

# 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>	10/19/21 @ 7 PM EDT

## MSA:

1. Approved Meeting Minutes of July 7, 2021
2. To redeploy \$160K from cash and ultra short bond fund as follows: \$100K into - NT FDS Bond Index Fund and \$60K into - Hi Yield PIMCO Fund

**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, Susan Kuhlman (Ex-officio), Guy Davis, Phil Dodson, Homer Lane, Bill Sherman, Stan Benson **Absent** Teddy Decker (Ex-officio), **Other USMS representatives Present:** None

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

## Minutes

The meeting was called to order at 7:02 PM EDT and Ralph asked if any USMS person attending had a conflict of interest. Hearing none Ralph introduced Jim Gregory, our Northern Trust Investment Advisor who gave a brief recap of the market outlook followed by a review of both the USMS and SSL Investment portfolios 3<sup>rd</sup> quarter performances.

Jim started the discussion recapping the Northern Trust (NT) investment committee 12 month outlook. In brief: inflation still expected to be transitory but last longer, Fed will start tapering this November but expectation for rate hikes are not until 2023, supply chain issues are expected to last thru mid 2022, earnings are strong and support current valuations. Northern Trust strategic and tactical allocations: Long Term over weight Hi Yield and Nat Resources (which we not in). The global economy has a supply problem not a demand problem with the pandemic not causing economic hardship. Some larger companies can manage the supply chain issues. Others cannot. The consumer is healthy and wants to spend. Growth is moderating, but still favors a long term positive business cycle.

Risks to watch out: Inflation continues to build and central banks respond sooner or larger than expected; China growth slower with continued regulatory issues, energy shortages and real estate dislocations.

Over weighting: Hi-Yield because it presents less risk than investment grade fixed assets; US equities, Developed International and a Natural Resources (which we are not in).

Inflation is relatively high, but some sectors are starting to cool down. Expect continued volatility + or - 1% market days are easy to achieve.

The case for diversification and staying fully diversified remains strong.

Specifics to USMS portfolio:

Asset allocations are within tactical targets, no reasons to adjust any existing weighting other than cash. Performance: September down. October has almost recovered all of September market losses. Since USMS portfolio is mostly index investments, as the market goes so go our index funds. Our Emerging Market Fund performance is too much below its target. Jim may recommend a replacement index with better historical returns and forward information sheets to the Committee.

Jim recommends selling 50% PIMCO Ultra Short for Flex Shares with slightly better yield. He will look for 3<sup>rd</sup> Qtr performance sheets to share with us.

Jim recommended redeploying cash and ultra short funds into Hi-Yield funds and Bond Index Fund. Ralph motioned, Stan seconded To redeploy \$160K from cash and ultra short bond fund as follows: \$100K into - NT FDS Bond Index Fund and \$60K into - Hi Yield PIMCO Fund. Motion passed unanimously.

Following Jim Gregory's presentation:

Stan asked about labor impact on inflation. Homer is concerned and asked about the probability of 10% correction. Jim's answer was when is the issue, does not take much due to technology driven trading, though a 20% correction is not in investment advisors outlooks. Jim's main concern is the do nothing congress. Stan asked about money on the sidelines. Trillions of dollars are waiting to be invested, will come into market fast and probably prevent too big of a decline.

Comments about our Investment Policy Statement (IPS) were discussed:

Primarily that the IPS does not permit "commodities" which some equate to Natural Resources. Jim commented that if we want to start such an allocation it should be small, not at the full tactical allocation percentage and will require revision to IPS. Ralph volunteered to receive committee members' comments on changes to IPS before year end and will circulate in advance of next meeting for early discussion. Homer is in favor of adding the Natural Resources as an acceptable asset class. Guy pointed out we should not rely upon the global category nor fund names in assigning the underlying investments to an asset class. For example: commodity investments are much different than the stock of large companies producing natural resources in the Natural Resources fund. Stan pointed out a use of commodity futures is to mitigate risk on natural resources stocks but to do so would require change in IPS. Homer also pointed out that his experience with several other Investment Committees is their IPS set a schedule of specific topics for discussion, topics such as asset allocation and managers' performance. Bill pointed out that since our portfolio is mostly Index Funds, in effect we are the manager.

After Jim was excused, the July meeting Minutes were approved. There was also discussion on the SSL portfolio, how it came to be separate from the USMS portfolio and whether it could be recombined. Ralph reiterated the special arrangement he negotiated with Northern Trust, that it was too small for NT but finally they agreed provided it would follow the tactical allocations. Susan pointed out GAAP reporting requires segregation and separate accounts make that accounting easy. Guy pointed out separate accounts permits different investment characteristics and goals should differences be desired.

The committee scheduled the next meeting for January 18, 2022, 7PM EST. Phil will be in Egypt and another minute taker will be required.

The meeting was adjourned at 8:27 PM EDT

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