Minutes of the meeting held on August 31, 2022

Present: Francis Murphy – Chairman, Michael Gardner, Nadia Chamblin-Foster, John Shinkwin, Joseph McCann, David Kale, Ellen Philbin, Rafik Ghazarian and Chris Burns.

The meeting was called to order at 11:00 AM. This was a hybrid meeting held in-person at 125 CambridgePark Drive, and via Webex videoconference. The Webex was digitally recorded.

Agenda Item #1 – Segal Marco Advisors
Ghazarian reviewed Segal Marco's written analysis of investment performance for the period ending June 30, 2022. Most markets were sharply negative due to concerns about inflation and the Ukraine war. Real Estate was the only asset class that showed positive returns for the quarter. There was some recovery in July, making up about 30% of the losses for the year.

Ghazarian reviewed the system's current asset allocation and he noted that the report reflects the new allocation targets adopted by the Board. Due to the extreme volatility in the last quarter, a number of asset classes are not in line with the target allocation.

Overall, the total fund was valued at $1.619 billion, representing a loss of 8% during the quarter. The fund outperformed the policy index return of -8.3%. The fund has now outperformed the policy index over the trailing ten years, returning 8.9% annually vs. the index at 8.3%. Ghazarian noted that the private equity, infrastructure and real estate funds had been the primary drivers of the outperformance. Ghazarian announced that PERAC has approved the manager hires that were made earlier in August. Once contracts are finalized, Segal will advise on how and when to fund the new managers.

Maria Bascetta represented UBS. A written overview of the portfolio was presented to the Board. Bascetta reviewed diversity initiatives at UBS. She stated the firm has a goal of 30% women and 25% minority employees at the Director level by 2025. The fund tends to be overweighted to coastal cities, and toward apartment properties. The fund has moved to invest more in Industrial properties, as well as adding some exposure to self-storage and laboratories. Bascetta described a reorganization of the asset management team, with various employees now responsible for different property types, rather than covering a geographic region. UBS has continued to sell properties that have been designated non-strategic. Sales activity slowed in 2022 as the equity markets showed losses, and due to concerns about inflation and Ukraine. The bulk of the sales are retail and office properties. 33 assets have been sold in the last three years, and ten further properties have been identified to be sold. Over the last year, the fund returned 24.65%, which underperformed the benchmark return of 29.51%. The fund was hurt by continuing slow demand for office space and by having less leverage than the index. The only mall property the fund intends to keep is CambridgeSide. Thompson described the work of redeveloping CambridgeSide. One floor of retail space will be converted to offices. Three new buildings are now under construction on the lot, which will include apartments and lab space. The fund still has a queue for redemption requests, and half of the money raised through property sales will go to paying out investors. The other half will go to new acquisitions. The firm has seen several investors who rescinded their redemption requests. UBS has planned to add an independent Board of Trustees, which will be in place by the end of the fourth quarter. The fund's leverage ratio is 18.6%. Approximately 70% of that is fixed-rate debt.

Rebekah Brown and Blake Johnson represented J.P. Morgan Asset Management. A written portfolio report was submitted to the Board. There have been no changes to the portfolio management or strategy over the last year. Craig Theirl was promoted to CIO in the last year. Johnson presented an overview of the portfolio. JP Morgan real estate now has $74 billion in assets under management and 402 properties. JP Morgan employees now consist of 50% women and nearly 50% minorities. Women manage portfolios which encompass 75% of the real estate holdings. The fund returned 28.7% over the last year and 12% annually over the three prior years. This slightly underperformed the ODCE index. Brown reviewed the current positioning of the portfolio. She described the industrial properties which include several truck terminals. She noted that JP Morgan is working to build several industrial properties in urban areas. Industrial properties remain the biggest driver of performance in the post-COVID environment. The fund has expanded the single family rental program, focusing on southern cities like Nashville, Atlanta, Charlotte and Phoenix. Residential was the next best performing sector. Returns from retail and office space were mostly flat over the past year. The fund has moved to sell several office and retail properties over the last three years. The fund's balance sheet is quite favorable. In January 2021, the fund was able to lock in a number of loans at 2.5% interest. The fund has also started making purchases of outdoor storage facilities, with the first in December 2021. Brown stated that it was unlikely that the fund would continue to show 20% growth, and that the remainder of 2022 was likely to be flat due to the likelihood of rising interest rates and slow growth. The fund does have a redemption queue, with Brown noting that a number of investors have looked to rebalance their portfolios after the recent strong performance. The Chairman requested that future reports show a yearly breakdown of the total fund value rather than showing only percentage changes.

Walter Dick and Thomas Scanlon represented Ascent. A written overview of the portfolio was presented to the Board. Cambridge has an active investment in one fund managed by Ascent. Scanlon stated that one partner, Matt Fates, left Ascent to take a job with another fund. He remains under contract with Ascent and will continue to manage the portfolio companies under his purview. This is similar to the arrangement which Geoff Oblak has been working under for two years. Ascent has not made any new investments since the onset of the COVID pandemic. Fund IV has now effectively terminated. The final distribution to the original investors was issued on March 31, 2022. All remaining value will be paid to secondary investors. This fund closed at a significant loss, returning only 17% of invested capital. Fund V has ended the investment phase, having now called 97% of committed capital. It made ten investments and has completed four exits. Three of the remaining six companies appear to be likely fund drivers. Scanlon discussed Start.io, which works on targeting ads for mobile device users. A plan to have the company listed on the Tel Aviv stock exchange was not completed. He also discussed Invaluable, a company which provides services to the live auction market. They also acquired a high-resolution scanning company and have moved into the NFT market. He stated that the firm can now produce a high-res 3D scan of a piece of artwork and sell the scan as an NFT. Dick stated that the scanning technology might be of interest to museums for archival purposes. Ascent has held discussions around merging this firm with a larger auction firm, but no deal has been reached. Dick discussed Nova Scientific, which provides precision measurement tools. A distribution was paid after one division of the company was sold off. Ascent continues to consider exit options for the rest of Nova Scientific. The firm will seek a one-year extension of the fund term later in the fall.

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. The firm has $70 billion in assets under management and has acquired interests in over 1800 funds from 800 sponsors. 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. Cambridge committed $20 million in 2015. $18.3 million has been drawn, and Cambridge has received back $17 million in distributions. The remaining value of Cambridge's share of the fund is $15 million. The current IRR was calculated at 20%. Andrew stated that he would expect significant distributions over the next six to nine months. The firm is now

launching Fund X, which is targeted to raise $15 billion. He stated that it was an excellent environment for secondaries managers, as the drop in the equity markets leaves many funds significantly overallocated in private equity. Andrew discussed the firm's diversity initiatives, noting that the firm has ramped up their efforts over the last three years. The fund is likely to run for three or four more years before terminating.
Ghazarian discussed the expensive legal paperwork involved in selling funds on the secondary market, and the discount that buyers usually insist on, noting that it would almost certainly never be in Cambridge's interest to sell holdings this way. He also noted that Segal does not perform the kind of analysis needed to determine if an offer to sell to a Secondaries manager is fair or reasonable.

Michael Riccobono and Trey Smith represented BlackRock. A written review of the portfolio was presented to the Board. There were no changes to the portfolio management or strategy over the last year. Cambridge currently has one active investment in DivPEP Fund V. Smith described the firm's diversity initiatives and noted the importance of maintaining a pipeline of new talent in order to hire diverse employees. He also stated that BlackRock has launched a new fund which invests in undercapitalized communities in the United States. The DivPEP II fund is now closed, with the final distribution paid in July. All remaining assets were sold on the secondary market. Cambridge committed $10 million to the fund. The portfolio had a final net IRR of 10.4% and has returned $16.8 million in distributions.
Riccobono reviewed the construction of the DivPEP V portfolio. It is primarily fund-of-funds, but about one-third of the portfolio is direct co-investments, and a smaller amount in secondaries. Fund V is a 2012 vintage fund, now in the harvesting phase. Cambridge has committed $6.5 million and paid in $5.4 million. To date, the fund has returned about $4 million to Cambridge. The portfolio has a net IRR of 11.2%. Riccobono stated he did not feel that the firm would have to draw the rest of the uncommitted capital. This fund will likely run through 2025 or 2026 and BlackRock is considering options for liquidating the fund on the secondary market as was done with Fund II.

Tim D'Arcy and Jackie Rantanen represented Hamilton Lane. 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. Rantanen reviewed diversity initiatives at Hamilton Lane, noting that women make up 40% of overall employees and hold 39% of senior leadership roles. They have produced their first report on diversity and will release a new report annually going forward.
Cambridge has investments in Fund VI and Fund VIII. Cambridge has committed $6.5 million to Fund VIII, which is a 2012 vintage fund. The fund is now fully committed and into the harvesting phase. This fund will not call any additional capital. The portfolio has a net IRR of 8.8%. Returns have picked up significantly over the last year as more funds are making distributions and moving toward exit strategies. This fund is not as heavily weighted toward buyouts, with larger amounts of distressed debt, venture capital, emerging markets and energy. The fund remains short of the S&P 500 return since inception.
Cambridge made a $10 million commitment to fund VI, which is a 2007 vintage fund. The fund has an 9% net IRR. The fund is nearing termination. The fund is weighted toward buyouts, and to investments in North America. The portfolio still has some value remaining and continues to make distributions. Rantanen stated that the tail-end assets are in high-performing funds, and the final return may be higher. The fund term had been scheduled to end in December 2020. Hamilton Lane extended the term twice and is now likely to extend it for an additional year, meaning the final termination will now be in December 2023. Approving the extension will require a majority of the limited partners to vote to allow it.

McCann moved to adjourn at 2:45 PM.