



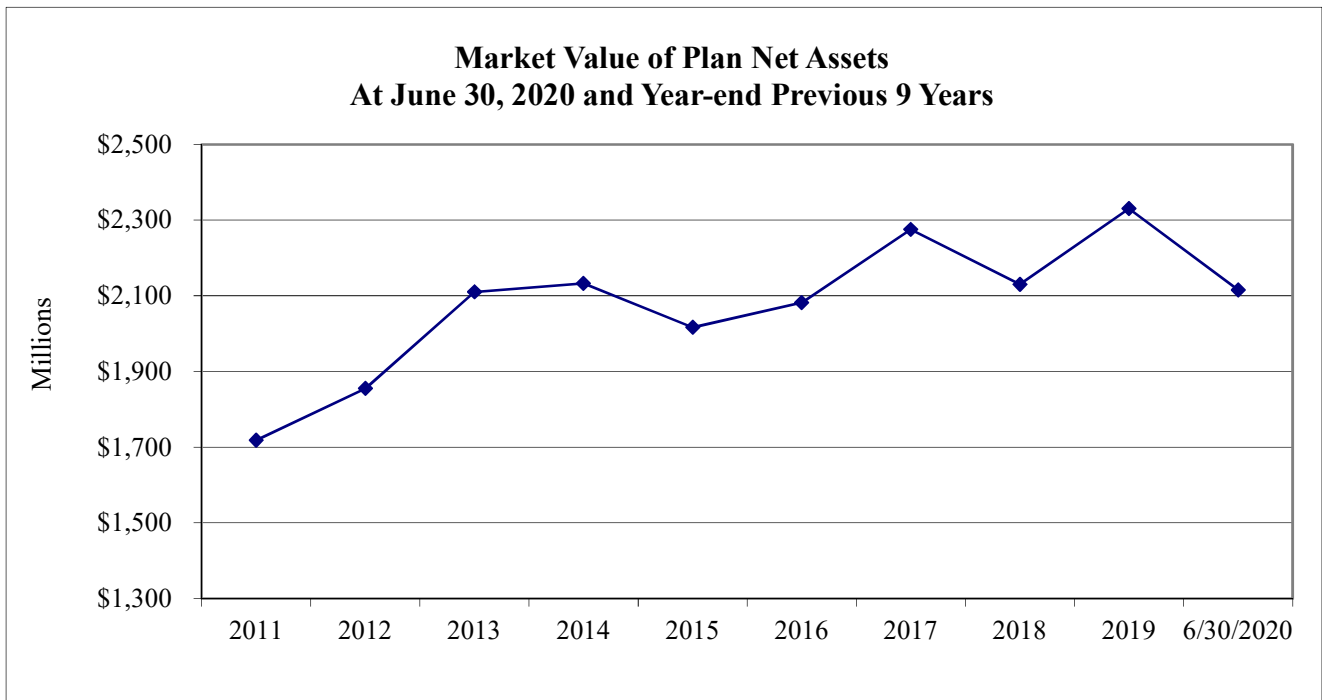
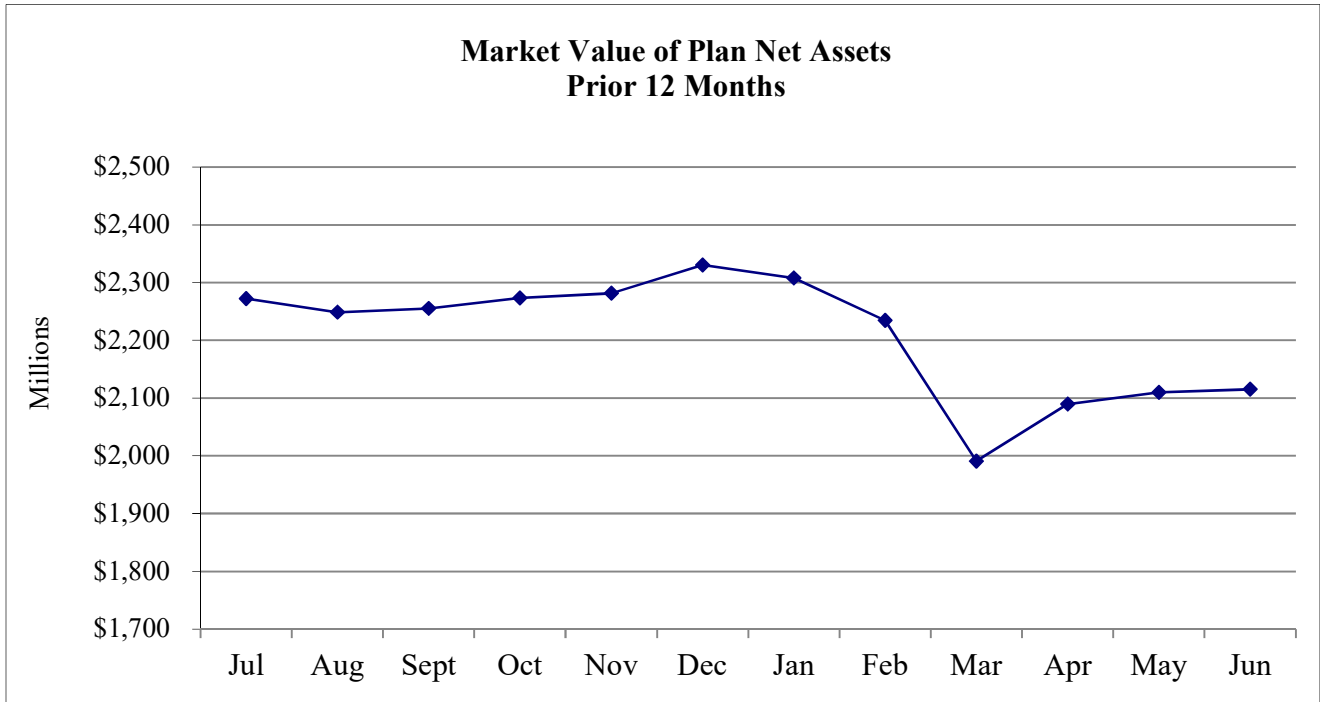
777 PEARL STREET
DENVER, CO 80203

QUARTERLY FINANCIAL REPORT
For the period ending
June 30, 2020

Denver Employees Retirement Plan
Statement of Plan Net Position
as of June 30, 2020 and December 31, 2019

	As of 6/30/2020	As of 12/31/2019
Assets		
Cash and short-term investments:		
Cash and short-term investments	\$ 37,538,142.74	\$ 116,410,500.66
Securities lending collateral	140,409,552.47	81,271,522.56
Total cash and short-term investments	177,947,695.21	197,682,023.22
Receivables:		
Investment income	1,446,705.90	1,848,515.51
Unsettled securities sold	43,563.59	198,859.49
Total receivables	1,490,269.49	2,047,375.00
Investments, at fair value:		
U.S. government obligations	317,191,109.86	111,786,576.06
Domestic corporate and other fixed income	221,582,809.93	429,645,551.62
Domestic equity	412,934,542.70	461,851,339.04
International equity	423,852,620.91	401,302,287.19
Real estate	170,894,817.14	175,520,888.02
Alternative investments	424,359,639.47	524,465,330.77
Absolute return	109,374,579.59	113,282,945.66
Total investments	2,080,190,119.60	2,217,854,918.36
Prepaid Items:	34,679.79	34,679.79
Capital Assets:		
Property and equipment, net of accumulated depreciation	3,309,474.75	3,168,691.63
Total assets	2,262,972,238.84	2,420,787,688.00
Liabilities		
Unsettled securities purchased	7,938.99	490,771.96
Securities lending obligations	140,409,552.47	81,271,522.56
Unearned Contributions	6,806,109.00	6,806,109.00
Accounts payable	679,966.60	2,047,682.82
Total liabilities	147,903,567.06	90,616,086.34
Net position restricted for benefits	\$ 2,115,068,671.78	\$ 2,330,171,601.66
Net position restricted for pension benefits	1,994,714,423.27	2,211,851,148.72
Net position restricted for DROP benefits	120,354,248.51	118,320,452.94
Net position restricted for benefits	\$ 2,115,068,671.78	\$ 2,330,171,601.66

**Denver Employees Retirement Plan
Change in Market Value of Plan Net Assets
June 30, 2020**



Analysis of Recent Investment Returns Second Quarter 2020

The following discussion presents comparative data for DERP's Investment Returns for the most-recent Quarterly, 12-Month, Three-Year, and Five-Year Periods. Analysis and highlights of portfolio performance are presented below. All figures are net of fees.

Markets rebounded strongly in the second quarter of 2020, as investors dove back into risky assets following massive global government stimulus combined with optimism that the worst of the economic fallout from the Covid-19 pandemic was over. Equity markets rose sharply, particularly domestic stocks.

The Plan returned 5.4% in the quarter, although that was not enough to make up for the first quarter loss of -11.8%. It is to be expected that with a lower allocation to equities than most of our peers, we would lag in periods where equity markets surged. However, private equity and private energy were additional detractors during the quarter and our results are disappointing. Our quarterly returns are well behind the median large public pension plan which generated a return of 10.5%, and behind our fund policy index return of 12.9%.

The underperformance for the quarter was of such a magnitude that all trailing periods were negatively impacted. The trailing 12 months return was -4.1%, lagging both our policy index of 1.8% and our peers who generated 1.3%. For the trailing 3-year period, the DERP return was 2.9%, behind the fund policy index of 5.2% and behind the median public fund return of 4.8%, and for the trailing 5-year period the return of 3.8% trailed the benchmark of 5.6% and the median fund of 5.2%.

Portfolio Analysis

The domestic equity portfolio was up 23.4% for the quarter, ahead of the US market return of 22.0%. This was the best performing sector of the portfolio, and both large and small cap stocks performed well.

The international equity portfolio also saw good returns, and was up 16.2% essentially matching its benchmark return of 16.1% for the period.

Fixed income was up 1.1%, but lagged the benchmark return of 3.6%. We continue to have a very strong liquidity position.

Real estate declined -1.5%, as impacts from the pandemic have so far been moderate. We might reasonably expect there will be some lasting shifts in demand, benefiting some segments and harming others, but it is too soon to predict what the ultimate effects will be.

Midstream energy surged 22.3% but trailed the benchmark return of 32.6% as our holdings underweighted commodity-sensitive positions which had the biggest gains. The rebound in the second quarter was insufficient to overcome the first quarter loss of -41.2%, and investor sentiment remains wary of anything energy related.

The alternatives portfolio was the main detractor in the quarter, with a -16.0% return caused by the previously noted private equity and energy positions.

We expect there will be continued recovery in private equity, midstream energy, and some of our private debt investments, so long as conditions do not worsen again. This would improve our absolute and relative standing. Still, there have been significant long-term impacts that required us to modify our approach. Further adjustments to the portfolio will be made as data becomes available and is analyzed.

Denver Employees Retirement Plan

Investment Returns (Net of Fees) for Periods Ended June 30, 2020

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Years¹</u>	<u>5 Years¹</u>
TOTAL FUND	5.4%	-4.1%	2.9%	3.8%
Fund Policy Index	12.9%	1.8%	5.2%	5.6%
InvMetrics Median Public Fund ²	10.5%	1.3%	4.8%	5.2%
Domestic Equity	23.4%	8.7%	12.3%	10.7%
Russell 3000 Index	22.0%	6.5%	10.0%	10.0%
Large Cap Equity	22.1%	9.3%	12.6%	11.0%
Russell 1000 Index	21.8%	7.5%	10.6%	10.5%
Small Cap Equity	28.8%	5.7%	11.1%	9.1%
Russell 2000 Index	25.4%	-6.6%	2.0%	4.3%
International Equity	16.2%	-9.0%	2.6%	0.3%
International Equity Benchmark	16.1%	-4.1%	1.2%	2.8%
Fixed Income	1.1%	4.1%	4.7%	4.4%
Fixed Income Benchmark	3.6%	6.6%	4.8%	4.6%
Real Estate	-1.5%	-0.1%	3.3%	5.7%
ODCE Index	-1.5%	2.4%	5.7%	7.3%
MLPs	22.3%	-33.2%	-12.7%	-10.2%
MLP Benchmark	32.6%	-31.7%	-12.4%	-10.1%
Alternatives ex MLPs	-16.0%	-15.0%	2.5%	4.7%
Alternatives ex MLPs Benchmark	12.5%	9.4%	11.5%	10.1%

¹ Annualized return

² InvMetrics Public Fund > \$1 Billion database