

Police Retirement System of Kansas City, Missouri and Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri

Investment Committee Meeting

February 2, 2021

Mr. Pickens called the meeting to order.

Present:

Chad Pickens, Member	Marcia Beard, RVK
Scott Hummel, Member	Ryan Sullivan, RVK
Bob Jones, Member	Robert Woodard, Mariner
Tom Mills, Member	Jason Hoy, Staff
Brian Bartch, Member	Jim Pyle, Staff

GQG Partner Emerging Markets Equity Fund Review

Chulantha De Silva and Laura Clement from GQG Partners provided a portfolio review of the GQG Emerging Markets (EM) Equity Fund. Ms. Clement provided an introduction to GQG including a firm overview and business update. GQG currently has \$90 billion in assets under management with \$22 billion in the EM fund. Mr. De Silva reviewed the roles of members of the investment team, characteristics of emerging markets companies; the EM fund investment process and risk management; and portfolio weighting by both sector and region. Mr. De Silva said the EM fund typically holds between 40 and 80 companies, position sizes are less than 10% of the total portfolio at the time of purchase so it can be a very concentrated portfolio. The EM fund may invest up to 20% of the portfolio in non-EM countries which explains its tracking error to the country weights for the MSCI EM index. GQG's largest country weight is to China. Sector weights are closer to the MSCI EM Index with current over weights to information technology and consumer staples and under weights to the consumer discretionary and industrials. The Police plan investment totals \$40 million and the Civilian Employees' plan investment totals \$7 million.

December 2020 Investment Portfolio Analysis

Ms. Beard reviewed the December 2020 Investment Performance Analysis. The Police plan gained 2.7% net of fees and had an ending market value of \$1.007 billion. The Civilian Employees' plan gained 2.7% net of fees and had an ending market value of \$169 million. The target benchmark for both plans gained 2.1%. For the one year period ending in December, the Police plan gained 11% net of fees and the Civilian Employees' plan gained 11.5% net of fees. The target benchmark for the same time period gained 10.2%.

RVK 2021 Capital Markets Assumptions

Mr. Sullivan reviewed RVK's Capital Markets assumptions for 2021 and said the long term return assumptions, for all asset classes, will be flat or lower than their Q1 2020 assumptions. The nominal long term returns for the most relevant asset classes are as follows: Global Equities 5.8%, Emerging Markets Equities 7.3%, US Aggregate Fixed Income 1.9%, Direct Lending 5.4%, Real Estate 5.0%, Fund of Hedge Funds 3.8% and Inflation 2.0%. Mr. Sullivan said RVK uses a 20 year horizon and beginning valuation are a critical factor in the return projections. Since current returns for most all asset classes have been high we should expect future returns to be lower.

Portfolio Rebalance

Mr. Pyle said equity and fixed income rebalancing took place in January with redemptions from Artisan and the Northern Trust ACW Index fund and transfers to FCI and PIMCO. The Artisan redemptions totaled \$25 million for Police and \$6 million for Civilian Employees. The Northern Trust redemptions totaled \$5.2 million in Police and \$470,000 for Civilian Employees. The transfers to FCI and PIMCO totaled \$12.5 million each in Police and \$3 million each in Civilian Employees. The remaining \$5.2 million in Police and \$470,000 in Civilian is held in cash for future monthly benefit payments.

The next IC meeting, scheduled for March 2 at 9:00am via conference call.