MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING
HELD ON FRIDAY, MAY 15, 2020

(Remote meeting statement was recorded and members were noted in attendance)

I. CALL TO ORDER AND ROLL CALL

The Investment Advisory Committee meeting was called to order on Friday, May 15, 2020, at 2:30 p.m., via internet conferencing due to COVID-19. On roll call, all members were found to be present, a quorum was present.

II. PLEDGE OF ALLEGIANCE

Chairman Storkerson led the Pledge of Allegiance.

III. ANNUAL ELECTION OF CHAIRMAN AND VICE CHAIRMAN

The annual election of Chairman and Vice Chairman has been postponed to the August meeting. Finance Director, Jane Le Clainche mentioned that Mr. Frazier has decided not to run again for his position and currently there is one vacancy.

IV. APPROVAL OF AGENDA

Chairman Storkerson asked for approval of the agenda dated May15, 2020. Committee Member McDonald made a motion and Committee Member Scheuer seconded that motion.

V. COMMUNICATION FROM CITIZENS – *None*

VI. APPROVAL OF MINUTES

a. MINUTES FROM January 31, 2020 MEETING

Committee Member McDonald made a motion for the approval of the January 31, 2020 minutes. Committee Member Scheuer seconded that motion. No discussion, minutes were approved.

VII. FLORIDA LEAGE OF CITIES (FMIvT) [Jeff Blomley, Florida League of Cities, and Jim Womack, Atlanta Capital]

a. QUARTERLY PERFORMANCE REPORT

The five year treasury note return almost 7% 10-year treasury note, almost 12% and sure enough the 30-year treasury note almost 26% due to the flight to safety, specifically treasuries. For the quarter ended March 31, 2020, the bond fund was up 1.1% and the one-year treasury index up 1.7%. The 1-3 year bond fund is returning 1.9% vs. 2.8% for the 1-3 year government index. The funds were outpaced by treasuries because, although it holds treasuries, it is diversified and treasuries performed the best for the quarter. The intermediate high quality bond fund was at 3.6%. The economy is in a state of unprecedented collapse due to COVID-19, but there is also unprecedented economic stimulus and financial support. There has been a significant bounce back in financial markets but it's unclear that we are going to have a true V-shaped recovery. Committee Member Scheuer asked for the dollar amount that the Florida League of Cities manages for the Town. Mr. Womack responded $39,300,000.

VIII. ANDCO CONSULTING – [Dave West, AndCo, Consulting]

a. QUARTERLY PERFORMANCE REPORT

Vice Chairman inquired as to what drove the economy down so quickly, was it ETF and index funds which weren't around as heavily in previous downturns. Mr. West answered that during normal trading, a survey shows that 75-80% of the daily volume is driven by that type of investor, but they don't have a definitive answer. Committee Member Scheuer would like to know why the Russell 3000 is being used as opposed to the S&P 500. Mr. West answered that the plan assumed rate of return was higher than it is now and therefore, they needed a more aggressive tilt, but yes, we should go to the S&P 500. Committee Member Scheuer asked to address the asset allocation gross of fees, trailing returns to clarify what the number in parenthesis next to the return figure represents. Mr. West answered, that is our peer group ranking against a universe of other OPEB plans and some pension plans because they use a similar target rate of return. 1 is best, 100 is the worst. Committee Member Scheuer noted that it our ranking is bad for the quarter but it's worse as you look at the 3 and 5 year, why?

Mr. West noted that we had a massive rebuild and that AndCo has about 2.5 to 3 years of track record, the rest being legacy, and looking at the fund policy ranking, it is in the top 26th percentile. Committee Member Scheuer asked what recommendations he has to rectify the current standing of the fund. Mr. West attributed the underperformance to (in order of importance): 1) overweight to equity 2) smaller capitalization orientation in indexed funds 3) Dodge and Cox underperformance. Mr. West recommends to liquidate Dodge & Cox and gave various options of where to place those funds. Committee Member Scheuer expressed that Mr. West's recommendation to derisk the portfolio at the end of January was pre-COVID and asked if the pandemic affects his recommendation. What is the new plan now that there has been drastic change in the economy. Mr. West recommends we stay the course and implement the same plan. Recommendation is to maintain domestic equity allocation, but sell the Vanguard mid-cap and put the proceeds in the Vanguard S&P 500 Index fund. Also, sell the Fidelity Total market fund and also move those funds to Vanguard S&P 500. Committee Member Scheuer asked consideration has been made to using active management for domestic equity? Mr. West said that they are comfortable leaving it in Vanguard large cap, not having active manager risk in order to take that risk elsewhere. Committee Member McDonald voiced concern about not having enough diversity with this move. Mr. West said Andco is comfortable with this decision. A motion was made by Vice Chairman Anderson and a seconded by Committee Member McDonald make the move out of the Fidelity Total Market Index, into the Vanguard S&P500. The second recommendation Mr. West made was to sell the Dodge & Cox and put it in the EuroPacific Fund. Committee Member Scheuer asked for clarification. Mr. West stated that the recommendation is to remain neutral on positions and stay in policy guidelines. Vice Chairman Anderson has reservations about having a total of 16% in one index. Mr. West is going to have a manager review for candidates to replace Dodge & Cox fund that will be liquidated. A motion was made by Vice Chairman Anderson to dissolve the Dodge & Cox International Fund and put it in Vanguard EAFE

Index. Committee Member Scheuer seconded the motion. Mr. West also addressed the long-term recommendation with the investment policy to reduce the equity allocation. Mr. West mentioned that when the board doesn't abide by the advisor's recommendations, then it will be difficult to score AndCo's performance against the peer group. The board made the decision to postpone any possible changes to the Investment Policy until the August meeting, where they can look at the documents together and Mr. West will update the asset allocation study. In summary, Mr. West stated that the overall fund value at the end of April is $31,558,280 with a return of 7.48% for the month, FYD is still -3.89% but improving.

IX. PFM ASSET MANAGEMENT – [Scott Stitcher, PFM Asset Management]

a. QUARTERLY PERFORMANCE REPORT

Mr. Stitcher remarked that interest rates were lowered by the FED due to the pandemic, volatility increased, as did spread. The quarter ended at $25,433,833, up dramatically from the last quarter in part because the Town allocated more money to the portfolio, and also due to the interest rate drop. The yield at cost is 2.02% but that will drop over time as investments mature and are invested at lower rates. The duration is at 2.55 years.

b. BENCHMARK COMPARISON

Overall the portfolio was up 2.58%, underperforming by 1.18% due to the fact that the Town's portfolio is diversified. Trailing 12 months, the portfolio is up 5.8% vs. the benchmark at 6.8%. With the increase in volatility, precautions have been taken for safety. Higher allocations to treasury have been made as well as to agencies. A stop was placed on purchases of corporates and asset backs, then corporates were added back. No new money has been allocated to asset backs.

X. MARCH INVESTMENT REPORT

Assistant Finance Director Amy Wood reported the balance of funds invested is $216,772,934 with a FYD return $2,882,246

XI. QUARTERLY REPORT FOR OVERSITE OF ONE-CENT SURTAX

Finance Director, Jane Le Clainche reported that $302,733.72 have been received FYD. Since the surtax went into effect $1,853,548.05 All will go to the Underground Utility project per Town Council approval.

XII. UPCOMING MEETING SCHEDULE

a. NEXT MEETING: AUGUST 21, 2020 AT 2:30PM

XIII. ANY OTHER MATTERS

XIV. ADJOURNMENT

There being no further business, the May 15, 2020 Investment Advisory Committee meeting adjourned at 5:35 p.m.

-APPROVED:

Christopher Storkerson, Chairman