

**Minutes of the Meeting
of the Investment Committee of the
F. M. Kirby Foundation, Inc.
April 20, 2017**

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held on April 20, 2017 at 10:30 a.m. at the offices of Broadfield Capital Management, LLC, 86 Maple Avenue, Morristown, New Jersey. The following Committee members were present:

Jefferson W. Kirby
S. Dillard Kirby
William J. Raver

Mr. Jefferson W. Kirby, Chairman, presided and Mr. Frank N. Barra, Secretary/Treasurer, recorded the minutes of the meeting.

The minutes from the March 16, 2017 Investment Committee meeting were approved.

Mr. Jefferson W. Kirby then began a review of the additional information provided by Mr. Barra on Vanguard Institutional Advisory Services and Massey Quick. The Committee then considered the two candidates and each Committee member gave his perspective on the utilization of a consultant or outsourced chief investment officer (OCIO). After a discussion, the Committee tentatively agreed, based on a post-Kirby Alliance portfolio of approximately \$300 million, to allocate up to \$200 million to Vanguard in the active concentrated (51% passive) sample portfolio presented at the March 16, 2017 meeting. The Committee also determined that before a decision was finalized, further due diligence at Vanguard's headquarters in Malvern, Pennsylvania was

necessary. (A meeting was subsequently scheduled for May 16, 2017.) The Committee then agreed that the remaining balance of the portfolio be considered as available for investments in alternatives. These alternatives may include the J.P. Morgan Global Allocation Fund and GSO Capital Solutions Fund I and II, in both of which the Foundation is currently invested, along with investment ideas sourced both internally and externally, potentially with the assistance of Massey Quick.

The Committee discussed the performance figures provided by the J.P. Morgan analytics team and the attribution analysis provided by Mr. Barra. The conversation focused on the fixed income, Lucas Capital Management, and convertibles allocations. There was also a discussion on the attribution of the Committee's asset allocation decisions, which were positive for the one year period.

The Committee then considered the peer rankings report as of March 31, 2017, the Endowment/Foundation Peer Report as of December 31, 2016, and the active share analysis. Mr. Barra observed that the difference in return medians for the Growth Equities Peer Group and the Value Equities Peer Group had narrowed for the one and three year time periods.

The Committee then considered the allocation model worksheet as of March 31, 2017. The Committee revisited the convertibles allocation and potential manager replacements. The Committee agreed to continue to bring the allocation down to 10% as part of the Kirby Alliance. The Committee also decided to not make a change in manager until after finalizing a decision on a potential consultant or OCIO. As a result of

this decision, the Committee also agreed that Mr. Barra should inform Oaktree Capital Management that it no longer needed to present at the July 19, 2017 meeting.

Mr. Barra provided the Committee with an update on GSO Capital Solutions Fund III and a conversation he had with Mr. W. Doyle Queally, Managing Director. GSO is in the process of raising capital for Fund III and a conduit agreement has again been reached with J.P. Morgan. After a discussion, the Committee agreed not to invest in Fund III, but consider an investment if Fund IV were to materialize. Mr. Raver also began a discussion on the classification of Fund I and II on the allocation model. After a discussion, the Committee agreed that Fund I and II might better be placed in the alternative section if the tentative changes noted above regarding a consultant or OCIO were made final.

The Committee then discussed the third tranche of \$27 million scheduled to be withdrawn as of June 30, 2017 for the Kirby Alliance. After a brief dialogue, the Committee agreed to continue to utilize the updated methodology that reduces the portfolio's convertibles allocation to 10% of the projected January 2018 portfolio, as mentioned above. The Committee also took note of the manager levels that are approaching or slightly above the 25% limit specified in the Investment Policy Statement both in the March 31, 2017 portfolio (Lazard 25.1%, Walter Scott 24.0%) and the Pro Forma January 2018 portfolio (Lazard 24.6%, Walter Scott 26.7%). Due to the potential implementation of a consultant or OCIO, as discussed above, the Committee agreed to not take action at this time.

The Committee then set the date for the October meeting as October 25, 2017, when the Committee will meet with Walter Scott & Partners, Lazard Asset Management Global Equity Select, and Lazard Asset Management Emerging Markets Discounted Assets.

Mr. Barra then began a discussion on the Foundation Financial Officer's Group (FFOG) spring meeting held the first week of April. The Committee also reviewed the preliminary results of the FFOG Investment Survey as of December 31, 2016.

At 1:15 p.m., the meeting continued at the offices of the Foundation, 17 DeHart Street, Morristown, New Jersey. Mr. Roy Leckie, Director, representing Walter Scott, was invited to join the meeting and began his presentation to the Committee.

Mr. Leckie informed the Committee that Walter Scott had assets under management of \$61.5 billion as of March 31, 2017, of which \$33.7 billion was in the global equities strategy. Mr. Leckie then detailed to the Committee the recent investment performance of the portfolio relative to the MSCI All Country World Index. He reported that the portfolio outperformed the index, net of fee, in the first quarter of 2017 by 0.7 percentage points, 7.6% to 6.9%, and underperformed the index, net of fee, for the calendar year 2016 by 2.0 percentage points, 5.9% to 7.9%. Since inception, August 1, 2007 through March 31, 2017, the portfolio outperformed, on an annualized basis, net of fee, by 2.5 percentage points, 6.1% to 3.6%.

Mr. Leckie then discussed the global investment environment, recent portfolio activity, and detailed the characteristics of what he believes makes great active investment managers.

The market value of the portfolio invested in Walter Scott as of March 31, 2017 was \$83,470,104 of which \$82,389,437, or 98.7%, was in equities, and the balance of \$1,080,667, or 1.3%, was in money market funds and accrued income.

After answering the Committee's questions, Walter Scott was scheduled to give its next presentation to the Committee at the October 25, 2017 meeting at 1:15 p.m. Mr. Leckie left the meeting at 2:25 p.m.

Messrs. Louis Florentin-Lee, Director, Portfolio Manager/Analyst, Kyle Waldhauer, Senior Vice President, Portfolio Manager/Analyst, and Evan Lorey, Vice President, Institutional Client Service, representing the Lazard Global Equity Select team joined the meeting and began their presentation to the Committee at 2:30 p.m.

Mr. Lorey stated that Lazard had assets under management of \$179.0 billion as of December 31, 2016. Mr. Florentin-Lee then reviewed the attribution of the portfolio's performance relative to the MSCI All Country World Index for the calendar year 2016 and the first quarter of 2017. He also reviewed many of the holdings currently in the portfolio, along with the investment process.

Mr. Florentin-Lee reported to the Committee the recent investment performance of the portfolio relative to the MSCI All Country World Index. He reported that the portfolio outperformed the index, gross of fee, in the first quarter of 2017 by 1.5

percentage points, 8.4% to 6.9%, and underperformed, gross of fee, for the calendar year 2016 by 4.4 percentage points, 3.5% to 7.9%. Since inception, July 1, 2013 through March 31, 2017, the portfolio outperformed, gross of fee, by 0.2 percentage points, 8.7% to 8.5%.

The market value of the portfolio invested in Lazard Global Equity Select as of March 31, 2017 was \$77,001,434, of which \$74,607,436, or 96.9%, was in equities, and the balance of \$2,393,998, or 3.1%, was in cash and cash equivalents.

After answering the Committee's questions, Lazard Global Equity Select was scheduled to give its next presentation to the Committee at the October 25, 2017 meeting at 2:15 p.m. Messrs. Florentin-Lee and Waldhauer left the meeting at 3:30 p.m. and Mr. Lorey remained for the next presentation.

Mr. Kun Deng, Managing Director, Portfolio Manager/Analyst, representing the Lazard Emerging Discounted Assets team joined the meeting and began their presentation to the Committee at 3:35 p.m.

Mr. Lorey noted that as of December 31, 2016, the discounted asset strategy had \$4.3 billion of assets under management, of which \$1.9 billion were in the emerging markets strategy.

Mr. Deng detailed many of the corporate governance initiatives utilized by the strategy in the first quarter of 2017 and calendar year 2016. He then reported to the Committee the recent investment performance of the Foundation's portfolio relative to the MSCI Emerging Markets Index; the portfolio performed in line with the index, net of

fee, in the first quarter of 2017 and underperformed, net of fee, for the year ended March 31, 2017 by 0.4 percentage points, 16.8% to 17.2%. Since inception, May 1, 2012 through March 31, 2017, the portfolio outperformed, net of fee, on an annualized basis, by 0.6 percentage points, 1.7% to 1.1%. The market value of the portfolio invested in Lazard Emerging Markets Discounted Assets as of March 31, 2017 was \$10,530,351.

After answering the Committee's questions, Lazard Emerging Discounted Assets was scheduled to give its next presentation to the Committee at the October 25, 2017 meeting at 3:15 p.m. Messrs. Deng and Lorey left the meeting at 4:35 p.m.

The Committee then briefly discussed the presentations. The Committee also confirmed the plans discussed earlier in the day regarding pursuit of a consultant or OCIO.

The meeting adjourned at 4:50 p.m.