

**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 26th 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