

# NEW ORLEANS FIRE FIGHTER'S PENSION AND RELIEF FUND Investment Board Meeting

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Martin Gaal  
Board President

Thomas F. Meagher, III  
Secretary-Treasurer

SUBJECT:

Board of Trustees Investment Board Meeting  
Fire Fighter's Pension & Relief Fund

TIME, DATE AND PLACE:

10:00 am February 9, 2022  
2401 Westbend Parkway  
Suite 3001  
New Orleans, Louisiana 70114

This meeting was held via zoom.

Board President Martin Gaal called the meeting to order. The following members of the Board of Trustees were present: Gaal, Meagher, Krsak, Roy, Nelson, and Tervalon and White.

With a quorum being present, the Board President declared the meeting duly convened to conduct business at 10:05 a.m. The Secretary Treasurer opened the meeting.

Also present,

Jon Breth, & Co. Consulting

Paul Mitchell

Louis Robein, Board Attorney

## **COMMUNICATIONS:**

None noted

## **REVIEW AND ACCEPT MINUTES**

**MOTION:** Moved by Meagher and seconded by Gaal to approve the minutes of the Nov 2021 investment Board meeting. There was no December 2021 and January 2022 Investment Board meeting.

Motion passed.

**NO OBJECTIONS**

## **REGULAR BUSINESS:**

Jon opened the discussion by providing a brief update on his firm, &Co. He directed us to page 1 of the fourth quarter performance booklet. Points noted were that the firm has over \$123 billion in assets under advisement as of June 30 2021 and has marked the 21<sup>st</sup> straight year in revenue growth. He noted the firm continues to make investments in personnel and technology. The firm currently has 87 employees, including two new partners, bringing the partnership total to 13 members.

### **Fund performance**

Jon noted that his presentation will review performance of the fourth quarter 2021. His discussion covered the economy, shifts in interest rates and its related impact on equities and fixed income going forward.

Interest rates ended its fall in the third quarter, a move opposite of the first quarter, triggering an outperformance in growth stocks and financials, particularly large cap holdings. The pandemic raised concerns about economic growth late in the fourth quarter as infections rose. International equities lagged US equity performance during the quarter. The Feds approached the end of the year indicating that they could raise rates three times in the near future to fight inflation which was at 7% as demand remained strong for goods and services through the 4<sup>th</sup> quarter. Jon noted that this Fed action will negatively impact stocks and fixed income performance other than TIPS and high yield bonds, which we have exposure to in the Black Rock portfolio. He indicated that this market environment may be an opportunity to pursue private equity or real estate as the outlook for small caps and U.S. equity may be hurt by the interest rates increases.

For the year, US equity markets experienced double digit returns, led by large growth stocks. The fixed income markets were stymied by the interest rate and inflation concerns. Discussions on performance by style followed, asset allocation compliance and Fund performance.

Total Fund performance was 4.36%, as the legacy assets and our asset weighting (we hold 30% in equities versus 50% fund policy) continued to pull down the performance versus our fund policy. Jon did write down the Whalehaven and Endgame assets which impacted the return.

Non legacy assets performed well, except that the small cap allocations have not performed as expected. The funds were recently added to the portfolio, just as the market moved. Jon discussed the holdings hurting the two small cap companies, but expects that both will perform well in the future.

**Legacy Holdings:**

The Fund's legacy holdings, which is essentially all of the alternative portfolio, is, in the case of the private equity investments, mostly written off on the system's financials (Fire Flix, Whalehaven, Endgame,) or are closing out (Greensprings, Murphree, Louisiana Fund 1 and Wilton). The Fund recognizes this portfolio has limited performance ability and is being phased out. Fireflix and Whalehaven were written down in the portfolio as expectations of recovery are not good.

The Fund's remaining alternatives portfolio \$5,000,000, of which represents holdings in real estate, had very little change in performance during the quarter. The Fund continues to seek opportunities to liquidate these legacy assets, so that the portfolio can be positioned in a more traditional fashion.

**Europacific Growth** underperformed this quarter due to the China exposure. It's one year performance also lags, however the Fund has been one of our best performers since inception.

**Baird** underperformed as the yield curve turned. YTD and since-inception performance has served the Fund well.

**Black Rock**, a multi asset liquid alternative investment fund, provides the fund with exposure to high yield bonds, global stocks and global bonds. Their quarter to date performance of 1.87% was less than the index return of 3.89%.

**Greensprings** will make a final distribution of this venture capital fund later this year.

**Greensprings Crossover** will follow with a final distribution sometime in 2022.

**Murphree Venture Partners** has a final distribution scheduled this year.

**La Fund 1** has extended the partnership agreement for two years with no management fee. The Fund maintains about 8 investments, two of which, a cocaine treatment drug and cancer treatment drug are in clinical trials and need additional funding, which management indicates is forthcoming.

**Whalehaven** is still in liquidation. The push is on since 2011 to liquidate this fund. This is a hedge fund/private equity investment started in 2007. There have been no positive results in liquidating the Fund. Jon has proposed to write down this asset as recovery is deemed unlikely as well as consider getting Board legal counsel to prepare a letter demanding recovery.

**Endgame:** The Fund is being liquidated. Proceeds are forthcoming.

**Fire Flix update:** Jon noted that Vertical entertainment has acquired the Culling and Tell Tale Heart out of bankruptcy. The National Lampoon movie, Dirty Movie II, is not in bankruptcy. There is no update on this movie other than that Amazon Prime video in the UK is showing the movie during 2019. No new action.

**Fire Lake Development**

No new activity to discuss.

**Fire Game**

This investment consists of a piece of property in Biloxi, Ms. on Caillavet Street, appraised at \$300,000. The initial investment involved the acquisition of a gaming license and construction of a new casino. The casino project failed. The property has a for sale sign on it. No offers have been made.

**Wilton Private Equity**

This fund is nearing completion and should be liquidated by year end.

**Asset allocation and expected return review**

Jon provided a handout which outlined potential return portfolio allocations. We discussed asset class return correlations. Of importance was the return expected with other asset classes including private equity and real estate. He noted that large cap equity and fixed income return is expected to fall in future years. Going forward the long term rate of return for these two asset classes is expected to half while International equities are expected to deliver premium returns. Jon noted the portfolio is in the traditional space. We don't have core real estate or private equity two asset classes that are expected to outperform equities and fixed income in the near future. The fund needs to consider how to increase its expected return by adding a new mix of assets. A review of the policy statement will continue in future meetings.

**Fire water:** No offer was provided to the Fund at this time. Management of the Park wants to buy the Fund out.

**ADJURNMENT:**

**MOTION:** Moved by Meagher and seconded by Roy to adjourn the meeting.

Motion passed.

NO OBJECTIONS

APPROVED BY: Sharon F. Meagher Date: 4/13/2022