

Butler Family Foundation Investment Committee

Conference Call

August 14, 2018 at 3:00 p.m. CT

- I. Welcome
- II. Approval of Minutes
- III. Portfolio and Performance Update
 - A. Portfolio Summary Statement
 - B. Manager Performance
 - C. Overall Foundation Performance (Final)
- IV. Review of Investment Policy Statement (IPS)
- V. Update on Current or New Investments
 - A. Update on Limited Partnerships
 - B. Templeton and Vanguard Funds
- VI. Topic – Is it time to give up on Is Value Investing?

Attachments:

- a. Minutes of February 9th Investment Committee
- b. Wells Fargo Summary Statement/Performance Data
- c. Investment Policy Statement
- d. Materials from Northstar and Wastewater Funds
- e. Factsheets on Vanguard and Templeton Funds
- e. Franklin Templeton article on Value Investing

**MINUTES OF THE FEBRUARY 9, 2018
INVESTMENT COMMITTEE MEETING
OF THE
PATRICK AND AIMEE BUTLER FAMILY FOUNDATION**

The Investment Committee meeting of the Patrick and Aimee Butler Family Foundation was held on Friday, February 9, 2018, at 2:00 p.m. Central Time via conference call.

The meeting was called to order by Peter K. Butler, current Chair of the Foundation. John K. Butler acted as recording Secretary of the meeting.

Upon call of the Secretary, the following Committee members were present: Brigid Butler, Patrick O'Brien and Peter K. Butler. Also present was Foundation Chief Investment Officer John Butler. Peter Butler shared with Committee members that Bridget McElroy, Chair of the Investment Committee, had submitted her resignation due to time considerations. The Committee decided that Patrick O'Brien should assume the role of Chair effective immediately.

The new Chair called for consideration of the minutes of the August 15, 2017 meeting of the Investment Committee, which had been previously circulated to the Committee members. The Committee requested that the line "There were no changes proposed" be struck from the minutes. Upon motion duly made, seconded and unanimously carried, the minutes of the August 15, 2017 Investment Committee were approved, ratified and confirmed as corrected.

The Chair then called on Mr. John Butler, Chief Investment Officer, to provide an overview of the markets in 2017. Mr. Butler noted the strength in equity markets worldwide easily exceeded most forecasts and make this one of the longest bull markets in history. The year was also remarkable for its lack of volatility, and by January of this year the stock market had set a new record for the longest period ever without a five percent decline. This trend changed in February as the stock market corrected by 10% and volatility increased dramatically. As has been mentioned in the past, while the Foundation has benefitted from the rally in equities, it has maintained a conservative approach as it believed a correction was likely at some point.

The committee then reviewed the 2017 year-end summary statement, which is produced by the Foundation's custodian, Wells Fargo. Mr. Butler noted that the total assets of the Foundation are now \$110 million, an increase from \$104 million at 2016 year-end. This is despite grants and expenses of approximately \$6 million and reflects the strong market performance. Mr. Butler also reminded the Committee that complete statements from Wells Fargo for June and December are available at the Foundation office for any Committee member or Trustee to review.

Mr. Butler next reviewed the performance of the overall Foundation portfolio for the year. Similar to last year, he noted that the return of 12% was much stronger than he had predicted at the beginning of the year and that it compares favorably to the expected returns by other foundations, which Mr. Butler estimated at 10%-12% (actual results will not be known until August). Mr. Butler also reminded the Committee that results for the year include a roughly 50 basis point drag from the sale of the Albuquerque Partnership, which was discussed previously.


Mr. Butler then reviewed the asset allocation of the Foundation and the performance of the Foundation's individual asset managers. The asset allocation remains within the targets set by the Foundation's Investment Policy Statement, with the exception of the cash allocation and U.S. equities. The cash position has been slightly above target for several years, as markets in general remain expensive and there needs to be available cash for private investments. Regarding the U.S. equity exposure, this is the first time in several years that the actual allocation has been below target. There are several reasons for this under-allocation, including caution regarding U.S. equities, an overweight position in International equities and the impending shift of part of the portfolio to an external small-cap manger. It is unlikely that this under-weight will exist all year. Mr. Butler also reviewed the performance of the individual asset managers, noting that both U.S. and international equity managers underperformed their benchmarks for the year. This was not a surprise as growth stocks easily outperformed value stocks in 2017 and both managers employ a value-oriented approach.

Finally, Mr. Butler reviewed with the Committee the schedule showing the who manages the various asset classes of the Foundation, where the assets are held (ie who is the custodian) and the estimated fees paid by the Foundation. There was some discussion regarding the fees paid to some of the investment managers in the Alternative category. Mr Butler then discussed the total cost of managing the Foundation's assets versus the costs incurred by other foundations.

Mr. Butler then briefly reviewed the status of two new potential managers, Vanguard and Franklin Templeton. The Vanguard product will be a small-cap index fund, which was discussed in a memo sent to the Committee in December of 2017. The Franklin product will be the Global Total Return Fund, which was discussed during the August 2017 conference call. Although the exact timing depends on market conditions, the Vanguard Fund will likely be the first investment.

The next Committee meeting will be in August of 2018. The meeting will be scheduled in July and materials for the meeting will be sent one week prior to the meeting.

The meeting adjourned at 3:00 p.m. Central Time.


John K. Butler, Secretary

ATTEST: 
Patrick O'Brien, Committee Chair

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SUMMARY STATEMENT
OF INVESTMENT HOLDINGS
BY SECURITY CATEGORIZATION

PATRICK AND AIMEE BUTLER FAMILY FOUNDATION
CONSOLIDATED ACCOUNT
BASE CURRENCY: USD

PAGE 7
25007299
AS OF JUNE 30, 2018

	<u>COST</u>	<u>MARKET VALUE</u>	<u>ACCRUED INCOME</u>	<u>%GAIN (LOSS)</u>	<u>% MKT</u>	<u>ESTIMATED ANNUAL INCOME</u>	<u>CURRENT YIELD</u>
SETTLED CASH	(27,824.07)	(27,824.07)	0.00	.0	.0	0.00	.00
RECEIVABLES	174,110.43	174,110.43		.0	.2		
PAYABLES	(51,774.11)	(51,774.11)		.0	.0		
NET CASH	<u>94,512.25</u>	<u>94,512.25</u>		<u>.0</u>	<u>.1</u>		
CASH EQUIVALENTS							
CDS AND SAVINGS CERT	150,000.00	143,997.30	100.00	(4.0)	.1	1,500.00	1.04
SHORT TERM FUNDS	11,511,761.71	11,511,761.71	18,354.50	.0	10.9	187,757.12	1.63
CASH EQUIVALENTS	<u>11,661,761.71</u>	<u>11,655,759.01</u>	<u>18,454.50</u>	<u>(.1)</u>	<u>11.0</u>	<u>189,257.12</u>	<u>1.62</u>
FIXED INCOME							
GOVERNMENT AND AGENCIES	3,821,590.59	3,656,731.91	17,100.58	(4.3)	3.4	204,272.43	5.59
BOND FUNDS	4,390,524.49	4,365,214.09	1,480.34	(.6)	4.1	191,501.49	4.39
MUNICIPAL BONDS	1,310,928.75	1,303,198.95	15,612.75	(.6)	1.2	55,072.19	4.23
CORPORATE BONDS AND NOTES	6,238,942.69	6,076,836.24	60,226.44	(2.6)	5.7	263,444.27	4.34
ASSET-BACKED SECURITIES	618,637.35	619,020.13	1,365.62	.1	.6	27,368.98	4.42
COLLATERALIZED MTG-BACKED	206,954.76	196,646.10	951.12	(5.0)	.2	9,724.46	4.95
FIXED INCOME	<u>16,587,578.63</u>	<u>16,217,647.42</u>	<u>96,736.85</u>	<u>(2.2)</u>	<u>15.3</u>	<u>751,383.82</u>	<u>4.63</u>
PREFERRED STOCK							
PREFERRED STOCK MISC	124,000.00	121,800.00	0.00	(1.8)	.1	6,095.00	5.00
PREFERRED STOCK	<u>124,000.00</u>	<u>121,800.00</u>	<u>0.00</u>	<u>(1.8)</u>	<u>.1</u>	<u>6,095.00</u>	<u>5.00</u>
COMMON STOCK							
HEALTH CARE	2,409,176.96	5,092,570.00	9,120.00	111.4	4.8	146,080.00	2.87
FINANCIALS	3,044,768.29	6,453,173.52	7,500.00	111.9	6.1	166,187.48	2.58
CONSUMER STAPLES	2,008,039.63	2,867,450.00	0.00	42.8	2.7	99,140.00	3.46
CONSUMER DISCRETIONARY	489,548.53	2,126,900.00	0.00	334.5	2.0	54,440.00	2.56
MATERIALS	879,667.48	1,811,460.00	2,460.00	105.9	1.7	27,460.00	1.52
ENERGY	1,531,843.53	2,659,700.00	0.00	73.6	2.5	36,040.00	1.36
INFORMATION TECHNOLOGY	2,173,147.33	4,821,100.00	0.00	121.8	4.5	125,840.00	2.61
INDUSTRIALS	3,339,178.18	5,670,250.00	6,000.00	69.8	5.3	162,980.00	2.87
TELECOMMUNICATION SERVICE	597,175.30	905,580.00	0.00	51.6	.9	42,480.00	4.69
ADR'S	2,700,683.06	3,401,230.00	6,000.00	25.9	3.2	117,500.00	3.45
COMMON STOCK	<u>19,173,228.29</u>	<u>35,809,413.52</u>	<u>31,080.00</u>	<u>86.8</u>	<u>33.8</u>	<u>978,147.48</u>	<u>2.73</u>

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EQUITY FUNDS							
MUTUAL EQUITY FUNDS	8,314,144.00	7,234,631.47	0.00	(13.0)	6.8	130,319.15	1.80
EQUITY FUNDS	<u>8,314,144.00</u>	<u>7,234,631.47</u>	<u>0.00</u>	<u>(13.0)</u>	<u>6.8</u>	<u>130,319.15</u>	<u>1.80</u>
MISCELLANEOUS							
OTHER MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
MISCELLANEOUS	<u>360.00</u>	<u>360.00</u>	<u>0.00</u>	<u>.0</u>	<u>.0</u>	<u>0.00</u>	<u>.00</u>
VENTURE/LMTD PART/CLS HLD							
VENTURE CAPITAL	29,772,392.95	34,957,298.29	0.00	17.4	33.0	0.00	.00
VENTURE/LMTD PART/CLS HLD	<u>29,772,392.95</u>	<u>34,957,298.29</u>	<u>0.00</u>	<u>17.4</u>	<u>33.0</u>	<u>0.00</u>	<u>.00</u>
NET ASSETS	<u>85,727,977.83</u>	<u>106,091,421.96</u>	<u>146,271.35</u>	<u>23.8</u>	<u>100.0</u>	<u>2,055,202.57</u>	<u>1.94</u>

Patrick and Aimee Butler Family Foundation - Individual Manager Performance

<u>Asset Class</u>	<u>Allocation - June 30, 2018</u>				<u>Performance Data - June 30, 2018</u>			
	<u>Assets</u>	<u>Wgt</u>	<u>Target</u>	<u>Range</u>	<u>6 MOS</u>	<u>1 YR</u>	<u>3 YR</u>	<u>Incep. Date</u>
Cash	\$10.8	10%	5%	0-10%	0.6%	1.0%	NA	NA
Fixed Income								
Sit Investment Assoc.	\$14.5	14%	15%	10-20%	-1.2%	0.9%	2.9%	12/31/2011
Barclays Aggregate					-1.6%	-0.4%	1.7%	
U.S. Equities								
Vanguard Small-Cap Index Fund	\$39.1	37%	45%	40-50%	1.0%	8.0%	8.1%	
Internally Managed	\$3.3	3%			6.0%	16.5%	10.5%	3/31/2018
S&P 500	\$35.8	34%			-0.5%	8.0%	8.1%	12/31/1999
					2.6%	14.4%	11.9%	
International Equities								
Mondrian Investment Group	\$26.2	25%	20%	15-25%	-4.9%	4.1%	4.0%	6/30/2004
MSCI All-Country World					-3.8%	7.3%	5.1%	
Alternative Investments								
Miscellaneous	\$15.5	15%	15%	10-20%	1.4%	9.0%	3.5%	NA
HFRI FOF Composite					0.7%	5.1%	2.0%	
Total Foundation	\$106	100%	100%		-0.8%	6.6%	5.8%	

Notes:

Mondarian fund was changed from International Equity Fund to All Countries World in January 2012
 Performance for Alternative Investments is a rough approximation due to manager changes and time lags

Patrick and Aimee Butler Family Foundation - Historical Portfolio Performance

	Butler Family Foundation					Foundation Average					Market Benchmark (65/35)				
	YR	TOTAL	5-YR	10-YR	ITD	YR	TOTAL	5-YR	10-YR	ITD	YR	TOTAL	5-YR	10-YR	ITD
2000	12.8%	12.8%			12.8%	3.1%	3.1%			3.1%	-1.5%	-1.5%			-1.5%
2001	4.9%	18.3%			8.7%	-2.1%	0.9%			0.5%	-5.1%	-6.5%			-3.3%
2002	-1.0%	17.1%			5.3%	-5.7%	-4.8%			-1.6%	-9.9%	-15.8%			-5.5%
2003	16.6%	36.5%			8.1%	12.5%	7.1%			1.7%	19.5%	0.6%			0.2%
2004	11.6%	52.3%	8.8%		8.8%	11.4%	19.3%	3.6%		3.6%	7.9%	8.6%	1.7%		1.7%
2005	4.7%	59.4%	7.2%		8.1%	8.2%	29.1%	4.6%		4.4%	4.0%	12.9%	2.8%		2.1%
2006	12.7%	79.7%	8.7%		8.7%	13.7%	46.8%	7.8%		5.6%	11.7%	26.2%	6.2%		3.4%
2007	6.3%	91.0%	10.3%		8.4%	10.3%	61.9%	11.2%		6.2%	6.2%	34.0%	9.7%		3.7%
2008	-21.2%	50.5%	2.0%		4.6%	-25.9%	19.9%	2.3%		2.0%	-22.1%	4.4%	0.7%		0.5%
2009	16.1%	74.7%	2.8%	5.7%	5.7%	20.5%	44.5%	3.9%	3.8%	3.8%	18.8%	24.0%	2.7%	2.2%	2.2%
2010	11.6%	94.9%	4.1%	5.6%	6.3%	12.5%	62.6%	4.7%	4.7%	4.5%	12.1%	39.0%	4.2%	3.5%	3.0%
2011	1.7%	98.1%	2.0%	5.3%	5.9%	-0.7%	61.5%	1.9%	4.8%	4.1%	4.4%	45.1%	2.8%	4.5%	3.2%
2012	12.6%	123.2%	3.2%	6.7%	6.4%	12.0%	80.8%	2.2%	6.6%	4.7%	12.3%	63.0%	4.0%	6.8%	3.8%
2013	18.6%	164.6%	12.0%	6.8%	7.2%	15.6%	109.1%	11.8%	6.9%	5.4%	20.4%	96.2%	13.5%	6.9%	4.9%
2014	5.0%	177.9%	9.7%	6.2%	7.1%	6.1%	121.8%	8.9%	6.4%	5.5%	11.0%	117.8%	11.9%	7.2%	5.3%
2015	0.7%	179.7%	7.5%	5.8%	6.6%	0.0%	121.8%	6.4%	5.6%	5.1%	0.9%	119.8%	9.6%	6.9%	5.0%
2016	9.5%	206.3%	9.1%	5.5%	6.8%	6.4%	136.0%	7.9%	4.9%	5.2%	8.8%	139.1%	10.5%	6.6%	5.3%
2017	12.0%	243.1%	9.0%	6.0%	7.1%	<i>14.0%</i>	<i>169.0%</i>	<i>8.3%</i>	<i>5.2%</i>	<i>5.7%</i>	15.4%	175.9%	11.1%	7.5%	5.8%

All returns are net of fees

Any returns in italic are estimates

Patrick & Aimee Butler Family Foundation

Investment Policy Statement

Investment Objectives

- The Foundation is a private family foundation incorporated in 1951 and based in St. Paul
- It is expected the foundation will be in existence for perpetuity
- The investment objective for the Foundation is Balanced Growth
- Total program expenses are expected to average 5% over rolling periods

Guidelines: Internally Managed Assets

- The Foundation will oversee all cash investments, ~~and manage a fixed income portfolio consisting of investment grade bonds and preferred stocks.~~ The Foundation's Chief Investment Officer (CIO) is responsible for this portfolio.
- The Foundation will also manage a domestic equity portfolio consisting of individual securities. The Foundation's CIO is also responsible for all management and trading decisions for this portfolio.

Guidelines: Externally Managed Assets

- The Foundation will utilize a variety of investment advisers to manage other asset classes. These ~~may currently~~ include: domestic and global fixed income, small-cap domestic equities, international equities, domestic and global real estate, mezzanine debt, infrastructure and commodities. It is expected that many of these investments will be in a fund or partnership format rather than individual securities.
- ~~Additional asset classes may be added in the future and t~~The Foundation may consider mission related investments (MRIs), assuming that the projected returns of the proposed investment are competitive with non-MRI alternatives and that the investment fits within the overall investment strategy. In addition, illiquid asset classes may be used as long as the total portfolio has adequate liquidity
- The Foundation's CIO is responsible for hiring, monitoring and if necessary, terminating, all external managers and opening any associated custodial accounts.

Communication and Oversight

- While the Foundation's CIO has day-to-day responsibility for the investment portfolio and reports to the Investment Committee, the ultimate responsibility for the investment portfolio lies with the Board of Trustees.
- At least annually, Foundation Trustees will at a minimum receive the following: a Wells Fargo Summary Statement, a summary of all current custodians and fee schedules, a summary of performance relative to other foundations, and a current Investment Policy Statement.

ASSET ALLOCATION TARGETS

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark</u>
Cash	5%	0-10%	Not Benchmarked
Fixed Income	15%	10-20%	Barclays Aggregate
Domestic Equities	45%	40-50%	S&P 500
International Equities	20%	15-25%	MSCI ACWI
Alternative Investments	15%	10-20%	HFRI FOF Composite
Total Foundation	100%		COF Foundation Avg. Undiversified Index

General Notes

The Fixed Income portfolio performance only includes the externally managed portion

The performance of the Alternative Investments asset class is an estimate

Index Notes

ACWI stands for All Country World Index (ex U.S.)

HFRI FOF stands for Hedge Fund Research Fund of Funds

Council on Foundation Average is only calculated annually

Adopted by the Butler Family Foundation Board of Trustees on October 21, 2017

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NORTHSTAR
CAPITAL LLC

Date: May 25, 2018

To: Limited Partners of Northstar Mezzanine Partners III L.P.

From: Northstar Capital, LLC

Re: Northstar Mezzanine Partners III L.P. (NMP) Update and Outlook

Northstar is pleased to report that subsequent to quarter end, NMP successfully exited its remaining portfolio investment and received its final escrow proceeds. In April, NMP received a final tax distribution along with redemption of its preferred equity interest in LA Fitness when the Company completed a second senior debt refinancing and repurchased the remaining equity from institutional investors. Final proceeds from the SAFE escrow were received in May. In total, NMP received proceeds of \$4.4 million of which \$4.0 million were distributed in May.

We are awaiting 2017 K-1 information and will distribute the K-1's as soon as possible. The Partnership will remain open pending completion of the final 2018 audit and tax returns and a final distribution will be made upon dissolution and payment of any remaining liabilities.

Other

The annual meeting is scheduled for Tuesday, June 12th at 8:00am Central time. We will send out details closer to the date.

Thank you for your commitment to Northstar.

The opinions, recommendations and other information contained in this Quarterly Review, whether express or implied are made in good faith in relation to the facts known at the time of preparation and are subject to change without notice. Past performance is no guarantee of future results. All information contained herein is for informational purposes and should not be construed as investment advice.

SUMMARY OF NORTHSTAR'S INVESTMENT PERFORMANCE (\$MM)						
As of 3/31/18:	CAPITAL INVESTED	REALIZED RETURN	ESTIMATED UNREALIZED RETURN	TOTAL RETURN	GROSS IRR ^A	TIMES CAPITAL
Fund III						
Fully Realized	\$ 106,051.7	\$ 205,296.1	\$ 77.6	\$ 205,373.7	19.2%	1.9x
Partially Realized	18,600.0	39,676.5	4,370.1	44,046.6	17.5%	2.4x
Unrealized	-	-	-	-	-	-
Total	\$ 124,651.7	\$ 244,972.6	\$ 4,447.7	\$ 249,420.3	18.9%	2.0x
Fund IV						
Fully Realized	\$ 249,663.7	\$ 465,742.6	\$ 4,718.4	\$ 470,461.0	17.0%	1.9x
Partially Realized	59,327.5	100,523.5	31,069.6	131,593.1	12.8%	2.2x
Unrealized	-	-	-	-	-	-
Total	\$ 308,991.2	\$ 566,266.1	\$ 35,788.0	\$ 602,054.1	15.9%	1.9x
Fund V						
Fully Realized	\$ 277,628.0	\$ 431,689.9	\$ 1,183.4	\$ 432,873.3	16.0%	1.6x
Partially Realized	118,291.6	142,777.0	54,364.4	197,141.4	15.4%	1.7x
Unrealized	182,976.2	107,822.6	137,892.8	245,715.4	8.2%	1.3x
Total	\$ 578,895.8	\$ 682,289.5	\$ 193,440.6	\$ 875,730.1	13.7%	1.5x
Fund VI						
Fully Realized	\$ 27,200.2	\$ 39,530.0	\$ 327.0	\$ 39,857.0	21.1%	1.5x
Partially Realized	62,442.4	55,781.4	56,479.8	112,261.2	31.2%	1.8x
Unrealized	188,714.9	41,353.6	168,840.9	210,194.5	6.8%	1.1x
Total	\$ 278,357.5	\$ 136,665.0	\$ 225,647.7	\$ 362,312.7	16.1%	1.3x

Please note that figures above may not foot, due to rounding.

^A Gross of expenses and GP costs. Net IRR (reduced for management fees, portfolio expenses and carried interest) is 10.9% for Fund III, 10.6% Fund IV, 8.1% Fund V and 8.4% based on a 1.5% management fee for Fund VI.

I. QUARTERLY LETTER

Dear Investors,

We are very pleased to share our latest quarterly report for the Wastewater Opportunity Fund, LLC (the "Fund"). As of March 31, 2018, commitments for investments, reserved capital and fund costs to-date reached \$129.03 million (70% of the Fund's total commitments). These commitments include construction, working capital and follow-on reserves specific to each investment.

The team passed the 75% of fund assets approved, committed, invested or reserved mark early in 2Q18, and projects that the remainder will be allocated or committed in 3Q18.

Investment Pacing

During 1Q18, the Investment Committee (IC) approved the Arizona Green Gas Partners (GGP) II project equity commitment of \$19.5 million and a development stage investment in the California SynTech project of \$0.3 million that will require additional project equity of \$10 million. The investment team completed investments into the Freestate and GGP II projects approved by the investment committee. Shortly after quarter end, the investment team completed final due diligence for the Threemile dairy project investment of \$27.5 million, and it was approved by the IC and closed in early April 2018.

Figure 1 below shows the capital deployment pacing and acceleration, which is primarily driven by development stage projects moving into the construction stage. Quarterly capital calls are estimated to range between \$10 million and \$20 million as projects move through the construction stage. With construction on track, we expect the called capital percentage to be approximately 60% by the end of 2018.

Figure 1: Fund Capital Commitments



Footnote: Figure 1 includes IC approvals and commitments made through 1Q18 as well as anticipated additional projects. The draw projections are based on expected timing of these commitments, closings and related construction timing.

Deal Pipeline

The team has been deeply engaged in building the pipeline over the course of the past few years and is excited about the depth and breadth of the pipeline.

Our active project pipeline is robust. As of the end of Q1 2018, it held 18 projects requiring over \$426 million in total capital and involving nine development partners. The team is actively developing these projects. The team expects two or three additional projects from the active pipeline to be the final investments for the Fund in 3Q18. In addition to the active pipeline, the initiation or early stage project pipeline includes another 27 projects requiring over \$500 million in total capital.

The pipeline includes facilities in all of the targeted regions of the US, primarily in the Northeast and West, and is diversified across the municipal, agriculture and industrial/institutional sectors. Origination and development activity was steady in 1Q18 particularly for water reuse, municipal biosolids processing and anaerobic digestion project types.

Portfolio Operations Update

The Fund’s portfolio composition as of 1Q18 includes a total of ten projects within the agricultural, industrial, and municipal sectors. These projects fall into one of four lifecycle stages: development, design, construction, or operating. The team is managing the projects through the entire project lifecycle along with our project partners.

During 1Q18, the team oversaw upgrades at the Central Ohio BioEnergy (COBE) facility that resulted in increased EBITDA. Construction for the Green Gas Partners (GGP) I and Blackwood projects are underway and both projects are on track to achieve targeted commercial operation in 4Q18. The Virginia WaterHub project started construction in 1Q18 and commercial operation is targeted to begin in 1Q19. The Freestate project completed the design stage in 1Q18 and construction is scheduled to begin in early 3Q18 once construction permits are secured. The GGP II and Threemile project designs were launched in 1Q18 and early 2Q18, respectively. Project development continued for the Promus Outlook Granger (POG), Organic Diversion, GGP II, Trenton Biogas, SynTech and three other projects. Figure 2 below summarizes the current status of each project. Further detail is discussed in Section III: Investment Summaries.

Figure 2: Fund Portfolio Summary Status as of March 31, 2018

#	PROJECT	SECTOR	PROCESS	STATUS	REGION	INITIAL INVESTMENT DATE	CAPITAL APPROVED (\$ mm)	TOTAL POTENTIAL CAPITAL (\$ mm)	CAPITAL INVESTED as of 3/31/18 (\$ mm)	CAPITAL INVESTED/ APPROVED (%)
1	GGP	Agricultural	Anaerobic Digestion	Construction	W	3Q15	\$29.20	\$29.20	\$24.59	84%
2	POG	Agricultural	Anaerobic Digestion	Development	NW	4Q15	\$1.13	\$1.13	\$1.04	92%
3	COBE	Municipal	Anaerobic Digestion	Operating	MW	2Q16	\$6.40	\$6.40	\$6.38	100%
4	Organic Diversion	Industrial	Compost	Development	NE	4Q16	\$0.06	\$0.06	\$0.06	100%
5	Blackwood	Municipal	Biosolids Recovery	Construction	NE	3Q17	\$10.10	\$10.10	\$3.43	34%
6	Virginia WaterHub	Industrial	Water Reuse	Construction	NE	3Q17	\$17.41	\$17.41	\$3.40	20%
7	Freestate	Industrial	Compost	Design	NE	1Q18	\$19.63	\$19.63	\$0.20	1%
8	GGP II	Agricultural	Anaerobic Digestion	Design	W	1Q18	\$19.50	\$19.50	\$0.00	0%
9	Threemile	Agricultural	Anaerobic Digestion	Design	NW	2Q18	\$3.00	\$27.50	\$0.00	0%
10	SynTech	Industrial	Gasification	Development	W	2Q18 (expected)	\$0.30	\$10.00	\$0.00	0%
Total							\$106.73	\$140.93	\$39.10	

Footnote 1: Investments #2 and #4 are bridge capital for early development stage investments.

Footnote 2: Capital uses not shown above include \$3.61mm reserve for follow on COBE investment, \$11.46mm of fees paid to date, and \$7.23mm of fees reserved.



Vanguard Small-Cap Index Fund

Domestic stock fund | Admiral™ Shares

Risk level Low ← → High	Total net assets	Expense ratio as of 04/25/18	Ticker symbol	Turnover rate as of 12/31/17	Inception date	Fund number
1 2 3 4 5	\$36,290 MM	0.05%	VSMAX	14.5%	11/13/00	0548

Investment objective

Vanguard Small-Cap Index Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

Investment strategy

The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

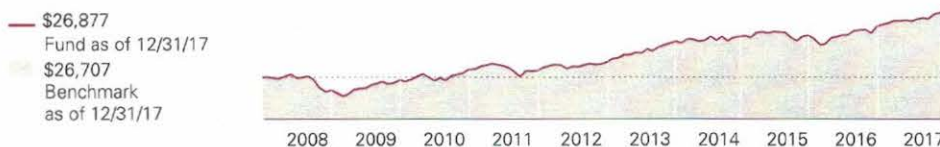
For the most up-to-date fund data, please scan the QR code below.



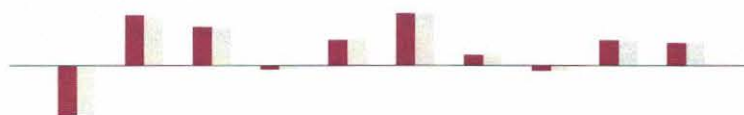
Benchmark

Spliced Small Cap Index

Growth of a \$10,000 investment: January 31, 2008—December 31, 2017



Annual returns



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
■ Fund	-36.00	36.33	27.89	-2.69	18.24	37.81	7.50	-3.64	18.30	16.24
■ Benchmark	-36.20	36.15	27.82	-2.75	18.20	37.77	7.54	-3.68	18.26	16.24

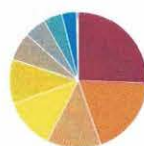
Total returns

	Quarter	Year to date	One year	Three years	Five years	Ten years
Fund	6.20%	5.98%	16.48%	10.45%	12.40%	11.27%
Benchmark	6.20%	5.97%	16.47%	10.43%	12.39%	11.20%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Top sector holdings—stocks



■ Financials	25.6%	■ Consumer Goods	6.7
■ Industrials	19.1	■ Oil & Gas	5.1
■ Consumer Services	12.7	■ Basic Materials	4.3
■ Technology	12.0	■ Utilities	3.5
■ Health Care	10.6	■ Telecommunications	0.4

Sector categories are based on the Industry Classification Benchmark ("ICB"), except for the "Other" category (if applicable), which includes securities that have not been provided an ICB classification as of the effective reporting period.



Templeton Global Total Return Fund

Fixed Income
June 30, 2018

Fund Fact Sheet | Share Classes: A, C

Fund Description

The fund seeks total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing primarily in fixed and floating-rate debt securities and debt obligations of governments, government-related or corporate issuers worldwide. The fund regularly enters into various currency-related and other transactions involving derivative instruments.

Fund Overview

Total Net Assets [All Share Classes]	\$5,264 million
Fund Inception Date	9/30/2008
Dividend Frequency	Monthly
Number of Holdings	198

Share Class Information

Share Class	CUSIP	NASDAQ Symbol
Advisor	880 208 855	TTRZX
A	880 208 889	TGTRX
C	880 208 871	TTRCX
R	880 208 863	FRRGX
R6	880 208 764	FTTRX

Fund Management

	Years with Firm	Years of Experience
Michael Hasenstab, PhD	19	23
Sonal Desai, PhD	8	24

Maximum Sales Charge

Class A: 4.25% initial sales charge
Class C: 1.00% contingent deferred sales charge (CDSC) in the first year only

Total Annual Operating Expenses

Share Class	With Waiver	Without Waiver
A	1.07%	1.12%
C	1.47%	1.52%

30-Day Standardized Yield

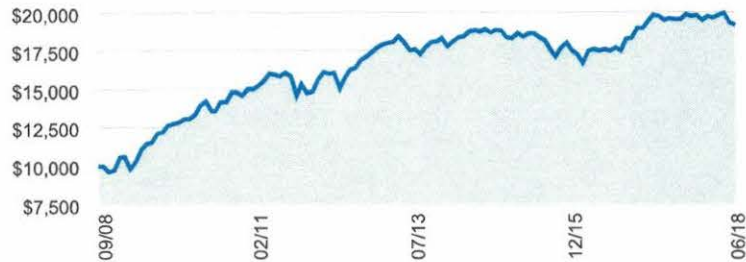
Share Class	With Waiver	Without Waiver
A	5.17%	5.11%
C	5.00%	4.93%

Asset Allocation (%)

Fixed Income	75.22
Cash & Cash Equivalents	24.76
Equity	0.02

Performance

Growth of a \$10,000 Investment - Without Sales Charge (from 09/30/2008-06/30/2018)



Templeton Global Total Return Fund - Class A:
\$19,179

Total Returns % (as of 6/30/2018)

Share Class	YTD	AVERAGE ANNUAL			Since Inception	Inception Date
		1 Yr	3 Yrs	5 Yrs		
A	With Sales Charge	-5.88	-6.40	-0.09	6.44	9/30/2008
	Without Sales Charge	-1.73	-2.22	1.38	6.91	9/30/2008
C	With Sales Charge	-2.81	-3.47	1.01	6.49	9/30/2008
	Without Sales Charge	-1.85	-2.53	1.01	6.49	9/30/2008

Calendar Year Total Returns % - Without Sales Charge

Share Class	2017	2016	2015	2014	2013	2012	2011	2010	2009
A	2.83	8.41	-4.88	0.37	3.55	19.03	-1.08	14.94	23.90
C	2.43	7.99	-5.27	-0.04	3.14	18.58	-1.55	14.51	23.34

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

If the sales charge had been included, the return would have been lower.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through April 30, 2019. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

Fund Measures

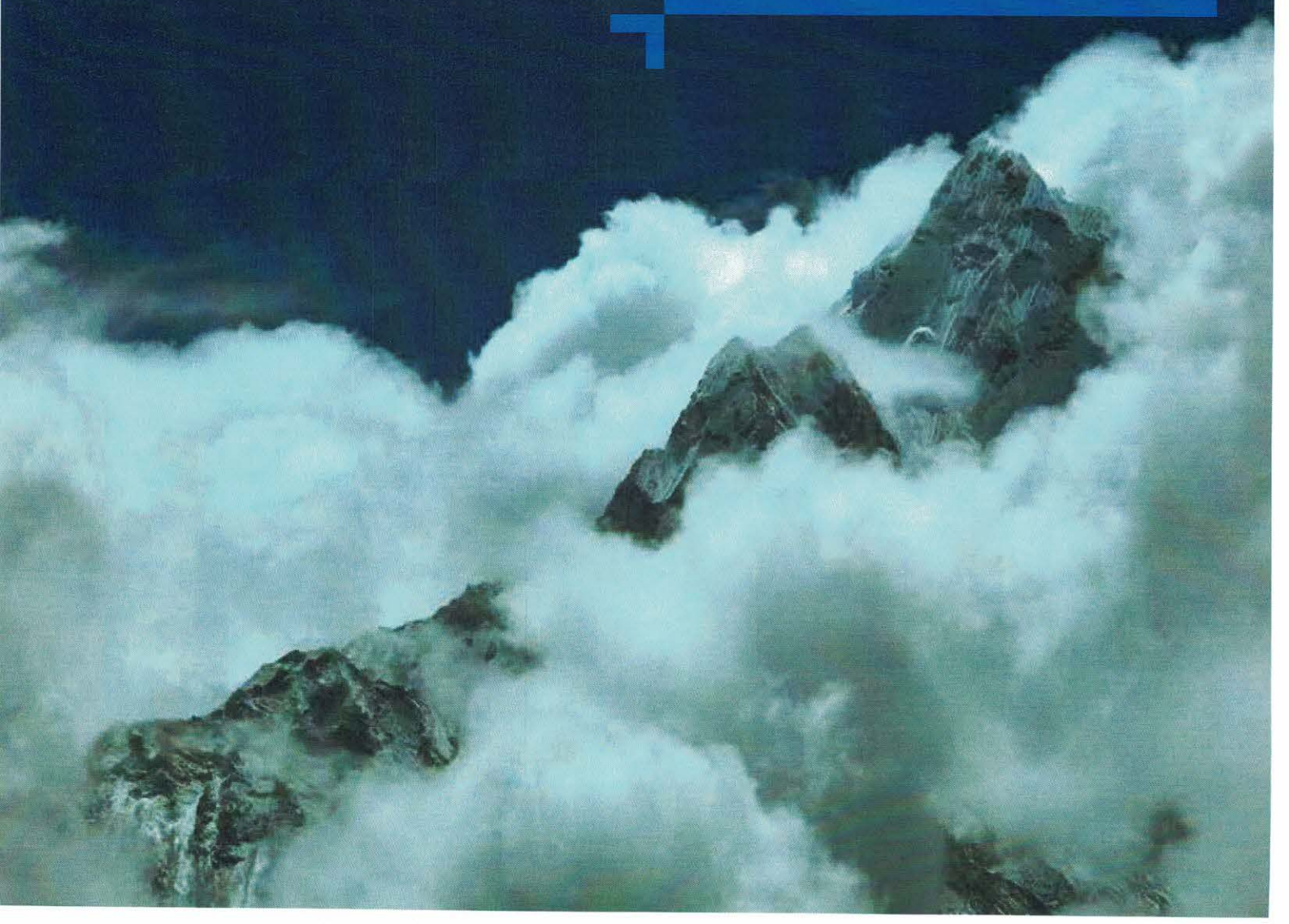
Average Duration	-1.23 Years
Average Weighted Maturity	2.98 Years
Standard Deviation (3 Yrs) - Class A	6.85%



FRANKLIN TEMPLETON
INVESTMENTS

IT'S EASY TO FORGET

Five Forgotten Truths about
Value Investing



GROWTH VS. VALUE

Perceptions about growth and value vary, but after a period of relative outperformance by one investment style over the other, it may be time to revisit the fundamentals of each.

Growth investing seeks companies that are growing at a faster than average rate. These companies often have accelerating revenues, earnings and cash flow, but also typically have relatively high price-to-earnings metrics. Often, dividend payouts are low or non-existent, since profits are used to expand the business.

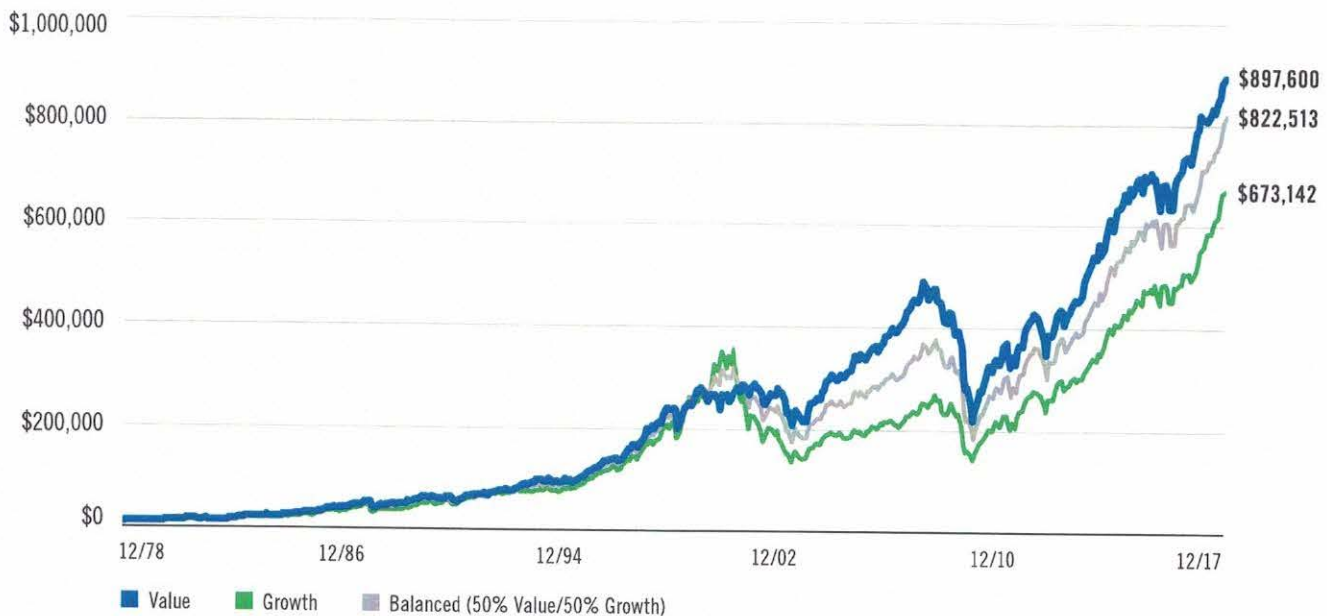
Value investing seeks companies whose stock prices don't reflect their intrinsic or fundamental value. The companies are often mature and their stocks may have suffered due to a temporary earnings setback or an economic or political event hampering their industry. They are often characterized by low price-to-earnings or price-to-book ratios and sometimes by higher than average dividend yields.

Growth and Value Can Complement Each Other

Before exploring the long-term benefits of value investing and why it may be poised for a return to favor after underperforming in recent years, it's important to note that both value and growth investments can be appropriate components of a diversified portfolio. Each has characteristics that may help it perform better in different market environments, potentially smoothing out a combined portfolio's returns over time.

A Blend of Styles Can Smooth the Journey¹

Growth of \$10,000 12/31/1978–12/31/2017



1. Source: Morningstar, Inc. 12/31/2017. Growth is represented by Russell 1000 Growth Index and Value is represented by Russell 1000 Value Index. Both are market capitalization-weighted indexes derived from the Russell 1000 Index. The Growth index focuses on companies with higher price-to-book ratios and higher forecasted growth values, the Value index on lower values. The Balanced portfolio began at 50% in each index and was rebalanced annually. See franklintempletondatasources.com for more information. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges. **Past performance does not guarantee future results.**

Not FDIC Insured | May Lose Value | No Bank Guarantee

1 | GROWTH STOCKS HAVE OUTPERFORMED RECENTLY, YET GROWTH AND VALUE HAVE CYCLED OVER TIME.

Scanning the performance of growth stocks and value stocks over recent years, investors may believe the way to achieve better performance is by investing exclusively in growth. Growth stocks outperformed value stocks in six of the 10 years through 2017, handily outpacing the return of value stocks over that period.²

Growth Stocks Have Outperformed in Recent Years²

Growth of \$10,000 12/31/2007–12/31/2017

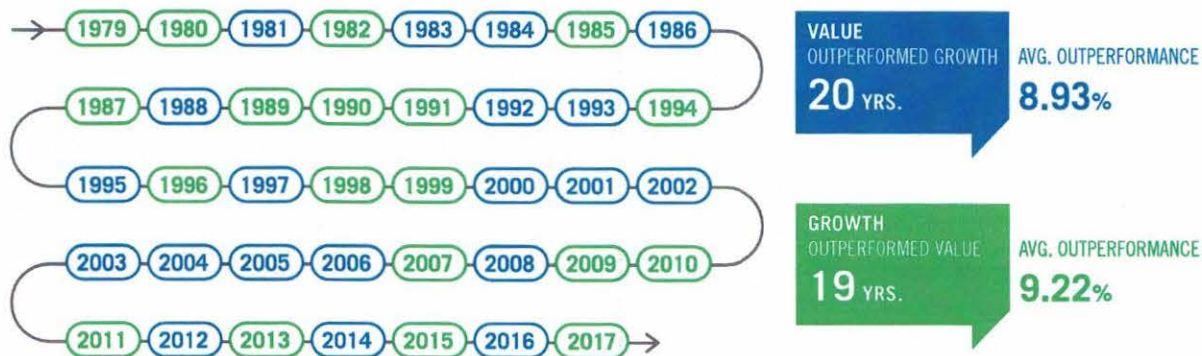


For illustrative purposes only and does not reflect the performance of any Franklin Templeton fund.

But when examining a longer time frame a more complete pattern emerges. **Since 1979, value has prevailed in 20 years—versus growth in 19 years.** Regardless of which style won the given year, the average performance differential has been similar, yet substantial.

A Different Picture Emerges Looking Further Back²

Annual Returns 1979–2017



For illustrative purposes only and does not reflect the performance of any Franklin Templeton fund.

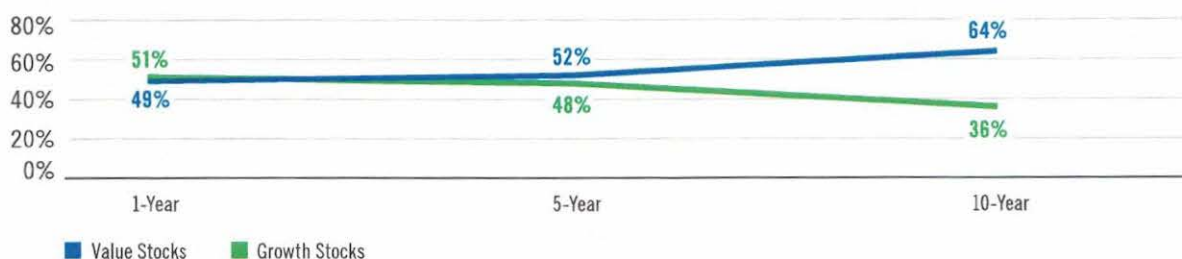
2. Source: Morningstar, Inc. 12/31/2017. Past performance does not guarantee future results. Growth is represented by Russell 1000 Growth Index and Value is represented by Russell 1000 Value Index. Indexes are unmanaged and one cannot invest in an index. Index returns do not reflect any fees, expenses or sales charges.

2 | VALUE INVESTING HAS REWARDED LONG-TERM INVESTORS.

Investors are typically counseled to not think in the short term with equity investments. In a one-year period, almost anything can happen.

When looking at longer time frames, however, another interesting pattern emerges. Value begins to show that it has had a performance edge over longer time frames.

Frequency of Value Stocks Outperforming Growth Stocks over Various Investment Time Frames³
Monthly Rolling Periods 1979–2017



Persistence and Magnitude

The average annual returns for value and growth stocks based on rolling periods between 1979 and 2017 are shown below. Value, on average, has outperformed growth over periods of a year or longer. For 10-year periods, it has outperformed almost two thirds of the time. Of course, an average is simply that, and over any particular period one style may outperform the other.

DIFFERENTIAL IN GROWTH OF \$100,000

Average Difference in End Value

All Rolling Periods 1979–2017

All Periods over Full Period ⁴	Average Annual Returns ⁴		Average Difference in End Value of \$100,000
	Russell 1000 Value Index	Russell 1000 Growth Index	
1-Year	13.26%	12.99%	+\$267
3-Year	12.25%	11.30%	+\$2,158
5-Year	12.13%	10.98%	+\$5,364
10-Year	11.28%	10.10%	+\$17,801

Charts and tables are for illustrative purposes only and do not reflect the performance of any Franklin Templeton fund. Past performance does not guarantee future results.

3. Source: Morningstar, Inc. 12/31/2017. Growth is represented by Russell 1000 Growth Index and Value is represented by Russell 1000 Value Index.

4. Source: Morningstar, Inc. 12/31/2017. Average returns and values calculated by Franklin Templeton. Based on the average of all returns (rolling monthly) for each designated time period for each index as shown, applied on a \$100,000 investment over that time period.

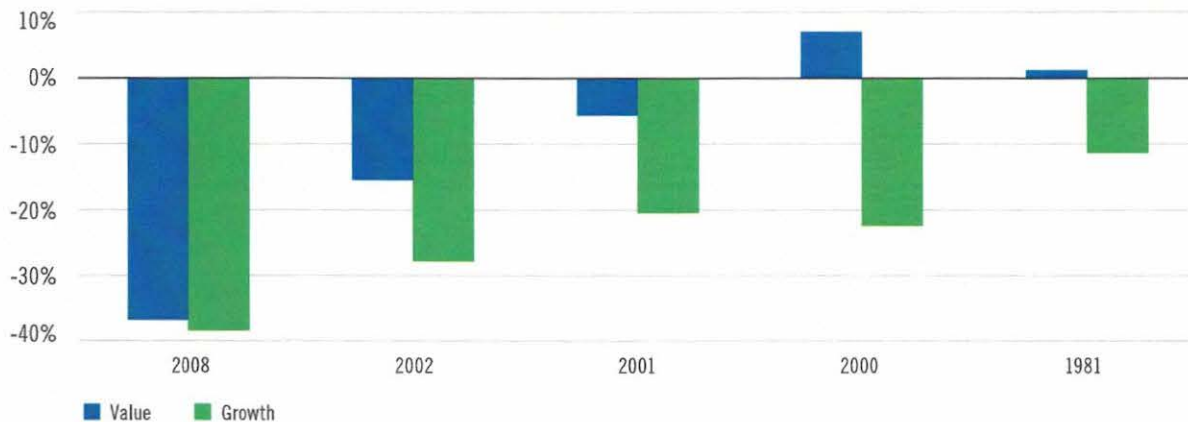
Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges.

3 | VALUE HAS DELIVERED BETTER RETURNS IN DOWN MARKETS.

The Pain Index

Standard deviation is often used to illustrate risk, but another way to look at risk that may better measure the pain of loss investors feel focuses on annual returns in down markets. By this measure, value has a leg up on growth. In 2008, the financial crisis wreaked havoc on all types of investments and marked the worst year in the last 37 for both value and growth stocks. But with the exception of that year, value has performed substantially better in years the S&P 500 Index declined the most.

**Growth vs. Value in the Five Worst Years for the Stock Market Since 1979
As Determined by S&P 500 Index Performance⁵**



The Capitulation Effect

What actually drives investors out of their investments depends on the investor, but often a persistent, substantial decline can push individuals out of their best laid plans. As measured by worst three-year cumulative total return, value again trumped growth, which showed a loss of well more than half its value over its worst three-year period.

Worst Cumulative Total Return over Three Calendar Years 1979–2017⁶



5. Source: Morningstar, Inc. 12/31/2017. Growth is represented by Russell 1000 Growth Index and Value is represented by Russell 1000 Value Index.

6. Source: Morningstar, Inc. 12/31/2017. The Russell 1000 Growth Index reflects the three-year period ending 12/31/2002. The Russell 1000 Value Index reflects the three-year period ending 12/31/2009.

Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges. **Past performance does not guarantee future results.** Charts and tables are for illustrative purposes only and do not reflect the performance of any Franklin Templeton fund.

4 | HISTORY MAY NOT REPEAT, BUT IT OFTEN RHYMES.

Echoes of 1999

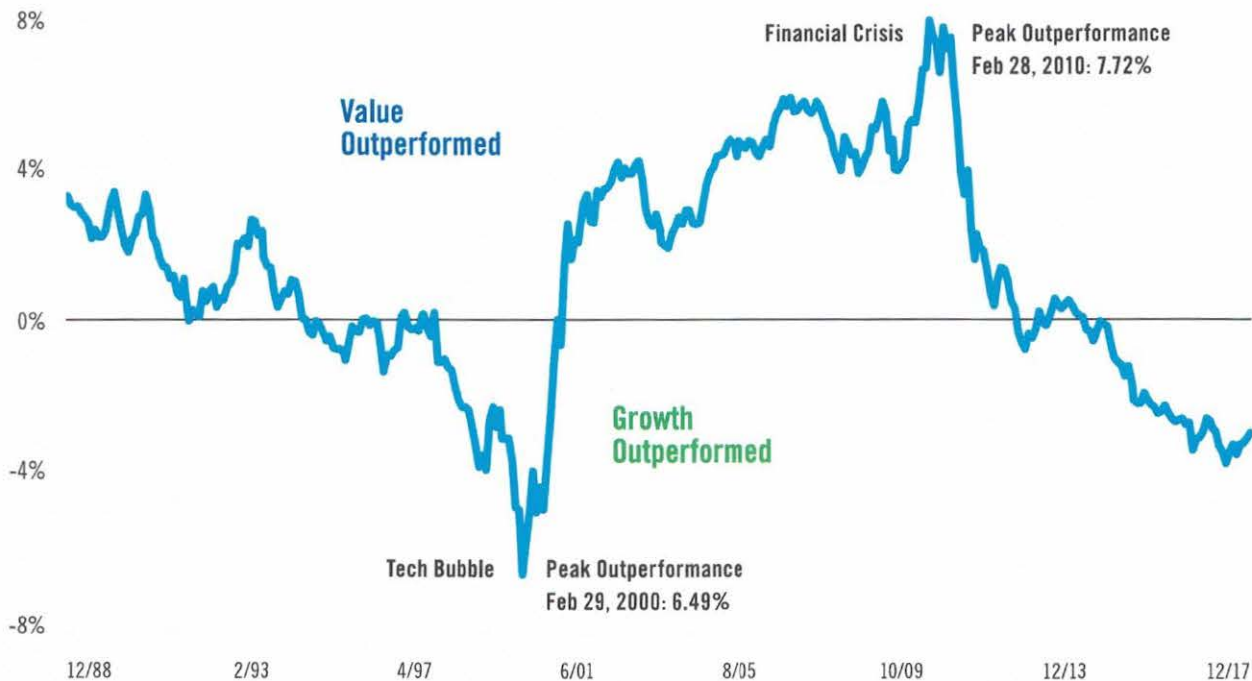
The chart below illustrates a comparison of the 10-year average annual returns of the Russell 1000 Growth Index and the Russell 1000 Value Index on a rolling basis. At the peak of the tech bubble, growth had significantly outperformed value for a number of years and by February 2000, the 10-year average annual return differential had reached 6.49% in favor of growth. Only 10 months later, in December 2000, that differential had been wiped out.

Similarly, value investing subsequently accumulated a 10-year record of outperformance that peaked about a year after the market bottom during the financial crisis. Since then, growth investing has had generally better performance, leading to a significant 10-year advantage.

RUSSELL 1000 VALUE INDEX VS. RUSSELL 1000 GROWTH INDEX

Rolling 10-Year Annualized Excess Return⁷

December 31, 1988–December 31, 2017



This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton fund.

7. Source: © 2018 Morningstar. Excess return calculated by Franklin Templeton. Russell 1000 Growth Index rolling 10-year average annual return is subtracted from the Russell 1000 Value Index counterpart. Values above 0 represent value outperformance; under 0 represents growth outperformance. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges.

5 | SOONER OR LATER, FUNDAMENTALS MATTER.

The Price of Success

Amazon is one of the current stock market success stories prized by investors who like its innovation, sales growth and earnings potential. That outlook has pushed its share price up, so that its market capitalization exceeds \$560 billion.⁸ Consider, however, an alternate basket of 20 iconic companies that as a group have a comparable market cap. Then compare their price/earnings (P/E) ratios to Amazon's.

What Can \$566 Billion Buy?

As of December 31, 2017

AMAZON.COM Inc.¹⁰

\$566.0

MARKET
CAP⁸
(\$Billions)

\$564.9

\$177.9

2017
NET SALES⁹
(\$Billions)

\$917.6

\$3.0

2017
EARNINGS⁹
(\$Billions)

\$42.8

190.2

P/E
RATIO⁸

11.8
WTD. AVG

20 ICONIC COMPANIES¹⁰

	Market Cap (\$B) ⁸	P/E Ratio ⁸
Allstate	\$37.1	12.5
American Airlines	\$24.7	13.3
Ford Motor	\$50.9	6.6
Kellogg	\$23.5	18.7
Harley-Davidson	\$8.6	16.8
H&R Block	\$5.4	13.9
HP Inc.	\$34.7	14.2
Humana	\$34.2	14.8
Kansas City Southern	\$10.8	11.5
Kohl's	\$9.1	14.4
Macy's	\$7.7	11.1
McKesson	\$32.1	6.9
Micron Technology	\$47.6	6.5
Nucor	\$20.2	15.5
PG&E	\$23.1	14.0
Target	\$35.5	13.7
Time Warner	\$71.3	13.8
Tyson Foods Class A	\$29.2	10.5
United Continental	\$19.3	9.6
Valero Energy	\$39.9	10.0
Total Market Cap	\$564.9	11.8 Wtd. Avg

The Bottom Line

There are many ways to value companies, and P/E ratio is one simple measure. Faster growing companies usually have higher P/E ratios due to future expectations. But here's the bottom line question an investor might ask:

"Is a growth company growing *fast enough* and will it grow *long enough* for me to accept one fifth the sales, and just 7% of the earnings, now, in anticipation of better sales and earnings down the road?"

8. Source: FactSet. Data as of 12/31/2017. Market capitalization reflects the number of a company's outstanding shares multiplied by the share price. Price/earnings ratio is a comparison of a company's share price to its per share earnings. A higher P/E is considered to be more expensive.

9. Source: FactSet. Data as of 12/31/2017. Earnings reflect net income after extraordinary items. Net sales reflect reported revenues.

10. Companies are for illustrative purposes only. They do not necessarily reflect holdings in any Franklin Templeton fund.