Minutes of the Meeting

of the Investment Committee of the

F. M. Kirby Foundation, Inc.

April 23, 2024

A meeting of the Investment Committee of the Board of Directors of the F. M. Kirby Foundation, Inc. (the Foundation), was held at 17 DeHart Street, Morristown, NJ and via Zoom on April 23, 2024, at 10:00 a.m. The following Committee members participated:

S. Dillard Kirby
Jefferson W. Kirby
William J. Raver
Ward K. Horton (via Zoom)
F. Morgan Kirby, IV
Evan C. Lorey
J. Walker Kirby, Jr.

Mr. S. Dillard Kirby, Chairman, presided and Ms. Helen Benson, Director of Finance/Treasurer, recorded the minutes of the meeting. Mr. Justin J. Kiczek, President, participated in the meeting as a guest. Messrs. Matthew Ruhl, Senior Investment Consultant, and Ralph Ivory, Director, Nonprofit Solutions, also joined the meeting, representing Mercer.

The Chairman welcomed the presenters from Coller Capital, Mr. Eric Foran, Partner, Investment Team and Ms. Roseita Monteiro, Principal, Investor Relations. The Coller Capital team provided the Committee with their presentation prior to the meeting which included an overview of Coller Capital and educational information on the secondaries market. Ms. Monteiro began the presentation by giving an overview of Coller Capital and why they consider themselves the "First in Secondaries." Some highlights included the fact that Coller Capital is the largest independent firm focused exclusively on the global secondary market for over 30 years; it has a global presence with a local approach; it is hyper selective with investments and has garnered consistent and strong investment performance across cycles since its inception (page 7 of presentation). Ms. Monteiro detailed Coller Capital's leadership in secondaries investments through the roll out of the world's first and largest secondary PE funds of its time since its inception. She also reviewed Coller's global footprint, which includes over 550 LPs of which 47% are in the Americas. Coller Capital has 279 employees as of March 2024, primarily located in London and New York.

Mr. Foran gave the Committee an overview of the secondaries market and its development over the years and reviewed the current market dynamics of the LP-led and GP-led secondaries. Some of the opportunities provided to private capital investors by the secondaries market include the ability to proactively manage their portfolios, achieve early liquidity from their private market assets and lock in returns. Coller estimates $500 billion of transaction volumes by 2030 in the secondaries market. LP-led secondaries have represented approximately 50% of the secondaries volume since 2020 while GP-led transactions reached their second highest ever total in 2023 with new GP-led structures emerging in prominence.

The Coller team proceeded to discuss the advantages of investing in secondaries versus primary investing. The potential advantages include the ability to acquire quality, seasoned assets at a discount to NAV; increased diversification to assets, strategies and managers; and a more predictable and earlier return of capital, which includes stand out returns in the private markets with relatively low capital loss risk. The secondary market supply-and-demand driven response dynamics reflect that the secondary market is only constrained by its ability to raise capital (page 22 of the Coller presentation). Coller believes its origination approach has historically delivered favorable pricing with a 23% closing discount from 2020 through 2023. They also referred to the Coller CIP VII fund which invests in 2,900 companies across +280 GPs as an example of how secondaries market funds provide a highly diversified portfolio of PE assets.

They discussed Coller's ability to play into its strength in secondaries and referred to Coller International Partners Fund IX, which is targeting transactions across the secondary market, providing investors with exposure to portfolios diversified across investment strategy, vintage year, manager, industry sector and geography. It is targeting $10 billion in total capital and has raised $5.5 billion to date. The final close is anticipated to occur in the first half of 2025. Two management fee/carry options were outlined for commitments of less than $20M: (i) 1.5% annual management fee and 10% carried interest, or (ii) 0.85% annual management fee with 20% carried interest. The Coller team noted that historically the first option has been better for LPs, but very close (see additional Coller Funds outlined on page 30). The Chairman thanked the Coller team members for their time and the information presented and they departed.

The Chairman welcomed Mr. Roy Leckie and Ms. Laura MacDonald from Walter Scott & Partners ("Firm") at approximately 11:00 a.m. Mr. Leckie began by stating the Firm is grateful for the seventeen-year relationship it has maintained with the Foundation. He then proceeded to give a Firm update. The Firm continues to focus on two key tenants: Investment Philosophy and Corporate Culture. Mr. Alex Hammond continues to be the Chairman of the Board, which consists of four Walter Scott executives, two BNY Mellon members, and three independent members. The Firm thrives on a strong corporate culture which is reflected in a very low turnover of staff, which is estimated at 3% annually. Mr. Leckie gave a detailed overview of the personnel who have retired and all personnel changes in the Firm.

Mr. Leckie then discussed the Firm's performance. The Firm continues to be a growth company through controlled and deliberate decision making. Currently net flows are slightly negative as some clients, including retirement funds, are in their maturation phase and looking to derisk their portfolios while other clients, like the Foundation, are pulling funds to invest in private equity. The Chairman asked how ESG considerations are impacting the Firm's decisions. Mr. Leckie stated that ESG considerations are always a part of their analysis and that they have not lost any clients because of it. From a performance standpoint, the Firm is 160 basis points below the benchmark for the three-year period (page 29). Mr. Leckie attributed this performance to not owning any shares of Nvidia; the Firm being slightly overweight in China, which the market seems to dislike at the moment; and the fact that the market has an overly optimistic view of Japan, as exemplified by Warren Buffet's increased stake in Japanese trading companies in 2023. Currently, the Firm only owns two of the "Magnificent Seven" stocks, which impacts its overall performance against the benchmark. He also stated that, although China does have some problems with debt and unemployment, some businesses are growing and doing well fundamentally. He believes that the market will flip its view between China and Japan soon. For the six-month period, the Firm's performance is 130 basis points below the benchmark, which is primarily driven by AIA Group, Illumina (was sold during the last six months), and Cisco Systems (page 30). Although Novo Nordisk has performed well in the past six months due to the roll out of weight loss drugs Ozempic and Wegovy, the Firm is trimming this investment and taking advantage of the valuation hype. Mr. Leckie stated the Firm is prudent around valuation risk and reviewed the stock activity over the past twelve months (pages 34 -35). He highlighted the sale of its position in Disney as there are questions remaining around how successfully it can shift its media assets from a linear to a streaming ecosystem. As for purchases over the past twelve months, he highlighted Copart which is the leader in US automotive salvage and auction industry, which has delivered double-digit compound revenue growth as a result of its market share gains, value-added services and pricing power. Overall, the turnover of the portfolio has been 15% over the last twelve months. Upon the conclusion of his review, he asked the Committee to let the Walter Scott team know if they would like to continue to alternate Mr. Leckie and Mr. Alex Torrens as presenters and if they would be interested in having Mr. Alan Lander from Research attend. The Chairman stated he would inform the Walter Scott team of the Committee's preference once decided. The Chairman thanked Mr. Leckie and Ms. MacDonald for their time. The Committee took a brief break.

Once the Committee reconvened, Mr. Ralph Ivory and Mr. Matt Ruhl with Mercer began their presentation with an update on the March 15, 2024, completion of the Mercer acquisition of the Vanguard Institutional Advisory Services business. Some highlights included that Mercer acquired from Vanguard an additional 1,058 clients representing $51 billion in discretionary assets and $5 billion in non-discretionary funds under management. The Mercer team will continue to have the full support of Vanguard for eighteen months and the former Vanguard employees have moved into their new location in King of Prussia, Pennsylvania. Additionally, Fact Set will be used for performance reporting going forward and the MercerInsight Community is a new client portal that will allow clients access to the latest investment research from Mercer and hundreds of third-party publishers. The portal can be accessed by all Committee members via https://insightcommunity.mercer.com/signup. Mr. Ruhl asked if the Committee could provide feedback on the portal once they've had an opportunity to sign up and access it. Mr. Lorey asked if the Committee should be prepared for any changes in strategies or asset allocation because of the acquisition. Mr. Ruhl stated that investment choices will continue to be client driven. Mr. Raver inquired about Mercer's ability to "vet" new investment opportunities that the Committee is interested in assessing which would eliminate the need to pay for eVestment to vet new investments. Mr. Ruhl mentioned their systems could facilitate peer reporting and, depending on the Foundation's objectives, it could be leveraged for reviewing new investment manager opportunities. Mr. Ruhl then proceeded with the Mercer presentation stating that there is not a big difference between Mercer and Vanguard as far as their beliefs regarding the markets. This is exemplified on page 21 of the presentation, which compares Mercer's and Vanguard's assumptions for key asset classes over 10 years. Mercer was slightly more favorable on US equities. Mr. Ruhl then reviewed the Foundation's performance as compared to the benchmark (page 23 of the Mercer presentation) highlighting the fact that since the Foundation's portfolio is underweight in US equities and has minimal investments in the Magnificent Seven, it is underperforming against the benchmark.

The Chairman thanked the Mercer team and then began the F. M. Kirby Foundation Business portion of the agenda at 1pm. The Chairman asked for a motion to approve the minutes from the January 23, 2024 meeting. Mr. Jeff Kirby motioned to approve the minutes and Mr. Raver seconded. The Chairman brought forward the idea of having Zoom AI assist with compiling of notes for the minutes. Ms. Benson discussed the efficiency it would create in completing the minutes. The Committee agreed to have AI companion take notes during the zoom call to help alleviate the note taking during the session. Ms. Benson then shared following 1Q 2024 highlights from the investment reports sent to the Committee in advance of the meeting:

- The total portfolio ended the 1Q 2024 with a +4.8% return versus the 75% ACWI/ 25% Global Aggregate benchmark, +5.6%. The top performers included the JPM Global Allocation Fund, which produced 120 bps of alpha, and Cohen and Steers, which produced 160 bps of alpha.

- For the twelve-month period, equities represented the top asset class in terms of absolute returns, +17.13% with US equities providing returns of +21.30% and non-US equities returning +12.50%.

- The portfolio is beating the benchmark for the three-year and five-year periods.

- The Foundation outperformed both Callan and Alpha CIO peer groups across all periods for the data as of December 31, 2023. For the 1-year period it outperformed Callan by 270 bps, the Alpha Nasdaq OCIO Index by 256 bps and Moderately Aggressive Asset Allocation Index by 218 bps.

- The expense ratio as of March 31, 2024, was 47 bps, down from 55 bps for 2023 and is primarily attributed to a lower performance fee for Walter Scott.

The Chairman then began the discussion about the morning sessions. The Committee agreed that the information presented by the Coller team was educational and provided the appropriate level of information to gain an understanding of the secondaries market and Coller's experience and success in the market. As for next steps, Mr. Lorey volunteered to request access to Coller's data room so the IC could perform additional due diligence. The Chairman stated that the Committee will set aside time during the July 23, 2024, Investment Committee meeting to evaluate Coller's secondary PE fund strategy and determine if a commitment will be considered. It was also discussed that the Chairman suggest the idea of a shortened Firm update by the Walter Scott team going forward and that a review on the firm's stock picking process would be appreciated, particularly for newer team members who have not heard this before. It was also agreed that the Committee would like to continue alternating Mr. Leckie and Mr. Alex Torrens as presenters for our meetings going forward.

Ms. Benson addressed cash needs through August 31, 2024, noting that the Foundation would require approximately $3.7M for grantmaking and administrative expenses. Between anticipated second quarter dividends and cash in the money market, Ms. Benson requested latitude to liquidate up to $2.4M. She discussed that the potential sources of the funds could be proceeds from sales totaling $1.4M of shares of the Windsor Fund and $1.0M of Walter Scott equities, as this manager is hovering at the maximum threshold of 25% of the portfolio. The Committee agreed to this proposal.

The Chairman then provided a brief update on the Hamilton Lane EO VI Fund, expressing surprise at the slower pacing of the fund and questioning if more active deployment of capital was needed. Ms. Benson will follow up with Megan Meline, Managing Director at Hamilton Lane, to get an assessment as to how this fund compares to other previous vintages. As of this point in time, the 1A closing for the Equity Opportunities VI Fund LP is targeted to be April 30, 2024, with expected commitments of $300 million and the 1B closing is targeted for the end of June with an additional $300 million in commitments. The first capital call is not expected until the third or fourth quarter of 2024, which is estimated to be approximately 10% of the commitment.

The Chairman then introduced Mr. J. Walker Kirby, Jr. who reviewed his presentation on Building a Diversified Private Equity Portfolio. He discussed the goals for the private equity portfolio, a high-level framework to construct the equity portfolio and the potential target allocation. He then reviewed potential growth and return profiles considering various scenarios for the private equity allocation, outlined on page 5 of the presentation. The Committee discussed in detail the "Dip Our Toes" scenario and the scenario outlining a 15% Target PE Allocation with continuous commitments every 4 years. The Committee also discussed the importance of minimizing early-year outflows and monitoring liquidity. Mr. Raver brought up whether the Foundation would consider a line of credit to help fund the capital calls as many other non-profits use them. The Chairman noted that he would review the by-laws to see if it would allow for this. In the short term, with the potential of committing to two PE investments, the need for a line of credit is not deemed necessary.

The Committee reviewed the Investment Policy Statement and determined no changes were necessary to the current version. It was also agreed that the October 22, 2024, meeting would be a good time to invite Cohen & Steers and KBI to give an update on their performance. Ms. Benson will coordinate with these two managers to arrange this. The meeting was adjourned at 2:45 p.m.