

INVESTMENTS SECTION

Introduction.....	60
Investment Objectives and Policies	60
FY 2019 Global Markets Review.....	61
Fiscal Year 2019 Investment Results	61
Exhibit 1: Investment Performance (Gross of Fees).....	63
Exhibit 2: Historical Investment Performance	64
Exhibit 3: 1-Year Performance vs. Benchmark	65
Exhibit 4: 3-Year Performance vs. Benchmark	66
Exhibit 5: 5-Year Performance vs. Benchmark	67
Asset Allocation	68
Exhibit 6: Actual, Interim Target and Policy Asset Allocations as of September 30, 2019	68
Other Updates.....	69
Investment Activity Summary	69
List of Largest Holdings.....	70
Schedule of Fees and Commissions	71
Investment Summary.....	72



Report on Investment Activity

Prepared by Patrick Sahn, Acting Chief Investment Officer

The District of Columbia Retirement Board (the “Board”) is charged with the responsibility to prudently manage the assets of the District of Columbia Teachers’ Retirement Fund and the District of Columbia Police Officers and Firefighters’ Retirement Fund (the “Fund”), two defined benefit pension plans. The Board works with an independent investment consultant who possesses specialized experience and resources in asset allocation, investment manager selection, and performance evaluation. The Board’s investment consultant and traditional investment managers acknowledge their fiduciary responsibility in writing. Investment managers are accorded full discretion within general and specific investment manager policy guidelines.

Investment Objectives and Policies

The Board targets investment returns that meet or exceed the actuarial investment return at a level of risk commensurate with the expected return level and consistent with prudent investment practices. The current actuarial investment return target is 6.5%, net of investment management fees and administrative expenses. In addition to meeting or exceeding the actuarial return target over the long-term, a secondary return objective is to exceed the annualized total return of the Board’s strategic asset allocation benchmarks, which include the “Long-Term Policy Benchmark” and the “Interim Policy Benchmark¹.”

As of September 30, 2019, the Long-Term Policy Benchmark and actual allocation weights were as follows:

Asset Class	Performance Benchmark	Target	Weight
Cash & Fixed Income	Fixed Income Benchmark ²	30%	33%
U.S. Equities	Russell 3000 Index	20%	22%
Developed Int’l. Markets Equities	MSCI World Index ex-U.S. (net)	16%	18%
Real Assets	CPI-U + 5.5%	11%	8%
Emerging Markets Equities	MSCI Emerging Markets Index (net)	10%	11%
Private Equity	MSCI All-Country World Index + 3% (quarter lag)	9%	5%
Absolute Return	3-Month LIBOR + 5%	4%	4%

As a long-term investor, the Board believes it can generate the highest risk-adjusted returns through a diversified portfolio with an emphasis on equity investments. Although equities are generally more volatile in the short-term than other asset classes, if properly diversified, they are expected to yield higher total returns over the Fund’s multi-decade time horizon. In addition, while the Board generally believes in the value of active management, it utilizes lower-cost passive investment strategies (e.g., index funds) in more efficient markets where active managers have a lower likelihood of generating excess returns.

¹ The Interim Policy Benchmark is the best gauge for relative performance over time periods of up to ten years and the Long-Term Policy Benchmark for time periods exceeding ten years.

² The Fixed Income Benchmark is a composite of 36.7% Bloomberg Barclays (BB) U.S. Aggregate Index, 20.0% BB U.S. TIPS Index, 13.3% BB U.S. High-Yield Constrained Index, 10.0% Credit Suisse Levered Loan Index; 6.7% BB Global Aggregate ex U.S. Index, and 13.3% JPM GBI-EM Global Diversified Index.

Report on Investment Activity

Fiscal Year 2019 Global Market Review

On a cumulative basis, U.S. equities rose 3%, developed international equities declined 1%, and emerging markets equities dropped 2%. The Bloomberg Barclays U.S. Aggregate Bond Index, a broad measure of U.S. fixed income markets, gained 10%.

The fiscal year started with global equity markets falling sharply during the fourth quarter of 2018. Investors felt a growing sense of uncertainty given a multitude of issues, such as rising U.S. interest rates, a slowdown of growth in China, the ongoing trade dispute between the U.S. and China, and ongoing drama over Brexit negotiations. At that time U.S. equity markets, as represented by the Russell 3000 Index¹, declined 14%, developed international markets equity, as represented by the MSCI World ex U.S. Index², dropped 13%, and emerging markets equities, as represented by the MSCI Emerging Markets Index³, fell 7%.⁴ It was one of the worst quarters, on a calendar year basis, for the global equity markets in recent history.

Following the sell-off during the end of 2018, equity markets rebounded strongly in the first calendar quarter of 2019, driven by U.S. and European central banks putting a hold on further rate increases and improved prospects of a U.S.-China trade resolution. U.S. equity markets experienced their best calendar quarter since the second quarter of 2009, gaining 14%. Developed international and emerging markets equities each increased 10%.

Developed markets extended their gains during the second quarter of 2019, with U.S. stocks increasing 4% and developed international markets equities advancing 3%. Emerging markets equities were flat, despite much volatility. Investors gravitated to the perceived safety of defensive stocks during much of the quarter, until central banks indicated further monetary easing, at which point markets gained strongly.

After a strong first half of the year, the third quarter generated additional gains, leading U.S. stocks to new record levels. Investors continued to pursue the perceived safety of low volatility stocks and new economy growth stocks. This dynamic changed abruptly in September, when markets experienced the largest rotation out of high-momentum stocks and into value stocks since the Financial Crisis. The Russell 3000 gained 1%, developed international market equities declined 1%, and emerging market stocks dropped 4%.

Fiscal Year 2019 Investment Results

As of September 30, 2019, the Fund's total assets stood at \$8.5 billion after the payment of all benefits and administrative expenses, a \$320 million increase from the end of the prior fiscal year. The Fund generated the following gross returns as of September 30, 2019:⁵

- Fiscal Year: +3.9% per year, underperforming the Interim Policy Benchmark by 0.5%;
- Last 5 Years: +5.4% per year, underperforming the Interim Policy Benchmark by 0.2%;
- Last 10 Years: +7.4% per year, outperforming the Interim Policy Benchmark by 0.1%;
- Last 20 and 30 Years: +5.5% and +7.7% respectively per year, comparable to the Long-Term Policy Benchmark.
- Since Inception:⁶ +8.6% per year, underperforming the Long-Term Policy Benchmark by 0.9% and outperforming the current actuarial benchmark (6.5%) by more than 2%.

¹ The Interim Policy Benchmark is the best gauge for relative performance over time periods of up to ten years and the Long-Term Policy Benchmark for time periods exceeding ten years.

² The Russell 3000 Index measures the performance of the 3,000 largest public U.S. companies and represents ~98% of the U.S. equity market.

³ The MSCI World ex U.S. Index measures the equity market performance of 22 developed markets outside of the U.S.

⁴ The MSCI Emerging Markets Index measures the equity market performance of 26 emerging markets.

⁵ All developed international and emerging markets equity returns are in U.S. dollar terms, i.e., reflect the experience of a U.S. dollar-based investor, such as the District of Columbia Retirement Board.

⁶ The Interim Policy Benchmark measures relative performance over time periods of up to ten years.

⁷ The Fund's inception date is October 1982

Report on Investment Activity

The Fund's slight underperformance during the fiscal year was driven by asset allocation and manager selection decisions. On the asset allocation side, the Fund suffered from an underweight to U.S. fixed income, which outperformed U.S. equities by a significant margin. On the manager selection side, the Fund's active U.S. equity managers lagged their benchmarks.

Exhibit 1 shows the gross returns for the Fund and each asset class over the one, three, five, and ten-year time periods ending September 30, 2019. The returns were calculated by the Board's custodial bank, The Northern Trust Company ("Northern Trust") and are time-weighted returns computed in compliance with the CFA Institute's Global Investment Performance Standards. Benchmark returns for each asset class are presented for relative performance comparison purposes.

Report on Investment Activity

Exhibit 1: Investment Performance (Gross of Fees)

as of September 30, 2019

Asset Class	1-Year	3-Year	5-Year	10-Year	20-Year	30-Year
Total Fund						
<i>Interim Policy Benchmark</i> ¹	3.9%	7.4%	5.4%	7.4%	5.5%	7.7%
<i>Long-Term Policy Benchmark</i> ²	4.4%	7.5%	5.6%	7.3%	-	-
	-	-	-	7.3%	5.5%	7.7%
Cash and Cash Equivalents						
<i>3-month U.S. Treasury Bills</i>	2.4%	1.7%	1.1%	0.8%	2.1%	3.8%
	2.4%	1.5%	1.0%	0.5%	1.8%	3.0%
Fixed Income						
<i>Fixed Income Benchmark</i> ³	7.2%	3.3%	2.9%	4.1%	5.3%	6.3%
	8.5%	3.4%	3.2%	3.8%	5.0%	-
U.S. Equities						
<i>Russell 3000 Index</i>	1.5%	12.5%	10.1%	13.0%	7.1%	9.7%
	2.9%	12.9%	10.4%	13.1%	6.7%	9.7%
Developed Int'l Markets Equities						
<i>MSCI World Index ex U.S.(net)</i>	-0.3%	6.9%	4.0%	5.8%	4.8%	5.6%
	-1.0%	6.5%	3.1%	5.0%	4.1%	4.7%
Emerging Markets Equities						
<i>MSCI Emerging Markets Index (net)</i>	-2.2%	5.9%	2.1%	-	-	-
	-2.0%	6.0%	2.3%	-	-	-
Absolute Return						
<i>HFR Fund-Weighted Composite</i>	7.3%	6.8%	3.5%	6.7%		
	0.4%	3.8%	2.9%	4.0%	-	-
<i>3-Month LIBOR+5%</i> ⁴	7.8%	6.9%	6.3%	3.7%	-	-
Private Equity						
<i>Cambridge Associates Global PE & VC Index</i> ⁵	11.5%	13.1%	8.5%	11.9%	5.8%	8.6%
	13.5%	16.0%	11.9%	14.2%	-	-
<i>MSCI All Country World Index+3% (quarter lag)</i> ⁶	8.9%	14.9%	9.3%	13.4%	7.2%	11.8%
Real Assets						
<i>Real Assets Interim</i> ⁷	7.4%	7.4%	8.6%	8.4%	4.8%	3.4%
	7.7%	8.6%	8.0%	-	-	-
<i>CPI-U+5.5% (quarter lag)</i>	-	-	-	-	-	-

¹ As of 9/30/19, the Interim Policy Benchmark is a composite of 21.6% Russell 3000 Index, 17.3% MSCI World Index ex U.S. (net), 10.8% MSCI Emerging Markets (net); 11.7% Barclays U.S. Aggregate Index, 4.3% Barclays U.S. Corporate High Yield Index, 3.2% Credit Suisse Leveraged Loan Index, 2.1% Barclays Global Aggregate ex US Index, 4.3% JPM GBI-EM Global Diversified Index, 7.3% Barclays U.S. TIPS Index, 3.8% HFR Fund-Weighted Composite, 5.4% Cambridge Associates Global Private Equity and Venture Capital Index (1Q lag), 5.3% Real Estate Interim; 1.5% Cambridge Associates Upstream Energy & Royalties and Private Equity Energy Index (1Q lag), 1.5% Cambridge Associates Infrastructure Index (1Q lag).

² As of 9/30/19, the Long-Term Policy Benchmark is a composite of 20% Russell 3000 Index, 16% MSCI World Index ex U.S. (net), 10% MSCI Emerging Markets (net); 11% Barclays U.S. Aggregate Index, 4% Barclays U.S. Corporate High Yield Index, 3% Credit Suisse Leveraged Loan Index, 2% Barclays Global Aggregate ex US Index, 4% JPM GBI-EM Global Diversified Index, 6% Barclays U.S. TIPS Index, 4% 3-Month LIBOR+5%, 9% MSCI ACWI + 3%, 11% CPI + 5.5%.

³ The Fixed Income Benchmark is a composite of 36.7% Barclays U.S. Aggregate Index, 20.0% Barclays U.S. TIPS Index, 13.3% Barclays U.S. High-Yield Constrained Index, 10.0% Credit Suisse Levered Loan Index; 6.7% Barclays Global Aggregate ex U.S. Index, and 13.3% JPM GBI-EM Global Diversified Index.

⁴ Prior to 9/30/13, 3-month LIBOR.

⁵ Prior to 12/31/07, Cambridge Associates U.S. Private Equity & Venture Capital Index (1Q lag).

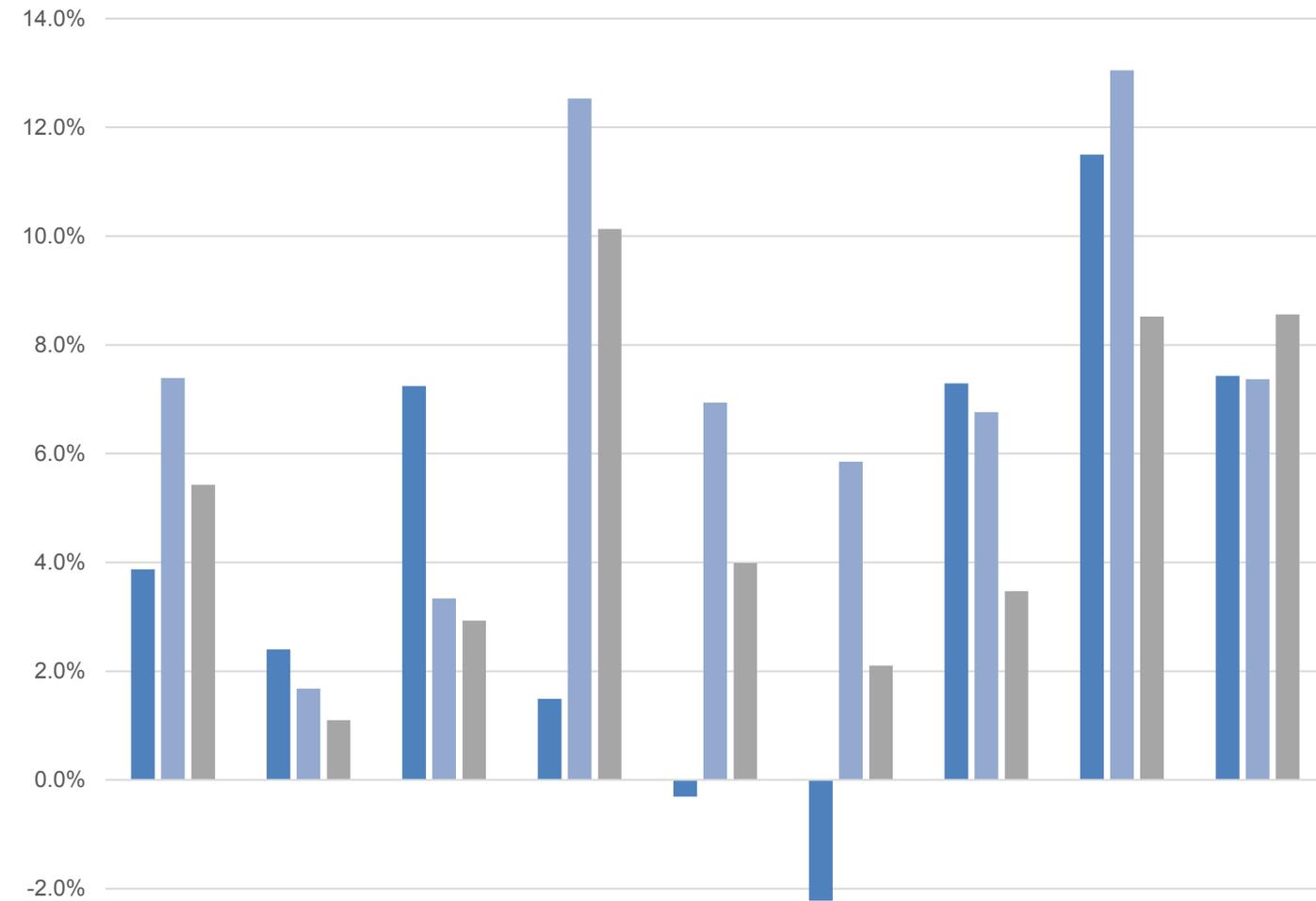
⁶ Prior to 12/31/07, Russell 3000 + 3% (quarter lag).

⁷ As of 9/30/19, the Real Assets Interim Benchmark is a composite of 36.1% FTSE EPRA/NAREIT Global Net, 28.4% Cambridge Associates Real Estate Index (1Q lag), 17.4% Cambridge Associates Infrastructure Index (1Q lag), and 18.1% Cambridge Associates Upstream Energy & Royalties and Private Equity Energy Index (1Q lag).

Report on Investment Activity

Exhibit 2: Historical Investment Performance

As of September 30, 2019

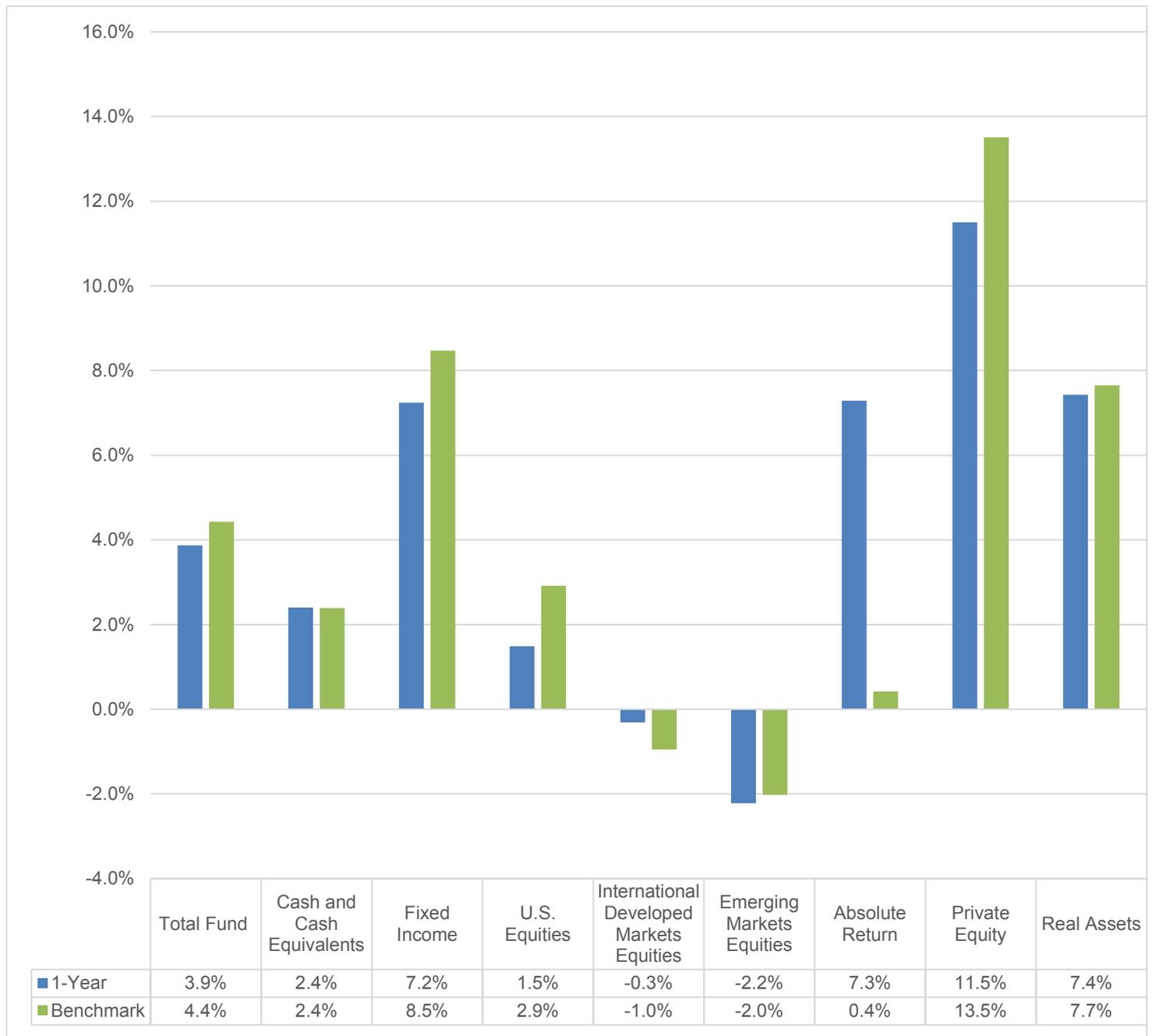


	Total Fund	Cash and Cash Equivalents	Fixed Income	U.S. Equities	International Developed Markets Equities	Emerging Markets Equities	Absolute Return	Private Equity	Real Assets
■ 1-Year	3.9%	2.4%	7.2%	1.5%	-0.3%	-2.2%	7.3%	11.5%	7.4%
■ 3-Year	7.4%	1.7%	3.3%	12.5%	6.9%	5.9%	6.8%	13.1%	7.4%
■ 5-Year	5.4%	1.1%	2.9%	10.1%	4.0%	2.1%	3.5%	8.5%	8.6%

Report on Investment Activity

Exhibit 3: 1-Year Performance vs. Benchmark

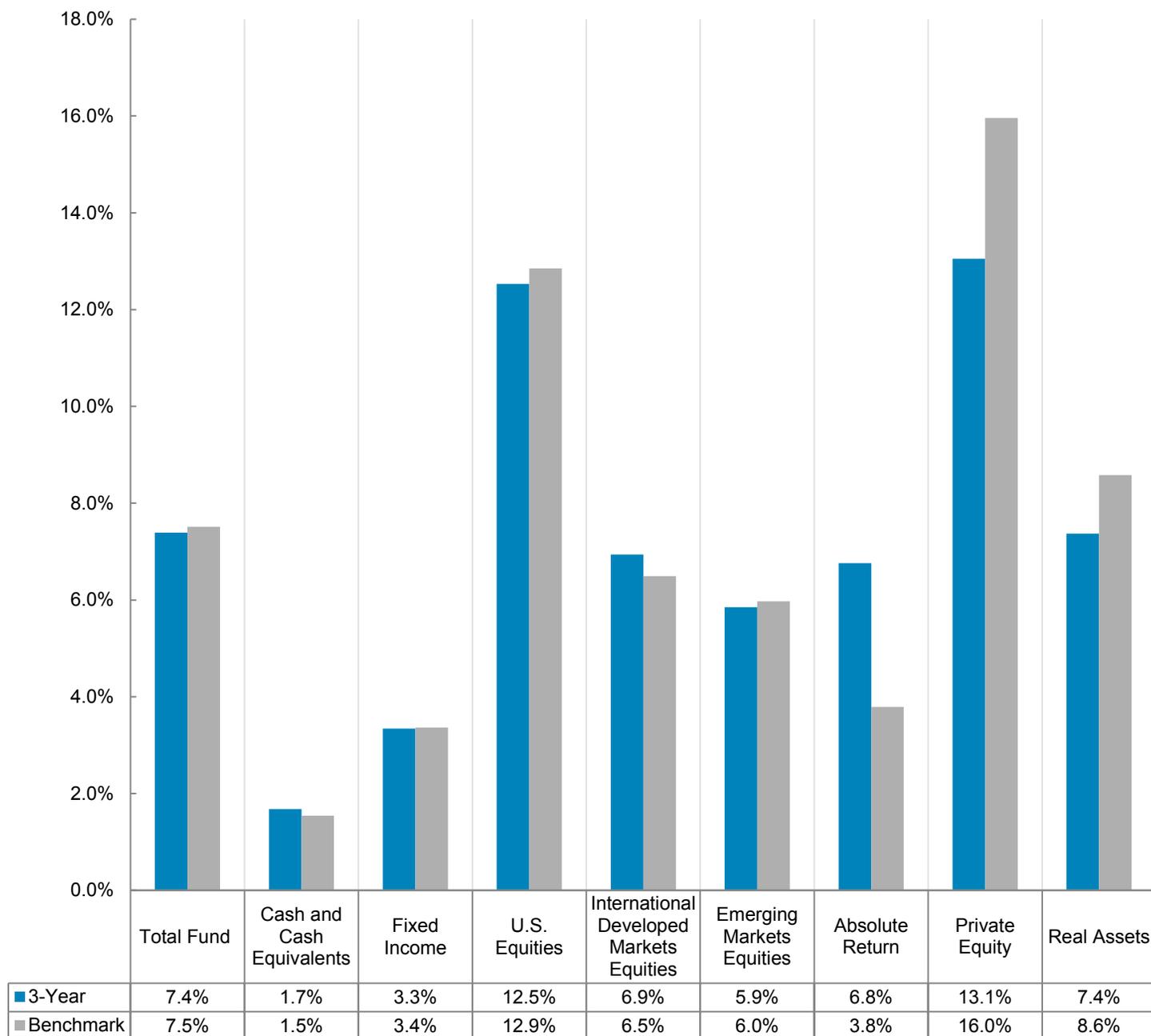
As of September 30, 2019



Report on Investment Activity

Exhibit 4: 3-Year Performance vs. Benchmark

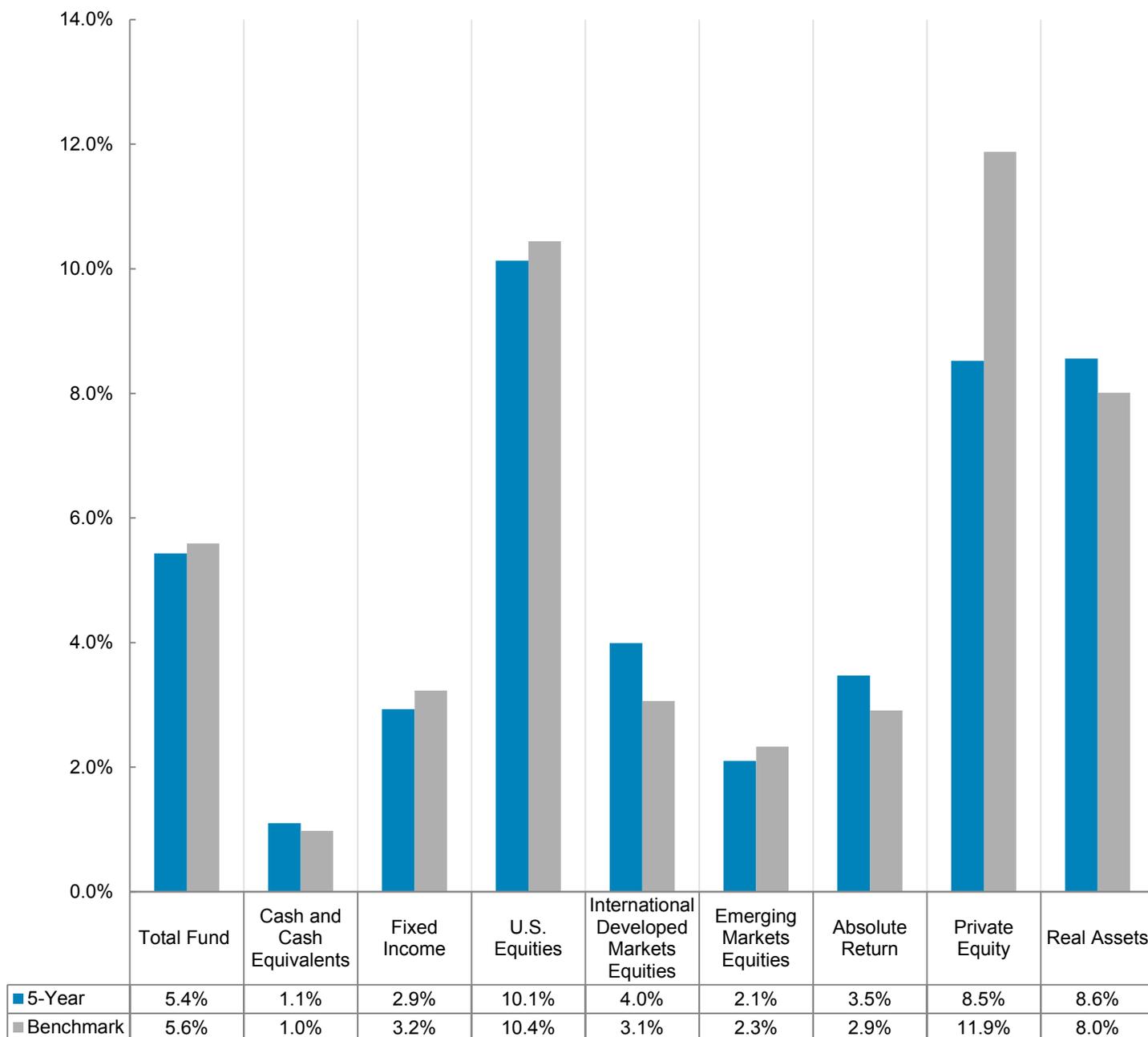
As of September 30, 2019



Report on Investment Activity

Exhibit 5: 5-Year Performance vs. Benchmark

As of September 30, 2019



Report on Investment Activity

Asset Allocation

As of September 30, 2019, all the Fund’s asset classes were within their respective target allocation ranges. Exhibit 6 shows the Fund’s Actual, Interim, and Long-Term Asset Allocation targets. The Interim Policy target distributes the underweight to alternative investments (absolute return, private equity, and real assets) across the traditional investments (fixed income and public equities) in line with the Fund’s Long-Term Policy target.

Exhibit 6: Actual, Interim Target and Policy Asset Allocations as of September 30, 2019



The underweight in private equity is driven by a deliberate pace of new commitments and a high volume of realizations from more mature funds over the last few years. The current underweight should moderate by 2021-2022, as new funds draw capital and mature funds reduce distributions. In the meantime, the Board is focused on a consistent pace of new commitments, subject to the availability of compelling opportunities, strong fit with the existing investment program, and attractive market characteristics.

Report on Investment Activity

Other Updates

During the fiscal year, the Board didn't make any strategic asset allocation changes. Over the course of the year, the Team and Meketa Investment Group ("Meketa"), the Board's investment consultant focused on monitoring and rebalancing the Fund's asset allocation, completing nearly 30 rebalancing transactions. In addition, the Investment Team worked with Meketa on building out the private market investment program, adding core-plus real estate as an allowable investment strategy, and designing an emerging and diverse manager program. The Team and Meketa also spent a significant amount of time monitoring the Board's existing investment managers and renegotiated fee structures with several firms.

In Fiscal Year 2020, the Board will focus on reviewing the long-term asset allocation and building out its investment and operational due diligence framework, among other activities.

Environmental, Social, and Governance (ESG)

The Team and Meketa continued the incorporation of the Board's ESG policy, adopted in November 2013, into the investment and operational due diligence processes. This area continues to be a focus when evaluating prospective and existing investment managers.

Private Market Commitments

Within the alternative investments program, the Board committed a total of \$200 million to five private equity and real assets limited partnerships during Fiscal Year 2019. In private equity, this included funds focused on European credit opportunities and U.S. growth equity. In real assets, the Board committed to two U.S. real estate funds and a U.S. farmland fund.

Investment Activity Summary

During Fiscal Year 2019, there were no investment-related service provider changes.

Report on Investment Activity

List of Largest Holdings

Top 10 Fixed Income Holdings (Dollar amounts in thousands)						
Rank	Security Name	Moody's Quality Ratin	Par Value	Interest Rate (%)	Maturity Date	Market Value
1	UNITED STATES OF AMER INFL INDXD TREAS N	Aaa	\$ 28,642	0.27	01/15/2025	\$ 28,706
2	UNITED STATES TSY INFL IX TREAS BOND	Aaa	\$ 26,741	0.69	01/15/2024	\$ 27,123
3	UNITED STATES TREAS INFL INDEXED NTS .12	Aaa	\$ 25,377	0.14	07/15/2022	\$ 25,261
4	TSY INFL IX N/B 0.375%	Aaa	\$ 23,564	0.39	07/15/2027	\$ 23,909
5	TSY INFL IX N/B US GVT NATIONAL 0.375%01	Aaa	\$ 23,648	0.40	01/15/2027	\$ 23,886
6	UNITED STATES TREAS INFL INDXED NTS .12	Aaa	\$ 24,073	0.14	01/15/2023	\$ 23,866
7	UNITED STATES TREAS NTS 0.375% DTD	Aaa	\$ 22,920	0.41	07/15/2025	\$ 23,207
8	UNITED STATES OF AMER TREAS NOTES INFL I	Aaa	\$ 22,923	0.14	04/15/2021	\$ 22,660
9	US TREAS NTS INFL INDXD DTD 04-15-2017 0.1	Aaa	\$ 22,768	0.13	04/15/2022	\$ 22,522
10	UNITED STATES TREAS NTS TIPS	Aaa	\$ 21,671	0.41	07/15/2023	\$ 21,781

Top 10 Public Equity Holdings (Dollar amounts in thousands)			
Rank	Security Name	Shares	Market Value
1	Samsung Electronics Co Ltd	907,672	\$39,544,152
2	Alibaba Group Holding Limited	218,881	\$36,603,448
3	Tencent Holdings Limited	766,773	\$32,296,932
4	Amazon.com, Inc.	26,409	\$45,843,674
5	Taiwan Semiconductor Manufacturing Co Lt	3,289,463	\$28,839,590
6	Apple Inc.	232,406	\$52,051,948
7	Nestle S.A.	298,763	\$32,442,506
8	Alphabet Inc.	36,403	\$44,418,662
9	Facebook, Inc.	146,135	\$26,023,702
10	Microsoft Corporation	410,585	\$57,083,609

Report on Investment Activity

Schedule of Fees and Commissions

During fiscal year 2019, the Board paid the following fees and commissions:

Expense Category	Amount thousands)	Percent of Fund
Investment Managers*	\$15,847,456	0.186%
Investment Consultants	\$873,574	0.010%
Investment Administrative Expense	\$757,041	0.009%
Custodian	\$322,174	0.004%
Brokerage Commissions**	\$752,660	0.009%
Total	\$18,552,905	0.218%

* Includes fees paid to traditional investment managers only. Traditional investment managers are those that invest primarily in public equity and fixed income securities

** Includes separate account and commingled fund relationships.

Total	Total Shares Traded	Total Commission (Dollar Value)	Total Commission (Cost Per Share)	Commission (Basis Points)	Number of Trades	Trade Value (Dollars in millions)
Channing Capital Management	7,559,588	\$ -182,136	-2.4	-8	1,515	\$ 243
Sands Capital Management	458,754	-9,874	-2.2	-2	191	61
Altrinsic	11,971,036	-209,657	-1.8	-16	524	135
LSV Emerging Markets	60,271,571	-41,904	-0.1	-5	3,116	83
Northern Truist Global REIT	53,835,329	-50,966	-0.1	-3	3,105	171
Northern Trust R3000	58,244,105	-52,703	-0.1	0	23,315	2,322
State Street Global Advisors-CAD	653,534	-3,629	-0.6	-2	836	16
State Street Global Advisors-EAFE	16,381,934	-45,690	-0.3	-2	10,189	226
State Street Global Advisors-EM	119,368,724	-156,103	-0.1	-6	11,649	250
Total	328,744,575	\$ -752,662	-0.2	-2	54,440	\$ 3,507

Report on Investment Activity

Investment Summary

(Dollar amounts in thousands)

Asset Class	Market Value \$(000)	% of Fund
Cash and Short-Term Investments	\$ 76,434	1%
Fixed Income	2,690,008	32%
U.S. Equities	2,284,339	27%
International Markets Equities	2,328,879	27%
Private Equity	465,263	5%
Real Assets	685,113	8%
Total	\$ 8,530,036	100%