

**West Palm Beach Police Pension Fund
2100 North Florida Mango Road
West Palm Beach, Florida 33409**

Minutes

**April 14, 2023
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on April 14, 2023, at 8:31 AM, in the main conference room of the Ernest George Building of the Palm Beach County Police Benevolent Association.

Present at the meeting: Jonathan Frost, Board Chairman; Troy Marchese, Board Secretary; Sean Williams, Board Trustee.

Also present: Dustin Campbell, Active Member; James McClure & Clayton Johnston, Barrow Hanley; Brendon Vavrica, AndCo Consulting; Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; and Dave Williams, Plan Administrator & Michael Williams, Assistant to the Plan Administrator.

PUBLIC COMMENTS

Mr. Campbell thanked Mr. D Williams for his participation, on behalf of the Pension Board, by attending the employee benefits fair that was sponsored by the FOP.

APPROVAL OF THE MINUTES

After providing his input which was noted, Mr. Frost asked if there were any additional changes required to the minutes of March 10, 2023. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

ATTORNEY'S REPORT

Mrs. Jensen reviewed a Books and Records Request (220 Action) for Qualtrics, the matter was brought forth by Cohen Milstein. The Board discussed the matter, and in the end, the Board felt the matter would be pursued by another Plan and they did not want to appear too litigious.

Mrs. Jensen cited that Saxena White deferred any action related to Silicon Valley Bank. Bernstein Litowitz Berger & Grossmann LLP Announced the Filing of Securities Class Action Lawsuit on Behalf City of Hialeah Employees' Retirement System, Asbestos Workers Philadelphia Welfare and Pension Fund, and Heat & Frost Insulators Local 12 Funds.

Mrs. Jensen advised that the City Attorney for West Palm Beach is seeking a release of medical records in the covid deaths of Officer(s) Testa and Williams.

Mrs. Jensen is keeping an eye on HB 3 – anti ESG Bill. The Governor, Attorney General, and Chief Financial Officer – as trustees of the State Board of Administration (SBA) – directed the SBA in August to invest funds of the Florida Retirement System Defined Benefit Plan in a manner that prioritizes the highest return on investment, without consideration of environmental, social, and corporate governance (ESG) factors that have been the subject of debate among investors in recent years. This bill expands the directive to cover all funds invested by state and local governments, including general revenue, trusts dedicated to specific purposes, money held by retirement plans, and surplus funds.

Investment decisions, including written policies and the exercise of shareholder rights, must be driven solely by pecuniary factors, and may not sacrifice investment return to promote non-pecuniary factors. The Attorney General is authorized to bring civil or administrative actions to enforce provisions of the bill. The term “pecuniary factor” is defined as a factor that is expected “to have a material effect on the risk or return of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of social, political, or ideological interests.” Additionally, the bill prohibits both the state Division of Bond Finance and specified public bond issuers from issuing an ESG bond, paying for the services of another to verify or certify a public bond as an ESG bond, or contracting with rating agencies that use ESG scores in a manner that directly impacts the issuer’s bond ratings. For government contracting, the bill prohibits all units of state and local government from: 1) considering social, political, or ideological beliefs when evaluating prospective vendors, or 2) giving any preference to a vendor based on social, political, or ideological beliefs. State and local governments may only deposit funds in banks and savings associations that have been designated as a Qualified Public Depository (QPD). The bill prohibits certification as a QPD if a bank has engaged in an “unsafe and unsound business practice” by denying or canceling services based on political beliefs or affiliations, religious beliefs or affiliations, business sector, or any other factor that is not a quantitative, impartial, risk-based standard, or applying social credit scores. QPDs will be required to certify compliance with this requirement. Mrs. Jensen stated that if this Bill passes, it will require more work on the Board with the possibly of hiring a proxy service.

INVESTMENT REPORT - Barrow Hanley – Small Cap Value

Mr. James McClure & Mr. Clayton Johnston, Barrow Hanley presented a portfolio update to the Board of Trustees. The representatives cited that their Small Cap Value Equity strategy is designed to exploit inefficiencies in the small cap sector of the market by carefully employing high value added, proprietary research to a universe of small capitalization, low-expectation stocks. This process is directed toward the discovery of companies in which the value of the underlying business is significantly greater than the market price. We refer to this phenomenon as the “value gap”. A “value gap” is typically indicated by below-average P/E ratios (on normalized earnings and relative to the market), above-average free cash flow yields, as well as better than market levels of internal growth and return on capital.

Barrow Hanley’s Small Cap Value strategy delivered positive performance compared to the benchmark that was negative, handily beating the Russell 2000 Value Index benchmark (-0.65% return) by nearly 400 basis points. Even though the benchmark was negative, nine of the index’s eleven sectors were positive. As previously discussed in the market overview section, the index was weighed down by its largest sector – Financials (more than 28% of the benchmark weight) – which returned -10.89% for the quarter. This was a rare quarter in which a singular and pervasive narrative on Wall Street was clearly mirrored by the numbers. In that sense, explaining absolute and relative performance is a simple exercise.

Our strategy’s outperformance was largely a product of our underweight in Financials, in addition to outperformance in two of our largest sector weights, Information Technology and Materials, which returned 15%+ and 20%+, respectively. It should be no surprise that each of these sectors contained one of the two exemplary-performing stocks this quarter: Super Micro Computer Inc., which added over 150 basis points of positive attribution, and ATI Inc., which added nearly another 150 bps.

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A discussion of the top contributors and detractors is as follows:

Of note, four of the top five contributors are in different sectors and all have more in common with each other than names in their own sector. Each was underearning and underperforming when we initiated our position, at which point we drew a path to normalized earnings and valuation. The relative outperformance of each of these companies is therefore a result of each company making progress on its journey to normalized earnings and valuation.

For the fourth quarter in a row, Super Micro Computer, Inc. was (incredibly) a top contributor. It was also the leader in attribution for the first quarter of 2023. The company's value proposition is simple: customers need computing power – either onsite or in a data center – that can optimize energy usage, computing power, space, or any other limitation (or combination thereof). Competitors Dell and Hewlett-Packard have minimized the hardware options and have focused on their higher-margin software business while ceding market share to Super Micro on any custom hardware project. As the company has significantly outperformed over the past year-plus, we have sold shares while continuously reevaluating the company's earnings power, relative multiple and relative return potential.

Top Five Contributors:

ATI Inc., a top contributor during the first and third quarters of 2022, continued its strong recent performance. The company has completed the transformation from a commodity steel company to a high-performance specialty metals company. We continue to wait for a strong demand cycle.

Materion Corporation, a leader in advanced materials solutions, has continued its strong performance by consistently improving and high grading the proportion of its operations dedicated to value-added sales. The company has done this by taking advantage of its vertical integration, increasing investment in research and development and expansion of its growth pipeline. Improved growth, margins and capital efficiency have caught the eye of Wall Street, and the company has been rewarded with an improved share price.

Adient plc is one of the largest manufacturers and suppliers of automobile seats and components in the world. The company, like many automotive suppliers, has faced industry headwinds owing to supply chain issues and chip shortages. With these issues beginning to ameliorate and the company operating well, Adient beat Wall Street consensus estimates and raised its 2023 guidance, which coincided with strong relative performance of its stock.

Diodes Incorporated is a leading global manufacturer and supplier of high-quality application-specific products serving discrete, logic, analog and mixed-signal semiconductor markets. The company focuses on industrial, automotive, computing and consumer end markets. Chairman and CEO Dr. Keh-Shew Lu has brought a wealth of knowledge, capital discipline and operational savvy from his decades rising the ranks at Texas Instruments. While many companies in the semiconductor space have decided to shed manufacturing assets (“going fabless”) over the past several years, Dr. Lu and Diodes have taken a contrarian approach, which has allowed them to add productive capacity very cheaply. As supply has tightened, Diodes' strategy has proven to be a resounding success. Additionally, the company is benefiting from being a fast follower and rising up the value chain, resulting in revenue growth and substantial margin improvement. We discuss the Diodes story further in our Concluding Remarks section.

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Performance:



In The Boardroom Link:

<http://www.wpbppf.com/modules/boardroom/index.asp>

INVESTMENT CONSULTANT - AndCo Consulting

A flash report for March 31, 2023, prepared by Mr. Vavrica showed the fiscal year return valued at 8.2%.

Mr. Vavrica cited additional funding was required to be prepared for future capital calls. Motion by Mr. Marchese to transfer \$3,000,000.00 from Rhumblin the S& P 500 portfolio to the R&D Account (Blackrock holdings). Motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

Mr. Vavrica will prepare a pacing model for the private equity investments.

OLD BUSINESS

Mrs. Jensen presented the Order for P. Lafrance to the Board for review and execution, as approved on March 10, 2023. Mr. D. Williams will ensure prompt delivery to Mr. Lafrance.

Mrs. Jensen presented the Entrust – Additional Commitment Letter and the Second Amendment to the Side Letter Agreement to the Board for review and execution.

Finally, Mrs. Jensen presented the Contribution Stabilization Reserve Policy to the Trustees for review and execution. Mr. D. Williams will provide a copy to the Plan Sponsor.

ADMINISTRATOR’S REPORT

Warrants approved since the last meeting were presented to the Board in spreadsheet format by Mr. D. Williams.

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A formal administrative report was also provided for consideration. After Mr. D. Williams detailed the report, Mr. Marchese made the motion to approve, which was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

OPEN DISCUSSION

A round robin session ensued among the Board related to educational events attended and/or upcoming.

The Trustees spoke about doing another tour of “The Grand” after the May 12th meeting. An invitation will also be extended to former Board Member Khale as he was instrumental in securing this investment. www.thegrandwpb.com

ADJOURNMENT

Being there was no other business; the meeting was adjourned by motion at 10:00 AM

Next meeting is scheduled for May 12, 2023, at 8:30 AM.

A handwritten signature in black ink, appearing to read 'T. Marchese', is enclosed in a thin black rectangular border.

Troy Marchese, Board Secretary