

HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM
Office of Retirement
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

July 23, 2021

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, July 23, 2021, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss¹, Chairman; C. Marano, Board Secretary; J. Marano, P. Laskowski, C. Boyd, M. Djokic & J. Schweighardt.

Also present were Laurette Jean, Budget Division Director, City of Hollywood; Matt Williams Crawford Investment Counsel; Mark Guariglia & Bryan Schneider, Entrust Global; John McCann, AndCo Consulting; Blanca Torrents Greenwood, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

MOMENT OF SILENCE – IN MEMORY OF DETECTIVE JON A. COOKE

PUBLIC COMMENT

No Comments.

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed by the Board of Trustees.

APPROVAL OF THE MINUTES OF THE MAY 28, 2021 MEETING

Mrs. Marano asked if there were any additions or corrections to the Minutes of the June 25, 2021, pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the June 25, 2021, pension board meeting, which was seconded by Mr. Djokic. All board members voted yes².

INVESTMENT REPORTS

Crawford Investment Counsel

Mr. Matt Williams briefed the Board on the portfolio. With an inception date of October 28, 2019, the portfolio returned 14.56%. On a rolling 12-month period ending June 30, 2021, the portfolio returned 46.71%. For the quarter that ended June 30, 2021 the return was valued at 2.82%.

The investment approach was described as follows: As long-term investors, our goal is to provide attractive returns over a full market cycle. When evaluating the investment landscape, investors continuously face the tradeoff between seeking higher returns in exchange for higher risk and a wider range of investment outcomes. Our investment approach consistently focuses on narrowing the range of potential investment outcomes while seeking outperformance through identifying and investing in what we believe to be high-quality companies. We believe our approach is particularly important when investing in the more volatile small cap universe.

¹ Arrived 10:33 AM.

² Mr. Strauss off the dais.

The Small Cap Summary: While much of the recent industry commentary has focused on the interplay between Growth and Value investment styles, our analysis indicates that investor preference for low-quality stocks has been the dominant driver of small cap stock returns over the past 18+ months. While it is often difficult to precisely classify stocks as either Value or Growth, we submit that quality attributes diminish the further one moves toward either end of the scale. The Crawford Small Cap Equity Strategy is focused on quality, and our fundamental, bottom-up research process starts with the dividend as an initial indicator of quality. Our focus on stocks with sustainable dividend payouts appropriately precludes us from participating at these extreme ends of the Value-Growth spectrum. As such, the strategy has faced a challenging environment but returned 2.66% (net of fees) for the quarter, compared with the Russell 2000 Index's return of 4.29% and the Russell 2000 Value Index's return of 4.56%.

Throughout the quarter, the strategy's performance benefited from its overweight of relatively high-quality, value-oriented stocks such as Financials and Industrials. For the first part of the quarter, investors eager to gain exposure to economic recovery poured into Financials, as these companies benefit from rising rates. That said, low quality value stocks in the highly cyclical Energy sector also produced substantial gains for the quarter, limiting the portfolio's outperformance. Furthermore, the emergence of the "meme stock" phenomenon posed another challenge for our investment style as investor attention has been disproportionately fixated on Deep Value stocks with endangered business models. Going forward, Crawford believes that the long-term favorable trend of high-quality small cap stocks outperforming the broader small cap investment universe will ultimately reassert itself. We believe that our focus on balance sheet strength, low earnings variability, and high ROE³ will continue to benefit our investors as the surge in economic growth and investor enthusiasm subsides.

Looking Ahead: Investing successfully over the long term requires both consistency and flexibility. Our long-held investment philosophy seeks to mitigate risk and limit the range of investment outcomes through a focus on quality. We believe our investment approach is well suited for an increasingly volatile environment, and we will continue to be opportunistic with portfolio holdings in this environment. And, while an uncertain outlook and recent volatility might cause concern for investors, we suggest looking forward to the years ahead. We believe that investors with the discipline and patience to invest in small cap stocks now could be rewarded in the years to come.

Contributor:

Houlihan Lokey, Inc. Class A (HLI): Houlihan Lokey is an investment banking boutique with a well-regarded, middle-market M&A advisory practice and what we believe to be a best-in-class restructuring franchise. We think the firm's balanced suite of services has resulted in a meaningfully lower volatility in revenues and earnings relative to other advisory firms. We believe the capital-light nature of the business model coupled with solid profitability is driving attractive cash flow and return metrics when compared to most financials. While we think the company will see some pressure on revenues and earnings in the near term due to the retrenchment in M&A activity, we expect the firm's counter-cyclical restructuring business will help cushion the downside. Longer term, we believe HLI offers attractive growth potential via acquisitions of smaller competitors and organic expansion into underpenetrated industry verticals.

³ What Is Return on Equity (ROE)?

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a measure of a corporation's profitability in relation to stockholders' equity.

EnTrust Global

Mr. Mark Guariglia noted a change in the name of one of the portfolios⁴. Additional investors will be added and as they come on fees will be reduced.

Mr. Mark Guariglia & Mr. Bryan Schneider of EnTrust Global provided updates on the following portfolios:

EnTrust Global Opportunistic Co-Investments⁵:

	Special Opportunities Fund IV Ltd Class A	Special Opportunities Fund IV Ltd Class E	WPB Special Opportunities Fund LP Class B	Total
Inception Date	Mar-18	Apr-20	Jan-21	N/A
End of Commitment Period ¹	Mar-21	Apr-23	Jan-24	N/A
Commitment Amount	\$5,400,000	\$1,000,000	\$15,000,000	\$21,400,000
Called Capital	\$5,400,000	\$447,274	\$4,106,000	\$9,953,274
Uncalled Capital (as a % of Committed)	N/A	\$552,726 (55%)	\$10,894,000 (73%)	\$11,446,726 (53%)
Distributions to Date (as a % of Called)	N/A	N/A	N/A	N/A
Number of Current Investments	29	11	5	45
Number of Realized Investments	10	1	N/A	11
NAV (as a % of Called)	\$6,496,964 (120%)	\$533,388 (119%)	\$4,029,226 (98%)	\$11,059,578 (111%)

- EnTrust Global has realized returns for 11 co-investments on behalf of Hollywood Police across both credit and equity strategies.
- Realized co-investments have provided a gross IRR of 17.74% and a gross MOIC of 1.21x to investors.
- Hollywood Police's co-investments have had an average duration of approximately 14 months from inception to monetization.

Blue Ocean:

- We are continuing to develop a substantial deal pipeline in light of the global economic backdrop with an expanded opportunity set resulting from the pullback of liquidity caused by the Covid-19 crisis.

⁴ WPB Special Opportunities Fund LP Class B renamed to ETG Co-Investment Opportunities.

⁵ Special Opportunities Fund IV Ltd Class A, Special Opportunities Fund IV Ltd Class E & WPB Special Opportunities Fund LP Class B

Global Activist Fund SPC:

- The Fund has returned 87% of assets (\$5M) to Hollywood Police since the liquidation began in December 2020.
- The bulk of the remaining positions are anticipated to be monetized and distributed by the end of 2021.

INVESTMENT MONITOR REPORT

Mr. McCann presented a flash report for the quarter ending June 30, 2021. The quarterly return was valued at 5.25%. For the fiscal year the return was reported at 20.24%.

Mr. McCann also announced that after 32 years, he is retiring effective December 31, 2021. His replacement will be Mr. Brendon Vavrica⁶, CFP, who has already worked with the Plan. Mr. McCann envisions a seamless transition. The Board extended their well wishes to Mr. McCann and thanked him for his diligent service over the many years.

ATTORNEY'S REPORT

Trustee Emeritus: Ms. Greenwood presented a draft policy for Trustee Emeritus. Mr. Strauss reflected that a position of this nature would be for a highly trained Trustee who wishes to stay involved in on Board. Mr. Strauss noted other Plans who already have such a position on the Board. After review and discussion, Mr. Strauss passed the gavel to Mrs. Marano and made the motion to approve the Trustee Emeritus Policy as it is written. Motion was seconded by Mr. Laskowski. All board members voted yes.

The Policy may be viewed at:

<http://hollywoodpolicepensionfund.com/docs/policies/Trustee%20Emeritus%20APPROVED%2007-23-2021.pdf#zoom=100>

Share Account Inquiry: Ms. Greenwood advised she researched the matter of a member using his/her share account to buy time for another member. Ms. Greenwood stated this would not be permitted under federal tax code. Mr. Laskowski made a motion to deny the member's request and have Ms. Greenwood prepare a letter stating the reason(s) for the denial. Motion seconded by Mr. Boyd. All board members voted yes.

NEW BUSINESS

Letter of Engagement - Kabat Schertzer De La Torre Taraboulos & Co.: Ms. Greenwood reviewed and approved the engagement letter, however cited that e-filing language would have to be inserted therein.

⁶ BRENDON VAVRICA, CFP®

AREAS OF FOCUS

Client Service

Investment Policy Development

Asset Allocation Strategy

Manager Structure Implementation

Plan Monitoring, Evaluation, and Advisement

EDUCATION & CREDENTIALS

Bachelor of Science, Finance and Economics, Jacksonville University

CFP®

Motion by Mrs. Marano to approve the engagement Kabat Schertzer De La Torre Taraboulos & Co. for the independent audit for fiscal year 2020/2021, pending the insertion of the cited e-filing language. Motion seconded by Mr. Laskowski. All board members voted yes.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

RETURN OF PENSION CONTRIBUTIONS: Mr. Williams provided the requests from E. Fisher, C. Angelini, A. Nikolli and C. Smith (Non-Vested) for a refund of pension contributions. Motion to approve the foregoing by Mr. Laskowski, which was seconded by Mr. Boyd. All board members voted yes.

Mr. Williams presented a copy of the web page for Detective Cooke⁷.

Mr. Williams presented a request from retired member John Chidsey, concerning a change of beneficiary being considered. The Board by consensus agreed to review the request when formally requested.

Mr. Williams presented a buy back request from Mr. Andrews. Mr. Williams reflected that Mr. Andrews wanted to use his existing share account to make the purchase, as permitted by policy. Motion to approve the request by Mrs. Marano, seconded by Mr. Boyd. All board members voted yes.

OPEN DISCUSSION

Mr. Strauss reviewed a report from the Actuary which denotes a positive return⁸ on the DROP Accounts for the City of Hollywood.

Mr. Strauss also stated that a policy will have to be created for the drop members who receive the 6% rate of return, due to the interest split above 12%. Mr. Kaufman will be advised accordingly.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:40 A.M.

The next scheduled meeting is August 20, 2021 at 10:30 A.M.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson

⁷ <http://hollywoodpolicepensionfund.com/FHCooke.asp>

⁸ \$430,449.00 dating back to 2002 through March 31, 2021.