

MINUTES
INVESTMENT COMMITTEE MEETING
FIRE AND POLICE PENSION FUND, SAN ANTONIO
WEDNESDAY, JANUARY 25, 2023
PENSION FUND OFFICE
9:30 A.M.

Roll Call	Mr. Reed called the meeting to order at 9:31 A.M.
Committee Members Present	Larry Reed, Fire/Retiree Representative; Harry Griffin, Police/Retiree Representative
Committee Members Absent	Dean Pearson, Fire Representative
Others Present	Warren Schott, Executive Director; Cary Hally, Chief Investment Officer; Giovanni Nunez, Investment Analyst; Wes Levanduski, Investment Analyst; Gail Jensen, General Counsel; Nancy Ybarra, Executive Assistant

Approval of Minutes of December 15, 2022

- The Committee noted the entry on the IDR commitment and requested a status update with regard to the delayed transaction. Staff advised the Committee that CIO Cary Hally and Townsend continue to monitor the current market environment and will report back at a future Committee meeting.
- Mr. Griffin made a motion to approve the minutes of the December 15, 2022, Investment Committee meeting. The motion carried unanimously.

Townsend Real Estate Manager Review and Appropriate Follow-up Actions Including Possible Reallocations, Rebalancing and/or Terminations

- As of June 30, 2022, the Pension Fund's real estate portfolio is a top quartile performer. Townsend presented their analysis and ranking system of the Pension Fund's current real estate managers. From best to worst, the ranking categories are classified as MR1, MR2, and MR3. Overall, 37% of the Pension Fund's total real estate portfolio is rated MR1, 53% is rated MR2, and 10% is rated MR3. Two of the three MR3 rated managers are liquidating their current assets.
- Townsend noted the Pension Fund's total real estate portfolio is above 9.0%, intentionally overweighted versus the target 7.0%, and 74% of the Pension Fund's core real estate portfolio is rated MR2. The Committee discussed the two core MR2 rated managers, US Eagle Real Estate Fund and JP Morgan Strategic Property Fund, and the likely incremental impact to the total real estate asset allocation after the outstanding \$25 million commitment to IDR is funded later this year.
- After discussions, Mr. Griffin made a motion to recommend that the Board redeem \$15 million from the US Eagle Real Estate Fund and redeem \$10 million from the JP Morgan Strategic Property Fund. The motion carried unanimously.

DSF Multi-Family Fund-2023 Re-Up Commitment

- The Committee discussed the DSF Multi-Family Fund-2023 re-up opportunity. The Pension Fund has invested in the three previous DSF multifamily funds. DSF Multi-Family Fund-2023 will make value-added investments to existing multifamily assets located exclusively in the Northeast corridor of the U.S. Staff, Townsend, and the Committee discussed DSF's strategy and performance metrics regarding the Pension Fund's three previous investments in DSF's multifamily funds.
- After discussions, the Investment Committee decided not to pursue the re-up opportunity based on DSF's MR3 ranking, past performance, and other factors.

Levine Leichtman Capital Partners VII Re-Up Commitment

- The Committee discussed the Levine Leichtman Capital Partners VII re-up opportunity. The Fund will make structured equity investments in established, U.S. middle-market companies with annual revenues ranging from \$50 million to \$500 million, high earnings margins, and predictable, recurring free cash flows. Levine Leichtman Capital Partners IV, V, and VI are top quartile funds in terms of internal rate of return (“IRR”) and total value to paid-in capital. The Pension Fund invested in Fund III indirectly through a fund-of-funds vehicle, and directly in Fund IV and Fund V. As of June 30, 2022, the IRR for Funds IV and V is 17.8% and 17.6%, respectively.
- After discussions, Mr. Griffin made a motion to recommend the Board commit \$25 million to Levine Leichtman Capital Partners VII. The motion carried unanimously.

EnTrust Blue Ocean Fund II

- The Committee discussed the status of the EnTrust Blue Ocean Fund II commitment. Following the November 2021 commitment, the Pension Fund submitted the initial side letter in March 2022. Staff provided a brief overview of the ongoing legal negotiations, which included lengthy delays and communication gaps by the EnTrust legal team. In addition, CIO Cary Hally reported that limited capital has been committed to Fund II which has not yet had its first closing. Currently the amount of legally committed dollars in Fund II is \$36 million. Staff noted that the persistent delays in the raising of capital and the legal negotiations are unusual and concerning.
- After discussions, Mr. Griffin made a motion to recommend the Board rescind the Pension Fund’s \$25 million commitment to EnTrust Blue Ocean Fund II. The motion carried unanimously.

Rebalancing

- The Committee discussed rebalancing to increase the Fund’s liquidity. After discussions, Mr. Griffin made a motion to recommend that the Board liquidate \$13 million from the Northern Trust Russell 1000 Index Fund and \$13 million from the Payden & Rygel portfolio and move those funds to the Pension Fund’s cash account. The motion carried unanimously.

Adjournment: Mr. Griffin made a motion to adjourn at 11:25 A.M. The motion carried unanimously.

Approved this ____ day of _____, 2023.

Larry Reed, Investment Committee Chairman