

Worcester Retirement Financial Board Meeting Minutes February 25th 2021

The Worcester Retirement Board met at 8:30 A.M. on Thursday February 25th, 2021 for their financial meeting through teleconference. Board members S. Wentzell, R. Stearns, E. Early, and J. Mahan were present. S. Wentzell acted as Chair for the meeting. Meketa representative S. MacLellan was present.

There were 3 managers presented for interview in regards to Co-Investment Strategy's; Grosvenor Capital Management, Old Farm Partners, and EnTrust Global.

The Board reviewed the concept of Co-Investment strategies for the purpose of boosting returns as an alternative method for the portfolio. These type of strategies are more liquid than Private Equity and have a shorter investment duration which mitigate risk however possible higher returns are possible.

Aris Hatch, Fred Pollock, and Michael Kirchner of Grosvenor presented the Grosvenor Special Opportunities Fund, Ltd. Grosvenor has over 50 years of investing experience, \$59b in assets, and 490 employees. The fund is an evergreen commingled fund that invests opportunistically in co-investments and direct investments with an average durations of 2-3 years but no more than 5 years. The portfolio targets a net IRR of 11% with a beta of .3 or less. The investment team all have a background in Private Equity or Hedge funds. Their \$59b in assets covered Private Equity, infrastructure, Real Estate, and Absolute Return Strategies. 2020 performance was strong with a gross ROIC of 31.71%. One of the portfolios successful campaigns was with Instacart; an online grocery delivery service app/website. The customer's order is fulfilled and delivered to by a designated shopper. This platform has over 989,000 monthly active users and 190 retail partners. Instacart originally valued at \$6b, and was last valued at \$17.5B. This is an example of the majority of the portfolio. Performance Allocation is calculated on December 31 of each year, and whenever redemption proceeds are distributed to a Shareholder at 20% after a 6% preferred return.

Kiernan Cavanna and Nishi Shah presented Old Farm Partners and their portfolio. Established in 2016, Old Farm is a smaller firm entirely owned by the partners. The firm has \$160m invested in co-investment strategies that's are liquid focused with a scope of 2 year durations. The firm focuses on underwriting managers honing in on opportunities to capitalize on a manager's specialized expertise in small and mid-sized funds. This is done through an in depth manager review quantitatively and qualitatively, making sure to tune into risk management, independence, idea generation, future performance expectation coupled with ongoing monitoring and testing. 2020 YTD performance was 27% net IRR.

Warren, Greg and Sophia presented for EnTrust global manages over \$19b in assets with \$2.9b of that in co-investment funds. EnTrust began allocating in co-investments in 2007. Since launch they have deployed \$13.5b of capital to 120 co-investment of which \$7.3b has been monetized with a median gross IRR of 12.96%. Their strategy includes targeting individual, high-conviction ideas that result from market dislocations and/or involve event-driven catalysts. Fund durations are short windows of 2-5 years with a focus on liquidity. EnTrust invested in dislocation and recovery based co-investments during the Global Financial Crisis, incepted in August 2008 to December 2010. This generated a realized unlevered IRR of 33.31% and MOIC of 2.12x. During the COVID-19 dislocation, EnTrust Global has deployed over \$1.3B to 14 credit and equity co-investments, which generated gains of ~\$230M. An example of this is their Evergreen fund which as a 3-year commitment period, it's a newer fund however Class A has a net IRR of 9.38%.

EnTrust offers Meketa clients a discount on select funds. PERAC had an original misunderstanding regarding an event which included Meketa's clients regarding a fund offering discounts to Meketa clients. There has since been clarified with PERAC, and PERAC has since OK'd allocations between EnTrust and Mass municipal Boards.

After deliberations and reviews of the funds, the Board remained undecided if it wants to invest in Co-Investment Strategies. After discussion it was recognized more information and analyzation was needed on such funds, Meketa is to provide the Board more information at a later meeting.

In regards to system performance, estimate aggregate performance was 0%. The majority of the Boards liquidity currently remains at 35% daily liquid made up of US and International Equity, Core Fixed Income and Value added fixed income; and 47% monthly made up of Emerging Market Equity, PRIT General Allocation, and Real Estate.

4th QTR asset allocation was all within IPS range with the exception of Natural Resources. The Systems 4th QTR asset class performance was a total QTD of 10.4%.

Recent investment News was discussed. There have been two recent organizational / investment changes at PRIM that could potentially impact the Board's investments. In January Governor Baker signed into law a requirement that PRIM increase to at least 20% diversity of both investment managers and consultants it hires. Then, at the beginning of February Michael McGirr was names director of Private Equity at PRIM.

The Board adjourned at approximately 11:30 A.M.

Respectfully Submitted,

Lisa M. Poske, Executive Secretary

Stephen F. Wentzell, Appointed Member, Acting Chair

Elizabeth A. Early, Elected Member

John F. Mahan, Elected Member

Robert V. Stearns, Ex Officio Member

DNA

Tamara Cullen, Fifth Member