

BEDFORD COUNTY RETIREMENT BOARD

December 5, 2017

A meeting of the Bedford County Retirement Board was held on Tuesday, December 5, 2017. The meeting began at 2:00 p.m.

Those present were: Commissioner Josh Lang; Commissioner Barry L. Dallara; Commissioner S. Paul Crooks; Melissa A. Cottle, Treasurer; and Debra Brown, Chief Clerk., Mike Clapper, Finance Director; and Malcolm L. Cowen, II, President of Cornerstone.

There was no old business to discuss.

Mr. Cowen began the presentation discussing the Bedford County Retirement Fund:

Retirement Fund for Bedford County:

- He gave an overview of the flyer for month ending October 31, 2017. He stated that September 2017 was outstanding; a good 4th quarter with 12-13 straight month of positive markets.

Cash Flow Summary:

3rd Quarter ending September 30, 2107:

- Mr. Cowen gave a brief overview of the Asset Class Benchmark Performance Summary, explaining the growth and values up in the total portfolio.
- The Blended Benchmark Performance: the overview of the 10 year for stock (bonds) showing high returns and low volatility; low risk on portfolio with 40% - 100 % stock risk adjustments.
- The S & P 500 Historic Levels are up for the 3rd quarter.
- The VIX Days Under 10: are at 10 or below for year ending in 2016. The 31 days are down; complacent with investors.
- A Virtuous Cycle; the S & P is way above trend, unemployment is low.
- Bonds Saying, "Not So Fast"?; the short term is up, long term is stuck, the economy is showing growth.
- Short-Term Rate Trajectory; the dot plots are members of the Federal open market; green line is the median responses; 3% normalization, white and purple lines are future interest rates of bonds.
- Quality Dispersion; low quality stocks (b) or below doing well; high quality does better in market; junk out performed quality
- Do Earnings Matter?; during the Bull Market negative earnings, low quality; the Bear Market was high. The rolling 7 year plan leaning into growth.

Cash Flow Summary:

- Mr. Cowen gave a brief overview on the Total Portfolio; beginning market value at \$13,953,664 and ending market for November 2017 at \$14,484,200.
- Historical Cash Flow: withdrawals have increased in the 5 year span.
- Asset Allocation: shows deviation in the Domestic Fixed Income and Cash & Equivalents.
- Net Portfolio Performance: bottom line performances are at 3.89% on returns for Total Portfolio and 3.26% on Benchmark Performance. Net of Fee Returns for period ending September 30, 2017 are at Benchmark Performance at 3.89%, top 2% performance in country, the year to date is at 11.56 (7%), for one year at 11.69 (21%), up in the last 5 years.
- Manager Performance: The Manager Matrix for 3 months ending is showing large growth with Harbor showing the best return at 2.73% excess return. Mr. Cowen gave an overview of the running percentiles on the entire matrix manager, noting the growth stocks map performances.
- The Attribution Statistics (analysis): chart shows Information Technology over weight, materials under weight, but still benchmarking at 1.73; best in quarter. Mr. Cowen then talked briefly about FANGS (Facebook, Apple, Netflix, Microsoft).

- Mr. Cowen then spoke about Conestoga (Asset Management); on the scatter chart up at 19.5% per year on standard deviation for 3 years; returns are up at 10.6 (14%) for the last 10 years.

Blended BM:

- The Scatter Gram Chart for October 1, 2012 shows that returns are up for the quarter
- The Risk Analysis show the Beta higher at 0.97 (24%) median and Standard Deviation at 4.67 (24%) median; (Beta) the green median line is at 0.94, the white median line is for peer groups, (Standard Deviation) the green line is at 4.54 (24%) running average. Mr. Cowen stated that Conestoga only owns high quality products.
- Risk/Return Analysis; shows risk adjusted measures shown on graphs; on the Information Ratio, Treynor Ratio and Sortino Ratio – Mr. Cowen identified the values and risks of each in the portfolio. On the Up & Down Market Capture Market; the UP Market Capture is up at benchmark 98.99 (25%), the Down Market Capture is down at 78.49 (39%), the 20 point spread is excellent per Mr. Cowen.

Survey Results:

- Mr. Cowen reviewed the questions in the survey results flyer for November 2017, providing explanations on all the questions.

There was no other business to be discussed.

The meeting closed at 2:55 p.m.

ATTEST:

Debra Brown, Chief Clerk/Director of Elections

S. Paul Crooks, Secretary