



Investment Committee

San Jose Federated Employees Retirement Plan

Quarterly Risk Summary

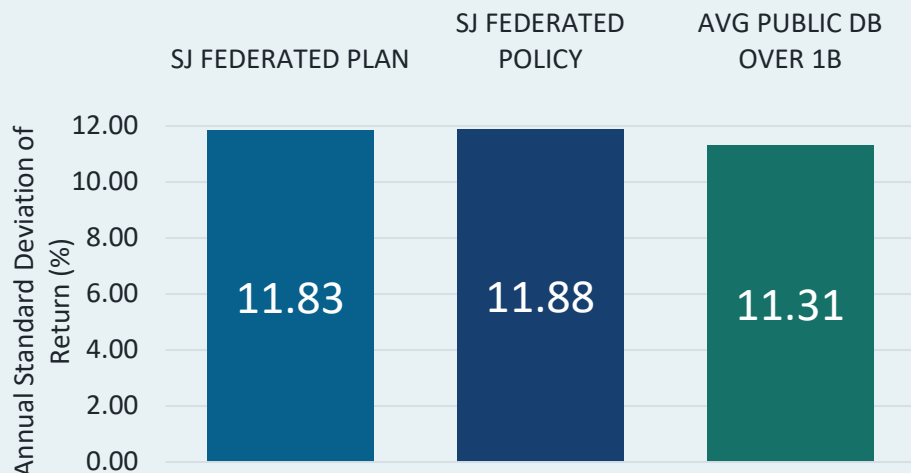
June 2026 (Analysis Date 3/31/26)

Executive Summary

- Total fund risk fell slightly in the first quarter
- Total fund risk of 11.83% remains comfortably below the Board limit of 13%
- 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 24.5%, below the Board limit of 30%
- High utilization of passive strategies in public markets keeps tracking error to policy low, currently 0.83%
- Equity style factors are often a large driver of active risk. We do not observe any large active style factor exposures in the portfolio

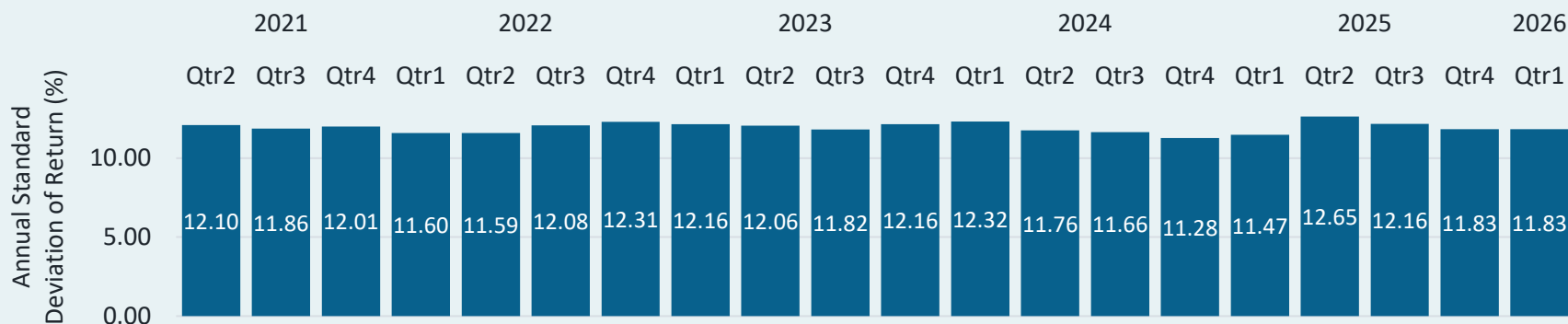
Total Fund Volatility

TOTAL FUND RISK ESTIMATE



- Total fund volatility fell slightly in the first quarter
- Total fund volatility remains in line with both the policy index and the peer index

HISTORY OF TOTAL FUND RISK ESTIMATE



Risk model: Bloomberg MAC3 Long Term (since 2025 Q2), Barra MAC.XL (before 2025 Q2)

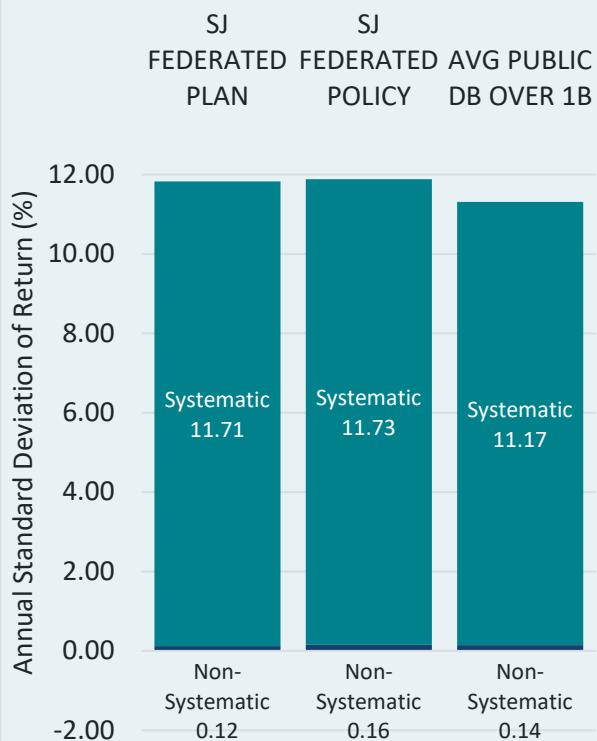
Total Fund Risk Decomposition

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

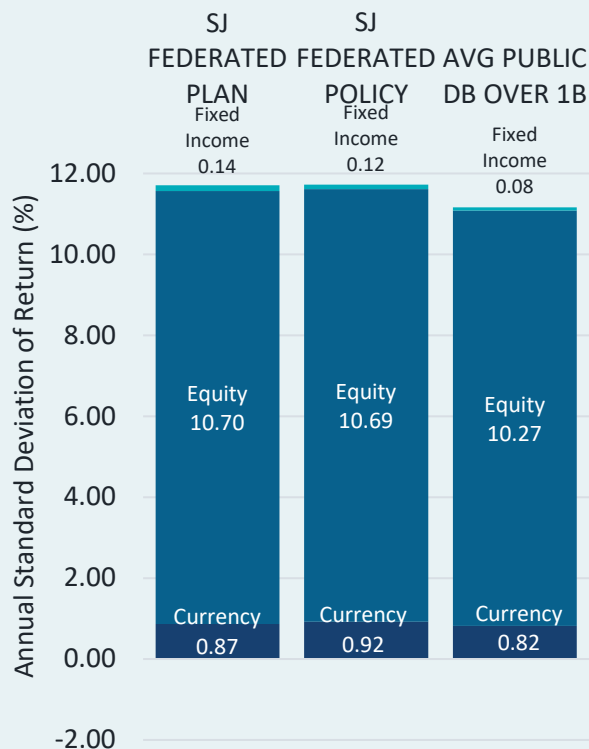
Systematic risk is broken down by major factor group; equity factors are dominant

Within equity factors, financial market factors dominate

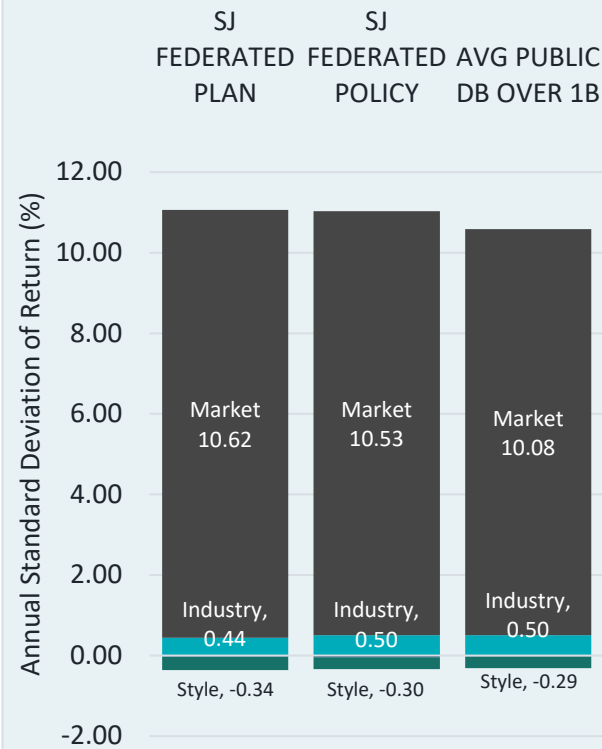
TOTAL FUND RISK BREAKDOWN



SYSTEMATIC RISK BREAKDOWN



EQUITY FACTOR RISK BREAKDOWN



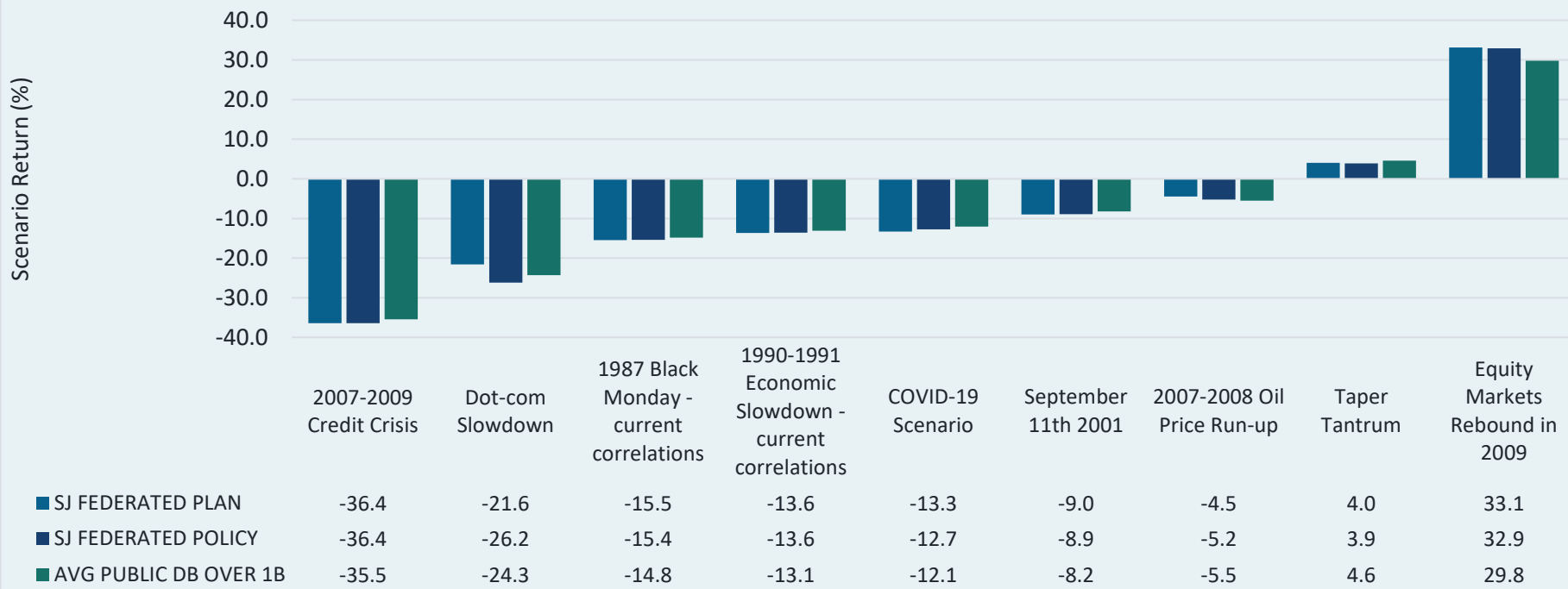
Historical Scenarios

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 24.5%, below the Board limit of 30%

The plan continues to be less sensitive to a tech-driven correction than the policy index

HISTORICAL FACTOR MODEL SCENARIOS

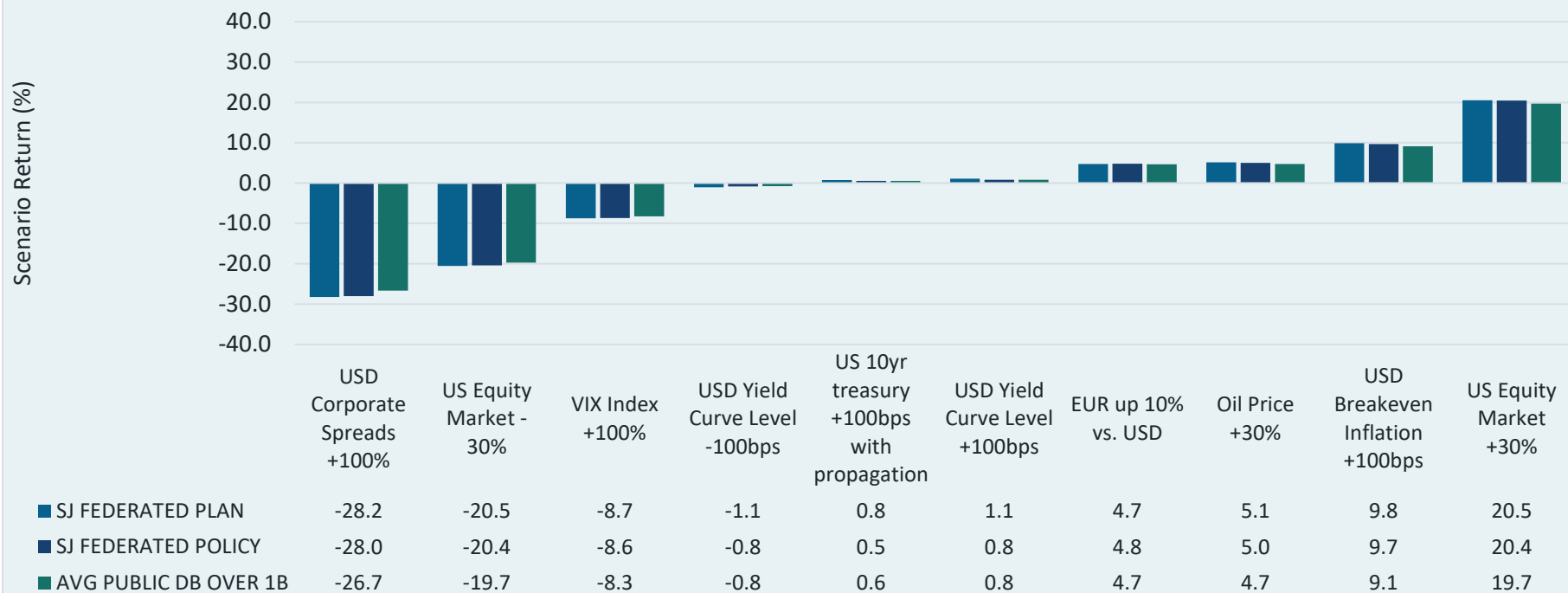


Stress Tests

The fund is expected to do no better than the policy index in equity market and credit factor shocks

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

FACTOR MODEL STRESS TESTS



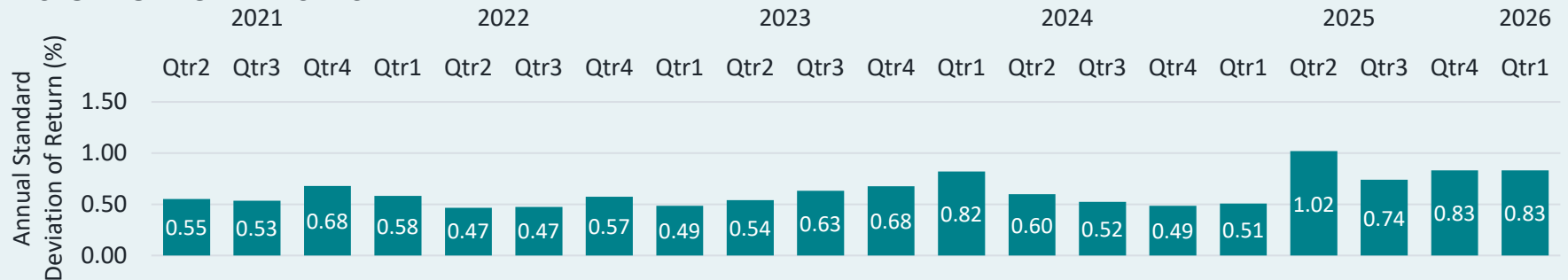
Active Risk

TOTAL ACTIVE RISK



Total active risk rose slightly in the first quarter but remains in line with previous estimates

HISTORY OF ACTIVE RISK ESTIMATE

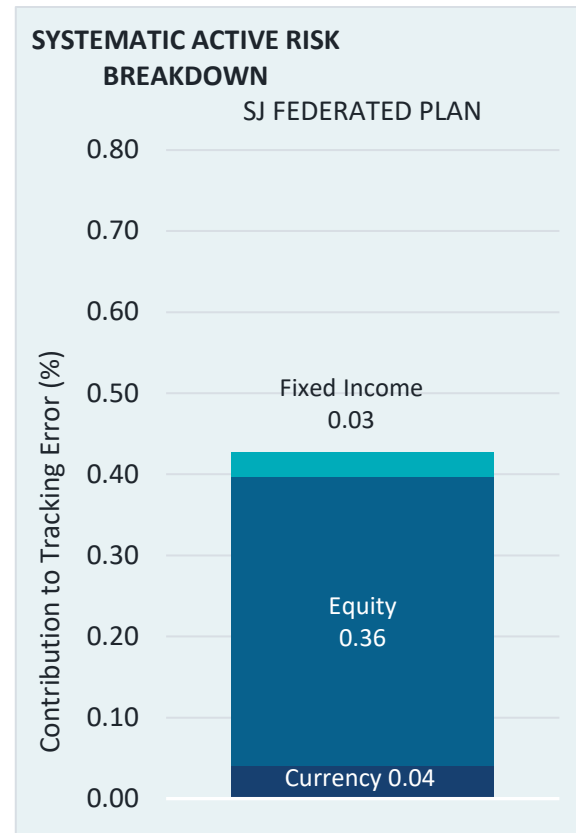
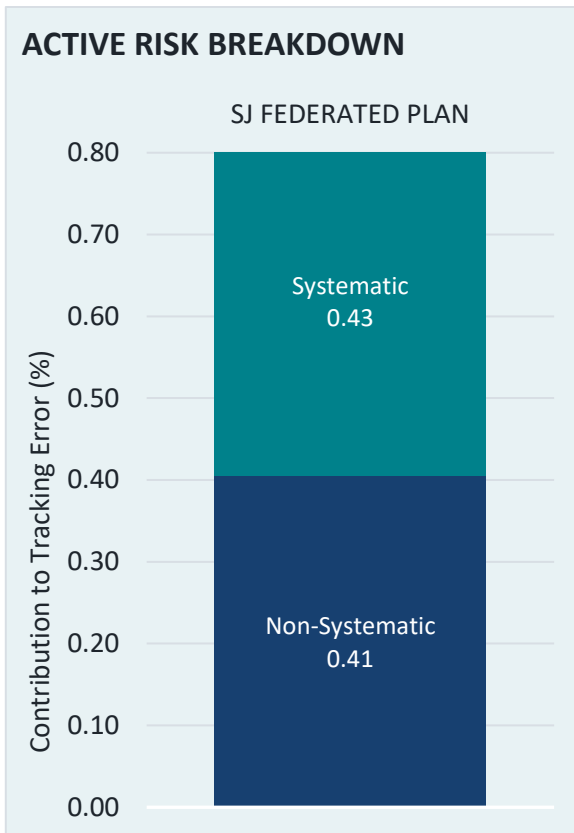


Active Risk Decomposition

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

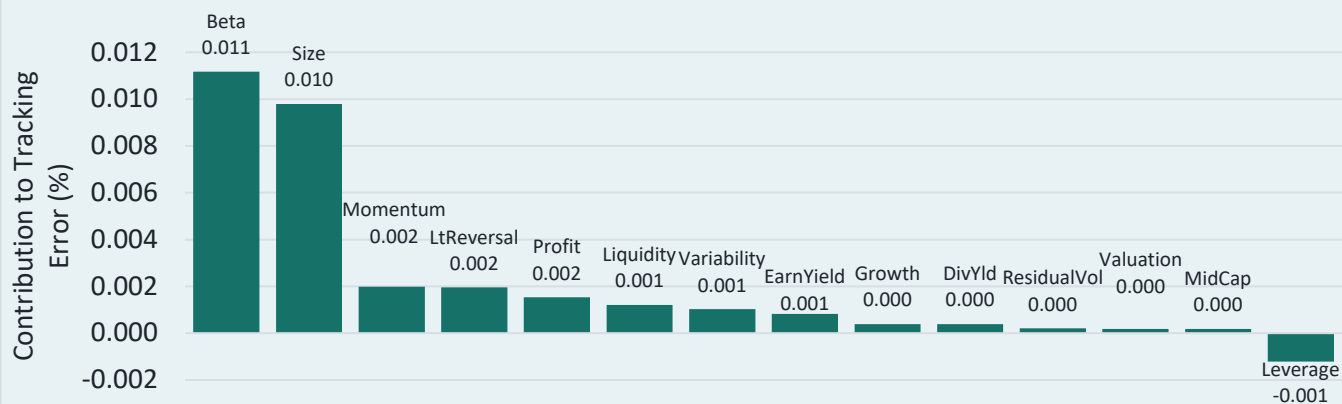
However, active systematic risk is also mostly equity risk

Market factors also dominate within active equity risk



Equity Factor Active Risk

EQUITY STYLE FACTOR CONTRIBUTION TO ACTIVE RISK



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

EQUITY MARKET FACTOR CONTRIBUTION TO ACTIVE RISK



- 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 – 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

Appendix – 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%