Butler Family Foundation Investment Committee

Conference Call

February 19, 2020 at 4:00 p.m. CT

I. Welcome

II. Approval of Minutes

III. Year in Review

IV. Portfolio and Performance Update
   A. Portfolio Summary Statement
   B. Overall Foundation Performance
   C. Individual Manager Performance
   D. Summary of Fees and Managers

V. Update on Potential Investments

VI. Other Business
   A. Potential Investment Committee Member

Attachments:

a. Minutes of August 14th Investment Committee
b. Year in Review - Charts
c Wells Fargo Portfolio Summary Statement
d. Historical Portfolio Performance
e. Individual Manager Performance
f. Summary of Fees and Managers
g. Economist article – Taking Toll
h. Background Info – Ron Kaliebe

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

MINUTES OF THE AUGUST 14, 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, August 14, 2019, at 5:15 p.m. Central Time via conference call.

The meeting was called to order by Patrick O'Brien, 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: Brigid Butler, Peter Butler and Patrick O'Brien. Also present was John Butler.

The Chair called for consideration of the minutes of the February 27, 2019 meeting of the Investment Committee. Upon motion duly made, seconded and unanimously carried, the minutes of the February 27, 2019 Investment Committee meeting were approved, ratified and confirmed.

The Chair called on Mr. John Butler, Chief Investment Officer, to review the current holdings of the portfolio and summarize any major changes since December 31, 2018. Mr. Butler began by reviewing the Wells Fargo Summary Statement. Mr. Butler then reviewed Individual Manager performance and any asset allocations. Finally, Mr. Butler reviewed the overall performance for 2018 of the Foundation versus the Council on Foundations peer group. In 2018 the Butler Family Foundation returned -4.3% versus -3.5% for the private foundation average. For the five and ten year periods, annualized returns for the two groups are equal at 4.4% and 8.1%, and since inception (2000), the Butler Family Foundation has outperformed by a wide margin.

The Committee next reviewed the Investment Policy Statement. The current statement was adopted by the Board of Trustees on October 12, 2018, and the Investment Committee Charter notes that it will be reviewed by the Committee each year at the August meeting. Mr. Butler commented that there were no recommended changes to the current document. After review and discussion, the Committee agreed that no changes were necessary.

Mr. Butler then provided the Committee with an update on the Wasterwater Opportunity Fund held by the Foundation. Mr. Butler recently received notice that the lead manager of the Fund has resigned for personal reasons. While the succession plan has not been made public, the Fund had a number of people involved in running the Fund and it is almost fully invested. As a result, Mr. Butler is not concerned about the change, but will continue to monitor the situation. Mr. Butler will be meeting with the sponsor, Equilibrium Capital, in September.

Next Mr. Butler updated the Committee on the Wells Fargo Principal Financial Group transaction. The acquisition of the Wells Fargo Institutional Trust business was announced earlier in the year, but did not close until July 1st. Principal will now begin the process of integrating the Wells Fargo team members and clients into their system. Mr. Butler expects that there will be no significant issues as the Foundation is moved to the new system, but will keep the Committee up to date as things move along.

The next Committee meeting will be in February, 2020. The meeting will be scheduled in January and materials for the meeting will be sent one week prior to the meeting.

The meeting adjourned at 5:45 p.m. Central Time.

John K. Butler, Secretary

ATTEST:
Patrick O'Brien, Committee Chair

THE WALL STREET JOURNAL.

Stock & Bond Benchmark Indexes All total return unless noted

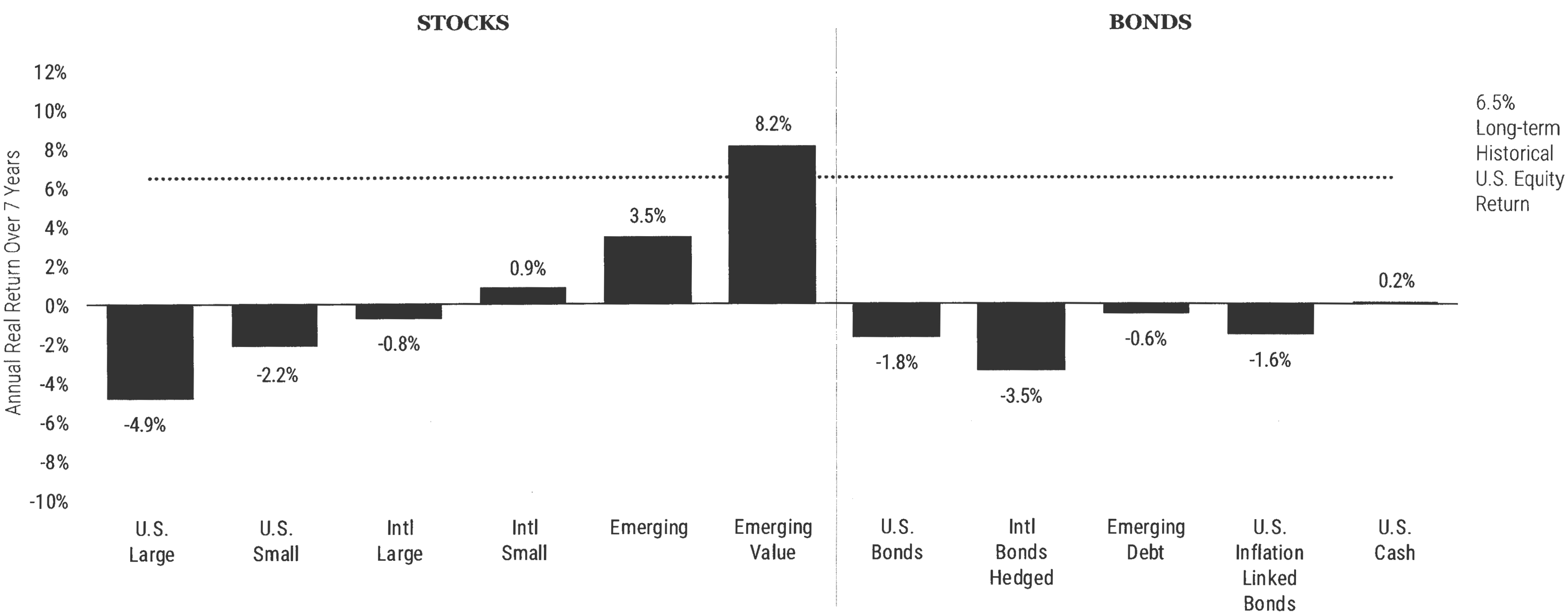
Investment objective	December	4th-qtr	1-yr	5-yr*
	Performance (%)			
Large-cap stocks				
DJIA	1.9	6.7	25.3	12.6
S&P 500	3.0	9.1	31.5	11.7
Midcap stocks				
S&P MidCap 400	2.8	7.1	26.2	9.0
Small-cap stocks				
Russell 2000	2.9	9.9	25.5	8.2
Broad stock market				
DJ U.S. Total Stock Market	2.9	9.0	30.9	11.2
Russell 3000	2.9	9.1	31.0	11.2

Investment objective	December	4th-qtr	1-yr	5-yr*
	Performance (%)			
Stock indexes				
DJ U.S. TSM Growth	2.8	10.8	35.2	13.1
DJ U.S. TSM Value	2.9	7.1	25.9	9.3
Taxable bonds				
Barclays Agg. Bond	-0.1	0.2	8.7	3.0
Municipal bonds				
Barclays Muni. Bond	0.3	0.7	7.5	3.5
International stocks				
MSCI EAFE†† (price return)	3.2	7.8	18.4	2.8
Dow Jones World (ex. U.S.)	4.3	9.1	21.6	5.8

*Annualized †Diversified funds only **Excludes money-market funds ††Europe, Australia, Far East

7-YEAR ASSET CLASS REAL RETURN FORECASTS*

As of December 31, 2019

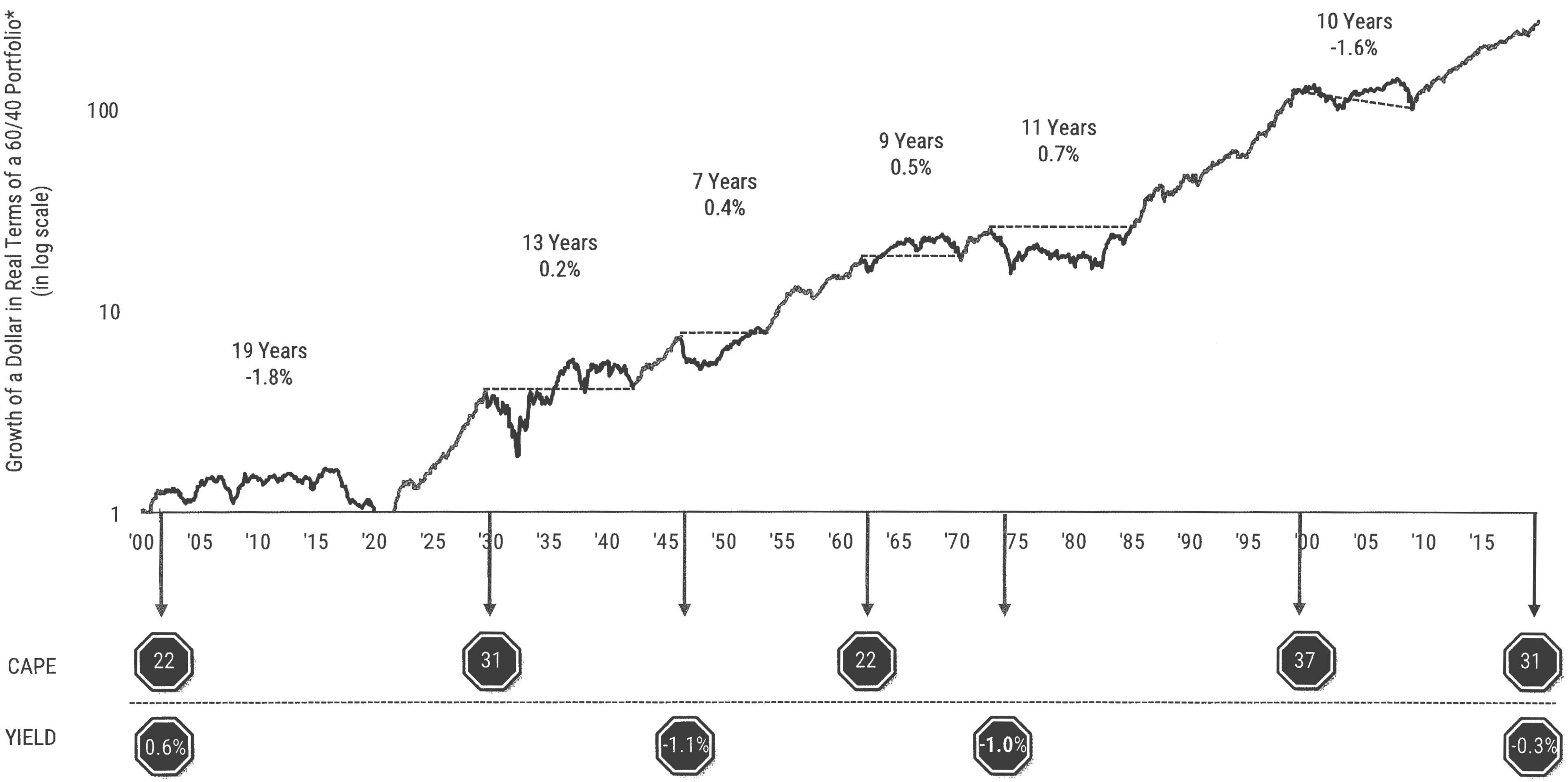


Source: GMO

*The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

60/40: "LOST DECADES" ARE MORE COMMON THAN YOU THINK

Most started with either high valuations on stocks and bonds – today, they're both expensive



As of 12/31/19 | Sources: Bloomberg, Global Financial Data (early history), Factset (S&P500 returns and CPI), J.P. Morgan (J.P. Morgan GBI United States Traded), Shiller data; real yields are the yield on the 10-Year U.S. Treasury minus the 12 month trailing CPI.

*60% U.S. Equities (S&P 500), 40% U.S. Bonds (U.S. Treasuries) rebalanced monthly. Past Performance is not indicative of future results.

BASE CURRENCY: USD

	COST	MARKET VALUE	ACCRUED INCOME	%GAIN (LOSS)	% MKT	ESTIMATED ANNUAL INCOME	CURRENT YIELD
SETTLED CASH	12,067.32	12,067.32	0.00	.0	.0	0.00	.00
RECEIVABLES	154,406.56	154,406.56		.0	.1		
NET CASH	166,473.88	166,473.88		.0	.2		
CASH EQUIVALENTS							
SHORT TERM FUNDS	9,784,063.24	9,784,063.24	11,171.81	.0	8.9	134,712.17	1.38
CASH EQUIVALENTS	9,784,063.24	9,784,063.24	11,171.81	.0	8.9	134,712.17	1.38
FIXED INCOME							
GOVERNMENT AND AGENCIES	4,882,439.35	4,827,662.97	20,426.57	(1.1)	4.4	240,054.97	4.97
BOND FUNDS	6,333,410.20	6,096,285.77	3,002.84	(3.7)	5.5	312,058.38	5.12
MUNICIPAL BONDS	1,575,963.55	1,626,063.10	18,592.85	3.2	1.5	59,885.50	3.68
CORPORATE BONDS AND NOTES	5,426,329.87	5,599,586.24	56,466.67	3.2	5.1	243,571.71	4.35
ASSET-BACKED SECURITIES	1,755,820.75	1,763,116.96	4,628.68	.4	1.6	62,503.13	3.55
COLLATERALIZED MTG-BACKED	40,869.40	39,067.60	217.64	(4.4)	.0	2,611.66	6.68
FIXED INCOME	20,014,833.12	19,951,782.64	103,335.25	(.3)	18.1	920,685.35	4.61
PREFERRED STOCK							
PREFERRED STOCK MISC	124,000.00	129,550.00	0.00	4.5	.1	6,095.00	4.70
PREFERRED STOCK	124,000.00	129,550.00	0.00	4.5	.1	6,095.00	4.70
COMMON STOCK							
HEALTH CARE	1,771,358.99	5,252,280.00	9,240.00	196.5	4.8	128,560.00	2.45
FINANCIALS	2,286,899.06	5,628,580.00	9,240.00	146.1	5.1	177,280.00	3.15
CONSUMER STAPLES	1,589,671.94	3,097,250.00	0.00	94.8	2.8	84,238.00	2.72
CONSUMER DISCRETIONARY	364,025.16	2,207,750.00	0.00	506.5	2.0	51,120.00	2.32
MATERIALS	708,900.66	1,204,760.00	1,880.00	69.9	1.1	11,520.00	.96
ENERGY	1,207,142.93	1,948,700.00	2,640.00	61.4	1.8	37,440.00	1.92
INFORMATION TECHNOLOGY	1,573,364.19	5,042,450.00	0.00	220.5	4.6	106,240.00	2.11
INDUSTRIALS	3,121,721.17	5,803,880.00	500.00	85.9	5.3	143,600.00	2.47
TELECOMMUNICATION SERVICE	597,175.30	1,105,200.00	0.00	85.1	1.0	44,280.00	4.01
ADR'S	2,520,048.71	3,021,350.00	14,520.00	19.9	2.7	119,080.00	3.94
COMMON STOCK	15,740,308.11	34,312,200.00	38,020.00	118.0	31.1	903,358.00	2.63

SUMMARY STATEMENT
OF INVESTMENT HOLDINGS
BY SECURITY CATEGORIZATION

PATRICK AND AIMEE BUTLERFAMILY FOUNDATION
CONSOLIDATED ACCOUNT
BASE CURRENCY: USD

AS OF DECEMBER 31,2019

	COST	MARKET VALUE	ACCRUED INCOME	%GAIN (LOSS)	% MKT	ESTIMATED ANNUAL INCOME	CURRENT YIELD
EQUITY FUNDS							
MUTUAL EQUITY FUNDS	7,299,820.39	8,021,416.17	1,879.50	9.9	7.3	38,896.37	.48
EQUITY FUNDS	7,299,820.39	8,021,416.17	1,879.50	9.9	7.3	38,896.37	.48
MISCELLANEOUS							
OTHER MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
VENTURE/LMTD PART/CLS HLD							
VENTURE CAPITAL	30,090,330.76	37,857,971.70	0.00	25.8	34.3	0.00	.00
VENTURE/LMTD PART/CLS HLD	30,090,330.76	37,857,971.70	0.00	25.8	34.3	0.00	.00
NET ASSETS	83,220,189.50	110,223,817.63	154,406.56	32.4	100.0	2,003,746.89	1.82

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%	-3.5%	161.9%	4.6%	8.1%	5.2%	-2.9%	167.9%	6.4%	9.9%	5.3%
2019	16.9%	283.8%	6.7%	8.2%	7.0%	*15.0%*	*201.2%*	*6.3%*	*7.6%*	*5.7%*	23.5%	230.9%	8.7%	10.3%	6.2%

All returns are net of fees
Any returns in italic are estimates

Patrick and Aimee Butler Family Foundation - Individual Manager Performance

	Allocation - December 31, 2019				Performance Data - December 31, 2019			
Asset Class	**Assets**	**Wgt**	**Target**	**Range**	**1 YR**	**5 YR**	**ITD**	**Incep. Date**
Cash	$9.6	9%	5%	0-10%	1.9%	2.5%	NA	NA
Fixed Income								
Sit Investment Assoc.	$16.0	15%	15%	10-20%	9.1%	3.8%	3.9%	12/31/2011
Barclays Aggregate					8.7%	3.0%	2.9%	
U.S. Equities	$42.0	38%	45%	40-50%				
Vanguard Small-Cap Index Fund	$7.7	7%			27.4%	NA	NA	3/31/2018
Large-Cap Value (Internal)	$34.3	31%			25.4%	9.2%	8.5%	12/31/1999
S&P 500					31.5%	11.7%	6.1%	
International Equities								
Mondrian Investment Group	$29.0	26%	20%	15-25%	19.4%	5.2%	6.0%	6/30/2004
MSCI All-Country World					21.5%	5.5%	5.2%	
Alternative Investments								
Miscellaneous	$13.6	12%	15%	10-20%	0.5%	1.7%	NA	NA
HFRI FOF Composite					10.4%	3.5%	NA	
Total Foundation	$110	100%	100%		16.9%	6.7%	7.0%	12/31/1999

Notes:

Mondarian 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 & Aimee Butler Family Foundation

Summary of Fees, Managers and Custodians - December 31, 2019

Asset Class	SMA or Fund	Custodian	Manager	Assets	Fee	Est. Costs
Cash						
Stock Account	SMA	Wells Fargo	Internal	$3.3	0	$0
Misc. Account	SMA	Wells Fargo	Internal	$6.3	0	$0
Fixed Income						
Sit Investment	SMA	Wells Fargo	Sit Investment	$16.0	32	$51
Equities						
Domestic - Large Value	SMA	Wells Fargo	Internal	$34.3	0	$0
Domestic - Small Cap	Fund	JP Morgan	Vanguard	$7.7	5	$4
International	Fund	JP Morgan	Mondrian	$29.0	67	$194
Alternatives						
Debt Partnerships	Fund	Wells/US Bank	Northstar	$4.0	200	$80
Global Fixed Income	Fund	BNY Mellon	Templeton	$4.7	110	$52
Infrastructure Part.	Fund	Real Asset - NA	Morgan Stanley	$0.6	200	$12
Global Real Estate	Fund	Real Asset - NA	Morgan Stanley	$1.8	200	$36
Wasterwater Opp.	Fund	Real Asset - NA	Equilibrium Cap.	$2.4	200	$48
Gateway Partnership (KBP)	Fund	Real Asset - NA	Moran & Cos.	$0.1	100	$1
				$110		
Estimated Investment Fees (Direct & Imbedded)						$478
Custodial Costs						$42
Internal Investment Costs						$85
Estimated Total Investment Costs						$605
Percent of Assets						55 bp
Average for Foundations						90-120 bp

Notes:
SMA is seperately managed account
All SMA custodied at Wells Fargo
Fees are stated in basis points (1/100 of 1%)

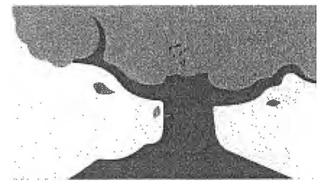
achieve. Though growth-inhibiting, this is a good thing. People buy more services as they get richer.

What of the various other unwelcome forces often thought to be dragging the economy down? Mr Vollrath is unconvinced. The rising market power of some firms may have reduced investment, but investment does not explain much of the growth deceleration, and corporate concentration may even have boosted productivity. Restrictive planning rules prevent people from moving house, and so from taking more productive jobs. Though that weighs on GDP, it cannot explain such a prolonged growth slowdown. Economics has "no definitive finding" about the effect of inequality on growth. And so on.

Mr Vollrath backs his case with plenty of references to recent important economic papers. Impressively, the book remains digestible. The author's number-crunching is formidable; good luck to anyone who takes issue with his forensic accounting. Yet it is not a reason to be complacent. Mr Vollrath pins much of his argument on the improvement in women's welfare. Why then do surveys find that women became unhappier in the final decades of the 20th century? Oligopolies and regulatory capture may not affect overall GDP, but they could still worsen Americans' welfare by making the economy unfair, or, say, by intruding on their privacy.

Mr Vollrath has not established some hitherto unknown cause for cheer; ageing and the shift to services are forces long familiar to economists. But his triumph is in showing the degree to which these make economic growth an unreliable measure of success. Attempting to capture progress in a single number is a fool's errand. ■

Taking toll



Asset-management fees are often scandalous but sometimes it makes sense to pay up

A SURE WAY to irritate a private-equity manager is to say the "T" words: two-and-twenty. Their eyes roll: this again. Two-and-twenty (or 2-and-20) is, or used to be, a common fee arrangement for a certain class of asset managers. It comprises a 2% annual fee and 20% of the profits. With a sigh, the manager tells you how it really is. He gets paid a 20% performance fee only if the returns clear a hurdle rate. The typical management fee is in the low to mid ones. And big investors get fee-free stakes in a fund's portfolio companies ("co-investments").

High management fees are avoidable. You can build a diversified portfolio that includes developed- and emerging-market stocks and bonds, plus commodities, using low-cost index or exchange-traded funds. True, it is a bit harder to get cheap access to assets that truly diversify your equity risk or are reliable hedges against inflation. But you could always simply hold more cash.

Yet it is quite wrong to insist, as many do, that the only good fee is a low fee. There is a case for paying more for access to a stream of cash flows that is genuinely different from those you already have. The asset manager may not deserve the fee for his efforts. It may just be a pure rent. But sometimes it is best to suck it up. After all, it is returns net of fees that you should care about.

There has been a long-running shift in assets under management from high-fee, actively managed portfolios into low-fee, "passive" index funds. It is almost quaint these days to pay a hefty fee for stock-picking or for a bespoke bond portfolio. But push down fees in one place and they tend to pop up somewhere else. Capital has also poured into "alternative" assets, including private-equity, venture-capital and hedge funds, which levy the sort of fees that incite a taste for yacht-racing and caviar.

The appeal for investors is in large part raw returns. The best private-equity or venture-capital funds have paid out jackpots. It is also diversification. For many people's tastes, private equity is repackaged stockmarket risk, with added leverage. But some alternatives are truly different. If you are up to your teeth in the mature, ripe-for-disruption firms that make up much of leading share indices, it might be a sensible hedge to also get exposure to the would-be disrupters the venture-capitalists are busy grooming.

A common view is that the performance-fee part of charges is fine, but the management-fee part is indefensible. Say you invest $100m in an alternative fund. And, for simplicity's sake, say "success" means after ten years you double your money and "failure" means you get it back. At 1.5-and-20, you pay $35m in fees if the fund is a success and $15m if it fails. If the structure was, say, 0.5-and-30 it would better align the incentives of the manager with yours. The charge for success would

also be $35m; but for failure it would be just $5m. Why don't funds offer this kind of a fee structure? Actually, some do. But there's a twist: pension-fund managers are not always keen. Should the fund prove wildly successful, they would have to explain to their trustees why they gave away such a big slice of the upside.

What really matters, says Dylan Grice of Calderwood Capital Research, is whether you are getting value for the fees. The flagship fund of Renaissance Technologies, a wildly profitable hedge fund, charged 5-and-44, before it was closed to outside investors. The net-of-fee returns were amazing; why complain? This attitude might be applied to other niches: funds that invest in esoteric corners of the credit market, say; or funds that lend to biotech or oil-exploration companies in return for a stream of royalty payments, which they package and sell to investors. These might earn, say, a steady 15% gross and pay investors 10% net. This is attractive, especially if it adds true diversity to your existing portfolio. The fee is the price of entry to a market that is hard for most investors to navigate. Or as Mr Grice puts it: "They know how to do it and you don't."

Fees are a drag. The more they take, the less you keep. And it can be galling to stump up for access. Few asset managers will admit that this is what you are paying for. The best venture-capital funds, for instance, claim they are world-class developers of the startups in their care. But in many ways they resemble elite universities. Because the best students turn up at their door, they are able to charge high fees—not so much for the stewardship of these precious assets, but for the accreditation and the social networks they provide. So be it. Some irritations are best ignored.

RONALD L. KALIEBE, CFA
Former Senior Vice President and Director of Fixed Income, Mairs & Power, Inc.
Former Lead Manager of the Mairs & Power Balanced Fund

Ronald L. Kaliebe joined Mairs & Power in 2001 and was elected Senior Vice President and Director of Fixed Income in 2014. In 2006, Mr. Kaliebe became Co-Manager of the Mairs & Power Balanced Fund and was named Vice President of the Balanced Fund in 2009. In 2013, Mr. Kaliebe was named lead manager of the Mairs & Power Balanced Fund. Additionally, Mr. Kaliebe managed separate accounts for foundations, endowments, insurance companies, union retirement plans and individual investors totaling approximately $1 billion. When Mr. Kaliebe retired on June 30, 2019, the Mairs & Power Balanced Fund was nearly $900 million.

Mr. Kaliebe started his career as a lecturer in Finance at the University of Wisconsin—La Crosse. He then worked as a portfolio manager and research analyst with US Bank (formerly First Bank System/First Trust). Prior to joining Mairs & Power, Inc., he served for many years as Chief Investment Officer for MSI Insurance Companies. Mr. Kaliebe earned a BA and MA in Economics from the University of Wisconsin—Oshkosh and an MBA from the University of Wisconsin—Madison. He is a CFA charterholder and served as president of CFA Society Minnesota in 1999.