

Piano Cleveland
Investment Sub-Committee Meeting Notes
April 17, 2024

Present: Linda McDonald, Robin Baum, Beth Rankin, Herb Wainer, Ken Nilsestuen, Marissa Moore, Leslie Dumm.

Robin called the meeting to order at 3:31pm.

PNC REPORT March 31, 2024 Investment report – presented by Lucas Good and Colby Krahe.

Colby began by asking for clarity on whether there was going to be an additional draw for prize money based upon conversations that he had had with Leslie. Leslie explained that we were able to draw an additional \$15,700 for prize money that had not been drawn down in 2020 due to the fact that we deferred the competition due to the COVID Pandemic but had not previously drawn down these funds. Leslie confirmed later in the meeting that the transfer was completed of these funds on March 13th.

Colby reported that through yesterday's close (4.16.23), the value of the portfolio was approximately \$1,143, 000 (down from \$1, 180,401) which represents a 3% pullback since beginning of Q1 2023.

Snapshot is at market highs, in the policy ranges. Slightly overweight equities – result of market run-up. 1) slight overweight to domestic equity (has been for last year) and 2) overweight for domestic large cap equities. Those have worked out in our favor.

Earning expectations for 2024 – international is less than half of domestic equities so that's why the overweight.

Robin asked if the portfolio had any exposures based upon the current conflict between Israel and Palestine or due to the Ukrainian war with Russia. Colby indicated that we had a 0.1% exposure to Israel – shouldn't be portfolio implications there should a war break out. He also indicated that we should expect to see continued short-term volatility unless these wars continue and/or escalate.

Robin questioned whether PNC had updated their forecast regarding expected rate hikes by the Federal Reserve for the remainder of 2024. In response, Colby explained that the macroeconomic environment is strong, so PNC now only expects two additional rate cuts this year of 25 basis points each starting in September. This forecast is precented upon the following data points: (1) Inflation comes down, (2) Consumer continues to spend, and (3) Jobs added at faster pace than expected. Colby reminded the committee that the Fed's actions are highly data dependent.

Colby then turned the presentation of Piano Cleveland's actual results over to Lucas.

PERFORMANCE

Lucas reported the Piano Cleveland's portfolio was up 6% in 2024 and up 1% on the trailing one-year. The portfolio outperformed all three benchmarks which he attributed to less active management, but rather passive investment in a managed ETF that mirrors the S&P 500. Near term performance is looking good, but we continue to dig ourselves out of our long-term hole.

Total equity – up 24.5% on the one-year, outperforming benchmarks. Large cap and domestic bias benefited portfolio. Fixed income – rates rose this quarter, got a little bit of positive return anyway.

Herb Wainer questioned whether we ever do better than the S&P 500 results? Colby responded that there had been no periods when our portfolio beat the S&P 500. He indicated that there had been 61 trading days in the 1st Q of which 42 days set all time high records for the S&P. This is a great benchmark to mirror! . He also pointed out that the Magnificent Seven securities only accounted for 35% of the market growth. Lucas pointed out that we have seen bit of pullback since beginning of Q2, but valuations remain high.

Equity performance is where we used to struggle – but now we are more passive, less active management in portfolio, and we are tracking better. We are sector neutral and taking small bets on macroeconomic outlook. Colby and Lucas indicated that there had been no manager changes in the past quarter, but that they continue to review and utilize a team of analysts who are reviewing/evaluating managers to make sure it fits the portfolio for Piano Cleveland. Herb Wainer agreed that this has been good.

Robin asked whether PNC projected any impact on the markets based upon the Presidential election. Colby indicated that in general, the economy favors a split Congress, and that Trump will win the election. He also pointed out that the economy would more likely focus on other geopolitical issues such as the increase in the price of oil with gas now costing in excess of \$4 per gallon.

In the discussion of fixed income obligations, Robin questioned whether there was any concern regarding the recent downgrading of US Treasury bonds. Colby pointed out that there are only two (2) corporate entities with valuations higher than US Treasury bonds:

1. Microsoft
2. Johnson and Johnson

PNC summary – (1) we will continue to maintain domestic large cap buys in portfolios and (2) we do expect volatility due to what's happening in the world. (3) In general, we are hoping that the market continues to focus on returns rather than geopolitical issues.

Robin thanked Colby and Lucas for their excellent report and once again pointed out that the increased communication with both the staff and the board members was duly noted and that we appreciated the increased interest in the Piano Cleveland relationship. PNC representatives then left the call.

NEW BUSINESS/OLD BUSINESS

Beth Rankin raised the issue that one of Robin's goals had been to find a Co-Chair for the Finance Committee. Robin indicated that while there had been great success in onboarding new Board members to the Finance Committee, she had not yet worked directly with the new members long enough to specifically identify anyone. Herb Wainer then weighed in on the importance of finding an accountant to fill this role.

Ken Nilsestuen asked how the "Group of Six" meetings were going and all members agreed that the focus had been on budgetary issues related to the Gala and the Competition over the past two quarters. Everyone also agreed that the staff was doing a fantastic job of updating information related to these events and in seeding good counsel from the "Group of Six".

Marissa then reminded Robin that she had offered to contact Colby Krahe to see if PNC would consider sponsorship of the Gala, especially due to the fact that it is the 50th Anniversary year for Piano Cleveland. Robin promised to follow-up with Colby.

Meeting ended at 4:17pm.