



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 18

**MEETING DATE:** October 21, 2026

**SUBJECT:** Investment Manager Compliance and Watch List Report—Third Quarter 2026

**SUBMITTED FOR:** ☐ Action ☒ Information

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#### **RECOMMENDATION**

Receive and file the Investment Manager Compliance and Watch List Report for the quarter ended September 30, 2026.

#### **PURPOSE/STRATEGIC PRIORITY**

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

#### **DISCUSSION**

SCERS' investment manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of June 30, 2026, the following managers were on the Watch List:

- Walter Scott & Partners (Global Equity) – performance related

During the third quarter of 2026, Staff and Cerity recommended the addition of Artisan Partners (Global Equity) to the Watch List due to performance concerns, asset outflows, and changes to the Growth team's portfolio management structure. SCERS' Board approved an investment with Artisan in May 2022, with the firm managing approximately \$177 million for SCERS as of September 30, 2026. Artisan manages a Global Opportunities mandate for SCERS, benchmarked to the MSCI ACWI Index, within the Global Equity portfolio. As of June 30, 2026, the strategy had underperformed its benchmark over the trailing one-year, three-year, and since-inception periods, driven predominantly by security selection. Strategy assets have also declined from approximately \$27.6 billion at the time of SCERS' hire to approximately \$13.4 billion, primarily due to client redemptions, and Artisan recently announced changes to the portfolio management team. Artisan's investment philosophy and process have not changed.

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Also during the third quarter of 2026, Staff and Cerity recommended the addition of Amova Asset Management (Global Equity), formerly Nikko Asset Management, to the Watch List due to performance concerns. SCERS' Board approved an investment with Nikko in May 2022, with the firm managing approximately \$179 million for SCERS as of September 30, 2026. Amova manages a Global Equity mandate for SCERS, benchmarked to the MSCI ACWI Index, within the Global Equity portfolio. As of June 30, 2026, the strategy had underperformed its benchmark over all trailing periods, with negative performance being particularly acute over the past 12 months resulting in negative relative performance over the trailing three-year and since-inception periods as well. The recent underperformance is primarily attributable to a narrow, momentum- and AI capex-driven market environment that has disadvantaged quality-growth strategies with valuation discipline, rather than to a change in Amova's "Future Quality" investment philosophy, process, or investment team.

There were no other changes to the Watch List during the third quarter. Therefore, managers on the Watch List going forward are:

- Walter Scott & Partners (Global Equity) – performance related
- Artisan Partners (Global Equity) – performance related and organizational concerns
- Amova Asset Management (Global Equity) – performance related

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS' investment managers and update the Watch List accordingly.

Staff will present and discuss the content of the Compliance and Watch List report during the October Board meeting.

### **ATTACHMENTS**

- Board Order
- Quarterly Watch List and Compliance Report—Third Quarter 2026

Prepared by:

/S/

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Brian Miller  
Senior Investment Officer

Reviewed by:

/S/

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Steve Davis  
Chief Investment Officer

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Eric Stern  
Chief Executive Officer



# **Retirement Board Order**

## **Sacramento County Employees' Retirement System**

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**Before the Board of Retirement  
October 21, 2026**

**AGENDA ITEM:**

**Investment Manager Compliance and Watch List Report—  
Third Quarter 2026**

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to receive and file the Investment Manager Compliance and Watch List Report for the quarter ended September 30, 2026.

I HEREBY CERTIFY that the above order was passed and adopted on October 21, 2026 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

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Chris Giboney  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary

**SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**Quarterly Investment Manager Watch List - September 2026**

| # | Investment Manager     | Fund Type     | Net Asset Value<br>(as of September<br>2026, \$<br>thousands) | Reason                     | Effective<br>(month - year) | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---|------------------------|---------------|---------------------------------------------------------------|----------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Walter Scott           | Global Equity | \$ 452,490                                                    | Performance                | Sep-25                      | The Walter Scott strategy (international developed large cap) has significantly underperformed its benchmark over the past several quarters, leading to bottom quartile performance ranking over the trailing 1, 3, and 5 year periods. The Walter Scott strategy takes a fundamental, bottom-up approach to stock selection and portfolio construction. The strategy has relatively high active share and tracking error, which can result in meaningful departure from benchmark returns, requiring evaluation over a full market cycle. However, the recent performance is below expectations leading to the Watch List addition. SCERS has approximately \$452 million invested with Walter Scott as of September 2026.                                                                                                                                                                                                                                       |
| 2 | Artisan Partners       | Global Equity | \$ 177,262                                                    | Performance & Organization | Sep-26                      | Artisan Partners (Global Equity) was added to Watch due to performance concerns, asset outflows, and changes to the Growth team's portfolio management team. SCERS' Board approved an investment with Artisan in May 2022, with the firm managing approximately \$177 million for SCERS as of September 30, 2026. As of June 30, 2026, the strategy had underperformed its benchmark over the trailing one-year, three-year, and since-inception periods, driven predominantly by security selection. Strategy assets have also declined from approximately \$27.6 billion at the time of SCERS' hire to approximately \$13.4 billion, primarily due to client redemptions, and Artisan recently announced changes to the portfolio management team. Artisan's investment philosophy and process have not changed.                                                                                                                                                |
| 3 | Amova Asset Management | Global Equity | \$ 179,400                                                    | Performance                | Sep-26                      | Amova (formerly Nikko) Asset Management was added to Watch due to performance concerns. SCERS' Board approved an investment with Nikko in May 2022, with the firm managing approximately \$179 million for SCERS as of September 30, 2026. Amova manages a Global Equity mandate for SCERS, benchmarked to the MSCI ACWI Index, within the Global Equity portfolio. As of June 30, 2026, the strategy had underperformed its benchmark over all trailing periods, with negative performance being particularly acute over the past 12 months resulting in negative relative performance over the trailing three-year and since-inception periods as well. The recent underperformance is primarily attributable to a narrow, momentum- and AI capex-driven market environment that has disadvantaged quality-growth strategies with valuation discipline, rather than to a change in Amova's "Future Quality" investment philosophy, process, or investment team. |