

LOCATION: **CONFERENCE CALL**
1 669 900 6833 (US Toll) or
<https://laccd.zoom.us/j/91275312451>
Meeting ID: 912 7531 2451

TIME: **11:00 A.M.**

MINUTES

Attendance:

Members Present: Bob Winters (Chair); Danny Chan (Vice Chair); Edward Dilkes; Robert Reeves; Marvin Hoffman; Jerrod McClung; Gerard Tamparong; Robert Schwartz and Lisa C. Nashua (Executive Director)

Guests Present: Robert Nichols (Windward Capital); Don Bessler (Windward Capital); Joseph Robillard (Windward Capital); Helen Khachatryan and Silvia Martinez

I. CALL TO ORDER

- a. The meeting was called to order at 11:04 A.M.

B. WINTERS

II. APPROVAL OF MINUTES

- a. Minutes of July 19, 2022
- Robert Reeves moved to accept the minutes as presented.
 - Danny Chan seconded
 - Motion Passed MSP**

D. CHAN

III. REVIEW OF WINDWARD CAPITAL SUMMARY

J. ROBILLARD

- a. Don Bessler gave a brief summary of the current financial situation. He mentioned that there's been a lot of volatility in the financial markets recently, and that is a result of a tighter monetary policy environment combined with an inflation issue and the uncertainties of geopolitical conflict, and as a result of that there is some uncertainty regarding the impact of those on the corporate revenue and earnings outlook.
- He went on to say that the daily financial market price action is primarily driven by quantitative type of strategies, algorithms and/or high frequency trading and from their perspective as fundamental long-term investors; the daily financial market movements create a very low signal-to-noise ratio. The noise is just very high, and what's going on with the financial markets.
 - He also said that we have an issue in monetary policy, especially with regard to the Fed, which has gone from the zero lower bound zero to twenty-five basis points in the spring to a current rate of three to three and a quarter with an expectation given by the Fed that they'll add another one hundred and twenty-five basis points by the end of the year.
 - The fixed income market across the yield curve has already moved in anticipation of those rate increases. The Fed has said that it's going to do whatever it takes to bring inflation down back to its two percent target.
 - Mr. Bessler mentioned that they do take a long term focus that's consistent with the LACC Foundation Investment Policy Statement. They look at things in terms of decades. Their focus is on owning businesses, investing in businesses that meet their characteristics of quality, growth, and value, and holding those investments as long as those companies remain good businesses.
 - Gerard Tamparong mentioned that he was having a trouble understanding where the top down comes from right top down typically, means Global Macro Economic Environment.
 - Mr. Bessler responded that they were diversified across a variety of industries and sectors. So each of those type of businesses that they're invested in will be exposed to different components of the business cycle. They believe that the Fed will be successful in achieving its inflation objectives.

- iii. Robert Schwartz mentioned that in the past Joseph Robillard provided the inception report on all the LACC Accounts. Joseph was happy to provide that again as per Robert's request.
 - 1. There were some questions from the Committee members who wanted to know where they could find the information Joseph was providing during the meeting as to what he responded that it was email to them along with the other portfolio reports.
 - a) Danny Chan asked if Joseph could do a comparison for everybody to listen to for the year to date instead of just inception and Joseph went ahead and provided that information.
 - 1) Robert Reeves asked Joseph Robillard why he jumped around in the comparison because the first comparison was versus the Russell and then next time Joseph did a value of in the portfolio, he was comparing it to the S&P. Joseph was kind of rude when responding to Mr. Reeves and mentioned that they benchmark different strategies against the appropriate benchmark.
 - iv. The Committee continued to ask questions and Dr. Nichols responded to their inquiries.
- b. The Committee received the LACCF Quarterly report which covered the performance for the 3rd quarter as of September 30, 2022. Joseph Robillard went over the Foundation's portfolio.
 - i. LACCF Portfolio #1 Growth
 - 1. **Total Cost:** \$10,514,264.37 **Market Value:** \$13,978,850.46
 - a) **Yield:** 2.0 **Estimated Annual Income:** \$209,881.96
 - ii. LACCF Portfolio #2 Equity Income
 - 1. **Total Cost:** \$4,154,049.10 **Market Value:** \$5,059,883.36
 - a) **Yield:** 3.3 **Estimated Annual Income:** \$140,960.15
 - iii. Herb Alpert Portfolio #1
 - 1. **Total Cost:** \$5,784,919.54 **Market Value:** \$8,089,294.00
 - a) **Yield:** 2.0 **Estimated Annual Income:** \$121,705.12
 - iv. Herb Alpert Portfolio #2
 - 1. **Total Cost:** \$4,360,014.98 **Market Value:** \$5,348,938.59
 - a) **Yield:** 3.3 **Estimated Annual Income:** \$148,911.85
 - v. Nick Beck Journalism Lecture
 - 1. **Total Cost:** \$438,653.55 **Market Value:** \$448,612.07
 - a) **Yield:** 3.3 **Estimated Annual Income:** \$13,896.09
 - vi. LACCF Operating Endowment
 - 1. **Total Cost:** \$823,193.73 **Market Value:** \$914,785.66
 - a) **Yield:** 2.0 **Estimated Annual Income:** \$13,837.04
 - vii. LACCF STEM
 - 1. **Total Cost:** \$2,256,977.59 **Market Value:** \$2,350,562.35
 - a) **Yield:** 2.0 **Estimated Annual Income:** \$35,414.47

IV. DISCUSSION REGARDING INVESTMENT STRATEGY

D. CHAN

- a. Danny Chan mentioned that they still had questions from the email that was sent to Windward and asked them to give the Committee a better answer to question number four from the email. (4. Given the LACCF investment policy – how do you plan to allocate new funds that come in this year – can be up to \$2 million (estate trust and major gift)), Windward answer to the email question was “Any new funds added to the LACCF accounts would be invested in a manner consistent with the existing asset allocation and in accordance with the LACCF Investment Policy Statement and Guidelines.” However, Danny wanted Windward to be more specific because our investment policy range is quite large and wanted to know what percentage will be allocated to equities and/or fixed income.
 - 1. Robert Nichols responded that it's a timing issue. When the money is contributed to the fund then they'll take a hard look at the asset allocation, and they'll make that aside allocation according to the investment policy. They have a lot of different strategies that we can employ. That is going to depend on when the money comes in, and what the economic environment is like when it comes.
 - a) The Committee continued with their questions regarding the investment strategies and Don Bessler responded that he would lean toward the Balance Growth Strategy. Basically, we'd have more of the growth type of equities versus the equity income strategy which has more of a yield component fixed income, equivalent type of strategy.

- b. Danny Chan also asked if there were some upcoming changes to the portfolio that they should expect in the next weeks months. Don Bessler responded that he didn't anticipate anything on the equity side, although that is contingent upon any of the information that we see from companies as they report their quarterly earnings.

V. REVIEW OF FINANCIALS

D. CHAN

- a. The Finance and Investment Committee members reviewed and approved the September 2022 financials.
 - i. Danny Chan moved to accept the September 2022 financials as presented.
 - ii. Robert Reeves seconded
 - iii. **Motion Passed MSP**
- b. Jerrod McClung wanted to ask Gerard Tamparong a question, but Gerard had left the meeting. Jerrod would be sending an email to the Committee listing those questions.

VI. ADJOURNMENT AND NEXT MEETING

- a. Meeting adjourned at 11:55 AM
- b. Next meeting January 31, 2023, at 11:30 AM.