

**Minutes of the Meeting of the
Investment Committee of the F. M.
Kirby Foundation, Inc.
January 26, 2021**

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held via Zoom conference on January 26, 2021 at 11:50 a.m. The following Committee members were present:

Ward K. Horton
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. Messrs. F. Morgan Kirby IV, Justin J. Kiczek, Executive Vice President, and Mrs. Laura H. Virkler, participated in the meeting as guests.

Messrs. Matthew Ruhl, Senior Investment Consultant, and Ralph Ivory, Director, Nonprofit Solutions also joined the meeting, representing Vanguard Institutional Advisory Services.

The minutes from the October 21, 2020 Investment Committee meeting were approved. Mrs. Kostas reviewed the Board Investment Committee Report as of December 31, 2020. Mrs. Kostas noted the drop in yield, from 160 bps on December 31, 2019 to 10 bps on December 31, 2020, for the J.P. Morgan Prime Money Market Fund. Vanguard returns were 17.3% for the quarter, coming in 520 bps above benchmark, and 10.4% for the one-year period, 420 bps below benchmark. Walter Scott returns were

14.9% for the quarter, 20 bps above benchmark, and 20.4% for the one-year period, 410 bps over benchmark. J.P. Morgan's Global Allocation Fund had returns of 12.9% for the quarter, 320 bps over benchmark, and 16.3% for the one-year period, 240 bps over benchmark. PIMCO's All Asset returns were 12.2% for the quarter, 250 bps over benchmark, and 8.4% for the one-year period, 550 bps below benchmark. The total portfolio had returns of 14.3% for the quarter, 250 bps over benchmark, and returns of 12.7% for the one-year period, 230 bps below benchmark.

Mrs. Kostas presented the Attribution Report for the twelve-month period ending December 31, 2020. All major asset categories posted positive returns for the year but fell short of their broad benchmarks. Equities had returns of 14.9%, underperforming MSCI ACWI by 140 bps. Within equities, non-U.S. equities outperformed their benchmark by 387 bps, while U.S. equities underperformed their benchmark by 640 bps. Fixed income had returns of 5.5%, underperforming the Global Aggregate benchmark by 369 bps. The alternatives posted returns of 12.8%, underperforming the Foundation's benchmark by 216 bps, with stronger performance from the J.P. Morgan Global Allocation Fund than PIMCO's All Asset Fund.

Mrs. Kostas then reviewed the eVestment peer group rankings report for all investments as of December 31, 2020, focusing primarily on the actively managed investments. Walter Scott, with one-year returns of 20.4%, ranked in the 34th percentile when compared to the broader Global All Cap Equity peer group. Vanguard's Windsor Fund, with one-year returns of 7.5%, outperformed its benchmark by 472 bps and ranked in the 33rd percentile when compared to its peer group. Mrs. Kostas noted the improvement in the fund's one-year Sharpe Ratio (at 0.22 vs -2.23 in June 2020).

Vanguard's International Value posted returns of 9.0% for the one-year period (167 bps below benchmark) but ranked in the top quartile compared to its peer group. The Total International Stock Fund posted one-year returns of 11.3%, underperforming its benchmark by 26 bps and ranked in the 32nd percentile against its peer group. All three Vanguard fixed income products beat their one-year benchmarks and were in the top quartile against their respective peer groups. J.P. Morgan's Global Allocation Fund had one-year returns of 15.6% (net of fees), coming in the first quartile against its peers. PIMCO's All Asset Strategy had one-year returns of 8.4% and ranked in the 55th percentile against its peer group.

The Committee reviewed the Endowment/Foundation Peer Report as of September 30, 2020. Mrs. Kostas noted the addition of another peer group, the Alpha Nasdaq OCIO Index. The Foundation portfolio underperformed the median Endowment/Foundation in the Callan database for all periods. Underperformance for the quarter was 66 bps, for one-year 193 bps, for three-year 58 bps and five-year 27 bps. The Foundation portfolio also underperformed the median Endowment/Foundation in the Alpha Nasdaq OCIO database for all periods. Underperformance for the quarter was 89 bps, for one-year 287 bps, for three-year 108 bps and five-year 28 bps.

Mrs. Kostas presented the Expense Summary as of December 31, 2020 and noted that there were no changes in fees since the Investment Committee last met. The projected annual fees remain below 49 bps. The Committee also reviewed the Allocation model as of December 31, 2020, noting the portfolio's below-threshold fixed income allocation. The 6.7% allocation to cash (primarily via the J. P. Morgan Prime Money Market Fund) has reduced overall portfolio risk and will enable the Foundation to fund

expenditures for an anticipated two years (2020-2021).

The Committee finalized the date for the July meeting as Wednesday, July 21, 2021. Messrs. Ruhl and Ivory confirmed their attendance for the July meeting.

At 12:30 p.m., the conversation was turned over to Messrs. Ruhl and Ivory for the Vanguard presentation. Mr. Ivory commenced with a company update. 90% of the firm continues to work from home. Vanguard has hired one thousand employees since March 2020. The firm had \$188 billion in net asset inflows, primarily in passive, fixed income ETF products.

Mr. Ruhl covered the market overview and Vanguard's ten-year return outlook which projects valuation contraction in the U.S. to drive excess returns internationally, with a 3.3% spread between non-U.S. and U.S. equities. He then reviewed the performance of the foundation's total portfolio, excluding the small Blackstone investment, for the period ending December 31, 2020. A strong fourth quarter helped the Foundation reduce the shortfall to the custom benchmark. For the twelve-month period, the Foundation's consolidated portfolio had returns of 13.2% versus the benchmark of 15.0%. Total Equity values grew by 14.2%, Fixed Income by 7.6%, and Balanced Global values (the two GTAA products) by 12.4%.

The Committee discussed tactical positioning for 2021 and agreed that it was comfortable with the current 50/50 mix of non-U.S. versus U.S. equities, along with the growth/value mix. Mr. Ruhl stated that if the Foundation were to draw down monies from Walter Scott it should consider moving them into a Vanguard growth product to maintain the current ratio. It was also noted that correlations of the two GTAA products moved higher during the pandemic but are expected to drop. The Chairman noted high

correlation on the beta side, but that alpha was less correlated as the composition of the two products is so different.

At 1:15 p.m., Messrs. Jeffrey Geller, Chief Investment Officer and Phil Camporeale, Client Portfolio Manager, Multi-Asset Solutions for J.P. Morgan joined the Zoom meeting. Messrs. Stephen Hess, Managing Director and Michael Griffin, Managing Director for J.P. Morgan Private Bank also joined the meeting. The Chairman introduced Mr. Horton and Mrs. Virkler to the J.P. Morgan representatives. Mr. Geller reviewed the Portfolio Management Team and noted the addition of Mr. Camporeale as Portfolio Manager (Fixed Income) and Mr. Michael Feser (Credit) to round out the team. The Global Allocation team reallocated funds more opportunistically during 2020 and introduced new strategies such as crossover credit and China A shares. Effective risk management early in 2020, adding risk in late March and effective risk and manager exposures in Q4 2020 drove strong performance, with the equity side delivering 209 bps of return contribution. Strong manager alpha contributors included the Growth Advantage (73 bps), Emerging Markets Equity (57 bps), Global Select Equity (56 bps), International Unconstrained Equity (41 bps), Opportunistic Equity Long/Short (30 bps) and Crossover Credit (30 bps) strategies. Mr. Camporeale noted that November 2020 and April 2020 delivered the best and second-best monthly performance, respectively, in the Fund's ten-year history.

The Global Allocation Fund was in the top quartile for Morningstar rankings for the one-year, three-year, five-year and since inception time periods. The Fund outperformed the global allocation composite benchmark by 150 bps for the one-year period and 75 bps since inception. The Fund underperformed the benchmark by 16 bps

and 14 bps, respectively, for the three-year and five-year periods.

Mr. Camporeale briefly discussed J. P. Morgan's approach to ESG Investing. The JPM Global Allocation Fund and its individual sleeves use published ESG ratings from MSCI. J.P. Morgan's approach includes having robust governance systems, risk management and controls. The firm is committed to advancing sustainable solutions for both its clients and within its operations. Stock selection with an ESG filter is performed at the manager level, not the portfolio level. The Committee posed a few questions to the J.P. Morgan team and subsequently thanked them for their presentation. The managers signed off at 2:15 p.m.

At 2:15 p.m., Messrs. Brandon Kunz, Senior Vice President, Research Affiliates and Lucas Fritz, Senior Vice President, PIMCO, along with Ms. Kristen DePre, Vice President, PIMCO, signed onto the Zoom meeting. The Chairman introduced Mr. Horton and Mrs. Virkler to the PIMCO and Research Affiliates representatives. Mr. Fritz introduced Ms. DePre, who will be taking over management of the Foundation relationship.

Mr. Kunz began with an overview of 2020 which he equated to the Tale of Two Cities: Q1 versus the rest of the year. The All Asset Fund successfully reached its CPI +5% target for the three-month, six-month, and one-year period, outperforming the benchmark by 225 bps for the one-year period. While the Fund had returns of 8.41% for 2020, alpha for the underlying PIMCO funds was a negative 240 bps. Mr. Kunz stated that active positions that were stressed in Q1 began to rebound through Q4 and were anticipated to continue over the coming months. He noted that the fund was at an all-time high exposure (50%) to value-tilted strategies. PIMCO identified three potential tailwinds

for 2021: rebounding inflation expectations (All Asset strategically emphasizes assets with high correlation to changes in inflation), a depreciating U.S. dollar (All Asset has 37% allocation to non-U.S. currencies) and the historic “cheapness” of value stocks which presents powerful excess return potential.

Ms. DePre then offered an introduction to PIMCO’s ESG philosophy and platform. PIMCO managed its first Socially Responsible separate account back in 1989. The SRI portfolios grew by 79% in 2020, with 21% of inflows coming in December. It became a signatory to the U.N. Principles for Responsible Investing (PRI) in 2011 and has 45 investment professionals with sustainable investment leadership responsibility. PIMCO aims to be the leader in ESG Fixed Income by driving market innovation and setting industry standards. PIMCO has received A+ ratings across all fixed income categories in the UN PRI Assessment Report for three consecutive years (2018 – 2020). PIMCO integrates ESG factors into its investment decisions from the top-down via themes identified through an annual Secular Forum process and bottom-up via specialty desks, credit analysts and security selection. The Chairman inquired about the investment results of ESG products/strategies. Ms. DePre responded that she would send specific details but that overall Total Return ESG significantly outperformed Total Return in Q1, 2020 and slightly for the full year. The Committee thanked the PIMCO and Research Affiliate managers and they left the meeting at 3:20 p.m.

The Committee discussed the performance of the two Global Asset Allocation managers. The Chairman shared his disappointment with PIMCO’s results but was comfortable with their positions and perspective. Mr. Ruhl weighed in that PIMCO’s performance made sense given its strong value tilt and noted that the Foundation has some

inflation protection with the underlying commodities/ REITS and real estate investments.

It was noted that there was consensus among all three managers (J.P. Morgan, Vanguard and PIMCO) that value is poised to outperform growth, that non-U.S. will outperform U.S. and that the U.S. dollar will weaken.

The Committee briefly discussed the possibility of adding a private equity mandate. If the Committee were so inclined, it would use a private equity consultant to identify candidates and assist in the due diligence and legal review processes. Mr. Ruhl commented that Vanguard had entered a strategic partnership with HarbourVest, based out of Boston, to provide access to private equity to help strengthen returns. Fran Kinniry was named as the Principal, Global Head of Private Investments.

Mr. Raver requested the addition of the Total Foundation yield to the Investment Committee Report for the Board. It was noted that the Committee should review the Investment Policy Statement at the next meeting on April 27th, 2021.

The meeting concluded at 3:45 p.m.