

**Minutes of the Meeting
of the Investment Committee of the
F. M. Kirby Foundation, Inc.
October 30, 2018**

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held on October 30, 2018 at 11:00 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 Mrs. Diana L. Kostas, Secretary/Treasurer, recorded the minutes of the meeting.

The Committee welcomed Messrs. Matthew Ruhl, Senior Investment Consultant, and Ralph Ivory, Director, Nonprofit Solutions, representing Vanguard Institutional Advisory Services and encouraged their participation in the meeting.

The minutes from the July 19, 2018 Investment Committee meeting were discussed and approved. Mrs. Kostas reviewed the Attribution Report. As of September 30, 2018, the Total Fund had outperformed the Benchmark by 131 basis points with a YTD return of 3.61% versus the Benchmark YTD return of 2.30%.

Mrs. Kostas then reviewed the eVestment peer group rankings report for all investments as of September 30, 2018, excluding the J.P. Morgan Global Allocation Fund, which submits results to eVestment biannually. Mr. Ruhl noted that for the most part, all peer results would be gross of fees, with the notable exception being mutual funds which report net of fees. A brief discussion ensued regarding the Intermediate Term peer group. Mrs. Kostas

stated that she would review the Intermediate Duration Fixed Income peer group with Matt Ruhl and determine whether there was a peer group better suited for the VFIDX holding.

The Committee reviewed the Foundation Peer Report for the period ending June 30, 2018 and the Expense Summary as of September 30, 2018. The Foundation underperformed the median Endowment/Foundation in the Callan database as of June 30, 2018 for all periods with the largest shortfalls occurring in Q2 2018 (104 bps) and the 5-year period (137 bps). Mrs. Kostas noted the addition of a Walter Scott performance fee estimate to the Expense Summary report. Mr. Ruhl stated that Vanguard pays performance-based fees for 29 of the 30 active managers on the equity side.

The Committee then reviewed the September 30, 2018 Allocation model, along with the Asset Allocation history of the two GTAA products. Mr. Raver noted that J.P. Morgan's GTAA sleeves were using derivatives and expressed an interest in acquiring more details on J.P. Morgan's use of derivatives. Mr. Ruhl stated that Vanguard uses derivatives on the equity side to monetize cash flows.

Mrs. Kostas shared a report outlining the weekly investment values during the month of October and highlighted how the two GTAA products, as well as the other investments, responded to the volatility. Mrs. Kostas discussed the total monies (\$3.9 million) needed to fund grants and expenses through January 31, 2019. The Investment Committee approved the sale of the Prime Money Market Fund shares and a \$1 million drawdown from the Walter Scott account to cover the funds needed.

The Committee finalized the date for the April meeting as Tuesday, April 23, 2019. A suggestion was made to hold that meeting at the Vanguard offices and was subsequently

approved after confirming with Vanguard and Walter Scott. A schedule will be firmed up in January 2019.

Mr. S. Dillard Kirby and Mr. Raver gave highlights from the Walter Scott conference held in Edinburgh in early October. It was noted that Walter Scott is seeking more diversity on their Board and is looking for an independent, non-employee Executive Chairman.

The Committee and guests had a working lunch. Mr. Ruhl reviewed the Vanguard portfolio's performance. For September, the portfolio underperformed against the benchmark by 6 basis points. Value was overweight on the active side, which has lagged behind growth. Mr. Ruhl then gave a market overview and pointed out that the divergence between U.S. and non-U.S. equity, developed and emerging markets, and growth and value returns continued in the third quarter of 2018. Mr. S. Dillard Kirby noted that the Foundation has more growth exposure via Walter Scott. A suggestion was made to add a third line on the Growth vs Value Comparison charts (in Section III) that shows performance for Vanguard's traditional 50/50 split between value and growth. A brief discussion regarding the October market activity ensued and Mr. Ruhl highlighted that as of October 29, technology was down 15%, consumer discretionary was down 15% and International Value was down approximately 12%.

At 1:15 p.m., the meeting continued at the offices of the Foundation, 17 DeHart Street, Morristown, New Jersey. Mr. Alexander Torres, Co-Head of Research at Walter Scott, was invited to join the meeting and began his presentation to the Committee.

Mr. Torres gave an update on the firm. Overall, there have been no significant changes since the Committee's last meeting. The philosophy, process and research team remain the same. The assets under management as of September 30, 2018 were \$69.6 billion but dropped in October due to a large redemption from a Japanese sovereign wealth client.

Mr. Torres confirmed that the firm is looking to appoint an independent Chairman outside of BNY Mellon and Walter Scott. The firm is opening an office in Boston, Massachusetts in the first quarter of 2019 as 70 percent of the assets under management and clients are U.S.-based. Mr. Jefferson W. Kirby expressed the Committee's desire that the Foundation continue receiving representation from the investment team, including Mr. Torres and Mr. Leckie.

In response to a question on ESG, Mr. Torres noted that both he and Lindsay Scott were the ESG champions on the research team and that such considerations tie in nicely to determining the sustainability of a business. Walter Scott produces a quarterly ESG report.

Mr. Torres discussed recent purchases and sales and noted that they may sell some long-held investments to fund new acquisitions. The research team continues to discuss adding some financials to the portfolio but there are still dissenters. Mr. Torres stated that Walter Scott believes emerging markets will have the fastest rate of growth during the next ten years.

Mr. Torres 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 third quarter of 2018 by 3.5 percentage points, 7.8% to 4.3%, and outperformed the index, net of fee, year-to-date by 7.8 percentage points, 11.6% to 3.8%. Since inception, August 1, 2007 through September 30, 2018, the portfolio outperformed, on an annualized basis, net of fee, by 3.0 percentage points, 7.8% to 4.8%.

After answering the Committee's questions, Walter Scott was scheduled to meet next with the Committee on April 23, 2019. The Committee thanked Mr. Torres for his time, and he left the meeting at 2:10 p.m.

Mr. Ruhl then resumed the Vanguard presentation by reviewing Vanguard's active stock portfolio weights versus MSCI's All Country World Index All-Cap and the portfolio managers' different approaches to both value and growth that helped balance each other out.

Mr. Ruhl asked the Committee for suggestions on future topics and Mr. Raver expressed an interest on reviewing the currency component of returns on non-U.S. equities. Mr. Ruhl mentioned that Vanguard's CEO was placing a big focus on improving technology and that cyber security might also be an interesting topic. Vanguard is scheduled to attend the next Investment Committee on January 23, 2019 meeting at the F.M. Kirby Foundation office. Mr. S. Dillard Kirby stated that he would notify Walter Scott of the drawdown request on October 31, 2018.

The meeting adjourned at 3:15 p.m.