CITY OF DANBURY

DANBURY, CONNECTICUT 06810

DEPARTMENT OF POLICE
375 MAIN STREET

ALAN D. BAKER, CHIEF
TERENCE M. SHANAHAN, DEPUTY CHIEF
(203) 797-4614

May 9, 2013

Minutes of the May 08, 2013 Special Meeting of the 67 Pre Post Police Pension Board held at City Hall in room 3C on the 3rd floor.

Called to order at: 1507 hours
Present: President Bob Yakacki , Secretary Tom Michael, Dan Mulvey and Phil Curran.
Agenda: Vote on changes and recommendations from Graystone Consulting dated April 26, 2013.

Motion by: Yakacki to approve the changes and financial re-allocations requested by Graystone Consulting attached to these minutes dated April 26, 2013.
Motion Second by: Curran
In Favor: Michael, Yakacki , Mulvey, and Curran.
Opposed: None
Motion: Passed

Motion to adjourn: Yakacki
Second: Curran
Motion : Passed
Adjourned: 1509 hours

Secretary

MISTI R. LEONARD
NOTARY PUBLIC
My Commission Expires 03/31/2015

RECEIVED AND FILED
TOWN CLERK'S OFFICE
DANBURY, CONN.

MAY 09 2013

at 11:35 am o'clock Map#

Town Clerk

Graystone Consulting *a business of Morgan Stanley*

April 26, 2013

City of Danbury

Recommendations for Approval

Robert S. Scherer, Managing Director

Laura A. Fennell, CIMA, Vice President – Wealth Management

Approved May 8, 2013

Graystone Consulting

Recommendations For Approval

- <u>$3 Million Commitment to the Private Advisors Small Company Buyout Fund</u>
  - Capital calls to be funded pro-rata from the equity managers.
  - We estimate approximately 20% ($600,000) in capital calls for 2013.
  - Commitment level is roughly half of our normal commitment level for illiquids, but it will allow for other attractive illiquid investments we will want to consider this year.
  - For instance, we are currently completing due diligence on an attractive infrastructure opportunity that we hope to discuss with the committee at the next meeting.

- <u>Replace NWQ with Hamlin High Dividend Equity</u>
  - This would be a straight one for one replacement.
  - As we have added several new equity managers over the years, NWQ's relative value approach has less of a distinctive role in the equity portion of the portfolio.
  - Nevertheless, over the course of NWQ's 10 year management for Danbury, they have delivered performance in line with their benchmarks.
  - At this time we believe that Danbury would benefit from a manager with a dedicated focus on dividend paying securities in the current investment environment.

- <u>Submit paperwork to redeem liquid assets of Fortress Partners</u>
  - Paperwork due June 2013. Redemption will occur in January 2014.
  - Allow us to retain the greater potential (and better performing) illiquid assets

approved May 8, 2013
tm 288

Hamlin High Dividend Equity Selection Process Overview

- We evaluated the long-term top performing funds in the dividend paying equity category. Hamlin is among several consistent long-term outperformers in this arena, including familiar names like Blackrock and Shafer Cullen.
- Hamlin is a boutique firm that invests exclusively in dividend paying equities, focusing on stocks with dividend yields at least 50% above the S&P 500 Index yield.
- Hamlin believes that companies with appropriately high dividend payouts act with better capital allocation governance than those that hoard cash.
- While many other dedicated equity dividend managers focus on large cap stocks, with a bias towards traditional dividend payers - utilities and energy companies, Hamlin moves up and down the capitalization spectrum, with a healthy allocation to mid-cap stocks.
- This all-capitalization focus makes Hamlin a very appropriate replacement for NWQ.
- Hamlin manages a very focused portfolio of 30-40 securities that represent a mix of high yielding names with sustainable free cash flows and recurring revenue streams.
- Hamlin emphasizes the fourth quintile of dividend payers (not the highest but close to it), which has historically resulted in a higher quality, lower beta portfolio that has outperformed in down markets and therefore possesses very strong risk/return characteristics.
- Hamlin partners have the great majority of their liquid net worth invested in this strategy and they pay the highest fee among their clients.

Approved May 8, 2013

Private Advisors Small Company Buyout Fund Selection Process Overview

- Small company focus within this fund is an excellent compliment to our existing private equity investments that have heretofore had a large cap focus.
- In addition, given the run up in all the public equity markets (and especially small cap) over the last three years, we would like to reallocate some of our portfolio to the less volatile valuations in private markets.
- We believe that there are very attractive supply/demand and demographic characteristics currently in this space. In addition, consistent and robust exit options exist in the small company space that are less dependent on IPO and public markets.
- This Private Advisors fund is investing in lower middle market companies, ranging from approximately $10MM-$200MM in enterprise value.
- Since 1999, Private Advisors has raised over $1.2 billion in six private equity fund of funds and two co-investment funds, focused on the small company investment segment
  - Top quartile aggregate vintage year returns in seven of ten years from 1999-2008
  - Consistent return generation in both bull and bear market environments
  - 78 fund commitments made to 52 general partners
  - Dedicated focus has created distinct competitive advantages in access and due diligence, resulting in strong manager selection
- Broad team with very deep experience and access to relationships with high quality partnerships
  - Manager selection through systematic human capital assessment
  - Risk management through focused operational due diligence
  - Active portfolio monitoring through advisory board roles on 69 of 78 underlying fund managers

Approved May 8, 2013

CITY OF DANBURY EMPLOYEES PENSION PLAN

March 31, 2013

By Asset Class & Manager

Asset Allocation	Current Allocation %	Current Allocation $		Δ%	Capital Calls 2013	Capital Calls 2014-17*	Ending Allocation %	Ending Allocation $
Total Equities	**63.59%**	**$ 150,598,265**					**63.66%**	**$ 150,748,265**
Total Fixed Income	**36.41%**	**$ 86,213,371**					**36.34%**	**$ 86,063,371**
Dom. Eq. Total	**29.62%**	**$ 70,145,948**	**$ -**	**-0.25%**	**$ (600,000)**	**$ (2,400,000)**	**28.35%**	**$ 67,145,948**
NWQ	4.40%	$ 10,426,654		-4.40%	$ (10,426,654)		0.00%	$ 0
Hamlin	0.00%	$ -		4.40%	$ 10,426,654	$ (500,000)	4.19%	$ 9,926,654
Hartford	5.34%	$ 12,639,504		0.00%		$ (500,000)	5.13%	$ 12,139,504
Sands	5.53%	$ 13,105,345		0.00%		$ (500,000)	5.32%	$ 12,605,345
Sequoia	4.21%	$ 9,969,063		0.00%		$ (250,000)	4.10%	$ 9,719,063
FPA Crescent	4.72%	$ 11,176,878		0.00%		$ (500,000)	4.51%	$ 10,676,878
Keeley	2.86%	$ 6,781,055		-0.25%	$ (600,000)	$ (150,000)	2.55%	$ 6,031,055
Starboard	2.55%	$ 6,047,448		0.00%		$ -	2.55%	$ 6,047,448
Int'l/ Global Total	**14.71%**	**$ 34,846,733**	**$ -**	**0.00%**	**$ -**	**$ -**	**14.71%**	**$ 34,846,733**
Thornburg	4.28%	$ 10,134,014		0.00%		$ -	4.28%	$ 10,134,014
IVA Worldwide	4.56%	$ 10,787,301		0.00%		$ -	4.56%	$ 10,787,301
Tradewinds Emerging Mkts	1.80%	$ 4,261,938		0.00%		$ -	1.80%	$ 4,261,938
Tradewinds Global	4.08%	$ 9,663,479		0.00%		$ -	4.08%	$ 9,663,479
Fixed Income	**23.87%**	**$ 56,532,508**	**$ -**	**0.00%**	**$ -**	**$ -**	**23.87%**	**$ 56,532,508**
Sage	3.87%	$ 9,159,744	$ -	0.00%		$ -	3.87%	$ 9,159,744
Pimco All Asset All Auth	4.16%	$ 9,856,271	$ -	0.00%		$ -	4.16%	$ 9,856,271
Loomis Sayles Bond	4.18%	$ 9,903,498		0.00%		$ -	4.18%	$ 9,903,498
Met West Total Return	4.15%	$ 9,834,227		0.00%		$ -	4.15%	$ 9,834,227
Templeton Global Bond	4.29%	$ 10,163,074		0.00%		$ -	4.29%	$ 10,163,074
Cash	3.22%	$ 7,615,694		0.00%		$ -	3.22%	$ 7,615,694
Alternatives	**31.79%**	**$ 75,286,448**	**$ -**	**0.25%**	**$ 600,000**	**$ 2,400,000**	**33.06%**	**$ 78,286,448**
Union Banque Privee	0.64%	$ 1,519,029	$ -	0.00%		$ -	0.64%	$ 1,519,029
Weatherlow	4.53%	$ 10,715,924	$ -	0.00%		$ -	4.53%	$ 10,715,924
Fortress Alternatives Fund	4.54%	$ 10,750,172	$ -	0.00%		$ -	4.54%	$ 10,750,172
Pointer	5.04%	$ 11,930,889	$ -	0.00%		$ -	5.04%	$ 11,930,889
Ivory	3.25%	$ 7,702,100	$ -	0.00%		$ -	3.25%	$ 7,702,100
GoldenTree	3.86%	$ 9,145,076	$ -	0.00%		$ -	3.86%	$ 9,145,076
Abbey	3.19%	$ 7,560,057	$ -	0.00%		$ -	3.19%	$ 7,560,057
Thirdpoint	3.43%	$ 8,121,690	$ -	0.00%		$ -	3.43%	$ 8,121,690
Pennsquare	1.31%	$ 3,091,566	$ -	0.00%		$ -	1.31%	$ 3,091,566
Private Advisors Small Co	0.00%	$ -	$ -	0.25%	$ 600,000	$ 2,400,000	1.27%	$ 3,000,000
Hamilton Lane	2.01%	$ 4,749,945	$ -	0.00%		$ -	2.01%	$ 4,749,945
TOTAL ALLOCATION	**100.0%**	**$ 236,811,636**	**$ -**	**0.00%**	**$ -**	**$ -**	**100.00%**	**$ 236,811,636**

** Projected*

Approved May 8, 2013

Graystone Consulting℠

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