



Douglas La Follette, *Secretary of State*
Matt Adamczyk, *State Treasurer*
Brad D. Schimel, *Attorney General*

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Jonathan Barry, *Executive Secretary*

AGENDA

May 15, 2018

2:00 P.M.

Board of Commissioners of Public Lands
101 E. Wilson Street, 2nd Floor
Madison, Wisconsin

Routine Business:

- 1) Call to Order
- 2) Approve Minutes – May 1, 2018 (Attachment)
- 3) Approve Loans (Attachment)

Old Business:

- 4) Update: Three Lakes School District Land Purchase Request (Attachment)

New Business:

- 5) Discuss and Vote on Staff Attendance at Western States Land Commissioners Association 2018 Summer Conference in Duluth, Minnesota, July 8 – 12

Routine Business:

- 6) Future Agenda Items
- 7) Executive Secretary's Report (Attachments)
 - 2018 Q1 Investment Report – March 31, 2018
 - Monthly Portfolio Report – Fixed Income – April 30, 2018
 - Monthly Portfolio Report – Public Equity Income – April 30, 2018
 - Investment Transaction Report – May 11, 2018
- 8) Adjourn

AUDIO ACCESS INFORMATION

Toll Free Number: **(888) 291-0079**
Passcode: **6363690#**

**BOARD MEETING
MAY 15, 2018**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the May 1, 2018, board meeting.

Board Meeting Minutes
May 1, 2018

Present via teleconference were:

- | | |
|---|--|
| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| Brad Schimel, Board Chair | Attorney General |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |
| Zach Ramirez | Legislative Council |
| Rachel Snyder | Legislative Council |
| Nick Krueger | Rep. Katsma’s Office |

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:04 p.m.

ITEM 2. APPROVE MINUTES – APRIL 17, 2018

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Beloit Rock County Application #: 02018138 Purpose: Construct public works building	Town Rate: 3.50% Term: 2 years	General Obligation	\$4,707,511.00
2. Calamus Dodge County Application #: 02018140 Purpose: Purchase snowplow truck	Town Rate: 3.75% Term: 5 years	General Obligation	\$118,000.00
3. Fox Lake Dodge County Application #: 02018136 Purpose: Refinance bonds dated 9/23/2008	City Rate: 4.00% Term: 10 years	General Obligation	\$316,500.00
4. Rochester Racine County Application #: 02018137 Purpose: Purchase defibrillators	Village Rate: 4.00% Term: 10 years	General Obligation	\$63,750.00

5.	Wyoming	Town	General Obligation	\$50,000.00
	Iowa County	Rate: 4.00%		
	Application #: 02018139	Term: 2 years		
	Purpose: Purchase tractor and accessories			
		TOTAL		\$5,255,761.00

MOTION: Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion.

DISCUSSION: Commissioner La Follette asked if staff could explain the lack of school district borrowing from the State Trust Fund Loan program. Deputy Secretary German replied that the bond market is typically used to finance school products due to the tax exempt nature of the borrowing.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 4. FUTURE AGENDA ITEMS

None.

ITEM 5. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry informed the Commissioners that staff from the Legislative Council and a representative from Rep. Terry Katsma's office were present for the meeting. He reported that they are gathering information on the Board's operations and the issues related to the scope of study for the proposed Legislative Council Study Committee, which will review statutes governing the Board's Trust Fund investments.

Commissioner La Follette asked if members have been appointed to the study committee. Mr. Ramirez replied that Rep. Katsma, and Sen. Lena Taylor have been appointed as chair and co-chair, respectively. If a member of the public is interested in being appointed to the committee, a statement of interest and resume should be sent to the Legislative Council office, Rep. Katsma's office, or Sen. Taylor's office. The chairs of the Joint Legislative Council then review the information submitted and provide a recommended membership list to the entire Joint Legislative Council for a vote.

Commissioner La Follette expressed concern that those entities who benefit from the programs BCPL administers (i.e., public school libraries, municipalities, school districts, etc.) have representation on the study committee. Mr. Ramirez directed that those parties follow the process outlined on the Legislative Council's website. In addition, individuals could also be recommended.

Mr. Ramirez said that the co-chairs would be meeting on May 9 to begin the process of reviewing applications. The co-chairs would then determine the timeline for the study committee. Board Chair Schimel reported that he had received a letter of interest from the WI Educational Media and Technology Association (WEMTA). Executive Secretary Barry confirmed that WEMTA had also submitted their letter of interest to the co-chairs of the study committee. In addition, the Towns Association and League of WI Municipalities will be or already have submitted letters of interest.

Executive Secretary Barry referred the Board to the investment transaction report that was included in the board meeting packet. Staff sold a TIP bond two days after it was purchased to realize a profit of over \$106,000, which will be added to the Common School Fund earnings for distribution in 2019. Approximately 4.5%, or \$50 million, of the Common School Fund is currently invested in the lower yielding but liquid State of Wisconsin Investment Fund earning today about 1.74%. The reason for maintaining this liquidity is to be positioned to meet some anticipated near-term investment opportunities/commitments. Staff tracks present and projected fund cash positions closely and, for example, is currently projecting a low of \$9 million in August 2018.

ITEM 6. ADJOURN

The meeting adjourned at approximately 2:16 p.m.



Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.
Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2018-05-01_BCPL-BoardMtgRecording.mp3.

**BOARD MEETING
MAY 15, 2018**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Sun Prairie Dane County Application #: 02018143 Purpose: Purchase economic development land	City Rate: 4.25% Term: 10 years	General Obligation	\$3,589,000.00
2. Washington Green County Application #: 02018141 Purpose: Purchase snowplow truck	Town Rate: 4.00% Term: 7 years	General Obligation	\$225,000.00
3. Washington Green County Application #: 02018142 Purpose: Finance bridge reconstruction	Town Rate: 4.00% Term: 7 years	General Obligation	\$90,000.00
TOTAL			\$3,904,000.00

**BOARD MEETING
MAY 15, 2018**

**AGENDA ITEM 4
UPDATE: THREE LAKES SCHOOL DISTRICT
LAND PURCHASE REQUEST**

Attachment: Appraisal Certification Page

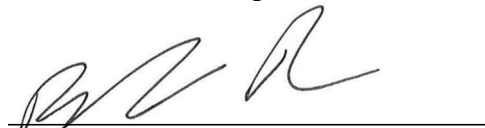
Certification

I certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and legal instructions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the "Uniform Appraisal Standards for Federal Land Acquisitions."
- The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice.
- Mr. Schummer and Mr. Johnson personally field inspected the subject property, which is the subject of this report, on April 10, 2018. The comparable sales were field inspected by the qualified staff of Compass Land Consultants, Inc., on various dates in 2016 and 2018.
- The landowner's representative, Micah Zeitler, was contacted and invited to accompany the appraiser during the subject property's inspection. Mr. Zeitler was unable to join the appraiser during the property inspection.
- It is my opinion that the subject property has a value of \$63,000 as of April 10, 2018.



Daniel T. Schummer
Real Estate Specialist
Wisconsin CGA #2145-10
(Expires 12/14/2019)



Douglas L. Johnson
Appraisal Assistant

**BOARD MEETING
MAY 15, 2018**

**AGENDA ITEM 7
EXECUTIVE SECRETARY'S REPORT**

Attachments

- 2018 Q1 Investment Report – March 31, 2018
- Monthly Portfolio Report – Fixed Income – April 30, 2018
- Monthly Portfolio Report – Public Equity Income – April 30, 2018
- Investment Transaction Report – May 11, 2018

BCPL Trust Fund Investment Report - First Quarter 2018

Executive Summary

BCPL fixed-income investment performance continues to exceed benchmark returns. The risk-adjusted return in BCPL-managed fixed-income portfolios was 0.66% greater than benchmark yields in the first quarter.

In late January, the BCPL Investment Committee authorized the investment of \$1 million per week in select common stock ETFs, with additional purchases to be made as appropriate under certain conditions. Staff completed ETF purchases totaling \$13 million during the quarter, accounting for slightly over 1% of Common School Fund (CSF) assets.

On February 14, BCPL closed on an investment of \$3.6 million in 4490 Ventures II Limited Partnership. BCPL had previously committed to investing up to \$15 million over 5 years in this venture capital fund.

BCPL has reached a preliminary agreement to purchase a bond backed by a portfolio of five multifamily mortgage loans from the Wisconsin Housing and Economic Development Authority (WHEDA) totaling approximately \$25.6 million. This transaction is expected to close mid-May.

Fixed Income

The benchmark 10-year Treasury rate rose dramatically from 2.40% to 2.95% during the first two months of 2018, then settled back down to 2.74% by the end of March. Market expectations are for rates to continue higher over the next year, which may eventually lead to higher distributable income for beneficiaries. However, higher rates also result in an immediate decline in the value of bonds and loans already held in the portfolio. For example, the CSF bond portfolio had unrealized gains totaling \$8.5 million at the end of 2017 and these paper gains had completely evaporated by the end of this quarter. Fixed-income investors need to remember that paper gains and losses are somewhat meaningless until the asset is sold and that bonds pay full par value at maturity.

The primary strategies available to avoid (paper) losses in a fixed-income portfolio during a period of rising interest rates is to hold either variable rate or short-term securities (cash). Variable rate and short-term securities generally have lower yields (remember that the State Investment Fund paid near 0% for many years) and investors that purchase these securities are sacrificing current income for lower price volatility. BCPL staff currently prefers bonds in the 10 to 15-year range because of higher available yields and our mandate to provide a stable distribution to Trust Fund beneficiaries. While these longer maturity bonds will have greater fluctuations in value, staff manages the bond portfolio so that BCPL is not forced to sell an asset at a loss.

Public Equities

The CSF Investment Policy Statement (IPS) includes a 15% target asset allocation to public equities (a total of approximately \$160 million). During 2017 BCPL staff maintained patience in executing this allocation as stock indices continued to reach record high levels. With a pullback in stock prices during the first quarter of 2018, the BCPL Investment Committee authorized the investment of \$1 million per week in select common stock ETFs. The Investment Committee will maintain vigilance regarding current and expected market conditions and the pace of ETF acquisitions.

The Vanguard Group was selected as the external manager of the public equity allocation due to extremely low

management fees on a broad array of passively-managed funds that meet CSF objectives. The chosen ETFs provide exposure to both domestic and global equity markets with a strong tilt towards dividend producing equities. Charles Schwab and Co. acts as our custodian bank and provides zero commission trading for BCPL on all ETF transactions. Staff completed ETF purchases totaling \$13 million during the quarter, accounting for slightly over 1% of CSF assets.

Staff is working with our current portfolio management software to develop a new reporting format that includes equity and fixed income performance relative to benchmarks approved in the IPS.

Venture Capital

At the end of the first quarter, staff was completing due diligence on a commitment to Venture Investors Fund 6. BCPL had previously committed up to \$15 million to 4490 Ventures II Limited Partnership, with an immediate capital call to the partnership in the amount of \$3.6 million.

WHEDA

BCPL has reached a preliminary agreement to purchase a bond from WHEDA secured by a portfolio of five multifamily mortgage loans from WHEDA totaling approximately \$25.6 million. The loan package provides an initial average net yield of 4.75% and most of these loans have an interest rate that will be reset periodically during the loan term. BCPL staff believes that this investment will increase portfolio diversification and provide a stable source of distributable income for many years.

BCPL staff selected individual loans based on an analysis of the risk and return characteristics of each asset, and negotiated the terms of the purchase agreement to reduce potential future risks to the CSF. The WHEDA multifamily loan program has performed very well in the past, and continues to benefit from excellent underwriting standards. Additional security is provided by a WHEDA guarantee for any BCPL losses up to 5% of the original loan amount.

BCPL Fixed Income Summary

1st Quarter 2018

as of March 31, 2018

Portfolio Summary	Total Assets	Expected Yield ¹	SEC Yield ²	Average Credit Quality ³	Weighted Avg Maturity
Total BCPL-Managed Fixed Income Assets	\$ 1,078,386,698	3.54%	3.56%	Aa1	9.58
Benchmark Performance ⁴			3.27%	A1	8.78
BCPL Fixed Income Investments					
	% of Total BCPL Managed Assets				
Bonds	50.99%	\$ 549,839,297	3.77%	3.80%	Aa1 14.89
BCPL State Trust Fund Loans	41.77%	\$ 450,483,580	3.64%	3.64%	Aa1 4.76
Cash and Cash Equivalents ⁵	7.24%	\$ 78,063,821	1.21%	1.21%	Aaa 0.00
Total BCPL Managed Fixed-Income Investments	100.00%	\$ 1,078,386,698	3.54%	3.56%	Aa1 9.58
Benchmark Components					
	Weighting				
S&P Long Intermediate Term Taxable Municipal Bond Index ⁶	60.00%		3.48%	4.04%	Aa3 9.50
S&P U.S. Treasury Bill Index ⁷	10.00%		1.65%	1.39%	Aaa 0.08
Wisconsin Tax-Exempt Bond Mutual Funds (combined) ⁸	30.00%	\$ 325,800,001	N/A	2.37%	Baa1 10.23
Total Benchmark	100.00%			3.27%	A1 8.78
Important Notes on Following Page					
Prepared by Richard Sneider, CFA, CIPM					

Notes to BCPL Benchmark Comparison:

¹ **Expected Yield** is the weighted average yield to the redemption date for each bond, and assumes that issuers will redeem bonds at the earliest possible date, when it is in their best interest given current market interest rates. Also called 'yield-to-worst', this number is equal to the lower of the 'yield to call' and 'yield to maturity' for each investment in the portfolio.

² **SEC Yield** - The SEC yield should not be confused with the expected yield on invested funds. The SEC yield will vary substantially with market conditions because it is calculated using the current market value of assets, and the value of fixed income assets fluctuates with market interest rates. For example, although interest payments produced by an individual bond remain constant following the issuance of the bond, the SEC yield on this bond will increase with market interest rates solely because the value of the bond decreases (yield = income/value). If all bonds are held to maturity, the actual return to the investor would equal the "yield to maturity at cost". This calculation is not provided for benchmark components and is therefore not included in this comparison. Many investors prefer to use "yield to worst", which calculates the return using the lower of the "yield to call" and "yield to maturity". The most appropriate method to compare bond portfolios is to look at Total Return, which combines both income and changes in the market value of the underlying assets (see note 8 below). BCPL does not have the ability to use Total Return as a method of comparison because the Trust Fund Loan Portfolio has never been valued. Rather, the SEC Yield is used for comparison because it is a standardized methodology for calculating yield as required by the Securities and Exchange Commission for all mutual funds and provides a means to compare BCPL managed funds to a simple benchmark. The SEC yield is a close approximation to the net yield to maturity of the fund using the current market value of the fund, and is calculated as the yield to the investor (after fund expenses and fees) during the previous 30 days assuming all bonds are held to maturity. The SEC Yield for the State Investment Fund is for the most recent month available.

³ **Average Credit Quality** - Except for the BCPL loan portfolio, all average credit quality ratings shown equal the weighted average credit rating of individual securities held within each portfolio. A rating for the loan portfolio is provided to improve the ability to compare BCPL managed funds to other funds. The Aa1 rating presumed for the loan portfolio is considered reasonable, as there has not been a single default in the State Trust Fund loan program since inception in 1871, and BCPL has the statutory right and requirement to cure any future default by intercepting state aid otherwise due the borrower. Mutual Fund credit quality is provided by Morningstar. The global long-term rating scale of Moody's Investor Services begins at 'Aaa' for obligations judged to be of the highest quality, subject to the lowest level of risk. The ranking in order from highest to lowest quality then includes: Aa, A, Baa, Ba, B, Caa, Ca, and C. Ratings from Aa to Caa are modified with 1,2, or 3 to provide a high, middle and low ranking within each alphabetic category. 'Investment-grade' securities have ratings of Baa3 or higher.

⁴ **Benchmark Components and Weighting** - Due to the unique set of BCPL authorized investments consisting primarily of the BCPL State Trust Fund Loan Program, and bonds issued by the State of Wisconsin and Wisconsin municipalities and school districts, there are no managed funds that perfectly match the characteristics of the BCPL portfolio. However, the chosen benchmark components provide the best opportunity to compare BCPL investments to funds managed by other professionals. The justifications of including individual benchmark components are provided below. Component weighting begins with an estimate of average liquidity levels required throughout the year, with additional factors including an estimate of the proportion between taxable and tax-exempt project funding, and the use of current taxable and tax-exempt bond yields in developing program interest rates.

⁵ **Cash** - Cash and cash equivalents includes all investments in the State Investment Fund and Farm Credit adjustable rate notes, and all funds managed by ADM in FDIC-insured deposit accounts.

⁶ **S&P Long Intermediate Term Taxable Municipal Bond Index** - This taxable municipal bond index is included as a benchmark component because it properly reflects the investment strategies of BCPL managed Trust Funds, including both the direct investment in taxable municipal bonds and the influence of taxable bond yields on the development of loan program interest rates. The S&P Long Intermediate Term Taxable Municipal Bond Index matches the weighted average maturity and duration of total BCPL managed funds fairly well, although BCPL maintains better average credit quality. This index is comprised of all taxable bonds issued by any state (including the Commonwealth of Puerto Rico and U.S. territories such as the U.S. Virgin Islands and Guam) with an investment grade rating (minimum S&P BBB- or Moody's Baa3), a minimum par amount of \$1 million, and remaining maturity between 5 and 15 years. Average credit quality level is not published by S&P, but was calculated at the weighted average rating of amounts held within the separate S&P AAA, AA, A, and BBB Rated Taxable Municipal Bond Indices using a formula developed by Schwab Portfolio Center, the portfolio analysis software used by BCPL. Overall, a weighting of 60% is appropriate given the average levels of cash and tax-exempt investments held by the Trust Funds throughout the year.

⁷ **S&P U.S. Treasury Bill Index** - The U.S. Treasury Bill Index represents the average cash position held by the Trust Funds throughout the year, and is included because BCPL maintains significant levels of liquidity needed to fund expected trust fund loan demand over the next 3-6 months. The amount of portfolio liquidity (cash) varies significantly throughout the year, and is impacted by factors including the interest rate environment, the absence of prepayment penalties within the loan program, and the statutory payment structure requiring annual loan payments on March 15 each year. The S&P U.S Treasury Bill index is a market weighted index that includes all U.S. Treasury Bills with maturities ranging from 0-12 months. Because an index is not a managed portfolio, but only a collection of securities within a specific set of criteria, management expenses are not included. Overall, a weighting of 10% for this benchmark component is appropriate given the average levels of cash held by the Trust Funds throughout the year.

⁸ **Wisconsin Tax-Exempt Bond Funds** - Tax-exempt bond funds are included as a benchmark component for three reasons: BCPL invests directly in tax-exempt bonds when available at acceptable terms; a significant portion of loans made through the BCPL State Trust Fund Loan Program fund projects that would qualify as tax-exempt; and current tax-exempt bond yields are an important factor in the construction of loan program interest rates. There are three bond mutual funds that invest primarily in Wisconsin State and Municipal Bonds, investments that are similar to the securities approved for BCPL investment. These funds are sponsored by Wells Fargo, Nuveen and Nationwide Ziegler, and there are significant differences between the management of these mutual funds and BCPL trust funds. All three mutual funds are limited to tax-exempt investments, a universe of securities that generally provide lower yields than the taxable instruments favored by BCPL. On the other hand, all three of these funds invest substantial amounts in bonds that have considerable default risk including bonds issued by the Commonwealth of Puerto Rico, community development revenue bonds, hospital revenue bonds, and other bonds types not available within the risk parameters of the BCPL investment authority. Overall, a weighting of 30% for this benchmark component is appropriate given the level of Trust Fund investment in tax-exempt instruments and the influence of tax-exempt bond rates on the interest rates charged within the loan program.

⁹ **Total Return Analysis** - A total return analysis including the periodic change in asset values in addition to earnings would provide a more comprehensive and accurate comparison between the returns generated by BCPL managed funds and our benchmark. However, total return analysis requires accurate asset valuation in order to provide a reasonable basis for measuring management performance. A significant portion of BCPL managed assets are invested in loans to municipalities and school districts through the BCPL State Trust Fund Loan Program. BCPL has never sold a trust fund loan and has always held these investments to maturity. There is currently no formula or model available to determine an accurate market value of the loan portfolio. Should BCPL sell loans in the future and establish a secondary market in BCPL State Trust Fund Loans, total return analysis may provide an improvement over the current method of yield comparison as the model for measuring BCPL investment performance against the appropriate benchmarks.



BCPL Fixed Income Portfolio

As of 04/30/2018

<u>Description</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Weight</u>	<u>Expected Yield</u>	<u>Yield to Maturity at Cost</u>	<u>Modified Duration (years)</u>	<u>Cost Basis</u>	<u>Estimated Current Value</u>	<u>Estimated Unrealized Gain (Loss)</u>	<u>Annual Income</u>
Treasury and Agency Securities	Aaa	AA+	47.1%	3.51%	3.51%	11.82	268,726,113	259,291,222	(9,434,891)	9,356,106
Wisconsin and State Agency	Aa2	AA-	27.5%	4.10%	4.17%	10.12	149,172,625	151,437,838	2,265,213	6,430,334
Municipal/School District	Aa3	AA-	25.4%	3.84%	3.88%	9.23	139,640,842	139,673,716	32,875	5,546,373
	Aa1	AA	100.0%	3.76%	3.78%	10.69	557,539,580	550,402,776	(7,136,804)	21,332,813



BCPL Public Equity Portfolio

As of 04/30/2018

<u>Symbol</u>	<u>Description</u>	<u>Quantity</u>	<u>Avg Cost</u>	<u>Cost Basis</u>	<u>Current Price</u>	<u>Current Value</u>	<u>Weight</u>	<u>Unrealized Gain (Loss)</u>	<u>Percent Gain (Loss)</u>	<u>Current Yield</u>	<u>Projected Annual Dividends</u>
Domestic Equities											
VTI	Vanguard Total Stock Market ETF	29,095	137.37	3,996,836	136.330	3,966,521	24.9%	(30,314)	-0.8%	3.0%	118,417
VYM	Vanguard High Dividend Yield ETF	28,590	83.90	2,398,835	82.600	2,361,534	14.8%	(37,301)	-1.6%	3.2%	75,106
VNQ	Vanguard REIT ETF	10,681	74.87	799,726	76.090	812,717	5.1%	12,991	1.6%	3.9%	31,872
VIG	Vanguard Dividend Appreciation ETF	7,856	101.74	799,247	100.110	786,464	4.9%	(12,783)	-1.6%	2.1%	16,757
Global Equities											
VEU	Vanguard FTSE All World ex-US ETF	73,304	54.55	3,998,397	54.680	4,008,263	25.1%	9,866	0.2%	2.9%	117,140
VYMI	Vanguard International High Dividend ETF	35,926	66.76	2,398,262	66.610	2,393,031	15.0%	(5,232)	-0.2%	4.0%	96,892
VNQI	Vanguard Global ex-US Real Estate ETF	13,256	60.31	799,506	61.240	811,797	5.1%	12,291	1.5%	3.4%	27,440
VIGI	Vanguard International Div Appreciation ET	12,331	64.83	799,417	65.440	806,941	5.1%	7,524	0.9%	1.8%	14,921
		<u>211,039</u>		<u>15,990,227</u>		<u>15,947,268</u>	<u>100.0%</u>	<u>(42,959)</u>	<u>-0.3%</u>	<u>3.1%</u>	<u>498,544</u>



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Investment Transaction Report May 11, 2018

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FFCB	Aaa	05/03/18	\$5,000,000	\$4,995,000	4.14%	5/03/21	4.18%	05/03/38	4.15%
FHLB	Aaa	05/09/18	\$5,000,000	\$4,995,000	4.07%	5/18/20	4.12%	05/03/33	4.08%

Bond Sales

Staff sold \$18.635 million in bonds as market volatility provided an opportunity to sell lower yielding investments for a small gain, with the proceeds to be reinvested at higher rates. The sale generated long-term capital gains of over \$275,000, which increased the average annual return during the holding period from 3.6% to over 4.2%. The profit on the sale of these bonds will be added to fund principal in accordance with the Investment Policy Statement (IPS).

Proceeds were partially reinvested in the above bonds with yields to maturity over 4%.

Public Equity Purchases

Staff purchased an additional \$2 million in ETF shares since the last Investment Transaction Report, and the CSF now holds approximately \$18 million in public equities.