

**USA Swimming (USA-S) & USA Swimming Foundation (Foundation)
Investment Committee Q1 2023 Review
Meeting Minutes from 26-Apr-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)
Doug Hanisch		Eric Skufca (CFO)
Heath Kinsland (absent)		Michael McBroom
		Marc Tucci
		Ryan Murphy (absent)
		Jay DeFinis

Meeting began with a review of the Agenda as follows:

- Approval of Minutes for Q4 2022 review and Bank discussion held March 21, 2023
- Highlights from recent IC presentation to USAS Board of Directors
- Q1 USAS & Foundation portfolio reviews, insights, & outlook
 - Equity: FWT
 - Fixed Income: Sterling
- Banking Review- Doug
- Next Meeting: July 20, 2023 @ 5:30pm EST
- Review Actions

No changes to the agenda were requested.

The Investment Committee unanimously approved the Q4 2022 meeting minutes and Bank discussion minutes from 3/21/2023, as presented.

Eric thanked Ellen and John for attending to recent Board of Directors (BOD) meeting. Eric gave a recap of the BOD meeting in which he focused on cash flows and the balance sheet, noting that the investment accounts are the largest asset. John and Ellen discussed with the BOD how the investment accounts are being managed. Eric thanked John for the discussion that he had/led with the BOD. Kenneth also thanked Ellen and John for their time speaking with BOD.

John- Presented **economic outlook** discussing views of markets and the economy. Positive: Inflation continues to cool, labor markets remain relatively strong, housing sector showing signs of recovery, banking volatility appears to have stabilized for the time being though certain banks remain under pressure. Negative: Inflation remains above Fed's long-term target of 2%, particularly core inflation which tends to be more "sticky", forcing the Fed to remain vigilant in

its inflation-fighting efforts. There remains a wide disconnect between Fed expectations and market expectations regarding the path of Fed Funds rate in 2023. Expect economy to enter recession by end of 2023. Markets: Have enjoyed a relatively strong start to the year especially compared to 2022. Outlook remains muted as forecasted corporate earnings growth likely remains overly optimistic and a recession is possible.

John – **Reviewed USA-S and Foundation performance reports.** Noted that asset allocations are in line with targets. Ellen- question about when FWT might consider increasing small cap exposure. John noted that the outlook has changed to the downside relative to the start of the year. At the start of the year, thought a recession might be avoided. Now, do not think that is likely. Want to gain greater clarity before increasing small cap allocation. Tony- question about the types of managers used to represent the various asset classes including cash. John noted that all investments are indexed. Cash is in a sweep vehicle which provides FDIC insurance. Tony- question about when FWT might consider active management. John indicated that there have been large swings between growth and value of late and that it would not be his recommendation to take additional (manager) risk in the portfolio as doing so would introduce asymmetric risk.

Action: John to create/provide an attribution report to break out Equity vs Fixed Income.

Tony- **Reviewed fixed income performance.** Reviewed recent trends in sector positioning, noting that the portfolio has now achieved a neutral duration relative to the benchmark. Expect additional slowing of economic activity and a possible further inversion of the yield curve. Expect the Fed to raise rates again by 0.25% in May. Unlike current market expectations, don't expect the Fed to aggressively cut rates in 2H23. Ultimately, future Fed policy actions will be determined by the strength of the economy. Expect that Fed will likely leave rates unchanged into 2024, unless forced to cut rates sooner. Expect the consumer to remain resilient given current strength in labor markets. Kenneth- question about the consistency of sector allocations. Does Sterling expect any meaningful changes over the next 12 months? Tony noted that changes to allocations will be based on fundamentals. Noted recent increase in MBS as an example.

Banking Review- None.

General- Eric provided a cashflow reporting noting that the summer tends to be “cash poor” whereas the fall tend to be “cash rich.” Anticipate one more draw in Q2 and possibly Q3, before cash improves, at which time likely to make contributions back into portfolio.

Committee Discussion - The Committee members and staff stayed on the Zoom to discuss the quarterly statements and deliverables.

Next meeting: July 20, 2023 @ 5:30pm EST

Meeting adjourned at approximately 4:50pm MST.