

# 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>	7/16/24 @ 7 PM EST

## MSA:

1. Approved Meeting Minutes of April 16, 2024
2. To withdraw \$175,000 from the large cap NOSIX fund and reallocate into: \$75,000 – 4.65% T Note dated 6/30/25, \$50,000 into Hi Yield fund PHIYX and \$50,000 into NT Bond Fund NOBOX
- 3.

**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, Phil Dodson, Gary Keehner (Ex-officio), C.J. Rushman, Bill Sherman, Robin Smith **Other USMS representatives Present:** **Absent:** Stan Benson, 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 introduced Jim Gregory, our Northern Trust (NT) Investment Advisor, who described recent changes in the NT tactical allocation weightings, followed with a brief recap of the US economic, inflation and market outlook and review of both the USMS and SSL Investment portfolios second quarter 2024 performances. These are the highlights:

- Northern Trust Investment Policy meeting made no changes to tactical allocations.
- Current allocation mainly overweight US equities by about 5%.
- Market last several days, rebalancing out of The Magnificent 7 (Mag7) tech stocks into other lagging market areas.
- NT does not feel a recession coming soon.
- Consumer spending and employment have some weakness but holding up enough to avoid recession.
- Inflation is coming down. NT expecting a September Fed rate cut with the rest of world also heading into rate cuts.
- It's too early to forecast political implication on the market from the Presidential election
- Expect earnings for the non Mag7 (the other 493 stocks in the S&P 500) to be better in 2<sup>nd</sup> half
- NT base case:
  - Growth will slow and move to below trend, but remain positive supported by US economic strength and labor/consumer resilience..
  - Inflation will remain above target, but continue lower.
  - Major central banks have started to cut policy rates and more cuts are expected later this year.
- Outlook risks:
  1. Inflation may not move lower due to potential factors: economic resurgence, tight labor markets, and disruptions from Middle East conflict.
  2. Possible lag effect of cumulative Fed rate hikes impacting economy more than markets expect.

- Jim reviewed the Case for diversification chart: YTD biggest gainers are US Equities followed by Gold (which USMS is not invested) Emerging Market Equities and 60/40 portfolios.
- Jim reviewed the volatility charts and commented that volatility is typically up during Presidential election cycles and we should see several 1%+ or - daily moves.
- Does not expect a 10% correction.
- Reviewed the USMS portfolio performance and allocations – observations:
  - Over weighted to large cap – has not hurt our performance
  - Due to the market run up we are outside of target ranges
  - Recommends re balancing by trimming Large cap
    - Reduce large cap by \$125K
    - Reallocate to: cash needs, T Notes; either 4.625% June 25, or 4.75% July 25, 3 month T bills and keep rolling them over, or into Ultra hi yield government money market. Last two are lowest recommendation.
  - Overall portfolio yielding about 2.5% with cash yields of \$86K
  - Portfolio is almost all in ETF's to keep fees down
  - Russell Growth has recently been up very strong
  - Small cap has lagged, except last 5 days up big
  - It's possible to reduce IWD (Russell 2000 value) as part of re allocation
  - We have a T bill \$113K matures July 18<sup>th</sup> and cash of \$92K yielding about 5%
- Reviewed SSL portfolio, doing well. Yielding 3.1% and \$14K cash
- 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.

The Committee then discussed the rebalancing issues and agreed to reduce large cap by \$175 and reallocate to: \$75K T Note due 6/30/25 and \$50K into each High Yield and Fixed income. This action was taken to a) rebalance our allocations, b) fund remaining 2024 cash distribution needs and c) to pre fund our 2025 cash distributions.

Ralph discussed, at Dawson's request, the Board's intent to distribute \$23,180 from the SSL Fund in January 2025. This amount is per the SSL spending policy and will be distributed to USA Swimming to fund additional Learn to Swim programs in 2025.

Next meeting will be October 15<sup>th</sup> meeting 7:00 PM EDT.

Meeting adjourned 8:01EDT