

INVESTMENT COMMITTEE 2017 ANNUAL REPORT

Overview

The Investment Committee is a part of the Operations Team and is responsible for overseeing the ABCORI Pooled Fund Investment Managers; achieving ABCORI budget objectives; determining Draw levels; approving Asset Allocation; identifying Security Screens; and ensuring compliance with UPMIFA, (Uniform Prudent Management of Institutional Act). Currently the Pooled Fund is comprised of over eighty individual funds which are classed as either Restricted or Unrestricted funds.

Performance

The Pooled Fund is actively managed by Alliance Bernstein, as their firm reports that in 2017 the economy improved in the Financial Markets especially with regards to Risks Assets in the Equities area, achieving record returns that continued from the market rally of 2016. Throughout 2017 the improvement in the markets has been as a result of Fiscal Policy expansion, and an accommodating Monetary policy in a low-inflationary environment that has resulted in low-volatility. Although Energy assets experienced a sell-off early in the year due to rising inventories, prices stabilized as commodity prices fell in the second quarter. Despite some minor setbacks of a weakened US dollar and as the Chinese economy settled down the markets remained bullish, even with the tensions between the US and North Korea. Taking into account the usually high number of natural disasters during 2017, there was only a slight slow-down as the economy experienced record growth in the GDP.

Outlook

The outlook for 2018 is quite good as the global economy has benefitted from the improving US economic position and volatility is low and steady. It is generally felt that a flatter shaped of the US yield curve will allow for continued domestic economic growth as interest rates are allowed to move at a more uniform rate. It is also noted that with the new US Tax reform this will result in a positive impact on growth, especially in relation to improvements in the job market given a sound macro backdrop and certainly no concern for a recession. Even with some increases for inflation, the environment for taking equity risks remains attractive. However, earnings growth will likely decelerate in 2018, but high-single-digit percentages are likely. With a positive growth/policy combination volatility should remain in check in the near term, making stocks an attractive investment. There still remains the potential for some volatility spikes as the Fed raises interest rates, but with Bernstein's DDA system, there should be little impact upon our portfolio.

I want to thank everyone on our committee for their continuing support and especially the staff at ABCORI—

Nikita for her coordination of our Financial Managers and the assistance we receive from the Pooled Fund Custodial Manager—Fradin & Company, CPAs.

Tom Archer, Chair