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Board Meeting

Trust, Process, Results

VEBA Trust - Investment Portfolio Review
Neil Heppler, Co – President
September 3, 2020



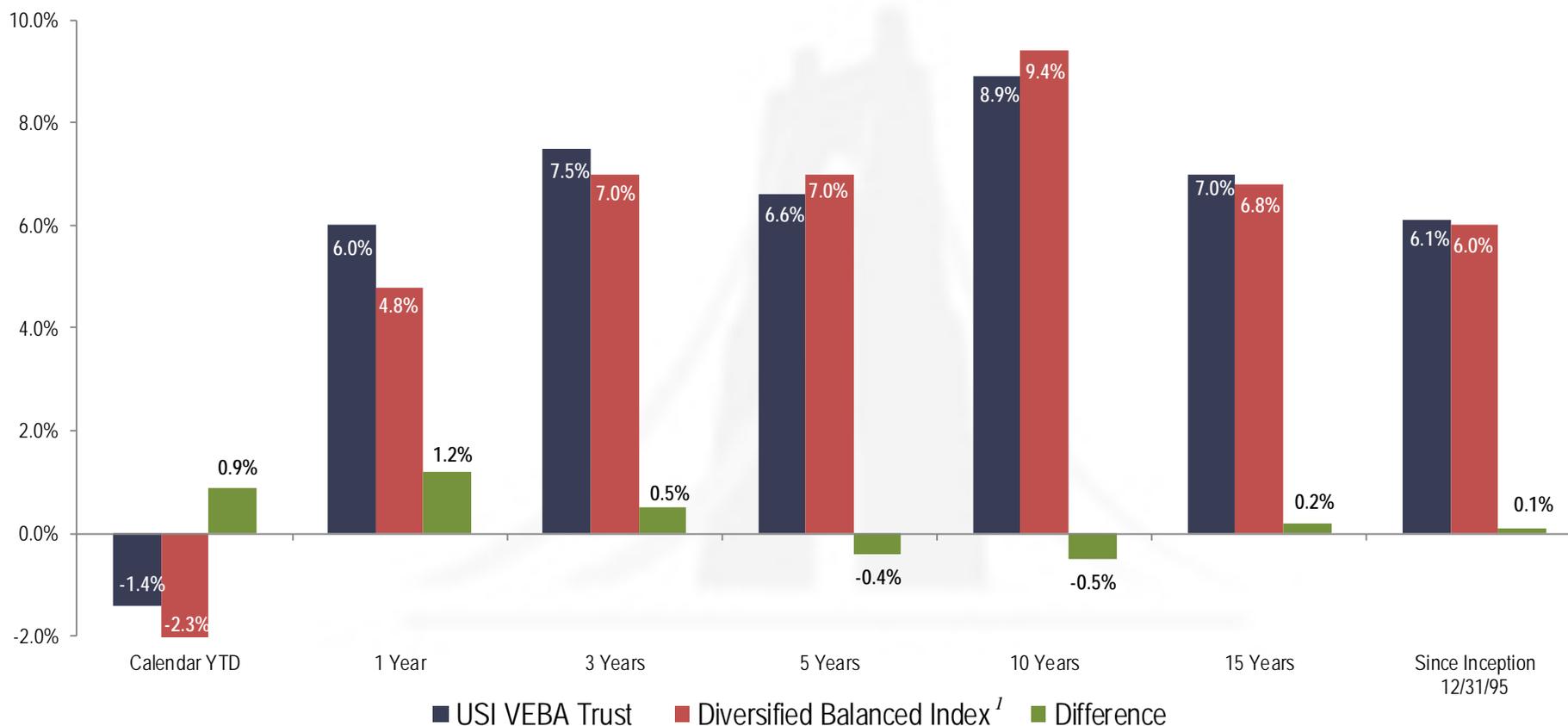
Fiscal Year Market Review

<u>Equities</u>		<u>Calendar</u>	<u>Fiscal</u>	<u>Fixed Income</u>		<u>Calendar</u>	<u>Fiscal</u>
	<u>Q2 2020</u>	<u>YTD</u>	<u>Year 2020</u>		<u>Q2 2020</u>	<u>YTD</u>	<u>Year 2020</u>
U.S. Large Cap	20.5%	(3.1%)	7.5%	Inv. Grade Bonds	2.9%	6.1%	8.7%
U.S. Mid Cap	24.6%	(9.1%)	(2.2%)	Inv. Grade Credit	8.2%	4.8%	9.1%
U.S. Small Cap	25.4%	(13.0%)	(6.6%)	Inv. Grade Gov't	0.5%	8.7%	10.5%
Int'l Developed	14.9%	(11.3%)	(5.1%)	3 Month Treasury Bill	0.0%	0.6%	1.6%
Int'l Emerging	18.1%	(9.8%)	(3.4%)				

- Markets began to recover in the quarter after the dramatic slide caused by COVID-19 outbreak earlier this year; the rally was heavily influenced by the unprecedented fiscal and monetary stimulus by Congress and the Federal Reserve
- Economic data has been historically poor; estimates for 2020 are an annual economic contraction of 4-5%. Unemployment has been improving (June: 10.2%) but will be subject to the travails of the virus
- Growth stocks outperformed value by a wide margin; many of the large technology companies were not as impacted by quarantine restrictions
- International Developed and Emerging markets rebounded, but underperformed the US once again; Int'l markets have less technology and more cyclical-oriented companies
- The Fed has continued to provide liquidity to the markets through enhanced lending programs and keeping the Federal Funds rate near zero with no intentions of raising rates through 2022.

Investment Portfolio

Performance Summary Table
For Periods Ended June 30, 2020*

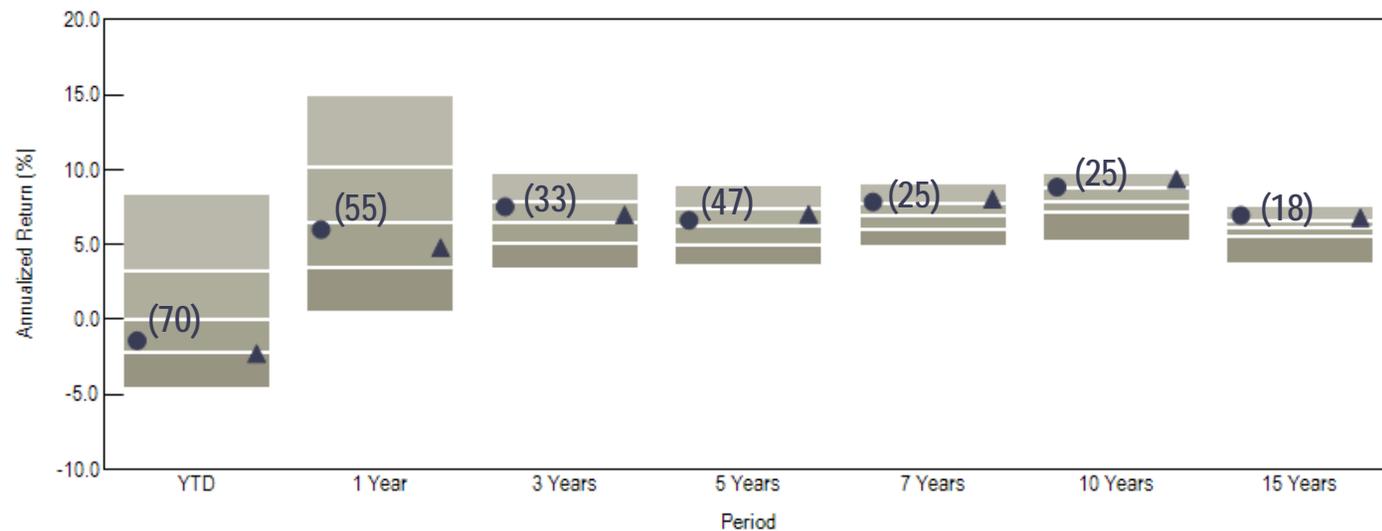


*Returns are presented net of investment management and consultant fees and are in percentages. Returns for periods greater than 1-year are annualized.

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.

Performance vs. Peers

InvMetrics Corp DB < \$50mm Net Return Comparison
Ending June 30, 2020



	Return (Rank)													
	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years							
5th Percentile	8.4	15.0	9.8	8.9	9.0	9.8	7.6							
25th Percentile	3.3	10.2	7.9	7.5	7.8	8.8	6.7							
Median	0.0	6.5	6.6	6.3	7.0	7.9	6.1							
75th Percentile	-2.1	3.5	5.2	5.1	6.0	7.2	5.6							
95th Percentile	-4.5	0.5	3.4	3.7	4.9	5.3	3.8							
# of Portfolios	102	101	96	87	73	50	28							
● VEBA Trust Composite	-1.4 (70)	6.0 (55)	7.5 (33)	6.6 (47)	7.9 (25)	8.9 (25)	7.0 (18)							
▲ Diversified Balanced Index	-2.3 (76)	4.8 (66)	7.0 (42)	7.0 (33)	8.1 (20)	9.4 (15)	6.8 (21)							

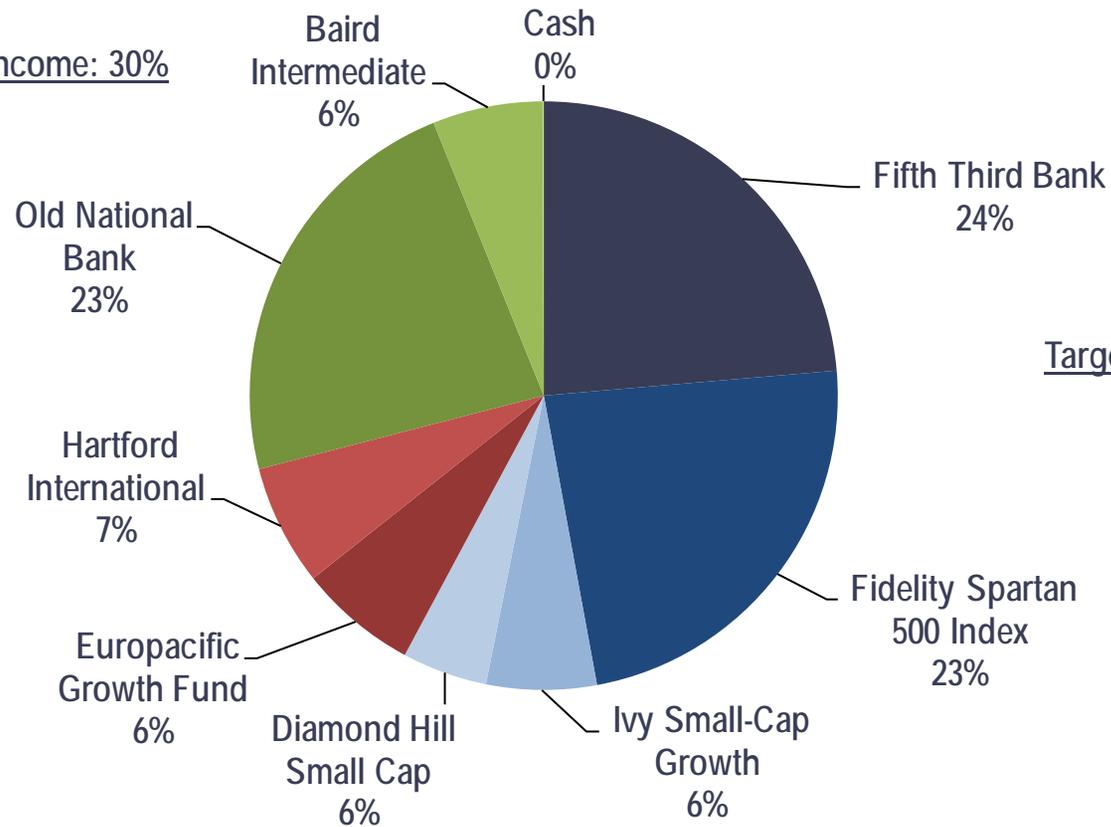
➤ Top quartile performance over long-term trailing periods

USI VEBA Trust

Asset Allocation as of June 30, 2020

Investment Manager Allocation

Target for Fixed Income: 30%



Target for Equities: 70%

Large-Cap: 45%

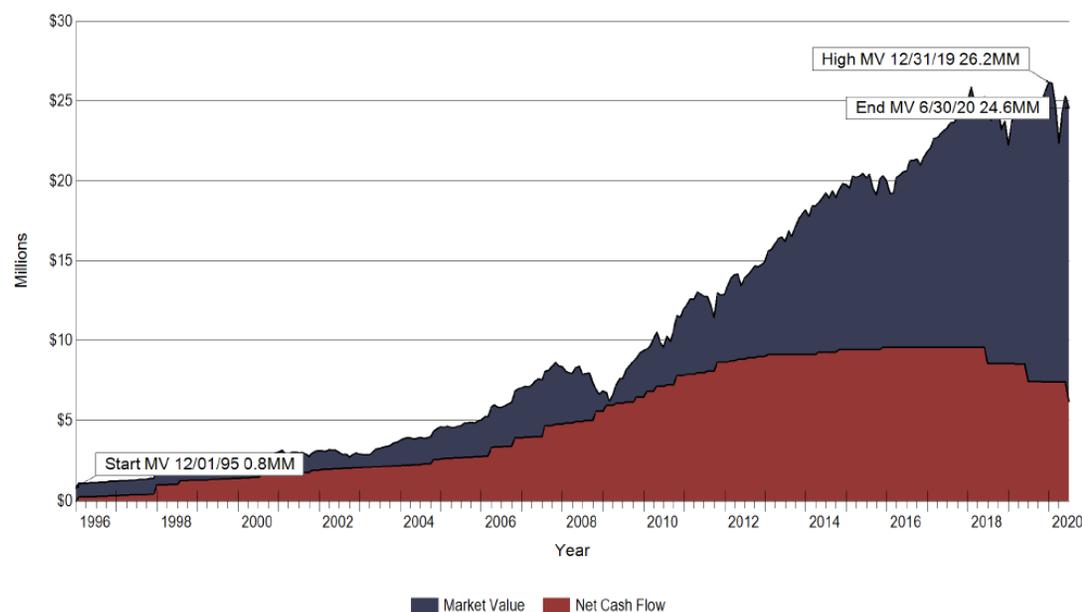
Small-Cap: 12%

International: 13%

Market Value \$24,573,464

Portfolio Sources of Growth

Market Value History



Summary of Cash Flows

	Second Quarter	Year-To-Date	One Year	Three Years	Five Years	Inception 12/31/95
Beginning Market Value	\$22,363,483	\$26,173,637	\$24,344,711	\$23,311,051	\$20,188,384	\$806,117
Net Cash Flow	(\$1,221,958)	(\$1,222,623)	(\$1,226,808)	(\$3,338,006)	(\$3,188,006)	\$6,236,414
Net Investment Change	\$3,431,939	(\$377,549)	\$1,455,561	\$4,600,419	\$7,573,086	\$17,530,933
Ending Market Value	\$24,573,464	\$24,573,464	\$24,573,464	\$24,573,464	\$24,573,464	\$24,573,464

Portfolio Risk Statistics

5 Years Ending June 30, 2020

	Anlzd Standard Deviation	Anlzd Alpha	Beta	R-Squared
VEBA Trust Composite	10.72%	-0.51%	1.02	0.99
Diversified Balanced Index	10.49%	0.00%	1.00	1.00
Balanced Index	10.32%	1.89%	0.98	0.99
InvMetrics Corp DB < \$50mm Net Median	8.48%	-0.17%	1.00	0.99

Calendar Year Returns

	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)
VEBA Trust Composite	12.1	-0.2	10.4	20.0	7.5	0.0	6.6	15.0	-4.8	22.9
<i>Diversified Balanced Index</i>	12.6	0.2	12.7	20.6	7.0	0.4	9.1	14.8	-4.5	22.2
<i>Balanced Index</i>	12.7	3.5	12.4	21.5	10.5	1.5	9.0	15.6	-2.6	23.8
<i>Consumer Price Index</i>	1.5	3.0	1.7	1.5	0.8	0.7	2.1	2.1	1.9	2.3
<i>InvMetrics Corp DB < \$50mm Net Rank</i>	47	63	75	14	25	31	47	43	36	13



Performance Summary

As of
June 30, 2020

	Q2 (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date	Market Value (\$)	% of Portfolio
VEBA Trust Composite	15.4	-1.4	6.0	7.5	6.6	7.9	8.9	6.1	Dec-95	24,573,464	100.0
<i>Diversified Balanced Index</i>	14.9	-2.3	4.8	7.0	7.0	8.1	9.4	6.0			
<i>Balanced Index</i>	15.1	-0.2	7.9	9.1	8.8	9.6	10.8	6.2			
<i>Consumer Price Index</i>	-0.1	0.3	0.6	1.7	1.6	1.4	1.7	2.1			
Domestic Equity											
Fidelity Spartan S&P 500	20.5	-3.1	7.5	10.7	10.7	12.1	13.9	8.0	Jun-07	5,764,404	23.5
<i>S&P 500</i>	20.5	-3.1	7.5	10.7	10.7	12.1	14.0	8.0			
Fifth Third Bank	20.5	0.4	12.9	12.8	9.5	11.1	12.3	7.8	Dec-00	5,809,360	23.6
<i>S&P 500</i>	20.5	-3.1	7.5	10.7	10.7	12.1	14.0	6.6			
Ivy Small Cap Growth	28.0	0.6	1.0	9.6	9.4	11.1	13.3	8.2	Dec-00	1,487,387	6.1
<i>Russell 2000 Growth</i>	30.6	-3.1	3.5	7.9	6.9	10.0	12.9	6.9			
<i>Russell 2000</i>	25.4	-13.0	-6.6	2.0	4.3	7.2	10.5	7.2			
Diamond Hill Small Cap	16.4	-25.7	-19.2	-5.6	-1.7	2.0	6.0	6.2	Nov-09	1,151,328	4.7
<i>Russell 2000 Value</i>	18.9	-23.5	-17.5	-4.3	1.3	4.0	7.8	7.9			
<i>Russell 2000</i>	25.4	-13.0	-6.6	2.0	4.3	7.2	10.5	10.5			
International Equity											
American Funds EuroPac	22.7	-4.8	3.2	4.7	4.8	6.6	7.4	5.9	Mar-10	1,597,291	6.5
<i>MSCI EAFE</i>	14.9	-11.3	-5.1	0.8	2.1	3.9	5.7	4.0			
Hartford International	20.9	-5.7	0.3	1.8	3.1	4.9	6.7	4.6	Feb-17	1,634,121	6.6
<i>MSCI EAFE</i>	14.9	-11.3	-5.1	0.8	2.1	3.9	5.7	3.4			
Fixed Income											
Old National Bank Fixed Income	2.4	5.3	6.9	4.1	3.3	3.1	2.8	4.5	Dec-95	5,626,138	22.9
<i>BBgBarc US Govt/Credit Int TR</i>	2.8	5.3	7.1	4.4	3.5	3.1	3.1	4.7			
Baird Intermediate	4.4	5.6	7.4	4.6	3.7	3.5	3.8	3.7	Sep-15	1,490,385	6.1
<i>BBgBarc US Govt/Credit Int TR</i>	2.8	5.3	7.1	4.4	3.5	3.1	3.1	3.4			

- Diversified Balanced Index = 30% BBgBarc US Govt/Credit Int TR / 45% S&P 500 / 13% MSCI EAFE / 6% Russell MidCap / 6% Russell 2000

- Balanced Index = 30% BBgBarc US Govt/Credit Int TR / 70% S&P 500

Asset Allocation

As of
June 30, 2020

Asset Allocation vs. Target As Of June 30, 2020

	Current (\$)	Current (%)	Policy (%)	Difference* (%)	Policy Range (%)	Within Range
Domestic Large Cap Equity	11,573,764	47.1	45.0	2.1	35.0 - 55.0	Yes
Fidelity Spartan S&P 500	5,764,404	23.5				
Fifth Third Bank	5,809,360	23.6				
Domestic Mid/Small Cap Equity	2,638,715	10.7	12.0	-1.3	9.0 - 15.0	Yes
Ivy Small Cap Growth	1,487,387	6.1				
Diamond Hill Small Cap	1,151,328	4.7				
International Equity	3,231,412	13.2	13.0	0.2	10.0 - 16.0	Yes
American Funds EuroPac	1,597,291	6.5				
Hartford International	1,634,121	6.6				
Fixed Income	7,116,523	29.0	30.0	-1.0	25.0 - 35.0	Yes
Old National Bank Fixed Income	5,626,138	22.9				
Baird Intermediate	1,490,385	6.1				
Cash	13,050	0.1	0.0	0.1	0.0 - 2.0	Yes
Cash	13,050	0.1				
Total	24,573,464	100.0	100.0			

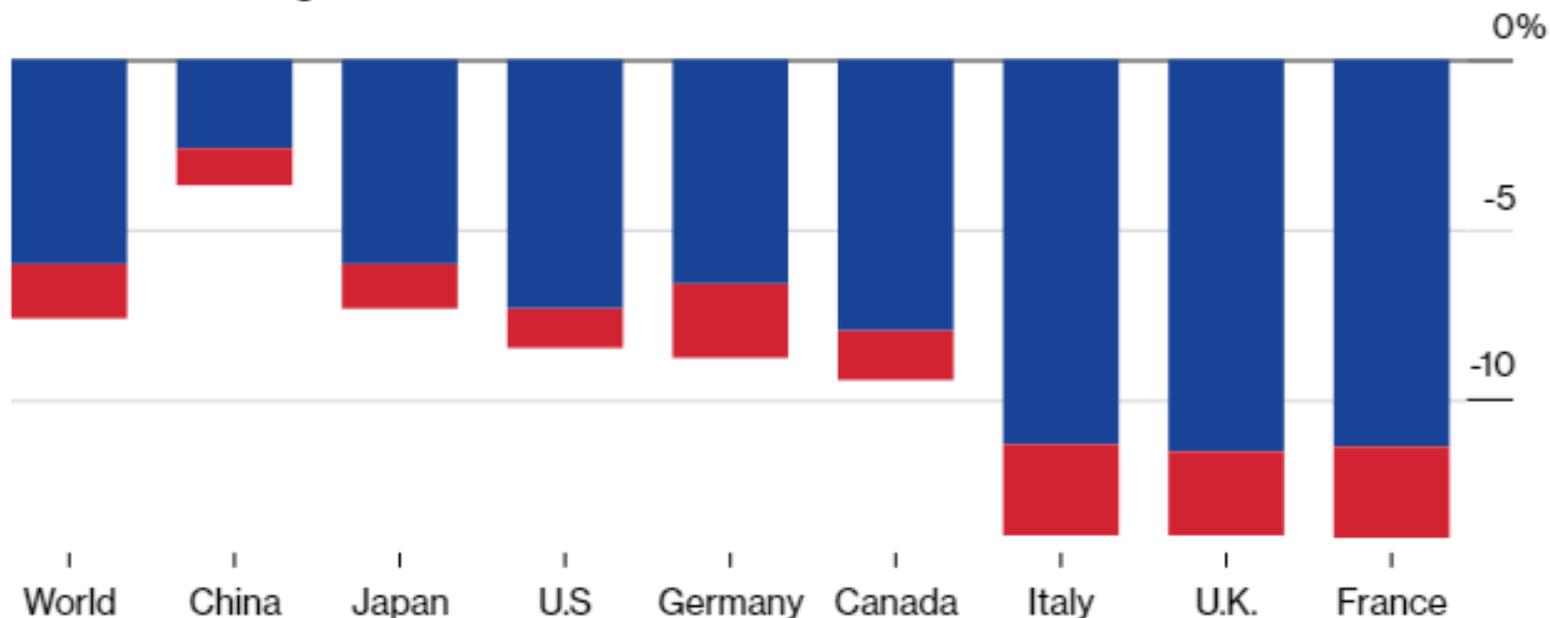
*Difference between Policy and Current Allocation

Full Year 2020 Global GDP Forecasts

Pandemic Fallout

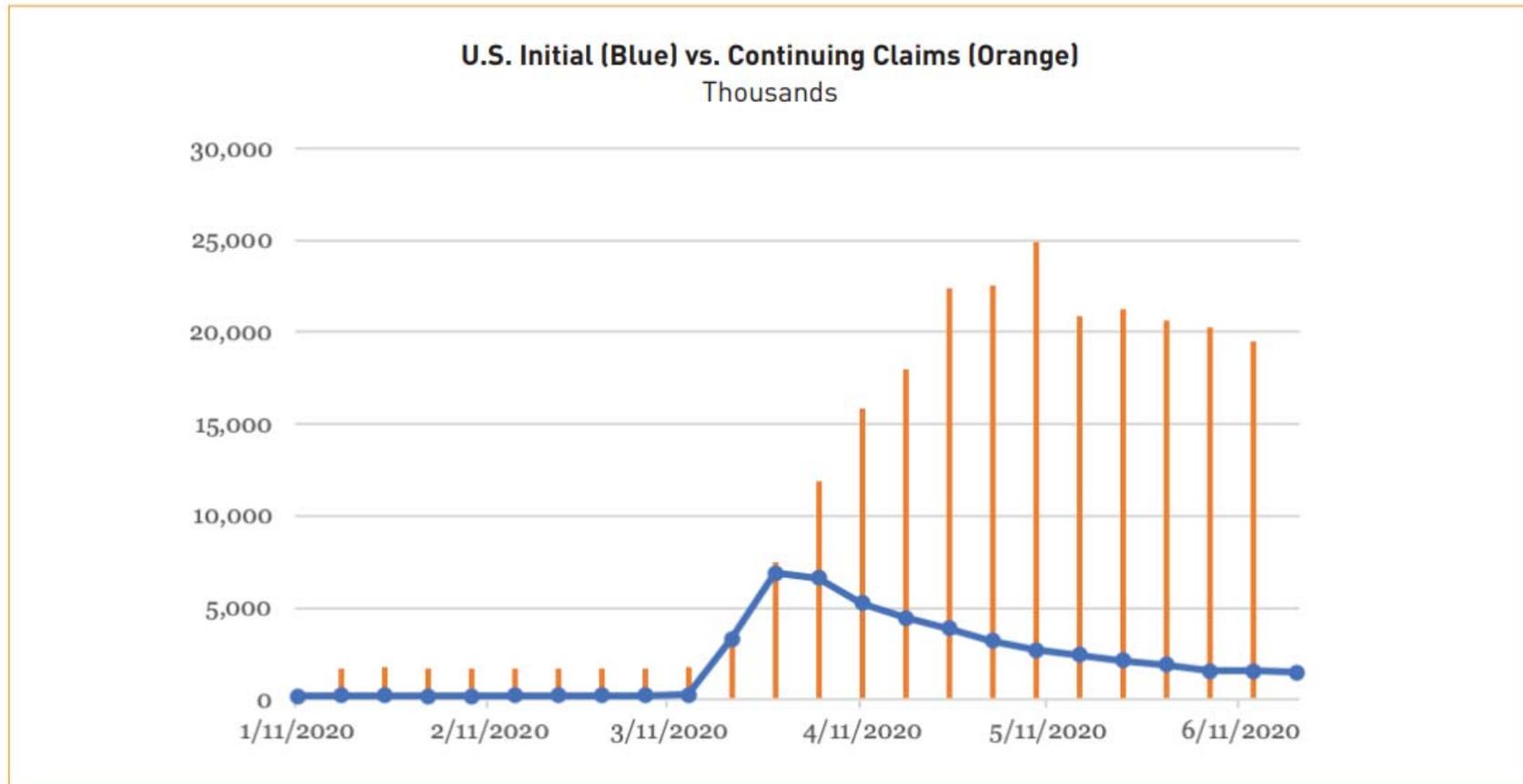
European economies are likely to be among the worst hit this year

■ 2020 GDP: Single-hit scenario ■ Double-hit scenario



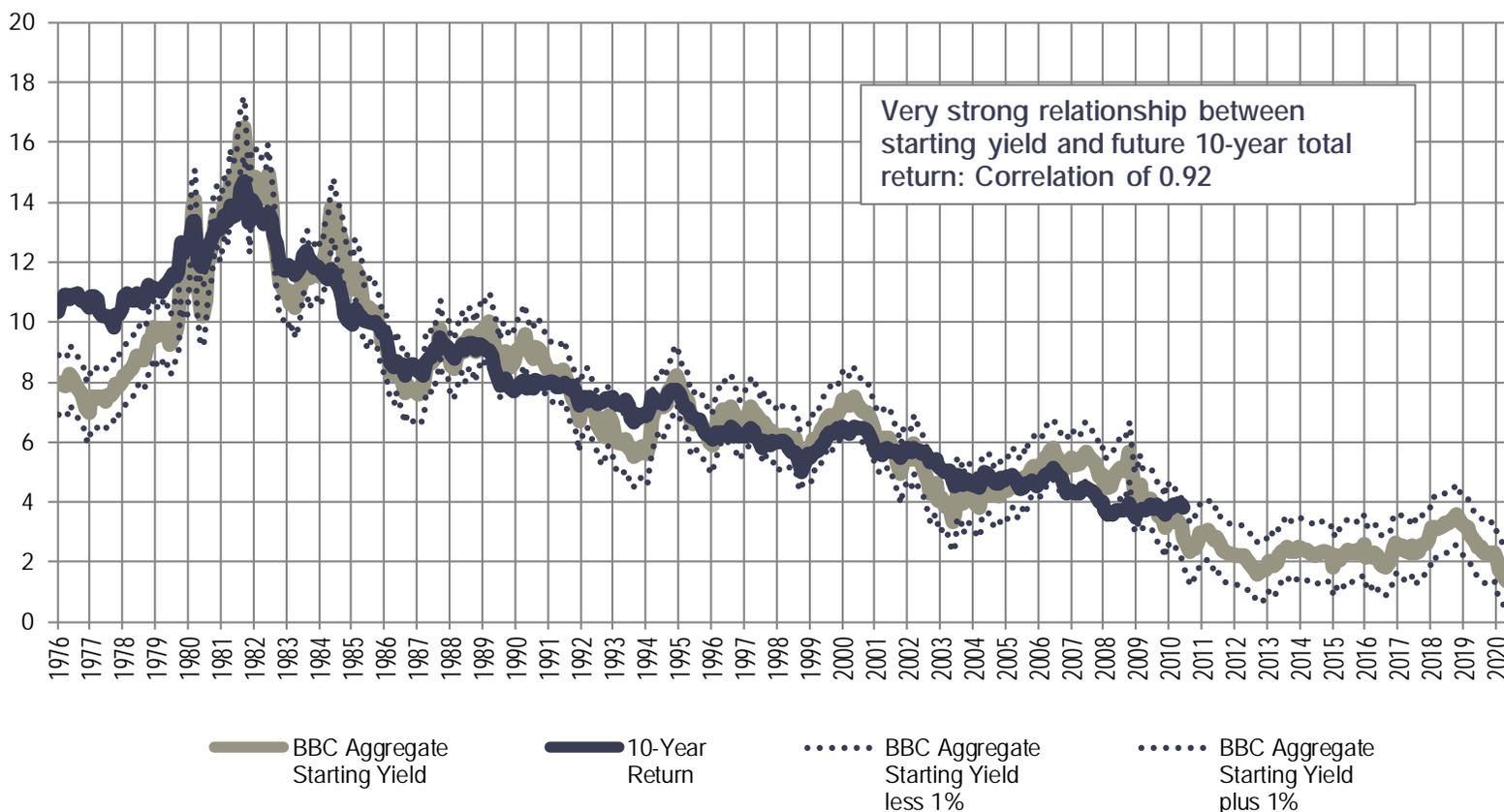
Source: Organization for Economic Cooperation and Development

Jobless Claims and Unemployment Have Decreased Since Peak



Bond Market: 10 Year Expectations

Returns Follow Yield



Yielding 1.28% as of 6/30/20

Yield @ 6/30/10 = 2.83%

10 Year Annualized Return @ 6/30/20 = 3.82%



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- 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 66 clients with over \$9 billion in assets.
- Our only business is institutional investment consulting, supported by 8 investment consulting professionals.
- Fourth Street is a member of Callan's Independent Adviser Group.



Representative Clients

For over 20 years, we have partnered with 66 clients, representing over \$9 billion in assets.

A representative list of our institutional clients is provided below.

Educational Institutions

- Army War 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

- **Columbus Regional Hospital**
- Deaconess Associations, Inc.
- **Deaconess Health System**
- **Hancock Regional Health**
- **Hendricks Regional Health**
- **Indiana Healthcare Reciprocal RRG**
- **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.

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