

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

428 East Fourth Street • Suite 205 • Charlotte, North Carolina • 28202 • (704) 626-2728 • Fax (704) 626-7365

INVESTMENT COMMITTEE MINUTES

June 20, 2024

PRESENT: John Carr, Teresa Smith, Matt Hastedt

ABSENT: Joey Hager, Mike Feehley

OTHER: Sandy Thiry, Lisa Flowers

GUESTS: Nate Kush, Lisa Davenport – Neuberger Berman

OFFICIAL CALL TO ORDER by John Carr at 8:02 a.m.

Approval of Meeting Minutes

Motion: Matt Hastedt motioned to approve the May 16, 2024 meeting minutes as presented and Teresa Smith seconded the motion. The motion carried unanimously.

Asset Allocation Report

The Committee reviewed the May 31, 2024 asset allocation report and determined that all asset class ranges were acceptable in accordance with market conditions and the Investment Policy Statement. Private Real Estate remains below target due to property appraisal lags within both of the manager's portfolios. The cash drawn from SSGA Russell 1000 Index Fund was not reflected in the May cash balance since the draw was processed in June.

Domestic Fixed Income Review

Barrow Hanley Global Investors

Debbie Petruzzelli provided a firm update which included the addition of a new quant analyst and internal promotions.

Matt Routh provided an overall bond market review, noting that the markets are in the longest curve inversion in history. The team remains cautious from signals of tight credit spreads and the inverted yield curve. Being overweight in BBB-rated bonds provided a boost to relative performance as well as taking advantage of credit spreads last year. The portfolio is well-positioned for the impact associated with an inverted curve. All reporting periods as of April 30, 2024, except for the Month-to-Date period, beat the benchmark on a gross of fee basis.

Neuberger Berman

The firm was hired by the CFRS in July 2023 and manages \$60 million in a Core Plus mandate. Introductions were made with Nate Kush, Senior Portfolio Manager, and Lisa Davenport, Client Service Advisor, expressing the firm's gratitude for the partnership. Lisa provided a recap of the firm's \$474B in assets under management, of which \$186B was in Fixed Income. The investment team has been stable and the firm is expanding resources in the research area which they deem critical for investment selections. Lisa reported to the Committee that Brad Tank, the current CIO & Global Head of Fixed Income, will retire at the end of 2024. In anticipation of this retirement, the current Deputy Chief Investment Officer of Fixed Income, Ashok Bhatia, was named as the Co-Chief Investment

Officer, sharing responsibilities with Brad until December 2024. At that time, Ashok will assume sole CIO responsibilities.

Nate spoke to the investment performance noting that the Year-to-Date and the Since Inception reporting periods as of May 31, 2024 have both beaten the benchmark, net of fees. Nate reported that the Agency Mortgage-Backed Securities, Asset-Backed Securities (ABS), and Commercial Mortgage-Backed Securities (CMBS) were good performing sectors. Non-benchmark sectors were noted which included Non-Agency Mortgage Credit, Credit Risk Transfers (CRTs), Non-Investment Grade Credit, and Emerging Markets. Given the Investment Policy's latitude to invest in these non-benchmark sectors, the Neuberger Berman team believes that the investment process can add 100-150 basis points of excess return, gross of fees, over full market cycles.

Various Manager Updates

As a follow-up from the May meeting, Callan had supplied the Committee with the long-term relative return comparisons for Morgan Stanley International Equity. The results reflected wide swings in relative performance since 2020, unlike the historical infrequent losses offset by frequent gains. The Committee, along with Callan, will continue to closely monitor the manager's performance.

JPMorgan announced a loyalty fee program which would provide a 30% fee credit provided that the CFRS has no more than 20% of the Strategic Property Fund's NAV requested for redemption during the 18-month period beginning July 1, 2024 through December 31, 2025.

SSGA announced that the credit received from Securities Lending will no longer offset management fees on the quarterly invoices, but will be reflected in the net asset value of the fund going forward.

New Business

Financial Recovery Technologies remitted litigation proceeds this quarter for seven class action claims dated from 1992-2018 totaling a gross amount of \$3,450.05, netting the CFRS a total of \$2,932.55.

Matt Hastedt motioned to adjourn at 10:02 a.m. and Teresa Smith seconded the motion. The motion carried unanimously.

The next Investment Committee Meeting is scheduled for Thursday, July 18, 2024 at 8:00 a.m.