

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:	10/29/24 @ 7 PM EST

MSA:

1. Approved Meeting Minutes of July 16, 2024
2. Rebalancing / reallocating motions:
 - a. To withdraw \$50,000 from the large cap fund NOSIX, and reallocate into money market NOGXX
 - b. To withdraw 50% of Hi Yield Pimco (PHIYX) and reinvest into another Hi Yield ETF iShares Broad USD High Yield Corp Bond Fund (USHY)
 - c. To withdraw 50% of NT Bond Fund (NOBOX) and reinvest into Vanguard S-T Treasury ETF (VGSH)
3. The Committee reviewed the Controller's investment spending calculation for the calendar year 2024 and approved \$139,831 for use in the 2025 USMS budget.

Number of committee members present: 7

Absent: 2

Other USMS present: 1

Committee members present (list all, including chair and vice chair): Ralph Davis, Guy Davis, Stan Benson, Phil Dodson, Gary Keehner (Ex-officio), C.J. Rushman, Bill Sherman, Robin Smith **Other USMS representatives Present:** Absent: Bill Sherman, Jill Gellatly (Ex-officio)

Guests: Jim Gregory, Northern Trust Investment Manager

Minutes

The meeting was called to order at about 7:00PM EDT. Ralph asked if any conflicts of interest. None were noted. Ralph then thanked Stan Benson for his service since inception of the Committee, who will be leaving after this year, Ralph then introduced Jim Gregory, our Northern Trust (NT) Investment Advisor, who described recent changes in the NT tactical allocation weightings, followed by a brief recap of the US economic, inflation and market outlook and review of both the USMS and SSL Investment portfolios third quarter 2024 performances. These are the highlights:

- Most notable in the Market: volatility is up before the election and LT rates are rising due to stronger economy.
- NT expects 2 Federal Reserve (The Fed) 25 basis rate cuts by year end and several more in 2025. The Fed is still restrictive and the soft landing scenario is most likely. NT forecasts Fed funds to settle in a range of 3-3.5%
- The NT Investment Policy meeting made only minor changes to its tactical allocations: Developed ex-US dropped to equal weight and Global Real Estate increased from equal to overweight. This is in reference to their 12 month outlook versus their Strategic 5 year outlook.
- NT Likes Emerging Markets, while our investment advisor, Jim G is on the fence about overweight
- The NT base case is for a soft landing with inflation headed to 2% but inflation is sticky and will take more time to reach The Fed's 2% target. The US Economy is resilient. Central banks across globe are lowering their interest rates.
- The Risk cases are: inflation remains higher for longer and the economy growth lags current expectations.
- Jim reviewed the Case for Diversification Chart. YTD and 10 year. US Equities is the big #1, though in the current year it is behind Gold which is #2 in the 10 year. 60/40 Portfolio comes in # 3 for the 10 years.
- Market returns in Presidential cycles almost always go up after election; uncertainty ends and the market focus returns to fundamentals and policies.

- Jim reviewed the USMS portfolio performance and allocations – observations:
 - We are over weighted to large cap – which has not hurt our performance
 - Due to the market run up we are slightly outside of target ranges
 - Recommends re balancing by trimming Large cap
 - Reduce large cap by \$50K
 - Reallocate to Ultra hi yield government money market.
 - Overall portfolio yielding about 2.7% with cash yields of \$93K
 - Portfolio is almost all in ETF's to keep fees down
 - Strong performance across the board: inception 5yr, 3 yr, 1 yr
 - Small caps are lagging, due to higher interest rates. The three top performances since inception all US: Large, then Mid then Small caps

- Reviewed the SSL portfolio; doing well, yielding 3.1% or about \$14K in cash returns.

- Jim also reviewed historical correlations in Economy and Market Performance and which party is in the White house and controls congress. Essentially makes no difference which party, economy and markets tend to be up. What matters most to the markets are government policies and secular trends.

- Then we discussed Jim's recommendations to reduce large cap and diversify the corporate bond fund and HiYield Fund. We reviewed the fact sheets Jim sent in advance:
 - HiYield, comparing Pimco and USHY US
 - Bond index fund versus ST Treasury ETF. Of note: the bond fund average maturity is around 8 year versus the 2 years for the Treasury ETF which also has a better return history.
 - We agreed to
 - Move \$50K out of large cap into money market to bring our Large Cap allocation to within target range
 - High yield; move 50% into new fund iShares Broad USD. This is viewed as a diversification move.
 - Bond index; move 50% into Vanguard ETF ST Treasuries. This is viewed as reducing our exposure to longer fixed income maturities and improving our yield and liquidity.

- Jim highlighted that the SSL portfolio may have too much cash, but we reminded Jim and ourselves that SSL plans to distribute \$23,180 in January 2025.

The Committee reviewed the Controller's investment spending calculation for the calendar year 2024 and approved \$139.831 for use in the 2025 USMS budget.

Next meeting will be January 28th, 2025 meeting 7:00 PM EST.

Meeting adjourned 8:01EDT