LOS RIOS COLLEGES
FOUNDATION

Finance Committee
April 11, 2025 11:30 a.m. – 12:30 p.m.
Zoom Meeting: https://lrccd.zoom.us/j/87480139811

Minutes

Present
Donald Terry, Finance Committee Chair
Arthur Ma, Board Member
Jonathan McMurtry, Board Member
Tracy Stigler, Board Member
Paula Allison, Chief Advancement Officer, LRCF
Kristin Emmett, Director, Institutional Advancement, LRCF
Kimberly Yost, Foundation Accountant, LRCF
Dan Tichenor, Graystone Consulting

1. **Call to Order:** Donald Terry called the meeting of the Finance Committee to order at 11:30.

2. **Public comment:** Donald Terry read the public call for oral communications. None were made.

3. **Approval: Previous Minutes:** Jonathan McMurtry made a motion to approve the previous minutes. Tracy Stigler seconded the motion. The motion was approved.

4. **Portfolio Recommendations:** Dan Tichenor began with an overview of the markets, including the most aggressive change to tariff policy in 90 years. The market reaction was very negative - measured from the peak, the markets dropped 19% from highs in February.

   For the last year, Morgan Stanley has been raising concerns that the market was getting too expensive, and at the end of 2024 coming into 2025, they were forecasting slowing growth, but no recession and firmly in the soft-landing camp (inflation and growth trending down, no inflation).

   The decisions made based on those assumptions have helped the Foundation to avoid some of the worst pain due to tariffs, and while the portfolio is down, it's been a relatively small drop. While the S&P is up 5% now due to news out of Washington Wednesday that tariffs will be eased for 80 days, market reaction on both sides is understandable. $5T was added to stock market in a matter of hours, and half was lost again the next day as questions arose about whether the tariffs will be permanent and whether we are headed for recession. There was already an expectation of slowing growth and tariffs are effectively a tax making goods more expensive, which will have two effects – the pressure of higher inflation and lower demand, setting us up for a recession. Morgan Stanely current estimates are .6% GDP growth this year, which means no recession, but because of inflation, no rate cuts. The market tends to look five months ahead and was expecting seven rate

cuts in 2026. We were at 2.4% inflation in the most recent month, and now the view is that with the tariffs, inflation will be closer to 3.5% by the end of this year. It is difficult for the Fed to navigate and will force their hand to keep rates higher. And even though there's been a big drop, the market is still quite expensive.

The Foundation is currently underweight in equities where risk is high, and while we may miss out on a little upside, we have avoided the worst of the current downside. If there is a 25% decrease in equities, the Foundation will begin aggressively reinvesting in equities. For now, the recommendation is to hold to our current positions as we won't miss out on much upside if we rebalanced, but it will protect us from the worst-case scenario. At 15%, it is still risky for forward returns if there is a recession.

Portfolio Overview - As of February 28th, the Foundation had $27.5M in total assets, and $19.45M in the Endowment Portfolios. The Endowment portfolio returned 2.9% year to date, 9.5% for the 1-year and 7.1% since inception. The ESG portfolio returned 2.9% year to date, 8.8% for the 1-year, and 8.9% since inception.

Recent Developments:

Endowment & ESG Portfolio

- Rebalanced US Equities with a focus on increasing broad index exposure after strong performance in SMID Cap going into Q4 2024

Endowment Portfolio

- Established NEW ~2% ($350K) commitment to Pantheon Credit Opportunities III (awaiting initial capital call)
- Trimmed Liquid Alternatives by ~2% and used proceeds to increase International Equities and Fixed Income
- Established NEW ~2% ($350K) commitment to Pantheon Credit Opportunities III and funded initial 8% capital call ($28K)
- Established NEW ~2% commitment to StepStone Real Estate Partners V (awaiting initial capital call)

Recommendations:

<u>Endowment Portfolio</u>

- Trim SPDR S&P 1500 Composite and WisdomTree US Dividend by ~0.5% each and use proceeds to increase Miller Howard Income Equity
    - Slightly rebalance US Equities to encourage further diversification of underlying managers by moving toward equal-weight positioning between WisdomTree and Miller Howard
    - Look to increase active management as elevated policy uncertainty may pressure broad risk premiums within equities and expectation of further performance dispersion in 2025
- Trim Schafer Cullen International Value SMA by ~1.0% and use proceeds to increase iShares Core MSCI EAFE
    - Target a 5% position in Schafer Cullen after strategy saw outperformance (~120bpsover the last 1-year)

Adjournment: The meeting was adjourned at 12:30 pm. *Minutes prepared by Kristin Emmett, Secretary, Los Rios Colleges Foundation.*