

Investment Committee of the Executive Council

Minutes of the Videoconference

Date: May 15, 2020

Committee members:

The Rev. Andrew Walter
Mr. Dale Akinla
Ms. Marion Austin
Mr. Kurt Barnes
Ms. Janet Brown
Ms. Holli Sturm
Mr. James Simon

Mr. John Talty

Absent: Mr. Gordon Fowler

Staff:

Ms. Nancy Caparulo

Ms. Margareth Crosnier de Bellaistre

Consultants:

Ms. Carissa Tepovich, *Mercer Investment Consulting, Inc.*

Mr. Chris Cozzoni, *Mercer Investment Consulting, Inc.*

1.0 General

Fr. Walter called the meeting to order at 1:04 PM EDT with prayer.

There was one agenda item, which was the reason for this day's meeting. The purpose of the call is to look at alternatives to Brandywine.

2.0 Mr. Cozzoni shared his screen for the discussion concerning the recommendation to exit Brandywine. He reported \$458.5 million value of portfolio at this time, noting that March was a rough month but there has been a good rebound since then.

2.1 Mercer has been looking at where there are opportunities as well as protection. The portfolio currently has two fixed income managers, WAMCO and Brandywine. Mr. Cozzoni discussed the Mercer presentation concerning fixed income/high yield debt at some length. This climate is an advantageous time to invest in credit, and high yield in particular. Mercer prefers a multi-asset credit manager, which is more flexible and opportunistic than those currently in place.

2.2 Ms. Tepovich discussed the differences between WAMCO and Brandywine. She explained that Mercer sees better opportunities in high yield debt and went over the current asset allocation and the proposed changes. Multi-asset credit, which has significant exposure to high yield, is considered a growth asset rather than risk reduction. Ms. Tepovich went over the chart illustrating multi-asset credit. Mercer looks at it as an opportunistic fixed income mandate. These managers can shift around within different sectors of the fixed income markets in order to take advantage of the opportunities that they find attractive.

- 2.3 Apollo and Loomis are the two managers Mercer has identified for consideration. The differences between them were reviewed. High risk mortgage loans are not involved as far as Mercer knows but the managers can be asked to respond to that question. Exclusions are not possible with these funds since they are both commingled funds. The group discussed the differences between Brandywine, Apollo and Loomis. Apollo and Loomis are also volatile but they have more flexibility than Brandywine which primarily invests in government debt. They will be asked about energy exposure when they present to the committee.
- 3.0 Today, the decision needs to be made whether to terminate Brandywine at the end of May or to maintain exposure to Brandywine. The proceeds from Brandywine will be available at the beginning of June. Discussion covered where to temporarily invest the proceeds from Brandywine if the new investments cannot be made until the end of June. Fr. Walter asked if it is the wish of the Committee to discontinue Brandywine. Mr. Simon expressed his concern as to how the move is consistent or inconsistent with the Church's values. Mr. Talty, who is familiar with both Apollo and Loomis, doesn't believe there would be a moral conflict with the Church. Mr. Cozzoni will take questions to Apollo and Loomis ahead of time so they can be prepared to respond when they present in two weeks.
- 3.1 A recommendation to liquidate Brandywine was moved and seconded. Discussion covered where to temporarily invest the proceeds. Mercer will bring investment options to the next meeting. The vote carried without opposition or abstention.
- 3.2 Brandywine will be liquidated. The Committee will see representatives from Apollo and Loomis in two weeks (May 29) at 11:00 AM EDT.

With thanks to the participants Fr. Walter adjourned the meeting at 1:43 PM.

Respectfully submitted,
Nancy Caparulo
Staff support to the committee