Minutes of the Meeting

of the Investment Committee of the

F. M. Kirby Foundation, Inc.

July 25, 2023

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc., was held on July 25, 2023 at 10:00 a.m. beginning at the offices of PIMCO, 1633 Broadway, New York, NY. The following Committee members participated:

S. Dillard Kirby
Jefferson W. Kirby
William J. Raver
Ward K. Horton
F. Morgan Kirby, IV
Evan C. Lorey

Mr. S. Dillard Kirby, Chairman, presided and Ms. Diana L. Kostas, Secretary/Treasurer, recorded the minutes of the meeting. Mr. Justin J. Kiczek, Executive Director, and Ms. Laura H. Virkler, Chair of the Board, 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.

Mr. Joe Xu, Account Manager, PIMCO greeted everyone and turned the presentation over to Mr. Campbell Harvey, Ph.D., Director of Research, Research Affiliates, who participated virtually from the campus of Duke University. He provided the committee with a macro view on the economy, highlighting yield curve inversions preceding recessions and citing reasons why the current yield curve may be a false signal. He also noted one significant caveat, which would be if the Federal Reserve was to continue implementing rate hikes. Dr. Campbell stated that while the economy is complex, all focus was simply on the Federal Funds rate. Other issues such as energy, supply chain management, and housing demand all impact inflation. He felt that two more rate hikes would be a recipe for disaster. The committee asked a few questions and thanked Dr. Harvey for his time.

Mr. Brent Leadbetter, Partner, Head of Equity Solution Distribution, Research Affiliates, addressed broad market trends for 2023, noting a strong reversal of returns in the second quarter of 2023 with diversified commodities being the only asset class with stronger Q2 performance. All Asset's neutral risk posture drove modest performance for 2023. Diversifiers, including emerging market bonds, REITs and emerging market equities provided healthy contributions to All Asset's returns, albeit lagging mainstream equities. Underlying PIMCO fund alpha was a detractor year-to-date but has been an important contributor to long-term returns. All Asset returns (net of fees) as of June 30, 2023 were 3.97% YTD versus CPI + 5% BM of 4.01% and 4.68% for the one-year period versus CPI + 5% BM of 9.13%. Research Affiliates' long-term nominal return forecasts predict that the highest return potential is outside U.S. stocks and bonds, and they will be expanding investments in developed ex-US equities (modestly higher returns and lower volatility). All Asset's gross yield of 7.2% underscores the relative low cost of All Asset's underlying assets and return potential. A question was posed regarding the decline in allocation to liquid alternatives (LA) given their strong performance to which Mr. Leadbetter replied that the category tends to serve as dry powder and as yields have become more attractive, they have moved monies from the LA category to fixed income. The Investment Committee thanked both the PIMCO and Research Affiliates team members for their time and they departed the meeting at 11 a.m.

At 11:30 a.m. the meeting continued at the offices of J. P. Morgan Client Center, 390 Madison Avenue, New York, NY. Mr. Jeff Geller, Chief Investment Officer and Ms. Grace Koo, Senior Portfolio Manager of J P. Morgan Multi-Asset Solutions were joined by Mr. Michael

Griffin, Executive Director, J. P. Morgan Private Bank. Mr. Geller led the conversation reviewing Global Allocation Fund's performance versus the 60% ACWI /40% Global Agg risk profile. He noted that in 2020 the Fund ranked in the Top 9% of the Morningstar World Allocation Category, coming in 240 bps over the 60/40 benchmark. Conversely, in 2021 it beat the 60/40 benchmark by 153 bps but ranked in the 67th percentile of the Morningstar World Allocation. Structural biases in the peer groups and the desires of retail clients versus those looking for more globally diverse options all factor into the investment process. Through June 30, 2023, both equities and fixed income had negative return contributions versus the 60/40 benchmark. Equities had returns of 7.01% versus benchmark returns of 8.21% and fixed income had returns of 0.14% versus benchmark returns of 0.61%. According to Mr. Geller, manager alpha over the last three years has been extraordinary. Long-term alpha has come from their fixed income allocations, with 1.58% returns (since inception) versus the 60/40 benchmark returns of 0.12%.

Mr. Geller then pivoted to forward-looking views. The senior investment team feels inflation has peaked and is trending lower. Long duration is favored over the next 12-18 months. There are no options in the portfolio currently and recession risk has been downgraded to a 20% probability. Mr. Geller responded to a question regarding fixed income that he believed both investment grade and high yield looked enticing. The Global Allocation team is essentially doing a 60/60 allocation via the use of futures.

Ms. Koo reviewed a downside scenario analysis and then highlighted manager contribution as of June 30, 2023. Manager alpha was positive for the YTD, 1-year, 3-year, 5-year and Since Inception periods. Global Select Equity (managed by Helge Skibeli) has a sizable allocation of approximately 25%. While alpha for GSE was negative for the 1-year period, it has added significant alpha to all other time periods. Mr. Skibeli remains growth/value neutral and focuses on stock selection.

The topic of China A shares arose. Mr. Geller informed the committee that the Global Allocation Fund had exited the China A strategy and the team was lukewarm on emerging markets in general. One-third of the Fund’s emerging market exposure was in China A shares, which were a big detractor to performance. Mr. S. Dillard Kirby asked for perspective on dividends. Ms. Koo stated that the lack of dividends in 2023 was accounting-related and that losses on currency positions were offsetting dividend income. Mr. Jefferson W. Kirby inquired if there were any major leadership changes, to which Mr. Geller answered no. The committee thanked the J.P. Morgan team for their time, and they departed at 12:35 p.m.

The Investment Committee resumed its meeting at 12:50 p.m. The minutes from the April 25, 2023 Investment Committee meeting were approved. Ms. Kostas shared key highlights from the investment reports which were sent to the Committee in advance of the meeting. Items of note included:

- Total portfolio returns of +9.8% versus 75% ACWI/25% Global Aggregate benchmark of 10.7% (YTD through June 30, 2023)
- The total portfolio exceeded the benchmark for the month of June, 1-year, 3-year and 5-year periods.
- For the six-month period ending June 30, 2023, Walter Scott had the strongest manager outperformance, coming in 360 bps over its benchmark and providing 97 bps to the Foundation’s returns.

- Equities was the top asset class in terms of absolute returns (+12.2%) through June 30, 2023, with non-US equities returning 13.4% and U.S. equities providing returns of 11.0%.
- The Foundation outperformed both its Callan peers and the Alpha Nasdaq OCIO Endowment & Foundations peer group for all periods ending March 31, 2023 (quarter, 1-year, 3-year, and 5-year).
- The expense ratio as of June 30, 2023, was 56.3 bps.
- Estimated cash needs through October 31, 2023: $3.3M versus anticipated dividends and money market funds of $758K.

The Committee agreed to draw down $3.0M from the J.P. Morgan Global Allocation Fund to fund grantmaking and operating expenses. A brief conversation ensued regarding Walter Scott’s performance-based fee. It was decided that the role of that fee was to protect downside performance rather than limit the expense on upside performance. The additional 7.5 bps that were paid for performance were more than covered by the +300-bps performance over the 5-year benchmark. Mr. S. Dillard Kirby commented that we could at least inquire about a performance fee cap.

Mr. Ruhl then provided highlights of global equity market returns, noting that the ten largest companies in the S&P 500 contributed 74% of the S&P 500 return 2023 YTD. The median return for the index was 4.7% versus the total index return of 16.9%. He reminded the Committee that the Foundation’s active stock portfolios did not include Apple, Amazon, NVIDIA or Tesla, which resulted in underperformance against the MSCI All Country World Index of 1224 bps 2023 YTD.

The Committee discussed Mr. Harvey's views on the Federal Reserve and the differing investment approaches between PIMCO (more value oriented) and J. P. Morgan (more sector focused). Mr. Raver pointed out the low correlation in excess returns between the two managers.

The conversation then turned to private equity and the Hamilton Lane presentation deck. Two investments were compared: the Private Assets Fund (PAF) and the Equity Opportunities Fund VI (EOF), which will launch in Q4 2023 or Q1 2024. The positives on the PAF are exposure to direct equity, direct credit and secondaries with one-time funding, minimal administrative burden given no capital calls, and 1099-reporting versus a K-1. The drawbacks to the PAF are timing the entry, paying a premium for liquidity, and diversification concerns with the top 3 holdings accounting for more than 10% of the Fund. With the EOF, positives include that the investment dollars would be spread over a few years and EOF II through V showed strong performance over the MSCI World PME (Public Market Equivalent). There was serious interest in the EOF. The Committee inquired as to whether there was a secondary-only fund that could be paired with a direct credit fund. The Committee decided to invite Hamilton Lane to attend the October 24th meeting to discuss the EOF and their direct credit fund product, with hopes of moving forward with an "entry level" allocation in the next available entry period (estimated to be Q1, 2024). The fee structure for the EOF is a 1% management fee and 10% carried interest on committed capital, with an 8% hurdle. The PAF fee structure is more expensive, with a 1.5% management fee, plus 12.5% at the deal rate and an 8% / 6% hurdle on equity investments and co/direct credit investments, respectively.

Finally, the Committee agreed to liquidate the Cohen & Steers separately managed account and reinvest the proceeds into the firm's CSUIX mutual fund. A target date of August 31st has been set. The meeting concluded at 2:15 p.m.