

**Minutes of the Meeting  
of the Investment Committee of the  
F. M. Kirby Foundation, Inc.  
July 19, 2017**

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held on July 19, 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.

Messrs. Matt Ruhl, Senior Investment Consultant, and Philip Daubney, Senior Investment Consultant, representing Vanguard Institutional Advisory Services, were invited to join the meeting and began their presentation to the Committee.

Mr. Ruhl began the presentation by discussing the recently announced transition in leadership of Vanguard. Mr. Daubney reiterated that this succession plan had likely been in place for many years and is not expected to change much, if anything, for the company as a whole.

Mr. Ruhl detailed Vanguard's asset allocation analysis, including a discussion on the modeling framework used by Vanguard and the resulting ten year return projections. There was also a dialogue on the convertibles and real estate asset classes.

Mr. Ruhl then reviewed the Foundation's Investment Policy Statement (IPS) and the target allocation of equity and fixed income. The Committee examined Vanguard's proposed changes to the IPS and requested that Vanguard generate additional language regarding rebalancing.

The discussion then transitioned to portfolio construction. There was an assessment of the active managers proposed for the portfolio and the combined stock portfolio analysis that incorporates the security holdings of Walter Scott & Partners and Vanguard's active managers as of May 31, 2017. After answering the Committee's questions, Messrs. Ruhl and Daubney left the meeting at 12:10 p.m.

At 12:15 p.m., the Committee continued its meeting.

The Committee discussed Vanguard's presentation and the IPS. After a discussion, the Committee agreed to change the target asset allocation to 75% equities and 25% fixed income and to increase the limit on alternative investments to 33%. The Committee agreed to wait until the October meeting to approve formally the changes to the IPS to be able to incorporate the additional language proposed above.

The Committee then began a discussion about the implementation of the proposed Vanguard portfolio. The Committee also examined the merits of adding a second global tactical asset allocation manager and the effect this may have on implementation. After deliberating, the Committee agreed that researching additional tactical asset allocation managers was worthwhile and would thus keep the Vanguard implementation date flexible for the time being, but continue to plan to implement this year. The Committee

requested that Mr. Barra conduct additional research on potential global tactical asset allocation managers and work with Mr. Raver to finalize a list of candidates. The Committee stated that it would consider all investment vehicle structures for this potential mandate, however, a mutual fund structure would be preferred.

The minutes from the April 20, 2017, with one minor correction, and May 16, 2017 Investment Committee meetings were approved.

The Committee then considered the allocation model worksheet as of June 30, 2017. The Committee reviewed the expense summary and noted that the expense ratio of the projected January 2018 portfolio, which includes the implementation of Vanguard, is higher than anticipated at approximately 59 basis points. Mr. Raver then detailed a conversation he had with Mr. Roy Leckie, Director of Walter Scott, regarding a potential reduction in fees for the Foundation. The Committee instructed Mr. S. Dillard Kirby and Mr. Barra to continue the conversation with Walter Scott.

The Committee also discussed the location of the GSO Capital Solutions investment on the allocation model worksheet. The Committee also reaffirmed that cash up to \$1 million can be left in the GSO account for future capital calls. The Committee also took note of the manager levels that are approaching or slightly above the 25% limit specified in the IPS both in the June 30, 2017 portfolio (Lazard 26.5%, Walter Scott 25.0%) and the Pro Forma January 2018 portfolio (Walter Scott 27.0%). Due to the upcoming implementation of Vanguard, as discussed above, the Committee agreed to not take action at this time.

The Committee then considered the source of \$1.5 million in funds needed to cover grants and expenses of the Foundation through the next Committee meeting in October 2017. After a dialogue, the Committee agreed to source the funds from Walter Scott to help alleviate the 25% manager limit as noted above. The Committee then discussed the future cash projections after the implementation of Vanguard. The Committee agreed to authorize management to withdraw up to \$1 million per month from the portion of the portfolio managed by Vanguard to cover grant and expenses. The Committee requested that management report these withdrawals to the Committee on a quarterly basis.

Mr. Barra then updated the Committee on the withdrawal of \$27 million from the portfolio that occurred on June 30, 2017 as part of the Kirby Alliance. He stated that the funds had been invested in a certificate of deposit at J.P. Morgan with an annualized interest rate of 1% that matures on December 29, 2017.

The Committee then set the date for the January meeting as January 25, 2018 (subsequently changed to January 24, 2018), where the Committee will meet with Vanguard and the J.P. Morgan Global Allocation Fund team.

Messrs. Stephen Hess, Managing Director, Michael Griffin, Executive Director, Jeffrey Geller, Chief Investment Officer of Multi-Asset Solutions, and Phil Camporeale, Managing Director of Multi-Asset Solutions, representing J.P. Morgan joined the meeting and began their presentation to the Committee at 1:15 p.m.

Mr. Camporeale reported to the Committee that multi-asset solutions had \$207 billion of assets under management as of March 31, 2017. Mr. Camporeale then reviewed the portfolio management team. He noted that an opportunistic long/short equity sleeve and a European dynamic hedged equity sleeve were added to the portfolio in late 2016.

Mr. Geller then reviewed the current asset allocation views of his team, the 2017 portfolio asset allocation changes, and the current and historical positioning of the fund as of June 30, 2017. Mr. Geller also detailed the portfolio positions and currency exposure. There was also a discussion on the fund's use of options for risk management.

Mr. Geller then reported to the Committee the recent investment performance of the fund relative to the Global Allocation Composite Benchmark. He reported that the Foundation portfolio outperformed the benchmark, net of fee, by 1.0 percentage point for the six months ended June 30, 2017, 9.1% to 8.1%. Since inception, January 1, 2016 through June 30, 2017, the portfolio outperformed the same benchmark, net of fee, on an annualized basis by 0.6 percentage points, 9.8% to 9.2%. Mr. Camporeale also noted that the fund had a Morningstar Percentile Ranking of 14%, 4%, 8%, and 17% for the one year, three years, five years, and since inception of the product periods.

J.P. Morgan was scheduled to give its next presentation to the Investment Committee at the January 25, 2017 meeting. After answering the Committee's questions, Messrs. Hess, Griffin, Geller, and Camporeale left the meeting at 2:20 p.m.

The Committee then had a dialogue on an alternatives mandate beyond the J.P. Morgan Global Allocation Fund and determined that it would not make an allocation to “traditional” alternatives, beyond potentially adding a second global tactical asset allocation manager as noted above, at this time.

The Committee discussed the performance figures provided by the J.P. Morgan analytics team and the attribution analysis provided by Mr. Barra. The discussion focused on the longer term effects the Lucas Capital Management (despite termination in December 2015), convertibles and the fixed income allocations have had on the portfolio’s performance. The Committee then reviewed the peer rankings report as of June 30, 2017, the Endowment/Foundation Peer Report as of March 31, 2017, the final results of the FFOG Investment Survey as of December 31, 2016, and the active share analysis. Mr. Barra also provided the peer rankings for the actively managed funds proposed by Vanguard.

As this is likely to be Mr. Barra’s last Investment Committee meeting, the Committee expressed its appreciation and gratitude for his work over the last six years and wished him well at his new employment effective September 1, 2017.

The meeting adjourned at 3:05 p.m.