

CAPITAL DISTRICT KIWANIS FOUNDATION, INC.

Meeting of the Board of Directors

February 13, 2016

The 203rd Meeting of the Board of Directors of the Capital District Kiwanis Foundation was held on February 13, 2016 at the Fredericksburg Hospitality House Hotel and Conference.

President Gary Boswell opened the meeting at 10:00 AM. Nancy Simonelli led the Pledge of Allegiance and gave the invocation.

Roll Call - Charles Adams - 17 Board members are in attendance

The following members were in attendance:

Roy Sheets	Gary Boswell	Nancy Simonelli
Tim Wesling	Brian Bell	David Heppner
David Lurie	Kelly Boswell	Tom Varner
Bernice Oden	Bob Cassada	Dennis Grubbs
Jon Rife	Charles Adams	Roger Diehl
Ken Hogan	Mike Dasovich	

Approval of Agenda- Motion to accept the agenda was made by David Lurie and seconded by Bob Cassada. Motion passed.

Minutes of the November 7, 2015 Meeting: Motion to approve the minutes as circulated by email was made by Brian Bell and seconded by Bernice Oden. Motion passed.

Treasurer Report: Tim Wesling circulated the Treasurer's report by email to the Board. A motion to accept the Treasurer's report was made by Mike Dasovich and seconded by Dennis Grubbs. Motion Passed.

Life Membership: Secretary Charles Adams reported that we have 1 new life member since the last meeting.

Caring Corner: Nancy Simonelli sent out to the Directors to use. We need for baskets to be donated for the DCON.

Ducky Derby: Bob Cassada said Adoption Certificates should have been distributed by the CDKF Directors to the clubs . We need \$50 gift cards as prizes from the directors.

Founder's Society-Bernice Oden reported 1 new member at the end of 2015-Charles Marks..

Finance Committee – Gary Boswell stated that we voted at our last meeting to cash in the \$50,000 CD. This violated our 60/40 %investment policy and will be voted on under new business. Bob Cressy reported the 1st quarter has been rough. The Dow has been down significantly. Businesses are afraid to invest at this time. The Kopeland Fund has a \$13,000 CD plus \$393 in cash. We have 38% in our investments. The main fund is \$737,000 in fixed and equity. We have 4 CD's at \$200,000. The highest is getting .9%. The CDKF treasurer has been asked to prepare a policy on investment allocations by the next meeting.

FINANCIAL ADVISOR'S Report- Bob Cressy sent out his report by email to the Finance Committee.

FINANCIAL ADVISOR'S COMMENTS

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Disclaimer Note: Comments on the markets are my viewpoints as of this date and not those of Lombard Securities. I have continuing teleconferences with and significant input from major financial institutions such as PIMCO, JP Morgan, Lord Abbott, American Funds, S&P Advisor's and numerous MF companies, etc., on past & current market conditions and trends. Of course, past performance does not guarantee future performance.

My General Comments

Each month in the comments that you allow me, there always seems to be a theme. The theme, and not my theme, by a least half of the country is "I don't know, I don't want to know, I don't really know the candidates of either party nor the major issues of the parties but guess it will turn out alright." Well, I think this is the most important election in my life-time considering what is at risk. What about you? We are at a turning point for the economy, debt, deficits, spending out to 2017 with a \$20,000,000,000,000. (\$20 Trillion).

We are seeing business & industry in the U.S. and world-wide, and consumers, less reluctant to invest, expand and spend due significantly to regulations, tax laws and controls until we will control our governments and costs. World-wide marketers and markets are holding back. We are seeing much volatility within a broad market range. Most employer are holding back on hiring and spending, even if needed, to see what the political and regulatory prospects will become after the election.

The major markets have all had overall pullbacks, yet many have see-saw days & weeks. The S&P Capital IQ Market scope Advisor (2/11/16 issue) "reported that aggregate Q4 15 S&P 500 EPS are estimated to be \$29.05, representing a 4.94% decline year-over-year. They also forecasted no change in rates at the mid-March FMOC meeting." For 4Q15 (still reporting), S&P says "only four sectors are expected to post positive growth: telecom services, consumer discretionary, health care and industrials. Energy weighs heavily (-75.1%); others down include materials, utilities and financials.

.... Of 341 companies that have reported, 227 beat analysts' estimates, while 65 missed. The beat rate is 67% vs the historic average of 66%."

Remember, too, that our CDKF MF's have declined as has the markets. Our MF's are 'actively managed us the fund managers, and us. In striving to meet objectives, our MF managers can sell

individual stocks, sectors or other assets and try to replace them with better performers. Still the major markets have significant impact of performance.

So, will we see “the chickens come home to roost?” Watch & listen to the candidate of each party. This is the preliminary events. When the party candidates begin to debate each other ‘live’, the real fun begins. Stay tuned and pay attention.

CDKF MUTUAL FUND Background, Feb. 10, 2016, Lombard Account Statement Report

All MF performance is benchmarked to the appropriate public index. For example, a U.S. equity stock fund is benchmarked to the S&P 500 largest stocks, as well as to its peers. Foreign stocks are measured against the MSCI EAFE (Europe/Asia/Far East) index. The PIMCO Total Return bond fund is benchmarked against the BarCap US Aggregate Intermediate Bond Trust index. Remember the overall value of the CDKF funds can not be measured against the whole market, but they have different objectives so are measured against that security’s appropriate benchmark.

The CDKF MFs are chosen in part for their conservative investments often including dividend income. They may not be the top fund against all funds in their category all the time but are chosen for total investment objectives, performance, moderate risk and volatility vs. other funds.

Recent Market Index Bench Marks (dates are of CDKF Financial Reports)

Report	Dow Jones 30	S&P 500 Index	NASDAQ
RECORD	18133 (2/27/15	2115 (2/24/15)	4964 2/27 (Not Record)
2/6/15	17824	2055	4744
10/26/15	17623	2071	5035
12/31/15	17425	2043	5007
2/10/16	15915	1881	4284

UPDATED CDKF INVESTMENT PERFORMANCE as of February 10, 2016

Performance underscores the value of the CDKF Investment Policy of asset allocation. The percentages of allocations are based on costs, not market value. There is \$213,000 in CD’s which are FDIC insured and \$12,995 in Money Market Funds in BOTH the Copeland & main investment accounts. A CD recently matured on 12/31/15 and will be rolled over into a \$25,000 CD bringing the total CDs to \$213,000 again, lowering the cash position.

IMPORTANT Calculation on Fixed/Bond/Cash % values vs. Equities Values:

Market Value - Kopeland Fund	\$ 13,390	CD + Money Market
Main Account #185290399	\$201,581	CDs face value + Money Market
Main Account (Bond Funds)	\$ 63,787	Nuveen & PIMCO Tot Ret .Bond FD.
Total Fixed Income & Bonds	\$278,758	Cash, Fixed & Bond Value (38%)

PIMCO Total Return Intermediate Bond Fund (PTTAX) is a bond fund with a Sector Allocation consisting of UST & UST Inflation Protected bonds, U.S. Agency bonds, plus Corporate bonds, Securitized bonds (Agency – MBS Pass Through, ARMs, CMOs), Muni bonds and cash. The PIMCO Total Return Bond Fund has been under pressure since founder & manager Bill Gross left the funds for Janice Funds, plus general lower bond prices. This is being monitored.

Fixed Income securities do not participate directly in the stock markets changes, so as equity markets grow, asset allocations can change. Conversely, if stock markets drop as they can, the fixed securities principal is more stable although potential interest rate increases can affect principal, especially if sold before maturity.

As of the Feb.10, 2016, Account Unrealized Profit & Loss Statement, Lombard Securities, Inc. (Monthly Statements are received separately by each of you):

1. CDKF Account #2, Account #185303767 Kopeland Trust – Total Market value is \$13,390 consisting of one CD and the \$390 FDIC cash. The CD is at Safra National Bank NY @ .65%, estimated income is \$85 for 2015-2016. The Board (CDKF President, Executive Director & Treasurer) withdrew \$8,000 in cash from the Kopeland Fund for operating expenses & grants on 8/1/14.
2. CDKF Account # 185290399 has a current total market value (main account) of \$737,385 for all assets. A withdrawal of \$8,000 in assets was taken from the main account as well in August 2014. Increases in market value of equities are due to market growth and reinvestment of dividends & capital gains.

IMPORTANT Fixed Income Information from the Feb. 10 CDKF Account P & L Statement

Note: CDKF is a 501C(3) tax exempt endowment foundation and doesn't receive a YE 1099.

CD interest is posted to the Money Market. Dividends & Capital Gain earnings from MFs are reinvested back into the MF that generated them. Compounded reinvestments significantly increase the total MF performance over time. Going forward 50% of a donation plus 50% of

earning from the Founder's Society will go to CDKF grants. ONE Founder's Award is being presented to Charles Marks PLG, Bridgeville, DE on 12 Nov. 2016. Congratulations!

Fixed Income Detail: Four CD's face value of \$200,000, with \$1,581 in FDIC cash. A \$50,000 Goldman Sachs CD matured 12/31/15 and it was replaced with a 12 month CD (#4 below.)

Current CD's:

1. \$25,000 matures 5/20/16 @ .5 % Bank of China NY
2. \$50,000 matures 8/12/16 @ .6% Discover Bank Greenwood
3. \$75,000 matures 2/13/17@ .9% Capital One Bank Glen Allen
4. \$50,000 matures 1/20/17 @ .87 Bank of China NY

NOTE: Market CD rates remain low. Fed rate is 0.25%. Two year UST is 0.76%; a 10 year UST is now 1.94%, 30 year 2.75%.

Notes on Costs of Doing Business: CDKF uses the "traditional method" of managing equities. CDKF pays to buy each new MF once. Most initial MF investments were made from 2004 to 2009 and held. Funds are Actively Managed by the MF company to buy/sell securities held by that fund, as they are with any MF. There is NO BROKERAGE ACCOUNT or TOTAL ASSET FEES charged in a traditional account. There is no cost to sell MFs if sold. There have been No BUYS of either MFs or additions to principal in recent years as cash income from CDKF fund raising has been used for operating funds and not invested. That is somewhat understandable, but without contributing some fund rising to endowment investment which built the CDKF, the CDKF will begin to wither.

With American Funds because of the total amount in that 'family', CDKF receives a Rights of Accumulation (ROA) buy discount. Most original purchases were made at a discount rate between 3.5% to 2.5% vs. 5.75%. (The current rate for Am. Fds. is at \$250K ROA is 2.5%). Initial 'buys' were 'amortized' long ago over five years, (i.e. 0.7% to 0.5% cost average per year). There are no asset management brokerage fees based on assets held. There are normal MF management services expenses to manage the MF charged by each MF company (for all management styles). The average expense is 0.85% per year. Any trades are recommended by the Finance Committee, authorized by the Board. Confirmations are sent to CDKF Treasurer.

FUND HOLDINGS - Mutual Funds Market Values Feb. 10, 2016 Lombard Securities Report.

Symbol	MF Name	Category	Market Value	Est. Yld of Funds	Est. Yr Income
	AMECX Amer. – Income Fund	Moderate Allocation	\$44,468	3.28%	\$1525
	ANWPX Amer. New Perspective	World Stock	\$66,578	.73%	\$549
	CAIBX Amer. – Cap Inc. Bldr.	World Allocation	\$90,997	4.34%	\$3389
	PNEAX Allianz NFJ Div Adv.	Large Value	\$76,159	2.1%	\$2050
	CWGIX Amer. Cap Wld. G & I	World Stock	\$66,196	2.5%	\$1459
	IGAAX Amer. Intern’l G & I	Foreign Lg. Stock	\$27,659	3.2%	\$993
	SMCWX Amer. Small Cap Wld. Gr.	World Stock	\$79,583	.0%	zero
	JCMAX JPM Mid Cap Growth	Mid Cap Growth	\$21,357	0.7%	\$17
	Sub-Total MF Values		\$472,997		\$9626
	PTTAX PIMCO Tot. Return	Interm. BOND Fd.	\$28,644	3.6%	\$786
	Nuveen Dividend Adv. Muni	MD S&L Bonds	\$35,143	5.6%	\$1877
	(NZF) Nuveen current Yield 5.6%)		_____		_____
	Total Bond & Equity MF Values		\$535,784		\$12510
	+ CD’s \$200,000 Face Value; Mkt Value		\$200,000		\$1328
	+ Money Market Funds - Cash		1,581		
	Total Fixed (large Account)		\$201,581		
	TOTALS		\$737,365		\$14310

PERFORMANCE Report by Morningstar Benchmarks as of Feb. 10, 2016 (+ means better ... - less than benchmark). Note: Three, 5 & 10 year is Average Performance PER/Each Year.

Symbol & Description (Above)	1yr	3yr	5yr	10yr
AMECX – Income Fund	-6.88%	+5.22%	+6.66%	+5.62%
+/- MornStar Mod. Target	+3.8%	+2.7%	+2.4%	+0.74%
ANWPX – New Perspective	- 8.7%	+4.56%	+7.1%	+5.7%
+/- MSCI EAFE	+8.02%	+7.8%	+2.1%	+4.4%
CAIBX – Cap. Income Bldr.	- 7.7%	- 3.6%	+5.2%	+4.8%
+/- M.S. Moderate Tgt Risk	- 4.1%	+0.97%	+1.18%	-.12%
PNEAX – Alliance Div. Adv.	- 15.06	+4.09%	+6.03%	+3.6%
+/- S&P 500 Trust Index	- 7.5%	- 5.03%	- 3.3%	-3.4%
CWGIX – Cap. World Growth	- 12.6%	+ 3.4%	+ 4.3%	+4.5%
+/- MSCI EAFE	+ 4.1%	+ 6.2%	+ 6.0%	+3.2%
IGAAX – World Gr. & Income	- 17.6%	- 2.5	- .4% (Fund 5 years old)	
+/- MSCI EAFE	- 0.1%	+ 0.7%	+ 2.1%	
JCMAX – Mid Cap Growth	- 16.4%	+ 6.6%	+ 7.2%	+ 6.2%
+/- S&P 500 Index	- 6.7%	- 2.1%	- 1.7%	+ 0.22%
SMCWX – Small Cap Growth	- 12.9%	+ 2.74%	+5.32%	+3.42%
+/- MSCI EAFE	+ 3.8%	+ 6.0%	+0.27%	+1.3%
PTTAX – Total Return Bond Fd.	- 7.1%	+ 0.94%	+3.3%	+5.4%
+/- BarCap US Agr Bond Trust	- 2.2%	- 1.38%	-0.53%	+0.6%

SUMMARY of MF Performance: CDKF holdings compare generally well against their Benchmark Indices. Performance comparisons are slightly lower as they are being measured

with a banner 2013 year and still good 2014. The CDKF has benefitted from good assets, management and compounded growth of principal and dividend & capital gains reinvestments.

END of the Feb. 13, 2016 financial statistics with Market Comments for the February 2016 meeting.

Submitted By:

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Robert N. Cressy, PG & Past CDKF VP, Past CDKF Director – Division 17

New Business

The \$50,000 matured CD was revisited since the vote at the last meeting to cash it in was in violation of our investment policy. David Heppner made a motion to roll over the CD in question. Bernice Oden seconded the motion. Motion passed.

Policy Statements –Jon Rife reported that the Policy Committee recommends the following:

1. Section 3-Change “Trustees” to Directors
2. Section 3, B-1 –Change “May” to “a meeting.
3. Section 3. C-1 Change “Trustees” to Directors
4. Section 3, D-1 “May” changed to “a”. Change Review to “nominating”.
5. Section 3, D-2 – Change “review” to “nominating”
6. Section 4, Board of Directors Article 3 of bylaws.
7. Section 5A- Change Investments to Investment and Budget.
8. Section 5 A- Delete 1-3. Renumber 4-11 as 1-8.
9. Section 5, A-5 – Take out August
10. Section 5, A-7 – insert of incoming president after a proposed budget. Last sentence –change list to include.

Teenager of the Year- Roger Diehl reports a lot of flack about changing the time line for receiving applications and the presentation. Nominations are needed by March 1, 2016.

There being no further business to come before the Board, a motion was made to adjourn by Charles Adams. Seconded by Dennis Grubbs. Motion passed. President Boswell adjourned the meeting.

The next Board meeting will be on Friday, April 22, 2016 at the DCON at the Hilton Short Pump.

Respectfully submitted,

Charles Adams, Executive Secretary
Capital District Kiwanis Foundation