

INVESTMENT COMMITTEE

CSD RETIREMENT TRUST
305 ST. LOUIS AVENUE, BOX 254
ST. LOUIS MO 63088

CALL TO ORDER

Members of the Investment Committee of the CSD Retirement Trust met on Wednesday, February 20, 2019, at 10:00 a.m. at Enterprise Bank and Trust, 11401 Olive Boulevard, St. Louis, Missouri. The meeting was called to order at 10:05 a.m. with the following members in attendance: Dwight Lindhorst, Chair Trustee, (Ritenour), John Stewart (Brentwood), Mary Jo Gruber, Trustee (Clayton), Robert Vogelaar, Trustee (Liberty) (via conference call), Kurt Kaup (Orchard Farm), and Brendan Mahon (Washington). Also in attendance were: Ed Hinders (CBIZ), Jack Keller (CBIZ) (via conference call), Alex Saywell (CBIZ) (via conference call), Richard Counts (VALIC), and Stephen Keyser, CSD Retirement Trust.

GUEST IN ATTENDANCE

Phyllis Thomas, Independence School District, participated via conference call.

APPROVAL OF AGENDA

The agenda for the February 20, 2019, Investment Committee meeting was presented and accepted with no changes.

MINUTES

Minutes for the November 14, 2018, Investment Committee meeting were presented for approval. There being no corrections to the minutes, upon motion made by Mr. Stewart and seconded by Mr. Kaup, the minutes were unanimously approved as presented.

FIDUCIARY GOVERNANCE SOLUTION

Success Tracker

Mr. Hinders presented Committee members with the most recent Success Tracker report, noting that it reflected Fourth Quarter activities (October 1-December 31, 2018). Success Tracker, a tool that provides a checklist of fiduciary responsibilities for governance of the Trust, reflects past tasks and activities, recent/current activities, and those tasks and activities that are to be done in the future. It is a living document, meaning it is continually updated, and it can be amended as Trust needs change. There were no questions regarding Success Tracker.

Annual Summary of Activities

The Investment Committee was presented the Annual Summary of Activities. Mr. Hinders explained that the report summarizes the Investment Committee's activities for the past fiscal year and how those activities fulfilled its fiduciary responsibilities. Specific activities contained in the report were Investments, Fees and Expenses, Fiduciary Governance, and Participant Education/Communication. It was noted that the header at the top of the report should be changed to read Summary of "*Investment*"

Committee Activities, in lieu of “*Retirement*” Committee. (This was subsequently corrected on the report update.)

Annual Consultant Review

Mr. Hinders presented the Annual Consultant Review report, a summary of background information on some of CBIZ Registered Plan Services certifications, memberships, industry awards, and credentials for the consulting team. Of particular note were the CEFEX (Centre for Fiduciary Excellence) certifications and registrations. CEFEX is an independent global and assessment certification organization that provides comprehensive assessment programs to improve risk management for institutional and retail investors. By maintaining these certifications, CBIZ demonstrates it incorporates and conducts industry best practices.

Mr. Hinders also pointed to the list of Publications and Speaking Events contained in the report. He and members of his management team continually seek opportunities to publish articles and speak at conferences and forums on current and relevant topics related to the financial industry.

FIDUCIARY REGISTERED INVESTMENT ADVISORY SOLUTION

Fourth Quarter Investment Review

Alex Saywell, Investment Analyst for CBIZ, presented the Fourth Quarter Investment Review. She reported there has been significant market volatility over the past three months, and the market has been very different in the last month and one half. December recorded the worst losses since the Great Depression, with the S&P 500 being off by some 20 percent since its peak in September. Small caps and technology were hit particularly hard. The gridlock in Washington resulting in a partial government shutdown, the ongoing trade dispute with China, and increased short-term interest rates by the Federal Reserve contributed to the decline. Despite this, the US economy continued to expand, and the unemployment rate at 3.7 percent remains low.

Total returns on fixed income securities were generally positive across the various market segments. In the Domestic Equity category, the Russell 1000 Index of large cap stocks generated a -13.8 percent total return. Within the large cap segment, growth stocks underperformed value stocks. Small cap stocks, as represented by the Russell 2000 Index, far underperformed large caps, and finished the quarter with a -20.2 percent return. Small cap value outperformed small cap growth.

The ten primary economic sectors produced performance results that were extremely weak during the quarter. Utilities, Consumer Staples and Healthcare were the strongest performers, with Energy, Industrials and Information Technology as the poorest performers.

Ms. Saywell continued her report by pointing out the market valuation analysis. After adjusting to the volatile market conditions, the price-to-earnings trend signals a potentially oversold market.

Driven by rising interest rates in the US and the global trade environment, international stocks generally posted results in line with US equities. Emerging markets performance was again negative, posting losses at -7.5 percent.

Ms. Saywell concluded her market report by stating that overall things look good for 2019 and should end in the positive. We continue to be in one of the longest bull markets on record, and negative swings are to be expected. The big question is, “Will there be a recession in 2019 or 2020?” While there is no way to know for certain, it appears there will most likely be a pullback in the market in 2020.

Ms. Saywell continued her analysis by reviewing Trust investments. Two funds came off the Watch List—T Rowe Price Equity Income and Vanguard Mid Cap Growth Inv. Two funds remain on the Watch List—Vanguard Selected Value Inv and Goldman Sachs Bond R6. Both funds were placed on the Watch List in September 2018, and it is recommended that these two funds continue to be monitored.

The interest rate for the VALIC Fixed Interest Option is crediting at 2.0 percent through December 31, 2018.

Ms. Saywell continued with an analysis of holdings. She reported a drop of about \$9 million in 403(b) plan assets since the end of the third quarter due to underperformance. Mr. Lindhorst inquired about net flow, and Mr. Counts stated that the Trust continues to receive a positive net flow of about \$1 million per month in 403(b) assets. Ms. Saywell reported a drop of about \$1.3 million in 457(b) plan assets since the end of September. In reviewing investments by style, there was a slight decrease in domestic equity investments.

The Monitoring Report was reviewed in detail. Ms. Saywell reported that Goldman Sachs remains on the Watch List due to underperformance, risk adjusted returns, and up-capture metrics. Recent losses in high-yield corporates, and smaller positions in Puerto Rican and Venezuelan bonds were contributing factors. Below average returns and the portfolio's elevated volatility caused the fund to lag in its category. Personnel changes over the last several years have also contributed to the fund's management strategy. Ms. Saywell reported that as of today, the fund regained some of the ground it lost. The fund has provided investors with solid long-term returns, and it is recommended that the fund continue to be monitored. Vanguard Selected Value continues to remain on the Watch List due to its three- and five-year performance. The fund's trailing returns ranked it in the bottom quartile of the Morningstar mid-cap value category. Underperformance is attributed to exposure to international equities, overweight allocations to financial and industrial sectors, resulting in the fund missing out on better performing areas of the market. Risk-adjusted returns missed minimum thresholds. It is recommended that this fund remain on the Watch List to be monitored.

Ms. Saywell then reported on Vanguard Target Retirement Funds. The funds include domestic, international and emerging market equities and fixed interest investments. She reviewed the three-year and five-year standard deviations.

The VALIC Fixed Interest Factsheet was presented to the Committee. VALIC's Comdex rating was reported to be 81 out of a possible 100 total points. The score of 81 is considered to be a strong score. The Comdex Rating will be reported on an annual basis.

The Committee was presented the "Since Inception" report, a listing of funds included in the CSD Retirement Trust since its inception in 2010, with each fund's respective annualized return and cumulative return.

ADJOURNMENT

The purpose of the meeting having been accomplished, and upon motion made by Mr. Stewart and seconded by Mr. Kaup, the meeting was unanimously adjourned at 11:05 a.m.

Respectfully submitted,
Elise Reineck
Recording Secretary
CSD Retirement Trust