



# Florida School for the Deaf & the Blind

*Do More. Be More. Achieve More.*

**MEETING MINUTES**  
**ENDOWMENT INVESTMENT COMMITTEE**  
**April 13, 2018 at 8:00 a.m.**  
**Moore Hall – Room 215, FSDB Campus**  
**St. Augustine, Florida**

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## **Call to Order**

Mr. Terry Hadley called the meeting of the Endowment Investment Committee to order at 8:00 a.m.

## **Attendance**

**Present:** Mr. Terry Hadley (Chairman), Ms. Christine Chapman, Dr. Tom Zavelson

**Board of Trustees:** Mrs. Linda DiGonzalez, Mr. Owen McCaul, Mr. Chris Wagner

**UBS International:** Mr. David Hanvey, Mrs. Lacey Conner

**FSDB:** Dr. Jeanne Prickett

Julia Mintzer

John Wester (Comptroller)

Alison Crozier and Theral Mackey (Budgets & Grants)

Tanya Rhodes and Amy Moring (Advancement)

Michelle Dinberg and Debbie Smith (Interpreters)

Denise Fernandez (Recording Secretary)

## **Approval of Meeting Minutes**

The minutes of the October 27, 2017 Endowment Investment Committee Meeting were *approved on a motion by Dr. Zavelson; seconded by Mr. Hadley.*

## **Public Comment**

None

## **New Business**

- **Endowment Funded Special Projects (Tanya Rhodes)**—Mrs. Rhodes requested the Committee's approval to fund 45 projects from the Endowment fund at \$499,388; five are new. (A comprehensive list of new projects is available in the Office of Advancement.) The total project funding, which includes restricted donations, is \$1,388,491. This amount represents 94 total projects. Mrs. Rhodes also shared that there were no project cuts from last year, but only one project rejection due to its estimated cost of \$800,000. She assured the Committee that her team would address this request by researching opportunities to upgrade FSDB's existing stadium to ensure its efficiency and safety.

Mr. Hadley was pleased to see that \$70,000 was earmarked for communications and marketing to help promote FSDB. Mrs. Rhodes addressed a concern over the Ski Club's membership to which she assured the Committee that every interested student had an opportunity to participate at least one time; rarely had a student participated on more than one occasion. Mrs. Mintzer expressed her satisfaction over the amount of staff that completed well, thought-out project funding requests. The process has extended to below the Administrator level and Mrs. Mintzer lauded Advancement's Director of Development Amy Moring for her role in helping staff

understand and execute the process. Mrs. Rhodes agreed and conceded that these enhancements would not be available to the students without the generous contributions of our donors. She also announced her team surpassed their 2017-2018 fundraising goal with a recent \$30,000 estate tax gift.

- **UBS Update (Dave Hanvey and Lacey Conner)**—Mrs. Conner thanked the Committee for the opportunity to present. She explained that she would kick off their presentation by reviewing the Endowment performance and then turn over the rest of the presentation to Mr. Hanvey for the market update.

- **Performance Review:** Through March 2018, the Endowment's MTD rate of return was down -0.99% compared to the S&P benchmark at -2.54%. The Endowment's YTD rate of return was down -1.4% and up +11.53 for the 2017 year-end period. During the 12 rolling months through March 2018, FSDB stood at +6.47% compared to the benchmarks with which we are familiar: the S&P, the bond index, and custom benchmark. (This is FSDB's portfolio which contains combined risk tolerances.)
- **Asset Allocation:** Mrs. Conner remarked that FSDB's current investment model, compared to the model allocation, provides the necessary diversification to produce the risk that provides long-term growth, produces the income, and adheres to the investment policy. She added that as of close of business, Thursday, April 12, 2018, FSDB's portfolio was up 31 basis points at \$42,869.34 compared to the benchmark at 27 basis points revealing a re-strengthening of our investments.

*She turned the presentation over to Mr. Hanvey.*

- **Market Update:** Mr. Hanvey informed the Committee that the global economy continues to advance, and UBS predicts accelerated, coordinated growth among the economies in the US, Europe and emerging markets. Earnings growth is strong and broad based.

Monetary policy (Federal Reserve and interest rates) continues to normalize and remains supportive—aim is not to “rock the boat” too much. The fiscal stimulus (tax cuts and government spending) is further bolstering growth and inflation, but also introducing some uncertainty. In March, the Federal Reserve increased rates by 25 basis points. Rates are expected to change approximately four times within the year. This has contributed to some market swings and volatility as well.

Mr. Hanvey shared UBS recommendations which included favoring: an overweight to global and EM stocks relative to US government bonds; Eurozone stocks over UK equities within Europe; an overweight to EM hard currency bonds (dollar denominated) and 10-year US Treasuries within fixed income. Within the U.S., we remain overweight large-cap value vs. large-cap growth.

All the major economies and developing emerging markets are undergoing coordinated global growth; no contractions.

Market conditions in 2017 were the calmest on record. Volatility returned “with a vengeance” in February 2018 with a market pullback of about 10% following a steep selloff. There are two reasons for the market swings: 1. Uncertainty—due to factors such as trade war tariffs, corporate earnings, trends, valuations, etc. 2. Inflation—measured by the frequency of market swings (+ or -) which occurred eight times in 2017 vs. 27 times in 2018. The inflation rate remains below the Federal Reserve’s target and is expected to move gradually. If it increases higher than expected, market volatility will be evident. UBS expects market swings to continue and cautions, “keep your seatbelts on.” However, the advantage of volatility is that it has shaken out some of the momentum traders or speculators in the market. There is a heavier concentration placed on company fundamentals and valuation that is a part of UBS’s principles.

FSDB’s modified diversified portfolio is disciplined and in alignment with the Investment Policy.

UBS anticipates an earnings increase of 16% after the first quarter, half of which can be attributed to the tax reform. Mr. Hanvey concedes with public opinion that the market has steadily grown since 2009, but he acknowledges that the rise in earnings is a contributing factor. As long as earnings continue to accelerate, the market will look optimistic.

UBS recommends positioning for growth to be found in global equities, US large-cap value, Europe, the emerging markets, EM Dollar denominated fixed income and the 10-year treasuries.

Mr. Hanvey opined “the worst may be over for bonds” describing the 10-year bond market as having been highly volatile until now when it reached a high of 2.9%. Continued global growth has helped to bolster inflation expectations and a rise in interest rates. It appears as if the market swings for the same bond are going to subside. UBS remains neutral on high yield and investment grade corporate bonds because the spread from the Treasuries to high yield corporate are historically narrow. The upside risk is inflation; downside risks are the trade tension and slowing global growth.

In 2017, large-cap growth measured by the Russell 1000 outperformed large-cap value by 16%. Value stocks tend to do better later in a cycle when there is growth in the economy as is presently occurring. UBS closed the overweight to technology stocks and recommends overweighting energy, financials, and materials sectors as well as reducing the utilities underweight. For the last 10 years, U.S. stocks outperformed international stocks by 2.5 times over the course of its cycle. UBS agrees that there is opportunity to close another big gap in this area. Most importantly, Mr. Hanvey assured the Committee that UBS would remain vigilant and maintain open communications. “We are in good shape outside of the volatility.”

Mr. Hadley complemented Mr. Hanvey and Mrs. Conner on their report.

- **Next Meeting**—September 21, 2018, at 8:00 a.m.

### **Action Items for Consideration**

1. Approval is requested to continue the UBS Client Services Agreement for the 2018-2019 fiscal year. *Dr. Zavelson moved to approve; Ms. Chapman seconded the motion.*
2. Approval is requested to continue the BB&T Banking Services Agreement for the 2018-2019 fiscal year. *Ms. Chapman moved to approve; Dr. Zavelson seconded the motion.*
3. Approval is requested for the proposed Endowment Project Budget for 2018-2019. All projects are within the budgetary guidelines established by the Board of Trustees. *Mr. Hadley moved to approve; Dr. Zavelson seconded the motion.*

### **Adjournment**

The meeting adjourned at 8:30 a.m. by Mr. Hadley.