

TO: Members of City of Dubuque Investment Oversight Advisory Commission

FROM: Paul Lassance, Investment Oversight Advisory Commission
Jean Nachtman, Finance Director

RE: Un-approved Minutes of the July 27, 2016, Meeting of the Investment Oversight Advisory Commission and Chairman's Quarterly Report

DATE: August 1, 2016

Commission members Brad Chalmers; Rachel Ferrero; Paul Lassance; Steve Reisdorf; and Gary Ruden; and City staff, Jean Nachtman, Finance Director; Arielle Swift, Accountant; and Hannah Hingtgen, Intern were present.

1. The meeting was called to order at 3:00 p.m. in Conference Room A in City Hall by Chairperson Paul Lassance. Finance Director Jean Nachtman, certified that the meeting was in compliance with the Iowa open meetings law.
2. The oath of office was administered to reappointed commission member Steve Reisdorf.
3. Steve Reisdorf nominated Paul Lassance to continue as Chairperson of the commission and Rachel Ferrero seconded. Motion carried unanimously.
4. Paul Lassance nominated Gary Ruden as Vice Chairperson of the commission and Stephen Reisdorf seconded. Motion carried unanimously.
5. Stephen Reisdorf moved that the minutes of the April 26, 2016 meeting be approved. The motion was seconded by Gary Ruden and approved unanimously.
6. John J. Gonner, CFA, Senior Vice President; Greg Gorden, Senior Vice President; and Ethan Jones, Trust Associate, presented for First Community Trust.

John presented the economic outlook. The Brexit event provided a stress test for the market, although it may not have a long range impact on the US market. The stock market hit an all-time high. Economic data is on the soft side, but an improvement is expected. The June job report is up after a disappointing May report. The initial jobless claims have been below 300,000 for 71 consecutive weeks, which is the longest stretch since 1973. Jeff expects inflation to increase over the next six months as the drag from lower energy prices subsides and the tighter labor market pushes up wages.

Interest rates continue to be low. One third of all foreign government bonds (\$13 trillion) are trading at negative yields. Foreign money investing in the US is causing the bond market to be the most over-valued in history. John still expects that there is a possibility for one or two Fed rate hikes this year.

Ethan reviewed the City's portfolio. Comparing the City's returns to the Barclay's 1-5 year Government Index, the City outperformed the benchmark in 75% of the months in which the index had a negative return and 52% of the months in which the index had a positive return. The standard deviation (measure of volatility) is 0.515% compared to the index of 0.559%. YTD returns are 2.52% (net of fees) compared to the index 2.36%.

The current duration of the City's portfolio is 2.71. FCT's strategy continues to be hold to maturity, allowing the duration of the portfolio to shorten on its own. The yield curve of the last year is continuing to flatten.

John Gonner, confirmed that First Community Trust is in compliance with the City's current investment policy.

7. Jean reported that the City's investment policy was submitted to the Association of Public Treasurers of the United States and Canada, for recertification.
8. The Commission reviewed the June 2016 quarterly investment reports. As of June 30th there was \$18 million in checking accounts and certificates of deposit, and \$35 million in unspent bond proceeds. Recent certificate of deposits are renewing at 77 basis points.
9. Jean distributed investment returns and fees information for the four investment managers: Dubuque Bank and Trust, U.S. Bank, Dana Investment Advisors and First Community Trust.
10. Jean stated that there had been no draws from the managed accounts to meet the cash flows need of prior quarter. However, that still remains a possibility. The commission directed that if a draw was necessary it should be split between Dana, US Bank and DB&T. First Community was added as a fund manager after the original three managers and was initially given less money to invest. If a draw was necessary, it would be a chance to even the funds under management by all four managers.
11. There was no communication from the public, commission or staff to report.
12. The next meeting of the Commission is scheduled for Wednesday, October 27, 2016, at 3:00 p.m. A representative from Dana Investment Advisors will be invited to the meeting.
13. Gary Ruden moved that the meeting adjourn. The motion was seconded by Brad Chalmers, and approved unanimously. The meeting adjourned at 3:45 p.m.