



Louisiana State Police Retirement System (LSPRS)

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Investment Committee Meeting Minutes

Meeting Title	LSPRS Investment Committee Meeting
Date of Meeting	January 25, 2023 (Wednesday)
Where	LA State Police Retirement System Building, 9224 Jefferson Highway
Start Time	9:30 a.m.

1) Investment Committee Designee, Amy Mathews, called the meeting to order.

2) Gretchen Marquez, Administrative Specialist, called roll as follows:
Frank Besson, Jr., Designee for Superintendent – Vice-Chairman – PRESENT
Andrea Hubbard, Designee for Commissioner of Administration – PRESENT
Kevin Marcel, Chairman – NOT PRESENT
Treasurer John Schroder or Amy Mathews, Designee – PRESENT

The records reflect that the following persons were also present:
Margaret Michel, LSPRS Executive Director
Gretchen Marquez, LSPRS Administrative Specialist

3) The Pledge of Allegiance was led by Frank Besson and the prayer was led by Margaret Michel.
No public comments.

4) Rob Bickham presented the committee with the UBS House View Presentation – Chief Investment Office GWM, December 2022. Mr. Bickham started by focusing on the “Quilt chart” of select asset classes’ calendar year performance. For the column dated 2022, Mr. Bickham noted that no asset class has a positive rate of return. US Government Fixed income finished the year at -11.1%, the 60/40 portfolio finished the year at -13.0%, US large cap equities finished the year at -14.2%, and emerging market equities finished the year at -18.4%. He stated that unless you were in real estate, cash, or energy stocks, it was a very tough year. **(See Exhibit A - Attached)**

Focusing on page 9 of the House View, Mr. Bickham noted various percentages of US stocks and bonds with their respective drawdowns that are current compared to drawdowns in 1945. He noted that 100% US bonds in 2022 were -18%, which is the same drawdown that occurred in 1945. 100% US stocks had a drawdown of -24% for 2022, while the 1945 drawdown of 100% US stocks was -51%. Mr. Bickham noted that even though it was not the worst of times within the equity markets, it also was not the best for the fixed income markets. **(See Exhibit B - Attached)**

Rob Bickham directed the Committee to view page 27 of the UBS House View. He stated that he believes there may still be another 25 basis points of Federal increases coming by February 2023 and again in March 2023 until they reach a terminal rate of 5%. Regarding the Central scenario, it is believed that the Feds will stop raising rates by the second quarter of 2023, inflation will be under control, the US will expand minimally, and the Ukraine war will continue. For the future, it is forecasted that the S&P 500 will become negative this year around 10%. Equity markets may stall out and there will be volatility. Fixed income looks hopeful due to two-year treasuries paying between 4-5% and investment-grade credit paying down between 5-6%. **(See Exhibit C - Attached)**

Overall, it may be a tough Fiscal year for LSPRS because we may not have clarity on earnings per share estimates and whether inflation is influencing the economy. Until we get more information on those two variants, Mr. Bickham believes equity markets will be bouncing around.

- 5) Rob Bickham directed the committee to look at the flash report including the Asset Allocation and the Market Value and Returns Summary as of December 31, 2022. He noted that we are slightly below our US Large Cap targeted allocation of 25% at 24.2%. US Small Cap is basically on target at 10.1% with the actual target being 10%. US Mid Cap is above target of 5.0% with a current weighting of 7.0%, international equities at 13.2% of the 15% target allocation, and Foreign Emerging Market at 5.6% with a target of 7.5%. Total equities are at 60.1% of the 62.5% target allocation. Fixed income is 18.0% with a target of 16.0%. Regarding alternatives, real estate is at 10.3% of the target 7.5%, hedge funds are at 2.0% of the target 2.0%, and timber is 0.2% of a target 0.0% because it is expiring and will be paid out. Private equity is at 6.6% of the targeted 10.0%. **(See Exhibit D – Attached)**

- 6) Rob Bickham focused the committee on the Returns Summary for the periods ending December 31, 2022. Focusing on the Fiscal Year to Date column, T Rowe Price is down -3.07%, State Street Global Advisors Russel 1000 Value Fund is 6.07%, State Street Global Advisors S&P 500 Index Fund is 2.30%, and the State Street Global Advisors Mid Cap fund is 8.04%. Ivy Investments was 0.78% and Fisher Investments was 0.59%. Total Domestic Equity Managers are 2.39% for the Fiscal Year to Date period. **(See Exhibit E – Attached)**

Regarding our international equity managers, Wellington was down -1.13% and Templeton was 4.68%. Overall, total equity managers were 2.14% for the fiscal year to date period. Regarding our fixed income managers, for the fiscal year to date period, Loomis Sayles was down -0.16%, Brandywine was down -2.23%, Orleans Capital was down -2.17%, and SSGA Aggregate Index was down -3.13%. Fixed income was down -1.66%. For real estate, PRISA reported 18.81% year-to-date even though that number may not be through December 2022. JPMCB was positive at 3.65%. Overall, real estate has served us well. For the FYTD period, the total investment portfolio was 0.51%. From inception (since 1990), the total investment portfolio has had an annualized rate of return of 7.24%. **(See Exhibit F - Attached)**

- 8) For the year ahead, the Committee reviewed the 2023 Investment Committee meeting schedule and tasks for each meeting. In March, an asset allocation study is scheduled to be completed. Ms. Michel stated that there will be an alternative investment review in July and will try to start bringing in managers starting in August for updates. **(See Exhibit G - Attached)**
- 9) Mr. Bickham directed the committee to view the annual performance evaluation summary for asset managers. **(See Exhibit H - Attached)** The summary is a scorecard of each asset manager based on performance relative to their peer group and benchmark and risk relative to portfolio volatility. Managers are also reviewed on consistency of style, what type of manager they are (growth vs value), and whether they are true to their capitalization mandate. Portfolio turnover is reviewed, as well as stabilization of the organization and portfolio management team. Based on those factors, an overall rating is given to each manager.

The average rating for Ivy is 7.5, Fisher is 6.3, Wellington is 6.7, Templeton is 7.1, Vontobel is 6.6, Brandes is 5.0, Brandywine is 6.2, Orleans is 6.8, and Loomis is 6.2.

- 10) Regarding the watch list, Mr. Bickham stated that we will keep Vontobel on watch and remove Ivy and Franklin Templeton from the watch list. Ms. Michel stated that Carlyle's restructuring did not affect our portfolio and can also be removed from the watch list. Franklin Templeton and Ivy's management change is complete and did not affect performance so they will also be taken off watch. (Ivy has been acquired by Macquarie.) Furthermore, we will add T. Rowe, Brandes, and Brandywine to the watch list due to extreme underperformance in the latest cycle and manager review. **(See Exhibit I - Attached)**

A **MOTION** was made by Frank Besson to remove Carlyle, Franklin Templeton, and Ivy from the watch list and add T. Rowe, Brandes and Brandywine to the watch list. The **MOTION** was seconded by Andrea Hubbard. No opposition. The motion passed.

- 11) A **MOTION** was made by Frank Besson to adjourn the meeting. The **MOTION** was seconded by Andrea Hubbard. No opposition. The motion passed.



Amy Matthews, Acting Chairman, Investment Committee
Louisiana State Police Retirement System