

1 TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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3 INVESTMENT MEETING

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5

6 February 1, 2024

7 10:11 a.m.

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9 Remote Proceeding

10 New York, New York

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22 William Montague

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1 (The proceedings commenced at 10:11 a.m.)

2 CHAIR BROWN: Here. Good morning Patricia.

3 MS. REILLY: Morning. Ephraim Zakry?

4 MR. ZAKRY: Here.

5 MS. REILLY: John Dorsa.

6 MR. DORSA: Yes, representing Comptroller
7 Lander.

8 MS. REILLY: David Kazansky?

9 MR. KAZANSKY: Present.

10 MS. REILLY: Victoria Lee?

11 MS. LEE: Present.

12 MS. REILLY: We have a quorum. I'll turn it
13 over to the Chair.

14 CHAIR BROWN: Good morning, everybody. And
15 the first item on the agenda is the Passport Funds
16 December 2020 Performance Review and Rocaton.

17 MR. FULVIO: I'll pass it to Amanda, who's
18 appearing by Zoom.

19 CHAIR BROWN: Great. Hi, Amanda.

20 MS. JANUSZ: Hi, Tom. Hello, everyone. Just
21 hide this here.

22 All right. Hopefully, you're all able to see
23 my screen. I'm going to kick things off with just a
24 quick review of December results for the Passport Funds.
25 Not quite as strong results as we were able to talk

1 about last month with November, but certainly closed out
2 calendar year 2023 on a strong note with positive
3 results across the board for the Passport Funds.

4 In the month of December, we had a continued
5 favorable macro backdrop, so resilient growth in the US,
6 continued disinflation both in the US and across --
7 across economies. More of a shift from the Fed, which
8 has been helpful in terms of supporting equity markets.

9 For the Diversified Equity Fund, at the top of
10 the page here, where the bulk of your assets sit in the
11 Passport Funds, the month of December was a positive
12 5-and-a-half or so percent and pretty similar results,
13 mid 5 to 6 percent results for both the US and non-US
14 equity components of the Diversified Equity Fund. And
15 we did see benefit from active management within that
16 strategy.

17 The Balanced Fund directly below it is your
18 most conservative fund in the lineup. It is about 30
19 percent short-term fixed income, 70 percent equities.
20 So given that mix, not surprising that, in this very
21 strong market that we saw in December, the fourth
22 quarter, and the calendar year '23, that it was the
23 weakest relative performer compared to your other
24 options here, but still managing to return over 10
25 percent for the calendar year 2023, both on the success

1 of the equity sleeve as well as better results from
2 short-term fixed income, given where we saw interest
3 rates this year.

4 On the flip side of that, your strongest
5 performing fund for both the fourth quarter and the year
6 was the Sustainable Equity Fund, about two-thirds of the
7 way down the page. And that fund very much benefited
8 from the strong growth environment here in the US in
9 2023. Although, over the trailing one-year, it did
10 slightly trail that benchmark, returning 39 percent
11 versus 42 for the index. That index was very difficult
12 to beat this year, and as we have talked a little bit
13 about throughout the year, that growth index in the US
14 was very much driven by the magnificent seven, those big
15 tech stocks that really dominated US equity markets in
16 2023. So very, very successful year across the board
17 for the Passport Funds with strong results ranging,
18 again, from 10 percent on the Balanced Fund to as high
19 as 39 percent for the Sustainable Equity.

20 So I'll stop it there and just see if there's
21 any questions on December before Mike jumps in on a
22 quick January update.

23 CHAIR BROWN: Any questions for Amanda?

24 Thank you, Amanda. Great. And Michael will
25 take the January 2024 Market Performance Update.

1 MR. FULVIO: Yep, I will. Footnote upfront --

2 CHAIR BROWN: Thank you.

3 MR. FULVIO: -- that this is not the full
4 month of January, and importantly, does not include
5 yesterday's market returns, which, unfortunately --

6 CHAIR BROWN: Yeah.

7 MR. FULVIO: Exactly. That was a good thing.
8 So, you know, even in spite of the relatively strong
9 negative day we saw in US equity markets yesterday, so
10 the S&P was down about 1.6 percent yesterday, even with
11 that negative day, we would contemplate or expect to see
12 numbers here that are all directionally strong through
13 the entire month.

14 But you can see, through Tuesday's close, the
15 Russell 3000 was up over 5 percent. So the year got off
16 to a very strong start. We continued, again, coming
17 into the year, as we discussed in our comments in the
18 first week of January, you know, the market really was
19 expecting a fairly high likelihood of the Fed coming in,
20 in the later part of this first quarter 2024, and
21 lowering rates. I think we shared the same view as
22 Steve at the time that that was probably a little bit
23 over exuberance on the part of the market.

24 That said, we got the Fed minutes yesterday
25 and they did hold, they did hold firm. No one was

1 really expecting a rate reduction yesterday, but in the
2 language that the Fed put out, you know, it was pretty
3 clear, and I think they were trying to signal to the
4 market that we would be very -- they would be very
5 deliberate about how they moved on rates looking
6 forward, and they tried to caution that, while, you
7 know, while the economy continues to maintain a pretty
8 strong level of growth, which albeit may be slowing this
9 year, the -- there really wouldn't be a move on rates
10 until the Fed felt very confident about its ability to
11 have inflation come into 2 percent.

12 So from that perspective, we think the market
13 sort of reacted yesterday to, in a way, counter the
14 exuberance coming into this year, which was more around
15 expectations of rates coming down in the first half,
16 which, again, I think we're putting out in our minds as
17 more of the second half of the year, I think. So
18 anyway, that was what really kind of drove markets
19 yesterday.

20 All told, you can see it was a very strong
21 month on the heels of what Amanda described as a very
22 strong 2023. So I mentioned the Russell 3000 coming
23 into yesterday, was up over 5 percent. Non-US equity
24 markets also having a very strong month. Developed XUS
25 up right around the 5.3 percent for US markets, and then

1 emerging markets up about 3.9 percent.

2 I think the overall expectation is, if you do
3 start to see the Fed cut rates this year, that should,
4 all told, be helpful for capital flowing to emerging
5 markets. But at this point, you know, the same level of
6 exuberance around rates coming down in the US hasn't
7 necessarily shown up in what we have seen in terms of
8 expected performance around emerging markets, and still
9 obviously many issues, more idiosyncratic issues at play
10 with respect to emerging markets.

11 So all told, strong month of January, even in
12 spite of yesterday, and I think that's the kind of
13 headline we want. Any questions?

14 CHAIR BROWN: Thank you, Michael.

15 Any questions for Michael?

16 MR. ZAKRY: I have a question.

17 CHAIR BROWN: Ephy?

18 MR. ZAKRY: I have a question. I don't know
19 if it's necessarily for Michael, could be for Amanda,
20 anybody else. I'm kind of new here.

21 Why do we have a Balanced Fund if we already
22 have equities and fixed income? What's the advantage of
23 having an additional Balanced Fund on top of what we
24 have?

25 MR. FULVIO: Yeah, there's a -- there's a need

1 to ensure that there's a certain number of options
2 available for participants that can't provide some level
3 of diversification. And so I think what we generally do
4 is talk a little bit more about the specific offering of
5 options in Executive Session, but the Balanced Fund was
6 really a recognition that there was a desire for options
7 which provide a little bit more of diversified exposure
8 in a single offering for participants.

9 And there's also some member money that needs
10 sort of that more diversified option available for it
11 because it doesn't necessarily have the flexibility to
12 invest across options. So I think -- I think we would
13 prefer to take that offline, but happy to address that.
14 Thank you.

15 MR. ZAKRY: Thank you.

16 CHAIR BROWN: Thank you, Ephy. Thank you,
17 Mike.

18 Any more questions for Michael or Amanda?
19 Thank you.

20 And let's see, Eneasz, do we have anything for
21 the Public Agenda for --

22 MR. KADZIELA: We do not have anything.

23 CHAIR BROWN: -- Pension Fund?

24 MR. KADZIELA: Not for the public.

25 CHAIR BROWN: Nothing? Great. Okay. Thank

1 you.

2 So I think it's a time to go into Executive
3 Session. Do I hear a motion?

4 MR. KAZANSKY: So moved.

5 MR. ZAKRY: Second.

6 CHAIR BROWN: Thank you, David. Thank you,
7 Ephy.

8 It has been motioned and seconded. All those
9 in favor of going into Executive Session, please say
10 aye.

11 (Ayes were heard.)

12 CHAIR BROWN: Those opposed, say nay? Any
13 abstentions? We're now in Executive Session. Thank
14 you.

15 (Exit Public Session; enter Executive
16 Session.)

17 (Exit Executive Session; enter Public
18 Session.)

19 CHAIR BROWN: Welcome back, everybody. We are
20 now in Public Session, and we'll have a readout from Ron
21 Swingle.

22 MR. SWINGLE: Thank you. Good morning. In
23 the Executive Session of the Pension Fund, there was an
24 update on preliminary performance data. There were two
25 private equity presentations. Consensus was reached on

1 both. And there was a public equity presentation, in
2 which consensus was reached.

3 CHAIR BROWN: Thank you, Ron.

4 MR. SWINGLE: You're welcome.

5 CHAIR BROWN: Seeing no other business, is
6 there a motion to adjourn?

7 MR. KAZANSKY: So moved.

8 MR. ZAKRY: So moved.

9 MR. DORSA: Second.

10 CHAIR BROWN: Thank you. Thank you, David.
11 Thank you, John.

12 All those in favor of adjourning, please say
13 aye?

14 (Ayes were heard.)

15 CHAIR BROWN: All those opposed, say nay?
16 Abstentions? We are officially adjourned. Thank you,
17 everybody.

18 (The proceedings concluded at 11:42 a.m.)

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