

**Minutes of the Meeting  
of the Investment Committee of the  
F. M. Kirby Foundation, Inc.  
January 24, 2020**

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held on January 24, 2020 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. Mr. F. Morgan Kirby IV called into the meeting and was welcomed as a guest of the Committee. Mr. Justin J. Kiczek, Executive Vice President, also attended the meeting as a guest.

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

The minutes from the October 24, November 22 and December 17, 2019 Investment Committee meetings were approved. Mrs. Kostas reviewed the Board Investment Committee Report as of December 31, 2019. Mr. Raver noted that the Total Fund Performance was not on the report. Mrs. Kostas will add that line, as well as specify gross versus net performance on the various investments. Mrs. Kostas then presented the Attribution Report. For the year ending December 31, 2019, the Total Fund underperformed the Benchmark by 85 basis points with a return of 20.70% versus the

Benchmark YTD return of 21.55%. It was noted that poor returns on the Blackstone investment had a negative impact of 66 bps on the overall portfolio.

Mrs. Kostas then reviewed the eVestment peer group rankings report for all investments as of December 31, 2019, focusing primarily on the actively managed investments. Walter Scott, with YTD results of 31.2% for 2019, outperformed its benchmark by 464 bps but was in the second quartile of performance relative to its peers. Vanguard's Windsor Fund ended the year with YTD returns of 30.5%, 397 bps above its benchmark and top quartile performance against its peers. Vanguard's International Value ended 2019 with YTD returns of 20.4%, 112 bps below benchmark but at the top of the second quartile with regards to peer performance. Mrs. Kostas also noted the different allocation approaches between the J.P. Morgan Global Allocation Fund and PIMCO All Asset Fund, with the former investing heavily (62%) in North America and the latter with no U.S. investments at year-end. The Global Allocation Fund had YTD returns of 17.2% while the All Asset Strategy had YTD returns of 12.2%.

The Committee then reviewed the Endowment/Foundation Peer Report as of September 30, 2019. The Committee noted that the Foundation portfolio had outperformed the median Endowment/Foundation in the Callan database YTD (by 131 bps) when adjusted for fees but underperformed in all other periods (Q3, one year, three year and five year). Mr. Ruhl noted that private equity had weaker performance in the fourth quarter so the Foundation may see more overperformance for total year results.

Mrs. Kostas presented the Expense Summary as of December 31, 2019 and noted that there were no changes in fees and that she anticipated the Walter Scott performance-based fee could be as high as \$300K which would bring Walter Scott's total fees up to 71

bps. The Foundation should receive the invoice and performance calculation from Walter Scott in February 2020. Mr. Ruhl noted that Vanguard's International Value and Windsor would be dropping their fees from 38 to 37 bps and 21 to 20 bps, respectively, for 2020. The Chairman pointed out that Total International Stock Index (VTSNX) had consistently outperformed International Value (VTRIX) and had significantly lower expenses at 8 bps versus 38 bps. Mr. Ruhl responded that if the Foundation shifted the funds to VTSNX, the core balance would be biased towards growth.

Mrs. Kostas discussed cash needs through April 30, 2020 and gained approval from the Committee to fund with monies from the Foundation's money market account and Prime money market accounts as necessary for the remainder of 2020.

The Committee finalized the date for the July meeting as Tuesday, July 14, 2020. Messrs. Ruhl and Ivory confirmed their attendance for the July meeting.

At 12:15 p.m., the conversation was turned over to Mr. Ruhl for a condensed Vanguard presentation. Mr. Ruhl noted the addition of cash to the allocation analysis (due to the large J. P. Morgan Prime money market balance) on page 4 of the Vanguard deck. For the twelve months ended December 31, 2019, the Foundation's consolidated portfolio had returns of 21.7% (excluding the Blackstone investments) versus the benchmark of 21.6%. Equities were the strong performers with Total Equity values increasing 28.2% for 2019, Fixed Income by 8.2% and Balanced Global (the two GTAA products) by 14.5%.

The Vanguard portfolio returned 20.9% for 2019 versus a benchmark of 21.9%. A discussion ensued regarding the future economic outlook. Vanguard's Chief Economist was forecasting a shallow recession for 2020 with .5% to 1.5% growth and two rate cuts

by the Fed. However, Vanguard's Fixed Income group felt the U.S. would avoid a recession and maintain growth of 1.5% to 2.0%. China growth is slowing but still forecasted for 6% returns. Asia emerging markets are slowing but growing faster than any other market.

Mr. Ivory informed the Committee that Vanguard would be moving from Investor Force to FactSet as its reporting vehicle. The implementation will take six to twelve months. Mr. Raver inquired as to Vanguard's governance and whether its Board of Directors were all independent. Mr. Ruhl responded that all directors excluding Vanguard's CEO were independent and that 33% of the Board were women. Mr. Ruhl will forward a one-page summary to the Committee with the organizational chart for the Board of Directors and Global Investment Committee. At 1 p.m., Mr. F. Morgan Kirby, IV, exited the call.

At 1:15 p.m., the meeting continued at the offices of the Foundation, 17 DeHart Street, Morristown, New Jersey. Messrs. Lucas Fritz, Senior Vice President, PIMCO, and Brandon Kunz, Senior Vice President, Research Affiliates, joined the meeting and began their presentation. Mr. Fritz began with an overview on changes with the portfolio management team. Mr. Mihir Worah, CIO, Real Return and Asset Allocation will be retiring in March 2020. His responsibilities will be spread to a handful of other managers, including Marc Seidner and Dan Ivascyn. Mr. Fritz also stated that PIMCO had \$1.9 trillion in assets under management in 2019, up 10% from 2018.

Mr. Kunz then gave an overview on Research Affiliates' organizational structure. As of January 2020, Research Affiliates (RA) had 42 investment professionals and serves as the only outside subadvisor for PIMCO. He addressed the issue of Dr. Campbell

Harvey replacing Shane Shepherd (former Head of Research) and stated that RA does not typically issue a press release unless a personnel change involves a specific product. Dr. Campbell will devote three to four business days per month to Research Affiliates and will provide a direct link to academia.

Mr. Kunz outlined All Asset Fund's allocations for 2019. 80% of their assets were in diversifiers (emerging market equities and bonds, alternative strategies), 14% in core bonds and 6% in mainstream equities. The two largest allocations within alternative strategies are RAE Worldwide Long/Short PLUS Fund and RAE Fundamental Advantage PLUS Fund. Mr. Kunz stated that there are prospectus-based limitations such as no more than 50% long-only equities and no more than 75% in the combination of commodities/TIPS/REITs. He also noted that RA is paid a sub advisory fee (22.5 bps) which is not product-based. RA discusses inflows and outflows with PIMCO managers, as well as symmetrical flow goals and netting large trades.

Mrs. Kostas requested that PIMCO/RA provide an attribution report by asset class. The topic of leverage arose, and Mr. Kunz stated there was financial leverage in the underlying funds but no economic leverage. Looking forward, he felt that the probability of negative returns for All Asset were lower than the probability of negative returns for equities. RA felt that the probability of reaching 5% annual real returns via a traditional 60/40 portfolio approach was less than one percent for the intermediate term. Mr. Kunz noted that there is an upcoming RA Investor Symposium March 9-11 at their offices in Newport Beach. Messrs. Rob Arnott, Chris Brightman and Cam Harvey are all scheduled to present. Mr. Fritz will forward a registration link to Mrs. Kostas.

PIMCO is scheduled to give its next presentation to the Investment Committee at the July 14, 2020 meeting. After answering the Committee's questions, Messrs. Fritz and Kunz left the meeting at 2:30 p.m.

A brief discussion regarding the two global tactical asset allocation managers ensued. The Committee determined that no rebalancing between the two managers was necessary at this time. The Committee thanked Messrs. Ruhl and Ivory and they left the meeting at 2:45 p.m. There being no further substantive discussion required, the meeting adjourned at 2:50 p.m. [Subsequent to the meeting, the J.P. Morgan Multi-Asset Solutions team and J.P. Morgan Private Wealth team confirmed attendance at the July 14, 2020 meeting].