Minutes of the Meeting

of the Investment Committee of the

F. M. Kirby Foundation, Inc.

January 23, 2024

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 and via Zoom on January 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 (via zoom)
J. Walker Kirby, Jr.

Mr. S. Dillard Kirby, Chairman, presided and Ms. Helen Benson, Director of Finance/Treasurer, recorded the minutes of the meeting. Ms. Laura Virkler, Chairperson of the Board and Mr. Justin J. Kiczek, President, 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 Chairman welcomed the J.P. Morgan team which included Messrs. Jeff Geller, Chief Investment Officer, Phil Camporeale, Client Portfolio Manager, Steve Hess, Managing Director and Michael Griffin, Executive Director from J.P. Morgan. Mr. Geller began the presentation and reviewed the 2023 J.P. Morgan Global Allocation Fund performance, stating there were some lessons learned when looking back at 2023. He noted that small cap and value both struggled in 2023. In reviewing page 9 of the presentation, he compared the fund’s performance in 2021 versus 2023. In 2021, the fund outperformed its peers by 1.53% primarily because small cap performed well and the roll out of the Pfizer vaccine had a positive impact on performance in 2021. In 2023, the fund underperformed by 1.58% versus the benchmark for the fund (60/40) but still ranked in the top third of the peer category. He stated the fund struggled because of its focus on Emerging Markets and on China. He stated that most active managers struggled in 2023.

Mr. Geller discussed that there would be less emphasis on Emerging Markets and a focus on rebalancing the fund as the economy looks for a soft landing in 2024. He referred to page 12 of the presentation which outlines the current asset allocation versus the historical range. He highlighted the increased allocation to U.S. High Yield, which currently represents almost 19% of the fund. He also noted there are no CCC rated bonds in the portfolio, and that this may be a "coward's way" of playing in high yield but can potentially earn 7%. Mr. Camporeale then reviewed the alpha contribution summary on page 29 of the presentation. He noted that the Global Select Equity strategy is driving the performance with 0.92% alpha for 2023 and 0.25% alpha since inception.

Upon completion of the J.P. Morgan team presentation, the chairman inquired about the expected dividends to be distributed in 2024 as there was only a very small dividend distributed at the end of 2023. Mr. Camporeale stated that foreign currency losses impacted their ability to distribute dividends in 2023. They expect a more normal dividend structure in 2024, absent any foreign currency losses. The Committee thanked the J.P. Morgan attendees for their time and informed them of the July 23, 2024, meeting, and they departed.

The Pimco and Research Affiliates team then joined the meeting. Mr. Joe Xiu, Pimco Account Manager, attended in person and Messrs. Chris Brightman, CEO and CIO Research Affiliates and Brent Leadbetter, Partner Head of Equity Solutions Distribution, attended via Zoom. Mr. Xiu kicked off the meeting by thanking the Committee for the partnership over the last few years and then introduced Mr. Brightman who began with a discussion of the current economy and the outlook for 2024.

Mr. Brightman anticipates inflation to decline to 2% – 2 ½ % in the years ahead. He noted that when inflation reaches 8%+ as it did in 2022, it takes many years to come down and that the shelter index is a sticky component of inflation. He also noted that although the yield curve is usually a predictor of recessions, this year may be the exception and with the slowing growth in the US, investors will be looking to traditional asset classes as a defense, including cash and US TIPS. With inflation slowing and residential real estate stymied by high interest rates, he believes a soft landing is the likely scenario. Mr. Brightman highlighted the fact that the All Asset Fund has decent positions in both short and long term bonds and is moving quicker to defensive positioning because of the unsustainable position of the U.S. economy with 5-6% budget deficits. He also believes we are in an unprecedented time with GDP at 5% and unemployment at a low.

Upon completion of Mr. Brightman's presentation, Mr. Brent Leadbetter began his discussion. He reiterated the "stickiness" of the shelter component on inflation as it represents approximately 20% of CPI. He went on to mention how the fourth quarter of 2023 experienced positive performance across most asset classes. He stated that Research Affiliates is forecasting an economic slowdown in the US and other developed markets in 2024. As a result of the economic slowdown, elevated inflation, and an environment for potentially higher interest rates for a longer period, the All Asset Fund rebalanced into bonds vs. mainstream equities. Additionally, weaker valuations among the diversifier assets drove a modest shift away from emerging market bonds and commodities while fixed income has an increased share.

Mr. J. Walker Kirby, Jr. inquired as to who ultimately makes the decisions regarding the allocation of the fund. Mr. Leadbetter informed the Committee that Research Affiliates makes the decisions regarding allocation and Pimco makes decisions within each of the individual funds. He used the REIT portfolio as an example.

Mr. Leadbetter then reviewed page 22 of the presentation and discussed how All Asset Fund's historical performance has been strong following periods of high yields and its yield of 6.5% is among the highest offered in over a decade. He also emphasized the importance of diversification and caution as the Magnificent 7 comprises 28% of the total market share of equities and 16.3% of returns. The Committee thanked the PIMCO and Research Affiliates team for their time.

Following a short break, the Chairman turned the floor over to Mr. Matt Ruhl, Sr. Investment Consultant and Mr. Ralph Ivory, Director, Nonprofit Investment. Mr. Ivory began the discussion regarding the Vanguard Institutional Advisory Services (VIAS) sale to Mercer by saying that not much has or will change upon completion of the sale. Mr. Ruhl mentioned virtually everyone from the current VIAS team is moving over to Mercer upon the finalization of the merger. He offered that, although there may be some hiccups operationally for other clients, the Foundation should not be impacted. He went on to say that Mercer has an open architecture and will be able to provide additional research data. Mr. Ruhl also mentioned that Mercer is currently on a different performance platform, and they are still discussing which platform the combined entity will use. Mr. Ivory stated they will have a better handle on all the Mercer research data in April. Currently, Mercer manages $380B of investments and VIAS manages $46B. Mercer has larger pension clients while Vanguard has focused more on non-profit organizations.

The Chairman inquired if the portfolio deliverables will be different once the merger is finalized. Mr. Ruhl stated that the performance reports will be the same for a while and that Mercer currently has a strong reporting system as well. Our Foundation reports are currently run from FactSet and this should stay the same. He also mentioned that the two firms have similar allocation philosophies and the same view on equities. Mr. Morgan Kirby inquired if the inception date for the Foundation would change upon the merger. Mr. Ruhl responded that that the inception date for the Foundation would not change. Mr. Jeff Kirby inquired about the Mercer manager research team. Mr. Ruhl stated that they have a large manager research team, covering 100 managers in private equities and 120 managers in public equities. Mr. Ruhl also mentioned VIAS has had no pressure to change current client portfolios.

Mr. Ruhl stated that although the Foundation has more alternative assets than most current VIAS clients, he does not foresee a time when the allocation would change. Mr. Ivory reinforced that although there will be some adjustments, overall services will mostly stay the same for the Foundation as part of Mercer. The Chairman let Mr. Ivory and Mr. Ruhl know that the Committee appreciates them as partners and is happy that they will continue to work with us. Mr. Lorey seconded that comment.

Upon completing the discussion of the sale to Mercer, Mr. Ruhl proceeded to give a brief overview of 2023 performance for the Vanguard funds, pages 11 through 14 in the presentation. Some highlights included the fact that the Windsor fund ended the year +15.05% as compared to the Russell 1000 Value Index, +11.46% and the Multi-Cap Value Funds average return, +12.52%. Vanguard International equities and Fixed Income lagged the Foundation benchmarks YTD.

The Chairman thanked Mr. Ruhl and Mr. Ivory for the update on the Mercer transition and their candidness regarding what to expect in the next few months. The Investment Committee then began their discussion. The minutes from the October 23, 2023, Investment Committee meeting were approved. The Chairman then asked the Committee if they had any thoughts on the manager presentations from the morning. Mr. Raver commented that Mr. Jeff Geller did a better job explaining the strategy of the fund as compared to our July 25, 2023, meeting. Mr. J. Walker Kirby, Jr. asked a question regarding how the separate fund manager fees for the J.P. Morgan Global Allocation fund were shared. Mr. Bill Raver replied that there wasn't much transparency regarding this. Mr. Justin Kiczek then commented that the Pimco team's presentations have been more research related over the last few Investment Committee meetings in contrast to the performance-based presentations provided by other managers. The Chairman stated that for our next meeting we will request a deeper dive into the performance of the fund.

The Chairman introduced Ms. Benson, the new Director of Finance/Treasurer for the Foundation and asked her to share her professional background before presenting the Foundation's performance. Ms. Benson shared her work experience and expressed her excitement to be a part of the F.M. Kirby Foundation. She stated that in the short time she has been employed at the Foundation, she can see why people call it a special place. Ms. Benson shared the following key highlights from the investment reports sent to the Committee in advance of the meeting:

- The total portfolio ended the year strong at +15.6% versus the 75% ACWI/ 25% Global Aggregate benchmark, +17.9%.
- The total portfolio outperformed the benchmark for the 3-year and 5-year periods, however.
- All managers exceeded their benchmark for inception to date, with the exception of Pimco which is below for all time periods except the 3 year mark.

- Equities represented the top asset class in terms of absolute returns, +18.67% for the 12-month period, with US equities providing returns of +19.30% and non-US equities returning +17.83% . Walter Scott global equities provided the greatest alpha, 59 bps.

- Although the Foundation underperformed against its peers during the 3Q 2023, it outperformed its Callan peers for the following periods: 1-year (594 bps), 3-year (183 bps) and 5 year (56 bps). It also outperformed the Alpha Nasdaq OCIO Endowment & Foundations peer group for the 1-year (449 bps), 3-year (125 bps) and 5-year (8 bps) periods.

- The expense ratio as of December 31, 2023, was 55.07 bps, down from 56.4 bps as of September 30, 2023.

Ms. Benson addressed cash needs through April, noting that the Foundation would require approximately $6.5M for grantmaking and administrative expenses. Between anticipated first quarter dividends and cash in the money market, Ms. Benson requested latitude to liquidate up to $6.5M. She discussed that the potential sources of the funds could be proceeds from sales of Walter Scott, the JPM Global Allocation Fund and the Windsor fund. After some discussion, the Chairman proposed liquidating $3.5M from Walter Scott, $1.5M from the JPM Global Allocation and $1.5M from the Windsor fund. The Committee agreed to this proposal.

The Chairman then proceeded to give a quick update on Hamilton Lane as he had outlined the details of the upcoming funding requirements for the committed $16M investment in an email to the Committee dated Friday, January 19, 2024. He mentioned that it is highly unlikely that the Foundation will need to source any funding before the second half of 2024 and anticipates that such funding might be in the two to five million dollars range.

The Chairman then introduced Mr. J. Walker Kirby, Jr. as the newest member of the Investment Committee. Mr. J. Walker Kirby, Jr. shared his work experience and professional background with the Committee and thanked the Committee for giving him the opportunity to present his thoughts. He then proceeded with his informative presentation on Exploring Private

Alternatives which was emailed to the Committee beforehand. Key highlights of the presentation included the pros and cons of private equity, the historical performance of the space and the various ways of accessing private markets, including through private equity buyout, venture capital, secondaries, funds-of-funds and co-investment funds. He discussed how private equity and venture capital funds offer higher upside relative to funds-of-funds and secondaries funds, but the latter generally have less risk. Upon completion of his presentation, Mr. Evan Lorey inquired as to Mr. J. Walker Kirby, Jr.'s thoughts on how the Foundation should proceed if it decided to invest more funds in private alternatives. Mr. J. Walker Kirby, Jr. shared that he was impressed by Hamilton Lane's co-investment strategy and fee structure, and thought this fund was a good start to the private alternatives portfolio. He also stated this first fund commitment will give the Foundation the opportunity to develop processes around managing liquidity to meet capital calls. If the Foundation wished to add to the private alternatives portfolio beyond Hamilton Lane, Mr. J. Walker Kirby, Jr. recommended that the Investment Committee next explore secondaries funds, as well as buyout funds. He mentioned that although venture capital may offer higher return potential than buyout funds, there is more downside risk for venture capital funds, and it is often difficult to access the top quartile venture funds. Mr. Evan Lorey mentioned he has contacts at Coller Capital, and that he could coordinate for them to provide an informational session for their secondaries fund. The group agreed that it would be a good use of time to have representatives from Coller Capital present to the Committee. Mr. Evan Lorey confirmed that he would get in touch with his contacts to coordinate this. Mr. Bill Raver proceeded to bring up a concern regarding the Foundation's overall performance reporting once private alternatives are funded. Best practices would include use of the modified Dietz process so that performance reported to auditors and any other outside parties (ie. FFOG) meets GIPS standards for calculating portfolio returns. The meeting was then adjourned.