



SUMMARY TO THE BOARD OF TRUSTEES AND F.I.A.C. MANAGER UPDATE WORKSHOP

Monday, May 6, 2024
12:00 P.M. – 1:00 P.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
Richard "Dick" Cohee Board Room

Board of Trustees

Chief Chris Brown, Chair

*Mia Jones

*Capt. Michael E. Lynch

Financial Investment and Advisory Committee (F.I.A.C.)

Brian Chappell

Staff

Timothy H. Johnson, Executive Director – Plan Administrator

Steve Lundy, Deputy Director

Kevin Grant, Finance Manager

Guests

Dyice Ellis-Beckham, H.I.G. Capital

David Hirschberg, H.I.G. Capital

Ira Weidhorn, H.I.G. Capital

*Asterisk denotes virtual meeting attendance via the ZOOM application.

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Steve Lundy, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or SLundy@coj.net to file a public records request.

Pursuant to the American with Disabilities Act, accommodations for persons with disabilities are available upon request. Please allow 1-2 business days notification to process; last minute requests will be accepted, but may not be possible to fulfill. Please contact Disabled Services Division at: V(904) 630-4940, TTY-(904) 630-4933. If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting. Additional items may be added / changed prior to meeting.

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Summary

I. Public Speaking

None.

II. Manager Update

a. H.I.G. Capital

Dyice Ellis-Beckham from H.I.G. Capital kicked off the presentation by introducing her firm. She delved into page 8, titled "H.I.G. Capital – A Global Leader in the Middle Market." H.I.G. stands as a prominent global alternative asset firm, boasting a 30-year track record dedicated to creating value in the middle market. The firm manages a total of \$60 billion in assets, spread across real assets (\$6 billion), private equity (\$32 billion), and private credit (\$22 billion). With a workforce of 1,020 employees, including 550 investment professionals across 19 Core Global Offices, H.I.G. oversees 17 strategies.

Ira Weidhorn covered page 13 of the presentation, titled "H.I.G. Realty Partners Fund V – Investment Strategy," providing a comprehensive overview:

Overview:

- Investment Opportunity: H.I.G. Realty targets stressed or mismanaged lower to middle market assets lacking capital, aiming to deliver significant returns through its value-add strategy.
- Strategy: Focuses on investing in U.S. real estate assets within the lower to middle market, typically with Gross Asset Value (GAV) below \$200 million.

Investment Profile:

- Geography: Emphasizes top 30 Metropolitan Statistical Areas (MSAs) in the U.S., targeting areas with positive demographic shifts and robust employment fundamentals.
- Sector Focus: Adopts a flexible, sector-agnostic approach to capture the best value across the lower to middle market, utilizing moderate leverage.
- Primary Target Sectors / Asset Class: Includes industrial, multifamily, data centers, hospitality, non-performing loans, and distressed opportunities.
- Target Equity: Ranges from \$20 to \$70 million per investment.
- Target Loan-to-Value (LTV): Aims for 60% to 70% LTV.

H.I.G. Investment Approach:

- Competitive Angle: Focuses on the less competitive lower to middle market segment, offering more attractive risk-return profiles.
- Diversification: Builds a diversified portfolio comprising 30 to 35 investments across geography, asset class, and risk profile.

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- Target Attributes: Prioritizes recession-resilient assets with positive demographic trends, strong credit tenancy, and lease terms.

H.I.G. Competitive Advantages:

- Value-Add Expertise: Demonstrates proficiency in sourcing, diligencing, rehabilitating, redeveloping, repositioning, and rebranding stressed or capital-starved assets.
- Differentiated Sourcing Capabilities: Recognized as one of the most active lower to middle market investors, with robust proprietary and semi-proprietary deal flows.
- Dedicated Team: Employs a dedicated team of 25 seasoned investment professionals with proven track records.
- Strong Performance: Exhibits consistent, time-tested performance across multiple investment cycles, achieving realized gross returns of 23% IRR and 1.8x MOIC, and realized net returns of 15% IRR and 1.5x MOIC.

Ira Weidhorn continued on Page 17, detailing the portfolio construction of H.I.G. Realty Partners IV:

- Fund Size: \$838 million
- Number of Investments: 27
- Average Equity Check: Approximately \$26 million
- Average Transaction Size: Around \$100 million
- Average Discount to Replacement Cost: 29%
- Average Loan-to-Value (LTV): 64%

David Hirschberg then took over, covering various aspects:

- Page 24, "Investing in Today's Market – Target Opportunities":

Following recent market dislocation, H.I.G. Realty aims to leverage the current pricing environment and a uniquely attractive investment vintage. Primary target sectors include industrial, multifamily, data centers, hospitality, non-performing loans, and distressed opportunities.

- Page 30: Hirschberg presented three examples—Project Quad, Princeton R&D, and Westchester.
- Page 32: Introduced the H.I.G. Realty Partners U.S. Senior Leadership team.
- Page 43: Discussed the investment performance of H.I.G. Realty Partners IV.

Hirschberg concluded the presentation on page 41, showcasing a case study, the B&D Industrial Outdoor Storage Platform, with performance highlights such as acquiring ten 100% occupied industrial properties and executing three new leases resulting in an average rental increase of 85%.

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III. Adjournment
1:00 P.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

Posted: 05/06/2024

To be Approved: 05/31/2024