**BSA Executive Committee Minutes
Conference Call**

**10/29/18**

This was an educational call for our Executive Committee to learn more about BSA investments from Morgan Stanley representative, Bryan Boesen.

In attendance on the call were: Andi Wolfe, Linda Watson, and Lucinda McDade (who joined near the end).
BSA Investment committee Chair - Jack Horner
BSA Board member and Investment committee member - Ned Friedman
Bryan Boesen - Morgan Stanley

Bryan described our three MS accounts.
1) Line of Credit for purposes of the Society if needed, created in Nov 2016
2) Cash account - to move money from investment account to the cash account
3) Select UMA investment account

Select UMA - Unified Management Account which allows for different investment vehicles and different firms to be held in one account.  We can hire 3rd party active managers from different places.  We also have passive managers.

In 11 years, we have experienced 2.8 million in appreciation.  Just under an 8% return since 2009.

MS added “alternatives” as a bigger part of our portfolio to protect us against downturns in the market as alternatives are not as much risk as equity markets.  Bryan stated that alternatives balance out our portfolio and they are liquid.

Posture of our portfolio is set to maximize return based on the BSA Investment Policy/Guidelines.

Bryan seemed to think that the Investment Policy of BSA had been amended to include 0-20% alternatives as part of its guidelines.  We have no record of that coming to the Board from the investment committee. Last known change was approved in Fall 2017 by the Board. Ned mentioned that what we need to look at is much broader than our investments.  We need to understand what the BSA does as far as annual budgeting, how we spend, so our spending policy can drive our investment policy.

Bryan Boesen will forward some information on nonprofit investing and best practices.  He will also try to provide a perspective on had we moved to a 70/30 split (with 30% safer/fixed income investments) what the outcome would have been.  Take a look at that possible performance over a 3 year span.

The market will continue to be volatile with swings.  However, MS sees the economy growing and expanding.  They protect us from risk by diversifying our assets across asset classes.

There were some questions from officers about the churn in our portfolio. MS follows our investment policy and seeks managers to work on our behalf with active management.  They anticipate a 75% -100% churn annually.  So far in 2018 through Sept we have seen a 50% turnover.

There are no additional costs for trading that we pay.  BSA pays an annual fee and MS negotiates an annual fee with the managers that they hire.

International holdings - As of Sep 30, 2018, 1/3 was allocated to international holdings. MS is doing this because while US stocks have been a top performer as an asset class, MS advisors don’t believe they will continue to perform as it has in the past.  There are currently many attractive opportunities to invest in international equities.

Bryan described ADRs as a way to invest in a foreign market as a customized mutual fund.  He did not seem to think they were any more expensive.

Why are we invested so heavily in Japan? We are a little bit early to the table on Japan, but MS has viewed it as a good opportunity, ripe for investment.

When asked what other societies and nonprofits are doing that MS works for - Bryan says that 40% are aggressively postured like us.  Investment Committees normally work with a Finance Committee.

Our BSA Finance Committee was disbanded a few years ago as it was viewed as redundant to what the Board was doing.  The Board serves as our Finance Committee.

Lucinda asked about having an Investment professional on the Investment Committee - do other nonprofits do this that Bryan is affiliated with?  We didn’t really feel like we got a definitive answer to that.