

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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INVESTMENT COMMITTEE MINUTES

August 15, 2024

PRESENT: John Carr, Matt Hastedt, Joey Hager, Mike Feehley (arrived at 8:10)

ABSENT: Teresa Smith

OTHER: Sandy Thiry, Tony Bass, Desiré Dixon, Lisa Flowers

GUESTS: Elizabeth Hood, Ric Ford, Lauren Sertich (via phone) - Callan, LLC

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

Election of Committee Chair

John Carr advised the Committee that nominations for Committee Chairperson were in order. Matt Hastedt motioned to open the floor for nominations of the Committee Chair and Joey Hager seconded the motion. Motion carried unanimously. Joey Hager nominated John Carr for Committee Chair. Hearing no other nominations, Matt Hastedt motioned to close nominations of Committee Chair. Joey Hager seconded the motion. Motion carried unanimously. Joey Hager motioned to vote for John Carr as Committee Chair. Matt Hastedt seconded the motion. Motion carried unanimously. Congratulations were given to John Carr on his re-election for Committee Chair.

Approval of Meeting Minutes

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

Asset Allocation Report

The Committee reviewed the draft asset allocation report and determined that all asset classes, including real estate, were acceptable according to the Investment Policy Statement and market conditions. The Fund's total market value was estimated to be \$661,017,201 million as of July 31, 2024.

Callan, LLC

Quarterly Fund Performance

The Total Fund returned 0.75% over the course of the Second Quarter 2024, trailing the Custom Index return of 1.41%, and ranked at the 85th percentile in the Callan Public Fund Sponsor Database. Since inception, the Total Fund returned 8.65% and outperformed the Custom Index by 50 basis points on an annualized basis, ranking in the 24th percentile.

Elizabeth Hood, joined by Ric Ford, discussed the global influences on the market's performance, the asset classes, investment manager performances and updates. The Magnificent Seven (Apple, Microsoft, Google, Amazon, Nvidia, Meta Platforms and Tesla) made up 33% of the S&P 500 as of the quarter-end, and continued to dominate the returns in the S&P 500.

Elizabeth informed the Committee that Morgan Stanley continues to experience performance issues, staff changes, and outflows. As of June 30, 2024 outflows totaled \$3.5 billion which resulted in Callan recommending an International Equity Due Diligence Study be conducted.

Real Estate Review

Lauren Sertich discussed the Real Estate Review analysis which included the comparison of the current CFRS real estate structure to peers as well as other investment vehicles. Lauren explained the differences between private and public real estate as well as debt and equity structures within these types of investments. The CFRS' real estate investment target of 11% contains core real estate. Options to consider included maintaining the current 11% target allocation, or lowering the target range to 7% and re-allocating 4% to other asset classes. Callan's report showed no statistical difference in the long-term Total Fund expected returns, or risks, across the alternative options presented.

Due to the lack of benchmarking, unproven liquidity, and additional interest rate risk, the Committee decided against pursuing any investment in real estate debt at this time. Based upon Callan's report that showed the current CFRS real estate structure to be appropriate, the Committee decided to maintain the long-term 11% allocation to core real estate equity. In order to smooth near-term volatility within the 11% target allocation, Callan suggested adding a complementary core real estate open-ended commingled fund to further diversify the existing manager structure.

Various Manager Updates

The JPMorgan Strategic Property Fund has announced the offering of a fee credit program beginning with the Third Quarter 2024. The program provides a 33% fee credit on the entire investment management fee as long as no more than 20% of the NAV is requested for redemption during the credit period. The credit program will run for 18 months beginning July 1, 2024 and ending on December 31, 2025.

Motion: Matt Hastedt motioned to enroll in the fee credit program contingent upon confirmation there would be no penalties for withdrawing from the credit program. Mike Feehley seconded the motion. The motion carried unanimously.

It was noted for the record that the CFRS is already enrolled in the UBS real estate loyalty fee program. This program will continue automatically after the initial commitment period ends on September 30, 2024.

New Business

No new business was presented during the August meeting.

Joey Hager motioned to adjourn at 10:45 a.m. and Matt Hastedt seconded the motion.
The motion carried unanimously.

The next Investment Committee Meeting is scheduled for Thursday, September 19, 2024 at 8:00 a.m.