

HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM
Office of Retirement
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

January 27, 2023

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 27, 2023, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, J. Marano, P. Laskowski¹, M. Djokic², C. Boyd.

Also present were Laurette Jean, City of Hollywood³; Chris Greco, Waycross Investments; Gregory Gosch & Laura Stolfi, Churchill (By: Nuveen); Todd McCallister⁴ – Eagle Asset Management; Brendon Vavrica, AndCo Consulting; Chris Carmody & Guilherme Valle - ABS Global Investments; Robert Klausner, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

No Comments

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed by the Board of Trustees.

APPROVAL OF THE MINUTES OF THE DECEMBER 16, 2022 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the December 16, 2022 pension board meeting. Mr. Boyd made a motion to approve the Minutes of the December 16, 2022 pension board meeting, which was seconded by Mr. Djokic. Motion passed (5-0 Mr. Laskowski off the dais).

ATTORNEY'S REPORT

Book & Records Update: Mr. Klausner reported that the Inspection of Books and Records of Gilead Sciences, Inc. is still underway. Further updates will be provided as warranted.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP Liquidation: Due to the death of a member, rollover request received pursuant to DROP Rules. Motion to approve by Mr. Boyd, seconded by Mrs. Marano. All board members voted yes (6-0).

DROP Loan(s): Member 1 - Mr. Williams cited a member loan request. He outlined that the member has the funds in his personal DROP account to cover the loan and he has been a participant in the DROP plan for the required amount of time.

¹ Arrived at 10:39 AM

² Attended Remotely.

³ Attended Remotely.

⁴ Attended Remotely.

No conflict exists with the 12-month rule. Mrs. C. Marano made a motion to approve the loan presented. This motion was seconded by Mr. Marano. (5-0 Mr. Laskowski off the dais).

Active DROP Entry: Travis Morris entered the DROP 12-19-2022⁵. Motion to approve by Mrs. Marano, seconded by Mr. Marano. All board members voted yes (6-0).

DROP Loan(s): Member 2 - Mr. Williams cited a member loan request. He outlined that the member has the funds in her personal DROP account to cover the loan and she has been a participant in the DROP plan for the required amount of time.

No conflict exists with the 12-month rule. Mr. Boyd made a motion to approve the loan presented. This motion was seconded by Mr. Djokic. Motion passed 4-0-2 abstentions. (Mr. Marano and Mrs. Marano – Form 8B completed).

Trustee Nomination: Mr. Williams cited that there was open nomination for three trustees' seats. At the close of the nomination process, there were no challengers. As such Mr. Christopher Boyd, Mr. Mileta Djokic & Mr. Justin Schweighardt will retain their seats for another term.

QUARTERLY INVESTMENT PRESENTATION – ABS GLOBAL INVESTMENTS

Mr. Chris Carmody & Guilherme Valle appeared before the Board and reported that since the short-term inception date (12-01-21) the ABS Account realized an annualized net return of -23.6%, lagging the MSCI Emerging Markets IMI Index by -3.8%.

Emerging Markets Outlook: Cautious Optimism Ahead

Inflation and Rates:

- Local inflation actively managed in most countries. Signs of peaking inflation and deflation.
- Most markets in mid to advanced stages of the rate cycle.
- Greatest risk is the slowing external global macroeconomic backdrop

Economic Growth:

- Inflation management has dampened growth in many markets. Even so, GDP growth remains robust and well above developed markets.
- Domestic themes have helped push local growth despite the challenging global backdrop.

Geopolitical Tensions:

- Russia & Ukraine: Potential for continued shocks to global supply chains and commodity prices.
- China & Taiwan: Potential for downside risks across both emerging and developed markets.
- China & US: Expected to linger. Cross-border listings and exports industries most impacted.

Global Macro Spillover:

- Areas most affected: inflation and exports.
- Fiscal standing of most EM countries better than in past crises, helping to somewhat insulate from spillover risks.

⁵ With coordination of Benefits with the GE Plan.

China - Key issues:

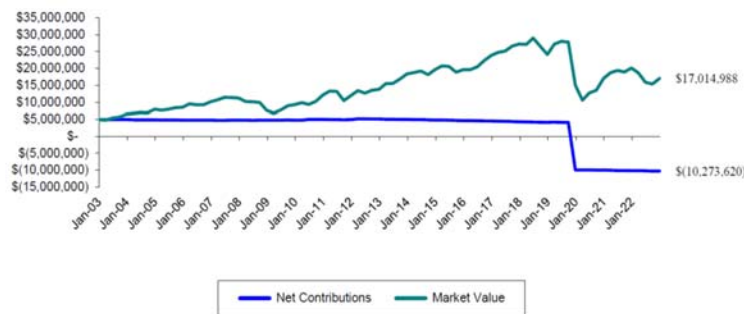
- Property market de-leveraging.
- Business regulatory uncertainty.
- Dismantling the Zero Covid strategy and its impact on the economy.
- Consolidation of power and the 20th communist party congress.

QUARTERLY INVESTMENT PRESENTATION - EAGLE ASSET MANAGEMENT

Mr. Todd McCallister appeared before the Board and stated the market value of Eagle Account was at \$17,014,988 as of December 31, 2022. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 9.52%⁶, outpacing the Russell 2000.

For the quarter ending December 31, 2022, Eagle Small Cap Account returned 10.68%, compared to 6.23% for the Russell 2000. On a one year rolling basis, the portfolio returned -15.53% compared to the benchmark of -20.44%. The 3- & 5-Year returns were valued at 4.25% & 4.25% in comparison to the benchmark returns of 3.10% & 4.13% respectively.

(Data shown as of Dec. 31, 2022)



Mr. Todd McCallister provided a market overview: Much like last year's fourth quarter, a preference for fundamentals returned after an emphasis on non-earnings in the third quarter of 2022. Unlike past quarters where quality outperformed, performance this quarter was not due to any subset of stocks in the index. For example, biotechnology, the typical under-performer in a low-quality market, was up 1.2% in a 6% up-market. As a result, there was a broad return to quality factors for the first time in years.

This quarter's big news is the collapse of the crypto exchange FTX and its associated currency, FTT. Although the failure doesn't affect us, we hope it might put a nail in the coffin for speculative investing and meme investments, a trend that has made it difficult for fundamental managers in recent years. On the other hand, some of the return to quality this quarter is likely due to investors' recognition that ephemeral business models remain in the small cap universe. Brent oil per barrel made a round trip from \$70 to \$140 (intraday) and back to \$80 to close the year. This round trip is unexpected and was not anticipated at the outbreak of the war earlier this year. For the year 2022, the benchmark Russell 2000 was down 20.4% - even after the strong rally in 4Q.

⁶ On a net basis.

Contributors to relative performance

Industrials: Our Industrial Sector outperformed on broad-based outperformance across industry groups. Our Market Power framework, which is our portfolio-wide investment philosophy, is centered on identifying competitively differentiated businesses capable of pricing their product independent of market forces. This is particularly important in the industrial sector where raw materials often represent 70%+ of the cost of goods for a manufacturer. We see this in our Q3 industrial performance, as the industries that are typically most exposed to commodity input costs (machinery and construction/ engineering) are the places where we generated the largest outperformance.

Financials: We outperformed the sector due to strong stock selection. Our financials are lower credit risk and tilted toward insurance, which benefits from higher interest rates on their fixed income portfolios. Also, some of our higher valued, but also high quality, names held up after multiple compression earlier this year. Credit losses have yet to hit banks, and our banks should have meaningfully lower credit provisions if history is a guide. Our defense at a reasonable price strategy should continue to benefit our portfolio as we enter a very uncertain 2023.

Detractors from relative performance

Consumer Discretionary: The consumer discretionary sector outperformed relative to the overall index in the quarter, up 7.3% for the period vs the full index up 6.2%, but underperformed the sector on a relative basis due in part to being underweight the sector as a whole, as well as an overweight to the underperforming internet and direct marketing retail industry. We have taken a cautious approach to the sector in general given concerns over how a tighter lending environment and gradually weakening economy will impact discretionary companies. Our current overweight in the consumer staples space and relative outperformance there helps to balance out our consumer exposure overall.

Utilities: With utilities being up nearly 8% in the quarter, our lack of exposure here detracted from performance. Fundamentally, we do not like the financing risk involved or the lack of visibility with regard to alternative energy, and the growth prospects for regulated utilities remain limited.

NEW BUSINESS

Churchill – Investment Presentation

Mr. Gregory Gosch & Laura Stolfi appeared before the Board to present the Churchill Middle Market - Senior Loan Fund V -Levered Evergreen Fund.

The representatives conveyed that Churchill Middle Market Senior Loan Fund V offers investors efficient access to U.S. middle market, private equity-backed, senior secured, floating rate term loans via levered evergreen, unlevered term, and tax-treaty options.

Attractive option amidst uncertain current market dynamics:

- Attractive returns: target net distribution yield of 10-12% paid quarterly.
- Steady income: 16+ year track record across multiple economic cycles.
- Low loss rate: 3 bps per annum since 2006.
- Interest rate protection: floating rate nature of loans provides protection in an upward sloping interest rate environment.
- Portfolio diversification: will target 1-2% of total LP commitments per name.

Churchill's strategically integrated middle market private capital platform. Churchill provides a full array of solutions across the capital structure to leading private equity firms. Why invest in middle market private credit? Private credit can play an important role in portfolio construction by providing attractive risk adjusted return combined with a steady quarterly interest distribution and stability + downside risk mitigation.

The middle market opportunity:

- All-in asset level yield up 400bps to 10%+.
(75-100 bps wider spreads/larger OIDs with tailwinds from rising reference rates).
- Lower leverage (0.5x lower to 5.0x max leverage).
- High quality businesses in recession resistant industries.
- Better covenant protections & higher equity contributions.

The representative cited that their investment team focuses on investing in the traditional middle market representing companies between \$10-\$100 million in EBITDA⁷.

Churchill has a highly selective process and on 8% of transactions reviewed actually close.

Proactive portfolio and risk management process aims to eliminate surprises and minimize Defaults.

Representatives touted strong and stable senior loan yields over 16 years.

The Board thanked the representatives for an informative and thought-provoking presentation.

No further action taken at this time.

OLD BUSINESS

Waycross Partners: Mr. Vavrica provided a large cap core equity manager analysis. The report compared four managers to include Waycross Partners. The goal is to further diversify the allocation with the intent to increase return and dampen (or smooth out negative markets). After the Board had an opportunity to consider the foregoing; and hold a round robin session, a consensus was reached. Mr. Laskowski made a motion to retain Waycross Partners - Focused Core Equity product for a 25-million-dollar allocation. The motion was seconded by Mr. Djokic. All board members voted yes (6-0). The funding source(s) for Waycross were identified after input was received by Mr. Vavrica. As a result, Mr. Boyd made the motion to reduce Inverness Counsel by 15 million dollars and fund the balance of 10 million dollars coming from the R&D cash account. Mr. Laskowski seconded that motion. All board members voted yes (6-0). Mr. Vavrica cited that a transition manager was not needed for this matter.

INVESTMENT MONITOR REPORT

Mr. Vavrica presented a flash report for the quarter ending December 31, 2022. The quarterly return was valued at 4.41%, which underperformed relative to the policy. The calendar year return reported was in line with the benchmark policy.

OPEN DISCUSSION

Mr. Strauss asked that Lazard Global and the Farmland Fund be placed on the February agenda.

⁷ Earnings before interest, taxes, depreciation and amortization.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:16 PM.

The next scheduled meeting is February 17, 2023 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson