LOS ANGELES CITY COLLEGE FOUNDATION
FINANCE & INVESTMENT MEETING APRIL 19, 2022

LOCATION: **CONFERENCE CALL**
1 669 900 6833 (US Toll) or
https://laccd.zoom.us/j/97981922806
Meeting ID: 979 8192 2806

TIME: **11:00 A.M.**

MINUTES

Attendance:

Members Present: Bob Winters (Chair); Edward Dilkes; Robert Reeves; Marvin Hoffman; Lisa C. Nashua (Executive Director) and Robert Schwartz (Former Executive Director)

Members Absent: Danny Chan; Jerrod McClung; Gerard Tamparong

Guests Present: Don Bessler (Windward Capital); Bob Nichols (Windward Capital); Joseph Robillard (Windward Capital); Helen Khachatryan and Silvia Martinez

I. CALL TO ORDER B. WINTERS
   a. The meeting was called to order at 11:06 A.M.

II. APPROVAL OF MINUTES B. WINTERS
   a. Minutes of January 18, 2022
      i. Ed Dilkes moved to accept the minutes as presented.
      ii. Robert Reeves seconded
      iii. Motion Passed MSP

III. REVIEW OF WINDWARD CAPITAL SUMMARY B. NICHOLS/D. BESSLER/J. ROBILLARD
   a. Joseph Robillard noted that they got some dynamic changes in the portfolio, as they implement the fixed income mandate. Dr. Nichols discussed their current implementation of the fixed income mandate, where they are with that and how they've gone about that. Then Don Bessler spoke on some of the broader issues with the economy and the equities of the Foundation portfolio.
      i. Bob Nichols started by saying that according to the mandate, they're right on schedule. The portfolios are about 14% allocated to fixed income and to date they've purchased 42 issues. $1,138,000 of that money is in government agencies and $4.69 million is in corporates. The corporates are all triple B. He noted that they have nothing in the portfolio that isn't rated investment grade. Today we've invested $6.246 million in fixed income and we're still working on it.
         1. The strategy basically was to keep the maturity at a five years or less. It's absolutely no reason to go beyond five years. They would like to try to keep the duration of these bonds as short as they possibly could. There is only one bond that was traded at par all the rest were traded at a slight discount. The bond that was traded to par was a one issued, a Goldman Sachs bond which he felt like it was a good bond for the portfolio.
         2. Dr. Nichols went on to report that the portfolios are online and the Committee can see them. Normally a portfolio of equities would have about 45 to 50 names. They've purchased issues in the fixed income allocation. He mentioned that it's a lot of research to produce with that many issues because they look at the duration, the maturities, the quality is built into the sub issues and they try to keep the individual positions smaller. That's because in the event that we need cash it's easier to sell 40 bonds or 50 bonds, than it is to sell 500. He mentioned that we'll notice that the individual participation of individual issues within that fixed income strategy are relatively small and that kind of broadens out the number of bonds. Joseph Robillard wanted to reiterate that they are sort of on track

to be fully compliant with the mandate. They are comfortable with the time frame, the schedule and the way this is has sort of rolled out.

ii. Don Bessler went on to mention that recently the major equity markets have experienced significant volatility. During the first quarter the Dow S&P and NASDAQ declined anywhere from 10 to 20% during the quarter but ended up recovering about half of that by the end of the quarter. The volatility is related to significant uncertainty regarding the impacts of tighter monetary policy, inflation, and recent geopolitical conflict. The good news is that, despite this uncertainty, the US economy is in a very strong position and it still is supported by many of the factors that we've mentioned to you previously. Accommodative fiscal monetary policy, strong household income, rising network of the household sector, and a high level of savings that household accumulated during the pandemic. GDP during the fourth quarter was close to 7% growth at an annualized rate, which is an acceleration from the third quarter of around 2%. Although that rate of growth is expected to decline in the first quarter and the Atlanta Fed is tracking US GDP at around 1% annualized growth for the first quarter. There is a slowdown that is imminent.

1. The Labor market is still extremely tight in the United States, unemployment is down to 3.6% rate. This rate was close to 15% during the height of the pandemic. The historical rate is 3.5% which was just before the pandemic hit, so very tight Labor market.
2. US consumer continues to spend and as he mentioned, household savings rate has been significantly heightened during the pandemic as a result of fiscal policy. Households in the US now hold close to $2 trillion and access savings, which is about 10% of real GDP. As we enter this period of uncertainty and the potential for an economic slowdown, those metrics should provide significant support during that period.
3. Inflation has been higher and more persistent and widespread than previously anticipated so as a result, the US Federal Reserve has started to tighten its monetary policy accommodation by raising short term interest rates and it will start reducing its balance sheet, which currently stands about $9 trillion. That creates significant uncertainty in the equity markets and has led to a run up in the fixed income yields across the curve from two to 30 years in anticipation of that tightening, he thinks it's important to note that even though they've seen this run up the yields, we're basically back at the same yields across the yield curve that we had pre-pandemic in 2019.
   a) The US economy in terms of real GDP is higher than it was then so there's still some economic headroom for an increase in rates. However, it's definitely going to be a balancing act for the Fed to maneuver through this environment to try to tamp down inflation by raising rates and slowing the economy. There is the risk that it may result in a recession down the road. At the moment they're not seeing anything in the economic indicators that they look at that indicates that is imminent, but it is a possibility. So it's something that we have to keep an eye on going forward.
   b) During this period they've followed the same investment process that they have in the past but essentially they invest in high quality businesses at the right valuations and they hold them for as long as they remain high quality businesses. That's been successful for them through a variety of historic financial environments and they're staying consistent with that approach.

b. The Foundation portfolio report was included in the materials that were emailed to the Committee beforehand. Joseph Robillard emailed a summary account values as of April 18th to Marvin Hoffman which later was shared with the Committee members.

IV. REVIEW OF FINANCIALS — B. WINTERS

a. The Finance and Investment Committee members reviewed and approved the March financials (including bank & credit card statements).
   i. Bob Winters moved to accept the March financials and credit card expenses as presented.
   ii. Ed Dilkes seconded
   iii. **Motion Passed MSP**

b. Finance and Investment Policy Update — L. NASHUA/B. WINTERS
   i. Dr. Nashua mentioned that Danny Chan was not present at this meeting and he volunteered to help on this to update the investment policy. The policy needs to include a spending rate and rolling average. Mr. Winters agreed to put together a working group to work on this update. Dr. Nashua to send out a notice

to the Board to see who wants to participate and then send out a meeting request to the new group to start working on the updates and presented to the Board at their next board meeting in July.

V. ADJOURNMENT AND NEXT MEETING

a. Meeting adjourned at 11:27 AM
b. Next meeting July 19, 2022 at 11:00 AM.