

MINUTES OF THE VLCT JOINT INVESTMENT COMMITTEE MEETING
FRIDAY, SEPTEMBER 16, 2022
10:00 AM
VLCT OFFICES, MONTPELIER, VT and VIA ZOOM

Committee Members Present:

PACIF- Rob Gaiotti, Jackie Higgins, Bryan Young, and Bruce Urie

VERB- Todd Odit (via Zoom)

VLCT-Jessie Baker

Staff Present: Joe Damiata, Ted Brady, Seth Abbene, Fred Satink and Kelley Avery

Others Present: Dan Smereck (Strategic Assets Advisors - SAA), Jim Kaniclides and Jason Bilodeau (Insight)

Jessie Baker called the meeting to order at 10:01 a.m. and asked everyone present to introduce themselves.

Upon motion (Young/Higgins) duly adopted, the committee voted unanimously to approve the agenda.

Upon motion (Gaiotti/Higgins), the committee voted unanimously to approve the minutes of the March 11, 2022 committee meeting.

Jason Bilodeau introduced Jim Kaniclides, who is replacing Amanda Abdella at Insight. Mr. Bilodeau and Mr. Kaniclides reviewed the fixed income portfolio performance through the second quarter of 2022. The PACIF portfolio underperformed compared to the benchmark, while the VERB portfolio slightly outperformed the benchmark. They also briefly reviewed the global and economic outlook for the remainder of 2022 and forecasted into 2023. Market volatility is expected to continue as the Federal Reserve fights stubborn inflation in the U.S. with interest rate hikes, geopolitical tensions drive energy costs, and supply chains remain strained. Bond yields, however, continue to rise, which is beneficial to portfolio income as new bonds are purchased with maturing principal and/or cash from operations. The Federal Reserve is expected to complete its monetary tightening cycle in the latter half of 2023.

Dan Smereck from Strategic Asset Alliance (SAA) reviewed the trusts' investment performance through the second quarter of 2022. PACIF's consolidated return, net of fees through June was -11.11%, slightly below the benchmark, while VERB's was -10.19%, slightly above the benchmark. Mr. Smereck also described a wide range of factors that are currently impacting the markets and contributing to the negative consolidated portfolio results for 2022 thus far.

Mr. Smereck reviewed proposed changes to the PACIF Investment Policy. At the March meeting, Mr. Shepeluk and Mr. Frank suggested staff work with SAA to review the potential for increasing the portfolio risk asset allocations. Staff reviewed these allocations with SAA and support the proposed revisions which include: changing the risk assets Target from 15% to 25% and the

Maximum from 20% to 30%; changing the fixed income Minimum from 80% to 70% and the Target from 85% to 75%. These changes will better align the risk asset targets in the policy with statutory limits (40% of surplus) and allow management more latitude with overall portfolio allocation. Other minor updated wording changes were reviewed in the policy as well. If approved by the committee, the policy would go to the PACIF Board for consideration.

Upon motion (Higgins/Gaiotti), duly adopted, the committee voted unanimously to approve the changes to the PACIF Investment Policy as presented.

Ted Brady updated the committee on the activities of the Investment Subcommittee comprised of Aaron Frank, Bill Shepeluk, Patrick Moreland, Bryan Young, and Jessie Baker. The subcommittee met in June to discuss potential local investment prospects. The subcommittee tasked Mr. Brady with vetting three specific examples for potential local investment opportunities, and Mr. Brady is looking into potential options with the Vermont Community Loan Fund, the Vermont Municipal Bond Bank and the Vermont Community Foundation. Mr. Brady hopes to reconvene the subcommittee in the coming months to offer some options to the Joint Investment Committee next year.

There was no other business.

Upon motion (Higgins/Urie), duly adopted, the committee voted unanimously to adjourn the meeting (11:46 a.m.).

Respectfully submitted,



Fred Satink
Assistant Secretary