

# U.S. Masters Swimming Meeting Minutes

<b>Committee Name:</b>	Investment Committee	<b>Session #:</b>	
<b>Committee Chair:</b>	Ralph Davis	<b>Vice Chair:</b>	Stan Benson
<b>Minutes recorded by:</b>	Phil Dodson	<b>Date/time of meeting:</b>	10/18/23 @ 7 PM EDT

## MSA:

1. Approved Meeting Minutes of July 18, 2023
2. Sell Int'l Dev x-US approximately \$35K to reduce investment to 10% allocation and use cash proceeds with the \$300K cash from T Bills maturing 10/19/23 to reinvest into three \$112,000 T bills with maturities of 4, 5 and 6 months. Upon maturity, the amounts shall be automatically reinvested into 3-month T Bills, subject to cash flow needs to be decided by the Treasurer and Controller.
3. Approved SLL Spending Policy for presentation to Board

**Number of committee members present: 9**                      **Absent: 0**                      **Other USMS present: 1**

**Committee members present (list all, including chair and vice chair):** Ralph Davis, Stan Benson, Jill Gellatly (Ex-officio), Guy Davis, Phil Dodson, Gary Keehner (Ex-officio), C.J. Rushman, Bill Sherman, Robin Smith    **Other USMS representatives Present:** Dawson until 7:30    **Absent:** none

**Guests:** Jim Gregory, Northern Trust Investment Manager

## Minutes

The meeting was called to order at 7:02 PM EDT. Ralph asked if any conflicts of interest. None were noted. Ralph then introduced Jim Gregory, our Northern Trust (NT) Investment Advisor, who described recent changes in the NT tactical allocation weightings, followed with a brief recap of the US economic, inflation and market outlook and review of both the USMS and SSL Investment portfolios third quarter 2023 performances:

- There were no NT Tactical allocations changes. NT is still cautious on equities with only Cash and Hi Yield overweight and Investment grade, Infrastructure and Real Estate at equal weight. Jim recommended reducing our International developed x-US from 11% to 10% or approximately \$35K, which later we agreed to do. This allocation favors credit markets over equity markets.
- NT feels the rise in long term rates, 10-year Treasuries, are overdone and should decline back to 4-4.5% in the next six months. These higher interest rates are helping the Fed's moves to lower inflation and NT does not expect another rate hike and may start to cut rates in mid-2024.
- The third quarter global equity return was a minus 3.3% with several moves up and down during the quarter. USMS portfolio performance was minus 2.8% net of fees. Value ETF's and fixed income ETFs performed poorly during quarter.
- SSL portfolio is in the NT focus model portfolio, which follows the tactical recommendations and allocations. It has less risk and less equity than the USMS portfolio. Its third quarter was a minus 2.52% net of fees.
- NT base case is equities have peaked with minimal opportunity for upside which matches slow to flat growth in the economy. The market is complacent in taking too much comfort in a possible soft landing and is not factoring in the lag effect of Fed actions and continuing economic challenges in China.
- NT believes the biggest risk factors for market are geopolitical – Ukraine Russia war, expansion of Middle East war, both affecting the price of oil and potential to reignite inflation and whether a soft landing will materialize versus a harder recession.
- GDP 3<sup>rd</sup> quarter is higher than expected, fourth quarter should be lower.
- Inflation is continuing to decline but stubbornly sticky with some intermittent increases. A breakdown of inflation's components shows that services are where inflation is still stubbornly high.

Our guest, Dawson Hughes, was given the floor to discuss the USMS cash flow outlook for 2024:

- The Board approved the GUS investment Monday night, as a result USMS needs \$150K during 2024 to fund the investment.
- USMS borrowed \$75K on its LOC in September for the first time ever. This will be paid back soon with 2024 registration fees.
- Budgeting for 2024 is planning a deficit and should need some cash sometime after second quarter.
- Ralph pointed out the investment portfolio currently has over \$400K in short term Treasuries Bills, plus the portfolio will generate another \$85K+ in dividends and interest. Therefore, there are sufficient funds and liquidity to meet 2024 cash needs. There will be no need to liquidate any other investment and there is no market risk with respect to our cash flow needs.

The Committee was also asked to provide guidance to the Treasurer and Controller how best to manage the short-term excess cash that results annually from registration revenues. NT CD rates were provided by Jim which quoted 5.03%. It was pointed out that current T-Bill yields were about fifty basis points higher than NT, have no risk, can be liquidated any time penalty free and will not count towards the NT bank 4250K FDIC insurance limit.

Based on Jim's recommendation to reduce the International Developed allocation 1% age point, the Committee discussed then approved selling \$35K of the position and combining that cash with \$300K from a T-Bill maturing in two days and reinvest the total cash into three T-Bill positions of \$112K each, maturing in 4, 5 and 6 months, with the Treasurer and Controller to decide whether to reinvest or use cash as needed by USMS upon each maturity.

Our next meeting is scheduled for Tuesday, January 16<sup>th</sup>, 2024 at 7:00 pm EST