

# **Butler Family Foundation Investment Committee**

## **Conference Call**

**August 14, 2019 at 5:15 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
- IV. Review of Investment Policy Statement (IPS)
- V. Update on Current or New Investments
  - A. Wastewater Fund manager Update
- VI. Update on Wells Fargo Transaction

### **Attachments:**

- a. Minutes of February 27<sup>th</sup> Investment Committee
- b. Wells Fargo Summary Statement/Performance Data
- c. Investment Policy Statement
- d. Email from Wells Fargo Institutional Trust

**Call-in Number: 800-261-3225 (Access Code 5243817049)**

**MINUTES OF THE FEBRUARY 27, 2019  
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 Wednesday, February 27, 2019, at 1:00 p.m. Central Time via conference call.

The meeting was called to order by Patrick O'Brien, current Chair of the Investment Committee. John K. Butler acted as recording Secretary of the meeting.

Upon call of the Secretary, the following Committee members were present: Patrick O'Brien and Peter K. Butler. Also present was Foundation Chief Investment Officer John Butler.

The Chair called for consideration of the minutes of the August 14, 2018 meeting of the Investment Committee. Upon motion duly made, seconded and unanimously carried, the minutes of the August 14, 2018 Investment Committee were approved, ratified and confirmed.

The Chair then called on Mr. John Butler, Chief Investment Officer, to provide an overview of the markets in 2018. Mr. Butler mentioned that while 2017 was notable for the strength in equity markets worldwide, 2018 was defined by weakness across all asset classes, including fixed income. The Committee also reviewed the seven-year asset class forecasts prepared by a well-known investment firm, GMO. These predicted returns show that despite the weakness in 2018, forecasts for asset classes in general remain muted. The implication is that it will be difficult for many Foundations, including the Butler Family Foundation, to maintain purchasing power over the next five-ten years.

The committee then reviewed the 2018 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 \$99 million, a decrease from \$110 million at 2017 year-end. This decline in assets was a result of weak markets as well as grants and expenses of approximately \$6 million. Mr. Butler noted that equity markets rebounded sharply in January and February, and that Foundation assets now stand at \$104 million. However, he believes markets in general are still expensive and that it would not be surprising to see some weakness in the months ahead.

Mr. Butler next reviewed the performance of the overall Foundation portfolio for the year. The Foundation's total return for 2018 was -4%, which marks the first negative year since 2008 when the Foundation assets declined by 21%. Despite the decline in 2018, the annualized ten-year return of 8% is still quite good. Mr. Butler estimated that the expected returns of other comparable foundations will be in the negative 5-7% range, although actual results will not be known until August. The relative results are consistent with historical returns, as the Foundation generally outperforms in weaker markets.

Mr. Butler then reviewed the asset allocation of the Foundation and the performance of the Foundation's individual asset managers. As of December 31, 2018, the asset allocation remains within the targets set by the Foundation's Investment Policy Statement, with the exception of cash and U.S. equities which are at 11% and 35%, respectively. The cash position is actually \$4 million

lower than it was last December, but has not declined as much on a relative basis since overall Foundation assets declined. The under-allocation of the U.S. equity exposure at year-end is the result of an under-weight to the asset class for most of the year and the 20% decline in the equity markets in the last two months of 2018. As of the 26<sup>th</sup> of February, the rebound in the equity markets over the past two months has brought the allocation back up to 37%. International equities remain over-weight relative the target, but within the range. Mr. Butler also reviewed the performance of the individual asset managers.


Next, Mr. Butler reviewed with the Committee the schedule showing who manages the various asset classes of the Foundation, where the assets are held (i.e., who is the custodian) and the estimated fees paid by the Foundation. Mr. Butler then discussed the total cost of managing the Foundation's assets versus the costs incurred by other foundations, and noted that the Butler Foundation's costs remain well below average.

Mr. Butler then updated the Committee on any potential new investments. While there are no new investments being contemplated at this time, Mr. Butler is thinking of making some changes to existing managers. The Invesco Balanced Risk Commodity Fund was purchased in 2012 and 2013 as an inflation hedge. The risk of an acceleration in inflation is receding, so it makes sense to sell the Fund. The proceeds will likely be used to increase the Foundation's weight in the Templeton Global Total Return Fund. Mr. Butler also indicated that he would like to increase the Foundation's position in the Vanguard Small-Cap Index Fund, but he is being patient and looking for the right opportunity.

Finally, the Committee reviewed the Investment Committee Charter as requested by the Board of Trustees at the Fall 2018 meeting. At that meeting, it was suggested that the Charter be amended to allow non-family members to serve on the committee. The Committee discussed the recommended changes and will propose they be approved by the Board at the Spring meeting.

The next Committee meeting will be in August of 2019. 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 1:40 p.m. Central Time.

  
John K. Butler, Secretary

ATTEST:   
Patrick O'Brien, Committee Chair



FD433  
SUMMARY STATEMENT  
OF INVESTMENT HOLDINGS  
BY SECURITY CATEGORIZATION

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

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AS OF JUNE 30, 2019

	<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	0.00	0.00	0.00	.0	.0	0.00	.00
RECEIVABLES	142,339.96	142,339.96		.0	.1		
PAYABLES	(255,309.00)	(255,309.00)		.0	(.2)		
NET CASH	<u>(112,969.04)</u>	<u>(112,969.04)</u>		<u>.0</u>	<u>(.1)</u>		
CASH EQUIVALENTS							
SHORT TERM FUNDS	11,297,987.32	11,297,987.32	22,616.83	.0	10.5	237,702.09	2.10
CASH EQUIVALENTS	<u>11,297,987.32</u>	<u>11,297,987.32</u>	<u>22,616.83</u>	<u>.0</u>	<u>10.5</u>	<u>237,702.09</u>	<u>2.10</u>
FIXED INCOME							
GOVERNMENT AND AGENCIES	4,976,891.56	4,982,781.99	18,729.60	.1	4.6	224,754.93	4.51
BOND FUNDS	6,857,187.20	6,777,839.25	1,123.26	(1.2)	6.3	307,334.78	4.53
MUNICIPAL BONDS	1,369,684.25	1,435,095.20	14,524.24	4.8	1.3	54,917.30	3.83
CORPORATE BONDS AND NOTES	5,628,974.30	5,794,953.33	52,802.80	2.9	5.4	254,164.90	4.39
ASSET-BACKED SECURITIES	785,815.29	802,971.86	1,917.46	2.2	.7	34,479.82	4.29
COLLATERALIZED MTG-BACKED	45,807.81	43,958.54	245.14	(4.0)	.0	2,941.65	6.69
FIXED INCOME	<u>19,664,360.41</u>	<u>19,837,600.17</u>	<u>89,342.50</u>	<u>.9</u>	<u>18.5</u>	<u>878,593.38</u>	<u>4.43</u>
PREFERRED STOCK							
PREFERRED STOCK MISC	124,000.00	128,500.00	0.00	3.6	.1	6,095.00	4.74
PREFERRED STOCK	<u>124,000.00</u>	<u>128,500.00</u>	<u>0.00</u>	<u>3.6</u>	<u>.1</u>	<u>6,095.00</u>	<u>4.74</u>
COMMON STOCK							
HEALTH CARE	1,922,005.05	4,937,880.00	10,170.00	156.9	4.6	127,880.00	2.59
FINANCIALS	2,813,636.90	5,804,143.56	9,250.00	106.3	5.4	185,339.40	3.19
CONSUMER STAPLES	1,743,387.42	2,923,040.00	0.00	67.7	2.7	89,792.00	3.07
CONSUMER DISCRETIONARY	422,676.74	2,148,670.00	0.00	408.3	2.0	59,200.00	2.76
MATERIALS	751,632.25	1,487,800.00	2,300.00	97.9	1.4	13,200.00	.89
ENERGY	1,426,594.76	2,179,560.00	0.00	52.8	2.0	38,560.00	1.77
INFORMATION TECHNOLOGY	1,845,153.97	5,130,930.00	0.00	178.1	4.8	116,880.00	2.28
INDUSTRIALS	3,273,949.53	5,611,670.00	500.00	71.4	5.2	146,480.00	2.61
TELECOMMUNICATION SERVICE	597,175.30	1,028,340.00	0.00	72.2	1.0	43,380.00	4.22
ADR'S	2,673,948.71	3,099,450.00	7,500.00	15.9	2.9	123,400.00	3.98
COMMON STOCK	<u>17,470,160.63</u>	<u>34,351,483.56</u>	<u>29,720.00</u>	<u>96.6</u>	<u>32.0</u>	<u>944,111.40</u>	<u>2.75</u>



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	<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>
EQUITY FUNDS							
MUTUAL EQUITY FUNDS	5,378,825.91	5,685,981.29	660.63	5.7	5.3	32,975.15	.58
EQUITY FUNDS	<u>5,378,825.91</u>	<u>5,685,981.29</u>	<u>660.63</u>	<u>5.7</u>	<u>5.3</u>	<u>32,975.15</u>	<u>.58</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	30,402,464.02	36,272,523.00	0.00	19.3	33.8	0.00	.00
VENTURE/LMTD PART/CLS HLD	<u>30,402,464.02</u>	<u>36,272,523.00</u>	<u>0.00</u>	<u>19.3</u>	<u>33.8</u>	<u>0.00</u>	<u>.00</u>
NET ASSETS	<u>84,225,189.25</u>	<u>107,461,466.30</u>	<u>142,339.96</u>	<u>27.6</u>	<u>100.0</u>	<u>2,099,477.02</u>	<u>1.95</u>

## Patrick and Aimee Butler Family Foundation - Individual Manager Performance

Asset Class	Allocation - June 30, 2019				Performance Data - June 30, 2019			
	Assets	Wgt	Target	Range	6 MOS	1 YR	3 YR	Incep. Date
<b>Cash</b>	\$11.0	10%	5%	0-10%	1.1%	2.0%	1.1%	NA
<b>Fixed Income</b>								
Sit Investment Assoc.	\$15.5	14%	15%	10-20%	3.2%	7.3%	3.2%	12/31/2011
Barclays Aggregate					3.1%	7.9%	2.3%	
<b>U.S. Equities</b>	\$39.7	37%	45%	40-50%				
Vanguard Small-Cap Index Fund	\$5.3	5%			19.5%	2.3%	12.4%	3/31/2018
Large-Cap Value (Internal)	\$34.4	32%			12.9%	7.8%	8.8%	12/31/1999
S&P 500					18.5%	10.4%	14.2%	
<b>International Equities</b>								
Mondrian Investment Group	\$26.9	25%	20%	15-25%	10.8%	2.5%	7.4%	6/30/2004
MSCI All-Country World					13.6%	1.3%	9.4%	
<b>Alternative Investments</b>								
Miscellaneous	\$14.4	13%	15%	10-20%	1.4%	1.6%	1.2%	NA
HFRI FOF Composite					7.6%	1.6%	5.1%	
<b>Total Foundation</b>	<b>\$108</b>	<b>100%</b>	<b>100%</b>		<b>9.8%</b>	<b>6.1%</b>	<b>7.1%</b>	

### Notes:

Mondrian fund was changed from International Equity Fund to All Countries World in January 2012  
Performance for Alternative Investments is an estimate 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%	15.0%	171.4%	8.5%	5.3%	5.7%	15.4%	175.9%	11.1%	7.5%	5.8%
2018	-4.3%	228.3%	4.4%	8.1%	6.5%	-6.0%	155.1%	4.1%	7.8%	5.0%	-2.9%	167.9%	6.4%	9.9%	5.3%

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. 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 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.
- 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 12, 2018***

# Update on Wells Fargo Institutional Retirement and Trust's acquisition by Principal Financial Group

Wells Fargo Institutional Retirement and Trust <InstitutionalRetirementandTrust@mail1.wellsfargo.com>

Mon 7/1/2019 2:01 PM

To: John Butler <johnb@butlerfamilyfoundation.org>;

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 insights. information. innovation.

Dear John:

Today marks an important day for Wells Fargo's Institutional Retirement & Trust (IRT) business. We are excited to share the acquisition by the Principal Financial Group is complete, and we will now begin the work of integrating our Wells Fargo IRT team members and clients into Principal. Please see the [press release](#) for more details.

Bringing together Wells Fargo IRT and Principal creates a powerful set of capabilities that enable us to deliver more choice, service, and solutions to our clients. These two businesses could not be a better fit. Combined, our unique strengths and differentiated positions will broaden our scope of offerings and deepen our commitment to serving you. We care for our customers and are paying special attention to making sure this integration is seamless and simple.

As we move forward, collectively we are a powerful, unified team focused on delivering excellent services and solutions. While we're taking the time to make decisions thoughtfully and with care, we've made great progress already. Some significant milestones include:

- **Unified leader team.** Identified leadership roles that bring together expertise in key areas including trust and custody, large and complex plans, and participant experience. We're pleased to share that several current IRT leaders have been appointed to the future senior leadership team at Principal.
- **Confirmed key locations.** Announced locations across the U.S., making commitments to Charlotte, NC; Minneapolis, MN; Waco, TX; and Winston-Salem, NC, where a significant number of Wells Fargo clients, operations, service, and technology teams reside. We anticipate announcing additional locations in the coming months as we work through our integration process.
- **Thoughtful planning.** Established an integration plan and transition team led by highly experienced, senior leaders from both organizations.

From the moment we signed this agreement, our decision-making process has been driven by a desire to bring clients the best of everything we do, with minimal disruption. We know you value the services, relationships, and support you're getting today from Wells Fargo IRT, and we're so excited to bring these capabilities to Principal. Thank you for the opportunity to earn your trust. We look forward to working with you in the future.

Sincerely,

Joseph F. Ready  
Executive Vice President and Director  
Wells Fargo Institutional Retirement & Trust

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Principal Financial Group closed the acquisition of Wells Fargo Institutional Retirement and Trust business unit (IRT) on July 1, 2019. The transition, transfer, and conversion of IRT business operations, employees, and clients will occur over the following 12-24 months. During the transition period, Wells Fargo will continue to operate and service the IRT business and clients at Principal Financial Group's direction and oversight.

Recordkeeping, trustee, and/or custody services are provided by Wells Fargo Institutional Retirement and Trust, a business unit of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

This information and any information provided by employees and representatives of Wells Fargo Bank, N.A. and its affiliates is intended to constitute investment education under U.S. Department of Labor guidance and does not constitute "investment advice" under the Employee Retirement Income Security Act of 1974. Please contact an investment, financial, tax, or legal advisor regarding your specific situation. The information shown is not intended to provide any suggestion that you engage in or refrain from taking a particular course of action.

This information is general in nature and is not intended to be reflective of any specific plan. Please refer to your plan documents for more information about the specifics of your plan.

Investments in retirement plans:

**NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE**

This email was sent to: [johnb@butlerfamilyfoundation.org](mailto:johnb@butlerfamilyfoundation.org)  
From Wells Fargo Institutional Retirement and Trust, 401 S. Tryon Street, Charlotte, NC 28288 USA

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