



Independent Investment Consultants for Institutions



Board Meeting

Trust, Process, Results

VEBA Trust - Investment Portfolio Review
Neil Heppler, Co – President
September 6, 2018

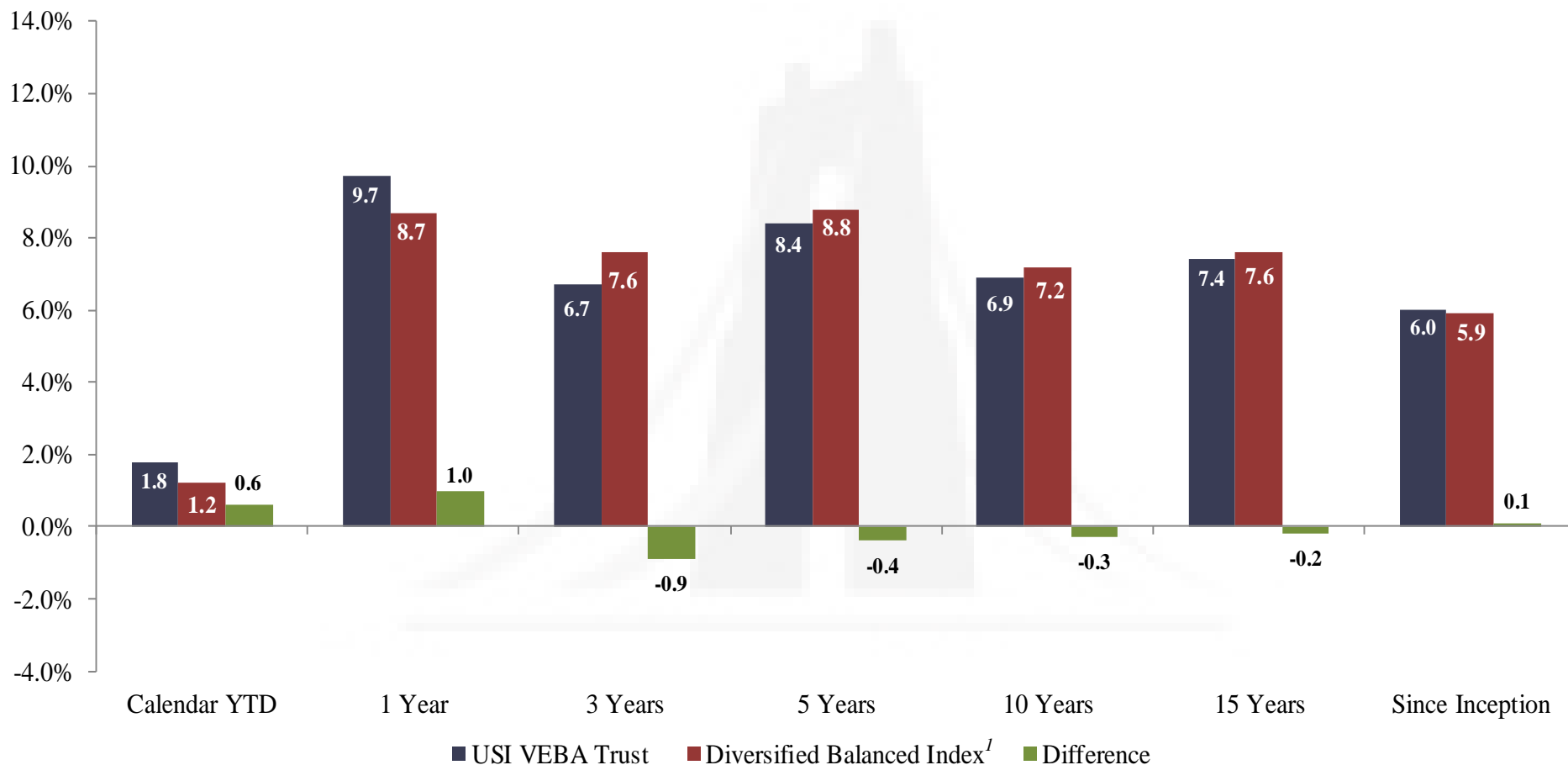
Fiscal Year Market Review

	Calendar	Fiscal		Calendar	Fiscal
<u>Equities</u>	<u>YTD</u>	<u>YTD</u>	<u>Fixed Income & Alternatives</u>	<u>YTD</u>	<u>YTD</u>
Large-Cap U.S.	2.7%	14.4%	1-3 Month Treasuries	0.8%	1.4%
Mid-Cap U.S.	2.4%	16.2%	Inv. Grade Intermediate	-1.0%	-0.6%
Small-Cap U.S.	7.7%	17.6%	Inv. Grade Aggregate	-1.6%	-0.4%
Int'l Developed	-2.8%	6.8%	High Yield Bonds	0.2%	2.5%
Int'l Emerging	-6.7%	8.2%	Emerging Market Debt	-6.1%	-4.3%

- U.S. equities rallied in the past year due to strong earnings and better economic growth
- Unemployment in U.S. at decade lows; wage inflation continuing to inch higher
- Growth stocks outperformed value by a wide margin – nearly 16%
- Developed international equities underperformed U.S. stocks due to slowing growth, a stronger U.S. dollar and global tariffs
- Interest rates moved higher as the Fed is seeking to normalize rates after nearly a decade of extraordinarily low interest rates near 0%; Fed's balance sheet has begun to shrink
- The Fed Funds rate is at 1.75% - 2.00%; two more hikes are expected in Sept. and Dec.
- Yield curve continues to flatten; 2/10 Treasury yield spread 25 bps

Investment Portfolio

Performance Summary Table For Periods Ended June 30, 2018*



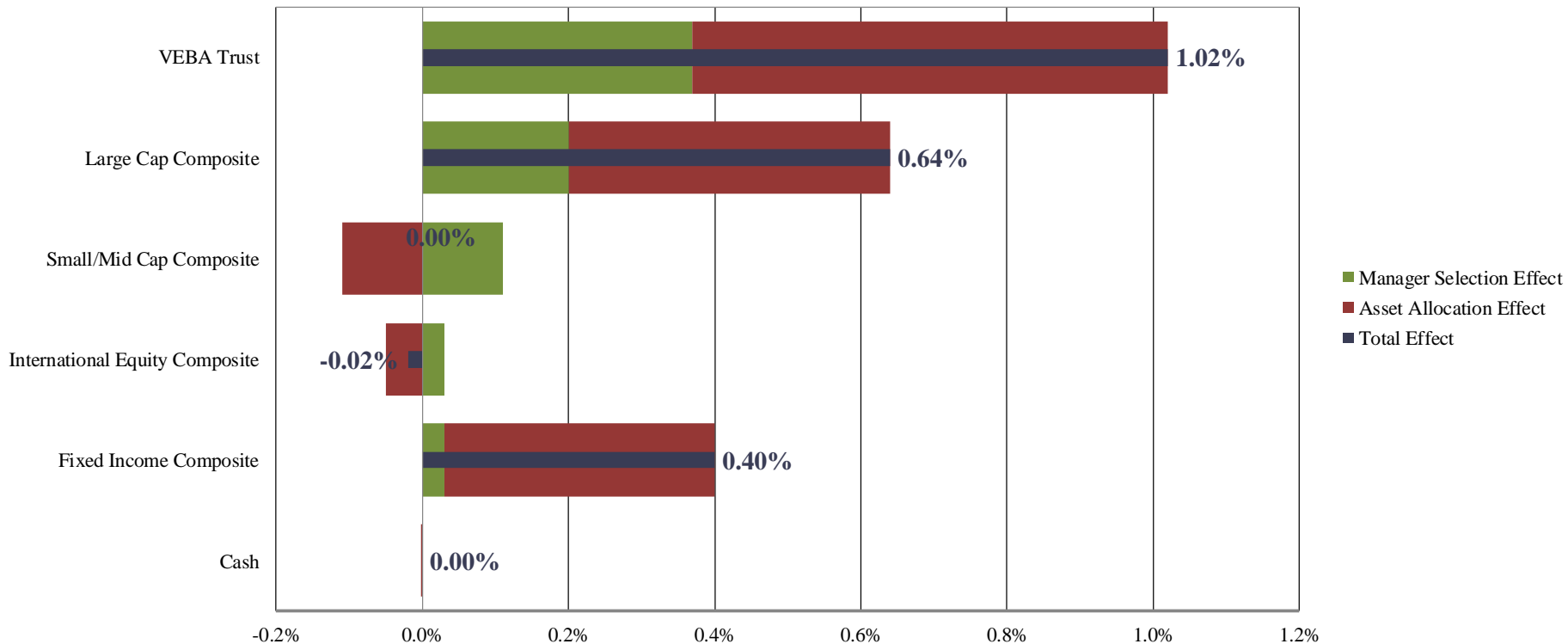
*Returns are presented net of investment management and consultant fees and are in percentages. Returns for periods greater than 1-year are annualized.

¹The Diversified Balanced Index is comprised of 100% BC Intermediate Govt/Corp Index from 1/1/1996 through 12/31/2000 and 30% BC Intermediate Govt/Corp Index, 42% S&P 500 Stock Index, 18% MSCI EAFE Index, and 10% Russell 2000 Index from 1/1/2001 to 9/30/14. From September 30, 2014 to September 30, 2017, the Diversified Balanced Index is comprised of 30% Bloomberg Barclays Intermediate Govt/Corp Index, 40% S&P 500 Stock Index, 10% MSCI EAFE Index, 10% Russell Midcap Index and 10% Russell 2000 Index. From October 1, 2017 to present the Diversified Balanced Index is comprised of 30% Bloomberg Barclays Intermediate Govt/Corp Index, 45% S&P 500 Stock Index, 13% MSCI EAFE Index, 6% Russell Midcap Index and 6% Russell 2000 Index.

Investment Portfolio

Fiscal Year Performance Attribution
June 30, 2017 – June 30, 2018

Total Fund Attribution



➤ An overweight to stocks, combined with solid manager performance relative to respective benchmarks, led to good fiscal year relative performance for the VEBA Trust.

➤ The move to more international stocks (+3%) last October has been a modest negative thus far.

Asset Allocation Attribution

	<u>Fiscal YTD</u>
Asset Allocation Contribution	0.65%
 <u>Positive Asset Allocation Positions</u>	
Overweight Large Cap Domestic Equities	+0.41%
Underweight Fixed Income	+0.37%
 <u>Negative Asset Allocation Positions</u>	
Underweight Small/Mid Cap Equities	-0.11%
Overweight International Equities	-0.05%

Manager Attribution

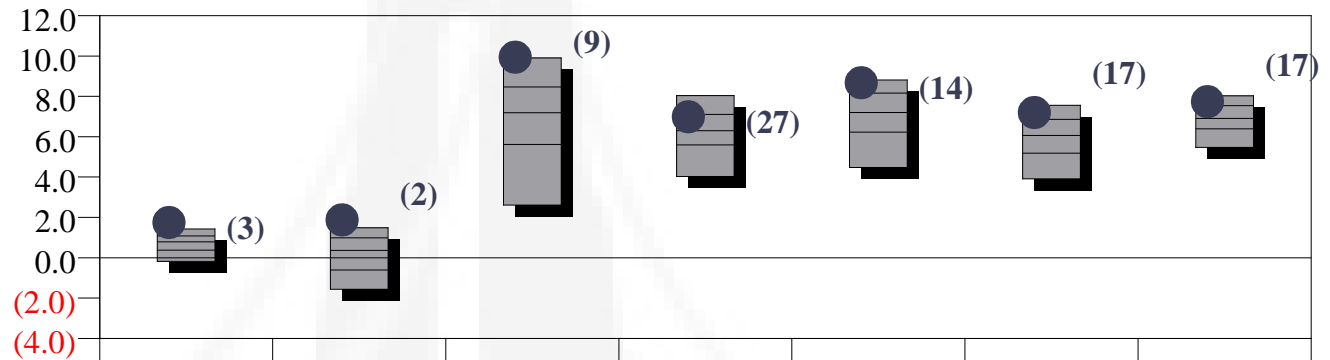
	<u>Fiscal YTD</u>
Manager Performance Contribution	0.37%
<u>Top Contributors to Relative Performance</u>	
Ivy (Small Cap Equity)	+0.32%
Fifth Third Bank (Large Cap Equity)	+0.25%
EuroPacific Growth (International Equity)	+0.16%
<u>Bottom Detractors from Relative Performance</u>	
Diamond Hill (Small Cap Equity)	-0.52%
Hartford Int'l Opportunities (Int'l Equity)	-0.10%

Performance vs. Peers

USI VEBA Trust Composite (Gross)

for Periods Ended June 30, 2018

Group: Callan Corp Fund Sponsor - Small (<100M)



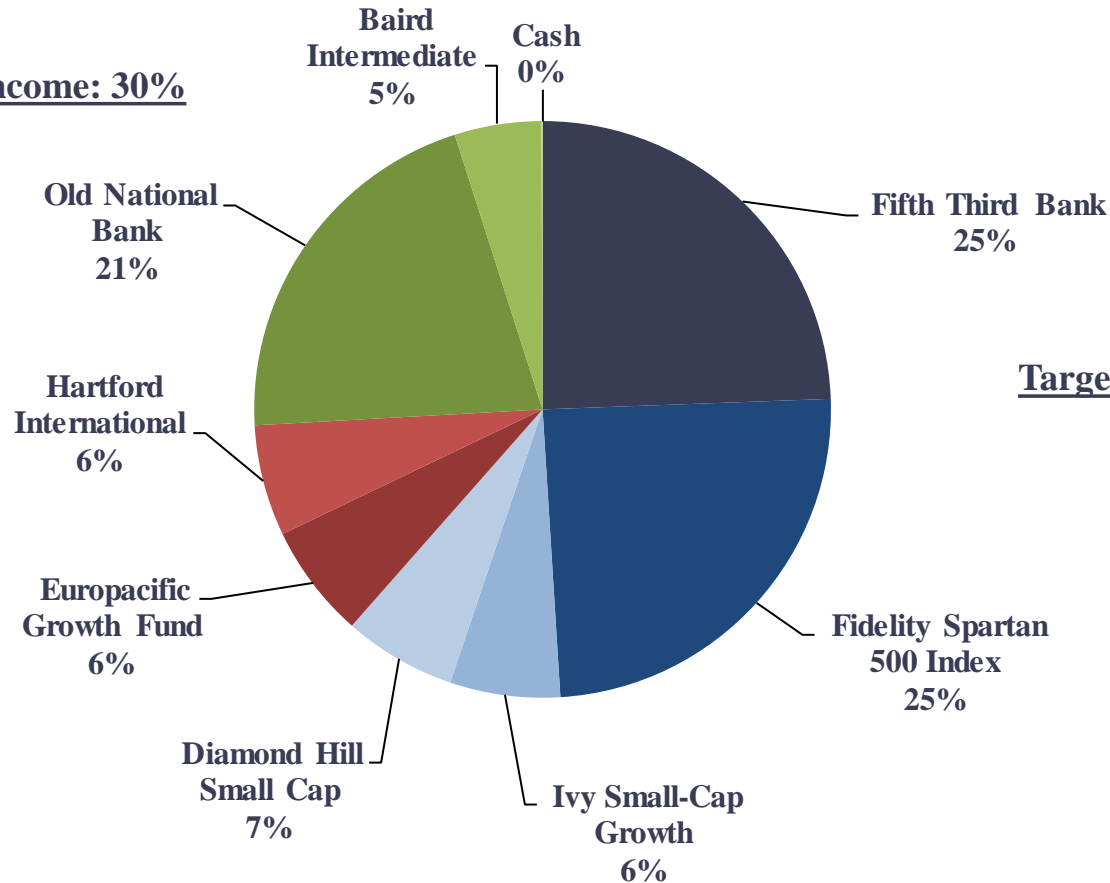
<u>Callan Corp Fd Spons Sm</u>	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
25th Percentile	1.09	0.99	8.47	7.11	8.17	6.86	7.54
Median	0.79	0.37	7.19	6.30	7.19	6.07	6.90
75th Percentile	0.37	(0.60)	5.61	5.59	6.23	5.19	6.39
USI VEBA Trust Composite (Gross) ●	1.75	1.88	9.94	6.99	8.67	7.20	7.74
Diversified Balanced Index	2.02	1.20	8.68	7.60	8.81	7.18	7.58

USI VEBA Trust

Asset Allocation as of June 30, 2018

Investment Manager Allocation

Target for Fixed Income: 30%

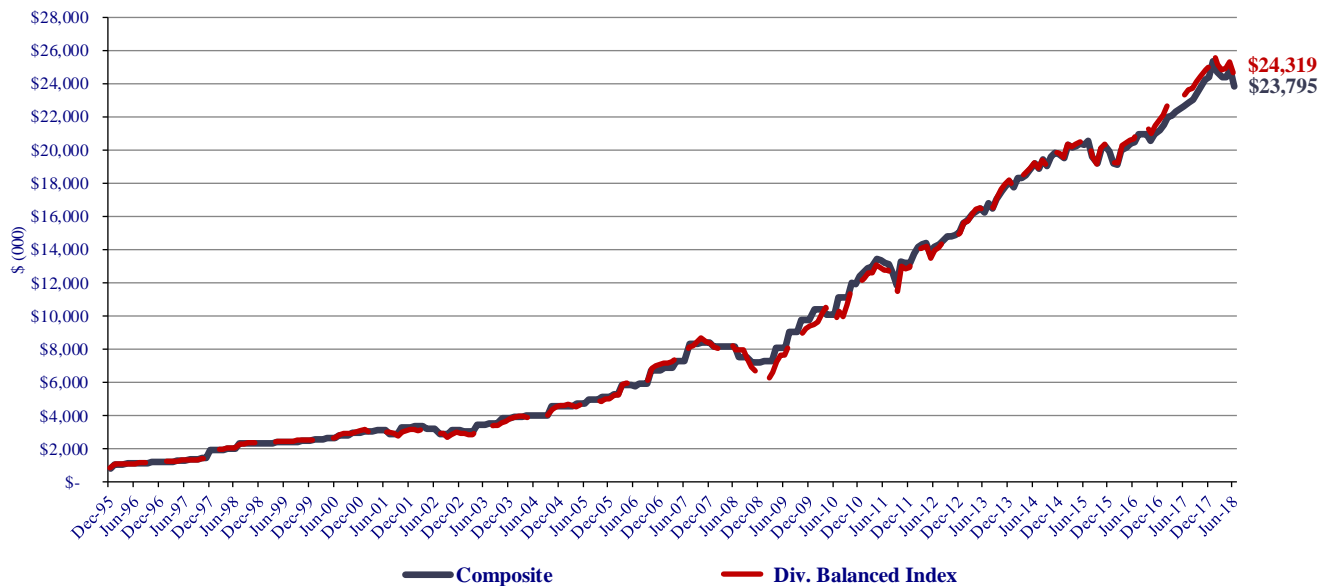


Target for Equities: 70%

Large-Cap: 45%
Small-Cap: 12%
International: 13%

Market Value \$23,794,620

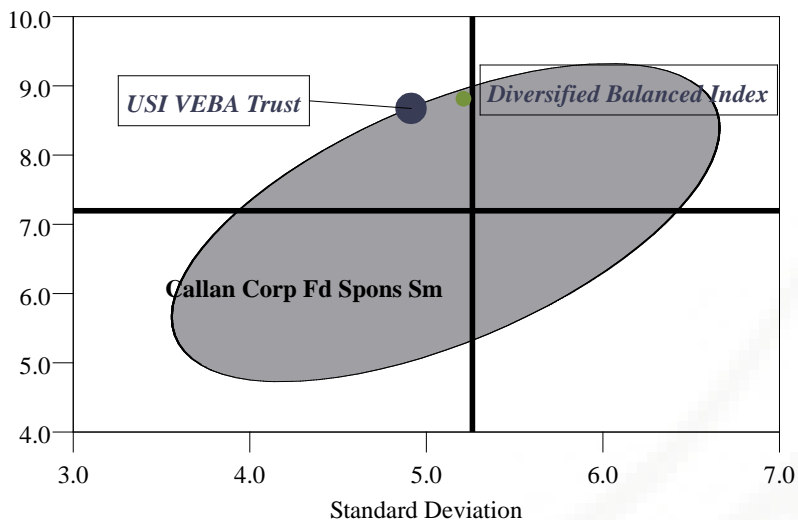
Portfolio Sources of Growth



	<u>Net Cash Flow</u>	<u>Gain/Loss</u>	Incremental Gain/Loss Relative to: <u>Div. Balanced Index</u>
Past Quarter	(\$1,015,917)	\$403,808	(\$97,159)
Year-to-Date	(\$1,015,917)	\$423,611	\$124,270
Past Year	(\$1,015,917)	\$2,182,152	\$158,239
Past 3 Years	(\$865,917)	\$4,401,817	(\$594,763)
Past 5 Years	(\$565,917)	\$8,155,968	(\$509,435)
Since Inception	\$8,558,503	\$14,430,001	(\$524,427)

Portfolio Risk Statistics

Risk vs. Return for 5 Years Ending 6/30/18



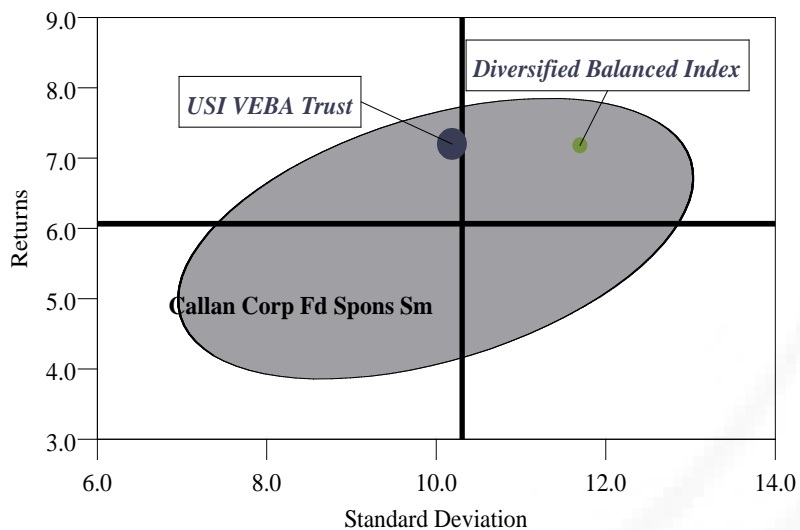
5 YEARS RISK STATISTICS

	<u>Standard</u> <u>Deviation</u>	<u>Alpha</u>	<u>Beta</u>	<u>R-</u> <u>Squared</u>
<i>USI VEBA Trust</i>	4.91	0.51	0.92	0.96
Diversified Balanced Index	5.21	0.00	1.00	1.00
Callan Corp Fd Spons Sm	5.26	(0.42)	0.89	0.84

<u>Calendar Year Returns</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2 Qtrs.</u> <u>2018</u>
USI VEBA Trust	21.28 (50)	12.37 (56)	0.05 (54)	10.70 (78)	20.22 (13)	7.71 (24)	0.27 (24)	6.91 (57)	15.29 (52)	1.88 (2)
Diversified Balanced Index	21.37 (48)	12.63 (49)	0.19 (51)	12.74 (46)	20.55 (10)	7.05 (31)	0.33 (23)	9.09 (19)	14.81 (61)	1.20 (16)

Portfolio Risk Statistics

Risk vs. Return for 10 Years Ending 6/30/18



10 YEARS RISK STATISTICS

	<u>Standard</u> <u>Deviation</u>	<u>Alpha</u>	<u>Beta</u>	<u>R-</u> <u>Squared</u>
<i>USI VEBA Trust</i>	<i>10.19</i>	<i>0.89</i>	<i>0.86</i>	<i>0.97</i>
Diversified Balanced Index	11.70	0.00	1.00	1.00
Callan Corp Fd Spons Sm	10.31	(0.16)	0.85	0.93

<u>Calendar Year Returns</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2 Qtrs.</u> <u>2018</u>
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Investment Program Fee Analysis

	<u>Manager Fee</u>	<u>Asset Allocation (\$23.8 M)</u>	<u>Fee Percentage</u>	<u>Manager Fees (\$)</u>
<u>Large Cap</u>				
Fifth Third Bank	0.32%	24.4%	0.078%	\$ 18,592
Fidelity Spartan 500 Index	0.04%	24.6%	0.010%	\$ 2,341
<u>Small Cap</u>				
Ivy Small Cap Growth	1.07%	6.2%	0.066%	\$ 15,732
Diamond Hill Small Cap	0.87%	6.3%	0.055%	\$ 13,057
<u>International</u>				
American Funds Europacific	0.49%	6.4%	0.031%	\$ 7,445
Hartford International	0.79%	6.2%	0.049%	\$ 11,718
<u>Fixed Income</u>				
Old National Bank	0.15%	21.0%	0.031%	\$ 7,478
Baird Intermediate	0.30%	4.9%	0.015%	\$ 3,474
Total Manager Fees			0.34%	\$ 79,838
Fourth Street Consulting Fee			0.04%	\$ 10,000
Custodial Fees			0.10%	\$ 23,794
<u>Total Fee</u>			<u>0.48%</u>	<u>\$ 113,632</u>

Fourth Street Performance Partners

- Fourth Street is 100% employee owned, SEC-registered investment consultant.
- Fourth Street's only source of revenue comes from client fees.
- Fourth Street is an institutional consulting firm serving 65 clients with over \$9 billion in assets.
- Our only business is institutional investment consulting, supported by 11 investment consulting professionals.
- Fourth Street is a member of Callan's Independent Adviser Group.

Representative Clients

For over 20 years, we have partnered with 65 clients, representing over \$8.5 billion in assets.

A representative list of our institutional clients is provided below.

Educational Institutions

- Army War College
- Centre College
- Eastern Kentucky University Foundation
- **Kentucky Wesleyan College**
- Louisville St. Xavier High School
- Marshall University Big Green Fund
- Thomas More College
- University of Dallas
- **University of Southern Indiana Foundation**

Healthcare

- Baptist Health
- **Columbus Regional Hospital**
- Deaconess Associations, Inc.
- **Deaconess Health System**
- **Hancock Regional Health**
- **Hendricks Regional Health**
- **Indiana Healthcare Reciprocal RRG**
- **Indiana Hospital Association**
- **Methodist Hospital**
- **Union Hospital**
- **Witham Health Services**

Foundations & Endowments

- **Community Foundation Alliance**
- Community Foundation of Louisville
- **Community Foundation of Southern Indiana**
- **Dubois County Community Foundation**
- Foundation for the Tri-State Community
- **Heritage Fund – The Community Foundation of Bartholomew County**
- Jewish Federation of Greater Dayton Foundation
- Jewish Heritage Fund for Excellence
- The Kentucky Center for the Performing Arts
- **Washington County Community Foundation**

Other

- Congregation of Divine Province
- CM Wealth Advisors
- Diocese of Covington
- Jewish Community Center of Cincinnati
- Province of St. Joseph of the Capuchins
- **Sister of St. Francis of Perpetual Adoration**
- **Vanderburgh County Police Pension Plan**

Biographies

T. Neil Heppler, Co-President & Senior Consultant

Neil has over thirty years of experience in consulting and financial services. Before founding Asset Performance Partners in 1997, Neil was a Managing Director at Fund Evaluation Group (FEG), an investment consulting firm, where he consulted to a broad client base and headed FEG's services to healthcare organizations. Neil also spent eight years in public accounting at Price Waterhouse and Coopers & Lybrand specializing in health care, insurance, and non-profit companies. Neil holds a B.S. in Accounting from Western Kentucky University and a J.D. from Northern Kentucky University's Chase College of Law. He is an inactive member of the Kentucky and Ohio Bar Associations.

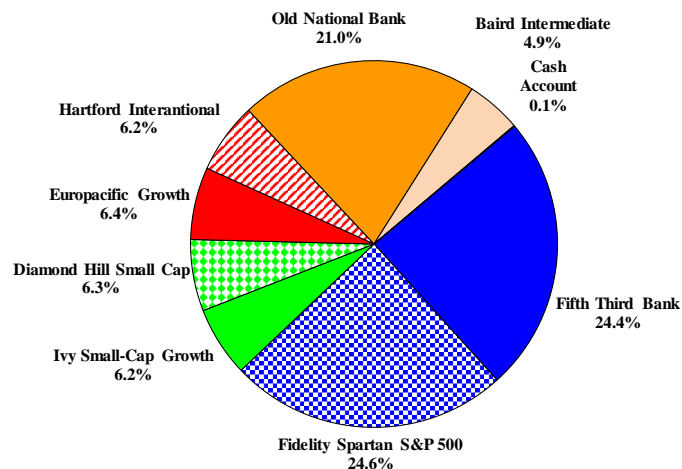
Performance Summary

As of
June 30, 2018

	<u>QTR</u>	<u>YTD</u>	<u>1 YR</u>	<u>3 YR</u>	<u>5 YR</u>	<u>10 YR</u>	<u>15 YR</u>	<u>Inception</u>	<u>Date</u>
USI VEBA Trust Composite	1.7	1.8	9.7	6.7	8.4	6.9	7.4	6.0	Dec-95
<i>Balanced Index</i>	2.4	1.6	9.8	8.7	9.9	8.2	7.7	5.9	Dec-95
<i>Diversified Balanced Index</i>	2.0	1.2	8.7	7.6	8.8	7.2	7.6	5.9	Dec-95
<i>US DOL:CPI All Urban Cons</i>	1.0	2.2	2.9	1.8	1.5	1.4	2.1	2.2	Dec-95
<i>Domestic Equity</i>									
Fifth Third Bank	2.7	3.7	15.2	8.0	10.9	8.0	8.9	7.3	Dec-00
Fidelity Spartan S&P 500	3.4	2.6	14.3	11.9	13.4	10.1	--	8.2	Jun-07
<i>S&P:500</i>	3.4	2.6	14.4	11.9	13.4	10.2	9.3	6.3	Dec-00
Ivy Small Cap Growth	7.2	12.2	22.8	13.4	14.2	13.1	11.7	8.2	Dec-00
<i>Russell:2000 Index</i>	7.8	7.7	17.6	11.0	12.5	10.6	10.5	8.7	Dec-00
<i>Russell:2000 Growth</i>	7.2	9.7	21.9	10.6	13.6	11.2	10.9	7.6	Dec-00
Diamond Hill Small Cap	1.6	0.6	9.6	6.3	8.5	8.7	--	11.1	Nov-09
<i>Russell:2000 Index</i>	7.8	7.7	17.6	11.0	12.5	10.6	10.5	14.4	Nov-09
<i>Russell:2000 Value</i>	8.3	5.4	13.1	11.2	11.2	9.9	9.9	13.2	Nov-09
<i>International Equity</i>									
American Funds EuroPac	(2.9)	(1.9)	9.2	6.4	8.2	--	--	6.7	Mar-10
<i>MSCI:EAFE</i>	(1.2)	(2.7)	6.8	4.9	6.4	2.8	7.3	5.6	Mar-10
Hartford Int'l Oppty	(3.5)	(3.4)	5.3	5.1	6.9	4.0	8.6	11.6	Feb-17
<i>MSCI:EAFE</i>	(1.2)	(2.7)	6.8	4.9	6.4	2.8	7.3	12.1	Feb-17
<i>Fixed Income</i>									
Old National Bank	0.1	(0.9)	(0.4)	1.2	1.7	2.9	3.1	4.0	Dec-95
<i>Blmbg:Int Gov/Cred</i>	0.0	(1.0)	(0.6)	1.2	1.6	3.1	3.2	4.5	Dec-95
Baird Fixed Income	(0.1)	(1.2)	(0.5)	1.5	2.0	3.9	3.8	1.3	Sep-15
<i>Blmbg:Int Gov/Cred</i>	0.0	(1.0)	(0.6)	1.2	1.6	3.1	3.2	0.9	Sep-15

Asset Allocation

As of
June 30, 2018



	<u>Domestic Large-Cap</u>	<u>Domestic Mid-Cap</u>	<u>Domestic Small-Cap</u>	<u>International Equity</u>	<u>Fixed Income</u>	<u>Cash</u>	<u>Total</u>
Fifth Third Bank	\$5,125,598	\$179,820	-	\$331,171	-	\$173,429	\$5,810,018
Fidelity Spartan 500 Index	\$5,852,903	-	-	-	-	-	\$5,852,903
Ivy Small-Cap Growth	-	\$431,238	\$1,039,059	-	-	-	\$1,470,298
Diamond Hill Small Cap	-	\$609,339	\$891,495	-	-	-	\$1,500,834
Europacific Growth Fund	-	-	-	\$1,519,393	-	-	\$1,519,393
Hartford Int'l Oppty.	-	-	-	\$1,483,341	-	-	\$1,483,341
Old National Bank	-	-	-	-	\$4,985,290	-	\$4,985,290
Baird Intermediate	-	-	-	-	\$1,158,028	-	\$1,158,028
Cash Account	-	-	-	-	-	\$14,516	\$14,516
Total	\$10,978,501	\$1,220,397	\$1,930,555	\$3,333,905	\$6,143,318	\$187,945	\$23,794,620
% of Total	46%	5%	8%	14%	26%	1%	100%
Target	45%	6%	6%	13%	30%	0%	

Statement of Disclosure

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