MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING
HELD ON FRIDAY, NOVEMBER 16, 2018

I. CALL TO ORDER AND ROLL CALL

The Investment Advisory Committee meeting was called to order on Friday, November 16, 2018, at 2:30 p.m., in the Town Council Chambers. On roll call, all members were found to be present, except for Chairman Andrews and Committee Member Kathleen Anderson both with excused absences; a quorum was present.

II. PLEDGE OF ALLEGIANCE

Vice Chairman Storkerson led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

Vice Chairman Storkerson asked for approval of the agenda dated November 16, 2018. Committee Member Frazier made a motion and Committee Member McDonald seconded the motion.

IV. COMMUNICATION FROM CITIZENS – *None*

V. INTRODUCTION OF NEW MEMBER – MR. DAVID McDONALD

VI. APPROVAL OF MINUTES

a. MINUTES FROM August 17, 2018, 2018 MEETING

Committee Member Frazier made a motion for the approval of the August 17, 2018 minutes. Committee member McDonald seconded that motion. No discussion, minutes were approved.

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

a. QUARTERLY PERFORMANCE REPORT

Mr. West gave the Committee an update on the economy for the last quarter, noting that the diversity of the portfolio helped the outcome. The target allocation of the portfolio is significantly different due to restructuring, for example now at 45% in domestic equity compared to the previous allocation of 27% as of September 30, 2018. The total fund opened with $29,415,155. The real estate portion of the portfolio is now fully invested, last capital call coming in October 2018. Committee Member Frazier inquired on the Management Fees on the real estate funds, clarifying that they are paid outside of the fund. Mr. West confirmed that yes that is why fees are listed separately on the statement of cash flow. The total fund performance for the year is 6.3%; the self-imposed policy 7.59%. The 3 year annualized return is 7.91% and the 5 year annualized return is 5.01%. The domestic equity contribution is 15.9% vs. the index which is 17.58%. The international equity was down 2.33% with a benchmark of 2.25%. The Europacific fund was implemented July 1, 2018, down .8%, with a benchmark of .71%. The Forrester fund contributes 4.59% for the year and Crescent Direct lending annualized since inception at 4.16%. Vice Chairman Storkerson asked for a clarification on how the total return and performance presentations are affected by the movement of funds. Met West total return bond fund was down .91% vs. the benchmark of -1.15%. Pimco Diversified, since inception returned .80% vs. the benchmark of -.13%. The Intercontinental Real Estate Fund came in at 2.48% for the quarter, 5.43% for the two quarters since inception. Committee Member Frazier asked for confirmation that the 6.5% investment return assumption became active in 2018. AndCo is monitoring Dodge & Cox and believes that the underperformance is justified in the periods in which it occurred due to the fact that they look for deep value. They have low turnover and are consistent in applying their metrics. Committee Member Frazier inquired on the results of October's performance. Mr. West confirmed that October was less than desirable across the board.

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

a. QUARTERLY PERFORMANCE REPORT

Mr. Blomley introduced himself to Mr. McDonald and described what the Florida League of Cities and Atlanta Capital does for the Town of Palm Beach. Mr. Womack reported that the performance for the quarter on the 0-2 year fund was up 57 basis points compared to the benchmark of 41 basis points. The 1-3 year fund was up 46 basis points vs. 20 basis points for the benchmark. The FY-to-date 0-2 year portfolio is up 1.5% vs. the benchmark of 1.08%. The FY- to-date-1-3 year portfolio with a duration of 1 ½ years is up 81 basis points vs. the benchmark of 5 basis points. With the current state of the economy, Atlanta Capital will not be making many changes in the portfolio and will continue to remain defensive with a shorter duration. Committee Member McDonald wanted clarification on the split of Town assets between the two portfolios.

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

a. QUARTERLY PERFORMANCE REPORT

Mr. Stitcher summarized that the 1-5 year portfolio ended the quarter with $18,668,000, yield at market of 2.94% and a yield at cost of 2.04%, duration at 2.36 years; 92% of the benchmark. GE was downgraded to a lower rating, but is still within the investment policy and PFM is confident in keeping them onboard.

a. BENCHMARK COMPARISON

There is a negative return for the Fiscal Year of (.28%) vs. the benchmark of (.55%). The portfolio outperformed gross-of-fees by .27% and net-of-fees .21%. The quarter end performance was .27% vs. the benchmark .06%. Sector allocations: agency securities went from 17.7% allocation at the end of June to 9% allocation at the end of September. This also applies to corporate securities which went from 30.4% to 27.4%. The funds went to comparable maturity treasuries and asset backed securities. The yield at cost should be

rising in the future. Will remain shorter in duration, anticipating fed interest rate increases. Committee Member Frazier inquired about the Supernationals and if there are any issues in regard to them. Mr. Stitcher commented that there are not many concerns because the status the Supernationals carry being supported by the countries they stem from.
Mr. Stitcher made special mention of the bond issuance, the proceeds invested in a product that has returns which work much like a CD, but is more diversified. 37.6 million of the proceeds were invested with terms not exceeding one year, given the interest rate outlook. This allows PFM to assess the cash flows needed after the year, and invest it further with higher yields expected.

X. SEPTEMBER INVESTMENT REPORT

Amy Wood, Asst. Finance Director, reported that the invested funds were $138,731,434. The return for September was $118,997 and the FY to-date is $1,382,977.

XI. QUARTERLY REPORT FOR OVERSITE OF ONE-CENT SURTAX

Finance Director Jane Le Clainche stated that for fiscal year 2018 there was $591,474.49 in receipts; total received to date $942,000. The Town Council has approved $2.6 million for the Underground Utilities Project. The other half has not been approved for any use.

XII. 2018 PROPOSED MEETING SCHEDULE

a. NEXT MEETING: FEBRUARY 15, 2019 AT 2:30PM

XIII. ANY OTHER MATTERS

XIV. ADJOURNMENT

There being no further business, the November 16, 2018 Investment Advisory Committee meeting was adjourned at 3:52 p.m.

APPROVED:

~~Dr. Michael F. Andrews, Chairman~~
Christopher Storkerson, Vice Chairman