



# **Florida School for the Deaf & the Blind**

***Do More. Be More. Achieve More.***

**MEETING MINUTES**  
**ENDOWMENT INVESTMENT COMMITTEE**  
**December 13, 2019 at 9:45 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 9:45 a.m.

## **Attendance**

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

**Board of Trustees:** Mr. Owen McCaul, Mr. Matt Kramer, Mrs. Pam Siguler

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

**FSDB:** Dr. Jeanne Pricket

Julia Mintzer

John Wester (Comptroller)

Tanya Rhodes (Advancement)

Denise Fernandez (Recording Secretary)

## **Approval of Meeting Minutes**

The minutes of the April 12, 2019 Endowment Investment Committee Meeting *were approved on a motion by Dr. Zavelson; seconded by Mrs. Chapman.*

## **Public Comment**

None

## **New Business**

**UBS Update (Dave Hanvey and Lacey Conner)**—Mrs. Conner offered the following highlights on the Endowment.

- ***Performance Review:*** Through the end of November 2019, the endowment increased \$231.109 (+1.62%), +16.04% YTD, and +11.53% for the trailing 12 months with a closing portfolio value of \$16,014,766. Dividends and interest income equaled +\$35,047 and accrued interest decreased -\$10,123. During the same period, the Benchmark—Consolidated Blended Index—reflected +1.42%, +14.66%, and +11.84%. Through December 12, 2019, the Endowment increased an additional +0.52%, +16.66% YTD, raising the portfolio value approximately by \$2,427,000.
- ***Asset Allocation:*** Mrs. Conner described the moderate model allocation, which closely resembles the Endowment's allocation, as universally prosperous and in alignment with the investment policy. In keeping with its fiduciary responsibility to the School, UBS continues

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to view market conditions, monitor accounts, consider analyst recommendations, and maintain open communication with the Comptroller.

- **Market Outlook:** Mr. Hanvey advised the Committee that the full UBS report would be available in the office of the Comptroller upon request. He proceeded with the market update.
  - ❖ S&P continues to make *new highs*.
  - ❖ Swings in volatility anticipated in 2020 over the trade war, global central policy, Brexit, and the upcoming election.
  - ❖ The bull market is expected to continue with low recession risk over the next 12 months.
  - ❖ Solid labor markets are supporting consumption growth while inflation lowers.
  - ❖ Global growth is slowing; further upside will have to be realized through earnings.
  - ❖ Potential downturn remains a risk case; addressed with a neutral allocation to equities.
  - ❖ UBS manages the portfolio with quality and discipline.
  - ❖ Higher credit quality favored within fixed income.
- **Market Strategies:** Returns within the market's *late cycle* are experiencing more swings—an upside/downside of 19.7%/12.6% (the average is 6.6%). UBS aims to lower volatility through asset allocation strategies and credit quality.

Debt burdens are lower than in pre-crisis 2008 because of lower interest rates. The average tier 1 capital ratio (which measures the strength of the banks) is higher with the financial sector returning dividends and stock buybacks faster than any other sectors. The private sector is lower than usual. Although perception concerning the economy is shifting to *strongly unfavorable*, Mr. Hanvey's interpretation of the baseline suggests that the Endowment's performance is continuing well.

UBS applies the *reversion to mean* theory when analyzing large cap growth (Amazon, Facebook, Microsoft, etc.) to large cap value (financial and energy companies, etc.) Essentially, it is the assumption that a stock's price will revert to the average price over time. The larger spreads indicate a split between market pricing and costs. Investment managers take the opportunity to capitalize on the S&P and more upscale areas of the market. Mr. Hanvey trusts that there is more value in monitoring the overlooked securities.

- **Summary:** Uncertainty is higher than usual because of the upcoming election, trade negotiations and economic policy. Investment decisions cannot and should not be made on unknown or desired outcomes or else mistakes occur. Therefore, UBS turns off "the noise" and diversifies with quality. With equities, UBS seeks companies that have solid balance sheets and increase their dividend payouts annually. Simultaneously, UBS is increasing the portfolio's credit quality. In a baseline case, Mr. Hanvey doesn't expect rates will spike up since there is much pressure to keep rates lower.

Mr. Hadley complemented the UBS team for their report. He particularly appreciated Mr. Hanvey's assessment of the investment management process which helped provide the Board

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with a better understanding of the influencing decision-making factors that affect the Endowment. He acknowledged the efforts of both UBS and Mrs. Rhodes for its “good growth.”

**Annual Appeal (Mr. Terry Hadley)**—As a condition to contribute to the Endowment, some donors require an acknowledgement that each Board member donates to the School. Mr. Hadley appealed to each member to send a donation by December 31, 2019.

**Next Meeting**—January 24, 2020 at 9:45 a.m. (originally April 3, 2020)

Mr. Hadley requested an additional Endowment Investment Committee meeting on the calendar. The purpose of the meeting would be to present a motion recommending the creation of an endowment allocation (to be used by the Outreach/Enrollment Committee) to help expand outreach and increase enrollment numbers. The funds would be set aside to cover expenses associated with meeting those objectives and any unforeseen needs that arise. Mr. Hadley has reviewed the investment policy and assured the Trustees that they have the authority to recommend the new allocation so long as it complies with policy standards and benefits the students and the school. Furthermore, the new allocation would not adversely impact other existing programs. This meeting would not replace the meeting scheduled on April 3, 2020.

### **Adjournment**

The meeting adjourned at 10:20 a.m. by Mr. Hadley.