

NATIVITY JESUIT ACADEMY
Minutes
Investment Subcommittee Meeting

Friday, September 20, 2020
Held Virtually via Google Meet

Members Participating: Jeff Ruidl (Chair), Ed Kitz, Brian Griffiths, Andrew Robbins, Maureen Schuerman, Sue Smith, Jesus Torres

Members Excused: None

Guests Participating: Christopher Merker and Michael Klein

The meeting began at approximately 7:34 a.m. Mr. Torres led the group in prayer.

School Update

Ms. Schuerman provided an update of the first three weeks of school, highlighting the scenarios and conditions that are being evaluated to move to from virtual, to hybrid and ultimately in person instruction.

Investment Summary Update

Mr. Torres presented the investment summary breakdown by restriction as of August 31, 2020. He noted that the portfolio's total balance is at an all-time high of \$6.6M, of which \$3.9M is unrestricted. The remaining \$2.69M is permanently restricted.

Baird Presentation

Mr. Klein discussed the general economic state of the US and the world. He stated that the second quarter ended June 30, 2020 had the worst GDP print in history and we can expect a solid rebound for the third quarter. Current expectations are that it will take GDP until February 2021 to fully recover. Business are either experiencing solid years, or the worst of their history. Mr. Klein addressed why the stock market is doing better than expected. He went in depth on the two major reasons. Firstly, the market is keeping a close watch on number of COVID-19 cases and the attributable number of deaths. Overtime, the mortality rate has declined, generating confidence. This is due to better experience with handling health issues and side effects. Additionally, isolation has improved. Mr. Klein noted that ICUs are businesses and are designed to have 75-85% utilization and yet, are not being overwhelmed. Secondly, the global stimulus is more than was pulled from GDP. Estimates are that for every \$1 of GDP that was lost, \$1.50 of stimulus was added. The recovery that has been experienced for the last 12 to 14 weeks, is something that historically takes three to four years. Mr. Klein emphasized that there have been casualties, such as poorly run companies or those in difficult industries – many of which ran out of capital and went bankrupt in a matter of weeks. Apparel and energy sectors are struggling. Unemployment is concentrated in leisure and hospitality, which makes up 20% of the economy, but supports lower paying jobs. Unfortunately, these are the people least positioned to weather the financial hit. Not surprising, consumer spend is at the same level as prior to the shutdown, but there are shifts. Entertainment and recreation have not come back consistently. Airline demand is soft, while beachfront hotels are sold out. This leads to an uneven recovery. Hence, Baird has moved to small cap, as value is growing faster than large cap. The uncertainty of the economy opening and then closing is what had

slowed GDP in the second quarter. Mr. Klein summed it all up as the strangest year in investing he has experienced in his career.

Mr. Ruidl asked if clients have pulled out investments to cover COVID-19 related costs. By in large, the answer was no. Mr. Klein responded that colleges have had bumpy recoveries, as enrollment has decreased by approximately 20%. Mr. Merkle added that theaters and museums have had a tougher time, as they did not have PPP support.

Mr. Merker provided an Investment Policy Statement Review, noting that NJA continues to comply with all its investment policies. Mr. Merker then discussed NJA portfolio's performance as of June 30, 2020, noting that the portfolio is down 3.73%, but was up 17.21% during Q2. The performance since inception is at 5.30%, which is approaching the Balanced Index benchmark. Asset allocations were rebalanced earlier in year and will be reassessed. SRI/ISG compliance testing will be performed as of December 31, 2020.

Meeting adjourned at 9:06 am.

Action Items - Ongoing

- Monitor Investment Policy compliance
- Determine allocation of equity and fixed income investments, after building project
 - Review cash flow needs with regards to 5% spending policy
 - Review Baird's performance vs benchmark
- Mr. Kitz asked why there was a \$78 difference between the Baird June 30, 2020 statements and the June 30, 2020 Portfolio report. Mr. Merker responded that it was due to the timing and posting of accruals.

Minutes prepared and respectfully submitted by Jesus Torres, NJA Director of Finance.