**USA Swimming (USA-S) & USA Swimming Foundation (Foundation)**
**Investment Committee 1st Q 2024 Review**
**Meeting Minutes from 22-Apr-2024**

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

| FWT | Sterling | USA-S & Foundation |
|---|---|---|
| David Stern | Peter Brown | Ellen Colket (Committee Chair) |
| Doug Hanisch (absent) | Tony Corallo (absent) | Eric Skufca (CFO) |
| | | Kenneth Chung (VC Fiscal Oversight) |
| | | Marc Tucci |
| | | Michael McBroom |
| | | Ryan Murphy (absent) |
| | | Jay Definis (absent) |

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

Ellen asked David Stern to provide an update on First Western following John Sawyer's departure. David indicated that he is now the main point of contact for the USA-S and Foundation account and any/all questions about the accounts should be directed to him. Eric Skufca indicated that from operational standpoint, the transition has been smooth.

Ellen asked Peter Brown to introduce himself in Tony Corallo's absence. Peter is the portfolio manager on Sterling's core fixed income portfolio utilized in the USA-S and Foundation accounts.

The Committee unanimously approved January 17, 2024, minutes as presented.

**David (FWT):**

**Economic Commentary:**
First quarter economic data remained strong, including labor market and consumer-related data which bodes well for economic growth. One area of disappointment was inflation which generally came in higher than expected for much of the quarter, defying Fed Chair Jay Powell's hopes expressed in January that better inflation data was not needed, just more of the current good inflation data. By the end of the quarter, Powell's tone had changed noticeably as he said, that recent data had not provided the Fed with "greater confidence" and that it would therefore would "likely to take longer" to gain the necessary confidence to begin cutting rates. Despite the disappointing inflation data, equity markets enjoyed strong 1Q24 returns as investors continued to believe the Fed might be able to affect a soft landing.

**Outlook:**
Economic activity is likely to continue slowing in the near-term though that doesn't mean that the economy is on the verge of recession. Market volatility could be elevated, especially to the extent inflation shows signs of reaccelerating. That would potentially put upward pressure on interest rates, impacting both fixed income and possibly equity returns.

**Review USA-S and Foundation Performance Reports:**
Reviewed actual vs. target allocations in both accounts noting the slight overweight to equities in both. David suggested trimming the equity positions and either rebalance into fixed income or hold in cash in anticipation of future distributions. In response, Eric noted that USA-S is entering its lean months of the year from a cash balance standpoint and that a cash draw would likely be necessary sometime during the second quarter, or possibly early in the third quarter. Kenneth noted that due to the recent pullback in equity markets since the start of April, the equity overweight shown in the performance reports might not currently be as large as they were as of 3/31/24. David said he would follow up and let the committee know what the allocations were as of April 21, 2024, before making any rebalancing decisions.

For the quarter, both accounts outperformed their benchmarks.

Foundation – Outperformed its benchmark for the trailing 1-, 3-, and 5-year periods ending 3/31/24, by ~0.20-1.4%, depending on the time period.

USA-S – Outperformed its benchmark for the trailing 1-, 3-, and 5-year periods, by ~0.60-2.0%, depending on the time period.

**Peter (Sterling):**

**Reviewed Fixed Income Performance:**
The portfolios experienced a good quarter on a relative basis but were down slightly on an absolute basis due in part to inflation running hotter than expected. Compared to two years ago, yields are starting at a much higher point thus providing portfolios with a cushion against rate movements. Currently, the account is yielding ~5.5%. From a portfolio management standpoint, in 2023 the portfolio was generally shorter on duration than the benchmark. In 2024, given how rates have evolved and expectations for rates moving forward, the portfolio is now being managed with a duration that is close to neutral or slightly longer than the benchmark.

Ellen asked if the fixed income portfolios in both accounts are being managed in a similar fashion to which Peter responded in the affirmative.

**Outlook:**
Remains positive. Inflation is still a problem, running well above the Fed's 2% target. Will probably stay that way until the economy cools significantly. Think that the Fed would be happy if inflation were to get back into the 2% range. Unlikely that the Fed will raise rates again but likely will be patient in terms of cutting rates. Might get 1-2 cuts before year end.

Kenneth asked if historically the portfolio has had such a large allocation to ABS and CMBS. Peter explained that the portfolio was underweight to ABS for 2+ years as spreads were compressed after COVID due to Fed buying. With respect to CMBS, the portfolio has had a decent weight to the sector for the better part of three years. Peter noted that despite concerns about commercial real estate, within CMBS a decent amount of value can be found and that he is focused on diversification, avoiding such sectors as industrials.

**Banking Review** – With Doug Hanisch (FWT) absent from the call, Eric gave a banking review summary noting no adjustments to accounts or products since our last meeting.

**Further Actions** – David Stern will update and send to the Committee updated pages 20 and 26 in the packet to inform the Committee's decision(s) regarding any rebalancing actions to be taken in USA-S and Foundation accounts.

**Next Meeting:** Monday, July 22, 2024 @ 3:30pm MDT.

Meeting adjourned at approximately 4:40pm MST.