Minutes of the meeting held on May 29, 2025

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

Absent: Nadia Chamblin-Foster

The meeting was called to order at 11:08 AM. This was a hybrid meeting held in-person at 125 CambridgePark Drive, and via Zoom videoconference. 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 March 31, 2025. In the first quarter, the portfolio saw steep declines in US Equity markets, offset by gains in most other asset classes. International Equity was the strongest asset class, with this segment returning 6.9% over the last quarter.

Ghazarian reviewed the system's current asset allocation. The system is currently in-line with the target for domestic equity, and overallocated to private equity. Ghazarian reminded the Board that they had taken steps to correct this by committing less than usual to the PRIT 2025 fund. The system is also slightly underalloacted to fixed income and real estate. Ghazarian stated that the system would be receiving an appropriation payment on July 1 and suggested that some of that money should be invested in fixed income and real estate. He stated that the prices for office space appear to have reached a bottom, and that his researchers are recommending that clients look at adding money into real estate, although not into core managers. Value-add funds and senior housing appear to have a higher likelihood of showing strong returns. The PRIT Real Estate fund now offers a well-diversified portfolio, with monthly liquidity. Gardner requested that Ghazarian prepare a written recommendation for how to invest the appropriation once it is received, and for the Board to review it at the regular June meeting.

Overall, the total fund was valued at $1.916 billion, representing a gain of 0.3% during the quarter. The fund outperformed the policy index return of 0.2%. Acadian showed excellent returns in the International Equity sleeve, returning 10.9% over the last year. In Emerging Markets, RBC showed strong performance, returning 9.1% over the last year. The other EM manager, Aberdeen, has shown weaker performance, returning 4.6% over the last year. Ghazarian said that Segal now rates Aberdeen as a "hold" due to the departure of their CEO and poor performance. The Eastern Bank stock showed good relative performance, returning -4.3% vs. the Russell 2000 at -9.5%. Monagle asked about changes to the bank's strategy for wealth management clients, and Ghazarian noted that Eastern had made inquiries about submitting a proposal for the fixed income RFP. Ghazarian told them that the proposal would likely be rejected as they would not have met the minimum requirements. Ultimately, they did not submit a proposal.

Husayn Hasan and Wayne Zorger represented UBS. A written overview of the portfolio was presented to the Board. Zorger stated that the Lead Portfolio Manager, Paul Canning, will retire on July 1. She will be replaced by Larissa Belova, who will hold the title of Chief Investment Officer. The portfolio now consists of 111 properties with a gross value of $12.4 billion. The portfolio is 92% leased. Hasan stated that in 2024, real estate values largely stabilized. Transaction activity has dropped off in the start of 2025 due to uncertainty around tariffs and the US economy in general. The fund tends to be overweighted to coastal cities, and toward apartment properties. The fund has moved to invest more in Industrial properties, as well as adding some exposure to self-storage and laboratories. Currently, UBS has targeted the portfolio at 35% each to apartments and industrial, 10% to retail, 5% to offices, and 15% to alternatives.

The alternatives category might include life science, outdoor storage, student housing or single-family rentals. Hasan noted that the alternatives segment is currently short of the target allocation and UBS is looking to make new acquisitions in 2025. Over the last twelve months, the fund showed slight underperformance against the benchmark, returning 0.8% net of fees, vs. the ODCE at 1.2%. Hasan stated that he anticipated 6% annual growth over the next three years. He described the work of redeveloping CambridgeSide. One floor of the retail space was set aside to be converted to office/lab space. In the retail space, Zara is opening their store today, with 40,000 square feet of space, which is their largest store in Massachusetts. The mall has signed new leases with Lululemon, Mango and Victoria's Secret. The food court has also been repositioned with more upscale offerings. Construction has been completed on a new life science building adjacent to the mall. Hasan noted that life science activity has slowed, although the fund has signed a letter of intent to lease one third of the space at 20 CambridgeSide. Monagle noted that Zara is heavily reliant on imported clothing, which may be disrupted due to the Trump tariff policy. Hasan responded that does consider the impact of tariffs on industrial/warehouse tenants, but typically not for individual retailers. He suggested that the present volatility around tariffs would end in the near term without any real change. Ghazarian asked about further disposition of office properties and what kind of offers were being received. Hasan responded that a Portland, Oregon office property is currently on the market, and receiving moderate interest. This will likely be a short sale, as the loan value currently exceeds the market value. The fund does not plan to bring any other office properties to market in the near future.

Rebekah Brown and Katie Hammond represented J.P. Morgan Asset Management. A written portfolio report was submitted to the Board. Hammond reported that John Maughn moved to a position working with corporate pension plans and that she would be covering public pension funds going forward. Brown reported that the fund hired Josh Myerberg as Head of Portfolio Strategy and Thomas Kennedy as Read of Research. Brown stated that the fund continues to buy into the alternatives space, particularly focused on industrial outdoor stores, truck terminals, single family rentals and senior housing. All of the new acquisitions over the last year were in the alternatives segment. Over the last year, the fund has significantly reduced its redemption queue, which is now $2.9 billion. The fund paid out $2.5 billion and received $1.3 billion in new investments. The fund also saw $3.6 billion in recission of withdrawal requests. The fund sold $3 billion worth of assets and reduced exposure to office properties by 2%. In the last year, the fund returned 4% net of fees, vs. the ODCE at 2%. Brown reviewed the dispositions over the last year, noting that properties sold at an average premium of 2% above their carried value. In 2025, the fund has targeted an additional $3 billion in dispositions, primarily from the office and retail sectors and an additional $1 billion in new investments in the alternatives space. This will leave $2 billion of liquidity which can be used to pay out redemptions. JP Morgan was an early investor in many of the alternative property types. These were typically owned by individuals in the past and the fund has seen good returns from buying and owning those properties at scale and professionalizing their management. Brown stated that the fund has no current investments in the life science sector. Gardner requested that future reports show the value of distributions paid out to Cambridge.

Peter Palandjian and Kristin Phalen represented Intercontinental Real Estate Corporation. A written portfolio review was submitted to the Board. There have been no changes to the portfolio management or investment strategy. Palandjian stated that the returns over the last two years have been quite poor. The gross asset value of the fund is $12.6 billion and consists of 151 properties. The firm is headquartered in Boston. The fund is now 29% leveraged. Palandjian noted that the rapid rise in interest rates was a huge headwind which made borrowing prohibitively expensive and made transactions difficult to finance. There was also reduced demand for office space as employees continue to work remotely 1-2 days per week.

Construction activity of new offices largely stopped, which has helped to bring the market into equilibrium over the last year. Apartments remain a strong market. Industrial properties are also strong, although increasingly expensive. Grocery anchored retail is showing improving returns. The portfolio was overweight to office space at the start of 2020, although Palandjian noted that these were quality properties in Boston, New York and Silicon Valley. These properties held up better than comparable properties in secondary markets. The fund currently has an exit queue of $900 million. This comprises about 14% of the total fund value, which is the sixth best within the index. In 2025, Palandjian states that he intends to sell properties worth $300 – 400 million. Some of this can be used to pay down outstanding redemptions, and he may borrow against unleveraged property in order to free up more cash. He stated that he hoped to have the redemption queue under $100 million by the end of the year. Once the queue is reduced, Palandjian stated that he would be in a better position to reduce office holdings. He noted that he has not had to dispose of any properties through short sales since 2007. Palandjian described a change to ODCE reporting requirements in which all Life Science properties will be listed in the same category as offices. There is currently only one laboratory building in the portfolio and Palandian stated that he does not intend to acquire more. He stated that there is now a significant oversupply of lab space, including in Cambridge. Over the last year, the fund returned -0.67% net of fees vs. the index at 1.1%. The fund has a good handle on upcoming debt maturities. Gardner asked what types of alternative investments Intercontinental has considered. Palandjian responded that the fund owns three hotels, and five assisted living facilities. The fund is looking at a significant self-store acquisition and has employees reviewing options for data centers.

Andrew Blanchard represented Rockwood Capital. A written review of the portfolio was submitted to the Board. There have been no changes to the management team or fund strategy. Cambridge is currently invested in Fund IX, having committed $18 million in 2013. The fund is nearing termination. Overall, the fund closed on 23 properties and has now sold 22. The fund has generated a net return of 8.5% annually. The last property in the portfolio is The Cannery, a retail/office property in Campbell, CA. The space is 25% leased and Rockwood had hoped to be able to lease more space before putting it on the market. The final property should be sold by July via a short sale. This will not generate any further revenue, but there will be a final distribution of cash that was being held as a reserve. He noted that the Cannery was set for sale prior to COVID for $40 million, but this sale fell through following the bankruptcy and broken lease of the largest tenant. The current sale price is expected to be $12 million, against an outstanding loan of $18 million.

Michael Scanlon and Ashley Wolff represented Ares. A written portfolio report was submitted to the Board. The Board is currently invested in one secondary fund, Private Equity Fund XV. There have been no changes to the management team or fund strategy. Wolff reviewed the private equity portfolio. The fund closed in 2014 and is now in the harvesting phase. The portfolio closed 60 transactions, acquiring 183 partnership interests. It is generating a net IRR of 10.7%. The fund has drawn 81% of committed capital and is likely to draw additional funds to bring the draw to 87% over the next two years. The portfolio is well diversified in terms of vintage year, industry and strategy. Wolff stated that Ares was considering options for final liquidation of the fund, but she could not estimate a termination date.
Scanlon reviewed Real Estate Fund VI, which was liquidated on March 31, 2025. All distributions to limited partners have now been paid. The fund closed in 2011, having made 30 transactions and acquiring 83 partnership interests. The fund returned 1.53x to investors, with a net IRR of 18.5%. He stated that the fund would launch Real Estate Fund X by the end of the year, and he would welcome the opportunity to discuss that fund with the Board. He stated that the fund would be launching into an environment with strong secondary transaction volume and would likely stay open to investors into 2027. Ghazarian stated that he tended to agree with

Scanlon's analysis and that the present environment would be favorable to secondary managers as funds seek liquidity by selling assets.

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. No further capital calls are anticipated. Calderon projected the fund would end at a 1.7x multiple. There are two investments remaining in the portfolio that have substantial value, and the fund is in the wind-down phase. The first major holding is the VBI Brazil Real Estate Fund, which includes undeveloped industrial land, malls and condominiums currently on the market. The CITIC China Retail Fund is the largest position remaining and consists of three malls. He noted that in both funds, the malls are performing well and foot traffic has recovered to pre-COVID levels. He stated that he anticipated CITIC selling at least two of the malls before the end of 2025. The fund is still charging fees on invested capital but may consider waiving fees as the fund gets closer to termination.

Walter Dick and Thomas Scanlon represented Ascent. Cambridge has an active interest in Ascent Fund V, which has $2.9 million of remaining value. This fund made ten investments with six now fully realized. Three of the remaining four companies have significant value. One firm is Nova Scientific, which provides precision measurement tools. A portion of the company was sold off, and Ascent is looking to exit the firm by selling off the company's remaining divisions as separate entities. Another company is Invaluable, which provides services to the live auction market. The Board and management of the firm are in agreement to seek an exit in the second half of 2024. The firm is profitable and meeting with bankers to try to generate a sale before the end of the year. The last firm is Start.io, which is not currently for sale. Management is focused on improving metrics to make the company a more attractive acquisition candidate. Dick estimated there would be no exit from Start.io before the end of 2027. Scanlon noted that the value of Nova Scientific is based on EBITDA, whereas the other firms are measured based on a percentage of revenues. If the fund is able to make exits at the estimated values, the fund should close at a 1.53x multiple.

Charles Ashmun, Luke Baxter, Mustafa Elgabry and Michael Riccobono represented BlackRock. A written review of the portfolio was presented to the Board. There were no changes to the portfolio management or strategy over the last year. Cambridge currently has one active investment in DivPEP Fund V. Riccobono provided an overview of BlackRock, noting their global footprint and experienced management team. He described BlackRock's current fund offerings, noting that clients can now invest in multiple strategies and specify the amount to be placed into primaries, secondaries and co-investments. Riccobono reviewed the construction of the DivPEP V portfolio. Fund V is a 2012 vintage fund, now in the harvesting phase. Cambridge has committed $6.5 million and paid in $5.4 million. To date, the fund has returned about $6.3 million to Cambridge, with about $3.5 million in value remaining. The portfolio has a net IRR of 8.8%. It is primarily fund-of-funds, but about one-third of the portfolio is direct co-investments, and a smaller amount in secondaries. The majority of the secondaries and co-investments are now fully realized. Riccobono stated he did not feel that the firm would have to draw the rest of the uncommitted capital. This fund will likely wind down in 2029 and BlackRock is considering options for liquidating the fund on the secondary market as was done with Fund II.

Ghazarian reviewed a preliminary report on returns for the month of April. Returns were slightly positive, returning 0.4% for the month. Returns in May appear to be stronger, and there has been significant recovery in domestic equities.

Monagle moved to adjourn at 3:05 PM.