



SRJC Foundation Investment Committee

Adopted Minutes

Thursday, May 2, 2024 / 7:30 am – 9 am

Members: Don Chigazola – Chair, Sue Nelson – Vice Chair, Marion Walker, Scott Bartley, Matt Huntstock, Noah Jacobson, Kate Jolley

Staff: J Mullineaux, Katie Greenwald

Consultants: Tony Parmisano, Todd Au

Guests: Jason Gittins, Michael Tremont

Absent: Evan Hershey

- 1) **Call to Order** – Don Chigazola
 - The meeting was called to order at 7:32 am
- 2) **Public Comment** – Don Chigazola
 - There were no members of the public present and no comments
- 3) **Approval of Minutes** – Don Chigazola
 - Minutes from Investment Committee meeting on 2.1.24 were approved. M/S/P
- 4) **Consultant's Report** – Tony Parmisano
 - Graystone first covered a capital markets overview, highlighting the capital market performance for the first quarter, and providing a forward outlook for the economy and various capital markets.
 - Graystone highlighted that markets have continued the rally that began in October of 2023, and has only paused over the last couple of weeks due to questions around the path of Fed hikes.
 - Graystone is expecting that under the base case scenario, economic growth stays positive in 2024, albeit with elevated risks of recession.
 - Graystone reiterated its long held stance that the Fed likely wouldn't cut rates for the first time until second half of 2024, and will likely reach a point in mid 2025 where further rate cuts can no longer be justified.
 - While Graystone remains confident that equities should continue to deliver favorable returns over the extended time horizon, they remain cautious in the short term citing expensive valuations and major questions regarding corporations abilities to meet lofty earnings expectations for Q4 of this year.
 - Graystone reiterated an overarching theme of preferring diversification – across asset classes, sectors, geographies, market capitalizations, growth & value, etc.



- Next Graystone covered the portfolio review ending March 31, 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 March 31, 2024.
 - Graystone reported that the portfolio finished the quarter up +4.24% and the trailing 1 year +12.29%, outperforming the benchmark over both time periods.
 - Graystone took the committee through attribution at the asset class level, and covered individual managers that performed well or poorly over the time period and explained why.
- Next and as a follow up to discussion from the previous IC meeting, Graystone presented a recommendation for a new Private Credit position, Blue Owl, at a 4% weight within the fixed income portfolio, to be funded by proportionately redeeming from the other fixed income positions.
 - Graystone took the committee through an overview of the private credit space, background on Blue Owl, an overview of the fund, opportunity set and risks, and the terms of the fund – fees, liquidity, etc.
 - While no action from the committee was required, the committee was supportive of moving forward with the strategy.
- Next Graystone covered the annual NACUBO peer study, highlighting that the SRJC outperformed its peer group for another fiscal year. Asset allocation continues to be broadly in line with peers, albeit more closely resembling the larger peer groups than the smaller peer groups.

5) Discussion – All

- A question was raised from Marion Walker regarding the probability of a recession. Graystone responded that the Fed has added liquidity to the system as regional banks continue to suffer due to commercial real estate losses. There are losses in the private equity market. Industry speculation is that interest rates might increase. Inflation data is trending higher. The worst-case scenario is stagflation, whereby inflation would move higher and economic growth would slow down. This is becoming a higher probability. A number of factors are driving liquidity in the market.
- Attention was turned to Portfolio Review, page 8, to highlight the idea that markets are overly optimistic. The expectation is that earnings growth is backloaded to Q4. This expectation will likely adjust throughout the year with a modest downturn, and extended into 2025.
- In regard to diversification, Matt Huntstock challenged direction with bonds due to concerns about deficits. Graystone agrees, and countered that we're not exposed to the same level of risk as the broader bond market due to our timelines, and advised that the team is comfortable holding bonds due to the neutral duration.
- Walker cautioned that if the stock market decreases or reverts and the deficit stays high, we'll run the risk of a crowding out effect going into next year as corporate debt will be



rolled over; suggested that we should be shorter on the duration as the Treasury curve (including 10 years) will not perform well. Noah Jacobson questioned whether private credit will insulate us from this risk.

- Graystone expressed that the scenario could take a number of directions and that the firm's position is neutral. Diversification will position the bond portfolio in a way that should protect it in that environment. It's difficult to predict how the markets will perceive deficit spending and it will be data dependent. These are long-term investments and Graystone suggested that the committee consider making amendments next quarter with a look at the overall strategy.
- Walker noted that most of our performance resulted from exposure to public assets, and asked if this continues, at what point we would consider reducing risk in private equity. This has been the best performing for us long-term, but in the short-term it did not perform well.
- Walker asked about the Treasury issue in Greenmount; Graystone responded that they have not considered it much.

6) **Other Business**

7) **Adjourn**

- Next meeting Thursday, August 1, from 12 – 1:30pm.
- Meeting adjourned at 9:10 am

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