USA Swimming (USA-S) & USA Swimming Foundation (Foundation)
Investment Committee 3rdQ 2023 Review
Meeting Minutes from 17-Oct-2023

Meeting was called to order at 3:32pm MST.

FWT	Sterling	USA Swimming & Foundation
John Sawyer (CIO)	Tony Corallo (Managing Director)	Ellen Colket (Committee Chair)
David Stern		Eric Skufca (CFO)
Doug Hanisch		Ryan Murphy
		Kenneth Chung (VC Fiscal Oversight)
		Marc Tucci
		Michael McBroom
		Jay Definis

Committee unanimously approved July 20 minutes as presented.

David- Economic Commentary- Reviewed the Viewpoints slides (pages 2-16). Optimism building for a "soft landing." A number of factors are contributing, including a steady decline in inflation, continued strong consumer spending supported by a resilient labor market, business spending, and some improvement within the housing sector. Headwinds remain, however, in the form of still-elevated inflation relative to the Fed's 2% target, continued uncertainty regarding the future path of monetary policy, and tighter financial conditions stemming from the Fed's rate hike cycle which is putting additional pressure on consumers and businesses.

John – **Reviewed USA-S and Foundation performance reports**.

Foundation- Allocation on target at 70/30 stock/bond. Reviewed allocation by accounts (FWT/Sterling). Reviewed Sector allocations. Pg. 21- returns vs. policy benchmark. Performing fairly well against investment objective benchmark. Ellen- on page 19 wanted clarification between allocation between firms and asset class. Eric- Pg. 21. Two main transactions. One was a contribution in from Board after a very strong 2022. Half of surplus went to endowment. Large distribution out was for annual spending. Pg. 22- performance at sub-asset class level vs. more specific benchmarks. Noted performance against CPI inflation.

Swimming Inc.- Pg. 25, reviewed asset allocation. Will rebalance cash into portfolio as currently it is slightly higher than target. Pg. 27. Reviewed returns (combined performance). 1 year number a little behind, while YTD, 3- and 5- year performance better than investment objective benchmark. Eric- One draw early in the quarter to get to next membership cycle. Fully paid down revolving line of credit. No longer have a standing balance. Was most advantageous to pay down LOC given current rates relative to expected returns. Pg. 28- reviewed performance. Pg. 29-

reviewed breakout of assets between what is managed by FWT and Sterling. Given difficult market environment, pleased with performance.

Tony- Reviewed Fixed Income Performance

Pg. 33- Not a lot of structural change during the quarter either from sector or credit rating standpoint. Good economic news was bad news for investors hoping the Fed would become less aggressive in its approach to monetary policy. Spreads narrowed as a result of curve steepening. Holding mortgages hurt due to higher rates. Corporates performed well, particularly in those in which Sterling invested. Longer duration helped. Pg. 34- Negative returns were disappointing. Thought those were behind us after 2022. Being slightly longer on duration would benefit performance but it hurt as economic data remained strong. Moving from a barbell structure. Have reduced exposure at short- and long-end of curve. Have moved more into the belly of the curve. Become more laddered. Expect spreads to continue to narrow as shape of yield curve continues to change. Pg. 37- Reviewed performance attribution. Performance was effectively in line. Planning to hold at current levels. No plans to add to duration. Think there could be more volatility. Don't know if Fed will raise again in November or December. More importantly, thinking about when they'll lower rates. Current forecasts don't show cuts until Sept. 2024. Consumer remains strong, but want to be positioned for slower/lower growth. Have not seen meaningful increase in corporate spreads, even in HY. Likely remain a ways from an economic weakening. Pg. 39 (Outlook)- Think Fed is unsure how high they have to raise rates to ultimately reduce inflation. Seeing growing signs of stress in lower income households. If economic malaise takes hold, could see some forced selling in housing market helping drive prices down. For now, limited sellers of existing homes keeping housing sector relatively stable. Major takeaway for now is to remain patient given the overall headwinds/uncertainties present.
Keneth- what contributed to difference in performance? Tony- more due to timing and cash flows (operational) as opposed to difference in investment strategy.

Banking Review- Doug- As Eric indicated, LOC paid down. Eric- nothing to add.

Ellen- any additional questions? No additional questions.

Next meeting: January 18, 2024 @ 5:30pm EST

Meeting adjourned at 4:20pm MST.