

U.S. Masters Swimming Meeting Minutes

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

MSA:

1. Approved Meeting Minutes of April 18, 2023
2. To reinvest \$300,000 of T Bills maturing 7/20/23 with a roll over into another 3 month T Bills maturing in October
3. Reduce International Developed allocation by \$42K and reinvest into 5 year TIPS
4. Reviewed relationship with Investment Advisor as mandated in the Investment Policy and agreed to continue Northern Trust as the USMS investment advisor without seeking other RFPs.

Number of committee members present: 8	Absent: 1	Other Delegates present: 0
Committee members present (list all, including chair and vice chair): Ralph Davis, Stan Benson, Teddy Decker (Ex-officio), Phil Dodson, Gary Keehner (Ex-officio), C.J. Rushman, Bill Sherman, Robin Smith		
Other USMS representatives Present: None		
Absent: Guy Davis		
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 2nd quarter 2023 performances:

- NT Tactical allocations slightly increased in Cash, Hi Yield and Investment grade, though the latter is still an underweight, and reduced Developed ex-US by the increase in Investment grade – about 2 percentage points
- In the 2nd quarter congress settled the US debt issues (for a while), bank earnings are expected to be good, the Fed continued to raise rates though with one pause, inflation is coming down and recession fears are declining.
- The S&P was up 16.8% led primarily by 7 big tech names, the NASDAQ up 32.7% and the DOW was a laggard up only 3.8%
- NT is underweight equities because its base case is: growth continues to slow to almost flat, retails sales are softening, pandemic personal savings are being used up, wage gains are coming down but not enough for the Fed to pause in July and valuations have risen too fast to hold. China growth since covid restrictions lifted are very slow to improve.
- The market is too confident in a soft landing, though NT believes that is most likely but with very slow growth. NT expects the Fed to raise 1 to 2 more times with more rate increases expected by the ECB
- NT believes the biggest risk factor is for market to continue to run higher on upward momentum spreading from the big 7 tech stocks to the broader market while positioned with an underweight in equities thus missing out on these potential gains.
- Dividend value funds have really lagged the market in the 1st half of 2023
- NT's GDP outlook is lower for Q3 and Q4 with a small increase in Q1 – 2024. Again no recession.

In discussion of USMS performance and portfolio, Jim pointed out our equity allocation is 56% close to the top of our of 60% range. He suggested we could reduce International developed \$42K to lower our allocation 1% age point to match NT target of 11% and reinvest in 5year TIPS. The USMS performance was Q2 – 3.71%, 6 months 8.90%, 1 year 9.44%, and 5 year 4.65% and since the 2011 inception of the I/C 5.79% with a current yield of 2.3%

Teddy and Gary briefly reviewed USMS's needs and plans for cash distribution in the October which is to be \$144K. There is sufficient cash in money market account to support this distribution was well as \$40-\$50K cash expected in dividends and interest. Given these cash needs for 2024 and timing it was decided to rollover \$300K of T bills maturing on July 20th for 3 months,

reallocating \$42K of Int'l into 5 year TIPS and keep the money market untouched. Note that the NT money market is yielding almost 4.8% as another reason to leave the funds untouched.

Jim reviewed the Swimming Save Lives (SSL) portfolio performance which was very similar to the USMS performance, except USMS returns were higher due to its higher allocation in US large cap and more recently USMS higher allocation in 5% T Bills versus investment grade bonds.,

Ralph informed the Committee that the Board approved in the SSL Spending Policy. Teddy asked for guidelines on spending for the SSL portfolio. Ralph will to draft changes to the policy to add guideline on spending and email it to Committee for their approval.

Our next meeting is scheduled for Tuesday, October 17th.