



Louisiana State Police Retirement System (LSPRS)

9224 Jefferson Highway, Baton Rouge, LA 70809

(225) 295-8400 or (800) 256-5210

Fax: (225) 295-8408

Investment Committee Meeting Minutes

Meeting Title	LSPRS Investment Committee Meeting
Date of Meeting	September 30, 2020
Where	9224 Jefferson Highway, Baton Rouge, LA 70809
Start Time	9:30 a.m.

- 1) Chairman Amy Mathews called the meeting to order.
- 2) Wendy Ingram, Administrative Assistant, called roll as follows:
Frank Besson, Jr., Designee for Superintendent, – PRESENT
Andrea Hubbard, Designee for Commissioner of Administration – PRESENT
Amy Mathews, Designee for Treasurer – Chairperson – PRESENT
Kevin Marcel, Active Representative, Committee Vice Chairman – PRESENT
Jay O'Quinn, President LSTA – PRESENT

The records reflect that the following persons were also present:

Rob Bickham, UBS Institutional Consulting (via videoconference)
Claire Guidry, Retirement Benefits Analyst
Wendy Ingram, Administrative Assistant
Kevin P. Reed, Executive Director

- 3) The Pledge of Allegiance was led by Kevin Marcel and the prayer was led by Kevin P. Reed. No public comments.
- 4) Rob Bickham directed the Committee to a discussion of the June 30, 2020 LSPRS Flash Report, reflecting the Fund's Asset Allocation, **(See Exhibit A Attached)**. Total equities for the period were 64.7% of the portfolio, which was above our target ration of 62.5% and only slightly below the maximum equity allocation of 65.0%. The total fixed income allocation was on target at 20.0%. Mr. Bickham noted that the total allocation to real estate was only slightly over the 7.5% target, being 7.6%. The timber market values for The Campbell Group and Hancock Timber were at \$86,059 (essentially in liquidation mode) and \$3,343,623, respectively. The Hedge Fund investments, being Entrust Capital Dividend Fund and PRISMA, collectively represented 2.1% of the asset class, essentially on target. The portfolio's weighting in Private Equity stood at 3.5%, somewhat below the target of 5.0%.

Rob Bickham then reviewed the August 31, 2020 LSPRS Flash Report, reflecting the Fund's Asset Allocation, **(See Exhibit B Attached)**, noting that this report reflects only two months into the current fiscal year. He noted that the overall fund value stood at \$959M, which is a notable increase from the June market value of \$890M. This growth was largely driven by market appreciation within the large capitalization-growth segment of the equity market. The Fund's large cap growth investments are predominantly in T Rowe Price and the State Street S&P 500

Index Fund, both of which have large concentrations within the technology sector. Mr. Bickham turned the committee's attention to Page 4 of USB's House View (**See Exhibit C Attached**), reflecting that growth stocks have significantly outperformed value stocks in recent times. Growth has significantly outperformed value, with the difference being more than two standard deviations above the mean. The last time this occurred was right before the dot-com crash in the early 2000s. Mr. Bickham then directed the committee members' attention to Figure 2 (Page 6, USB House View). This info-graphic conveying that a significant portion of the recent increase in the S&P 500 is being driven largely by only five technology-growth stocks: Apple, Amazon, Microsoft, Alphabet, and Facebook. Mr. Bickham noted that, due to COVID-19 and the pandemic's related changes to everyday life (more people working from home, more online purchases, etc.), it is not surprising to see significant growth in the technology sector. The concentration within the technology stocks, and their meteoric price appreciation, is a significant contributing factor to the percentage of the portfolio allocated to large cap equities increasing to 67.1% of the portfolio, which is over the max allocation of 65%.

Rob Bickham made the recommendation to realign the portfolio as depicted in the following table. Amy Mathews noted the underperformance of AJO a large cap value manager, mentioning that another retirement system had recently replaced them with a large cap value index fund. Mr. Bickham took note of Mrs. Mathews' comments and said we would review AJO at the forthcoming annual asset manager review. Mr. Bickham mentioned that he and Mr. Reed have been discussing the overweighting of the large cap growth stocks, predominantly emanating from the recent runup in technology holdings. With both agreeing to realign the portfolio as noted.

Portfolio Rebalancing (Rounded %percent and \$dollars)

Major & Minor Sector	Target % CHG	Appx \$ CHG Rounded
Equity Large Cap	- 5%	- \$50M
T Rowe LCG	- 3%	-\$30M
SS S&P 500 Inx Fd	- 2%	-\$20M
Equity US Mid Cap		
SSGA S&P 400	+1%	+\$10M
Equity Foreign Developed		
MSCI ACWI xUS	+1%	+\$10M
Fixed Income	+1%	+\$10M
Fixed Income (CORE)		
SSGA Agg Bnd Index Fd	+0.5%	+\$5M
Fixed Income (Full Discretion)		
Loomis Sayles MFDT	+0.5%	+\$5M
Alternatives / Real Estate	+1%	+\$10M
PRISA Real Estate	+0.5%	+\$5M
JPMCB Strat Prop Fnd	+0.5%	+\$5M
Cash/Money Market	+1%	+10M

A **MOTION** was made by Frank Besson, Jr. to realign the portfolio as depicted in the above table. The **MOTION** was seconded by Kevin Marcel. No opposition. The motion passed.

- 5) Rob Bickham discussed alternative investments (**See Exhibit D Attached**). Kevin Reed stated that no in-depth analysis was performed on the Campbell Group given the modest dollar value of the Fund's holdings. Although the fund manager had indicated that their timber holdings in LA were adversely impacted by Hurricane Laura. Hancock Timber stated that, using satellite imagery, they estimated that less than 1% of their tree stock were impacted by the hurricane, and only 127 acres (out of 85,200 acres total) were impacted by the wildfires in the Pacific Northwest. Mr. Bickham addressed hedge funds, stating that large public entities are moving away from hedge fund investments because they have not performed as anticipated.
- 6) Rob Bickham briefly touched on fixed income, noting no compelling opportunity to reposition other than adding to the segment as part of the aforementioned reallocation.
- 7) Kevin Reed directed the committee's attention to the Loomis Sayles funds transactions (**See Exhibit E Attached**), which has now been completed.
- 8) Kevin Reed directed the Committee to the review of Carlyle Global Infrastructure Opportunity Fund, L.P. (**See Exhibit F Attached**) noting that Carlyle has dedicated additional depth and breadth of management to the fund's team, and broadened the investment parameters as to include transportation, water, renewables, energy and digital infrastructure. The fund has agreed to provide a management fee holiday for a one-year period.
- 9) Kevin Reed presented the Committee with an update on the ransomware attack experienced by Orleans Capital Management. Along with the action taken in conjunction with US Bank to mitigate LSPRS' potential risk and exposure emanating from the ransomware attack (**See Exhibit G Attached**).
- 10) A **MOTION** was made by Kevin Marcel to adjourn. The **MOTION** was seconded by Jay O'Quinn. No opposition. The motion passed.



Amy Mathews, Chairman, Investment Committee
Louisiana State Police Retirement System