

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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INVESTMENT COMMITTEE MINUTES

May 16, 2024

PRESENT: John Carr, Joey Hager, Teresa Smith, Matt Hastedt, Mike Feehley (left at 9:30 a.m.)

OTHER: Sandy Thiry, Tony Bass, Desiré Dixon, Lisa Flowers – City Counsel (arrived at 8:43 a.m.)

GUESTS: Elizabeth Hood and Todd Carabasi from Callan

OFFICIAL CALL TO ORDER by John Carr at 8:00 a.m.

MEETING MINUTES APPROVAL

Motion: Matt Hastedt motioned to approve the April 15, 2024 and April 18, 2024 meeting minutes as presented and Joey Hager seconded the motion. The motion carried unanimously.

Asset Allocation Report and Cash Draw for Operating Expenses

The Committee reviewed the April 30, 2024 asset allocation report and determined that all asset classes except for real estate were in-compliance with the Investment Policy Statement. Real Estate remains below target due to the appraisal lags in the portfolio and JP Morgan being in redemption queue. Tony Bass advised that the Fund dropped \$19 million in April 2024; however, as of May 16, 2024 the Fund had rebounded to \$635 million. The Committee also discussed the quarterly cash draw for operating expenses requested by the Administrator.

Motion: Matt Hastedt motioned to liquidate a total of \$4 million from the SSGA Russell 1000 Index Fund for operating expenses. Mike Feehley seconded the motion. The motion passed unanimously.

Callan, LLC

Quarterly Fund Performance

Elizabeth Hood and Todd Carabasi expressed their appreciation of the Board's confidence in selecting Callan as the Investment Consultant.

During the First Quarter 2024, the Total Fund experienced positive returns in all asset classes except for Domestic Fixed Income and Real Estate. The S&P 500 Index was up 10.6%, closing the quarter at a record high for the 22nd time during the quarter. The "Magnificent 7" drove the performance results for the overall market. Todd also reported large cap outperformed small cap, and growth outperformed value stocks. After experiencing a \$29.1 million investment return increase for the quarter, the Total Fund was valued at \$647,140,276 as of March 31, 2024. Overall, a good quarter for the active managers and portfolio performance.

Morgan Stanley International Equity posted a 2.20% return for the quarter placing it in the 94th percentile. They also underperformed the MSCI EAFE by 3.58% for the quarter and 7.22% for the rolling one-year period. The Committee, concerned with the portfolio's performance, requested additional data regarding relative returns for the past 10 years for further review. Todd & Elizabeth explained when the market is out of favor for their investment style, they would experience underperformance; however, when the market is in their favor, they should experience better performance. They recommended watch status and will provide the follow-up as requested.

Motion: Matt Hastedt motioned to add Morgan Stanley International Equity to the watch list due to underperformance and Teresa Smith seconded the motion. The motion carried unanimously.

The Committee discussed target weighting for Real Estate. Todd provided a follow-up to the Committee's request for data pertaining to investing in publicly-traded real estate versus private real estate. Benefits and risks for each type of investment were discussed. CFRS' target allocation of 11% is above the median Real Estate allocation of 8.3% in comparison to Callan's Public Fund Sponsor peers. No action was taken at this time.

Todd and Elizabeth provided follow-up to a prior meeting's discussion regarding the overlap of purchased stocks between value and growth strategies. They did not see any cause for concern and will continue to monitor each quarter.

Manager Update

Todd Carabasi provided manager updates for the mid-cap growth manager, MFS, and the small cap value manager, William Blair.

MFS announced that Alison O'Neill will become the firm's new CIO as she succeeds Ted Maloney who will become the CEO. Both transitions are effective January 2025.

William Blair announced the transition of Matt Fleming to Co-Portfolio Manager as of May 1, 2024 replacing Gary Merwitz. Callan suggested adding the firm to the watch list, pursuant to the Investment Policy Statement.

Motion: Joey Hager motioned to add William Blair to the watch list due to key personal changes and Matt Hastedt seconded the motion. The motion carried unanimously.

New Business

No new business was presented during the May meeting.

Matt Hastedt motioned to adjourn at 9:45 a.m. and Joey Hager seconded the motion. The motion carried unanimously.

The next Investment Committee Meeting is scheduled for Thursday, June 20, 2024 at 8:00 a.m.