

**SONOMA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
INVESTMENT COMMITTEE MEETING MINUTES**

Thursday, April 27, 2023  
8:33 a.m.

Presiding: Greg Jahn, Chair

Present: Trustees Neil Baker (Alternate Retiree), Travis Balzarini, Amos Eaton, Joe Tambe, Tim Tuscany (left at 10:00 a.m.), Brian Williams, and Bob Williamson; Assistant CEO/Chief Legal Counsel Cristina Hess, Chief Investment Officer Jim Failor, Investment Officer Mickey Nguyen, Retirement Analyst Rebecca Gay, and Administrative Aide Julia Smith; Pierre Anctil and Mariannick Therer (of Axiom); John Lee and Chris Behrns (of Aon)

Absent: Trustees Chris Coursey and Erick Roeser

Public comments were solicited prior to the meeting by emailing [Rebecca.Gay@sonoma-county.org](mailto:Rebecca.Gay@sonoma-county.org). Members of the public that joined the Zoom meeting were provided opportunity to submit live public comment for each agenda item after the Committee and staff provided their comments.

I. MINUTES APPROVAL

Approval of the March 30, 2023, Investment Committee meeting minutes

**Recommendation:** Approve the March 30, 2023, Investment Committee Minutes.

A motion was made by Trustee Balzarini, seconded by Trustee Williamson, to approve the March 30, 2023, Investment Committee meeting minutes. The motion carried 6-0-1-2 with voting as follows:

Mr. Balzarini	Aye
Mr. Coursey	Absent
Mr. Eaton	Abstain
Mr. Jahn	Aye
Mr. Roeser	Absent
Mr. Tambe	Aye
Mr. Tuscany	Aye
Mr. Williams	Aye
Mr. Williamson	Aye

## II. PRESENTATION

Axium – President & Chief Executive Officer Pierre Anctil and Senior Manager Investor Relations Mariannick Therer provided an organizational update and commented on the performance and positioning of the Axium Infrastructure North America II Fund (AxInfra NA II) in which SCERA invests. In response to an ownership question from CIO Jim Failor, Mr. Anctil noted that firm ownership is restricted to active employees only. Consequently, when an employee leaves, their shares are sold back to the firm and new employees can buy shares that are priced according to a formula favorable to them. Mr. Anctil also noted that Axium employees have \$68 million invested in Axium funds. The business continues to grow and they are hiring 10-15 people a year, mainly on the asset management side. Furthermore, a London office was recently opened.

The AxInfra NA II Fund has delivered a 9.7% net internal rate of return (IRR) since the inception of SCERA's account in 2019, a result that is within range of the 8-12% net IRR target. Mr. Anctil was especially satisfied with the returns given the previous three years of pandemic-related challenges. Axium was able to deliver an 8.6% IRR in 2022 which demonstrated the ability of the fund to maintain steady positive performance despite the challenging environment.

Part of this resiliency is attributed to a limited exposure to GDP linked assets, currently 15% and with a maximum of 20%. Transmission and distribution assets also contribute to the Fund's low risk given the contracted nature of their revenue stream. It was noted that the energy transition, eventually moving to "net zero" carbon emissions, is a massive long-term theme generating more deal opportunities than Axium currently has the capital to deploy despite their \$7.8 billion in assets. Axium is raising additional capital in June and comment was made that the growing assets are enabling them to look at larger transactions in the range of \$300 million in size. The European Fund is new and will take time to build out and become well diversified.

Regarding the current competitive environment for infrastructure, Axium is careful to avoid overpaying or overleveraging in large transactions. Half of Axium's deals are proprietary, sourced through partnerships and not public auctions, providing higher returns. Additionally, their construction projects have delivered higher double-digit returns because of well managed risk, on schedule projects, and their highly qualified engineering staff. In conclusion, the Board and staff feel Axium's investment opportunities will continue to expand in an attractive asset class driven by favorable long-term trends and through a disciplined process led by experienced management.

## III. INVESTMENT STAFF AND CONSULTANT

### A. Executive Session

This item was pulled from the agenda and postponed to a date uncertain.

### B. Executive Session Report Out

There was no Executive Session and no need for a report out.

C. Potential Educational Topics for Future Investment Committee Meetings

Chris Behrns, Associate Partner at Aon, surveyed the members of the Investment Committee on selecting 3-5 potential educational topics to discuss in future meetings. In response to questions Mr. Behrns described aspects of Specialty Finance and Mortgage Servicing Rights. Areas that received interest to be covered as educational topics included Hedge Funds, Private Equity, Private Credit, and partial short extension (130/30) strategies.

D. On-Site Due Diligence Meetings

1. PIMCO

CIO Jim Failor summarized staff's due diligence meeting with PIMCO that took place in their Newport Beach office on April 14, 2023. The firm is very large and capable with substantial resources at its disposal. However, long-term performance that has tracked close to the benchmark over the life of SCERA's account. PIMCO's Total Return strategy continues to be rated a "Buy" by Aon and is complementary to SCERA's other fixed income managers. Staff characterizes PIMCO to be a low-risk stable and complementary investment manager but feels that performance is unlikely to materially exceed benchmark returns. Ms. Nguyen added an update to the Credit Suisse AT1 bond issue and reported that PIMCO had filed an appeal on April 18, 2023, on behalf of certain AT1 bondholders including SCERA, against the Swiss regulator FINMA.

2. DoubleLine

Investment Officer Mickey Nguyen provided a review of the DoubleLine due diligence meeting that occurred in their Los Angeles office on April 13, 2023. Noteworthy developments included the decline in assets under management (AUM) from \$150 billion in 2019 to \$92 billion by year-end 2022, the new headquarters in Tampa, FL, and an ongoing Request For Proposal (RFP) for a middle office service provider. Concern was raised about the mixed relative performance based on the BB Aggregate Index, but based on the US Mortgage Backed Securities Index, their secondary benchmark, outperformance has been more consistent and compelling. No major concerns were uncovered during the onsite visit, and staff feels DoubleLine continues to remain a good complement to SCERA's other fixed income managers.

E. Cash Planning & Upcoming Cash Raise

Ms. Nguyen outlined the cash ladder as of April 24, 2023 and the planned \$60 million cash raise for May. The cash available for capital calls and payroll stands at \$34 million. After reviewing details of recent significant cash inflows and outflows, the calculation for the cash raise was summarized as follows: \$30 million to cover June & July payroll and

manager fees and \$30 million to cover potential capital calls for Fiera Comox which has a remaining commitment of \$102 million. SCERA recently received the final capital call of \$7 million for the KKR Diversified Core Infrastructure Fund which is now fully invested. The proposed cash raise will likely be spread equally across the 3 core fixed income managers to raise \$24 million, and the remaining \$36 million will be raised from the non-US equity managers, Arrowstreet and State Street Global Advisors.

F. Aon Views – Impact of Banking on the Economic Outlook

Chris Behrns from Aon gave a presentation on the economic ramifications from the bank turmoil this year. The shift in GDP growth projections and whether the Fed will change its policy stance are issues that have been reassessed by the market after several banks were rescued in the first quarter. The key investment takeaways center around the tight credit conditions forecast ahead and include exploring opportunities in select credit strategies, being a provider of liquidity, and staying prepared for persistent volatility and unstable correlations.

IV. COMMUNICATIONS

A. SCERA Investment Performance Report for March 2023.

Mr. Failor commented on March and first quarter performance. The first quarter was strong in absolute terms but benchmark-relative performance was disappointing. Gross of fees the Plan returned 3.9% for the quarter which trailed the Policy return by 60 bps. Both stocks and bonds were up in the first quarter in light of the developments in banking and market expectations that the Federal Reserve would be less aggressive in fighting inflation. Some Real Asset returns were known at the time but, per policy, would not be booked until April. First quarter Real Estate returns were in the negative single digit range while the Farmland and Infrastructure funds that had already reported had delivered positive single digit returns.

B. Dodge & Cox, “Our Current Thoughts on Financials”, April 17, 2023.

C. FUNDfire, “UBS to Cut Up to 36,000 Jobs . . .”, April 3, 2023.

D. UBS News & Views, “UBS Farmland Investors turns 40!”, April 2023.

E. Wall Street Journal, “Credit Suisse Investors Challenge Switzerland’s \$17 Billion Bond Write-Down”, April 21, 2023.

F. Bloomberg, “Funds to Make Returns of As Much As 1,000% From Dead Bank”, April 21, 2023.

V. GENERAL DISCUSSION MATTERS

Opportunity was given to advise the Investment Committee of new matters and for Committee

members to ask questions for clarification, provide information to staff, request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Trustee Williams spoke up, reviewing some notable events and people in SCERA's history while some related photos were projected.

VI. PUBLIC COMMENT

Opportunity was given for public comment on non-agenda items within the jurisdiction of the Investment Committee.

There were no public comments.

VII. NEXT MEETING

The next Investment Committee meeting is scheduled for Thursday, May 25, 2023, at 8:30 a.m. Planned topics for this meeting include a presentation by JP Morgan. All meetings are held at SCERA in the Board Room at 433 Aviation Boulevard, Suite 100, Santa Rosa, CA, and broadcast via Zoom unless otherwise noted.

VIII. ADJOURNMENT

With no further business to conduct, the meeting adjourned at 11:38 a.m.

IX. APPROVAL

The above minutes from the April 27, 2023, Investment Committee meeting were approved at the Investment Committee meeting on May 25, 2023.

GREG JAHN, CHAIR