YOUR PENSION MATTERS
6/30/22
End of 3rd Quarter – FY 2021 - 2022

by: Paul O'Connell
Board Chairperson
08/25/22

"Sort through the rubble and find the rubies."
Sean McCaffery

Well rubble is what we experienced in the first six months of 2022. It has been the "perfect storm." The Russian invasion, inflation, the China COVID lockdowns impacting the supply chain have all been challenges; topped off by total gridlock in Congress (well, not total as they did pass the "Inflation Reduction Bill"). So, let's rise above the noise and see where we are.

A bear market refers to when stocks decline by 20% or more from its peak. Here are the numbers for the first six (6) months of 2022:

S&P 500 -20.0%

Dow Jones -14.4%

NASDAQ -29.2%

MS EAFE -19.6%

OUCH! Look, we must remember that our Pension Fund is in the market for the "long haul." Our investment time horizon is 30+ years. These down markets will cause heartburn, but the volatility we experience is in the natural course of investing. The quote above reminds us that your Trustees hire market experts to *"find the rubies in the rubble."* As you will see below, our investment results for the quarter and for the first six months are not "pretty" but those numbers are not as "bad" as the market itself. This is accomplished through diversification: a mixture of equities, bonds, and alternatives.

Since WW II the S&P 500 has experienced 17 bear markets (LPL Financial). In fact, going back 96 years, the S&P 500 has experienced 71 positive years (36 of those years were above 20% in gains) and 26 negative years (6 of which were greater than 20% down). (Source: *Goldman Sachs*) This reminds us that ***wisely*** investing in the market is the best place to be to experience wealth enrichment.

Remember also, each bear market has been different in length and depth (how long and how bad). The unanswered questions are what will the bear market of 2022 look like (how long and how bad), and will it lead to a recession (defined as two consecutive quarters of shrinking GDP growth)? These are some pundits who say we are technically in a recession because the first two quarters of 2022 have seen GDP decline. There are other pundits who say we are not in a recession because of the job growth (unemployment sitting at 3.4%...the lowest in 50 years). Only time will tell.

The silver lining in this "wreckage" is that unemployment remains very low (3.4% as of July 8, 2022). If Americans have jobs, there is hope that this unpleasant experience may be short lived. The American consumer is the engine that runs our economy. The economic engine continues to run if the consumer keeps spending!

We have seen some market recovery since June 30th. For the year through July 27th, the S&P 500 is down 14.8%; the Wilshere 5000 (the broadest measure of our domestic market) is down 15.6%; the EAFE index (international markets) is down 17.7%. In addition, the cost of gasoline has declined.

MID-TERM elections: regardless of your party affiliation or your personal beliefs: **please vote** in the coming elections!! If you don't vote; you don't count!

Pain at the Pump! We all feel it for sure. In early 2020, gasoline was under $2.00 per gallon. Our oil drills throughout the country were finding new ways to extract oil (shale) and our refineries were operating at full capacity. Our country went from producing 5 million barrels a day in 2008 to producing 12 million barrels per day in 2019 (Time Magazine, 7/11/22). Then COVID struck! The price for a barrel of oil fell to under $30/barrel. Oil fields and refineries were shutting down by the dozens!

Now there is great reluctancy, regardless of the increase in demand, to reinvest and reopen these oil fields and refineries because of the headwinds coming from Washington. These are very strong headwinds as the push to "*Go Green*" is adversely impacting the oil producer's ability or willingness to reopen these refineries.

In the summer of 2021, as the world exited the COVID lockdowns and the economy stabilized, gasoline was about $3.00 per gallon. What has happened since then?

To start, the Russian invasion of Ukraine is at the top of the list of culprits. This has destabilized the world, both politically and economically. Scary thought: there is no end in sight, and it may get worse as we enter the cold months of winter. Europe faces big challenges when the cold weather arrives and there is a shortage of heating oil and natural gas. This will be compounded by the shutdown of the many farms in Ukraine. Food, or the lack thereof, may be an issue come the end of the year.

Are you an investor? Fidelity has identified the **Six Habits of Successful Investors**:

- **Start with a plan and a budget** for both spending and saving. If you use an advisor, ensure he/she is a "Certified Financial Planner" who works on a fee basis. Some places to check as you search for an advisor; advisorinfo@sec.gov (for disciplinary record) and brokercheck@finra.org (background). If you are a "DIY"; be sure to do your homework!

Emotion and guess work are your enemies in this field.

- **Stick with the plan:** The Great Recession taught us this lesson. Those who ran for cover by exiting the market (down 50% at one point!) did not reap the rewards of staying the course. Those investors who remained invested saw the market recover 147% over the next ten (10) years and they went along for the ride!!

- **Be a saver, not a spender:** Know the difference between buying what you need and buying what you want! We have stated in the past to *consider saving until it hurts and then add 10%.* No two people or families are the same so adherence to this statement may not be possible. That's why it may be wise to seek advice from an expert (see #1 above).

- **Be Diverse**: Having the appropriate investment mix of equities, bonds and alternatives is an important key to successful investing. Even within your equities have a mix of value, growth, and blend.

- **Fees count (against you):** You may not be able to control the market, but you can control your costs! For those who are DIY, consider low-fee investment products that offer good value and experience. If you rely on an expert, shop around for someone who will work for you at a reasonable price.

- **Taxes:** No way around it, Uncle Sam will, in most cases be knocking on your door looking for "its cut." Plan accordingly!

Now, let's take a look at our Pension Fund as we closed out the FY 3rd Quarter 6.30.22 (calendar year 2nd Quarter):

For the reporting period (FY 3rd Quarter) the Dow was down -10.8%; the NASDAQ was down -22.3% and the S&P 500 was down -16.1%. The Fund lost -9.53% during this quarter and -11.18% over the past 12 months. The Fund relies on our consultant and our investment professionals to invest with prudence. In the meantime, our **DROP** rate of return for the 3rd Quarter ending June 30, 2022, has been set at -9.53% as certified by our Consultant. Please refer to the attached reports for a more complete look at our Fund's performance.

Board Elections:

Fire: **Trustee Jorge Rossi:** congratulations to Battalion Chief Jorge Rossi as he was re-elected by acclamation to another three-year term (2025) as no one applied to run for this term in office.

Police: **Trustee Patrick Hanrahan:** congratulations to Pat Hanrahan as he was re-elected by the membership to another three-year term (2025).

Both **Trustee Rossi and Trustee Hanrahan** express their respective gratitude to the membership for their trust in the work they will do going forward. This is a labor of focused dedication to ensure a safe and secure Pension Fund for the entire membership!

Congratulations to **Trustee Sharra Aaronian** as she was re-appointed by the Pompano Beach City Commission to another three-year term on your Board of Trustees!!

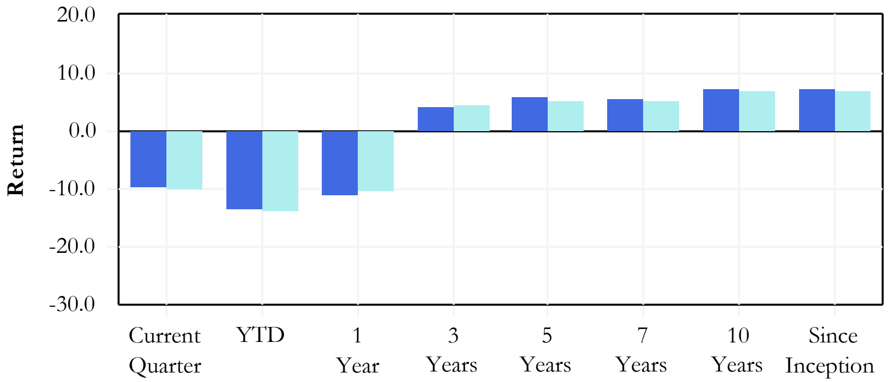
As always: stay safe & stay in touch!

Pompano Beach Police & Firefighters' Retirement System

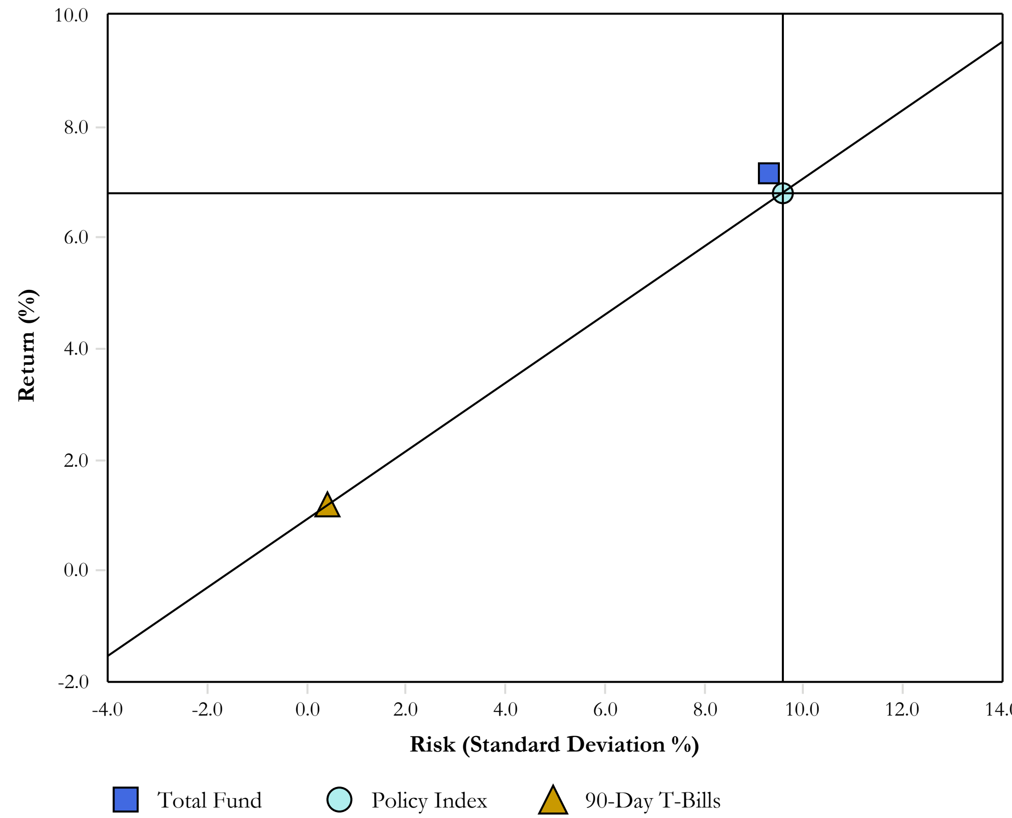
Total Fund - Executive Summary

as of June 30, 2022

Manager Performance Chart



Manager Risk & Return



Manager Annualized Performance

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 10/01/2002
Total Fund	-9.53	-11.66	-11.18	4.07	5.73	5.57	7.30	7.16
Policy Index	-10.01	-9.99	-10.24	4.37	5.29	5.27	6.81	6.82
Differences	0.48	-1.67	-0.94	-0.30	0.44	0.30	0.49	0.34

Historic Asset Growth

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 10/01/2002
Total Fund								
Beginning Market Value	275,437	283,719	284,304	244,919	227,180	228,763	177,505	17,915
Net Contributions	-5,217	-6,271	-8,109	-28,051	-46,150	-67,511	-80,106	2,848
Fees/Expenses	-268	-814	-1,084	-3,006	-4,987	-7,149	-10,354	-16,029
Income	1,116	3,551	4,555	12,996	22,523	30,590	41,637	67,525
Gain/Loss	-27,115	-36,231	-35,711	17,097	45,387	59,261	115,272	171,695
Ending Market Value	243,954	243,954	243,954	243,954	243,954	243,954	243,954	243,954

Modern Portfolio Statistics

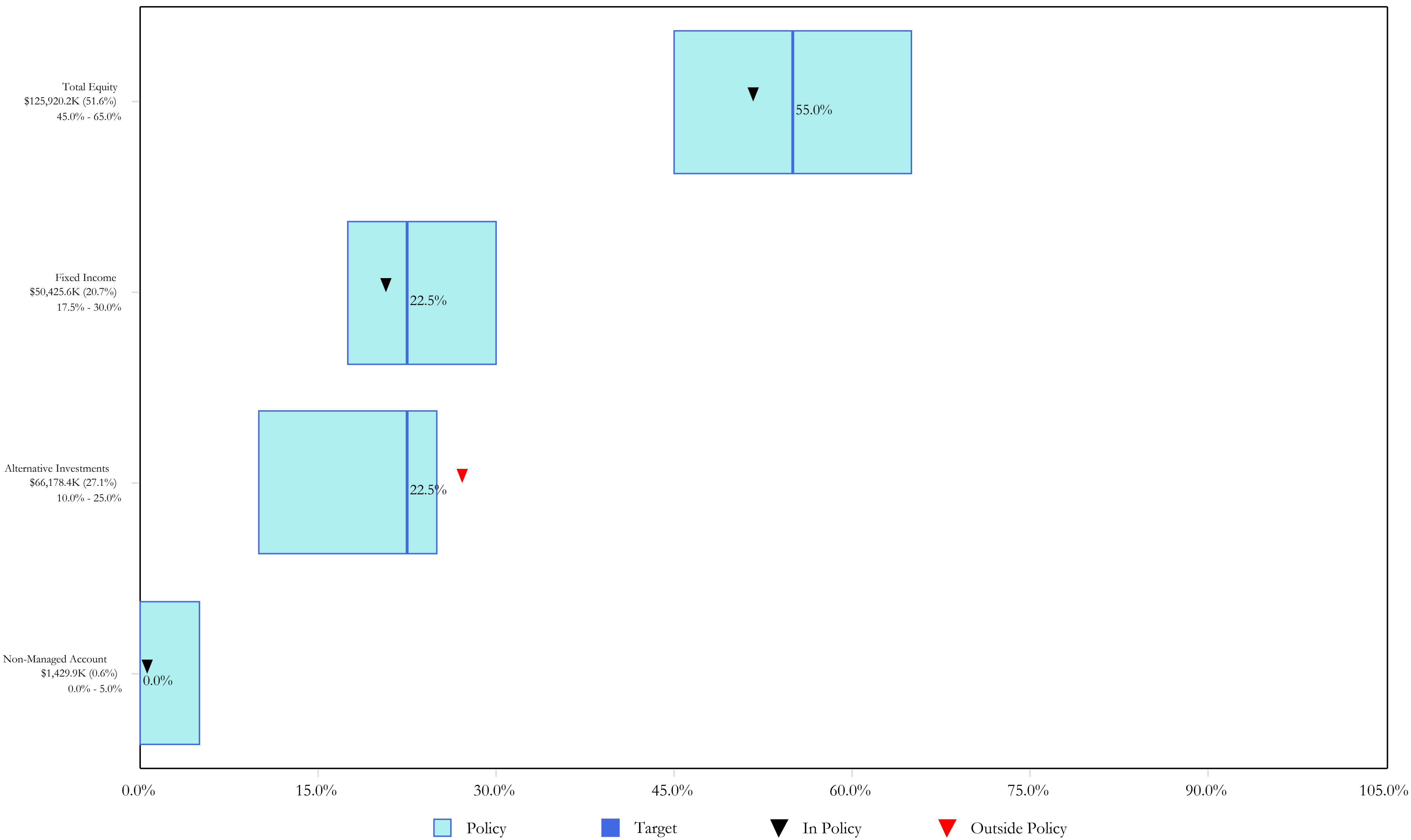
	Return	Standard Deviation	Beta	Maximum Drawdown	Up Capture	Down Capture	Alpha	Sharpe Ratio	R-Squared	Inception Date
Total Fund	7.16	9.30	0.95	-35.21	98.81	94.70	0.62	0.66	0.97	10/01/2002
Policy Index	6.82	9.58	1.00	-35.28	100.00	100.00	0.00	0.61	1.00	10/01/2002

Pompano Beach Police & Firefighters' Retirement System

Asset Allocation Compliance

as of June 30, 2022

Executive Summary



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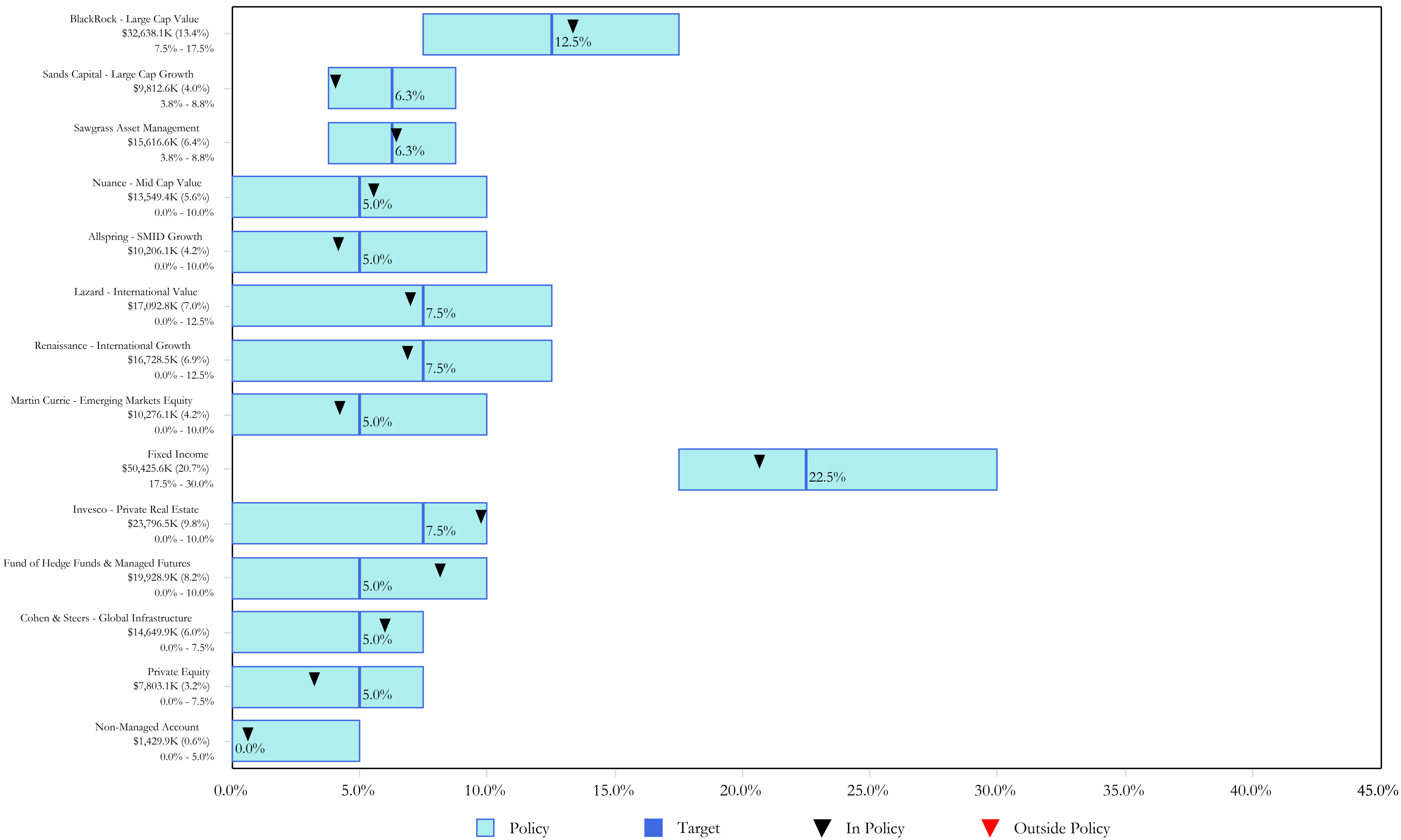
Graystone Consulting from Morgan Stanley

Pompano Beach Police & Firefighters' Retirement System

Asset Allocation Compliance

as of June 30, 2022

Executive Summary



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Graystone Consulting from Morgan Stanley

Pompano Beach Police & Firefighters' Retirement System

Asset Allocation & Time Weighted Performance

as of June 30, 2022

	Allocation		Performance(%)								
	Market Value ($)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Fund	**243,954,101**	**100.00**	**-9.53**	**-11.66**	**-11.18**	**4.07**	**5.73**	**5.57**	**7.30**	**7.16**	**10/01/2002**
Total Fund (net)			-9.62	-11.92	-11.53	3.67	5.31	5.12	6.82	6.68	
Policy Index			-10.01	-9.99	-10.24	4.37	5.29	5.27	6.81	6.82	
Domestic Equity											
BlackRock - Large Cap Value	32,638,115	13.38	-10.17	-3.47	-4.15	8.56	8.87	9.60	N/A	9.95	02/01/2013
BlackRock - Large Cap Value (net)			-10.23	-3.65	-4.40	8.29	8.58	9.21	N/A	9.49	
Russell 1000 Value			-12.21	-6.09	-6.82	6.87	7.17	7.69	N/A	9.53	
Sands Capital - Large Cap Growth	9,812,646	4.02	-34.03	-50.86	-48.73	0.45	8.37	8.39	11.62	11.12	06/01/2003
Sands Capital - Large Cap Growth (net)			-34.15	-51.11	-49.07	-0.16	7.71	7.74	10.96	10.48	
Russell 1000 Gr			-20.92	-19.70	-18.77	12.58	14.29	13.45	14.80	10.75	
Sawgrass Asset Management	15,616,588	6.40	-14.28	-8.21	-7.39	11.94	N/A	N/A	N/A	14.32	02/01/2019
Sawgrass Asset Management (net)			-14.40	-8.57	-7.87	11.39	N/A	N/A	N/A	13.78	
Russell 1000 Gr			-20.92	-19.70	-18.77	12.58	N/A	N/A	N/A	14.56	
Nuance - Mid Cap Value	13,549,391	5.55	-7.29	-2.19	-3.28	7.21	N/A	N/A	N/A	9.10	07/01/2018
Nuance - Mid Cap Value (net)			-7.37	-2.46	-3.62	6.87	N/A	N/A	N/A	8.75	
Russell Midcap Value			-14.68	-9.08	-10.00	6.70	N/A	N/A	N/A	5.93	
Allspring - SMID Growth	10,206,109	4.18	-24.90	-39.33	-40.28	1.00	8.31	7.85	11.23	15.07	02/01/2009
Allspring - SMID Growth (net)			-25.07	-39.72	-40.77	0.23	7.45	6.96	10.29	14.11	
Russell 2500 GR			-19.55	-29.31	-31.81	3.68	7.53	7.05	10.88	14.03	
International Equity											
Lazard - International Value	17,092,822	7.01	-12.45	-17.72	-18.99	-0.71	1.52	2.21	N/A	3.07	02/01/2013
Lazard - International Value (net)			-12.56	-18.02	-19.38	-1.18	1.03	1.71	N/A	2.57	
MSCI AC World ex US Net			-13.73	-16.94	-19.42	1.35	2.50	2.92	N/A	3.28	
MSCI AC World ex US Value Net			-11.90	-10.70	-12.76	0.56	1.24	1.72	N/A	2.02	

Graystone Consulting from Morgan Stanley

Pompano Beach Police & Firefighters' Retirement System

Asset Allocation & Time Weighted Performance

as of June 30, 2022

	Allocation		Performance(%)								
	Market Value ($)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Renaissance - International Growth	16,728,465	6.86	-14.81	-18.83	-21.26	-0.36	-0.29	0.91	4.47	6.71	02/01/2009
Renaissance - International Growth (net)			-14.94	-19.21	-21.74	-0.96	-0.89	0.29	3.81	6.06	
MSCI AC World ex US Net			-13.73	-16.94	-19.42	1.35	2.50	2.92	4.83	6.91	
Martin Currie - Emerging Markets Equity	10,276,064	4.21	-13.62	N/A	N/A	N/A	N/A	N/A	N/A	-25.07	12/01/2021
Martin Currie - Emerging Markets Equity (net)			-13.76	N/A	N/A	N/A	N/A	N/A	N/A	-25.25	
MSCI EM Net			-11.45	N/A	N/A	N/A	N/A	N/A	N/A	-16.08	
Fixed Income											
Insight Investment - Fixed Income	25,198,863	10.33	-4.63	-10.05	-10.02	-0.64	1.11	1.55	1.74	3.43	05/01/2003
Insight Investment - Fixed Income (net)			-4.69	-10.21	-10.23	-0.86	0.89	1.30	1.46	3.12	
Barclays Aggregate			-4.69	-10.34	-10.29	-0.93	0.88	1.42	1.54	3.28	
Incore/Victory	25,226,708	10.34	-4.45	-9.73	-9.67	-0.32	1.31	1.76	1.96	3.73	10/01/2002
Incore/Victory (net)			-4.50	-9.88	-9.86	-0.52	1.11	1.57	1.79	3.51	
Barclays Aggregate			-4.69	-10.34	-10.29	-0.93	0.88	1.42	1.54	3.38	
Alternatives											
Invesco - Private Real Estate	23,796,519	9.75	4.89	18.29	27.28	11.64	10.03	9.96	11.05	7.41	08/01/2006
Invesco - Private Real Estate (net)			4.62	17.38	25.97	10.51	8.87	8.78	9.86	6.28	
NCREIF Property Idx			3.22	15.41	21.44	10.22	8.86	8.84	9.67	7.87	
Barclays Aggregate			-4.69	-10.34	-10.29	-0.93	0.88	1.42	1.54	3.37	
BlackRock - Global L/S Credit	2,353,849	0.96	-5.89	-8.05	-8.14	N/A	N/A	N/A	N/A	1.39	06/01/2020
BlackRock - Global L/S Credit (net)			-5.89	-8.05	-8.14	N/A	N/A	N/A	N/A	1.39	
HFRX Fixed Income - Credit Index			-8.03	-12.90	-13.05	N/A	N/A	N/A	N/A	-0.60	
Barclays Aggregate			-4.69	-10.34	-10.29	N/A	N/A	N/A	N/A	-4.94	
Blackstone - Multi-Strategy	2,372,133	0.97	-4.46	-6.06	-6.14	N/A	N/A	N/A	N/A	4.80	06/01/2020
Blackstone - Multi-Strategy (net)			-4.46	-6.06	-6.14	N/A	N/A	N/A	N/A	4.80	
HFRX Global Hedge Fund			-3.75	-4.98	-5.12	N/A	N/A	N/A	N/A	3.83	
Barclays Aggregate			-4.69	-10.34	-10.29	N/A	N/A	N/A	N/A	-4.94	

Pompano Beach Police & Firefighters' Retirement System

Asset Allocation & Time Weighted Performance

as of June 30, 2022

	Allocation		Performance(%)								
	Market Value ($)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Ironwood - FOHF	15,202,930	6.23	-1.95	-1.30	2.52	7.95	7.01	5.50	6.63	4.55	08/01/2008
Ironwood - FOHF (net)			-1.95	-1.30	2.52	7.95	7.01	5.50	6.63	4.55	
HFRI FOF Conservative			-1.55	-0.71	0.26	4.70	4.06	3.13	3.84	2.17	
Barclays Aggregate			-4.69	-10.34	-10.29	-0.93	0.88	1.42	1.54	3.02	
Cohen & Steers - Global Infrastructure	14,649,920	6.01	-7.12	3.32	3.26	N/A	N/A	N/A	N/A	9.58	09/01/2020
Cohen & Steers - Global Infrastructure (net)			-7.12	3.32	3.26	N/A	N/A	N/A	N/A	9.58	
DJ Brookfield Gbl Infra Comp TR			-7.21	3.32	1.82	N/A	N/A	N/A	N/A	11.24	
Barclays Aggregate			-4.69	-10.34	-10.29	N/A	N/A	N/A	N/A	-6.28	
Neuberger Berman - Private Equity #1	3,560,001	1.46	0.00	-2.38	-2.16	7.41	8.10	9.52	10.58	5.57	04/01/2010
Neuberger Berman - Private Equity #1 (net)			0.00	-2.38	-2.16	7.41	8.10	9.52	10.58	5.57	
MSCI ACWI / 90-Day T-Bill (Mar)			0.14	-3.58	-6.46	6.52	5.60	5.13	6.41	4.94	
BC Agg/90-Day T-Bill (Mar)			0.14	-5.79	-5.74	0.71	1.88	2.14	N/A	N/A	
Neuberger Berman - Private Equity #2	3,060,512	1.25	0.00	2.27	6.78	21.39	18.54	15.79	N/A	13.24	08/01/2014
Neuberger Berman - Private Equity #2 (net)			0.00	2.27	6.78	21.39	18.54	15.79	N/A	13.24	
MSCI ACWI / 90-Day T-Bill (Mar)			0.14	-3.58	-6.46	6.52	5.60	5.13	N/A	3.95	
BC Agg/90-Day T-Bill (Mar)			0.14	-5.79	-5.74	0.71	1.88	2.14	N/A	2.16	
Blackstone - Private Equity	573,125	0.23	-16.17	-24.92	-32.61	-3.27	2.02	3.67	N/A	5.28	12/01/2013
Blackstone - Private Equity (net)			-16.46	-25.74	-33.54	-4.71	0.55	2.16	N/A	3.39	
S&P 500			-16.10	-11.13	-10.62	10.60	11.31	11.14	N/A	11.12	
90-Day T-Bills			0.14	0.18	0.19	0.61	1.09	0.86	N/A	0.71	
Goldman Sachs - Private Equity	609,415	0.25	0.00	4.17	5.14	10.78	8.58	8.37	N/A	8.34	01/01/2014
Goldman Sachs - Private Equity (net)			0.00	4.17	5.14	10.78	8.58	8.37	N/A	8.34	
MSCI ACWI / 90-Day T-Bill (Mar)			0.14	-3.58	-6.46	6.52	5.60	5.13	N/A	4.21	
BC Agg/90-Day T-Bill (Mar)			0.14	-5.79	-5.74	0.71	1.88	2.14	N/A	N/A	
Cash & Equivalents											
Non-Managed Account	1,429,926	0.59	0.11	0.11	0.11	0.73	1.23	0.93	1.26	1.28	10/01/2002
90-Day T-Bills			0.14	0.18	0.19	0.61	1.09	0.86	0.62	1.18	

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Graystone Consulting from Morgan Stanley

Pompano Beach Police & Firefighters' Retirement System

Asset Allocation & Net Dollar Weighted Performance (IRR)

as of June 30, 2022

	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Fund	**100.00**	**-9.63**	**-11.87**	**-11.46**	**3.76**	**5.48**	**5.15**	**7.08**	**6.97**	**09/30/2002**
Domestic Equity										
BlackRock - Large Cap Value	13.38	-10.24	-2.87	-3.61	9.40	9.32	9.66	N/A	10.29	01/31/2013
Sands Capital - Large Cap Growth	4.02	-34.15	-50.63	-47.39	10.11	16.56	12.13	15.28	10.59	05/31/2003
Sawgrass Asset Management	6.40	-14.40	-7.32	-6.20	13.21	N/A	N/A	N/A	15.88	01/31/2019
Nuance - Mid Cap Value	5.55	-7.37	-2.22	-3.38	7.26	N/A	N/A	N/A	9.15	06/30/2018
Allspring - SMID Growth	4.18	-25.06	-39.75	-40.77	3.74	11.38	8.73	13.03	18.78	01/31/2009
International Equity										
Lazard - International Value	7.01	-12.56	-17.96	-19.25	-0.94	1.42	1.99	N/A	2.58	01/31/2013
Renaissance - International Growth	6.86	-14.95	-19.08	-21.54	-0.52	-0.27	0.75	3.62	4.72	01/31/2009
Martin Currie - Emerging Markets Equity	4.21	-13.76	N/A	N/A	N/A	N/A	N/A	N/A	-25.25	11/30/2021
Fixed Income										
Insight Investment - Fixed Income	10.33	-4.69	-10.12	-9.99	-0.72	0.94	1.35	1.50	3.15	04/30/2003
Incore/Victory	10.34	-4.50	-9.79	-9.62	-0.36	1.19	1.64	1.89	3.58	09/30/2002
Alternatives										
Invesco - Private Real Estate	9.76	4.62	17.37	25.97	10.50	8.86	8.77	9.85	7.91	07/31/2006
BlackRock - Global L/S Credit	0.97	-5.53	-7.69	-7.89	N/A	N/A	N/A	N/A	0.92	05/31/2020
Blackstone - Multi-Strategy	0.97	-4.28	-5.66	-5.80	N/A	N/A	N/A	N/A	4.23	05/31/2020
Ironwood - FOHF	6.23	-1.95	-1.30	2.52	7.94	7.00	5.49	6.32	4.76	07/31/2008
Cohen & Steers - Global Infrastructure	6.01	-7.12	3.32	3.26	N/A	N/A	N/A	N/A	9.60	08/31/2020
Neuberger Berman - Private Equity #1	1.46	0.00	-2.37	-2.09	7.58	8.36	9.93	11.19	10.02	03/31/2010
Neuberger Berman - Private Equity #2	1.26	0.00	2.18	7.00	21.86	18.47	16.46	N/A	15.44	07/31/2014
Blackstone - Private Equity	0.24	-16.30	-25.30	-32.32	0.25	6.45	6.32	N/A	6.76	11/30/2013
Goldman Sachs - Private Equity	0.25	0.00	4.35	5.25	9.11	6.95	7.42	N/A	8.53	12/31/2013
Cash & Equivalents										
Non-Managed Account	0.59	0.10	0.04	0.04	0.52	0.74	0.14	-0.58	-0.42	09/30/2002

GUIDELINES	In Compliance
Equity Portfolio	
Listed on recognized exchange	Yes
Single issue not to exceed 15% at market value for each equity in each separately managed portfolio	Yes
No scrutinized companies (Sudan/Iran) held per Protecting Florida's Investments Act requirement	Yes
Fixed Income Portfolio	
U.S. Government / Agency or U.S. Corporations	Yes
Bonds rated "BBB" or better	Yes
BBB rated bonds < 15% of fixed income portfolio at market	Yes
Single corporate issuer not exceed 10% of bond portfolio	Yes