



MINUTES OF THE MAY 17, 2023, INVESTMENT COMMITTEE MEETING

To: Members of the Board of Retirement
From: Tarrell Gamble – Chair
Subject: Summary of May 17, 2023 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, May 17, 2023 at 9:34 a.m. The Committee members present were, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Henry Levy, Elizabeth Rogers, and George Wood. Also present were Alternate General Member Cynthia Baron and Alternate Safety Member Kevin Bryant. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Carlos Barrios –Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Harsh Jadhav – Chief of Internal Audit, Betty Tse – Chief Investment Officer, Julius Cuaresma – Investment Analyst, Clint Kuboyama – Investment Officer, and John Ta – Investment Officer.

Action Item: Matters for discussion and possible motion by the Committee

1. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$38 Million Investment in Davidson Kempner Opportunities Fund VI as part of ACERA’s Private Equity Portfolio – Debt-Related/Special Situations, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - Staff and Verus Advisory Inc. (“Verus”) provided an overview of the due diligence process conducted on the Davidson Kempner Opportunities Fund VI and discussed the investment’s rationale and a potential headline risk issue related to Davidson Kempner.
 - Representatives from Davidson Kempner discussed its organization, ownership, and investment team, as well as the Fund’s investment strategy, investments and opportunities. The representatives also discussed Davidson Kempner’s competitive advantages, underperforming historical investments, and approach to headline risks.
 - After further discussion, Trustee Rogers moved, seconded by Trustee Basgal, to recommend that the Board approve an up to \$38 million investment in Davidson Kempner Opportunities Fund VI as part of ACERA’s Private Equity Portfolio – Debt-Related/Special Situations, pending completion of legal and investment due diligence and successful contract negotiation.
 - The motion carried unanimously with 9 Yes (Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Rogers, and Wood), 0 No, and 0 Abstention.

2. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$50 Million Investment in Gridiron Capital Fund V as part of ACERA's Private Equity Portfolio – Buyouts, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - Staff and Verus Advisory Inc. (“Verus”) provided a brief background on Gridiron Fund V and how the firm's strategy fits into ACERA's Private Equity Portfolio – Buyouts. Representatives from Gridiron discussed the Firm's investment strategy, performance, existing investments, and the investment pipeline.
 - After further discussion, Trustee George Wood moved, seconded by Trustee Basgal, to recommend that the Board approve an up to \$50 million investment in Gridiron Capital Fund V as part of ACERA's Private Equity Portfolio – Buyouts, pending completion of legal and investment due diligence and successful contract negotiation.
 - The motion carried unanimously with 9 Yes (Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Rogers, and Wood), 0 No, and 0 Abstention.

Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports

1. Review of TCW
 - Representatives from TCW discussed the transition in portfolio management responsibilities from Mr. Blum to Mr. Bond, as well as Mr. Blum's role as a senior portfolio advisor beginning July 1, 2023. The representatives also discussed the reasons for their strategy's underperformance in 2022, the portfolio's rebound in 2023 so far, changes to the portfolio this year, and how the strategy is positioned going forward.
 - As of 3/31/2023, TCW's 10-year annualized net return was 12.2%, underperforming its account benchmark (Russell 1000 Growth) by 2.4%. The manager's 3- and 5-year annualized net returns were 12.9% and 11.2% underperforming the benchmark by 5.7% and 2.5%, respectively. As of 12/31/2022, the value of ACERA's U.S. equity large cap growth account managed by TCW was \$110.7 million, roughly 1% of ACERA's Total Fund.
2. Update on the Revised International Equity Asset Class Phased Implementation Transition Plan
 - Staff and Verus provided an update on the Phased Implementation Transition Plan for the International Equity Asset Class. This update included a summary of actions taken since the April ICM and a discussion of planned actions in the 2nd quarter of 2023.

3. Status Update on the General Investment Consultant (GIC) RFP Search

- Staff provided an update on the GIC RFP milestones since the Board's approval of the named RFP. Staff also shared the names of the five candidates that had submitted their proposals.

PUBLIC INPUT:

Chief Investment Officer Betty Tse informed the Committee of the following:

- 1) Promotion of Noe Reynoso, as the new Investment Analyst and Daniel Morales, new Administrative Support Specialist to the Investment Department.
- 2) RE performance report as of 12/31/2022, and an information report about the RE market outlook of the East Bay in the May ICM packet.

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, June 14, 2023

ADJOURNMENT

The meeting ended at 12:06 p.m.