

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:	4/18/23 @ 7 PM EDT

MSA:

1. Approved Meeting Minutes of January 17, 2023
2. To move \$300,000 out of the MFB Northern Funds Bond Index Fund and purchase \$300,000 of 3 month T Bills
3. To approve Appendix A - Draft Spending Policy for Swimming Saves Lives Spending Policy

Number of committee members present: 8	Absent: 1	Other Delegates present: 0
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: None Absent: Teddy Decker (Ex-officio)		
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 and followed by a brief recap of the market outlook and review of both the USMS and SSL Investment portfolios 1st quarter 2023 performances.

Their current changes in the NT tactical allocations have a conservative bias and are:

- Increase Hi Yield with its solid income potential 8%, combined with good fundamentals suggesting issuers will have little trouble making payments.
- Increase cash, which are invested in short term money market funds at around 4.5%
- Slight under weighting of US Equities due to deteriorating growth potential.
- Other assets classes remain underweight or neutral.

The outlook expects the Federal Reserve (Fed) to raise interest rates another 25 basis points in May and keep rates 5-5.5% with no reductions in 2023. Their base case sees growth slowing to flat over next year. The Fed is walking a monetary tight rope with Fed indications not in synch with market expectations. Finally there is the risk of debt ceiling brinkmanship which could significantly and negatively impact the economy and markets. We reviewed US Inflation charts, which are very important to the Fed and closely watched by the Market. NT sees improvements: goods inflation coming down, but services inflation sticky and higher for longer.

Jim reviewed the portfolio's various asset classes and their relative 2022 and 1st quarter performances. Simply put, there was nowhere to hide, in 2022. First quarter 2023 is much better than 2022. Of note: Developed ex US performed slightly better than US Equities. He also briefly reviewed the SSL portfolio which is all index funds and strictly follows the NT tactical weightings. The SSL portfolio underperformed the USMS portfolio 1st quarter, up 4.02% versus up 5.3%, largely due to USMS portfolio over weighting in Large Cap allocation. SSL does have 7% in cash but earning 4.5% there is no need to move.

He reviewed the portfolio's asset allocations in comparison to NT targets and ranges. NT allocations are currently risk adverse. USMS is well positioned, well diversified and its over weighting in US Large Cap has not hurt performance. Nothing "has" to be adjusted and no recommendations were offered though Jim pointed to the large cap allocation which is near the top in NT ranges. The portfolio is currently generating \$88K income annually. The portfolio is essentially all ETF's as they go so goes the portfolio.

The Committee then posed questions to Jim:

1. What are NT discussions on the outflow of deposits from regional banks. In answer he pointed out that withdrawals are much slower than early March. Silicon Valley Bank was a one off problem with a very concentrated client base and poor management of balance sheet – long duration Treasuries in rising interest rate environment. The unofficial "guarantee" to cover deposits over \$250K is helping.

2. Why are the bond fund yields so low in comparison to rise in Treasury yields? Lower current returns are probably due to existing longer maturity bonds not rolling off fast enough to be replaced with higher yielding bonds. In response the Committee decided to reallocate \$300K of bond funds into higher yielding, 3 month T-bills

Jim was excused and thanked for his review and recommendations.

The committee briefly reviewed the draft SSL spending policy drafted by Ralph, which was subsequently approved unchanged.

The Committee formally voted to approve the already email approved meeting minutes from January 18, 2023.

The Committee scheduled the next meeting for July 18, 2023, 7PM EDT.

The meeting was adjourned at 8:06 PM EDT

Appendix A:

USMS Swimming Saves Lives Spending Policy

Policy Statement:

The Spending Policy applies to those investment assets that United States Masters sets aside for longer-term use Swimming Save Lives and manages as required under the USMS Statement of Investment Objectives, Goals and Policy Guidelines. These assets are held in a custodial account at our selected Investment Advisor, Northern Trust

The SSL investment portfolio remains the same USMS investment portfolio that it continues to be invested and managed under the Northern Trust model portfolio for growth and income investment objectives. These are the same investment objectives as the USMS investment portfolio. The only difference in management between the two portfolios is: SSL is passively managed to follow the NT model portfolio whereas the USMS investment fund is managed within the model portfolio guidelines with tactical variations selected in consultation between the committee and our NT advisor.

It is the USMS's intention that the Spending Policy, in particular the Spending Rate, will be ordinarily followed and not revisited every year, but that the Board of Directors may consider departing from it on a case-by-case basis in extraordinary circumstances. Any budget considered by the Finance Committee (FC) and the Board that requires a departure from the Spending Rate will clearly specify the reasons for such departure.

Spending Rate

The Spending Rate will be 4.0% of the combined average of the United States Masters Swimming Investment Portfolio value ending June 30 each year for two full rolling portfolio performance years, except as noted below. The Spending amount will be determined as soon as final portfolio values are known, and the amount will be withdrawn in the next budget year at the discretion of the Treasurer and CFO after giving notice to the Investment Committee. This will be the process for each succeeding two year rolling period.

Maximum Spending Amount

Irrespective of the amount calculated under the Spending Rate, no draw will be taken from the Portfolio of Investments in excess of 5.5% of its prior year-end market value ("Spending Cap") except with Board approval. Further, the spending draw will be taken in the 3rd quarter of each applicable fiscal year to be used in the approved Business Plan for the following year.

Oversight and Implementation

The Spending Policy and any revisions are subject to the oversight of the Board of Directors, with the

assistance of the Investment and Finance Committee. In exercising its discretion under this Policy, the Board will consider such factors as it considers relevant and prudent, including: the duration and preservation of the Portfolio of Investments, the purpose of the institutional need, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the institution, and the investment policy of the institution.

The implementation of this Policy is the responsibility of the USMS Treasurer and President.
