

**Minutes
Investment Advisory Committee Meeting
Of the College Savings Program Board**

Wisconsin Department of Administration Building
MacArthur Room
101 E Wilson Street; Madison, Wisconsin

August 22, 2017 -- 10:00 a.m.

I. Call to Order and Roll Call at 10:08 a.m. (Rob Kieckhefer, Chair)

Present or on the phone: Bill Oemichen (arrived, Rob Kieckhefer, Michael Wolff, Derek Drummond, Annoesjka West, Paula Smith, Vivian Tsai, Catherine Burdick, Greg Reiman, Dave Erdman, Jessica Fandrich, Jim DiUlio.

II. Agenda Approval and Public Posting Report Agenda approved, and meeting has been posted properly.

III. Approval of Minutes for May 31, 2017 Motion to approve minutes by Wolff, second by Drummond, carried.

IV. Public Presentations – None requested, none present

V. Old Business

A. Callan's *West* reviewed the Second quarter continued to be strong 2017 market activity, GDP growth was 2.6%, consumer spending is driving GDP growth, however inflation continues to be low. Consumables continue to be strong, unemployment is low. Businesses on the real estate side we saw lower growth, interest is getting higher and loans more restrictive. Europe is growing pretty fast up 2.3%, potentially there could be a pull back, and an adjustment to the market will occur. European unemployment is low, their economy is doing well. Performance last year values were strong on the small cap side, the dollar has given way to the Euro, the Dollar lost 7% versus the Euro, and emerging markets are up pretty strong relative to U. S. Indexes. Large Cap stocks are doing well, significant inflows, ETF, the FANG stocks are up 22% of the return of the S&P 500 this quarter. The best performing sector is healthcare, given the expectation that there might be some legislative change, this is really driving the sector. Solar energy is the worst performing sector, Russia and Brazil on the emerging market side their economies are dependent on the commodity stocks, the unrest in Brazil, and the political climate in Russia did not help either. Asia is driven by technology, China, Taiwan, and South Korea, the European stocks did really well.

Kieckhefer, asked is the weaker dollar a long term trend? *West* replied this will continue for this quarter, I am not sure if we have an outlook for this going forward, so much of it has to do with what is happening in our country, I think geo-political concerns are going on, if things go on into the third quarter as well. *Drummond* said at SWIB we have a short dollar position and international overweight, the premise

being that growth is a little better in Europe, and the ECB might do something to effectuate change than the current administration in the U.S. Everyone front loaded Tax reform a couple of quarters ago, you could see a surprise if something could get done before the end of the year in tax reform, maybe the dollar turns around a little bit, but were pretty heavily weighted against the dollar. The Trump trades are started unwinding and the dollar is the last one online. *West* added that on the fixed income side, we did see credit having a strong quarter, if we look at the Barclay's Credit return it is 5%, high yields continue to be very strong, with a real strong demand for credit securities, with a real strong quarter. Domestic equity markets are highly valued, managers are talking about the question that markets are overvalued, and is there still room to run.

B. Investment Watch List – the Investment Advisory Board took action on the Watch List recommendation from Callan. *Bill Oemichen* made a motion to place the Columbia Dividend Opportunity Fund on the Watch List. *Kieckhefer* make a motion to approve the Watch List, motion carried.

VI. New Business – *Jim DiUlio* reported on recent visits to Morningstar, Inc. as part of their annual evaluation of 529 plans and investments. Separate meetings were held for Tomorrow's Scholar, and then Edvest. Reviews were led by Morningstar's Leo Atchison and Gretchen Rupp. Rob Kieckhefer joined Jessica Fandrich, Jim DiUlio and Shirley Yang and Jeremy Thiessen of TIAA for the Edvest meeting. The Tomorrow's Scholar meeting was part of a larger Voya delegation including Paula Smith, Paul Zemsky and Barbara Reinhard, and Fandrich and DiUlio from the program.

Results will be published in October. Currently Edvest carries a Bronze rating and Tomorrow's Scholar is at neutral, a holdover from the less than 3-year performance history with the present investment lineups.

Paula Smith was happy to see that the Morningstar reviewers showed interest in the convertible C shares and also the AR shares, adding that few advisor-sold plans get a rating.

Announcements: Next meeting date November 29, 2017. *Fandrich* announced that the 529 College Savings Program is celebrating its 20th Anniversary and having an event up at the State Capitol Rotunda in September to commemorate this milestone. The CSP program would like to thank the Board for all of their years of service and recognize their work towards helping grow the program to 300,000 accounts. A cake will follow this meeting to honor the occasion.

VII. Adjournment Motion by *Oemichen*, second by *Wolff* to adjourn at 11:14 a.m. Carried.