

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

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held at 17 DeHart Street, Morristown, NJ on October 26, 2021, at 11:00 a.m. The following Committee members participated in person:

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

The following Committee members participated via Zoom conference:

Ward K. Horton  
F. Morgan Kirby, IV

Mr. S. Dillard. Kirby, Chairman, presided and Mrs. Diana L. Kostas, Secretary/Treasurer, recorded the minutes of the meeting. Mr. Justin J. Kiczek, Executive Director, and Mrs. Laura H. Virkler, Chair of the Board, participated in the meeting as guests, with Mrs. Virkler attending via Zoom conference.

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

The Chairman thanked Mr. Jefferson W. Kirby for his thirty-four years to-date serving on the Investment Committee, over twenty years as Chair, and noted that Mr. Raver was entering his nineteenth year on the Investment Committee.

The minutes from the July 21, 2021 Investment Committee meeting were approved. The Chairman informed the committee that he intended no major changes to the format and

scheduling of the Investment Committee meetings. He preferred to maintain the quarterly schedule (January/April/July/October) but with a fixed day each meeting month to assist with long-range planning. The committee agreed that going forward meetings would be scheduled for the fourth Tuesday of each Investment Committee month. Initiatives/educational topics were discussed for each meeting. The Chairman noted the possibility of adding an additional non-family member to the Investment Committee. Finally, it was suggested that Mr. Horton and Mr. F. Morgan Kirby, IV, actively participate in future possible manager searches, as part of the development process.

Mrs. Kostas then reviewed the Investment Committee Report for the Board as of September 30, 2021. Overall, the portfolio performance has held steady, with portfolio returns of 10.5% YTD, outperforming the benchmark by approximately 200 bps. Performance by manager was reviewed and the Committee had a brief discussion regarding the Blackstone GSO Investments and the unfunded commitments outstanding. Mrs. Kostas stated that she would follow up with J. P. Morgan regarding Blackstone's likelihood of calling for extra funds.

Mrs. Kostas presented the Attribution Report for the twelve-month period ending September 30, 2021, as well as highlights for the third quarter. Total portfolio returns of 24.9% for the trailing twelve months exceeded the Foundation's 75% ACWI/25% Global Agg custom benchmark by 500 bps. She noted that Vanguard provided approximately two-thirds of that alpha and that the overweight in equities (versus the Investment Policy Statement) has benefited the Foundation.

Mrs. Kostas then shared the eVestment peer group rankings for all investments as of September 30, 2021. Highlights included strong peer ranking YTD for Vanguard's Windsor Fund (18.5% returns, Top 35%) and PIMCO's All Asset Fund (12.0% returns, Top 5%).

The Committee reviewed the Endowment/Foundation Peer Comparison report as of June 30, 2021. The Committee noted that the Foundation portfolio outperformed the median Endowment/Foundation in the Callan database for all periods. Outperformance for the quarter was 75 bps; for one-year, 377 bps; for three-years, 80 bps; and for five-years, 51 bps. The Foundation portfolio also outperformed the median in the Alpha Nasdaq OCIO Endowments & Foundations database (currently 39 OCIOs participating) for all periods. Outperformance for the quarter was 7 bps; for one-year, 412 bps; for three-years, 68 bps; and for five-years, 48 bps.

Mrs. Kostas presented the Expense Summary. The Foundation's expense ratio as of September 30, 2021, was 50.7 bps.

The Committee examined the current allocations via the Allocation Model Report as of September 30, 2021. Considerations included equities versus fixed income, U.S. versus Non-U.S., bond duration, downside protection, yields and style. The conversation was tabled until later in the meeting. The Committee also discussed cash needs and the Executive Director inquired about creating a Grants Budget Forecast based on estimated portfolio performance with sensitivity analysis. Mrs. Kostas responded that she was preparing such a report for the Foundation.

At 12:10 p.m., the Vanguard portion of the meeting commenced with Mr. Ruhl giving a broad market and economic overview. Due to the COVID-19 resurgence, Vanguard has revised downward its forecast for full-year U.S. growth to approximately 6% versus its previous expectation of 7.5%. Full-year growth forecasts for Europe and China, are 5% and 8.5%, respectively. Emerging markets offer divergent stories, with emerging Asia being beset by low vaccination rates and South Korea using relatively higher vaccination rates to move away from rigid lockdown approaches. Vanguard anticipates more inflation volatility into 2022 due to

supply-and-demand dislocations, as well as labor shortages. Its base case anticipates that core CPI will come in around or above 3% through the first quarter of 2022, settle at 2% for some time and end 2022 above the Federal Reserve's target of 2%. Mr. Ruhl noted that the Foundation's overall approximate 80% equities / 20% fixed income allocation contributed to the portfolio's outperformance. With regards to the Vanguard portfolio, the value tilt has boosted both YTD and one-year performance but has been a headwind for performance since-inception. The portfolio managers for Windsor Fund (Pzena) and International Value (Arga) have provided alpha via strong stock selection. The Committee thanked the Vanguard team for their presentation and F. Morgan Kirby, IV, signed off the meeting due to a prior commitment. The Committee logged off the Zoom conference at 1:10 p.m. to take a break before the Walter Scott meeting via Webex.

At 1:15 p.m. the Committee met with Mr. Alexander Torrens, Co-Head Research, Walter Scott via Webex. Mrs. Laura MacDonald, Client Investment Manager, Walter Scott/ Boston office, also joined the Webex. Mr. Torrens commenced with firm updates, noting the departure of Gareth Evans from the Research team. He also addressed Alan Edington's appointment as Investment Manager – Responsible Investment. Alan's new role encompasses research, stewardship, and client-facing work when it comes to responsible investment. Mr. Torrens noted that Alan has maintained stock selection responsibilities. Mr. Torrens informed the Committee that an Emerging Markets team (cross-regional) was formed that meets weekly to discuss themes and trends. Both the Edinburgh and Boston offices opened voluntarily in July 2021 and anticipate a hybrid 3/2 (office/remote) format indefinitely. Mr. Torrens stated that most of the Research team was in the office Tuesday-Thursday.

Mrs. MacDonald reviewed Walter Scott performance versus its benchmark, with September YTD results of 10.2% versus a benchmark of 11.1%. Mr. Torrens reviewed portfolio attribution, stating that stock selection in the healthcare and consumer space contributed alpha while detractors were China-related holdings such as Taiwan Semiconductor, Fanuc, Jardine Matheson and KONE Corporation. The Committee informed Mr. Torrens and Mrs. MacDonald of the April 26<sup>th</sup> and October 25<sup>th</sup>, 2022 meeting dates and invited Mr. Alan Lander to join Mr. Roy Leckie at the April meeting. The Committee thanked both participants for their presentation and everyone signed off the Webex meeting at 2:30 p.m.

The Committee resumed its meeting in-person and via Zoom. After a brief discussion, the Committee decided to rebalance the portfolio's U.S. and Non-U.S. equity holdings by selling \$8M of the Windsor Fund VWNEX (valued at approximately \$75M as of September 30, 2021) and re-investing the proceeds into the International Value Fund VTRIX (valued at approximately \$42M as of September 30, 2021) on October 31, 2021. The Committee also discussed possible guest speakers and education topics for future Investment Committee meetings including: the manager search process, and multi-manager fund construction. The Vanguard Advisory team offered to assist with educational topics and suggested perhaps Mr. Dan Newhall, Principal of Global Oversight and Manager Search, or Mr. Andrew Shuman, Investment Director, to discuss the manager search process. Such a presentation was agreed upon for the January 25, 2022 meeting.

Finally, the Committee discussed alternative investments such as infrastructure debt, insurance-linked securities, and publicly traded mutual funds that mimicked hedge funds. Mrs. Virkler signed off at 3:10 p.m. due to prior commitments. The Committee discussed possibly

deploying fixed income monies to alternative investments as a tactical (6-12 month) move due to the challenging fixed-rate return environment. The meeting concluded at 3:30 p.m.