

**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