

**MINUTES OF THE ARCHIVES PARTNERSHIP TRUST BOARD
INVESTMENT COMMITTEE MEETING CONFERENCE CALL
10:00 am, July 27, 2022
Cultural Education Center, Room 9C49, 222 Madison Avenue, Albany, NY**

Investment Committee Members Present

By Telephone: Barbara A. Brinkley, Rosemary Vietor, and Joyce Shenker

Staff Present

Janet Braga, Director and Tom Ruller, New York State Archivist

Others Present

Paul Murray, First Vice President, Investments, Janney Montgomery Scott LLC

Excused

Harold Iselin, Stephen Pagano

Call to Order

Ms. Brinkley called the meeting of the Investment Committee to order at 10:01 am. Ms. Brinkley began by thanking the staff and Mr. Murray for helping the committee to better understand the dynamics of the endowment calculator used to determine the drawdown amount entered into the Trust’s annual budget. Mr. Murray stated using a 20-quarter average for the calculator provides a long-term focus of the portfolio and markets and offers a good gage of the endowment’s performance and growth despite ups and downs in the market and annual drawdowns. Ms. Braga stated the calculator will be included in committee meeting materials moving forward.

Mr. Murray begin with his report.

Review of Portfolio Performance for the Last Quarter and Investment Distribution as a Result of Market Performance

- Mr. Murray reported markets continued to decline in the 2nd quarter. Primary factors continue to be rising interest rates, surging inflation, recession fears, and conflict in Ukraine. The stock market had one the worst back-to-back quarters in decades and ended the 2nd quarter in official “bear market” territory (defined by a -20% decline in the S&P 500 index). The account ended June at \$4,746,073 vs March 31, 2022, of \$5,404,824 – a net decline of -\$650,751 in market value for the 2nd quarter. The current decline sets us back about two years – the last time the account value was in this range was June 2020. The endowment value as of 10:00 a.m. on July 27, was \$4,850,000 a net increase of \$103,000. Mr. Murray stated since mid-June, markets have gained 3%.

Asset allocation:

4.0%	cash and equivalents (cash/fixed income or securities to mature in six months)
67.2%	in equities (54.6% U.S. and 15.8% international)
28.7%	fixed income (CDs and the bond mutual funds)
0.2%	other (a blended fund composed of both stocks and bonds)

Broad asset allocation ratio:

71.3%	equities
28.7%	fixed income

Performance:

Trust Portfolio vs Benchmarks	2nd Qtr	YTD	Since 12/31/2006*
• Trust’s portfolio	-12.17%	-17.34%	5.81%

• S&P 500 Composite Index	-16.45%	-20.58%	6.54%
• Blended Benchmark Portfolio (55% S&P 500 Total Return, 15% MSCI EAFE GTR, and 30% Merrill Lynch 3-month Treasury)	-11.90%	-15.80%	6.61%

* the date Janney began using its current tracking database

Portfolio Changes:

	2nd Qtr	YTD
Net deposits/withdrawals:	\$0	-\$190,000
Total Earnings:	-\$658,751	-\$999,517

Investments

- Investment return for the quarter was -12.17% vs -16.45% for the S&P Index and -11.90% for our blended benchmark of stocks and short-term bonds. For the year, the portfolio is now down -17.34% vs the S&P decline of -20.58%. Mr. Murry stated there has been no safe place to hide this year as even the bond market saw double digit declines for the year (-10.35% year to date).
- Allocation on 6/30/2022 was close to 30% cash/bond funds/CDs (fixed) and 70% stock mutual funds/equity ETFs. Mr. Murray did not recommend any changes be made at this point to our holdings but the allocation to equities is still a little on the high end of the range.

Interest Rates

- Interest rates continued to move up but stabilized by the end of the quarter. Mr. Murray expects interest rates to increase again. The 5-Year Treasury yields began the year around 1.25%, rose to around 2.45% at the end of March and ended June at 3.00. 10-year yields saw similar path from 1.50% beginning of the year to 2.75% as of today. We have a very flat to slightly inverted yield curve (meaning short term rates are higher than long term rates). These benchmark yields as back to “pre-pandemic” levels after running the last two years below 1%. This was very quick jump in rates this year – as rates go up, bond prices fall which led to about a -10% decline in most bond portfolios. The good news is that there is now a place for conservative investors to put money and receive some decent return.
- Mr. Murray reported he expects market volatility throughout the summer noting that the economy is starting to cool off a bit. Janney analysts feel the market drop has already discounted much of the anticipated slow down – we do not expect a fast rebound but most likely a choppy bottoming process is playing out. Much of the excess froth and speculation has been squeezed out of some areas of the market (i.e. Bitcoin) and high quality companies still appear to be in a good position to weather the storm.

Review of Bond Performance

- **Bonds/CDs:** Mr. Murray reported a \$120,000 CD at 2.25% matured on July 26th and a \$50,000 CD at 3.15% will mature on August 8.

Action Items

Mr. Murray recommended the \$120,000 be rolled into a 3-year CD for 2025 now and when the \$50,000 CD matures in August, start the next rung on our CD ladder for 2026. Current yields are above 3% in both ranges.

Barbara A. Brinkley made a motion to approve reinvesting \$120,000 into a CD maturing in 2025 (estimated rate 3.45%) Rosemary Vietor seconded the motion. The motion passed by unanimous vote.

When the \$50,000 CD matures on August 8, Mr. Murray will send the latest rate information to the committee for a formal vote to reinvest the proceeds into another CD maturing in 2026.

Cash (Available, Needs, Projections)

- Ms. Braga reported that the Trust is holding steady and does not anticipate needing funds from the endowment at this time.

Discussion

- Ms. Brinkley asked Mr. Murray about the impact of the Federal Reserve raising interest rates when the issues facing the economy re supply shortages? Mr. Murray stated there is early evidence the rate increases are starting to cool inflation – gasoline prices and other commodities have come off their peaks recently. Inflation is twofold – supply chain issues, which will take time to work through because of pandemic related shortages, and excess liquidity that the Fed is trying to squeeze out with higher interest rates to slow the economy.
- Ms. Brinkley called attention to the following line in a report written by Equity Strategist Michael Halloran from Janney’s Investment Strategy Group distributed to the APT Investment Committee: *Given the uncertainty around the path of inflation and interest rate hikes, we favor owning high-quality blue-chip stocks and have a defensive sector positioning.* Ms. Brinkley asked how the committee incorporate remarks such as this into our portfolio which is heavy in mutual funds? Mr. Murray stated the American Funds group is a value-oriented, research driven manager and many of our main funds (Capital Income Builder, American Mutual, Fundamental Investors, Capital World Growth and Income) invest in dividend-oriented, high-quality companies.

Action Item

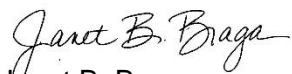
Mr. Murray will run a report showing a more detailed account of investments within mutual funds held within the endowment and distribute the report to the committee.

Conclusion

Chairperson, Ms. Brinkley thanked Mr. Murray for his report and the meeting was adjourned at 11:05 am.

The next Investment Committee meeting is next scheduled for October 26, 2022.

Respectfully submitted,


Janet B. Braga
Director