

**Minutes of
Investment Committee Meeting
December 7, 2017
Craig Hughes, Chairman**

Call to Order: Craig Hughes, Chairman, opened the meeting at 12:10 PM.

Attendance: In attendance were Committee members Rox Covert, Jason Herd, Craig Hughes, Winston Krause, Dan Leonard, Michael O'Malley, and Dale West. Also attending were advisors Malcolm Cooper and Edward Moody from Stephens and Craig Hester and John Gunthorp from Luther King Capital Management, Tara Menchaca from Frost Bank, and Jon Yates and Diana Sullivan from the Boy Scouts. Not present at the meeting from the committee were Stuart Bernstein and Jim Morriss.

Luther King Capital

Management Update: Craig Hester and John Gunthorp gave an update on investment performance for the four accounts at Luther King Capital Management. Two accounts are fixed income accounts, and two are in equities. At September 30, the market value of the equity accounts was \$2,515,587, and the fixed income accounts totaled \$1,846,974. Through December 6, year to date returns were over 21% on these actively managed equity funds, which compares favorably to the index, the Standard and Poor 500, which has returned 19.7% year-to-date. LKCM anticipates a continuing rise in the S&P index.

The fixed income portfolio was fully invested at September 30. They hold shorter-term bonds than the benchmark, as they are positioned for rising interest rates. LKCM expects to see interest rates rise, although recently, rates have been held down by low inflation. Year-to-date, the fixed income portfolio is up 1.75%.

The LKCM representatives also provided historic information about Capitol Area Council's accounts, which go back to 1990, as well as schedules showing the diversification and securities in the accounts.

Edward Moody gave an update on investment performance through December 6, when the total portfolio was valued at \$20,838,694. The end of the third quarter, the portfolio was up 12 1/2%. All sectors of the portfolio have done well in 2017 except for the MLPs which, despite good fundamentals, have experienced a drop in their unit prices.

Target Allocations: The current portfolio is close to the target allocations, however, Mr. Moody and Mr. Cooper recommended that a portion of the 1% over-allocation to domestic equities be moved to correct the fixed income allocation and the remainder be moved to MLPs. They would continue with Eagle and BP Capital and consider this an opportunity to pick up MLPs at low prices. The committee agreed to this rebalancing move.

Economic Forecast: Malcolm had a few thoughts on the economic outlook. He expects the GDP at 2.7%, inflation at 2%, the 10-year T-bill at 2.6%, three Federal Reserve increases next year to bring interest rates up by 75 basis points, oil prices at \$45-\$65, and about 7% growth in the S&P.

Committee Change: Charles Teeple has indicated that he will leave the Investment Committee. He didn't have any problems or issues, but he felt it was time to move on. The committee members indicated how much they appreciated Mr. Teeple's contributions to the committee over many years of service including years as committee chairman

Adjournment: There being no further business, the committee adjourned at 1:20 p.m.

Respectfully Submitted



Jon C. Yates, Scout Executive