Minutes of the meeting held on September 5, 2024

Present: Francis Murphy – Chair, Michael Gardner, Joseph McCann, James Monagle, Claire Spinner, Chris Burns, Rafik Ghazarian and Christopher McLaughlin.

Arrived Late: Nadia Chamblin-Foster (Arrived following Acadian presentation)

The meeting was called to order at 11:00 AM. This was a hybrid meeting held in-person at 125 CambridgePark Drive, and via Zoom videoconference. Audio and video of the meeting was digitally recorded.

Agenda Item #1 – Segal Marco Advisors
Ghazarian reviewed Segal Marco's written analysis of investment performance for the period ending June 30, 2024. The last year has seen strong returns across nearly all asset classes other than real estate.

Ghazarian reviewed the system's current asset allocation. The system is largely within target allocations, although slightly overallocated to equities and private equity, while underallocated to fixed income and real estate. Ghazarian stated that he saw no present need for any rebalancing. He stated that he would present a proposal at the next quarterly review for committing to PRIT's 2025 private equity fund. Given the present overallocation, he may recommend a smaller commitment than in prior years.

Overall, the total fund was valued at $1.821 billion, representing a gain of 1.7% during the quarter. The fund outperformed the policy index return of 1.2%. Over the last year, Aberdeen has continued to fall well short of their benchmark, returning 7.7% vs. the index at 12.5%.

The Board reviewed Segal Marco's analysis of responses to the Real Estate RFP. Jingle Huang, a real estate analyst from Segal, appeared to assist in the review. Ghazarian reminded the Board that the RFP was necessary as part of the seven-year review of managers required by law. Twenty-four firms submitted proposals. The total mandate is for $100 million, currently split between three managers. There was one response from a minority owned firm, Bailard. However, Segal rated this firm as Not Advantageous. In reviewing the responses, Segal rated five firms as Highly Advantageous. That includes the three incumbent firms, Intercontinental, JP Morgan and UBS. Nuveen and TA Realty also received the Highly Advantageous rating. They are both core managers with a strong track record. They were able to generate strong returns as they had already favored apartment and industrial properties before COVID.
Gardner asked if Segal has performance concerns about any of the incumbents. Huang stated that all three managers have been consistent in their investment process and had no significant changes to their management. She also noted that the last four years has seen a significant change in the real estate industry, and that Segal would have concerns about a manager who had failed to adapt to those changes. The Chair stated that he was concerned about evaluating all three real estate managers at the same time. He stated that he felt it would be better to stagger the managers and review them at different times over each seven-year cycle. Gardner noted that it appears to be the worst possible time to sell out of a real estate fund. He suggested that it might be better to offer three-year contracts and then review the managers again after the real estate market has settled down. Ghazarian stated that it shouldn't be necessary to offer shorter contracts as the standard seven-year contract already offers the Board the ability to terminate early.
The Board reviewed a memo prepared by Segal Marco to describe the PRIT Real Estate segment. Ghazarian described it as a core fund, with exposure to mortgage debt and REITs. The

fund has an experienced management team and offers liquidity on a quarterly basis. He stated that he felt it represented an attractive option if the Board wanted to invest more money into real estate.
Gardner moved to extend contracts with Intercontinental, JP Morgan and UBS, subject to further review of their performance in the future, and to reevaluate the holding when real estate market conditions stabilize. Monagle seconded the motion. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Ghazarian noted that the timber managers are also due for a seven-year review, and he suggested posting an RFP. The total mandate would be $70 million, which would represent the total amount held in the open-ended funds managed by Manulife and Campbell. Gardner stated that he has had concerns about Manulife's performance for some time. Gardner moved to instruct Segal to issue an RFP for timber managers. McCann seconded the motion. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Ken Masse and Heather Mazzarella represented Acadian. A written portfolio review was presented to the Board. Cambridge has invested with the Acadian non-US Equity fund since April 2023. Acadian is headquartered in Boston, with offices in London, Singapore and Sydney. The firm holds $113 billion in assets under management. Masse reviewed the fund performance. Over the last year, the fund returned 15.3% net of fees, which outperformed the benchmark return of 11.2%. Japan was one of the top drivers of their performance as their stock market saw stronger gains than at any time since the 1990s. The Insurance and Media sectors were also strong drivers of performance. The portfolio benefitted from an underweight position in France, where a snap election contributed to uncertainty and weaker returns. Masse described the firm's risk controls, which imposes limits on the amount to be invested in any one security, but also includes tighter controls in countries thought to be more risky. The fund maintains an underweight to the UK, in part because of a 0.5% surcharge on all securities transactions. Looking ahead, Masse stated that he continues to follow the growth of artificial intelligence and that Acadian has used AI tools in order to summarize financial reports. The company is able to synthesize data from 518 million "daily observations" which can include regulatory authorities, company websites, media and trade organizations. Ghazarian noted that the firm does not perform site visits or build personal relationships with the companies in their portfolio. He stated that he did not find this concerning for a large-cap portfolio, although he stated that if it were a small cap portfolio, that he would still see value in having eyes on a business.

Ryan Cunningham, Andy Hoyt and Bo Wells represented Campbell. A written portfolio review was presented to the Board. Wells reviewed the composition of the portfolio. There has been no change in the portfolio holdings over the last year. The fund owns properties in Chile, Australia and New Zealand. Wells noted that elections in Chile brought a new government into power, but this has not resulted in significant changes to the business landscape. The present fund is scheduled to end in 2028, with an option to extend for two additional years. Cunningham reviewed the management of timberlands, and the efforts to harvest and sell into markets with high demand. He noted that timber investments tend to have low correlation with inflation and other real estate investments. Over the last year, the fund returned -6.2% net of fees. Wells stated that about two thirds of this loss could be attributed to weakening of the Chilean Peso. The rest is due to a worldwide slump in timber prices. The fund does not hedge currencies, finding that the cost is too expensive and that currency effects tend to balance out over the longer term. The Australian property mainly goes to the domestic market. The New Zealand and Chilean properties mainly export logs, with China as the largest buyer. The Chilean property remains quite young, with few mature trees. Wells discussed the outlook for the timber market.

In 2024, both Australia and New Zealand have seen their timber markets remain soft, driven by higher interest rates and lower housing construction. Australian exports to China and India have grown over the last year. In New Zealand, the central bank has begun to cut interest rates, which may result in more housing development. Chile has seen slow GDP growth in the first half of 2024. Wells stated that he still feels that the long term prospects for forestry are very good.

Amy Haynes, Stuart Pattillo and Jackson Weiss represented Manulife Investment Management. A written overview of the portfolio was presented to the Board. Cambridge currently invests in two Manulife funds. Hancock Timberland X is a closed-end fund with a 2010 inception date. The Hancock Timberland and Farmland Fund is an open-ended fund with a 2018 inception date. Haynes reviewed the performance of the Timber/Farmland fund. Cambridge committed $15 million to HTFF in 2018 and an additional $30 million in 2021. All commitments have now been fully drawn down. The farmland consists of both row crops and permanent crops. The properties are located in the United States, Australia, Chile and Brazil. Manulife operates nearly all the permanent crop farms directly. For row crops, some properties are leased out to farmers who manage them independently. There were six new acquisitions in 2023, but none to date in 2024. Over the last year, the fund slightly outperformed, returning 6.4% vs. the benchmark at 6.1%. The fund has underperformed over the longer term. Ghazarian noted that Segal updated the benchmark within the last year, now measuring Hancock against a 50/50 blend of the NCREIF Timberland and NCREIF Farmland indices. The firm has largely deferred timber harvesting, waiting for the US housing market to improve. Permanent crops have been a drag on performance, particularly with apples. Pattillo described the problem of "brand obsolescence". He noted that new varieties of apples were becoming available and older varieties were no longer popular. The strongest sector of the portfolio has been processing and packing facilities. Gardner asked if the fund was eligible for various government subsidies offered to farmers. Pattillo stated that the individual farmers who lease land are eligible. For permanent crops, HTFF is eligible for many of the same benefits that other farmers receive.
Weiss reminded the Board that the Timberland X fund was recapitalized in 2023. This had the effect of extending that fund out to at least 2033. Ghazarian asked about the redemption process for HTFF. Haynes stated that the fund offers liquidity once per year, on June 30. Redemption requests must be submitted 60 days in advance. There is currently no queue for withdrawals.

Gary Harrison and David Seelbinder represented IFM Investors. A written portfolio review was presented to the Board. There have been no changes to the portfolio management or strategy over the last year. The global infrastructure fund now has $56 billion in assets under management. Harrison discussed the current management team, noting their longevity with the firm and experience in construction and management of infrastructure assets. Seelbinder reviewed the investment strategy, focusing on utilities, energy and transportation in OECD countries. Monopolistic assets with high barriers to entry are favored. In 2022, IFM acquired Switch Inc, which operates data centers in the USA, including in Los Angeles and Silicon Valley. The fund also purchased Atlas Arteria, which operates toll roads in the United States, Germany and France. The firm sold off 25% of M6toll, a toll road in the UK. Seelbinder stated that this was sold at a 43% premium over the estimated value. Finally, IFM sold an oil export facility in Texas. IFM had managed the construction of this facility, which started operating in 2021. That sale closed at a 30% premium over estimated value. The fund has returned 5.2% over the last year and 11.1% annually over the trailing ten years. Currently, the system reinvests dividends in the fund and does not take payments in cash. Harrison noted that acquisitions have slowed in 2024 as there were no assets available at reasonable process. He stated that the firm would move to develop existing holdings, such as by expanding an existing data center.

Matt Herzog represented Hamilton Lane. A written overview of the portfolio was presented to the Board. There have been no changes to the investment strategy or the management team at Hamilton Lane. The firm has continued to grow over the last year, with $940 billion in assets under management. Herzog described the firm's offering of "Evergreen Funds" which invest in private markets but still offer quarterly liquidity. Cambridge has investments in Fund VI and Fund VIII. Cambridge has committed $6.5 million to Fund VIII, which is a 2012 vintage fund. The fund is now fully committed and into the harvesting phase. This fund will not call any additional capital. The portfolio has a net IRR of 6.7%. This fund is not as heavily weighted toward buyouts, with larger amounts of distressed debt, venture capital, emerging markets and energy. The fund remains short of the S&P 500 return since inception. Herzog noted that 2021 was a poor year for venture capital as maturing companies struggled during COVID. The fund will likely run for another 4-5 years before liquidation. Herzog stated that he would consider options for a faster liquidation by selling on the secondary market.
Cambridge made a $10 million commitment to fund VI, which is a 2007 vintage fund. The fund was fully liquidated and ended with an 8.7% net IRR. Liquidation was completed in the first quarter of 2024. This was also a difficult vintage for private equity funds, although this fund did outperform the public markets.

Mark Andrew represented Lexington Capital Partners. A written review of the portfolio was presented to the Board. There have been no changes to the portfolio management or strategy over the last year. The fund now holds $78 billion in assets under management. In 2024, the fund opened a new office in Miami. Secondary market transactions have continued to show strong growth. Andrew reviewed the LCP VIII portfolio. Most of the funds are buyout-focused and based in the United States. The fund is well diversified by vintage year. Cambridge committed $20 million in 2015. $18.7 million has been drawn, and Cambridge has received back $20.5 million in distributions. The remaining value of Cambridge's share of the fund is $11.2 million. The current IRR was calculated at 15.5%. Andrew stated it was difficult to predict how quickly the remaining fund could be liquidated. He noted that IPO and merger activity has fallen off, although he was optimistic that it could pick up in early 2025. Including all extensions, the security must be terminated by 2029. Ghazarian requested that the value, distributions and IRR be included in the written materials going forward. Ghazarian explained how private equity funds can be measured against a "public market equivalent," which Segal requests that all managers include in their reports.

Jose Calderon represented Penn Square Real Estate. A written review of the portfolio was presented to the Board. This is a 2010 vintage fund. The fund has now returned $5.6 million on $3.4 million in contributed capital. Calderon projected the fund would end at a 1.7x multiple. There are four active investments remaining in the portfolio, and the fund is in the wind-down phase. The CITIC China Retail Fund is the largest position remaining and consists of three malls. The retail sector in China has been difficult and the manager is seeking buyers to try to dispose of the properties at a respectable value. Calderon stated that food traffic at the malls was returning to the pre-COVID level and he was optimistic about a sale in the near future. The other major holding is the VBI Brazil Real Estate Fund, which includes condominiums currently on the market. Calderon stated that the fund should be terminated in 12-18 months.

Monagle moved to adjourn at 3:15 PM.