

Virginia Birth-Related Neurological Injury Compensation Program

Investment Committee Meeting
Minutes for October 28, 2024 - DRAFT

Attendees:

Michael Hoover, CFA, Committee Chair

David Ratz, Esq., Board Chair

Joel Dillon

John Gordon

Cathy Slusher, M.D.

Also Present:

Dawn McCoy, MPP, Executive Director

Ronda Holloway, Deputy Director

Lisa Longest, The Colony Group

Alex Smith, Claims Manager

Christine Branch, Stenographer

Mr. Hoover called the meeting to order at 1:45 p.m.

Mr. Hoover introduced Ms. Longest with the Colony Group, which manages the Injury Compensation Fund (ICF).

Ms. Longest said there's been a lot of change at Colony. The firm is changing their name to Focused Partners Wealth effective January 2025.

New IC Member Training:

Overview of Roles & Responsibilities:

Mr. Hoover distributed an overview of the roles and responsibilities of committee members. The Board is responsible for investments and has delegated that responsibility to the Investment Committee.

Historically, the Committee meets with Colony quarterly. Much of the portfolio expertise is brought by Colony. All publicly traded assets are held at Northern Trust, and they are the custodian of record.

Asset Allocation Update:

The Investment Policy Statement (IPS) dictates how much is invested in different asset classes. The committee updates the policy when needed, normally every two years.

Ms. Longest explained the asset allocation analysis. This would be made Appendix B to the IPS.

She explained the Efficient Frontier. She said the asset classes have been consolidated per the fund policy. The projected return is 7.6% annualized with a standard deviation of 12.42%. The projected return is an estimate over twenty years.

Appendix A – Executive Summary, summarizes the information shown in the previous charts and tables and outlines the strategic allocations per the IPS. The lower and upper limits define the range within which the policy allows the committee and Colony to work.

Appendix C – Key Information, shows current board members, staff, and others. Mr. Gordon will be added to the committee member list.

Mr. Hoover made a motion to recommend that the Board of Directors approve and accept Appendix A, B, and C as presented, with the addition of Mr. Gordon to the member list. Dr. Slusher seconded the motion. All were in favor.

Quarterly Investment Review as of June 30, 2024:

Mr. Hoover said the data for private investments has a several-month lag, therefore this is not a complete snapshot. In the past, there has been a monthly report, however, the committee felt that report is not of much use for decision making.

The market value of the VBIF Total Fund is \$714,600,709 as of June 30, 2024. The asset consolidation will simplify this report. While the benchmark for the current period was not met, since inception the portfolio has grown 0.5% over the benchmark amount.

Domestic equities lagged a bit, as did international. Fixed income was not exciting but positive overall. Alternatives did well and outpaced the benchmark. Vanguard funds are mutual funds. Boston Partners is an independent investor. Emerging markets has done well and has outpaced Developed markets.

Fixed income has remained consistent. The Western Asset Core Plus fund has lagged. Colony recommends terminating this fund due to issues within that portfolio manager. They also have a recommendation for a replacement.

Private Market Investments: The first two are real estate funds (Lingerfelt & Blackstone). Lingerfelt is past the investment period and is now in the distribution phase. The pandemic had a negative effect on this fund. They expect to have the fund wound down by 2028 and do not expect a negative impact to investors. Blackstone is 100% called and is being reinvested.

Bespoke are all managed locally in Richmond. They have a life span of approximately twelve years and should be maturing in 2030-2032.

Crown are both secondary funds specializing in secondary and co-investments. Benefits to secondary funds are they are more mature investments and the management fees are low. They have both done very well.

GSO and Monroe are private debt funds and don't have as strong returns as other private equity investments.

Mr. Hoover said the unfunded commitment column is always something for committee members to note. The largest issue is making sure they are comfortable with the allocation ratios.

YTD Preliminary Update (September monthly):

Colony feels the data is more relevant on a quarterly rather than a monthly basis. The information shown is projected market performance.

Monthly Market Update:

Colony holds a quarterly investment update online which is open to everyone. Their last update focused on the upcoming election and how the results might impact investments.

Broad Markets are up overall. China, India, and Brazil have had good growth.

Fixed Income is also up overall. These funds are valued daily. The Fed finally cut interest rates in September which affected performance. Colony anticipates two additional interest rate cuts before the end of the year.

Equity is strong. There is a lot of talk of the US equity market being overvalued in comparison with international markets. The valuations are higher than the median.

Economic data is trending down for inflation. Employment has remained strong and steady at 4.1% unemployment. The main wild card is geopolitical. Colony believes the election

results, overall, will have no lasting effect. The market is very resilient and they believe there will be a mixed government. There will be some volatility in the short-term, but the ICF is long-term.

Mr. Hoover asked if there is any appreciable bias for changing the allocations to equity or fixed income. Ms. Longest said, no. They will look at getting cash needed from fixed income. They feel the allocations should remain the same for now.

Mr. Hoover made a motion to sell the Western Asset fund and move those assets to Dodge & Cox as recommended. Dr. Slusher seconded. All were in favor.

Rebalancing Spreadsheet Review:

Colony will place the trades in the funds. They do not move cash.

Mr. Hoover made a motion to approve the rebalancing sheet as presented. Mr. Gordon seconded the motion. All were in favor.

Raising Cash Between Meetings:

Mr. Hoover believes the current cash flow should be sufficient for now. Colony is raising \$4 million now, bringing the total on hand to \$8 million.

Next Potential Meeting Dates:

Mr. Hoover proposed holding a monthly conference call or Zoom meeting to bring members up to date and then having a full meeting quarterly. He asked members to consider this.

Adjournment

Mr. Hoover adjourned the meeting at 3:38 p.m.