

# 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>	10/18/22 @ 7 PM EDT

## MSA:

1. Approved Meeting Minutes of July 19, 2022
2. To sell \$21K in International Developed, sell \$56K in Emerging Markets, invest the \$77K into Short Term Cash, PLUS reallocate (sell) \$100K from NT Bond Fund (NOBOX) and buy 2 year Treasury Notes.

<b>Number of committee members present:</b> 9	<b>Absent:</b> 0	<b>Other Delegates present:</b> 0
<b>Committee members present (list all, including chair and vice chair):</b> Ralph Davis , Stan Benson, Teddy Decker (Ex-officio), Guy Davis, Phil Dodson, Gary Keehner (Ex-officio), Homer Lane, C.J. Rushman, Bill Sherman <b>Other USMS representatives</b>		
<b>Present:</b> None <b>Absent:</b> None		
<b>Guests:</b> Jim Gregory, Northern Trust Investment Manager		

## Minutes

The meeting was called to order at 8:05 PM EDT. Ralph asked if any conflicts of interest. None were noted. Ralph then 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 2022 performances.

Jim started the discussion recapping the Northern Trust (NT) investment committee (NTIC) changes in their asset allocations which were minimal. In September NT lowered the tactical Emerging Market (EM) weighting balanced with an increase weighting in cash. It maintained its bias towards US Equities and under weight investment grade fixed income.

The NT Tactical allocations start with their Strategic 5 year outlook then adjusts for current market conditions. The basic outlook is for the Federal Reserve to continue raising rates without regard on the market until inflation reduces. Expect the Fed to increase 50 basis points in November, 25-50 in December with either meeting possibly higher. Expect the Fed to be tighter for longer. The Jobs reports are holding up which if lowering would be a restriction on the Fed. Companies' earnings will be important market movers. The third quarter earnings are holding up so far. One risk is few analysts have lowered earnings expectations for possible recession. NT expects a shallow recession. The NT chief analyst is forecasting S&P 500 earnings of \$210 with a 17 EPS to project a market valuation of 3,570 close to where the market current is.

Basic risk factors are: Central Bank mistakes over doing their tightening, War in Ukraine, China pandemic lock down with related supply chain issues, and inflation sticky for longer.

Jim made a brief review of GDP and Inflation chart stats: NT expects GDP to be positive Q3 and Q4 but lower each Quarter going into 2023. Inflation should be moderating due to Year over Year impact and that inflation is a lagging indicator, but it could be 2024 before inflation returns to the 2% target rate set by the Fed.

Year-to-date 2022 has been a very frustrating market with lots of volatility in both equities and bonds. Bear markets tend not to last too long, though they are painful. All major asset allocations except cash are down in 2022.

The USMS portfolio is relatively balanced in growth versus value with our larger allocations in "blended" funds. Our allocation in Large Cap, higher than the NT tactical allocation has not hurt us in the long run. Jim recommended trimming our International and Emerging Market allocations to the NT Tactical % ages which would trim \$21K & \$56K, respectively. In consideration where to reinvest the \$77K in funds the Committee considered several factors including USMS need to fund a 2023 deficit and that the Investment grade bond fund only yields 2.8% versus 2 year Treasury yields just under 4.5%. It was decided through MSA to sell \$21K in International Developed, sell \$56K in Emerging Markets, invest the \$77K into Short Term Cash, and to reallocate (sell) \$100K from NT Bond Fund (NOBOX) and buy 2 year Treasury Notes. The expectation is to hold the Treasuries to maturity.

Jim also briefly reviewed the SSL portfolio with is all index funds and strictly follows the NT tactical weightings. The SSL portfolio outperformed (less of a loss) the USMS portfolio year-to-date, minus 18.75 versus minus 20.75%, largely due to USMS over weighting in Large Cap and lower cash allocation.

The Committee then had a few questions for Jim:

Guy asked for a 3 year outlook and should we position for into different types of allocations in light of higher rates and less accommodation by Central Banks. Jim basically said it is too hard to accurately predict a successful significant reallocation. The best course is to stay invested and diversified. He also noted that US Consumer is spending down their assets and spending less with credit card balances increasing, metrics that are warning signs for a recession. Retail sales are already slowing. Jim indicated he expects the market to be in a trading range for some time, that the market will probably be higher in 2 years, but it will be painful getting there.

Jim was excused and thanked for his review and recommendations.

The Committee formally voted to approve the already email approved meeting minutes from July 19, 2022.

The Committee scheduled the next meeting for January 17, 2023, 7PM EST.

The meeting was adjourned at 8:15 PM EDT

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