



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



FEBRUARY 2026 (ANALYSIS DATE 12/31/25)

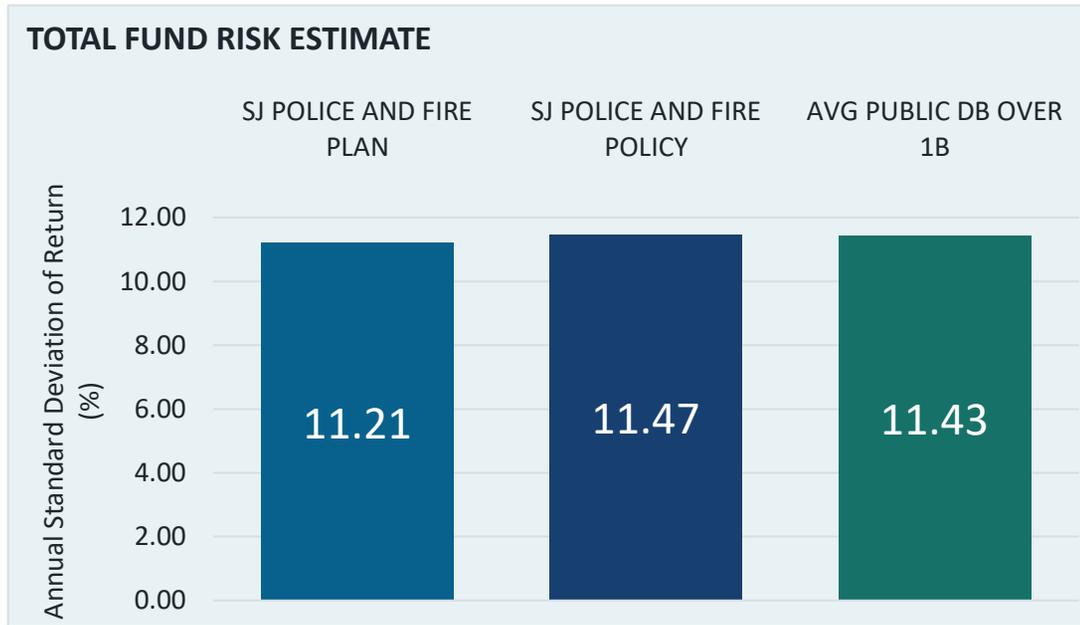
San Jose Police and Fire Department Retirement Plan – Investment Committee

Quarterly Risk Summary

Executive Summary

- Total fund risk rose slightly in the fourth quarter
- Total fund risk of 11.21% remains comfortably below the Board limit of 12%
- The fund is expected to perform better than the policy benchmark in most historic drawdown scenarios and stress tests
- The average of the three worst historical scenario drawdowns is 23.0%, below the Board limit of 30%
- High utilization of passive strategies in public markets keeps tracking error to policy low, currently 0.62%
- Equity style factors are often a large driver of active risk. We do not observe any large active style factor exposures in the portfolio

Total fund volatility



Total fund volatility rose slightly in the fourth quarter

Total fund volatility is in line with both the policy index and the peer index

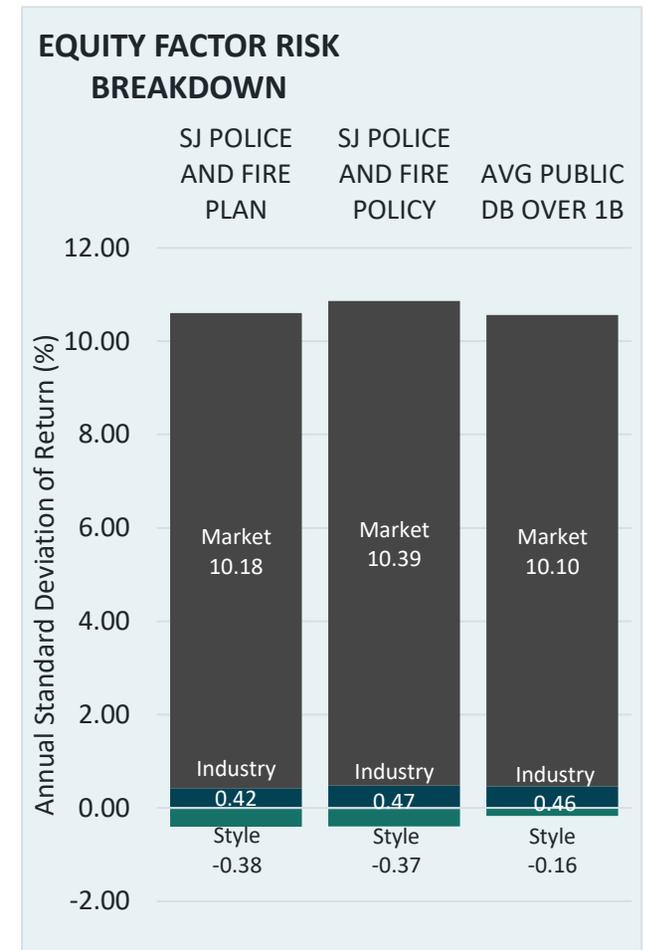
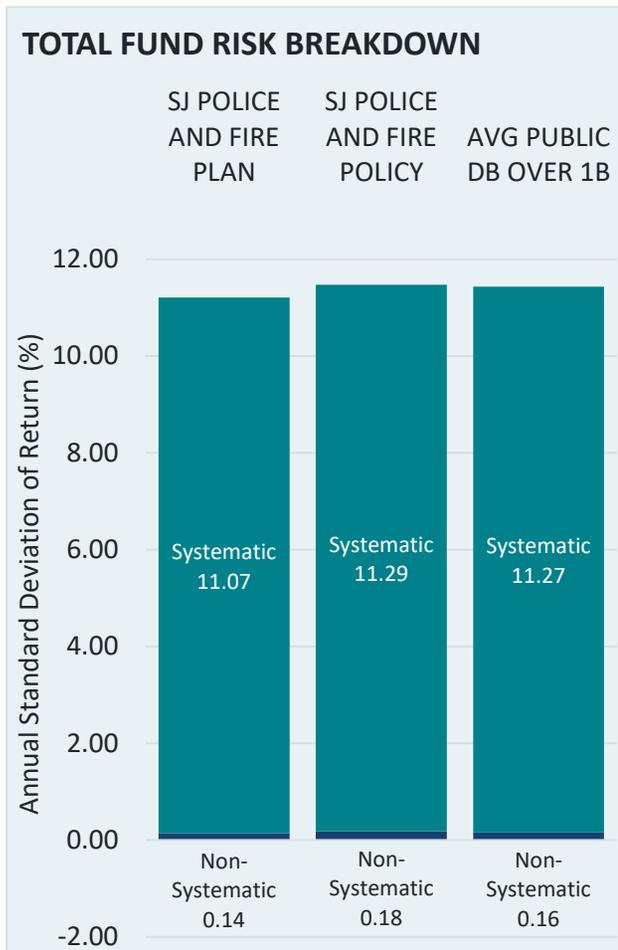


Total fund risk decomposition

Volatility that is explained by the factor model is called systematic risk

Systematic risk is broken down by major factor group; equity factors are dominant

Within equity factors, financial market factors dominate



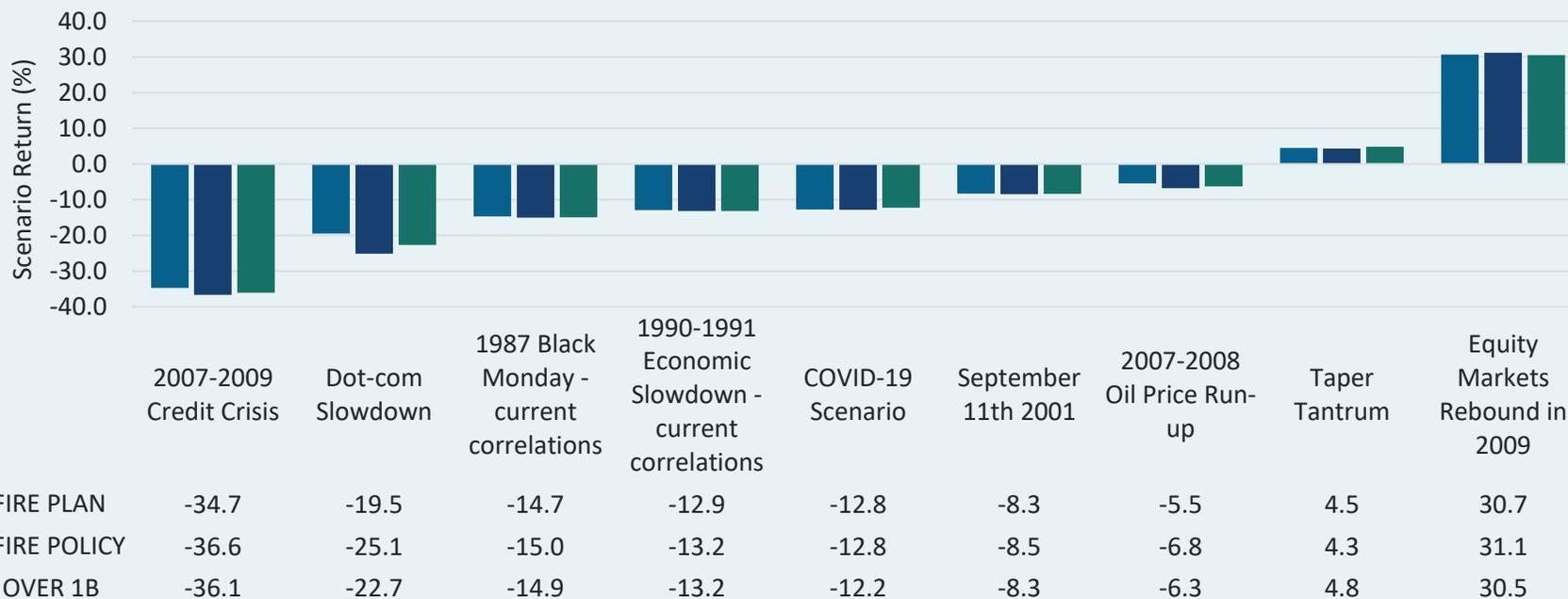
Historical scenarios

The fund is currently expected to do slightly better than the policy index in all these historical drawdown scenarios

The average of the three worst off-the-shelf historical scenario drawdowns is 23.0%, below the Board limit of 30%

The plan is currently much less sensitive to a Dot-com Slowdown scenario than the policy index – the plan is significantly underweight Magnificent 7 stocks relative to policy

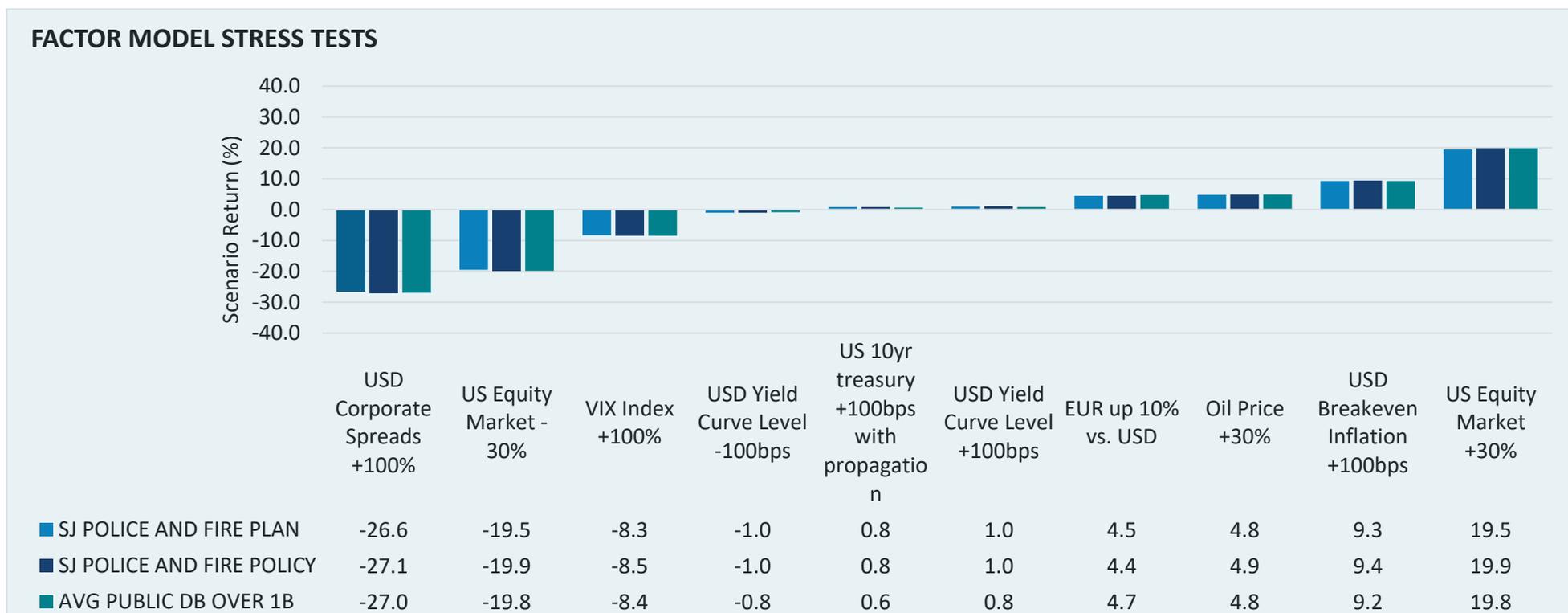
HISTORICAL FACTOR MODEL SCENARIOS



Stress tests

The fund is expected to do slightly better than the policy index in equity market and credit factor shocks

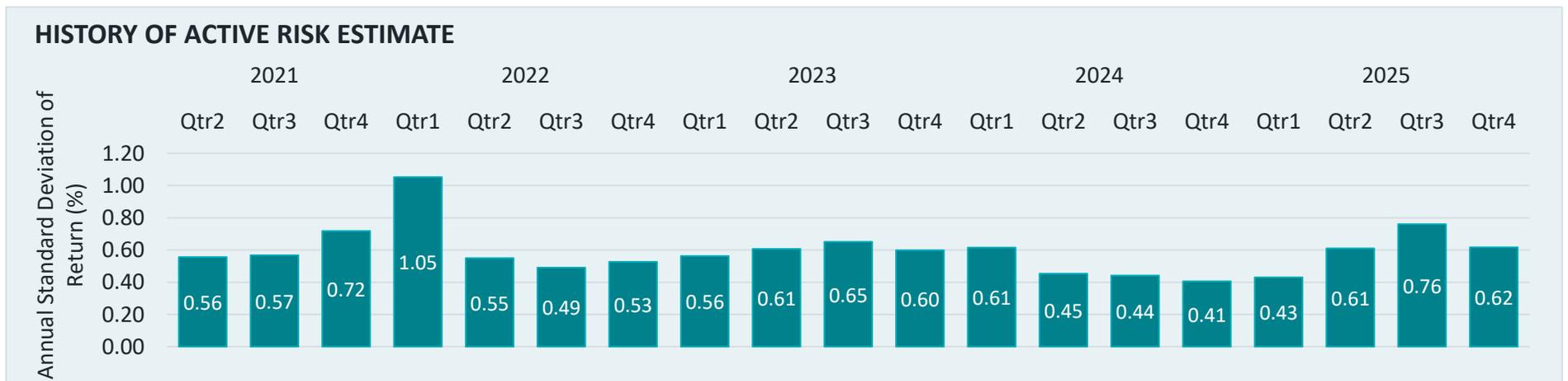
The fund is expected to do slightly worse in recovering equity markets



Active risk



Total active risk fell slightly in the fourth quarter but remains in line with previous estimates

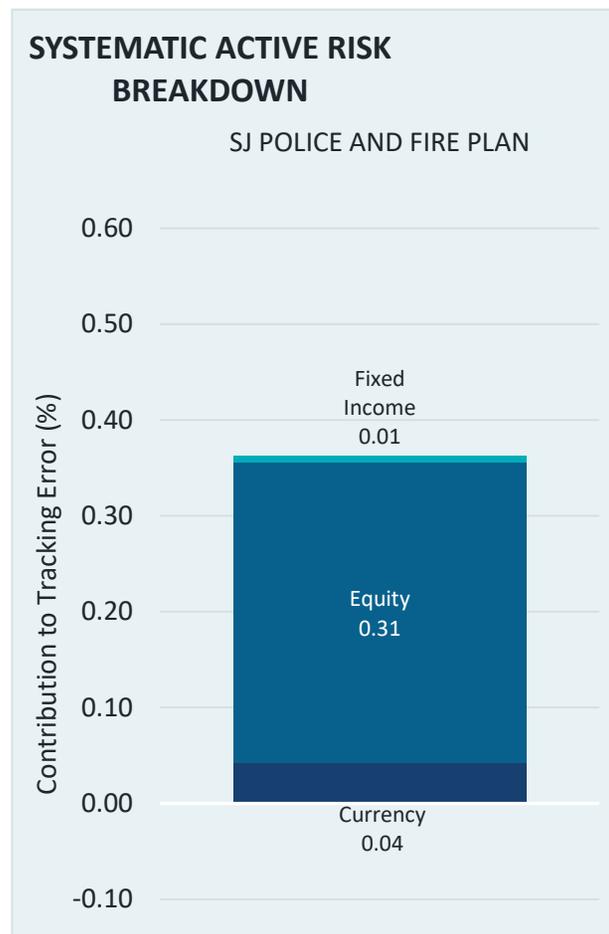
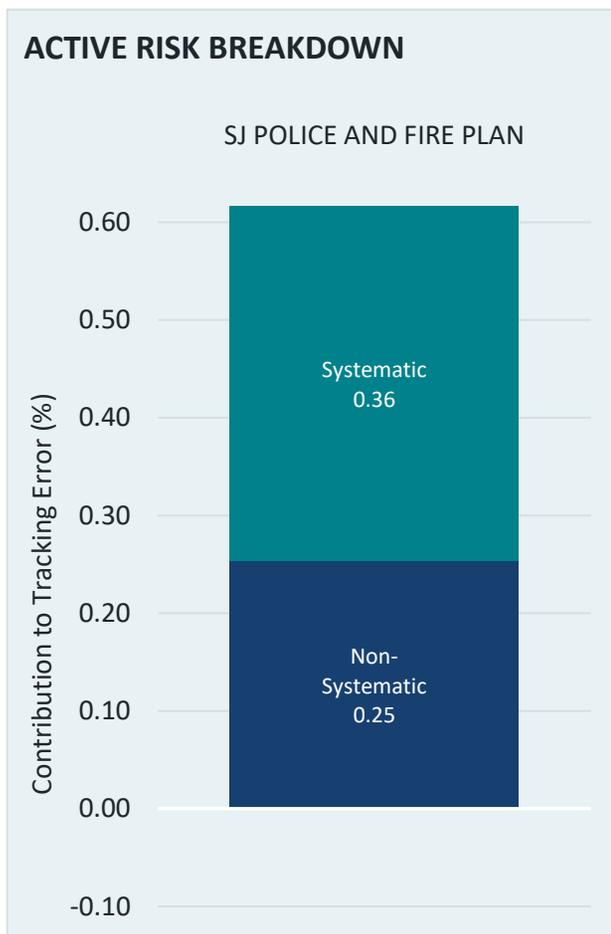


Active risk decomposition

Less active risk is explained by the factor model as “systematic” risk

Active systematic risk is also mostly equity risk

Market factors also dominate within active equity risk



Equity factor active risk



Due to the fund's use of passive public equity strategies, style factor contribution to total active risk remains very small



The active risk added by the AP (Asia Pacific) Market factor is due to the fund's modest allocations to Indian equity managers

The current US underweight also shows up here as active risk (tracking error to policy)

Appendix

Risk model proxies

Account Group	Subgroup 1	Subgroup 2	Subgroup 3	Proxy Name	Account MV	Account Pct of Group	Proxy Pct of Group
SJ Police and Fire Plan	Growth	Emerging Markets Debt		Bloomberg EM Hard Currency Aggregate Index	118,137,920	2.0%	2.0%
SJ Police and Fire Plan	Growth	High Yield Debt		No Proxy, Actual Holdings	106,742,264	1.8%	
SJ Police and Fire Plan	Growth	High Yield Debt		Bloomberg US Corporate High Yield Bond Index	11,766,210	0.2%	0.2%
SJ Police and Fire Plan	Growth	Private Markets	Growth Real Estate	FTSE EPRA/NAREIT Global REIT Index	251,220,960	4.2%	4.2%
SJ Police and Fire Plan	Growth	Private Markets	Northern Trust Russell 3000	iShares Russell 3000 ETF	74,650,162	1.2%	1.2%
SJ Police and Fire Plan	Growth	Private Markets	Private Debt	No Proxy, Actual Holdings	27,737,103	0.5%	
SJ Police and Fire Plan	Growth	Private Markets	Private Debt	Bloomberg US Aggregate Index	209,898,432	3.5%	3.5%
SJ Police and Fire Plan	Growth	Private Markets	Private Equity	iShares Russell 3000 ETF	606,106,782	10.1%	10.1%
SJ Police and Fire Plan	Growth	Private Markets	Private Real Assets	iShares Global Infrastructure ETF	209,362,500	3.5%	3.5%
SJ Police and Fire Plan	Growth	Private Markets	Venture Capital	iShares Russell 3000 ETF	152,891,969	2.6%	2.6%
SJ Police and Fire Plan	Growth	Public Equity	Emerging Markets Equity	No Proxy, Actual Holdings	193,549,165	3.2%	
SJ Police and Fire Plan	Growth	Public Equity	Emerging Markets Equity	MSCI Emerging Markets Index	24,205,170	0.4%	0.4%
SJ Police and Fire Plan	Growth	Public Equity	Emerging Markets Equity	MSCI India Index	37,833,439	0.6%	0.6%
SJ Police and Fire Plan	Growth	Public Equity	Global Equity	No Proxy, Actual Holdings	459,012,682	7.7%	
SJ Police and Fire Plan	Growth	Public Equity	International Equity	No Proxy, Actual Holdings	169,184,316	2.8%	
SJ Police and Fire Plan	Growth	Public Equity	International Equity	MSCI AC World Index Ex USA IMI Index	546,078,409	9.1%	9.1%
SJ Police and Fire Plan	Growth	Public Equity	US Equity	No Proxy, Actual Holdings	66,417,663	1.1%	
SJ Police and Fire Plan	Growth	Public Equity	US Equity	iShares Russell 3000 ETF	1,050,511,194	17.6%	17.6%
SJ Police and Fire Plan	Growth	Public Equity	US Equity	MSCI US Small Cap Index	296	0.0%	0.0%
SJ Police and Fire Plan	Low Beta	Cash		No Proxy, Actual Holdings	240,425,877	4.0%	
SJ Police and Fire Plan	Low Beta	Cash		Bloomberg 3 Month T-Bill Index	98,492,631	1.6%	1.6%
SJ Police and Fire Plan	Low Beta	Immune Cash Flows		No Proxy, Actual Holdings	433,241,158	7.2%	
SJ Police and Fire Plan	Low Beta	Market Neutral Strategies	Relative Value	Bloomberg 3 Month T-Bill Index	174,331,220	2.9%	2.9%
SJ Police and Fire Plan	Other	Core Real Estate		FTSE EPRA/NAREIT Global REIT Index	291,542,332	4.9%	4.9%
SJ Police and Fire Plan	Other	Investment Grade Bonds		No Proxy, Actual Holdings	236,054,321	3.9%	
SJ Police and Fire Plan	Other	Long Term Government Bonds		Bloomberg US Treasury: Long Index	71,365,568	1.2%	1.2%
SJ Police and Fire Plan	Other	TIPS		No Proxy, Actual Holdings	116,628,730	2.0%	
Total					5,977,388,469	100.0%	65.7%

Historical scenario definitions

Scenario Name	Scenario Type	Scenario Desc
2007-2009 Credit Crisis	Historical Scenarios	2007-2009 Credit Crisis (02/22/2007 to 03/09/2009)
Sep-Oct 2008	Historical Scenarios	Sep-Oct 2008 (09/12/2008 to 10/27/2008)
Dot-com Slowdown	Historical Scenarios	Dot-com Slowdown (03/10/2000 to 10/09/2002).
Taper Tantrum	Historical Scenarios	This scenario covers the 2013 Fed's announcing their intention to taper its quantitative easing program, and the subsequent surge in treasury yields.
September 11th 2001	Historical Scenarios	Scenario that focuses on the period around the terrorist attacks on September 11th 2001. (due to only weekly data, Wed to Wed, in the model during this period).
1987 Black Monday - current correlations	Historical Scenarios	Uses a US Equity Market factor of -22.6% with current correlations.
COVID-19 Scenario	Historical Scenarios	COVID-19 Scenario (12/25/2019 - 04/09/2020)
Equity Markets Rebound in 2009	Historical Scenarios	Global equity markets rebound following 2008 drawdown. Use Historical risk factor returns from 03/04/2009-06/01/2009.
2007-2008 Oil Price Run-up	Historical Scenarios	2007-2008 Oil Price Run-up (01/18/2007 to 07/03/2008)
1990-1991 Economic Slowdown - current correlations	Historical Scenarios	Uses a US Equity Market factor shock of -19.9% with current correlations

Stress test definitions

Scenario Name	Scenario Type	Scenario Desc
EUR up 10% vs. USD	Stress Tests	EUR up 10% vs. USD, propagated to other currencies and equity factors via correlation.
US Equity Market +30%	Stress Tests	US Equity Market +30%
US Equity Market -30%	Stress Tests	US Equity Market -30%
USD Yield Curve Level +100bps	Stress Tests	USD Yield Curve Level +100bps
USD Yield Curve Level -100bps	Stress Tests	USD Yield Curve Level -100bps
USD Corporate Spreads +100%	Stress Tests	USD Corporate Spreads +100%
US 10yr treasury +100bps with propagation	Stress Tests	This scenario shocks the US Treasury curves parallel +100bps, and uses the Bloomberg Multi-Asset Factor Model to propagate that shock to other curves and asset classes (Equities, Bonds, CDS, IRS etc.)
USD Breakeven Inflation +100bps	Stress Tests	USD Breakeven Inflation +100bps
VIX Index +100%	Stress Tests	VIX Index +100%
Oil Price +30%	Stress Tests	Oil Price +30%

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