USA Swimming (USA-S) & USA Swimming Foundation (Foundation)
Investment Committee 3Q 2024 Review
Meeting Minutes from 22-Oct-2024

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

FWT	Sterling	USA Swimming & Foundation
David Stern	Tony Corallo	Ellen Colket (Committee Chair)
Doug Hanisch (absent)		Jay Definis
		Marc Tucci
		Ryan Murphy
		Eric Skufca
		Kenneth Chung
		William Poff
		Michael McBroom (absent)

Ellen solicited the Committee's feedback for any additional agenda items beyond those presented in the meeting materials. No additional agenda items were proposed.

Committee unanimously approved July 22, 2024, minutes as presented.

Eric - Opening remark. Eric acknowledged that Ellen is terming out as Committee Chair per the Organization's governance. Eric and the Committee thanked Ellen for her stewardship to the Committee over the years.

David (FWT):

Economic Commentary:
David reviewed pages 4-14. Economic activity during the third quarter reinforced the notion that the economy is not on the precipice of a recession. That was highlighted by a strong September retail sales report demonstrating the consumers' continued willingness to spend. Comfortable with the idea that inflation is on a sustainable path back towards 2% and concerned about weakening labor market conditions, the Fed cut interest rates by 0.50% at its September meeting. A subsequent stronger-than-expected September employment report raised questions about the timing and pace of future rate cuts. Strong year-to-date market returns through the end of September reflect the market's growing conviction that the Fed will achieve a soft landing.

Outlook:
Economic activity is expected to slowly decelerate in late 2024 and into 2025, however, current signs do not suggest an impending recession. Currently, the Fed expects to carry out two additional 0.25% rate cuts before year end. However, should future employment reports corroborate the strength seen in the September report and/or further progress on inflation

shows signs of stalling, that would raise questions about the timing and pace of future rate cuts. The recent rise in longer-term interest rates, shows markets are already questioning the timing and pace of future rate cuts. The rise in longer-term rates also reflects concerns about the national debt as both Presidential candidates have proposed policies that would continue deficit spending. Ongoing geopolitical tensions in the multiple areas around the globe as well as the upcoming Presidential election could serve as catalysts for periodic bouts of market volatility.

David- Reviewed USA-S and Foundation performance reports

Foundation- David reviewed the performance report on pages 16-22. David indicated that the recent changes recommended by FWT's IPC for client portfolios- reducing the overweight to large caps by adding to small caps and REIT and including an equal-weight ETF within the large cap allocation- were implemented during September. On page #19, David noted the account has outperformed its benchmark over the trailing 1-, 3-, and 5-year periods.

Eric noted the withdrawals from the account were related to the annual endowment/fund distributions which is executed in the third quarter each year.

USA-S – David reviewed the performance report on pages 23-29. David indicated that the recent changes recommended by FWT's IPC for client portfolios were implemented at the end of September, with the exception of adding an allocation to REITs as the account already held an investment in REITs. On page #26, David noted the account has outperformed its benchmark over the trailing 1-, 3-, 5-, and since-inception periods.

Eric noted the ~$3.5M contribution to the account during the quarter. The contribution was subsequently invested per the parameters of the IPS.

Tony (Sterling):

Reviewed Fixed Income Performance:

Tony reviewed the materials on pages 30-57. From a high level, Fed policy was the big driver in the third quarter. Sterling had been expecting a 0.25% cut as opposed to a 0.50% cut. Markets digested the 0.50% cut without much volatility. Employment and retail sales point to a strong consumer. Looks like 1-2 Fed rate cuts for the remainder of the year. Don't think there will be a need for the Fed to be more aggressive. Don't expect a recession in the near term. Likely a slowing economy, but not concerned about an imminent recession.

Pg. 33- Based on the economic backdrop, took some risk out of the portfolio during the quarter in the form of lowering the corporate exposure by about 3%. Temporarily increased the Treasury allocation with the idea that if corporates experience some spread widening, could go back into corporates at more attractive spreads. Also took advantage of improved ratings during the quarter to sell some lower rated bonds providing further dry power in case of some weakening.

Pg. 34- the duration of the portfolio is positioned for a steepening yield curve. Inside of five years, the yield curve remains inverted. Overall, staying rather neutral on duration, however, the portfolio's duration will likely vacillate some around the benchmark duration.

Pg. 37- Tony reviewed the drivers of performance during 3Q24. The longer end of the curve rose following the Fed rate cut in anticipation of the reinflation trade. Portfolio was positioned for a rise in the longer end by lowering exposure in 10+ area. Lowered 7-8yr area of curve. Focused more on the belly of the curve. Expect the curve to continue steepening over the next several quarters as the Fed continues to cut rates. Sector allocation was the largest driver of performance for the quarter.

Outlook:
Rates could remain higher for longer (than expected) if economic data continues to surprise to the upside. There continues to be increased discussion around budget deficits and the debt. With inflation continuing to improve, the Fed is now more focused on supporting employment. Pg. 53- longer end of curve has steepened as economic growth has continued to surprise to the upside.

Eric- Update on transitioning to new investment advisor
USA Swimming is currently creating the new accounts with the new investment manager. Eric indicated he will reach out to David to discuss the transition. From a high level, Eric would like to have the accounts fully transferred to the new advisor before the end of the year.

David and Tony left the call at 4:22pm MST.

The Committee continued the investment firm transition discussion to plan the months ahead.

Next Meeting: January 21, 2025.

Meeting adjourned at approximately 4:35pm MST.