

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:	01/18/22 @ 7 PM EST

MSA:

1. Approved Meeting Minutes of October 19, 2021
2. To move \$40K of cash into the NT ultra short fund
3. Approved revisions to Investment Spending Policy as distributed by Teddy Decker in advance of meeting.

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

Guests: Jim Gregory, Northern Trust Investment Manager

Minutes

The meeting was called to order at 7:05 PM EST with Ralph introducing 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 4th quarter performances.

Jim started the discussion recapping the Northern Trust (NT) investment committee 12 month outlook. In brief, expectations are:

Inflation to cool down, supply chain disruptions to improve, labor shortages to moderate, and the Federal Reserve (Fed) to initiate its 1st rate increase in March. NT investment approach to inflation is to overweight Natural Resources – but this asset class is not held in USMS portfolio. Markets are expecting 4-5 rate hikes by the Fed, but NT believes there will only be two hikes in the next six months which should not hurt the economy. NT expects the ten-year Treasury to range between 1.5 to 2%. NT still likes Hi Yield asset class and recommends overweighting as it tends to deliver equity like returns with lower risk. Their default rate risk is very low. Equity valuations will drop, that is PE ratios will decline as interest rates rise. US growth and earnings should remain strong in 2022. NT is overweighting equity asset classes – but not Emerging Market equities. Central banks will still have an accommodative bias while becoming more restrictive in 2022. Volatility is up and some correction early January. Market typically pulls back pre earnings, and is trying to figure out what Fed will do. Even though there are down days, portfolios are better off staying invested, as the market is up 75% of the time on annual returns for the period 1970 to 2020.

Jim then reviewed USMS 2021 performance by asset classes. The portfolio returned 10.68% nets of fees for 2021, which compares to a theoretical return of all its benchmarks of 12.06%.

The Swimming Saves Lives (SSL) performance, which strictly follows the NT tactical model for asset allocations, returned 9.56 net of fees for 2021.

Following Jim Gregory's presentation: Homer Lane asked Jim if NT's expected returns are single digit over the long run, to which Jim confirmed yes.

Jim stated it is hard to recommend much change to the existing USMS portfolio, and there is no recommendation to add to equity right now. Ralph asked if we wanted to leave things as is or move cash. Guy Davis suggested that due to USMS budget needs for 2022, we remain in cash but look for a slightly higher yield. Phil moved Guy seconded the motion to transfer \$40K of cash into the NT ultra-short fund.

Motion passed. There was some discussion about investing in Natural Resources / Commodities asset class since our investments use stock ETFs, not actual commodities. Phil pointed out the asset class is not permitted in our Investment Policy (IPS) but suggested we add to the Policy and ask Board to approve sometime in the future. It was agreed that everyone is welcome to pre-prepare any revisions to IPS and send them to Ralph in advance of our next meeting. After Jim was excused, the October meeting Minutes were approved with Stan Benson moving and Ralph 2nd

There was also discussion on proposed changes to our Investment Spending Policy. Phil moved Ralph 2nd to approve changes drafted and distributed by Teddy Decker.

The Investment Spending Policy was discussed, and Teddy explained these minor revisions were made to assist Board members who speed read and skip over the introduction that explicitly grants the Board authority to override the spending amounts under extenuating circumstances. The authority of the Board to override the policy spending amounts was repeated in the body of the Policy. The committee scheduled the next meeting for April 19, 2022, 7PM EDT.

The meeting was adjourned at 8:13 PM EST
