

LSPRS || LOUISIANA STATE POLICE RETIREMENT SYSTEM

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Investment Committee Meeting Minutes

Meeting Title	LSPRS Investment Committee Meeting
Date of Meeting	Wednesday, July 26, 2023
Where	LA State Police Retirement System Building, 9224 Jefferson Highway
Start Time	9:30 a.m.

- 1) Investment Committee Chairman, Amy Mathews, called the meeting to order.
- 2) Gretchen Marquez, Executive Staff Officer, called roll as follows:
Amy Mathews, Chairman – PRESENT
Frank Besson, Designee for Superintendent – Vice-Chairman – NOT PRESENT
Andrea Hubbard, Designee for Commissioner of Administration – PRESENT
Representative Vanessa LaFleur, member – NOT PRESENT
Alan Verhoef, member – PRESENT

The records reflect that the following persons were also present:

Rob Bickham, UBS Institutional Consulting (via ZOOM)
Doug Hanly, Chief Investment Officer
Margaret C. Michel, Executive Director
Gretchen Marquez, Executive Staff Officer
Tausha Facundus, Retirement Specialist (via ZOOM)

- 3) The Pledge of Allegiance and prayer was led by Margaret Michel. No public comments.
- 4) Rob Bickham directed the committee to look at the flash report including the Asset Allocation and the Market Value and Returns Summary as of June 30, 2023, noting total investment assets of \$1,043,363,336. Total Equities were just above the allocation target at 56.2% (or \$586.5M) of the portfolio. Fixed income was 21.8% (or \$227.7M) of the portfolio, and Alternatives were below target at 17.4% (or \$181M). The Money Market fund position represented \$47.9M, or 4.6% of the portfolio. **(See Exhibit A - attached)**

Rob Bickham focused on the fiscal year to date period of the returns summary for the period ending June 30, 2023, of the market value and returns summary. In the fiscal year to date column, total equity managers returned 15.05%, domestic equity managers returned 16.86%, and international equity managers returned 11.82%. The total fixed income managers were 0.96% for the fiscal year. Mr. Bickham believed the changes that were made within the last six months of cutting down equity and raising fixed income will set up LSPRS nicely for the future. The total fund for the fiscal year to date period had a total rate of return of 7.61%. **(See Exhibit B - attached)**

- 5) Doug Hanly gave a brief overview of Systematica before they began their presentation of absolute return strategy of trend following via Zoom. He prefaced the conversation by stating that it is important that everyone is comfortable with absolute return as a strategic allocation before any investment is considered. Mr. Hanly stated that trend following adds diversification to a portfolio and can provide significantly positive returns when markets experience stress. This is why several large pension funds allocate to trend following. Trend following funds take a systematic approach to determine where price trends are being created across all different markets. The strategy can go both long and short. **(See Exhibit C - attached)**

Ms. Michel asked Mr. Hanly if Systematica could invest in anything across the board if LSPRS were to give them an allocation. Mr. Hanly stated that the allocation would be globally diversified across hundreds of markets.

Mr. Bickham asked what type of return Systematica has had in the past in comparison to bonds and equities. Mr. Hanly stated their return profile is between bonds and equities. Mr. Hanly communicated the historical annual returns of the strategy to show how returns can range from single digits to double digits pending the market environment.

Leda Braga and Ben Maxmin of Systematica presented a PowerPoint on trend following. Systematica has approximately \$18.5 billion in assets under management, with 50% of their client base being pensions. One of their main strategies, BlueTrend, trades over 185 markets globally across a number of key asset classes plus exposure to alternative markets. The strategy targets 12 to 15% volatility.

- 6) Lawrence Ostow and Katie Hammond of J.P. Morgan Asset Management gave a presentation of their firm regarding updates with the fund and real estate. J.P. Morgan Asset Management possesses high quality assets in major growth markets. They have narrowed their investable universe of office and retail while extending into sectors driving outsized rent growth. Industrial and residential exposure has increased since 2Q20 while office and retail exposure has decreased since 2Q20.

Lexi Woolf and Kevin Smith of PRISA also gave a presentation of their firm regarding current positioning and strategy for real estate. PRISA has positioning that is expected to weather repricing with the capacity to shift to offense. They have selective investing with a focus on alternatives, residential, and industrial. PRISA's total return since 2Q22 for alternatives has been 2.4%, industrial has been -6.3%, and office has been -9.9%. Currently, PRISA now has no mall exposure, is overweight on alternatives, and is underweight in office. They are now positioned for opportunity with a healthy balance sheet with low leverage.

- 7) Focusing on the House View, Mr. Bickham stated that it is the belief that the economy will slow. Markets have done better than expected because the economy has been so resilient. Inflation is decreasing but the rate is still high and above targets. The Fed may not entertain dropping rates again for months. Banks are being more restrictive. In 2024, GDP will be reasonable flat and there may be a very shallow recession. The outlook is more muted than what we have seen this year. The month of June and 2Q23 were favorable for LSPRS with a 7.5-8% return. **(See Exhibit D - attached)**

- 8) Mr. Bickham directed the committee to the Investment Watch List. Mr. Bickham stated that Portfolio Advisors is on watch due to being acquired. T. Rowe Price is also on watch although their numbers look better in the last quarter and year. Brandes is also on watch but has had a decent return since then. **(See Exhibit E - attached)**

Vontobel has had a persistent underperformance in the past few years. UBS has reviewed emerging market managers and presented them to Mr. Hanly and Ms. Michel. Mr. Bickham recommended terminating Vontobel and hiring GQG. **(See Exhibit F - attached)**

Ms. Michel stated that LSPRS wanted to bring in GQG for a meeting in August before making any allocations.

Mr. Hanly recommended adding the MSCI EM Index as a potential placeholder if the GQG contract review takes longer than necessary or if the portfolio needs rebalancing.

- 9) In other business, Ms. Mathews suggested that Mr. Hanly give an overview to the Board of the Investment Committee minutes before they look them over so the Board will understand what happened during the meeting. Traditionally, Ms. Mathews did that as the Investment Committee chair but believed it could now be the role of the chief investment officer.

Ms. Mathews also recommended that the CIO research private market investments and present more education on absolute return strategies.

- 10) A **MOTION** was made by Alan Verhoef to adjourn the meeting. The motion was seconded by Andrea Hubbard. No opposition. The motion passed.



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