

Bedford County

Investment Meeting Minutes

Minutes of the Investment Meeting for the **Bedford County Employees' Retirement Fund** review held via ZOOM on Thursday, November 12, 2020 @ 11AM.

In attendance were Bedford County Commissioners Deb Baughman, Josh Lang, and Barry Dallara. Also, in attendance was Treasurer Melissa Cottle of Bedford County. Christopher Lakatosh and Malcolm Cowen were present from Cornerstone Advisors Asset Management, LLC.

- The meeting began with Cornerstone reviewing the macroeconomic environment utilizing the Index Flash Report through September 30, 2020.

The third quarter of 2020 continued to be a positive quarter across all asset classes highlighted in the Index Flash Report. Market trends seen in the second quarter continued throughout the first two months of the third quarter where growth outpaced value, large cap outperformed small cap, and domestics over international. The month of September saw a small shift in prior trends as value outperformed growth slightly and international outperformed domestic. Overall for the third quarter the trends seen earlier in the quarter held as the S&P 500 gained 8.9% compared to 6.25% for the MSCI ACWI ex US index. The S&P 500 and Russell: 3000 index turned positive year to date by the end of the third quarter. The MSCI ACWI ex US is still negative for the year. Even with rates floating around all-time lows fixed income continues to have positive returns. The Bloomberg Aggregate index returned a positive 2.7%, high yield index nearly doubled that returning 4.6%.

Cornerstone discussed the COVID situation and its impact on developed countries and regions around the world. Increased cases and economic shutdown mandates internationally have shaken the market domestically and internationally. Leading economic indicators have shown some signs of recovery through the third quarter but not to full recovery compared to precovid levels. Cornerstone discussed areas where government support through fiscal stimulus is needed for further economic recovery along with upcoming inflation targets and dollar/foreign currency valuations. The discussion concluded on points on growth/value and how value stocks are at historic levels being extremely undervalued compared to growth.

- After reviewing the markets and current industry trends, Cornerstone moved on to reviewing the retirement fund. This review encompassed the cash flow, overall asset allocation, and investment returns. Please see the attached excerpt from this quarter's review book for more information.
- The Bedford County Employees' Retirement Fund had a beginning value of \$12,331,432 for the quarter ending September 30, 2020. There was income of \$47,933. Contributions for the quarter were \$0. Transfers were \$0. There was \$21,149 in expenses. There were withdrawals of \$387,110. There was an increase in market value of \$670,499. The Plan ended the quarter with a balance of \$12,641,604. The calculated weighted average performance was 5.81% for the 3rd quarter. This compares to a blended benchmark of 5.74%.

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- As of September 30, 2020, the overall asset allocation of the plan is 41.4% in Domestic Equities, 19.2% in International Equities, 23.7% in Domestic Fixed Income, 13.1% in Alternatives, and 2.7% in Cash & Equivalents.
- The meeting continued with a discussion on manager performance. It was noted that there were three areas where there was softness relative to benchmark for the quarter. Two of these include the alternatives in AQR and Eaton Vance which are strategy driven. The other is Conestoga, a very concentrated portfolio, which although underperformed by ~2% for the quarter, is still up plus 13% year-to-date. Therefore, it is still succeeding beyond expectation. Cornerstone noted the importance of highlighting short-term returns versus long-term focus and why it is important to not always react on quarterly performance reports.
- Cornerstone also reviewed the Super PEP and noted that the portfolio exceeded benchmarks in every time period, well above median, in terms of return. It has been in the top third of the peer group since inception giving it very strong up and down-market capture.
- The meeting concluded with a discussion on some of the high beta standard deviation numbers. Cornerstone will look to update targets and investment policy targets when the capital market forecast is reviewed during the 1st quarter of 2021. As of now, the numbers are double digit above and below targets, whether it's equity or fixed income. Therefore, Cornerstone is looking to align these closer to what is in fact being done.
- With no other administrative items, the meeting adjourned at 12PM.

Bedford County Retirement Fund

Cash Flow Summary

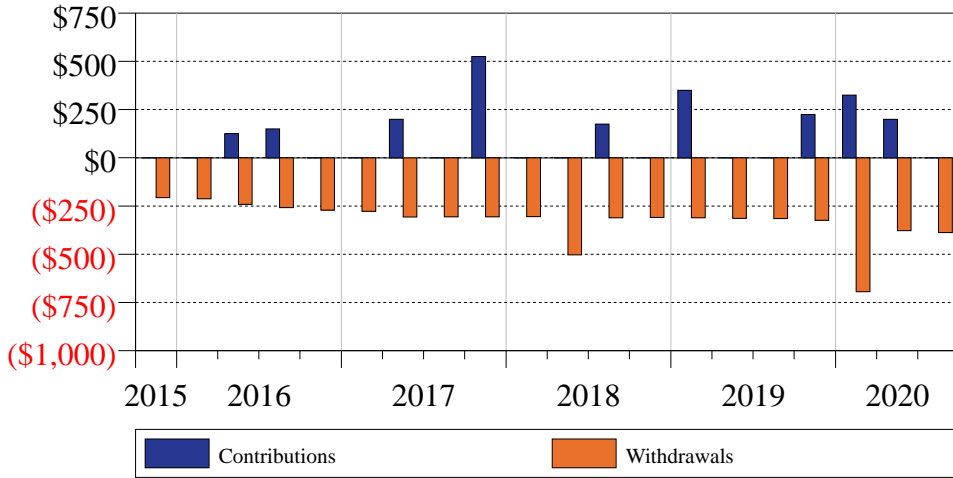
1 Quarter ending September 30, 2020

	Beginning Market Value	Income	Contributions	Transfers	Expenses	Withdrawals	Change in Market Value	Ending Market Value
American Funds Wash;F-3	\$869,503	\$4,826	\$0	\$0	\$0	\$0	\$46,497	\$920,827
Invesco Eq-Wtd 500;R6	\$705,390	\$0	\$0	\$0	\$0	\$0	\$47,583	\$752,973
Vanguard Lg-Cp Idx;Adm	\$1,497,049	\$6,396	\$0	\$0	\$0	\$0	\$139,119	\$1,642,563
Harbor:Cap Apprec;Inst	\$964,705	\$0	\$0	(\$150,000)	\$0	\$0	\$146,085	\$960,790
Diamond Hill Sm Cap;I	\$400,308	\$0	\$0	\$0	\$0	\$0	\$23,737	\$424,045
Conestoga Small Cap;Inst	\$519,523	\$0	\$0	\$0	\$0	\$0	\$14,190	\$533,713
Domestic Equity	\$4,956,478	\$11,222	\$0	(\$150,000)	\$0	\$0	\$417,211	\$5,234,911
American Funds EuPc;F-3	\$1,201,399	\$0	\$0	(\$100,000)	\$0	\$0	\$117,062	\$1,218,461
Vanguard Tot I Stk;Adm	\$1,131,334	\$7,667	\$0	\$0	\$0	\$0	\$65,598	\$1,204,599
International Equity	\$2,332,734	\$7,667	\$0	(\$100,000)	\$0	\$0	\$182,660	\$2,423,061
CS McKee Aggregate	\$2,104,026	\$12,431	\$0	\$0	(\$6,169)	\$0	\$12,561	\$2,122,849
Lord Abbett Sh Dur;R6	\$858,371	\$6,519	\$0	\$0	\$0	\$0	\$6,220	\$871,111
Domestic Fixed Income	\$2,962,398	\$18,950	\$0	\$0	(\$6,169)	\$0	\$18,781	\$2,993,960
Nuveen Pref Secs;I	\$347,817	\$4,725	\$0	\$0	\$0	\$0	\$14,271	\$366,812
ALPS/CC Mgt CC S;I	\$293,130	\$0	\$0	\$0	\$0	\$0	\$27,026	\$320,156
Cohen&Steers Inst RS	\$307,405	\$2,017	\$0	\$0	\$0	\$0	\$7,036	\$316,458
AQR Alternative Risk Prem	\$286,505	\$0	\$0	\$0	\$0	\$0	\$2,681	\$289,186
Eaton Vance Gl M AR;I	\$357,659	\$3,346	\$0	\$0	\$0	\$0	\$832	\$361,838
Alternative	\$1,592,516	\$10,088	\$0	\$0	\$0	\$0	\$51,847	\$1,654,451
Wilmington:US G MM;Inst	\$487,307	\$6	\$0	\$250,000	(\$14,981)	(\$387,110)	\$0	\$335,222
Cash & Equivalents	\$487,307	\$6	\$0	\$250,000	(\$14,981)	(\$387,110)	\$0	\$335,222
Total Portfolio	\$12,331,432	\$47,933	\$0	\$0	(\$21,149)	(\$387,110)	\$670,499	\$12,641,604

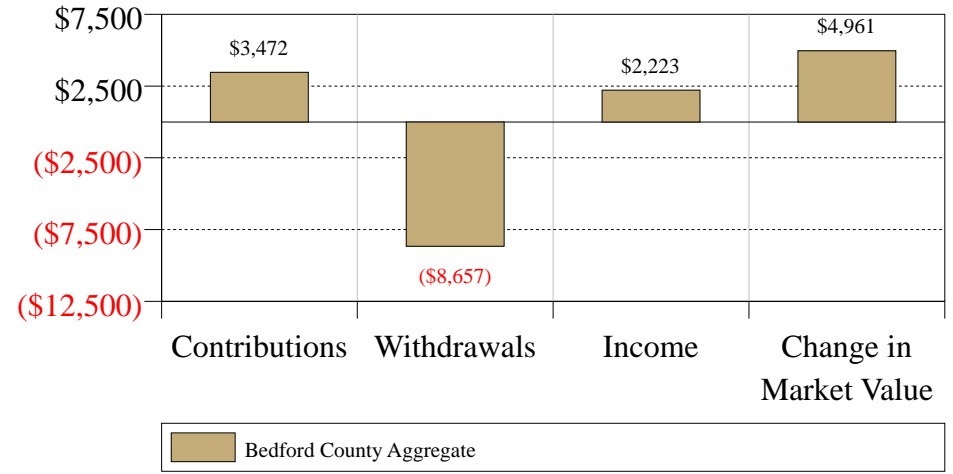
Bedford County Retirement Fund

Historical Cash Flow

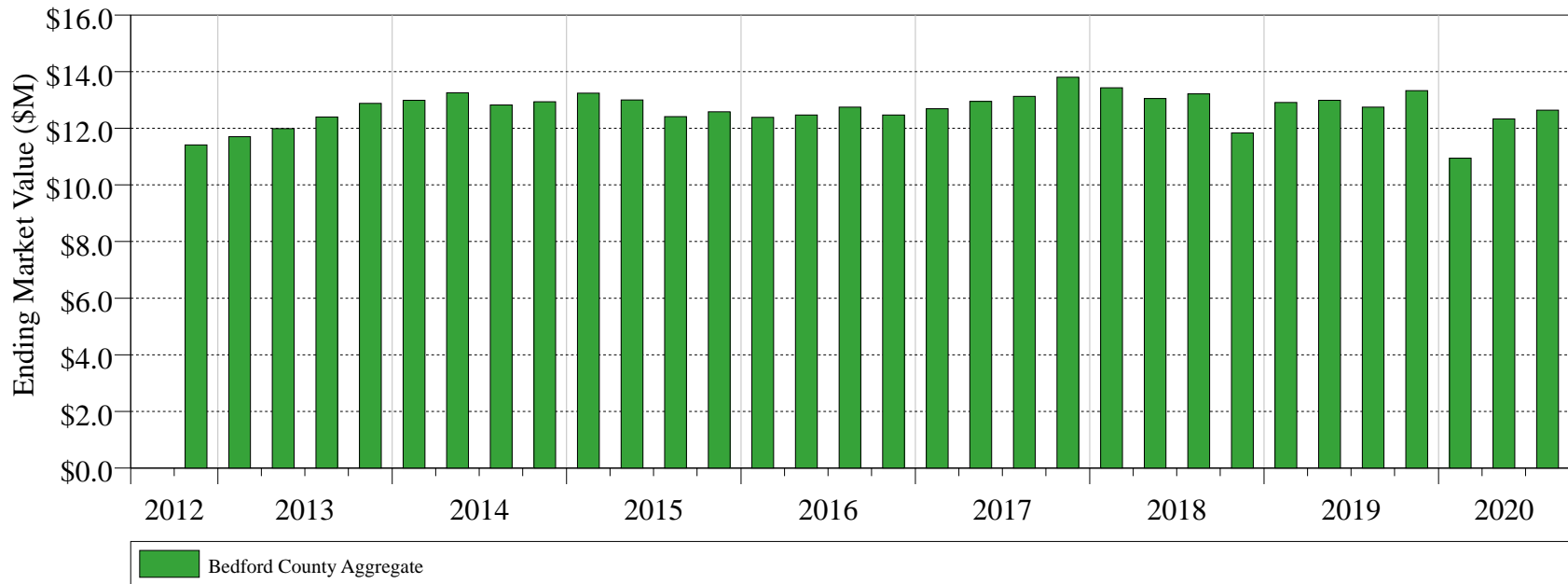
Quarterly Cash Flows for 5 Years (\$K)



Portfolio Appreciation (\$K) Since Inception



Ending Market Value Since Inception (July 1, 2012)



Bedford County Retirement Fund

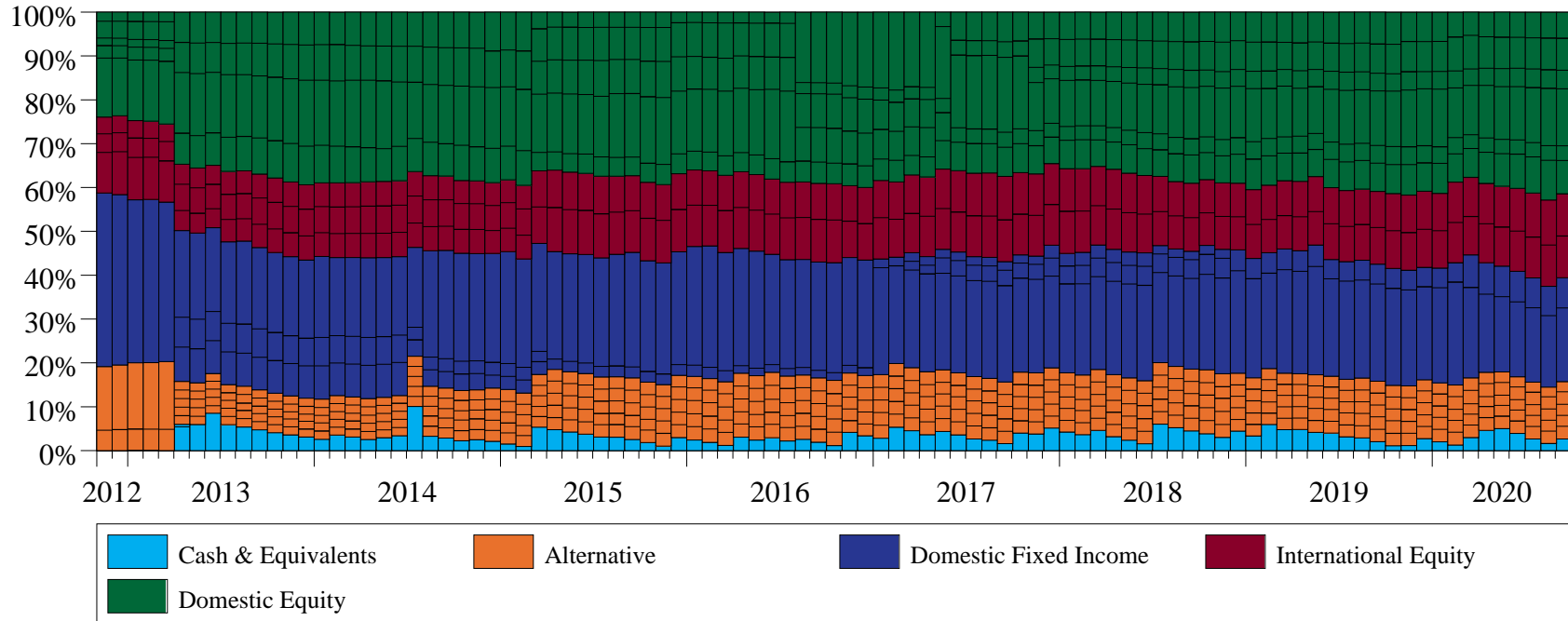
Asset Allocation

1 Quarter Ending September 30, 2020

	Beginning Weight	Ending Weight	IPS Tgt Weight	Deviation
Domestic Equity	40.2%	41.4%	35.0%	6.4%
International Equity	18.9%	19.2%	15.0%	4.2%
Domestic Fixed Income	24.0%	23.7%	35.0%	(11.3%)
Alternative	12.9%	13.1%	10.0%	3.1%
Cash & Equivalents	4.0%	2.7%	5.0%	(2.3%)
Total Portfolio	100.0%	100.0%	100.0%	

	Beginning Market Value	Ending Market Value	Transfers
Domestic Equity	\$4,956,478	\$5,234,911	(\$150,000)
International Equity	\$2,332,734	\$2,423,061	(\$100,000)
Domestic Fixed Income	\$2,962,398	\$2,993,960	\$0
Alternative	\$1,592,516	\$1,654,451	\$0
Cash & Equivalents	\$487,307	\$335,222	\$250,000
Total Portfolio	\$12,331,432	\$12,641,604	\$0

Actual Allocation for Since Inception Ended September 30, 2020



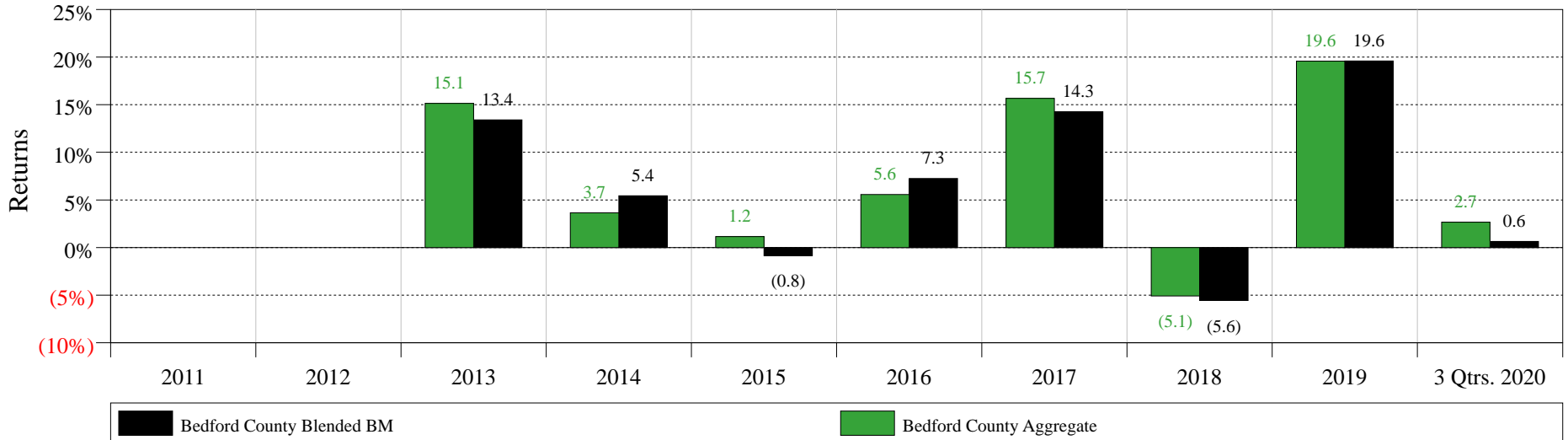
Bedford County Retirement Fund

Net Portfolio Performance

Net Performance for 1 Quarter Ending September 30, 2020

	Ending Weight	Returns	Beginning Market Value	Ending Market Value
Domestic Equity	41.4%	8.78%	\$4,956,478	\$5,234,911
International Equity	19.2%	8.12%	\$2,332,734	\$2,423,061
Domestic Fixed Income	23.7%	1.27%	\$2,962,398	\$2,993,960
Alternative	13.1%	3.89%	\$1,592,516	\$1,654,451
Cash & Equivalents	2.7%	0.00%	\$487,307	\$335,222
Total Portfolio	100.0%	5.81%	\$12,331,432	\$12,641,604
<i>Bedford County Blended BM</i>		5.74%		

Calendar Year Net of Fee Returns



Bedford County Retirement Fund

Manager Performance

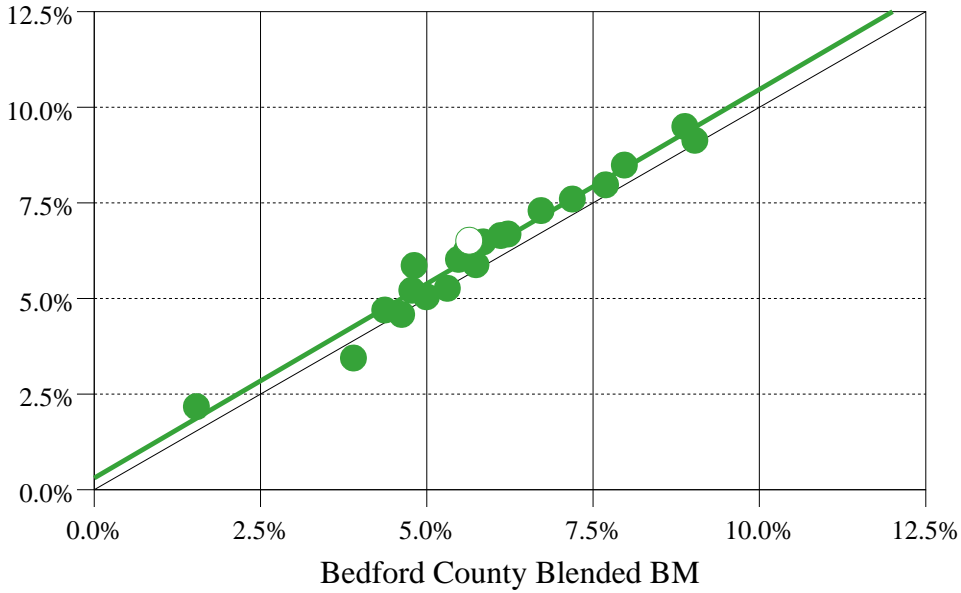
1 Quarter Ending September 30, 2020

	Benchmark Name	Ending Weight	Returns	Excess Return	Beginning Market Value	Ending Market Value
American Funds Wash;F-3	Russell:1000 Value	7.3%	5.90%	0.31%	\$869,503	\$920,827
Invesco Eq-Wtd 500;R6	S&P 500 Eq Wt	6.0%	6.75%	0.00%	\$705,390	\$752,973
Vanguard Lg-Cp Idx;Adm	CRSP:U.S. Large Cap Index	13.0%	9.72%	(0.01%)	\$1,497,049	\$1,642,563
Harbor:Cap Apprec;Inst	Russell:1000 Growth	7.6%	15.83%	2.62%	\$964,705	\$960,790
Diamond Hill Sm Cap;I	Russell:2000 Index	3.4%	5.93%	1.00%	\$400,308	\$424,045
Conestoga Small Cap;Inst	Russell:2000 Index	4.2%	2.73%	(2.20%)	\$519,523	\$533,713
American Funds EuPc;F-3	MSCI:ACWI ex US Growth	9.6%	9.67%	(0.49%)	\$1,201,399	\$1,218,461
Vanguard Tot I Stk;Adm	FTSE:Gl All Cap ex US Idx	9.5%	6.48%	(0.23%)	\$1,131,334	\$1,204,599
CS McKee Aggregate	Blmbg:Aggregate Index	16.8%	1.19%	0.57%	\$2,104,026	\$2,122,849
Lord Abbett Sh Dur;R6	Blmbg:Gov/Credit 1-3	6.9%	1.48%	1.25%	\$858,371	\$871,111
Nuveen Pref Secs;I	S&P:US Pref Index	2.9%	5.46%	(1.65%)	\$347,817	\$366,812
ALPS/CC Mgt CC S;I	Blmbg:Commdty Idx	2.5%	9.22%	0.18%	\$293,130	\$320,156
Cohen&Steers Inst RS	FTSE:NAREIT Equity Index	2.5%	2.95%	1.51%	\$307,405	\$316,458
AQR Alternative Risk Prem	CS:All Hedge Idx	2.3%	0.94%	(1.47%)	\$286,505	\$289,186
Eaton Vance Gl M AR;I	CS:Global Macro	2.9%	1.17%	(3.40%)	\$357,659	\$361,838

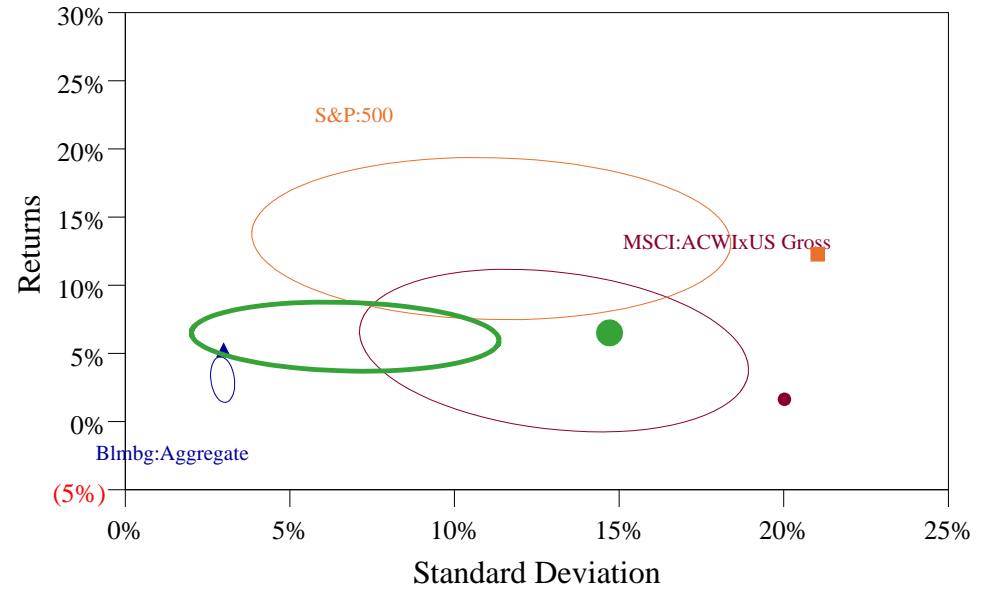
Bedford County Retirement Fund

Historical Net Performance

Rolling 12 Quarter Net of Fee Returns Comparison



Scatter Chart: Since Inception (July 1, 2015)



Since Inception (October 1, 2012) Net of Fee Drawdown

