

**MINUTES
OF THE CITY OF ST. CLAIR SHORES
GENERAL EMPLOYEES' PENSION BOARD MEETING
APRIL 20, 2021**

Regular Meeting of the General Employees' Pension Board, held in the Jefferson Conference Room, located at 27600 Jefferson Avenue, St. Clair Shores, Michigan.

Present: Kip Walby, Mary Kotowski, John Caron, and Vicky Shipman

Absent &
Excused: Dale Verhaeghe

Also Present: Attorney Tom Michaud; Mike Holycross, AndCo Consultant; Lawrence Creel and Dan DiDomenico, Edgewood Management; Charlie Garland, Hamlin Capital Management; and Linda Fredal, Recording Secretary

1. CALL TO ORDER

Chair Walby called the meeting to order at 3:30 p.m. and a quorum was present.

Motion by Shipman, seconded by Caron to excuse Mr. Verhaeghe from this meeting.

Ayes: All – 4
Absent: Verhaeghe

2. APPROVAL OF CONSENT AGENDA ITEMS

Motion by Caron, seconded by Shipman to approve the Consent Agenda items a - b as follows:

- a) Request to approve Minutes of March 16, 2021 as presented
- b) Request to approve payment of Invoices as of April 13, 2021

Ayes: All – 4
Absent: Verhaeghe

3. PRESENTATION

a) EDGEWOOD MANAGEMENT – LAWRENCE CREEL, AND DAN DIDOMENICO

Mr. Creel stated that Edgewood, a large cap growth strategy, has approximately \$51.1 billion in assets under management as of March 31, 2021. They are privately owned and have had no changes in the status of their company. They deem 22 growth companies to be of high quality, are diversified across sectors, diversified across growth rates, and their largest weightings represent the biggest upside potential.

He indicated Edgewood's performance as of March 31, 2021 was up 1.5% for the Net 1st Quarter compared to the S&P 500 Index at 6.2%. They are up over 9% YTD as of April 19, 2021 and he indicated there is strong growth in the Russell 1000 Growth Index.

He reviewed the Portfolio Profile and Results mentioning the weighted portfolio average of Edgewood's Estimated 5 Year Growth Rate is 20%.

He mentioned several of the Top 5 Contributors such as Snap, Inc., CME Group, Inc., and Facebook, Inc. Several of the Top 5 Detractors is Intuitive Surgical, Inc., Nike, Inc., and Netflix, Inc. He said their goal is to obtain excess earnings growth. The CME Group has come back nicely, all except surgical. Although there has been much volatility, the portfolio has held up and has continued to be very balanced in Bucket 1 of their portfolio allocation. Bucket 3 is more high growth, but more volatile.

The Change in Capital Allocation & Transactions was reviewed. Several of the added allocations include Netflix, Inc., Visa, Inc., CME Group, Inc., and NVIDIA Corporation. Some of the trimmed allocations include IHS Markit, Ltd., PayPal Holdings, Inc., and Snap, Inc. It was stated that IHS Markit, Ltd. will merge with S&P Global which has not yet officially occurred. Mr. Creel said that Netflix, Inc., NVIDIA Corporation, and Snap, Inc. went up very quickly and Chipotle is a new business for them. It was also stated that they bought Match Group, Inc. and did not sell anything.

Mr. Creel gave an overview of Facebook and the Match Group. He stated that Facebook has shifted down from Bucket 2 to Bucket 1 and growth is decelerating. Match Group which is a social discovery business or dating app has 11 million

Agenda Item 3a (cont'd)

subscribers and are in 190 countries. He said they are acquiring customers in southeast Asia and are top rated in the market they are in.

In conclusion he mentioned that most portfolio companies are emerging strong and more profitable from the recent crisis; large stimulus packages are powering consumer and business recovery; inventory rebuild is driving growth, employment, and capital spending as businesses reopen this year; solid economic "reopening" rebound and plentiful liquidity should encourage investors in 2021; and equity market risk could come from a rise in inflation as well as interest and tax rates. He indicated that there should be more digitization to their portfolio.

Motion by Caron, seconded by Kotowski to receive and file the Edgewood Management 1st Quarter 2021 Update dated April 20, 2021.

Ayes: All – 4
Absent: Verhaeghe

b) HAMLIN CAPITAL MANAGEMENT – CHARLIE GARLAND

Mr. Garland said Hamlin is managing \$5.1 billion. They have \$2.5 billion in dividend equity portfolios and \$2.6 billion in high – yield, unrated tax-exempt municipal bond portfolios. They have 22 employees and 12 investment professionals and are independently owned by eight partners. Their partners have the majority of their liquid net worth invested alongside their clients.

He reviewed the stock market picture since 1972 stating the red line is non dividend-paying stocks, the blue line is all dividend-paying stocks, and the green line is dividend growers and initiators.

Several of the things they look for in picking stocks are dividend growth over time, strong balance sheets, strong returns on equity, and cash flow.

They are looking for an attractive value manager and talk to companies which are research names that can grow their top line. They are experienced management with competitive corporate advantages.

Mr. Garland reviewed our portfolio history stating we withdrew more than \$3 million and the value of our account is \$2.6 million as of March 31, 2021. We are up 12.25% net of fees. He mentioned that the Dow Jones is ahead of us and last year we beat the index by 10%. The Russell 1000 Value is not that far behind.

He spoke about dividend growth and income mentioning that the dividend stream is growing and 14 portfolio companies have increased dividends YTD at an average rate of 7.6% year over year. He said Hamlin's average dividend yield is 3.2%, and the median 5-yr average ROE (Return on Equity) is 18.1%. Several of their Top Ten Holdings include 3M Company, AbbVie, Inc., and Lamar Advertising Company. They are diversified in sectors including information technology, industrials, materials, financials, and healthcare.

Motion by Caron, seconded by Shipman to receive and file the Hamlin Capital Management 1st Quarter 2021 Update dated March 31, 2021.

Ayes: All – 4
Absent: Verhaeghe

4. ANDCO CONSULTING PRESENTATION – MARCH 31, 2021 FLASH REPORT

Mr. Holycross reviewed the Asset Allocation Compliance and stated we are in compliance and within ranges. We are overweight to cash, but that is okay for now. As of March 31, 2021, the total fund is valued at \$46,246,443.

He reviewed the QTD performance indicating that Seizert is up 13.74%, Edgewood is up 1.49%, and Vanguard 500 Index is up 6.18%. Hamlin is up 13.65%, Reinhart Sm/Mid Cap is up 14.09% and up 80.88% on a one year basis. American Funds Europacific Growth is down .39%. Reinhart Intermediate is down 2.08% QTD.

Mr. Holycross said that Reinhart Intermediate and the entire team has been sold. He is proposing a search to replace them. He said that Dale Verhaeghe asked about Robinson Capital a few meetings ago, and he will make them a part of the search as there were no objections by the Board.

Mr. Caron asked that with the Federal government spending going on, especially with infrastructure, and the \$2 trillion plan, does he know of any forecast plans of what to invest in.

Mr. Holycross said he doesn't know what level, for example, infrastructure, this will get done, but indicated one way of looking at opportunities is in market share, leadership, design, construction, heavy machinery, etc. such as Caterpillar.
Agenda Item 4 (cont'd)

Motion by Caron, seconded by Kotowski to receive and file the March 31, 2021 Flash Report as presented by the Board's consultant.

Ayes: All - 4
Absent: Verhaeghe

Motion by Caron, seconded by Shipman to have the Board's consultant conduct a Fixed Income search for a replacement for Reinhart which will include Robinson Capital.

Ayes: All - 4
Absent: Verhaeghe

5. VANOVERBEKE, MICHAUD & TIMMONY, P.C.

Mr. Michaud reminded everyone that the Open Meetings Act virtual meeting options provision has expired. Trustees must meet in person unless a person is in the military, has health issues, or an emergency has been declared.

6. OLD BUSINESS – ELECTION SCHEDULE – SEAT OF DALE VERHAEGHE

Ms. Kotowski mentioned that only one candidate filed by the 4 pm deadline for the seat, Dale Verhaeghe, and the certification will be brought to the next meeting. No election is required to be held per the Election Policy.

7. NEW BUSINESS - none

8. AUDIENCE PARTICIPATION - none

9. ADJOURNMENT

Motion by Caron, seconded by Kotowski to adjourn the meeting at 4:13 p.m.

Ayes: All – 4
Absent: Verhaeghe

THE NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, MAY 25, 2021.

Prepared by:
Linda Fredal
Recording Secretary

Reviewed by:
Mary A. Kotowski
City Clerk / Secretary to GEPB