Minutes of the Meeting

of the Investment Committee of the

F. M. Kirby Foundation, Inc.

October 22, 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 October 22, 2024, at 10:00 a.m. The following Committee members participated:

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

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 Messrs. Peter Fox, SVP Institutional Business Development and Client Services, Northeast and Simon Padley, SVP Business Development and Client Service, North America from KBI Global Investors. Mr. Padley began the presentation with an update on the firm. KBI Global Investors is 100% owned by Amundi Asset Management and has grown from approximately $13B (Sept 2022) to $15.3B (Sept 2024). Currently, 20% of its business is in North America (Boston office) and the North America distribution is performed by Mr. Fox, Mr. Padley, and a dedicated investment team. The distribution outside of U.S. is performed by Amundi Asset Management.

Mr. Fox then reviewed the performance of Global Listed Infrastructure (GLI). He noted that total AUM has decreased by $233 million over the past nine months primarily due to a decrease in the Sustainable Infrastructure Strategy, which is partially offset by the Water Strategy. He also mentioned the loss of a large private UK bank and a large German Insurance Company as investors. From a performance standpoint, the environment has been challenging and coincides with the timing of the Foundation's initial investment. In 2023, GLI companies were negatively impacted by the increase in the U.S. ten-year Treasury yield, since these companies maintain high levels of debt and are interest sensitive. He noted that the Foundation's return of 7.8% since inception is lagging the S&P Global Infrastructure benchmark by approximately 125 bps. He attributed this to the underweight in U.S. utilities, not owning any energy companies and the impact of digital infrastructure on real estate, which is partially offset by solid performance by the industrials sector.

Mr. Evan Lorey inquired about the off-benchmark exposure and how the firm reviews risk, positioning, and the potential to introduce tracking error and deviation from benchmark. Mr. Fox explained that the firm allows for zero to 80% of the portfolio to be invested in what they define as "owners and operators" of the physical assets of infrastructure. These typically fall under the Utilities, Real Estate, and Industrials sectors, which also reflect the sectors tracked in the S&P Global Infrastructure benchmark. However, the firm also permits a 20% allocation to infrastructure capital expenditures as it takes a number of years for the physical assets to get up and running. Some examples of these capital expenditure investments include engineering consultancy firms who do the planning, procurement and environmental remediation of big projects, battery storage, and companies that provide digitization. The allocation in this area is currently 15% percent. He also mentioned that GLI investments are diversified across seven sectors, while the benchmark is concentrated in only three, providing an additional buffer.

Upon conclusion of the presentation, Mr. Fox and Mr. Padley welcomed questions from the group. Mr. Raver asked if they could discuss the following three items: 1) Their stock selection process and access to the companies they are invested in; 2) Their portfolio turnover; and 3) Their geography and why there is not more Asia exposure.

Mr. Fox addressed the portfolio turnover first. Turnover is currently 30% per annum, which he believes reflects valuation discipline and not necessarily new names entering and leaving the portfolio. They have a holding period of three years for GLI stocks, as they believe the only thing that may change is their valuation and it should not change materially. However, interest rates, geopolitics, inflation, and upcoming regulations are all factors that come into play during their stock decision making. Overall, turnover is anticipated to be between 20% to 40% yearly. With regards to Asia, the firm allows for a maximum of 20% in emerging markets and the rule of law in these countries is critical in their decision making. By way of example, he mentioned that the Chinese government has the ability to privatize infrastructure companies overnight, making it challenging to invest there. He also mentioned that the firm increases its emerging markets exposure through developed market exposure and noted their investment in Veolia, a company that is building out the water supply to residential homes in India. As for stock selection, Mr. Fox mentioned that it is determined as 70% “bottoms up” with regular calls to finance executives and working with niche brokers. Additionally, they leverage their expertise (twenty-five years of experience in water and energy strategies), as well as their access to senior management for companies with which they have significant shares. They also use stock models, for each holding and universe constituents, which identify favorable upside and pessimistic downside targets to help determine selections.

Mr. Fred Morgan Kirby, IV, then inquired how the GLI strategy geographic diversification compares to S&P benchmark and whether there would be a correlation to the upcoming U.S. election. Mr. Fox stated that currently the GLI portfolio is 44% domiciled in the U.S., which equates to approximately 52% of revenue and approximately 40% domiciled in Europe. Although they would like to have more U.S. exposure, currently, Europe is further along with its energy transition having more active companies in the mix and regulations in place. Currently, the S&P Global Infrastructure benchmark has 65% of U.S. exposure and approximately 20% Europe exposure. He also mentioned nuclear energy will not move the dial for about five to six years, as capital expenses will be extensive to get them up and running, but on a positive note, they will have a seamless integration to the grid. They believe the impact of the election is already priced into the companies. There were no additional questions for the KBI team. The Chairman informed the KBI team of the Foundation's informal three-year performance timeframe for new managers. He also recognized the alpha they provided in the most recent quarter and the decent beta year to date. He thanked them for their time, and they departed.

The Chairman welcomed Ms. Michelle Butler, Senior Portfolio Specialist and Mr. Jay Matthews, Relationship Manager from Cohen & Steers. Mr. Matthews began the presentation with a firm update. Highlights include: the firm has four hundred employees and six offices globally with $91.8 billion in total assets; Global Listed Infrastructure (GLI) represents $9.4B, which includes an increase of $110M in the third quarter as a result of an inflow of funds from a New Jersey-based investor.

Ms. Butler then reviewed the key characteristics of Listed Infrastructure (page 4) and how these characteristics result in a differentiated performance profile, whereby infrastructure provides "upside participation with downside protection." The Transportation and Energy sectors are more cyclical and GDP-focused. They provide strong performance during bullish markets, while the Utilities and Communications sectors provide the defensive elements during down markets. Inflation beta and sensitivity are also a factor. Some sectors, including Utilities, have long-term contracts and can pass through higher costs as a result of inflation or increased interest rates to their customers, but this occurs on a lag. Ms. Butler also provided an overview of the GLI team, which includes four portfolio managers, seven research analysts and associates, two portfolio specialists, and five investment team resources (used firm wide), which is one of the largest in the Global Infrastructure market. Mr. Lorey inquired if Ms. Butler could review the decision-making process across the four portfolio managers. She noted that it is a team decision making process. On average, they have two formal meetings a day to discuss ideas. There is always a written paper trail, and all trade recommendations are well documented. Analysts are required to run paper portfolios and the trades on these are reviewed every week to ensure they are communicating things on a timely basis. The four portfolio managers have full discretion regarding decision making.

Ms. Butler then reviewed the Fund's performance, which has provided alpha for all periods presented: Q3, YTD, 1-year and Since Inception. The greatest contributors to the relative performance included the marine ports, midstream energy (all in North America), and gas distribution, partially offset by airports and communications. Ms. Butler discussed the fact that infrastructure is currently trading at a discount as compared to global equities. Typically, infrastructure trades at a 10 % premium when compared to global equities due to a perceived value in the asset class.

Infrastructure has only traded at a discount during Covid and the last twelve months due to the rate hiking cycle. There is currently a significant amount of interest in the asset class. She also reviewed the outlook for the Utilities, Transportation, Telecommunications, Midstream Energy sectors. She mentioned that wildfires in western states have impacted their decision-making regarding Utilities investments. They remain cautiously optimistic and believe the eastern-based utilities are better positioned to attract capital and grow earnings per share. She also highlighted power demand, which has positively impacted infrastructure this year. Although power demand has been flat since 2007, data centers are changing this trajectory, and they are forecasting power demand to increase by 2% to 5% percent. She also noted that Midstream business profiles have improved significantly, leading to increased free cash flows resulting in strong performance over the last several years. Ms. Butler also reviewed the portfolio weights of the fund as compared to the benchmark.

Mr. Raver highlighted the allocation to Asia and inquired about their philosophy on how they invest in Asia. She discussed the use of a bottom-up securities selection and also noted that there is a top-down framework from a sector perspective, as macroeconomic factors will influence the GLI asset class very differently. As the sub sectors are so unique, having this viewpoint is important but it would come down to bottom-up stock selection and understanding the governance in the region. They currently only invest in China through Hong Kong listed securities.

Mr. Jefferson Kirby then inquired why Telecommunications has a zero weighting in the portfolio (page 22) when it is a core theme in their outlook, in part due to anticipated growth in data centers. He also noted that what was presented relates to fairly durable themes, yet the portfolio has a turnover of 100% over the year. He asked if she could discuss the reasoning. Ms.

Butler noted that the three sectors in the Communications benchmark include towers, satellites, and telecommunications. They have a favorable view of data centers, but they are considered "out of benchmark" and are pricey at the moment, which is the primary reason they are not part of the portfolio at the moment. Towers represents 7.42% of the benchmark and is the biggest component of Communications, so that is their focus. As for the portfolio turnover, she noted that there has been a great deal of volatility, as well as opportunity, in the markets, which has resulted in higher turnover. The firm's turnover range is 60% to 90%, but it has been over that for most of the year and it has worked in their favor from a performance standpoint. The Chairman thanked Ms. Butler and Mr. Matthews for their time, and they departed.

The Chairman welcomed Ms. Laura MacDonald, Client Investment Manager, and Mr. Alex Torrens, Head of Walter Scott North America. Ms. MacDonald reviewed all the Firm updates and highlighted the travel schedule, which reflects the firm's commitment to research. Mr. Torrens then began his review of the Foundation's portfolio performance. He stated that it has been a difficult six months and year, and while the absolute performance for the year has been strong (+26.4%), it is lagging behind the benchmark by 540 bps. However, the relative return since inception (gross of fees) is still providing annualized alpha of 270 bps. He then reviewed the attribution report (page 27) and noted that the Information Technology stocks are up 34%, but still lagging the benchmark by 14 bps. Nvidia and Apple accounted for 80% of the market's returns in Q2 and not owning Nvidia has negatively impacted performance. Over the last year, more than half of the firm's underperformance is due to not owning any Nvidia stock. They were not comfortable in investing in Nvidia at the time it was pitched, as it was reliant on Crypto currency mining. Exposure to Taiwan Semiconductor (TSMC), which manufactures all of Nvidia's chips, has helped performance, as it is +102% over the last twelve months. However, TSMC is also at the 5% maximum threshold for any one stock in the portfolio, so the firm continues to trim it back to stay within the policy mandate. Additionally, stock selection of U.S. companies is the primary contributor to the underperformance versus the benchmark. This includes the selection of Illumina (-31%), West Pharmaceuticals (-20%), Prudential (-12%), and Fergusen (-10), which are all underperforming. Mr. Raver inquired about the investment in West Pharmaceuticals (West), as Walter Scott invited the CEO to the firm's client conference, and immediately after the conference, West was in the headlines due to the sharp fall in the stock price and potentially questionable actions of the CEO from the sale of his shares in the company. Mr. Torrens explained that West produces stoppers for injectable drugs and during Covid they experienced tremendous growth. Unfortunately, Walter Scott underestimated the "air pocket" that incurred due to the cyclical destocking phenomena when they purchased the stock. Additionally, he noted that they underestimated the decrease in demand in the life sciences space, which negatively impacted this stock. However, the firm believes the long-term structural drivers are still attractive. Mr. Torrens also stated he would follow up regarding the details of the sale of the CEO's (Eric M. Green) stock. He mentioned the firm has a long-term relationship with Mr. Green, relating to his tenure at Sigma Aldrich, and his move to West was one of the reasons that Walter Scott was attracted to the company.

Mr. Torrens then reviewed the portfolio changes over the last nine months (pages 30 and 31). He highlighted Mettler Toledo International, purchased in January, which manufactures precision weighing and analytical instruments. The company has been able to establish dominant positions in fragmented markets and has consistently grown revenue and profitability. Mr. Torrens then asked the group if there were any companies they wished to specifically hear more about. Mr. Ruhl inquired about the firm's insight on Nike and the impact of its recent leadership change at the CEO level, as well as LVMH, with the luxury sector taking a hit recently due to lower demand in China. Mr. Torrens stated that Walter Scott believes the leadership change in Nike is a positive move for the company and that the firm is more likely to add more of this stock contingent on performance as result of the CEO change. He also noted LVMH has been weak for a bit, which started with a decline in sales in the U.S market and more recently has been impacted by lower demand in the Chinese consumption market. Fiscal Chinese stimulus could be a good thing for this stock, but overall, the firm believes in the fundamentals of LVMH. Mr. Jefferson Kirby asked Mr. Torrens to discuss the valuation context for Moody's and West, which are currently trading at 30 times earnings. Mr. Torrens stated that the current average trailing PE ratio of the companies in the portfolio is hovering around 30 times earnings (page 33), therefore the PE ratio for Moody's and West are not out of line. He also noted that the premium of the PE ratio as compared to the MSCI ACWI index has been declining over the last few years.

Mr. Torrens ended his review by highlighting how the firm's global strategy has outperformed the benchmark over the long term, mentioning that they outperformed the benchmark 100% of the time over the rolling 15 years and have provided 270 bps of alpha (page 37). There was additional discussion regarding the 5% threshold for any one stock and its impact on the portfolio. Mr. Torrens welcomed the Committee's input regarding this policy. The Chairman agreed to follow up regarding this. The Chairman confirmed Walter Scott's attendance at the April 22, 2025, meeting, which will include Alan Lander, schedule permitting. He thanked them for their time, and they departed.

The Chairman then invited Mr. Ruhl and Mr. Ivory from Mercer to begin their review. He noted the Vanguard Windsor Fund is outperforming the benchmark for the three, five and since inception periods; however, it is underperforming for the year and YTD period. This is primarily attributed to poor selection in the financial sector, communication services, and consumer discretionary companies. The International Value Fund is also ahead of the benchmark for the three and five-year periods but trailing for the year and YTD. Mr. Ruhl mentioned that the report does not accurately reflect the returns of some of the funds, specifically for the current periods, and they are working to resolve the reporting issue. He then reviewed the style analysis as of September 30, 2024 (page 15), noting the Foundation's portfolio is currently overweight in Mid-Cap value and underweight in Large Cap growth. The YTD summary of the top contributors and detractors reinforced Nvidia's impact on the Foundation's performance against the benchmark. Mr. Ruhl also highlighted U.S. Equities performance over time and noted that U.S. equities have outperformed Non-U.S. for the last 10 years; however, for the period 1970 to 2010, the performance for U.S. and Non-U.S. was nearly identical (page 30). Additionally, emerging markets outperformed U.S. equities in the 1990's and 2000's and Canada is outperforming U.S. equities in the 2020's to date. He concluded his session by reviewing The World's Top Ten Largest Companies by Market Cap over the years and the fact that each decade has seen different countries and companies dominating market cap.

The Chairman asked Mr. Ruhl for an update regarding their relationship with Vanguard. He stated that they now have access to meet directly with Wellington to review the performance of the Vanguard funds. Mr. Ivory also added that Mercer is more open with communication and information access.

Ms. Benson then gave an update on the eVestment peer reporting. She noted that she has been working with Mr. Ruhl and his team to recreate the reports that will be provided by Mercer going forward. However, due to the greater size of the peer groups and the timing of when they report on the platform, the reports would not be available until the 20th business day following the month end. She recommended sending the reports to the Committee quarterly due to the timing of their availability and the Committee was agreeable to this. Mr. Ruhl also confirmed that Mercer could perform analysis of any new managers the Foundation may seek to perform diligence on in the future. As a result of Mercer's assistance with these items, Ms. Benson will close its account with eVestment, resulting in cost savings of approximately $14k annually.

The Chairman thanked the Mercer team and then began the F. M. Kirby Foundation Business portion of the agenda. The Chairman asked for a motion to approve the minutes from the July 23, 2024, meeting. A motion was made, seconded and the minutes were approved.

Ms. Benson then shared following Q3 2024 highlights from the investment reports sent to the Committee in advance of the meeting:

- The FMKF portfolio has a YTD return of +11.2% and lagging the 75% ACWI/ 25% Global Aggregate benchmark by 360 bps. The top performers in terms of alpha YTD included Cohen and Steers producing 280 bps of alpha and the JPM Global Allocation Fund producing 10 bps of alpha.

- YTD the portfolio has received approximately $5.3M in dividends, which is approximately $1.9M greater than the same period of 2023.

- For the twelve-month period, the attribution report demonstrates that the FMKF portfolio has a strong beta return of +22.39%, but weak alpha, as it underperformed the benchmark by 419 bps. Equities represented the top asset class in terms of contribution to the return with U.S. equities contributing returns of +9.25% and non-U.S. equities contributing +7.0%.

- The Foundation is lagging the Callan peer group by 141 bps for Q2 2024 and 120 bps for the 1-year period while outperforming in the 3-year and 5-year periods by 27 bps and 26 bps, respectively. The Foundation is also outperforming the Alpha Nasdaq OCIO index for Endowments and Foundations for the 3-year and 5-year periods but lagging the Q2 2024 and 1-year period. The Foundation is underperforming against the Moderately Aggressive for all time periods.

- The expense ratio as of September 30, 2024, was approximately 57 bps, an increase of 10 bps as compared to Q2. The increase is primarily attributed to the fees incurred as a result of the capital call for CIP IX which included fees paid for the period May 1, 2023 (fund inception) through December 31, 2024.

Mr. Raver inquired about the transition from Axys to Black Diamond. Ms. Benson stated she is working with the Black Diamond team to fine tune the reporting and ensure its accuracy as the reports are used for performance as well as for the accounting entries for the Foundation. Ms. Benson is looking to begin solely using the Black Diamond platform in 2025.

The Chairman then began the discussion regarding the morning sessions. Overall, the Committee agreed that both the KBI and Cohen & Steers presentations were informative as the two-year mark is approaching for these Foundation investments. The Chairman then raised the question to the group regarding the 5% threshold for Walter Scott holdings and whether the Committee would be willing to allow Walter Scott to relax this policy. Mr. Jeff Kirby expressed that he would be comfortable giving Walter Scott the latitude to invest more than the 5% level in their "winners". The Committee agreed with this concept and the Chairman offered to follow up with Walter Scott to convey this message.

Ms. Benson then reviewed the Foundation's cash needs. She requested the latitude to liquidate up to $3.650M to pay for grants and administrative costs for the coming months. She recommended this be funded from the sale of shares of the International Value Fund, as the portfolio is overweight in international and value which has been discussed over the past few meetings. Ms. Benson also requested the latitude to liquidate equities to fund capital calls for Hamilton Lane and Coller Capital if they occur prior to the next Investment Committee meeting in January 2025. She recommended funding the capital calls by selling Walter Scott equities to ensure it stays within the IPS threshold of 25% of the total portfolio (as necessary) and also selling shares of International Value Fund as needed. The Committee approved this recommendation.

The Chairman confirmed the next meeting date to be January 21, 2025, and thanked the group for their time. The meeting was then adjourned.