NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

INVESTMENT MEETING

Held on Thursday, December 1, 2022
Via Videoconference
10:05 a.m.

ATTENDEES:

DEBRA PENNY, Chairperson, Trustee

DAVID KAZANSKY, Trustee

THOMAS BROWN, Trustee

BRYAN BERGE, Trustee, Mayor's Office

ALISON HIRSH, Trustee, Comptroller's Office

RUSSELL BUCKLEY, Trustee

SUSAN STANG, Teachers' Retirement System

SAMANTHA AMILTON, Rocaton

DEVON ALEXANDER, Rocaton

MICHAEL FULVIO, Rocaton

VALERIE BUDZIK, Teachers' Retirement System

REPORTED BY:
YAFFA KAPLAN
JOB NO. 8935815

ATTENDEES (Continued):

LIZ SANCHEZ, Teachers' Retirement System

THAD McTIGUE, Teachers' Retirement System

DAVID LEVINE, Groom Law Group

STEVEN MEIER, Comptroller's Office

JOHN DORSA, Comptroller's Office

KOMIL ATAEV, Teachers' Retirement System

RON SWINGLE, Teachers' Retirement System

KATE VISCONTI, Bureau of Asset Management

JONATHAN LESSER, Bureau of Asset Management

ALLEN MACDONELL, Bureau of Asset Management

ROBERT FENG, Bureau of Asset Management

JOHN MERSEBURG, Bureau of Asset Management

JENNIFER GAO, Bureau of Asset Management

TINA SUO, Bureau of Asset Management

ED BERMAN, Bureau of Asset Management

MITCH FIELDING, Bureau of Asset Management

DAN HAAS, Bureau of Asset Management

NOZA SHUMANOV, Bureau of Asset Management

KAREN BARCLAY, Bureau of Asset Management

SANDY XU, Bureau of Asset Management

WILFREDO SUAREZ, Bureau of Asset Management

TOM CARROLL, Bureau of Asset Management

MAREK TSYZKIEWICZ, Office of the Actuary

ATTENDEES (Continued)::

JOHN ADLER, Mayor's Office

ISAAC GLOVINSKY, TRS

SUMANTE RAY, Mayor's Office

KEVIN LIU, Mayor's Office

SEAN BARBER, Hamilton Lane

Proceedings

MR. McTIGUE: Good morning, everyone. I would like to welcome you to the Teachers' Retirement System. I will call the roll. Bryan Berge.

MR. BERGE: Bryan Berge representing Mayor Eric Adams.

MR. McTIGUE: Thomas Brown?

MR. BROWN: Here.

MR. McTIGUE: Russell Buckley?

MR. BUCKLEY: Here for Panel For Educational Policy Chair Dr. Angela Green present.

MR. McTIGUE: Alison Hirsh?

MS. HIRSH: Here for Comptroller Brad Lander.

MR. McTIGUE: David Kazansky?

MR. KAZANSKY: Present.

MR. McTIGUE: Debra Penny?

MS. PENNY: I am here. Good morning.

MR. McTIGUE: Madam Chair and Board members, we have a quorum.

MS. PENNY: Thank you so much, Thad. Good morning. We are going to start with the third quarter 2020 review. I believe we have

Proceedings

Mike Fulvio.

MR. FULVIO: Great. Good morning, everyone. I am going to share my screen which hopefully folks are able to see. Okay. So I was only going to touch upon the quarterly report briefly as this was distributed ahead of time, and we did previously review the performance, but just as a reminder for everyone, the third quarter was another market selloff in both the US and abroad in terms of the equity markets. In the returns here for the Passport Funds. For the Diversified Equity Fund about down 5 and three-quarter percent for the third quarter. That brought the year to date return to 9.30. The Balanced Fund did notably better given it's 70 percent allocation to fixed income. Though still negative return at about 3.7 percent. The International Equity Fund we saw a deeper selloff in nonUS markets was down about 9.4 percent for the quarter ahead of its benchmark and then the Sustainable Equity Fund down about 5 percent, the US Equity Index Fund down 4 and a half percent and International Equity

Proceedings

Index Fund down about 10.3 percent. We will touch upon a couple more detailed items in this report in the executive agenda under the manager update section.

MS. PENNY: Thank you, Mike. Does anyone have any questions for Mike? Okay. We hope you feel better, Michael. Next we have the Passport Funds October 2022 performance review. Amanda?

MS. JANUSZ: So Mike shared the negative results for September. Thankfully for October we did have positive absolute returns really across the board for the funds. For the Diversified Equity Fund, up about 7.2 percent for the month which puts it at around negative 20.8 percent for the year to date period. Both the passive and active components contributed around 8 percent. Non-US markets were more challenged than US markets during the month of October, particularly China still struggling from their zero COVID policy there.

The Balanced Fund was the worst performance for the month but still positive about 1.7 percent. Some of the bond

Proceedings

components of that strategy detracted down around 12 percent year to date and the International Equity Fund up around 4 percent for October, which put it around negative 25 percent year to date, and some of the active management there did contribute to the index which returned 3 percent for the month.

The Sustainable Equity Fund was positive 3 percent for the month, which put it at negative 3 -- negative 30 percent for the year to date through the end of October, and you can see the passive options at the bottom of the page here, both the US and international equities, which were in line with their benchmarks. So all in all very positive month after quite a few negative months in a row here, so glad to see that and thankful that trend has continued here into November as well.

MS. PENNY: We really welcome you and I apologize so we are joined by -- so Amanda, your last name?

MS. JANUSZ: Janusz.

MS. PENNY: And Samantha?

Proceedings

MS. AMILTON: Amilton.

MS. PENNY: Who are two new or new to our TRS's account at Rocaton, so they are representing Rocaton. So welcome and if you keep up the good work with giving us all positive numbers, we will let you stay there.

MS. JANUSZ: Mike let me do the good numbers.

MS. PENNY: That's very nice of you, Michael. So let's see what Devon could do. Any questions for Amanda? Okay, Devon, no pressure but we have November 2022.

MR. ALEXANDER: I will try to keep the theme consistent here. So for the month of November, we expect to have positive results on all fronts. Actually global market composite benchmark is up positive 6.6 percent. And fiscal year as well I would also admit it's also positive to 7.67 percent. Diversified Equity Fund hybrid benchmark is up, positive 6.72 percent for the month and positive 7.76 for the fiscal year.

Switching over to the Balanced Fund benchmark, again positive 3 and a quarter percent, positive for the year, fiscal year 1.42 percent. On the international equity benchmark, international composite benchmark, we see astronomical results compared to the domestic market, positive 11.93 percent and positive for the fiscal year 3.97 percent, almost 4 percent. Sustainable Equity Fund benchmark we have positive almost 6 percent for the Brown Advisory Sustainable Growth Fund and 4.56 percent for the Sustainable Fund composite benchmark.

Moving down to the International Equity Index Fund benchmark, again 13.49 percent for the month and 5.14 for the fiscal year to date. So overall the themes have been consistent. We have seen positive results, and we hope that that continues. Although we do want to caution that it may just be a bear market rally, but in any event we will take it.

MS. PENNY: Now we expect this. Thank you. So any questions for Devon? Okay. Keep up the good work. I don't know, Michael. Looks like you are the only one that did not

Proceedings

give us good news.

MR. FULVIO: I was the one who fell on my sword for them.

MS. PENNY: So now we are into the public session of the pension fund and we have the quarterly performance review. Steve, do you want to?

MR. MEIER: So, thank you, Madam Chair. So I put together what I thought was a short slide deck and realized at 4:30 this morning it's actually a lot longer than I anticipated. I can't help myself, but I will go through this pretty quickly. Just give you a quick overview what's going on in the market and how it's impacting our investments and talk about performance for the third quarter.

So inflation continues to be a problem for the US, for the Fed, for the White House. It is at a near 40-year high still. It's come off the boil a little bit, so I think the fourth quarter more recent numbers are positive in terms of the direction that they are moving. We still see a significant amount of rate price pressures from an employment

Proceedings

strength. We also still see a little bit supply chain bottlenecks associated with the lockdowns and COVID protocols in China as well as energy price shocks associated with the war in Russia and Ukraine. Chair Powell yesterday stated in his prepared testimony that inflation has spread broadly throughout the economy, and their task is significant. Next slide, please.

In terms of inflation, you can see in the upper right-hand side, it's come off the boil a little bit. Now it's 8 percent from a CPI perspective. The core PCE deflator in yellow is actually 5.1 percent. It's a little stickier. It actually came in this morning at 5 percent for November, off of the revised 5.2 percent for October. So moving in the right direction. Next slide.

Inflation certainly isn't just a phenomenon here and a problem here in the US. You can see the red line is the US inflation measured by CPI, again coming off the boil as I said. Still a big problem in the UK at 11.1 percent and in the European Union at 10

Proceedings

percent. Actually, 10 percent has come down from 10.6 but still a problem. There has been a decline in energy prices in Europe very recently that moved that down a little bit but still a struggle.

Expected inflation -- in the next slide, Kate -- you can see come off the expectations around the University of Michigan survey. It's come down a little bit. Still pretty sticky calling for 4.9 percent inflation expected over the next 12 months. Employment on the next slide. Employment has actually been very robust. It's been little bit of a challenge for the Fed. In the third quarter, early fourth quarter, it was at a 50-year low, 3 and a half percent unemployment. You can see these headlines that it came in in September, 263,000 job growth. 261,000 in October. We have a new November unemployment report tomorrow. The expectation, the consensus estimate is around 200,000, so we will see where that winds up but still a challenge. Next slide.

Again, that's a graphical depiction what

Proceedings

it reflected. 3.7 percent in the lower right-hand side in white and the participation rate which is something the Fed certainly focuses on is still relatively low to where it was pre-pandemic about a point lower. We still have the post-COVID persistent imbalance in our labor market. There are over 4 million open positions than labor force supply and the Fed hopes to balance the labor market by slowing job growth. The next slide. The economy actually perked up quite a bit in the third quarter this year, it was revised upwardly yesterday to 2.9 percent. Remember that is coming off two consecutive quarters of negative GDP growth in the first and second quarter of this year so showing some level of resilience. The fourth quarter so far looks fairly to moderately strong, 3.4 percent expected. Again, economic growth is still powering along. You see more on a global perspective on the next slide still a little bit sluggish relative to where it had been, and I call your attention to the red line. I changed the color of this presentation.

Proceedings

That's China and you can see they have been an engine for global growth, 7, 8, 9 percent growth consistently for many years and they are continuing to struggle with COVID, and I think the expectation is around 2, 2 and a half percent growth for this year. So still a problem. Growth is somewhat sluggish, but we will see where we go in 2023. Next slide.

Some of the factors impacting US growth you can see there has been pretty dramatic historical decline in existing single-family home sales, and this actually looks at the period from the Fed's first rate hike to where we are today in that red lower left-hand line shows there has been about a 22 percent decline in family home sales since the first hike in March so again, slowing down in the economy here. Next slide.

Housing inflation is expected to come down as well. We have new lease inflation decline which is the green line and the expectation for that to continue to 2023. And the owners equivalent rent looks like it's nearing a peak in expectations. That should

Proceedings

level off and perhaps lower. Next slide. There is also a lot of resiliency and strength among consumers. US consumer is pretty strong right now. There had been a buildup of what's referred to as dry power, 2.6 trillion dollars. On the lower right-hand side, you can see we have been busy as an economy working that off in 2022 and spending about 620 billion dollars of that reserve. On the next slide, you can see that also corresponds with an increase in credit card and consumer debt which has moved up pretty significantly particularly for the lower wage earners, so we are getting back to normal, but I don't know if that's necessarily a healthy sign of increased credit card debt. Next slide, Kate.

In global interest rates, the Fed has been very aggressive. They have supersized rate hikes. It's on four now, four 75 basis points in addition to 50- and 25-basis-point rate hike. It only started in March so there has been a very aggressive path to raising rates quickly to fight that elevated inflation. Similarly, we have had the same

Proceedings

magnitude or perhaps not magnitude but direction of hikes in Europe. There is a meeting of the Fed on the 13th and 14th of this month. The Fed is expected to increase rates by 50 basis points, but we will see what the employment report looks like tomorrow and CPI looks like next week before that happens. December 15th is the next ECB meeting, and the expectation are for perhaps another 75-basis-point rate hike.

On this slide -- and I love this slide. -- you can see on the far right-hand side the hiking cycle we experienced in 2022. Again, pretty dramatic and pretty straight up. Compare that to some of the more recent hikes in say 2014 to '15 where the Fed hiked once and was on hold for about a year and went 25 basis points every other meeting. If you look at 2003, the early part of 2000s, we have 17 consecutive 25-basis-point rate hikes. So much more measured so this has been pretty extraordinary.

On the lower part of that chart, it shows the financial conditions index. It's

Proceedings

noteworthy because the financial conditions have actually eased a bit and that's not really the direction the Fed wants to go in and that's dictated by a number of things: The reduction in interest rates with increase in bond prices, the rallies we see in stocks, and a number of other factors that have kind of come off the boil. What was noteworthy about Chairman Powell's remarks yesterday were he didn't mention financial conditions which the market took as a positive side that he is not pushing back on the recent rally in prices. The next slide, Kate.

This is just a different look at again how fast and furious the Fed has been raising rates in 2022. Skip ahead, Kate, two pages, please. Credit spreads and US treasuries. The big news has been more recently in the press the 2 and 10 spreads which typically you have a yields premium associated with longer term investment bonds so 10-year yields typically and traditionally are much higher than say 2s. That market grew and is now inverted with 2 years trading around 4.32 this

Proceedings

morning relative to 10s at 350. That yield spread is about negative 72 basis points. It's probably going wider. It's been at an all-time wide in 1981 at 250 basis points, but that tells us a couple of things. It tells us the market, bond market in particular is pricing in recession in the coming months. That's not really what we are seeing certainly in the third and fourth quarters, so I think 2023 is going to be a more challenging year for the US economy. Next slide.

This is just a depiction of what that looks like on the left-hand side the treasury yield curve. Since we last met, the 11.29 figure in red, on the far left-hand side of the left-hand chart, you can see there has been a spike in short rates relative to where we are in longer term, 10-, 20-, 30-year bonds. On the right-hand side, you can see the 2- and 10-year spread widening out. Again, it's rare and it's about 72 basis points today.

The next slide looks at credit spreads. Not a lot of news in terms of investment grade spreads. It moved up a little bit in the black line. The red line you see in high yield spreads is a little bit more volatile. Right now it's around 435 basis points over comparable maturity treasuries. They have been as wide as 600 and that may be driven by a number of things. The fact that there hasn't been a lot of high yield bond issuance and both retail and institutional flows into the high yield markets as those yields have topped 8 to 10 percent. Next slide.

The dollar continues to be strong although it's come off the boil a little bit. It's been I would say comparatively good for the US to have slightly stronger dollar because it dampens inflation. We don't import as much inflation. It does serve to make our goods less competitive abroad, and as US corporations repatriate sales and revenue from their activities abroad, it actually hurts the performance and comes down a little bit.

As I have said, we have seen the dollar weaken a little bit recently, and on the next slide you can see some charts. When we last

Proceedings

spoke, the US dollar relative to the euro was trading at about 97 percent. So each euro bought 97 cents. Today it buys a dollar 4. The British pound was buying about a dollar 3 at its bottom and now buys over a dollar 20 and finally US dollar was buying 150 yen and now buys about 139. So it is a little bit weaker over the course of the last couple of weeks and months.

On the next slide, I love the first upper left-hand side headline. "Bonds may be having their worst year yet". And if you read the content below, it says, "since at least 1926 and maybe in centuries". Now, the good news is it says most of the damage is behind us which I suspect is probably correct given the artificially compressed levels we saw at the early part of the year. We saw volatility in both stocks and bonds although that's come off a bit particularly in stocks and the bond market rally and stock market rally have increased as expectations for rate hikes slow down occurred.

On the next slide, one of my favorite

Proceedings

Bloomberg slide. Actually meeting with Ed yesterday, we went through this. This is really remarkable when you look at the far right-hand side. The basis point yield changes that we have seen across the developed markets and sovereign debt, so again US treasury 10 years moving up 220 basis points year to date through early this week. It's pretty remarkable. Again, the moves of this magnitude is not typically seen in a bond market. On the next slide, as I mentioned market volatility when we last met, the VIX was about 30. On average over the last 30 years it's coming in 19. This morning it's printing around 20, so it's come down quite a bit in equity land. On the far right-hand side you can see the IMOVE index is still elevated as bond prices continue to see a fair bit of volatility, which I think will continue.

On the next slide, market returns on the left-hand side, you can see those are equity market returns, the Russell 3000 in blue, the developed non-US international in gray, and

Proceedings

the emerging market equities in red. All of those are down. The Russell 3000 still down about 18 percent year to date, developed ex-US down 23 percent, and emerging markets continues to struggle at a little below negative 30. On the right-hand side, again unprecedented, the Barclays Ag -- should say the Bloomberg Ag as it's been renamed -- down about 16 percent year to date again, which is a fairly dramatic move you can see over the ten-year period. It's quite unusual. On the next slide, just look 60/40 split portfolio underperforming by about 16 percent so the balanced 60/40 portfolio again unprecedented in terms of its downside exposure.

And lastly, just a couple of headlines. Other things that are interesting in the market. On the upper right-hand side, FTX collapse has been obviously a lot of issues around crypto. Currency selloffs associated with those assets, bankruptcy filings, so again that risk asset is not performing very well recently. I think that will probably continue.

Proceedings

Below that, just a sense that we have had three British prime ministers in three months which has been an incredible amount of volatility, and on the upper right-hand side we have seen credit spreads for Credit Suisse widen pretty dramatically. The 5-year credit default swap spreads yesterday were pricing over 400 basis points, which is significant. We will see where that goes. Ukraine war continues to impact global growth and human tragedy there as well.

And finally, on the lower right-hand side, the China is still wrestling with COVID and an increase in unrest associated with COVID protocols. They may switch or any change too in the coming weeks or months. The next two slides, and I will get into the performance just food for thought. Again, there is no predictive value here, but this is a chart of the VIX. Recently overlaid with the VIX back in 2006 to 2009. It looked like they pretty closely mirror one another. Again, no predictive value but I think just interesting to look at where the VIX is

Proceedings

relative to where it's been prior to the market selloff. I think even perhaps more interesting is the next slide, and again, I have to caveat that there is no predictive value, but this actually looks at the S & P chart relative to the S & P back in 2006 to 9 and again, you can look where it starts to really drop off in the green. That's during the Lehman default crisis in September 2008. Again, no predictive value but just things to think about.

I think the US economy and the markets have experienced certainly a rate shock. I think there is an earnings shock coming associated with the rate rise and potential liquidities shock, so again no predictive value, but my expectation, I wouldn't be surprised to see increased volatility in the first half of 2023. And on that happy note, maybe move to the public market returns on slide 32, Kate.

Again, it's been a tough year, tough quarter and tougher year. You can see those are the various benchmarks that are down

Proceedings

pretty substantially in the third quarter and certainly for the year. So it's been a challenging year to say the least. The expected returns on the far right-hand side are actually an average of the five consultants across the five public pension fund plans, but again, those expected returns are over a ten-year period. That's more informational value. I don't think that's a fair comparison where we are in five years and certainly not in one year.

On the next slide, this is actually a look at the Teachers' performance relative to strategy, and again tough quarter, tough year with the exception in cash which unfortunately we have zero official allocation or total allocation to, but we do have some element of cash to meet capital calls and distributions but it's a challenging year. I think the important thing to focus on, however, is notwithstanding the pain we have seen recently is five-year outcomes are actually still pretty strong, and you have to look at the significant drawdown in asset prices in 2022

Proceedings

because it's been so substantial it's weighing down on the 3- and 5-year returns as well.

On the next slide to speak a little bit more positive, these are the private market returns by strategy. You can see they held up well certainly in one year in the plus zone although they have come down a little bit. These are as of marks in performance to June 30th of this year with the exception of OFI which is mostly through September 30th. I think most importantly you look at the 10-year performance since inception, and the performance has been quite solid. And I think that the private markets have been a good source of diversification and balance for the portfolio year to date. Teachers' total plan assets shows a return 3 months negative 4.7 percent for the third quarter and one year down 14 percent. Again, challenging year and challenging environment. However, it is outperforming its policy return. Again, which uses public market proxies for private assets which kind of skews things a little bit, but again in line with what we would expect given

Proceedings

the general market. On the next slide, Kate, just a look at the performance. So the good news, the excess return is about 97 basis points. That's largely driven by investment manager selection on the far right-hand side of 106 basis points. On the next slide, just a look at the public market excess returns. Again, it's been a challenging year but there is some glimmer of light here. In three months, we have been seen slight outperformance in emerging market equities and core fixed income. As well as an ETI mandate which is relatively small on a comparative basis, but again, I try to focus more on the five-year excess returns what we have done in the longer time horizon, which is a bit more positive. Obviously the thing that stands out to me on the slide is the one-year excess returns in the world ex-US and emerging markets down 561 basis points and 252 basis points respectively. It's been a tough year in those particular strategies, and I know John Merseburg is here and can certainly answer questions on how that's occurred, where

Proceedings

we think this goes over time.

And one more slide. Private market excess returns, a much more positive story. Certainly for one year, three years, five years, and since inception with the one caveat or the one exception of the private real estate noncore opportunistic at negative 760 basis points. That's due to the fact that a lot of the recent investments are still in the J curve period where they are subject to capital calls but not distributions. There is also a little bit of a drag associated with multifamily exposure in New York City housing with rent control and rent freezes that kind of hurt some of the valuations of the underlying holdings. Also the fact that Teachers was investing in real estate ahead of and into and through the Global Financial Crisis has been a little bit of a drag, and finally the hotels, we have had some COVID exposure that have hurt hotels and retail space. This is reflected in that one area of underperformance. I did go through this with John Gluszak, our asset class head of real

Proceedings

estate yesterday, and he actually gave me a couple of interesting statistics that I wanted to share.

So if you look at the performance from the vintage 2002 through 2010, real estate investments in core and noncore, they are up about 8.5 percent, generating 8.5 percent annual return, and from 2011 to 2018 again outside of that J curve, they have produced returns of 14 and a half percent and relative to its public market equivalent benchmark, it's about 500 basis points over. So it's a good story. Not a great story but very good story in terms of where we are more recently. One more slide. Just a look at the rebalancing, Kate.

We have John Merseburg here. I went through this with him yesterday. Most of the rebalancing was really to adjust our equity capital market weightings as well as to move from the Russell 1000 to the Russell top 200. But nothing dramatic or unusual about those changes. And last slide, Kate.

Just a look at our under and

Proceedings

overweights, and again we traditionally have been overweight cash because we have a zero target allocation. And other than that, we are pretty much in line with every strategy and every underlying asset class.

Any questions? I know I kind of have gone through this quickly. Bryan?

MR. BERGE: So that's pretty dire macro economically overall and my reaction is to try to find glimmers of hope and I need you to defeat that reaction of mine. Is it wrong to view recent yield curve movement and the weakening of the currency relative to other countries also experiencing inflation as a market indicator of reduced future inflation in the United States? Which I mean, that seems to be driving everything these days. Like what inflection is likely?

MR. MEIER: I think it's also perception, so we have had Fed Chair Powell yesterday gave some very interesting remarks. What's interesting it does look like the Fed is in a -- we talked about the pace of rate hikes likely to moderate as early as December

Proceedings

and the market took that to mean instead of a 75-basis-point rate hike, there is probably going to be a 50-basis-point rate hike which is priced in, and after that it's more fair game. I don't know if that answers your question, but the idea that we are starting to see the proper move down in inflation here and again monetary policy acts with a very variable and long-term lag, so the Fed I think is being rightly cautious. Having said that, I didn't see or read anything in the commentary yesterday that made me think the chairman was being dovish at all. In fact, he talked about having to get to a higher level than had been previously anticipated in their forecast of economic expectations in September. We will get revisions on the 14th of December as well as that 50-basis-point rate hike probably but the prior expectation about 4.6 percent in terminal Fed funds rate. He is saying it's significantly higher which indicates 5 to 5 and a quarter. He has also been very clear about the need for the Fed to leave rates on an elevated level for a long period of time. So again, it's hard to be optimistic when you think the economy is going to slow at some point, and again with the bond markets spread, it may precipitate a recession at some point which has an impact on earnings.

So I looked at the market reaction yesterday with the NASDAQ up over 4 percent and I think it's just early and I think the market wants to rally. Some of it may be more technically driven, but my expectations are and my gut tells me 2023 is going to be a little bit more challenging, certainly in the first half of the year. As we get past the Fed -- I think the Fed will be done hiking rates by perhaps the first quarter depending upon the data and see where that goes, the impact on earnings, the multiples have come down and compressed. I am more optimistic if that's a better way to answer the question for the second half of next year.

MR. BERGE: So it sounds like your view it may be beyond the bearish side of things at least in the short term. Does that at all inform the activities that BAM will undertake in the short term, or is that just something that, you know, do you take action on?

MR. MEIER: We do at the margin. So that's a great question. We have an asset allocation given to us by the trustees that we adhere to. We are meant not to be nimble for a reason. We are supposed to be long-term investors. We are not supposed to overreact to headlines although now that I say that, I used the headlines in the presentation, but we are supposed to be stable and consistent investors. But I will give an example of a couple -- one of the deals we looked at for OFI. Torchlight which we really like a lot, and it's one of the reasons why I particularly prefer them is because they are relatively defensive and when they came and presented to us, they told us what they are doing with their portfolio that they are investing in higher credit quality, shorter maturities, higher in the cap structure relative to another deal we looked at. When we went to greenlight them at the investment committee, we opted not to go forward because we thought

Proceedings

they used too much leverage and it was too aggressive for the environment. So yes, at the deal level and management level we are less aggressive.

MR. BERGE: Thank you very much.

MS. PENNY: Any other questions for Steve? Okay. Hearing none, do I hear a motion to go into executive session?

MR. BROWN: So moved.

MS. PENNY: Thank you, Mr. Brown. Do I have a second?

MR. KAZANSKY: Second.

MS. PENNY: Thank you, Mr. Kazansky. All those in favor, please say aye.

Aye.

MS. HIRSH: Aye.

MR. BUCKLEY: Aye.

MR. BERGE: Aye.

MR. KAZANSKY: Aye.

MR. BROWN: Aye.

MS. PENNY: Any opposed? Any abstentions? Okay. We are going into executive session.

(Discussion off the record.)

Proceedings

MS. PENNY: Back into public session. Ms. Stang, would you like to report out, please?

MS. STANG: Certainly. In executive session we received some preliminary performance data. We received implementation plans for two asset classes. Consensus was reached on both. We discussed and received a presentation about an investment policy issue. We received presentations on three private equity deals. Consensus was reached on one.

MS. PENNY: Thank you so much. Does anyone have anything else for public? Hearing none, do I hear a motion to adjourn?

MR. KAZANSKY: So moved.

MS. PENNY: Thank you, Mr. Kazansky. Do I have a second?

MR. BROWN: Second.

MS. PENNY: All those in favor of adjourning, please say aye.

Aye.

MS. HIRSH: Aye.

MR. BUCKLEY: Aye.

MR. BERGE: Aye.

Proceedings

MR. KAZANSKY: Aye.

MR. BROWN: Aye.

MS. PENNY: Opposed? Okay. We stand adjourned.

(Time noted: 1:37 p.m.)

Proceedings

C E R T I F I C A T E

STATE OF NEW YORK)
: ss.
COUNTY OF QUEENS)

I, YAFFA KAPLAN, a Notary Public within and for the State of New York, do hereby certify that the foregoing record of proceedings is a full and correct transcript of the stenographic notes taken by me therein.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of December, 2022.

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YAFFA KAPLAN