

**College of the Siskiyous Foundation
Investment Due Diligence
Meeting Minutes of
January 12, 2021
Zoom – Video Conferencing**

Members Present:

- David Gault
- Darlene Melby
- Bruce Deutsch
- Kent Gross
- Dawnie Slabaugh
- Denny Sbarbaro
- Jeannine Greenslade
- Barry Ohlund

Absent:

- Linda Romaine

Recording Secretary: Carie Shaffer

Consultants: Meghan DeGroot, Sand Hill Brenda Vingiello, Sand Hill

College President: Dr. Stephen Schoonmaker

Item 1: **Call to Order and Introductions**

The meeting was called to order at 4:00 p.m.

Item 2: **Approval of Meeting Minutes – July 21, 2020 and October 13, 2020**

Motion was made (Melby / Slabaugh) to approve the July 21, 2020 and October 13, 2020 as presented. Motion passed.

Item 3. **Review Investment Experience / Areas of Possible Concern**

Consultants, Brenda Vingiello and Meghan DeGroot, reviewed the Foundation investment portfolio and also provided an overview of the current market forecast and economy for Q4 2020. Highlights from the Portfolio Review:

- While a full recovery will still take time, the speed at which this recovery has transpired has been notable and is a direct result of the significant fiscal and monetary stimulus measures that have been implemented thus far.
- By the end of 2020, the technology sector represented 38% of the S&P 500 yet contributed just 6% of GDP and only 2% of total employment.
- AS 2020 progressed, the stock market recovery was felt more broadly with only three sectors (energy, real-estate and utilities) ending the year with a negative return.
- Value stocks have begun to recover but still trade at a steep discount to growth stocks. These more economically sensitive companies are projected to grow earnings in 2021 at a faster pace than traditional growth stocks and this could cause a shift in sector leadership.

- As the global economy begins to reopen this year, GDP is projected to experience a meaningful recovery with the overall level of economic activity overcoming the 2020 decline. While the timeline of the vaccine rollout is still uncertain, many professional forecasters are projecting that about half of the U.S. population will be vaccinated by the end of the second quarter. This suggests that the economy will expand at a much faster pace in the second half of the year than the first.
- The Federal Reserve has taken aggressive action by reducing the Fed Funds rate to zero and announcing an unlimited amount of quantitative easing with flexibility to include buying both corporate and high yield bonds.
- Over the last year, the employment market has experienced its largest swings in history as the unemployment rate soared to a record high of 14.7% in April. By December it had fallen to 6.75%, but the number of employed, as measured by the nonfarm employment report, was still 9.8m below where it was pre-pandemic.
- Not surprisingly, the leisure sector experienced the largest number of job losses and has shown significant recovery over the last several months. However, further improvement will be very dependent on a successful rollout of a vaccine and a subsequent return to travel and other leisure activities.
- Corporate earnings growth was impacted last year by outright business closures, supply chain disruptions and a lack of demand for commodities. Now that we are rolling out multiple vaccines that are projected to have a high rate of efficacy, we have a much better sense for what the timeline of a recovery looks like. By most measures, 2022 should be a more normalized year. And the recovery in 2021 should be more pronounced during the second half of the year.
- The European Union implemented an uncharacteristically strong and multifaceted response to the pandemic, and this has helped support economic activity and should ultimately support a more sustained recovery in the region. Europe's more cyclically oriented economy should also benefit as the rest of the world recovers economically.
- China, which makes up 40% of the emerging market investable universe, has been coping with COVID-19 since early 2020. Relative to other global economies, China has managed the pandemic better than any other major country. According to Chinese economic data, Chinese export growth grew by more than 20% year over year during the month November 2020, and the Purchasing Manager Index (PMI) for manufacturing registered its highest reading since 2010.
- Inflation has remained below 2% for most of the last decade, a phenomenon that has been quite surprising given the significant liquidity that central banks have injected into the global economy. In our view, this is likely to change over the coming years given the significant amount of additional liquidity being provided by central banks and fiscal stimulus programs.
- A recovery in demand for commodities will hinge on the timing for the global re-opening process by prices will also be impacted by supply which has dropped considerable as many projects have been sidelined and could take a considerable

amount of time to resume, if at all. This could create an environment where more modest increases in demand drive prices higher.

- A large portion of the population has been working at home for almost a year now and this has driven a change in home-related spending habits. As companies continue to embrace 'work from home' policies, we believe there will be an ever-increasing housing demand as people transition from urban (apartment/condo) to suburban living and as they focus on better living, and working, arrangements at home. The housing market has risen 14.6% year over year.

Quarter Four End Report (10/31/2020 – 12/31/2020) of the COS Foundation Investment Portfolio: Up a total of 14.62%

- Title III - Ending Market Value is \$2,239,362.88
- Scholarship - Ending Market Value is \$1,326,015.70
- Rainy Day Fund – Ending Market Value is \$76,336.87
- General Endowment – Ending Market Value is \$152,227.46
- Mercy Endowment – Ending Market Value is \$264,576.45

COS Foundation Investment Portfolio combined portfolio balance for the fourth quarter is \$4,058,519.36.

Item 4.

New Business

No new business

Item 5:

Adjournment / Upcoming Meeting Date and Time

The next meeting will be April 13, 2021 at 4:00 p.m. via Zoom. Meeting adjourned at 4:40 p.m.