

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

---

---

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 May 11, 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 Krsak to approve the minutes of the April investment Board meeting.

Motion passed.

**NO OBJECTIONS**

## **REGULAR BUSINESS:**

Jon noted that his presentation will review performance of the quarter ended March 31, 2022, discuss April 2022 performance and discuss the asset allocation and expected returns from various asset allocation scenarios.

### **Fund Performance**

Jon noted that the marketable securities in the portfolio had nowhere to hide as inflation and interest rates continued to rise. The Russian invasion is also a factor. The Feds have indicated that more rate increases are on the way, which is a change from August 2021 when we thought no rate increases were necessary, to December 2021, when 3 rate increases were deemed necessary. Higher interest rates offer stock holders competition from the bond market. As rates rise, growth stocks tend to lose value, higher risk stock investments will also start to lose value, which in our case include small cap stocks, the international markets, (Europacific growth Fund, Jackson Square and Blackrock). China's zero covid19 policy and the war in Ukraine continues to impact the supply chain and oil prices. Those issues add to inflation, which pushes interest rates upward and continues the stock market volatility. Discussion continued on sector performance, bond market tendencies to low durations bonds.

The Fund asset allocation was in line with policy.

**Clarkson partners**, the small cap firm performed well as it sold some of its holdings at a premium.

**Jackson Square Partners** the other small cap firm added last year continues to underperform in this market. This manager did well in 2019 thru 2020. They have recently restructured their portfolio, but remain a growth bias manager. This environment is a value oriented, however Jackson's portfolio, per their management is positioned well with their investments in the disruptive industry investment area. Their disruptor section of their portfolio, which lead performance in the past, has not performed well in the first quarter. It is responsible for the underperformance and has been written down. The holdings are trading below book value and should do better going forward.

**Europacific Growth Fund** continues to underperform as the environment has a value bias. China's lock down has hurt performance as production in China has impacted industries worldwide. However the Fund has been one of our best performers since inception.

**Baird** performance is in line with the bond market. YTD and since-inception performance has served the Fund well. Jon noted that the impact of planned rate hikes is hard to project. Baird is not a duration based manager. Their performance will not vary much due to interest rate swings.

**Black Rock**, a multi asset liquid alternative investment fund provides the fund with exposure to high yield bonds, global stocks and global bonds. The Fund has underperformed in the quarter due

to the factors noted earlier. This multi sector investor is hard to match with a benchmark. The Fund is generally conservative and most investors use this Fund as an alternative to fixed income.

### **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.

**Greensprings** is expected to 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.

**Fire water:** The financials are forthcoming. The investment has a \$2,800,000 valuation on the K-1's. This valuation will be evaluated once we get company financials.

**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 and expectations and continued his discussion from last month on revising target allocations by adding additional asset class 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 returns are not expected to continue to perform as well 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. Real estate and private equity are also expected to produce better returns than US equities and fixed income. Discussion on core real estate funds and the potential

Jon noted the Fund's 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.

Jon requested that the Fund consider adding to the core real estate and private equity asset classes. Additional information will be provided during the next meeting which will include continuing the discussion on the Fund's asset allocation mix, risk return impacts of allocation changes and the impact of changes in interest rates.

**ADJURNMENT:**

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

Motion passed.

**NO OBJECTIONS**

**APPROVED By:** Thomas F. Meagher **Date:** 9/14/2022