



**Cheshire Retirement Board
Meeting Minutes
February 7, 2019
Cheshire Town Hall
84 South Main Street
Cheshire, Connecticut 06410
Room 210; 6:00 p.m.**

In attendance were Chairman Michael Evans, members Paul Shay (6:30 p.m.), Mark Izzo and Jeremy Beitel. Police Department representatives Kevin Costa, Steve Jester, Fire Department representative Robert Shalagan, Finance Director James Jaskot; 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.

4. Approval of Minutes for November 7, 2018 meeting.

MOTION: Mr. Evans made a motion to approve the minutes from the meeting on November 7, 2018 as amended.

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Amended minutes: Page 2, Market Comments, line 3: added As of November 7, 2018...

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

a. Investment Update and Market Comments

Mr. Charkatz provided a market overview summarizing 2018. Volatility concerns resulted from peak earnings growth, central bank tightening, geopolitics and global trade. The VIX Index, a gauge of market volatility, averaged around 16, hitting a peak of 37 in February and 36 in late December. There were 8 times more >1% moves in 2018 vs. 2017. In 2018, there were 20 >2% moves vs. 2017. Rolling Bear Markets were first felt in Emerging Markets with a notable month down at -2.8% on the back of Brazil's new government (QTD index performance of 15.0%) and India's quarterly numbers (3.9%). U.S. equities were on a downward path throughout December driven by Federal rate hike policy, geopolitics, and on again/off again talks with China. Despite positive retail sales and a decrease in unemployment, the S&P 500 closed down -9%. The FAANMGs (Facebook, Apple, Amazon, Netflix, Microsoft and Alphabet's Google contributed to more than half of the S&P return through mid-September. The European Central Bank (ECB) bond buying program came to a close in December officially ending quantitative easing (QE) in the European Union.

For 2019, the lower an asset is on the 2018 rankings, the better the prospects for 2019. Assets ranking at the bottom have better valuations from relative shifts in the global macro story. Reversals in market trends point to the appearance of the U.S. Dollar peaking, U.S. and European Yields converging, emerging market

assets poised to outperform, U.S. equities and high yield priced to underperform, tailwinds brewing for value to outperform growth.

The portfolio, as of December 2018, was down 3%. In January 2019 it was up 5% and the S&P 500 is up 8%.

Liquidation of the SCS Opportunities Fund has been completed with redemption appearing in the Cheshire Account this month (February 2019) and final 10% in July 2019.

b. Investment Presentation - TPG Public Equity Partners

Mr. Charkatz introduced Alex Gleser (by phone), founder of Public Equity Partners (TPEP), to the Retirement Board members. TPEP 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 current assets under management (AuM) of around \$83 billion. Mr. Gleser 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.

Based on preserving capital, the TPEP 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 gave examples of short and long positions.

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.

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

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 TPEP 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.

MOTION: Mr. Evans made a motion to rebalance the portfolio with allocations to purchase TPG Public Equity Partners (TPEP) sometime in the first quarter of calendar year 2019 based on target allocations detailed below on the date of the transactions. Note: Current allocations are based on December 31, 2018.

Reductions

FPA Crescent from 7.3% to 6%.
Doubleline Total Return from 3.4% to 3.2%
JPM Strategic Income from 2.4% to 2.2%
Pimco All Asset All Authority from 2.2% to 2.2%
Reserve Cash from 3.0% to 3.0%
SCS Opportunities Fund from 5.4% to 0.0%

Increases

Snow from 5.2% to 6.2%
Oppenheimer Intl Growth from 4.9% to 5.4%
Neuberger Berman Intl from 5.0% to 5.4%
IVA Worldwide from 7.2% to 7.6%
First Eagle Global from 7.2% to 7.6%
Wedgewood - no change

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The net proceeds of the above changes, including the proceeds from the liquidation of the SCS Opportunities Fund approved at the November 7, 2018 meeting, will be used to purchase a position in TPEP. Ms. Thome will confirm the allocations and purchase dates.

Motion was seconded by Mr. Izzo and unanimously accepted by members present. There was one abstention (Mr. Shay).

c. Pension Disbursements – For Information Only

d. 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 8:00 p.m. Motion was seconded by Mr. Izzo. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary