



*Dale R. Folwell, CPA*

## INVESTMENT MANAGEMENT

### MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Loren de Mey, Assistant Investment Director

DATE: February 8, 2019

SUBJECT: Investment Guideline Compliance Reporting – 4<sup>th</sup> Quarter of 2018

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#### **Divestment Policies**

No prohibited holdings were held in the Supplemental Retirement Plans Group Trust during the calendar quarter.

#### **Investment Guidelines**

The Supplemental Retirement Plans' staff continues to monitor the reporting on a daily basis. No material issues occurred in the 4<sup>th</sup> quarter of 2018 and all managers are in compliance with guidelines.

The staff conducted separate meetings with the NC International Equity Fund investment managers, Mondrian and Baillie Gifford, to discuss the introduction of China's Class A share to each portfolio and enable trading of this share class via the Hong Kong Stock Connect Service. Class A shares allow the managers to invest directly in mainland China. Over 200 China A Large Cap shares were recently included in the MSCI Emerging Markets Index and the MSCI ACWI ex-US Index. The staff proposed updating the investment guidelines to limit the exposure to this type of share to a maximum of seven percent of each portfolio's total value. The staff is also conducting the necessary due diligence process with the custodial bank to enable trading via the Hong Kong Connect service. The implementation is tentatively scheduled for the first quarter of 2019.

The staff was notified by the FTSE Russell team of the upcoming transition from Russell Global Sectors (RGS) to Industry Classification Benchmark (ICB) sector classification, originally scheduled for January 1, 2019. A due diligence phone conference was conducted to discuss the change and proposed enhancements. The staff was informed that the implementation of the updated classification will take place in June 2019 or later. The staff and the custodian will receive a notice of transition from Russell. The team continues to monitor this development.