



SRJC Foundation Investment Committee

Adopted Minutes

Thursday, August 1, 2024 / 12pm – 1:30pm

SRJC Land Acknowledgement: *We acknowledge that we gather at Santa Rosa Junior College on the territorial traditional land of the Pomo People in Santa Rosa and the Coast Miwok People in Petaluma, past and present, and honor with gratitude the land itself and the people who have stewarded it throughout the generations.*

Participants: Marion Walker – Chair, Evan Hershey – Vice Chair, Jason Gittins, Matt Hunstock,
Noah Jacobson, Michael Tremont

Absent: Kate Jolley, Don Chigazola, Scott Bartley, Sue Nelson

Consultants: Tony Parmisano, Todd Au

Staff: J Mullineaux, Katie Greenwald

- 1) **Call to Order** – Marion Walker
The meeting was called to order at 12:04pm.
- 2) **Public Comment** – Marion Walker
There were no members of the public present and no comments
- 3) **Approval of Minutes** –
Minutes from Investment Committee meeting on May 2, 2024 were approved. M/S/P
Marion noted that minutes are now longer than they have been in the past due to the request for Foundation staff to add commentary from meetings to the minutes moving forward. This is to accommodate for the broad nature of the conversations that the committee has.

Marion said that as chair of the committee, he will aim to have more transparency with the board than in previous fiscal years. He reinforced the importance of commitment from this committee.

Graystone is a co-fiduciary, and the committee also has fiduciary responsibilities. This is different from when Graystone did not have discretion. Now Graystone has a discretionary relationship with this committee. Graystone informs the committee when they make changes. It is encouraged that Graystone continues to confirm with the committee before making changes.

Noah Jacobson motioned, and Michael Tremont seconded. MSP



4) **Consultant's Report**

Graystone first covered a capital markets overview, highlighting the capital market performance for the second quarter, and providing a forward outlook for the economy and various capital markets.

- Graystone highlighted that as markets have continued to rally, the same general themes that began in October of 2023 continued to drive markets through the end of the second quarter.
 - Namely, growth outperforming value, and within growth a select number of megacap growth stocks performing exceptionally well, while the rest of the market is relatively flat.
 - Graystone highlighted that while equities were up, bonds were relatively flat and alternatives delivered returns broadly in line with expectations.
- Looking forward, Graystone reiterated their base case view of a soft landing but emphasized that a tail outcome of hard landing or no landing has increased in probability as recent data has been “trendless”
- Graystone fielded questions and spoke about a potential slowdown in consumption as excess consumer savings have been spent down, credit card loans continue to hit record highs, auto and credit card loan delinquencies are turning higher and interest rates are the highest they have been in several decades.
- Evan Hershey asked if we are adjusting how we’re managing the portfolio when we look at consumer data. Graystone answered that we are not because the portfolio is perpetual, so we don’t react to short-term changes (7-10 years). If there is a fast pitch in the short term, we’ll take advantage of opportunities. The long-term orientation is reflected in our targets.
- Marion Walker commented that The Street tends to talk in terms of growth, recession and stagflation. He noted that if we have stagflation, it’s better for equities than bonds.
- Noah Jacobson questioned the ESP ration, noting that it has gone up 800%. The rate of change for astronomical growth with Microsoft, NVIDIA and others buying chips. It likely won’t continue at this same growth rate moving forward. The growth will moderate. Returns will need to be shown for creators and end-users of AI.
- Marion Walker noted that since the Blue Owl investment, a few things have happened. Also, two other managers were purchased. Marion asked how these will be integrated, and whether we’ll put the assets into the same funds we have. Graystone doesn’t have a change of opinions when it happened. This is a smaller event than Blue Owl. Graystone feels comfortable with how the acquisition is structured. It will put more capacity around the research team.
- Graystone also spoke regarding their forward market outlook, highlighting a cautious stance given the very optimistic outcome that is currently priced into markets. Graystone reiterated that markets could continue to move higher but that we have entered the “show me” part of the cycle where earnings need to meet or exceed expectations.
- Graystone discussed their view for bond markets and highlighted their firms continued assumption that the Fed will begin cutting in September. While data dependent and



subject to change, Graystone believes we will see 75 bps of cuts in 2024, followed by roughly 100 bps of cuts in 2025.

- While cautious overall, Graystone's emphasis continues to be on maximizing diversification at this phase of the cycle, not just within equities but across asset classes.
- The committee engaged in a thoughtful discussion about valuations, historical parallels, and potential economic outcomes.

Next Graystone covered the portfolio review ending June 30, 2024, highlighting the strong results achieved by the SRJC Foundation.

- First Graystone discussed the asset allocation relative to policy targets, and highlighted that the portfolio is currently positioned well within the guidelines of policy and very close to long term policy targets. As such, Graystone is not recommending any change in allocation at this time.
- Graystone next discussed the portfolio returns through June 30, 2024.
 - Graystone reported that the portfolio finished the quarter up +0.72% and the fiscal year time period +10.44%, outperforming the policy benchmark which was up 8.7% over the same fiscal time period.
 - Graystone took the committee through attribution at the asset class level, and covered individual managers that performed exceptionally well or poorly over the time period and explained why.
 - Key attribution was focused around managers in the growth space performing well (especially those with Mag 7 exposure), while those in the value space performed poorly.
 - Graystone noted that this trend has reversed on a QTD basis through the end of July, and those that performed worst in Q2 tend to be the best performers so far in Q3.
- Graystone also covered a summary of the portfolio commitments and results for the private equity and private real asset allocations, and fielded a handful of questions related to alternative investment managers.

Next, Graystone took the committee through the annual asset allocation study

- Graystone started by describing the inputs to the study – assumptions for return, risk (standard deviation) and correlation for the asset classes the SRJC Foundation participates in.
- Graystone compared the asset allocation of the Foundation to that of the corresponding NACUBO peer group and highlighted an underweight to public equity with a corresponding overweight to alternatives – including private equity and hedge funds.
- The results of the study show a slightly enhanced return profile relative to the peer group, with expected returns ranging between 7-8% depending on the time horizon.
- Graystone next presented the Monte Carlo analysis which shows a less than 50% probability of a successful outcome, which is due to the spending (3.5%) + admin (2%) + CPI (2-2.5%), or approximately 8% return target.



- The committee continues to be comfortable with this strategy as actual spending is nearly a full percent below the 3.5% rate, taking the return objective down closer to 7%.
- Marion Walker mentioned that one reason we haven't hit the spending top is because enrollment at the JC has declined over 15 years. Once enrollment increases, we expect that spending for scholarships will increase. Given the state of the economy and cost for four-year colleges, Marion expects that's what's going to happen. There is an inverse relationship between the economy and enrollment at this college.
- At the SRJC Foundation, we focus on the total cost, not just books and enrollment. Our students have basic needs.
- At the last Board of Trustees meeting, Dr. Garcia said that she anticipated that contributions from the state will decline.
- Marion highlighted that large institutions had a difficult year last year according to the NACUBO peer group.
- Marion mentioned that the probability analysis assumes that public equity does not outperform private equity. Graystone noted that if public equity does very well, that would be a huge benefit to us.

5) **Other Business**

J Mullineaux provided a Foundation update. The Foundation recently wrapped the fiscal year. J shared the revenue report. The District and the Foundation both have great reputations. A big part of the reason for that is due to the work this committee does.

J shared the fundraising results of a \$10.7MM year. Previously, we were at \$6.7MM. The strategic plan we were operating under is now complete.

Strategic planning will start after the college completes its strategic plan. Then, we'll create new funding priorities to align with this. When we created our strategic plan in 2021, the District didn't have a Strategic Plan. Now it will, so we'll draft off of that.

The Foundation awarded \$4.4MM from the Doyle scholarship with a total of more than \$6MM awarded. This is the highest award year yet. The SRJC has the largest and most successful scholarship program in the state of California due to the Doyle scholarship.

6) **Adjourn**

Meeting adjourned at 1:30pm

Next Investment Committee meeting November 7, 2024 from 12 – 1:30pm at 707 Elliott Avenue.

Graystone will present to the board on November 21, 2024 from 4 – 5:30pm at 707 Elliott Avenue.

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