



**Cheshire Retirement Board
Meeting Minutes
November 7, 2018
Cheshire Town Hall
84 South Main Street
Cheshire, Connecticut 06410
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, and members Paul Shay, and Mark Izzo. Police Department representatives Kevin Costa, Steve Jester, Finance Director James Jaskot; Town Council Liaison Tom Ruocco, Ross Charkatz (in person) and Amanda Thome (by phone) of Graystone Consulting.

1. Call to Order

Chairman Michael Evans called the meeting to order at 6:00 p.m.

2. Roll Call and Determination of a Quorum.

Chairman Michael Evans called the roll and a quorum was determined.

3. Pledge of Allegiance.

All present recited the Pledge of Allegiance.

Mr. Evans introduced new Police Department representative, Steve Jester, who gave the Board Members a summary of his background and experience.

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4. Approval of Minutes for August 29, 2018 meeting.

MOTION: Mr. Evans made a motion to approve the minutes from the meeting on August 29, 2018 as presented.

Motion was seconded by Mr. Izzo and unanimously accepted by members present.

5. Old Business

- a. There was no old business to report.

6. New Business:

- a. Investment Update and Market Comments

Market Comments

Mr. Charkatz provided a market overview as of September 30, 2018. It has been an unusual year so far where few assets have produced positive real returns. U.S. Equity Markets have given back all their gains for the year and intra-year declines have been a common occurrence throughout. The S&P 500 Bull Market is the longest and one of the strongest in the last 100 years. S&P 500 (January 2009 – March 2018) has outpaced private equity, venture, global stocks, real estate, hedge funds, and bonds. While there has been an unusually strong financial recovery, economic recovery is far weaker than prior post-WWII recoveries on average.

The FAANMGs (Facebook, Apple, Amazon, Netflix, Microsoft and Alphabet's Google) have contributed more than half of the S&P return through mid-September. Growth stocks are outperforming and have experienced a record long run vs. value stocks. Value stocks have underperformed despite better earnings per share (EPS) trends (January 2003 – August 2018). Value has rarely been cheaper relative to Growth. Rising U.S. interest rates have led to a tipping point in Emerging Markets. Emerging Markets remain underweight in global funds. Global investment management firm GMO shows Emerging Market

value to offer the best performance outlook vs. other investment styles by the largest margin ever measured according to their prior forecasts.

In 2018 positive market conditions are either fading or no longer in place. Over the next 10 years valuations across major stock/bond asset classes imply lower than historic returns with higher volatility per each incremental unit. There is greater potential in Non-US and Emerging Market equities.

b. Investment Recommendation

Liquidation of the SCS Opportunities Fund was discussed and the timing in which to proceed. Redemptions occur quarterly with a 65 day notice required. In this instance, notice was required on October 25, 2018. The 65 day notice was provided to Mr. Jaskot to go forward with the liquidation with the understanding that the notice could be rescinded if the Board chooses not to move forward with the recommendation. The redemption should appear in the Cheshire Account by February 1, 2019 with the final 10% showing in July 2019.

MOTION: Mr. Evans made a motion to approve the liquidation of the SCS Opportunities Fund.

Motion was seconded by Mr. Shay and unanimously accepted by members present.

Investment Recommendation – TPG Public Equity Partners

TPG Public Equity Partners is a long/short equity strategy and represents the public investment program for Texas Pacific Group (TPG) based in Fort Worth, TX. It was founded in 1992, and has a current assets under management (AuM) of around \$83 billion.

Alex Gleser is the founder of TPG Public Equity Partners and will be introduced by phone to the Retirement Board members in Q1 2019. He brings experience in both public and private markets. He worked as an Associate in TPG's private equity business and as a Principal at two long/short equity hedge funds, Sageview Capital and Conatus Capital before rejoining TPG.

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Based on preserving capital, this strategy has a broad mandate to invest in public equities globally across all sectors and market capitalizations. Mr. Gleser takes a high conviction approach to portfolio construction, with 10-20 core long positions and 10-30 core short positions. Net exposure is typically between 20% and 70%.

Mr. Gleser believes that the strategy's biggest advantage is its access to TPG's resources. The fund draws upon the private equity side and deep sector experience from private equity analysts. TPG's private equity portfolio companies provide differentiated, proprietary information that allows Mr. Gleser to identify misunderstood or under-followed publicly listed stocks.

Mr. Gleser methodically manages capacity which is currently targeted at approximately \$3.0 billion. This strategy is differentiated as other large private equity firms typically do not launch similar products.

Mr. Gleser and his team dedicate 100% of their time and focus to this strategy because it represents TPG's only public equity offering.

Points to Consider/Follow:

Mr. Gleser makes all investment decisions so key person risk exists. This fund represents his first experience as a portfolio manager. At Conatus Capital, he oversaw a team that managed hedge fund capital.

During 2015 Mr. Gleser closed the fund after it reached \$500 million in AuM. It was reopened for a short period in 2016 and closed again. It reopened in 2017 for a brief period and soft closed again in Q4 when AuM reached \$2.0 billion.

TPG and its employees seeded the launch of the fund with long-term capital commitments. This promotes collaboration between the private and public equity employees and the firm's CIO, who is actively involved. The CIO serves as a highly experienced sounding board for Mr. Gleser.

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Mr. Charkatz recommended approving the TPG Public Equity Partners recommendation in February of 2019. At that time, it should be known where there are needs for cash flow. There will also be a clearer understanding of TPG through conversing with Mr. Gleser.

Mr. Evans asked if there should be a rotation in the portfolio. Mr. Charkatz said that this has already been done with more having been added to Emerging Markets. Also, credit has held up.

c. Annual Review of Investment Policy Statements (IPS)

This is an annual review for good governance. The Board agreed to continue with the current allocations and to not make any changes.

d. 2019 Retirement Board Calendar

MOTION: Mr. Evans made a motion to approve the 2019 Retirement Board Calendar as presented.

Motion was seconded by Mr. Shay and unanimously accepted by members present.

e. Pension Disbursements – For Information Only

f. Summary of Bills – For Information Only


7. Public Comment

There was no public comment.

8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 7:20 p.m. Motion was seconded by Mr. Izzo. All members present were in favor of the motion.

Respectfully submitted,


Dawn Guite, Recording Secretary

