

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:	07/19/22 @ 7 PM EDT

MSA:

1. Approved Meeting Minutes of April 19, 2022
- 2.

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), Guy Davis, Phil Dodson, Gary Keehner (Ex-officio), Homer Lane, Bill Sherman **Other USMS representatives Present:** None
Absent: C.J. Rushman,

Guests: Jim Gregory, Northern Trust Investment Manager

Minutes

The meeting was called to order at 7:12 PM EDT. 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 2nd quarter 2022 performances.

Jim started the discussion recapping the Northern Trust (NT) investment committee (NTIC) changes in their asset allocations. Over the past 6 months their committee has gradually been decreasing risk and now holds a with 50-50 outlook for global recession in next 12 months. Most recently their committee has slightly reduced US equities, and International Developed and Emerging Markets due primarily to geo political events in Ukraine. These have been offset with increases in cash and Global Real Estate (not in USMS Portfolio). The NT committee is still overweight in US equities, Hi yield, Global infrastructure and Natural Resources (which USMS is not invested), underweight in Investment Grade Fixed Income, Developed and Emerging International.

In brief, other expectations and comments were:

While Q1 US GDP was negative, it was due to trade import/export component, not a decline in US consumers. NT believes any recession will be shallow. Growth is slowing. NT is neutral on Equities, still favors US over both International. US is at less risk of recession versus International. There are indications inflation is cooling down. Central banks will continue to raise rates.

NT base case on outlook is a 50-50 recession with slowing growth and continued uncertainty with the Ukraine war, China covid lock down and how fast inflation slows down. NT forecast for Fed Funds rate is 2.5 to 2.75% whereas the market is pricing in 3.25 to 3.75%.

In the over/under weight allocation review – NT raised cash due to risk mitigation. NT is hoping inflation will decrease in Aug report.

Rebalancing review: too late for equities. Yields on International are increasing due to market declines and asset classes are more value oriented. Jim presented several fund alternatives, not for rebalancing but for consideration of relative fund performances. It was decided to review again in the October meeting the \$144K investment in Global Infrastructure asset class. Our current, FlexShares Index STOXX, investment has 30% Energy, 25% Transportation and 8% Utility sector allocations compared to an alternate Global Infrastructure Fund, IGF ETF, which has 40% Utility and Transportation and 20% Energy sector allocations. The review will consider a 50% reallocation between these two for the purpose of a more even combined sector allocation.

Jim then reviewed USMS portfolio performance by asset classes. The portfolio returned for Q2 a negative 11.52 % loss net of fees, which compares to a theoretical return of all its benchmarks of a negative 11.28% and for year-to-date, a negative 15.95 % loss net of fees, compared benchmark negative 16.03% .

The Swimming Saves Lives (SSL) performance, which strictly follows the NT tactical model for asset allocations, returned a negative 11.04 % loss net of fees for Q2 and 14.63% year-to-date. The primary reason for SSL outperforming (a lower loss) versus the USMS portfolio is that SSL has a lower allocation in Equities 42.8% versus 54.7% allocation which recorded losses greater than total and SSL has a larger allocation in Natural Resources which performed much better than the total losses. Years 2, 3, & 5 performances are years are still positive.

Jim was excused. Ralph introduced Gary Keehner our new Controller who reviewed a little about himself and background.

The Committee discussed whether to host a special meeting in August for USMS delegate guests. It was decided the Chair's annual report, which is posted for all USMS delegates to read is sufficient. Further it was noted that rarely does the Committee have guests. In lieu of a special meeting for delegates, Ralph volunteered to meet with any interested delegate, to be communicated through Teddy our Treasurer.

The committee scheduled the next meeting for October 18, 2022, 7PM EDT.

The meeting was adjourned at 7:53 PM EDT
