

**USA Swimming (USA-S) & USA Swimming Foundation (Foundation)
Investment Committee 2nd Quarter 2023 Review
Meeting Minutes from 20-Jul-2023**

Meeting was called to order at 3:30pm MST.

FWT	Sterling	USA Swimming & Foundation
John Sawyer (CIO)	Tony Corallo (Managing Director)	Kenneth Chung (VC Fiscal Oversight)
David Stern		Ellen Colket (Committee Chair)
Not Present: Doug Hanisch		Eric Skufca (CFO)
		Marc Tucci
		Michael McBroom
		Jay Definis
		Not Present: Ryan Murphy

Meeting began with a review of the agenda as follows:

- Approval of Minutes from the Q1 2023 review on April 26, 2023
- Highlights from recent IC presentation to USA-S Board of Directors
- Q1 USA-S & Foundation portfolio reviews, insights, & outlook
 - Equity: FWT
 - Fixed Income: Sterling
- Banking Review- Doug Hanisch, FWT
- Next Meeting: October 17, 2023 @ 5:30pm EST
- Review Actions

No changes to the agenda were requested.

The Investment Committee unanimously approved the Q1 2023 meeting minutes as presented.

John – Reviewed USA-S and Foundation performance reports.

Foundation –

Pg.1- Allocation target is 70/30. As of 6/30/23 fixed income allocation was a little low but that has been addressed. Equity was a little higher due to strong performance. Pg. 3- Returns are proving to be much better than in 2023. Have seen a nice rebound in returns year-to-date. 1-year returns have far exceeded inflation benchmark.

Ellen (question) How to interpret between the line graph and the table below.

John- green line shows net contribution whereas the blue line shows the current market value. Green line only impacted by contributions and withdrawals, while blue line is also impacted by market performance/fluctuations.

John- all time period returns are generally ahead of benchmark returns, with the exception of ITD return which was impacted by change in investment objective.

Eric- saw contributions to endowment in 2Q. Will see typical distributions during 3Q.

Pg. 4- John noted good absolute returns nothing of note stands out. Have talked in the past about reallocating some from large caps into other domestic asset classes, but not inclined to make those changes at this time.

Ellen- What would be the trigger to make some of the changes?

John - Currently looking for resolution and outcome of Fed monetary policy and banking disruptions as well as historical impact of inverted yield curve. Fed's actions should result in reduced liquidity in the economy which could impact economic activity. If/when economic growth troughs, would be more inclined to make a corresponding move into small or mid cap equity.

Ellen- Currently above upper bound for domestic and large caps.

John- Will review that.

Marc- What accounts for 10-year mid cap underperformance?

David- Likely the inclusion of active managers which are effectively no longer being used in the equity portion of the portfolio.

USA-S-

Allocation vs. Targets- Comments are similar to those for foundation. Recently distributed \$4M, proving an opportunity to rebalance. Returns looking quite good vs. benchmarks. Pleased with performance on the heels of 2022.

Eric- second line influenced by three distributions from the account. Expect to make at least one contribution in 3Q and another possibly in 4Q, based on cyclical cash needs.

Next page- Nothing of note, no suggested changes.

Marc- Why the strong emerging market performance.

David- Using the Invesco Emerging Market fund.

Next page- Tony Corallo: there may be an error in the 1-year column, should be -0.48, not -1.48.

John- economic commentary- Rate hike cycle is coming to a close. Commentary is shifting towards when a cut may occur. Some areas of economy are weak, but still seeing pockets of strength. Fed Funds rate vs. inflation- Fed wants to keep Fed Funds above inflation until it is back closer to 2%. Don't expect Fed to cut rates, unless forced to do so, until inflation is closer to 2% target. Not making portfolio adjustments at this time with the expectation that the Fed is going to cut rates in the near term. Most worrisome is the continued inversion of the yield curve. Until the inversion begins to correct, which will take a change in Fed policy, risk of an economic slowdown persists. Have thought about extending duration.

Tony- Characteristics page (36)- have made some slight changes to the fixed income portfolio. Previously had taken up MBS allocation. Think we have seen peak in longer-term rates. Agree with John about Fed likely keeping rates at an elevated level for some period of time. Have lightened up some on CMBS as pressure builds on commercial real estate. Remain positive on residential. Have taken down exposure on ABS due to "rich" pricing. Have reallocated holdings with a slight increase in Treasuries based on expected weaker economic activity. Adding

Treasuries help to reduce risk. Think there is a lot of growth left from an economic standpoint, but cycle will eventually end.

Pg. 37- Slightly extended duration which is now greater than the BM. Expect curve to invert further but need to be cautious. Focused more on the belly of the curve, while reducing some duration exposure at both the short and long end of the curve. Currently out-earning BM by ~0.36% of income.

Pg. 38- Foundation accounts managed per discussion from pg. 37.

Pg. 39- Similar comments about longer duration and greater yield vs. BM

Pg. 40- Attribution. Outperformed by 0.22% and 0.24%, respectively in the two portfolios. Not going to see large changes, Sterling tends to make incremental changes. Still looking to improve credit quality in the corporate portion of the portfolio. Spreads remain quite tight reflecting positive sentiment. Expect spreads to widen toward the end of the year.

Risk vs. Reward- Up market and down market ratios are favorable, resulting in total capture ratio of greater than 1.0.

Ellen- Wants to clarify the data on performance slide.

Tony- data shown is for the composite, not specific USA-S accounts.

Pg. 43- Data (up/down capture) is also for composite.

Pg. 44- Composite performance vs. peers.

Tony- Our views of the economy echo those of John/FWT. Think unemployment will creep higher toward 4.0-4.5% by year-end.

Ellen- Question for John (maybe David). Report for 501c(3).

John- Have contacted vendor, but they don't like the data being used as proposed.

John- Have contacted a different vendor. Project has become more difficult than previously envisioned.

Ellen- Any other questions for the group? (None).

Banking Review- With Doug Hanisch unable to make this call, Eric gave an update.

Eric- outside of these professionally managed portfolio accounts, have a revolving line of credit with FWT, but given rates have been drawing it down. Will see what the future hold. Commercial banking is with Wells Fargo. Nothing there to report.

Next meeting: October 17, 2023 @ 5:30pm EST

Meeting adjourned at 4:25pm MST.