



KALAMAZOO FOUNDATION FOR EXCELLENCE

Investment Subcommittee Meeting

Quarter Ending March 31, 2023

Meeting of Wednesday, May 24, 2023, at 12:00 PM

Hosted by City of Kalamazoo

W.E. Upjohn Institute

MINUTES

I. General Opening Items

A. Call meeting to order

Chair Salisbury called the meeting to order at 12:00pm.

B. Roll call

Members present: Chair Robert Salisbury, Dean Bergy, Nick Griffith, Dan DeMent, Sandi Doctor, and Randy Eberts

Members absent: Joshua Sledge

C. Introduction of guests

City of Kalamazoo: Steve Vicenzi (virtual) CFO; Jennifer Clark, Accounting Manager; Lora Ross, Accounting Specialist; Neena Porter, Administrative Support Coordinator; Christina Charles, Management Services Coordinator; Clyde Robinson, City of Kalamazoo Attorney; and Mayor David Anderson.

Kalamazoo Foundation for Excellence: Mary Balkema (virtual), Housing Director.

Zhang Financial: Chris Ruppel, Rob McDougall and Katie Richards.

There was a motion to approve the absence of Joshua Sledge.

The **motion carried** by voice vote.

D. Review, **approve** minutes of November 30, 2022

A **motion** was made by Dan DeMent and seconded by Sandi Doctor to approve the minutes from the November 30, 2022 meeting. The **motion carried** by voice vote.

E. Public Comment

None

II. Kalamazoo Foundation for Excellence

A. Investment Portfolio

1. Assets as of December 31, 2022

Steve Vicenzi reviewed the assets as of December 31, 2022.

2. Assets as of March 31, 2023

Steve Vicenzi reviewed the assets as of March 31, 2023.

3. Investment Performance Report 2022 Q4

Rob McDougall reviewed the investment performance report for 2022 Q4.

The market value of portfolio assets increased from \$151.9 million to \$160.6 million during the fourth quarter of 2022, an increase of \$8.70 million or 5.73%. During the

quarter there were contributions of \$1.85 million and withdrawals amounted to \$1.92 million. Interest and dividend income for the quarter amounted to \$219,813.07.

The portfolio weighted average return for the quarter, net of manager fees, was 5.84%. The 1-year return, net of manager fees, was -16.90%.

Equities comprised 70.3% of the Kalamazoo Foundation for Excellence portfolio at the end of the fourth quarter. The equity portion of the portfolio returned 7.55% for the quarter, and -18.12% over the last year.

Fixed income comprised 24.6% of the Kalamazoo Foundation for Excellence portfolio at the end of the fourth quarter. The fixed income portion of the portfolio returned 1.60% for the quarter, and -13.07% over the last year.

Real Estate comprised 5.0% of the Kalamazoo Foundation for Excellence portfolio at the end of the fourth quarter. The real estate portion of the portfolio returned 4.50% for the quarter and -26.31% over the last year.

Cash and equivalents totaled \$75,338, or 0.1% of the total assets.

The portfolio target allocation approved by the investment committee on August 25, 2021 is 70% equities, 25% fixed income, 5% real estate, and 0% cash. Rebalancing throughout the calendar year is achieved via cash flows; funds are reallocated in conjunction with contributions and distributions from the portfolio. At year end, all funds are rebalanced to fund-level targets. Per Foundation policy, variances from total equity or total fixed income are not to exceed 3%.

The inflation-adjusted, or real return, for the quarter was 5.84% as the US BLS All Urban inflation rate for the quarter was 0.00%. With an annual inflation rate of 6.45% the one-year real return was -23.35%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 4.73% nominal and -0.94% real with a since-inception inflation rate of 5.67%.

4. Investment Performance Report 2023 Q1

Rob McDougall reviewed the investment performance report for 2023 Q1.

The market value of portfolio assets increased from \$160.6 million to \$206.2 million during the first quarter of 2023, an increase of \$45.6 million or 28.39%. During the quarter contributions included approximately \$40.0 million of Stryker Stock and withdrawals amounted to \$7.0 million. Interest and dividend income for the quarter amounted to \$331,589.42.

The portfolio weighted average return for the quarter, net of manager fees, was 5.99%. The 1-year return, net of manager fees, was -7.83%.

Equities comprised 58.9% of the Kalamazoo Foundation for Excellence portfolio at the end of the first quarter. The equity portion of the portfolio returned 7.49% for the quarter, and -7.75% over the last year.

Fixed income comprised 19.8% of the Kalamazoo Foundation for Excellence portfolio at the end of the first quarter. The fixed income portion of the portfolio returned 3.28% for the quarter, and -4.86% over the last year.

Real Estate comprised 4.0% of the Kalamazoo Foundation for Excellence portfolio at the end of the first quarter. The real estate portion of the portfolio returned 1.79% for the quarter and -19.99% over the last year.

Cash and equivalents totaled \$35,686,615, 17.3% of the total assets.

The portfolio target allocation approved by the investment committee on August 25, 2021 is 70% equities, 25% fixed income, 5% real estate, and 0% cash.

The inflation-adjusted, or real return, for the quarter was 4.29% as the US BLS All Urban inflation rate for the quarter was 1.70%. With an annual inflation rate of 4.98% the one-year real return was -12.81%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 6.42% nominal and 0.64% real with a since-inception inflation rate of 5.78%.

B. Account Update

1. 2022Q4 Review of Expenses/**Approval**

Steve Vicenzi presented the quarterly expenses.

A **motion** was made by Dean Bergy and seconded by Dan DeMent to approve the expenses for the 4th quarter of 2022. The **motion carried** by voice vote as follows:

Ayes: Robert Salisbury, Dean Bergy, Nick Griffith, Dan DeMent, Sandi Doctor, Randy Eberts

Nays: None

Absent: Joshua Sledge

i. 2022 Q4 Cash Flow

Steve Vicenzi presented the cash flow reports

ii. 2022 Q4 Rebalance/Liquidations

Steve Vicenzi presented the Rebalance/Liquidation reports.

2. 2023Q1 Review of Expenses/**Approval**

Steve Vicenzi presented the quarterly expenses.

A **motion** was made by Randy Eberts and seconded by Dan DeMent to approve the expenses for the 4th quarter of 2022. The **motion carried** by voice vote as follows:

Ayes: Robert Salisbury, Dean Bergy, Nick Griffith, Dan DeMent, Sandi Doctor, Randy Eberts

Nays: None

Absent: Joshua Sledge

i. 2023 Q1 Cash Flow

Steve Vicenzi presented the cash flow reports

ii. 2023 Q1 Rebalance/Liquidations

Steve Vicenzi presented the Rebalance/Liquidation reports.

C. Communications

1. Derivatives Report

There were no committee comments on the derivatives report as included in the meeting materials.

2. Jennison Quarterly Overview

Rob McDougall presented.

3. Articles of Interest

Chris Ruppel presented.

D. Due Diligence/Education/Governance

1. Activity Reports

There were no committee comments on the derivatives report as included in the meeting materials.

2. Future Due Diligence/Education (none this quarter)

3. Corporate Governance (none this quarter)

E. Old/New Business

1. Committee members insured for KFFE

Chair Salisbury asked if the FFE and FFE IS board was insured. Steve Vicenzi said no, but he continues to have frequent conversations with the Michigan Municipal Risk Management Authority (MMRMA). The MMRMA is bringing on a new host of insurance companies in June and Steve will revisit it again with them at that time. Chair Salisbury then asked if there is an indemnification provision in the by-laws for the FFE subcommittee board members. Steve Vicenzi replied that he believed there was. Chair Salisbury asked for a review of what that says. Chair Salisbury also suggested asking the MMRMA for insurance just for the investment subcommittee.

2. FFEIS succession planning

Chair Salisbury explained once he is no longer chair, Randy (as the current vice chair), will step up as chair and select a new vice chair.

The importance of adding new members in the future was discussed as well.

III. General Closing Items

A. Future meetings

2023Q2 Wednesday, August 23, 2023, at 12:00pm, W.E. Upjohn Institute
2023Q3 Wednesday, November 29, 2023, at 12:00pm, W.E. Upjohn Institute
2023Q4 Wednesday, February 28, 2024, at 12:00pm, W.E. Upjohn Institute
2024Q1 Wednesday, May 22, 2024, at 12:00pm, W.E. Upjohn Institute

B. "Around the Table"

No additional comments or discussions were brought up.

C. Adjourn

Chair Salisbury adjourned the meeting at 12:55pm

Sincerely,



Steve Vicenzi,
Secretary