

**LOS ANGELES CITY COLLEGE FOUNDATION
FINANCE & INVESTMENT COMMITTEE MEETING**

JULY 23, 2024

LOCATION: LACC Foundation
Student Union Building
855 N Vermont Avenue
Los Angeles, CA 90029

1 669 900 6833 (US Toll)
Meeting ID: 854 1131 4018

TIME: 11:30 A.M.

MINUTES

Attendance:

Members Present: Danny Chan (Vice Chair); Edward Dilkes, via Conference Call; Marvin Hoffman, via Conference Call; Jerrod McClung, via Conference Call; Robert Reeves; Robert Schwartz; Gerard Tamparong, via Conference Call; and Lisa C. Nashua (Executive Director)

Members Absent: Bob Winters (Chair)

Guests Present: Joseph Robillard (Windward Capital); Don Bessler (Windward Capital); Robert Nichols (Windward Capital via Conference Call); Sterling Franklin; Helen Khachatryan and Silvia Martinez

I. CALL TO ORDER

D. CHAN

a. The meeting was called to order at 11:45 A.M.

II. APPROVAL OF MINUTES

D. CHAN

- a. Minutes of April 23, 2024, meeting.
- i. Jerrod McClung moved to accept the minutes as presented.
 - ii. Robert Reeves seconded.
 - iii. **Motion Passed MSP**

III. REVIEW OF WINDWARD CAPITAL SUMMARY

J. ROBILLARD/B. NICHOLS/D. BESSLER

- a. Windward Capital representatives went on to give an overview of the current conditions.
- i. Dr. Nichols mentioned that the slowdown in consumer spending has positive implications for inflation and monetary policy. The internet had about \$2.1 trillion given to the American public through August 2021, but these funds appear to have been depleted in March. The outstanding credit card debt is now around \$1.33 trillion, up from a pandemic low of 970 billion in April 2021. Household balance sheets have seen an increase in net worth since the end of 2019, reaching a record of 160.8 trillion. This has given households more financial resources to draw on debt service, which is now about 9.8% of disposable income. With inflation slowing down, consumers are expected to begin to spend. The Kamala Harris Campaign has already gained enough delegates, so bets are off on the political and financial implications. The Fed is likely to listen and interest rates may be raised in September or before the end of the year.
 - ii. Don Bessler discussed China's unbalanced economy and its focus on supply rather than demand, affecting global trade and potentially affecting deficit countries like the US. He mentioned the possibility of divergent central bank interest rate policies, which could impact the strength of the dollar. Despite this, the US economy remains strong among the G7, with employment remaining strong. Inflation peaked almost two years ago, and the Fed's response to it is expected to continue. Don Bessler also mentioned that in terms of the allocation for the Foundation portfolios the fixed income allocation remains at 20%, and that they had purchased 20 and 30-year treasury bonds to lock in higher coupons. He asked the Committee if they had any questions about the economy or portfolios.

1. Danny Chan went on to mention that previously, the Foundation portfolios resembled the S&P 500, fluctuating up and down. He asked Don Bessler to explain Windward's philosophy for the S&P 500's fluctuating nature and to put us on top.
 - a) Don Bessler basically responded that the S&P 500 has seen a significant concentration of 31% in seven companies, with a 15% market weighted and 5% equal weighted basis. This has led to a significant rotation into the information technology sector, particularly in AI relations. The infotech phase and communication services, including Google, have seen a 27% year-to-date increase, while all other economic sectors have seen less than 10% growth. These divergences and disparities are not sustainable and can be seen in stocks like Nvidia. In this particular case in their RAM strategy, they're underperforming the S&P 500 year to date and earlier. On the other hand, the equity income strategy, which has a lower technology sector weight is actually the biggest sectors financials. However, they are ahead of the Russell and Valium value. These divergences occur but are resolved at some point, and that's causing the disparity this year.
 - 1) Gerard Tamparong asked if they had Nvidia at one point in the Foundation portfolio and if they rotated out of it. Don Bessler responded that they've never owned it.
- iii. Danny Chan wanted to know Windward's perspective on the election's impact on the market before and any potential contingencies after it.
 1. The financial market is algorithmic driven, with daily fluctuations based on factors like probability and gains. The first quarter of the year could see trade conflict between China and the US, regardless of a new administration's tariffs. The approach is to wait and see what comes down, as there are many scenarios to consider. The worst-case scenarios are not a good contingency to plan for, as it would miss opportunities for asset appreciation. The current approach is to wait for the political environment to determine the best course of action. They are not making any changes related to the situation, as it is difficult to predict what would happen under different administrations. The success of a company depends on the entire team, not just the leader, as seen in Apple's transition. The company's success is evident in the team's efforts and the team's commitment to success.
 2. Danny also mentioned that the Foundation is increasing its spending on scholarships and student well-being, with equipment purchases of nearly \$20,000 coming from the endowment. When opportunities arise, they may need to sell off assets. He then asked Windward how they usually approach it. Joseph Robillard responded that they prefer model weight maintenance and rebalance the Foundation portfolio to accommodate these changes. They have experience with similar institutions and have strong ideas about sustainable drawdowns. For bigger projects or different proclivities, information is critical and advanced timing is needed. They emphasize capital appreciation with thoughtful availability of fixed income or dividend funds. As the corpus grows, the recurring 4% drawdown becomes more valuable over time. Advanced information can inform their thinking and potentially liberate funds in advance, avoiding jarring reallocation. Danny responded that they would keep that in mind.
- b. The Committee received the LACCF Portfolio report which covered the performance for the 2nd quarter as of June 30, 2024.
 - i. LACCF Portfolio #1 Growth
 1. **Total Cost:** \$13,063,217.37 **Market Value:** \$20,862,686.87
 a) **Yield:** 1.9 **Estimated Annual Income:** \$300,178.38
 - ii. LACCF Portfolio #2
 1. **Total Cost:** \$ 4,292,414.12 **Market Value:** \$ 6,253,313.46
 a) **Yield:** 3.0 **Estimated Annual Income:** \$154,419.13
 - iii. Herb Alpert Portfolio #1
 1. **Total Cost:** \$5,534,663.48 **Market Value:** \$ 9,816,595.00
 a) **Yield:** 2.0 **Estimated Annual Income:** \$136,782.28
 - iv. Herb Alpert Portfolio #2
 1. **Total Cost:** \$4,475,377.86 **Market Value:** \$6,567,145.93
 a) **Yield:** 3.0 **Estimated Annual Income:** \$162,097.83
 - v. Nick Beck Journalism Lecture
 1. **Total Cost:** \$461,187.74 **Market Value:** \$616,124.66

