Minutes of the Meeting held on Thursday, August 29, 2019

Present: Francis Murphy – Chair, James Monagle, Michael Gardner, Nadia Chamblin-Foster, John Shinkwin, David Kale, Ellen Philbin, Rafik Ghazarian, and Christopher McLaughlin.

The meeting was called to order at 11:01 AM. The meeting was digitally recorded.

Agenda Item #1 – Segal Marco Advisors
The Board reviewed a written analysis of investment performance for the period ending June 30, 2019. He noted that the portfolio has seen some losses in July and August as the US-China trade war remains unresolved. Returns during the second quarter were positive across all asset classes.

Ghazarian reviewed the asset allocation as of the end of the second quarter. The system remains somewhat overallocated to equities. The system continues to move closer to meeting the target allocation to private equity. Hedge funds are also slightly below the target allocation. Ghazarian stated he would not recommend rebalancing until the Board makes a final decision on a new asset allocation strategy.

The portfolio showed strong returns over the last quarter. Overall, the total fund was valued at $1.36 billion, representing a gain of 2.85% during the quarter. The fund underperformed the policy index return of 3.05%. Over the trailing year, the fund has significantly lagged the policy index, returning 6.04% vs. the index at 7.35%. Over the last year, Wedge has fallen well short of their benchmark, returning -2.36% vs. the index at 3.68%. The system is in the process of replacing this manager. The Director stated that there had been some delays in finalizing the contract, in part due to staffing changes at PERAC. Brandywine has also shown poor returns over the last year, returning 1.69% vs. the index at 4.54%. Their longer term performance remains ahead of the benchmark. Gardner stated he was concerned that this benchmark was itself a poor performer, and that Brandywine seems to be in the 80th-90th percentile within their universe. Ghazarian stated that his research department would be meeting with Brandywine soon. Another poor performer was UBS, which has returned 0.04% over the last year, vs. the benchmark at 6.91%. The fund recently wrote down retail assets by 16%. They are also moving to sell or reposition retail properties, as they discussed as their last presentation. UBS has the most exposure to retail of all the real estate managers. The write down will affect the redemption paid to any client who opts to pull money out of UBS going forward. Ghazarian recommended that the Board do nothing for the time being and allow Segal to continue to monitor the fund.

Paul Nasser and Kristin Phalen represented Intercontinental Real Estate Corporation. A written portfolio review was submitted to the Board. There have been no changes to the portfolio management or investment strategy. The fund gained 83 new accounts since the beginning of 2018. The fund has a queue consisting of $51 million in uncalled capital. The net asset value of the fund is $5.5 billion and consists of 123 properties. Nasser described the structure of the fund, noting that approximately 80% of the fund is invested in income-generating properties. The remaining 20% is in value-added properties, usually new construction of hotels or apartments. Most properties are located in the largest urban areas of the United States. Nasser discussed issues in the retail sector. A number of firms took significant write-downs in the last quarter. Intercontinental has never invested in malls, or big box stores. The fund has invested in urban infill, grocery-anchored locations, and multiuse properties, where a first-floor retail services apartments above. This has allowed the fund to avoid the major losses that other real estate funds have experienced. Retail properties currently account for 2.7% of the Intercontinental portfolio. Nasser emphasized that the underweight to retail was not the sole driver of performance. The fund has also done very well with multifamily properties. Nasser stated that he feels it is likely that they are approaching the end of the current expansion cycle, and the firm

is positioning to weather a downturn. They have moved to exit all tertiary and most secondary markets. The fund has sold 15 properties over the last three years. The fund has also worked to reduce leverage, as a means of controlling risk. The fund is now 30.8% leveraged, mainly in fixed-rate loans.

Matt Fates and Geoff Oblak represented Ascent. A written overview of the portfolio was presented to the Board. There have been no changes to the portfolio management or investment strategy. Cambridge has investments in four Ascent funds. In Fund II, Ascent has exited the last company in the portfolio. ZoomInfo was acquired in August for $240 million, which represents a 32x multiple. A small amount remains in escrow, but this should be closed within the next two months. Fund III has one firm remaining, Exchange Solutions. A letter of intent has been signed for the firm to be acquired, and the deal may be closed within months. In Fund IV, there are three companies remaining in the portfolio, all of which have some upside potential, and could be candidates for IPOs or acquisition in the next few years. Regardless of the outcomes of the three remaining firms, this fund is still likely to close at a significant loss. Cambridge invested $3 million in this fund and at this time is forecast to receive back only $514,000. Oblak described a number of issues which have hurt performance of this fund, including high leverage and poor timing, as companies were maturing during the 2008 recession. Fund V has ended the investment phase, having now called 94% of committed capital. It made ten investments and has completed four exits. Four of the remaining six companies appear to be likely fund drivers. Fund V did not utilize any leverage. Oblak described how the firm manages companies they invest in. Ascent will not typically have a majority stake but will usually own 10%-30% of each company and have a seat on their Board.

Mark Andrew represented Lexington Capital Partners. A written review of the portfolio was presented to the Board. There have been no changes to the portfolio management or strategy over the last year. Andrew reviewed the history and growth of the firm, noting their history of strong returns. He emphasized the importance of maintaining close relationships with general partners as a way of sourcing new deals and evaluating the value of underlying funds. The firm has $45 billion in assets under management and has acquired interests in over 1500 funds from 700 sponsors. Global secondary transactions increased sharply over the last two years, going from $30.4 billion in 2016 to $68 billion in 2019. Returns in the fund are driven primarily by asset appreciation, although one-third is also attributable to discounts negotiated at the time of purchase. Limited Partners will typically opt to sell their positions due to a change in asset allocation strategy, not necessarily due to underperformance of the investment. Andrew reviewed the LCP VIII portfolio. Most of the funds are buyout-focused and based in the United States. The fund is well diversified by vintage year. The fund closed with $10.1 billion in commitments, and has made investments totaling $9.2 billion to date, of which $8.2 billion has actually been called from investors. Funds were acquired at an average discount of 17%. The fund has now made $4 billion in distributions. This gives a net IRR of 20.5%. Andrew stated that this would likely be one of the firm’s best performing funds. The bulk of capital should be returned in the next 3-4 years, although the fund may not actually terminate for several years after that. Andrew stated that once a transaction closes, they have no more influence than any other LP, and that they have no role in managing underlying funds. Lexington is currently raising money for their Fund IX and will be accepting commitments through the end of the year.

Meredith Moran and Chris Rock represented BlackRock. A written review of the portfolio was presented to the Board. Over the last year, the firm has hired new employees in an effort to expand their secondary investment strategy. Cambridge currently has investments in DivPEP Fund II and DivPEP Fund V. Rock reviewed the construction of the portfolios. The DivPEP portfolios are primarily fund-of-funds, but about one-third of the portfolio is direct co-investments, and a smaller amount in secondaries. Fund II is a 2002 vintage fund, now well into

the harvesting phase. Cambridge committed $10 million to the fund. The portfolio currently has a net IRR of 10.5% and has returned $16.3 million in distributions to Cambridge since inception. The remaining value in the fund is about $600,000, consisting of eight fairly small positions. Rock stated that he was considering offers to liquidate the fund by selling the tail-end assets on the secondary market and hoped that the fund would be terminated within 18 months. Fund V is a 2012 vintage fund, now fully constructed and entering the harvesting phase. Cambridge has committed $6.5 million and paid in $4.7 million. To date, the fund has returned about $200,000 to Cambridge. BlackRock is likely to call additional capital on this fund over the next two or three years. The fund is about 6% in secondaries, 17% direct co-investments, with the rest structured as a fund-of-funds. He described successful co-investments in Chewy Inc., HealthChannels and J.D. Power. He stated that with co-investments, BlackRock tends to be a minority investor, although the company takes a Board seat in about 20% of cases.

Tim D'Arcy appeared, representing Hamilton Lane and Jackie Rantanen participated by phone. A written overview of the portfolio was presented to the Board. There have been no changes to the investment strategy or the management team at Hamilton Lane. Cambridge has investments in Fund VI and Fund VIII. Cambridge made a $10 million commitment to fund VI, which is a 2007 vintage fund. The fund has an 8.7% net IRR. The fund is well into the harvesting phase. The fund is weighted toward buyouts, and to investments in North America. The portfolio still has significant value remaining and continues to make distributions. The fund term ends in December 2020. In the next year, the firm will look at either extending the term, or selling off tail end assets. Cambridge has committed $6.5 million to Fund VIII, which is a 2012 vintage fund. The fund is now fully committed although the underlying managers are still making investments. Some of the earlier investments are now making distributions, and returns are picking up. The portfolio has a net IRR of 7.4%. This fund is not as heavily weighted toward buyouts, with larger amounts of distressed debt, venture capital and exposure to emerging markets. The combined portfolios have outperformed the public markets, with an excess return of 80 basis points vs. the MSCI public markets index.

Monagle moved to adjourn at 2:30 PM.