Cash	2%	1%	1%	2.7%	0.1%
Short Duration	3%	3%	0%	4.1%	1.2%

¹ Median Pension Fund Allocations come from Pension Fund Data Exchange

² In instances where 20 years of benchmark data was unavailable - since inception benchmark returns were used

³ Source: BNY Mellon, Bloomberg

Summary Asset Allocation vs. Peer Funds

	RSIC Asset Allocation	Median Pension Fund ¹	Difference
Total Equity ²	45%	58%	-13%
Core Fixed Income ²	20%	24%	-4%
Credit	19%	5%	14%
Hedge Funds (Low Beta)	8%	5%	3%
Real Assets	8%	8%	0%

¹ Source: Pension Fund Data Exchange

² Equity and Core Fixed Income adjusted to reflect an additional 5% allocations resulting from the decomposition of the GAA asset class.

Revisiting Asset Allocation

- Challenge existing beliefs about asset classes
- Focus beyond current market environment
 - Establish a long-term target allocation (100-Year Portfolio)
 - Apply judgment regarding current market environment to adjust targets away from 100-Year Portfolio
- Develop portfolio “transition map”
- Goals for November Commission meeting

Challenge Existing Beliefs

- How much Equity should we have? How much should be domestic?
- Do Hedge Funds always warrant a place in the portfolio?
- Are we properly compensated for the risks inherent in Private Equity/Private Debt/Real Estate?
- What should be the minimum exposure to Core Fixed Income?
- What do we expect from our Commodities allocation?
- Are there lower-cost ways to replicate the returns of the alternative risk premia (Hedge Funds, Private Equity, Real Estate)?
- How much Cash do we need to hold?
- Have co-investments added meaningful value for peers that invest in Private Equity in a similar manner?
- Should we hedge foreign currency risk?
- Are there ways to invest in equities that carry less risk (covered calls, etc.)?
- Are there other assets/asset classes that warrant investment?

The 100-Year Portfolio

- Driven by long-term risk and return expectations
 - Anchored in historical perspective
 - Will require considerable amounts of data
- Determine appropriate ranges around target weights
- Develop framework to allow an assessment of current market and economic conditions to modify 100-Year Portfolio
 - Example: Current bond yields argue for lower fixed income allocation (all else equal)





BENEFICIARIES FIRST:
THEIR FUTURE, OUR MISSION.