

## Minutes of the meeting held on September 3, 2025

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

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. The meeting was digitally recorded.

### Agenda Item #1 – Segal Marco Advisors

Ghazarian reviewed a written analysis of the responses to the RFP for core fixed income managers. There were 44 responses to the RFP. Segal rated six of those responses, including responses from the three incumbent managers, as “Highly Advantageous”. Twelve managers were ranked as “Advantageous” while the rest were “Not Advantageous”. Within the six highly advantageous firms, both Garcia Hamilton and Loop Capital are MBE/WMBE firms. Ghazarian stated that Segal has used all of the highly advantageous firms to manage funds for their discretionary clients.

Ghazarian described differences in the strategy and structure of the different firms. He noted that Garcia Hamilton is highly concentrated, currently holding 30 bonds in their portfolio. The Fidelity portfolio consists of 3,187 bonds. He also noted that Garcia Hamilton has a longer average duration than the other firms, which amounts to a bet on lower interest rates in the future. The three incumbent managers tend to invest in different sectors of the market, with Garcia Hamilton heavily weighted toward mortgage-backed securities and IRM investing heavily in corporate bonds. Gardner noted that all of the managers invest at least 25% of the fund in Treasuries. He asked if it would be possible to request a fee reduction from funds with heavy Treasury exposure or to have the system make a separate allocation to a low-cost Treasury fund. Ghazarian reviewed the fee proposals from each manager. Fidelity has the lowest offered fee at 15 bps and Garcia Hamilton will be 20 bps. IRM previously charged 30 bps but is prepared to lower the fee to 22 bps if the contract is renewed. The other three managers are all between 18 and 19 bps. Ghazarian noted that all of these proposed fees were within the lowest quartile within the fixed income universe.

In comparing fund performance, Garcia Hamilton has lowest return over the trailing seven years. Fidelity, IRM and Loomis Sayles show the highest returns. Ghazarian stated that Garcia Hamilton’s heavy exposure to mortgage-backed securities was costly when interest rates were rising in 2022-2023. The Chair noted that the spread between the highest and lowest quoted management fees amounts to about \$50,000 annually. Gardner stated that he felt that evaluating performance was likely more important than the fees and that the underperformance from Garcia Hamilton amounts to a loss of over \$2 million within the last three years.

Monagle stated that he was concerned investing over \$200 million in an asset class which is projected to return only 4% annually. Gardner stated that he did not feel that it was an appropriate time to revisit the system’s asset allocation strategy, although he would like to explore if there are possible savings by having the system look at different options for investing in Treasuries. Ghazarian noted that both Fidelity and IRM have generated substantial returns, net of fees, in excess of their benchmark over the long term. He also stated that he was prepared to conduct a new asset allocation study upon request by the Board.

The Chair noted that although Garcia Hamilton was hired seven years ago, they have only been managing the system’s money for about four years. He suggested that the Board consider holding that fund for another three years before reevaluating them. Gardner stated that he would be comfortable renewing contracts with Fidelity and IRM based on their consistent strong performance. Ghazarian stated that he could go back to each manager to try to get some further concession on management fees.

Gardner moved to table consideration of the Core Fixed Income proposals and to instruct Segal Marco to engage in further negotiations over management fees, and to report back on the possibility of indexing that segment of the core fixed income sleeve which is currently in Treasuries. McCann seconded the motion and it was voted unanimously.

Ghazarian reviewed Segal Marco's written analysis of investment performance for the period ending June 30, 2025. The last year has seen strong returns across nearly all asset classes, including real estate.

Ghazarian reviewed the system's current asset allocation. The system is largely within target allocations, and Ghazarian stated that he saw no present need for any rebalancing. Overall, the total fund was valued at \$2.01 billion, representing a gain of 6.2% during the quarter. The fund outperformed the policy index return of 5.9%. Ghazarian stated that he did not have serious concerns about any of the fund's current managers.

Sean Geary and Heather Mazzeella 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 \$150 billion in assets under management. Within the last year, Kelly Young, CEO of Acadian was also appointed as CEO of the parent company, while also keeping her role as Acadian CEO. Geary reviewed the fund performance. The portfolio has shown very strong returns since 2023. In the last year, the fund returned 19% vs the benchmark at 12.8%. Geary noted that the overall fund has benefited from a somewhat weaker US Dollar. He noted that markets have tended to discount the potential impact of the Trump administration's tariff announcements. The fund benefitted from an underweight Japan and overweight positions in Australia and Switzerland. Gardner asked about the prospects for investments in Europe going forward. Geary noted some losses in Germany, although this was in large part due to poor stock selection and particularly one position in Wolters Kluwer. He stated that there are opportunities to identify undervalued stocks on the European markets and less so in Japan. He also stated that it appears likely that the US Dollar will remain weak, which will benefit non-US investments. The portfolio maintains a bias toward firms with smaller market capitalizations. The fund now invests 47% of the portfolio in large cap vs. the benchmark at 60%. Small cap makes up 11% of the portfolio vs. the benchmark at 5%. He gave the example of SITC, which is a Hong Kong marine transportation firm which shows good cash flow, potential for growth and is in a stable, in-demand industry. Geary described the firm's use of AI tools in order to summarize financial reports and to listen in on earnings calls.

Alaina Chen and Gary Harrison represented IFM Investors. A written portfolio review was presented to the Board. The fund is wholly owned by a group of pension funds and added Nest, a UK pension fund, to the ownership group. In the next year the firm will open a new office in Canada. The global infrastructure fund now has \$65 billion in assets under management. Over the last year, the fund returned 12.3% net of fees and has returned 11.1% annually since inception in 2017. Harrison reviewed the investment strategy, focusing on utilities, energy and transportation in OECD countries. Monopolistic assets with high barriers to entry are favored. He noted Buckeye Partners as an example, which includes 6,000 miles of pipeline in the Midwest. He also discussed the investment in Indiana Toll Road, where IFM holds a concession on all tolls through 2081. Indiana Toll Road also offers good inflation protection, as the agreement allows for annual toll increases. In July, the fund sold the holding of Colonial Pipeline, another US pipeline asset. Gardner asked about the operation of the Indiana Toll Road. Harrison noted that it was privatized some time ago and was previously managed by another operator who went into bankruptcy. At the time of the acquisition, there was a great deal of

deferred maintenance. IFM repaved the road and updated the toll-taking machinery. Gardner asked if IFM saw opportunities for operating electric vehicle charging stations. Harrison stated that IFM has no current investment in EV charging, and noted that the firm does not view it as a core asset due to the risk of changing technologies in the near term. Gardner asked where the fund saw growth opportunities. Harrison stated that the fund would look for other public/private partnerships around transportation. The fund will also consider other midstream energy assets but not drilling or extraction. The fund will also be looking to add investments in data centers. Gardner asked about the management fees and Harrison responded that IFM reviews their fees each year and believes them to be competitive with other infrastructure and private equity managers.

Ryan Cunningham, David Haim, Andy Hoyt and Katharine Jesse represented Campbell. A written portfolio review was presented to the Board. Hoyt 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. 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 0.8% net of fees. The portfolio had seen significant losses in 2023 and 2024 due to currency effects. Hoyt stated that the weaker US Dollar has helped to turn around the performance. He reviewed the history of prior distributions and stated that there would likely be no further distributions in 2025 or 2026 as the fund is holding back on harvesting. Distributions should begin again in 2027. Haim reviewed the current state of timber markets. In Australia, there have been cuts to interest rates, which may help to boost housing construction. China maintains a ban on imported Australian timber, but exports to India are growing. New Zealand maintains exports to China, although those have also been weaker due to a slowdown in construction in China. The domestic market in New Zealand is also soft, although lower interest rates may prod some growth. The Chair asked about the impact of tariffs and Haim responded that there has been little impact to date. Australia does not have significant timber exports to the United States and Chile and New Zealand are currently exempt from the new tariffs. Child has seen lower inflation and stronger growth over the last year and timber prices should rise in 2025 and 2026. China has now suspended US timber imports which should benefit the exporters in Chile and New Zealand. Gardner asked about the outlook for the US Dollar and Hoyt responded that continued weakness would benefit the portfolio and also noted that both the Chilean Peso and Australian Dollar now appear undervalued and could strengthen relative to the USD. Gardner asked about the low returns since 2021 and Hoyt responded that in addition to currency effects, there was a write down in the Chilean property. However, that loss could be made up as the trees continue to mature. Gardner asked if the portfolio might be too concentrated with only three properties. Hoyt responded that US timber properties have performed well and that the portfolio would have shown stronger returns if they had been able to acquire American timberlands. He noted that during the investment/acquisition period, Campbell found US timberlands to be overpriced.

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. Pattillo 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 present value of the fund is \$46.7 million, and has also made \$4.8 million in distributions. Pattillo stated that Oliver Williams, the CIO, opted to step back from his

position and was replaced by Brent McGowan as CIO. Pattillo conceded that this was short of the goals that Manulife set for the portfolio. The farmland consists of both row crops and permanent crops. The properties are located in the United States, Australia, Chile and Brazil. In fall 2024, the fund made its first acquisition in Canada, which consists of indoor facilities in both Ontario and Ohio. The facility mainly grows bell peppers, cucumbers and strawberries. Pattillo noted that having facilities in both Canada and the United States allows for more agility and makes them less vulnerable to trade disruptions. The fund is looking to dispose of almond farms in California, with Pattillo noting that almonds are particularly vulnerable to water shortages. The fund has also moved to sell off lower-value land and to reinvest in improving irrigation in better farmland. HTFF has now started a dividend reinvestment option, although Cambridge has not opted to participate. As the properties are developed, Pattillo stated that he anticipated dividends would increase significantly in 2027. He also noted that the highest returns in the portfolio were generated by “plus” assets which include crops along with facilities for packing, processing, or logistics. Weiss reported on the timber segment of the portfolio. He stated that Manulife was deferring harvesting at present due to low prices. He stated that he was optimistic that increased housing construction in the United States would lead to higher prices. Since inception, the fund has returned 3.6% annually. This underperforms a custom NCRIEF index consisting of 50/50 timber and farmland, which has returned 5.4%.

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. Investors who wish to leave early would have to sell their interests on the secondary market. The fund has returned 8.4% annually since inception although returns have been less over the last two years due to the weak timber market. The portfolio consists of timberlands in Queensland, Australia; and in Washington, Oregon, Idaho and Louisiana. Weiss noted that the Pacific Northwest properties were ideally located for timber to be shipped around the United States or exported. The fund has seen some extra returns from leasing a portion of the property for solar energy generation, which now takes up 623 acres of the property.

Matt Herzog and Tim Jenkins 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. Herzog described the firm’s offering of “Evergreen Funds” which invest in private markets but still offer quarterly liquidity. Cambridge has an active investment in 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 5.3%. Jenkins described Hamilton Lane’s investment in new technology to manage accounts and the evaluation of potential investments. Herzog reviewed the composition of the fund. Investments were made between 2012 and 2015. This was a poor time for investing as funds were overvalued in the aftermath of the recovery from the 2008 financial crisis. Firms were then hurt by the onset of the COVID pandemic. This fund is weighted toward buyouts, with smaller amounts of distressed debt, venture capital, emerging markets and energy. Herzog noted that energy companies in particular were hurt in some cases by poor management following a buyout. He noted that it was fair to fault Hamilton Lane for investing in funds with low returns due to poor management. Jenkins stated that the fund has not invested in energy buyouts since Fund VIII. The fund remains short of the S&P 500 return since inception. The fund will likely run for another 2-3 years before liquidation. Herzog stated that he would consider options for a faster liquidation by selling on the secondary market.

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 \$81 billion in assets under management. Secondary

market transactions have continued to show strong growth, with the most recent fund closing at \$20 billion in funds committed. 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. \$19 million has been drawn, and Cambridge has received back \$22 million in distributions. The remaining value of Cambridge's share of the fund is \$9 million. The current IRR was calculated at 14.3%. Lexington sold off 14% of the fund to another secondary manager, which will generate a distribution to be paid in October. Ghazarian asked about a recent article in the Wall Street Journal which described how another secondary manager, Partners Group, made write-ups of certain acquisitions in excess of 1000%. Andrew stated that all funds are acquired at a discount, and occasionally at a very steep discount. Lexington always relies on the underlying fund's valuation and does not attempt to make their own valuation. Andrew stated that the fund would likely terminate in 2028 and must be terminated by 2029.

Ghazarian noted that fund performance in July was strong and the fund has returned approximately 7% on a year-to-date basis.

Monagle moved to adjourn at 2:45 PM.