



ANNE ARUNDEL COUNTY RETIREMENT AND PENSION SYSTEM

Board of Trustees Minutes of June 18, 2024, Virtual Meeting

Members Present: Anne Budowski, Hannah Dier, Rhody Holthaus, Mary Lu Hughes, Alan Hyatt, Kevin Nethers, Billie Penley, Ronald Seldon, M. Kathleen Sulick, and Leroy Wilkison

Members Absent: Christine Anderson, Howard Brown, Karen Henry, and Chris Trumbauer

Staff Present: John Hammond, Kelly Lovett, Alesia Smith, Beth Zimmerman, and Joseph Solari

Staff Absent: Lori Blair, Lynn Daitch, Hujia Hasim, Amy Lukas, and Donald Spencer

Guests: Rhett Humphreys, Siobhan Kranz, Young Kim, Sinisa Dukic, and Bill DiSciullo

Recorder: Stacy Kish, Audio Associates

Billie Penley called the meeting of the Board of Trustees of the Anne Arundel County Retirement and Pension System (Board) to order at 12:01 p.m. The minutes for the May 21, 2024 meeting were approved unanimously.

Manager Interviews

Axiom

Siobhan Kranz, Young Kim

Ms. Kranz gave a brief overview of Axiom, an employee-owned, founder-led company. It has \$23 billion in assets under management. The company's investment approach is through dynamic growth, which has added consistent alpha across market indices.

Mr. Kim manages the Board's portfolio. He explained Axiom's philosophy, which is to invest in dynamic growth companies. Axiom identifies investments using 1) data, 2) collaboration and transparency, and 3) reiterate in reconfirmation process. The company looks at forward indicators to generate alpha.

Year-to-date, the fund's performance is up 6.4% (index at 3.4%), despite the challenging emerging market performance in the past two years. The outperformance was driven by stock

selection. Two areas to highlight for this outperformance are Korea (up 4.06% driven by technology and electric power grid) and India (up 9.3% driven by industrial products).

Emerging market stock market performance is correlated to the GDP growth differential. This inflection is occurring as the emerging market index quality has improved. Emerging markets suffered during the pandemic, but as life has normalized, the environment is shifting to be supportive of emerging market growth.

Two areas to focus on are India and AI and semiconductors. India is in the middle of a growth cycle, especially in manufacturing, and has efficiencies in financial and tax systems. Axiom is also invested in AI and semiconductors, both growing markets. The current focus is building out accelerated computer structure and AI models, which requires scale. This also opens opportunities for hardware and semiconductor manufacturers.

Dimensional Fund Advisors
Bill DiSciullo, Sinisa Dukic

Mr. DiSciullo gave a brief update about the firm. The company was founded by academics to capitalize on insights from academic finance. The firm manages about \$720 billion in client assets. DFA owns more stocks than the Index and continues to beat it.

Mr. Dukic continued that DFA selects stocks by size, price, and value. The company defines emerging markets based on access for foreign investors, trading costs, taxation, materiality, and protection of property rights of investors. The firm has 22 emerging markets. The portfolio consists of emerging markets and all cap value. The portfolio is diverse (holds 3,300 stocks). The company targets a segment of the market and diversifies across the segment. The lower weighted average is due to inclusion of mid cap and small caps, as well as the tension between price and profitability. The portfolio's performance (net of fees) is above other indices due to the emphasis on value.

New England Pension Consultants
Rhett Humphreys

Mr. Humphreys gave an update as of May 31, 2024. May was a risk-on market. Year-to-date, it has been primarily positive. Equities are at 11%. International developed are at 7.1%. Emerging markets are at 3.4%. Year-to-date, the U.S. has outperformed international. For credit, the U.S. high-yield is positive at 1.6% , which is equity sensitive (overweight), and investment-grade fixed income is at -1.6%, which is interest rate sensitive.

For the composite (78% priced), the portfolio is at 2.4%, bringing the year-to-date to 4.6%, which assumes everything private is at 0 (unlikely). The content that is priced is up 6.1%. By the end of June, Mr. Humphreys anticipates 6.1 and 4.5%, which brings rolling one year at 13.4% and five year at 7.1% (over target).

The three equity portfolios: 10.1% U.S. equity; 5.3% international; and 6.6% for emerging market. This is a reversal from half a year ago as growth is flipping with value. Fixed income

is 0.5%. Investment grade portfolio is -1.1%, which is above the benchmark (-1.6%). The credit components bring this up to 1.8%.

He stated that DHA is very academic, but he described the company's approach as a three-layer cake (size, valuation, profitability) with icing (unique trade by providing a liquidity to the market to regain their fee).

Mr. Hyatt asked what NEPC is thinking about bond duration.

Mr. Humphreys stated that NEPC is not encouraging clients to take on duration. Managing duration is based on interest rate timing. This is tricky.

Administrative Report

Ms. Lovett reported six retirements for June. She anticipates more retirements in August and September. During the June 17 Council meeting, three retirement bills passed. Bill 49-24, which does not impact the pension, allows school health nurses to participate in a 401(A) plan. Bill 50-24 allows the seventh year of drop for the Fire plan and Detention plan participants. Bill 31-24 passed with approved amendments proposed during June 3 meeting. These changes will go into effect 45 days after signing.

Mr. Hammond asked if the actuaries weighed in on Bill 31-24.

Ms. Lovett stated that the actuaries looked at the Bill initially, but it is difficult to calculate based on number of people who take advantage of it.

Mr. Hammond asked what is the goal of the amendments.

Ms. Budowski stated that the Councilman who put forward the Bill was looking at recruitment for different departments.

Ms. Penley also asked about the financial calculations done on the amendment.

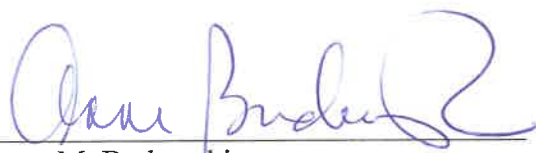
Ms. Budowski stated that the initial bill was reviewed by actuary but it was hard to predict behavior.

Ms. Zimmerman stated that there were no updates from financial and investments.

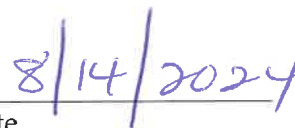
Other Business

The meeting adjourned at 1:02 p.m. The next board meeting will occur virtually on July 16.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Anne M. Budowski
Secretary to the Board



Date