Minutes of the meeting held on June 8, 2017

Present: Francis Murphy – Chairman, James Monagle, Michael Gardner, John Shinkwin, Ellen Philbin, David Kale, Rafik Ghazarian and Chris Burns.

Absent: Nadia Chamblin-Foster

The meeting was called to order at 11:10 AM. The meeting was digitally recorded.

The Chairman congratulated David Kale on his appointment as Assistant City Manager for Fiscal Affairs and welcomed him to the meeting.

Ghazarian reviewed Segal Marco's written analysis of investment performance for the period ending March 31, 2017. The overall markets have delivered strong results over the last quarter, with worldwide equity markets all showing positive returns.

Ghazarian reviewed the system's current asset allocation. The system remains significantly overweighted to equities, but some of these funds will be drawn down as new managers are funded. He stated that he felt it was appropriate to keep money parked in the equity sleeve while waiting for new managers to draw it down, as this class continues to provide higher returns than bonds. He stated that he was aware that the City would make its appropriation payment in one lump sum in July, and that he was preparing a recommendation as to how to invest those funds. Since the end of the quarter, the system liquidated the Invesco portfolio and Intercontinental drew down the system's full commitment of $20 million. Ghazarian stated that he expected JP Morgan to draw down their commitment in the 3rd quarter of 2017.

Ghazarain reported that Donna Rosequist intends to retire from Segal Marco. He stated that he expects increased capital calls from the private equity managers over the next year, possibly as high as $60 million by the end of the year. He also expects that IFM will draw their full commitment by the end of August.

Overall, the Total Fund was valued at $1.201 billion, representing a gain of 4.79% during the quarter. The fund outperformed with the policy index return of 4.57%. Ghazarian stated that he has no performance issues with managers to report. He noted that Wedge Capital had an excellent quarter, and are now running ahead of their benchmark across all time periods. Gardner stated that he remains concerned about the hedge fund sleeve. Ghazarian noted their performance over the last year has been strong, returning 9.43% net of fees, although their performance over the longer term has been weak. The Chairman stated that he would like to examine options for reducing or eliminating the allocation to hedge funds at the next quarterly review. Kale also requested that Ghazarian provide information on how much funds of comparable size to Cambridge have invested in hedge funds.

The Board reviewed a schedule of completed and pending manager searches. The Board must still issue RFPs for core bond funds, currently managed by Pyramis and IRM; index funds managed by SSGA; and the mid cap value fund, currently managed by Wedge. Segal is now evaluating the responses to the Timber RFP. The Board received seven responses to that RFP, and Segal's analysis should be ready in time for the next quarterly review. The Director reminded the Board that they would also have to issue an RFP for the investment consultant within the next year.

Frank Sposato and Ben Wulfsohn represented Lazard Asset Management. A written portfolio review was submitted to the Board. There have been no changes to the portfolio management or strategy over the last year. The portfolio has shown strong returns over the last year, returning

22.17% YTD vs. the index at 19.13%. Wulfsohn noted that the portfolio has been hurt by an overweight in Russia. US-Russian relations have not improved, despite the election of Donald Trump and falling oil prices have also hurt Russia. Wulfsohn listed a number of stocks that had performed well in the last year. Holdings of Samsung and Taiwan Semiconductor were drivers of performance. Wulfsohn stated that they are being helped by their ability to produce cheaper versions of smartphones. In addition to the Russian holdings, energy companies also were significant detractors from performance. The fund has seen poorer returns in the second quarter of 2017. The fund maintains an overweight to Brazil, but stocks have slumped there due to political instability. The fund has also seen some relative underperformance due to strong returns from companies in the index that Lazard does not own, including Tencent and Alibaba. Wulfsohn stated that they are good companies, but that he feels they are overvalued. The firm is currently maintaining the overweight positions in Russia and Brazil, although Wulfsohn stated that the firm has adjusted price targets for some of their holdings. The firm also maintains an overweight position in Turkey, despite concerns about a more authoritarian government.

Brian Giuliano and Jonathan Cordo represented Brandywine. A written portfolio report was submitted to the Board. There have been no significant changes to the portfolio team or investment strategy. The firm is moving to a larger office, but is remaining headquartered in Philadelphia. The firm now has $70 billion in assets under management. The firm has seen some outflow from the fixed income portfolio, primarily due to clients changing their allocation strategy. The portfolio has run ahead of benchmark on a relative basis over the last year, returning -1.73% vs. the Citigroup WGBI Ex-US at -4.79%. Giuliano stated that the past five years have been extremely challenging for this asset class, with very modest returns. He attributed this primarily to the strong run for the US dollar. He stated that the economy now appears to be moving toward a weaker dollar environment, which should benefit the portfolio. Gardner noted that the firm seemed to substantially underperform their peers between 2013 and 2016. Cordo noted that the peer group includes a number of portfolios that hedge against currency risk, which would have been beneficial during the strong dollar period. He also noted the portfolio was more constrained than their competitors. The current composition of the portfolio has a higher average yield and shorter duration than the benchmark.

Maria Bascetta represented UBS. A written overview of the portfolio was presented to the Board. There have been no changes to the firm's investment strategy. Cambridge has been an investor since 1988, gaining a 9.16% annual return since that time. The portfolio remains overweighted to apartments, with Bascetta stating the firm feels apartment properties are more stable. The fund also maintains a focus on properties on the coasts. The fund is now ranked as the second most sustainable fund within the ODCE universe. Bascetta stated that the fund has attempted to move more assets toward LEED certification. The firm has sold a number of apartment properties over the last two years, and is now looking for new acquisitions. The firm now feels that they are in a mature economy. Property appreciation has slowed. Bascetta stated that the feels the portfolio is well positioned, and will benefit from having lower leverage than other firms in the ODCE. Over the last 12 months, the firm has a number of investments in build-to-core properties. Build-to-core currently comprises 8% of the portfolio, but the firm may push this as high as 14%. Bascetta reviewed the portfolio's returns. She emphasized that the UBS portfolio maintains a lower level of leverage than the ODCE index. Returns over the last five years have been somewhat less than the index, mainly due to the lack of leverage, but the fund has outperformed over the longer term. The fund is also significantly less risky than other funds. Gardner suggested that, since UBS is a part of the index it is measured against, it might make sense to measure them against an "ODCE minus UBS" benchmark. The Chairman asked how the malls within the portfolio have been performing. Bascetta stated that, due to competition from online retailers, malls as being repositioned as gathering spaces, with a greater focus on restaurants, bowling alleys and other experiential opportunities.

Peter Falco and Andrew Blanchard represented Rockwood Capital. A written review of the portfolio was submitted to the Board. Over the last year, Antonio Lariño was named as a partner. The fund recently closed its Fund X, and has also seen success with new funds structured around a 15-year cycle. The fund has now completed the investment cycle, with the final acquisitions closing in Spring 2016. Liquidation activity has picked up. The fund closed on 23 properties and has now sold six. These six properties closed at a 1.8x multiple. Blanchard stated that the overall portfolio was targeted for a 1.5x multiple. The fund has targeted seven additional properties for sale within the next year. Blanchard reviewed the investment strategy and risk management. The majority of the targeted properties are planned to generate income within 12 to 18 months. A number of properties generate income immediately. The firm attempts to control risk by holding longer renovations (24-36 months) to between 15-30% of the fund. To date, the fund has called 81% of committed capital, and expects to eventually call 91%. Falco stated that he expects the fund to be fully liquidated by the end of 2020.

Geoff Mullen, Paul Mehlman and Chris Davis represented Landmark Partners. A written portfolio report was submitted to the Board. There have been no significant changes to the portfolio team over the last year. Mullen reported that Religare sold their stake in Landmark in August 2016 to Old Mutual Asset Management. OMAM now owns 60% of the firm, and the rest is owned by employees. He stated that he anticipated that the partnership would benefit Landmark by providing access to new sources of capital, as well as a stronger compliance and human resources department. The Board is now invested in two secondary funds, Real Estate Fund VI and Private Equity Fund XV.

Mullen reviewed the performance of the private equity fund. The fund has now finalized its investments. The portfolio closed 53 transactions, acquiring 173 partnership interests. It is generating a net IRR of 15.77%. The fund has returned 43% of committed capital to date. Mullen described how the portfolio manages cash flow. Landmark uses a credit facility to fund early purchases, and also negotiates deferred payments on some acquisitions. Although the fund intends to call 90% of Cambridge's commitment, it is unlikely that more than 50% will be invested at any particular time. The life of the fund should extend for about six more years.

Mehlman reviewed the performance of the real estate fund. This fund is now fully subscribed. The portfolio closed 30 transactions, acquiring 83 partnership interests. It is generating a net IRR of 21.56%. Mehlman noted a slight write down of certain assets over the last year. The fund has now returned 118% of committed capital. Gardner requested that the firm provide Segal with an itemization of management fees, and how the spread between gross and net returns is calculated. Most of the remaining value should be distributed within 24-36 months.

The Chairman stated that, while at MACRS, he had a discussion with a firm that does a form of portfolio monitoring involving searches for pending and settled litigation.

The Board agreed to schedule the next investment meeting on Wednesday, September 20 at 11:00 AM.

Monagle moved to adjourn at 2:35 PM.