

**Waterbird Society Finance and Investment Committee
Performance Report**

Jan 1, 2014 – Sept 30 2014

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This report summarizes the performance of the Waterbird Society investment portfolio – consisting of Nisbet and Kushlan Endowments as well as the general Waterbird Society Endowment for the Period 1/1/14 – 9/30/14, with reference to 2013.

Membership:

Jennifer Stucker, Chair (as of 2014)

Chris Custer, Treasurer

The committee commends Don McCrimmon, outgoing F&I Chair, on his years of service to the Waterbird Society.

The committee welcomes new members—please contact the jstucker@umn.edu if interested in serving.

General Considerations and Investment Performance.

The investment philosophy for the Waterbird Society, follows the strategy established several years ago. The investment philosophy consists of two principles:

- 1) Follow one diversified, long-term program that will carry you through all market conditions because one cannot predict what the market is going to do. Those who come out ahead over the long haul are those who follow a long-term methodology and do not switch among philosophies.
- 2) A mix of 60-70% diversified stock and 30-40% bond funds has been shown to produce the highest average returns over many years.

The three endowments are managed by Parsec Financial, and this has been the case since the summer of 2009. The annual fee charged by Parsec for management of these funds appears to have increased from 0.4% of the account value, to 0.6 %, but this remains a low rate for management. Monthly performance statements are provided to the chair of the Finance and Investment Committee, and the Treasurer, and we compile the information for distribution among committee members, the president, president-elect and treasurer. An Excel file, Investment Reports Sept 2014.xlss is available separately as an attachment. The yellow-shaded areas denote performance for the current portion of the 2014 calendar year.

The three endowments, Nisbet, Kushlan and Waterbird Society, are invested in similar mixes of securities (stock-based) mutual funds (~70%) and bond-based mutual funds (~30%) since the goals for all three are similar (Figure 1). Summarizations of the investment goals and principles of each of the mutual funds in which the Society is invested are found in Appendix A. For each fund, call letter hyperlinks are provided enabling readers to use the internet to view the details of their performance, current and historical. Each mutual fund is noted as to which market sector is

its investment strategy, with some being principally stocks others bonds, and a limited few are mix of stocks and bonds plus other income producing instruments (e.g., debt securities, derivatives, etc.; PIMCO Total Return Instl).

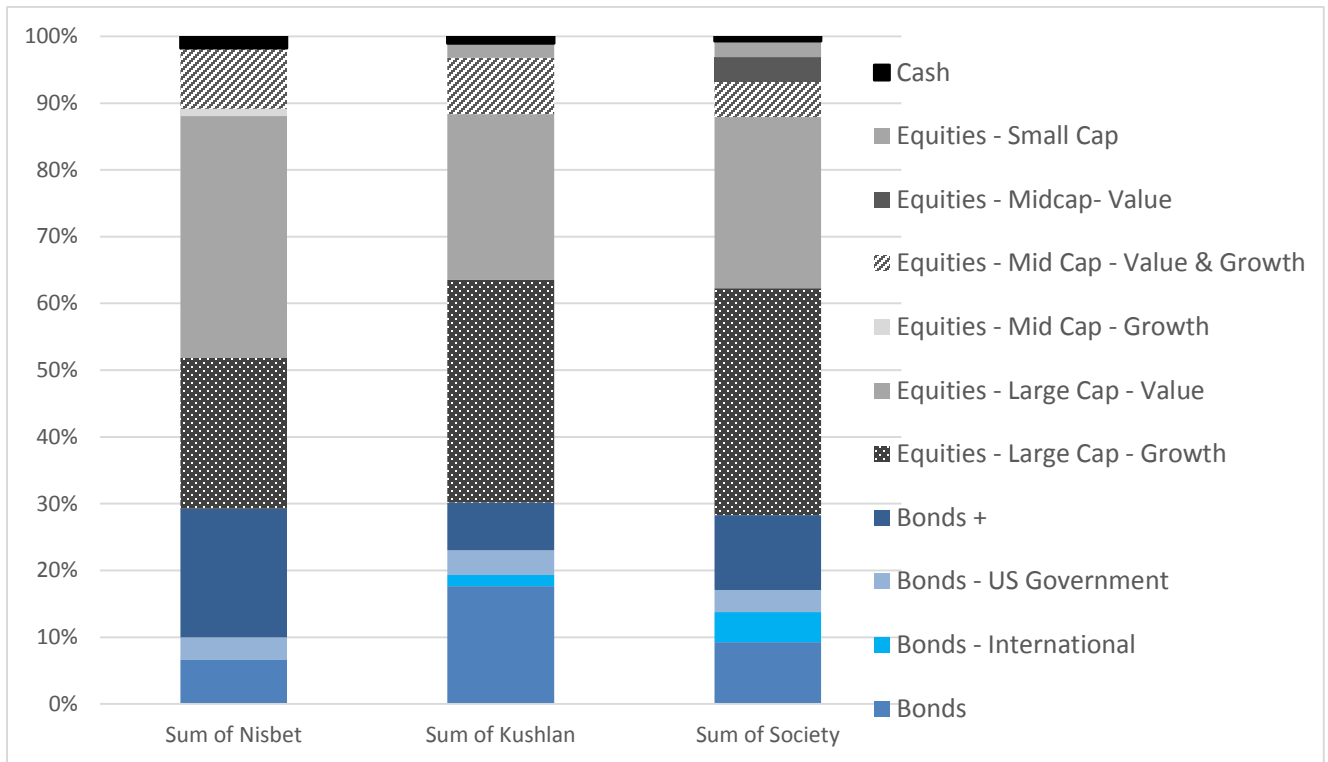


Figure 1. Summary of the distribution of holdings by investment type (%; blue for bonds, grey for stocks) and fund account (Nisbet, Kushlan, and Waterbird Society General Endowment). Equity types follow the MorningStar “Style Box”.

The Finance and Investment Committee tracks portfolio performance under Parsec management against general investment market return. In July 2014, Jennifer and Chris Custer met by phone with our Parsec financial managers to confirm our investment philosophy, recognizing that it is aimed at slow and steady long-term returns; since 2009, our overall return rate for our total position has been ~12%. Figure 2 shows the performance of each endowment as well as the Society’s Total Position January 1, 2013 through Sept 30, 2014. For 2014, total value of all endowments increased ~5%, after taking deposits and withdrawals into consideration. Growth in the last two months has slowed dramatically as continued unrest in the Middle East, Ukraine/Russia remains in flux, and with Western Europe’s slip back toward recession. Parsec advisors remain optimistic about continued growth, but I suspect that growth will be modest for 2014.

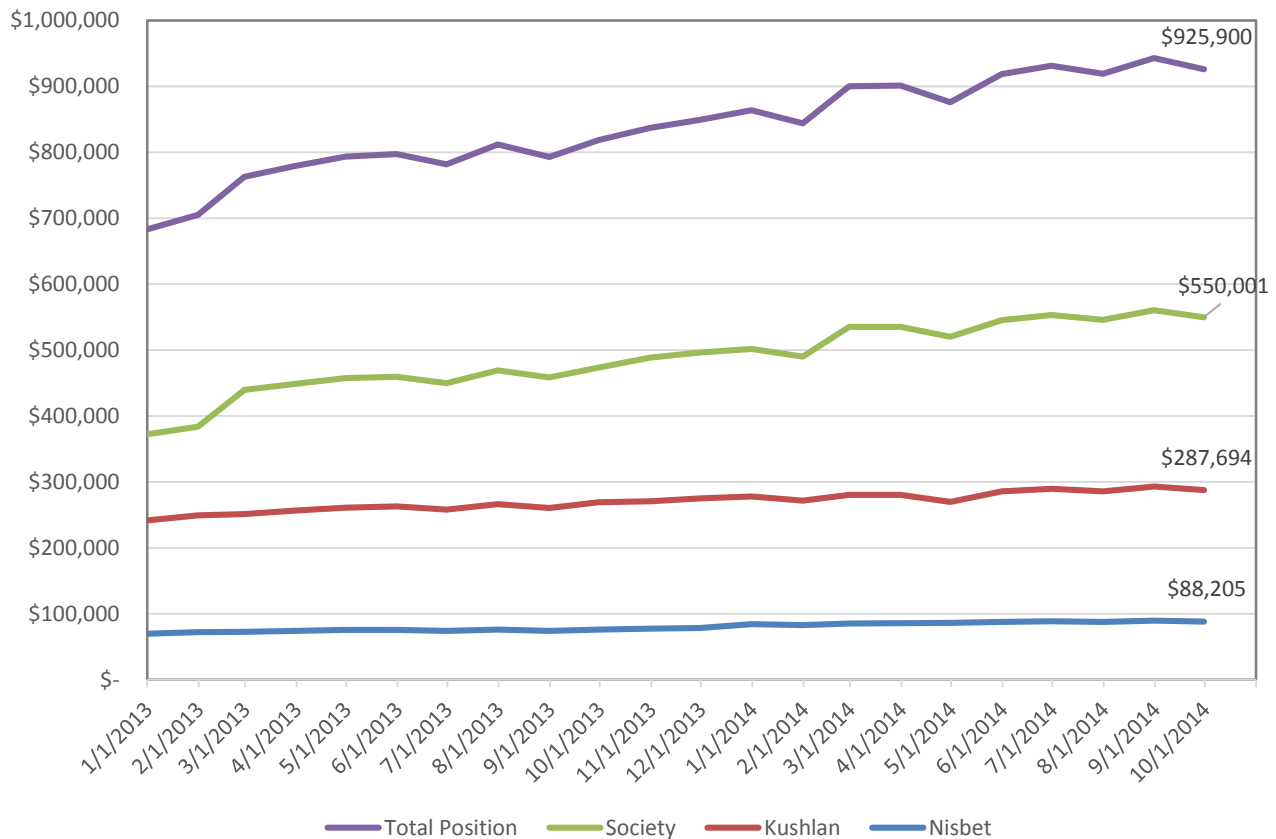


Figure 2. Investment position of the three endowments within the portfolio of the Waterbird Society from January 1, 2013 – Sept 30, 2014

Specifics.

Nisbet and Kushlan Awards

In the last five years, the Nisbet and Kushlan grants for research and conservation have awarded \$41,579 while continuing to maintain their core value (Table 1)

Nisbet Endowment

The investment showed a ~20% gain for the 2013 year after awards and deposits , and a gain of 6% thus far in 2014 before awards or deposits. Based on a 4% withdrawal of the 5-year moving average of end-of-year holdings, \$1,000 were authorized for Nisbet Awards for the three-year period 2013 - 2015. Two awards were announced since last F&I report, (2013) \$1000 to Doris Rodriquez Guzman with SPPEC in Lima, Peru, and (2014) \$1000 to Dr. Patricia Szczys; Eastern Connecticut University. Further information about awardees and their projects is available from the

Kushlan Endowment

The investment shows a ~18% gain for the 2013 year after awards are accounted for, and 6.6% gains thus far in 2014. Based on a 4% withdrawal of the 5-year moving average of end-of-year

holdings, ≤ \$6,900 was authorized for Kushlan Awards for the three-year period 2013 - 2015. Two awards were announced since previous report, (2013) \$6900 to Alice Ward Francis of Royal Society for the Protection of Birds, England, and (2014) \$3,860 to Golya Shahrokhi; Texas State University, San Marcos.

Table 1. Recent disbursements in support of waterbird research and conservation by the Nisbet and Kushlan endowments. Total support given as grants from these endowments totaled \$41,579 from 2010 through 2014. Additional information on these projects as well as those prior to 2010, is available from the research committee.

<i>Endowment</i>	<i>Year</i>	<i>Amount</i>	<i>Awardee</i>
<i>Nisbet</i>			
	2010	\$ 819	Louise K Blight
	2011	\$ 900	Christopher Millow
	2011	\$ 900	Pava Pandey
	2012	\$ 1,000	Kyle Elliot
	2012	\$ 1,000	Kurt Burnham
	2013	\$ 1,000	Doris Rodriquez Guzman
	2014	\$ 1,000	Patricia Szczys
	Total	\$ 6,619	Over 5 years
<i>Kushlan</i>			
	2010	\$ 4,700	Bhaiya Khanal
	2010	\$ 1,500	Frias Soler
	2011	\$ 7,000	Jeffrey Wozniak
	2011	\$ 2,000	Nickson Otieno
	2012	\$ 6,935	Rogers Makau
	2012	\$ 2,065	Rado Andriamasimanana
	2013	\$ 6,900	Alice Ward-Francis
	2014	\$ 3,860	Golya Shahrokhi
	Total	\$ 34,960	Over 5 Years

Waterbird Society Endowment

The Waterbird Society Endowment saw a <30% increase in total position by end of 2013, due in large part to gifts, meeting proceeds, and shifting excess operating dollars into endowment. For the first half of calendar 2014, the general Society endowment has increased in value ~4%., excluding deposits from the proceeds of recent Waterbird Society meetings (less student travel awards; \$28,000), and endowment gifts and lifetime memberships (\$918.72). With these deposits, this value of this account has increased by 9.8% since start of 2014. No withdrawals have been made for use in general operation of the society.

Conclusions

Performance of the endowments in 2014 is trailing the rapid growth of 2013. The Society's investments have gained ~5%, compared to modest gains overall (DJIA <3%; Wilshire 5000, 7%; NASDAQ <6%). This reflects the relatively conservative mix of investments chosen by the Society consistent with the philosophy stated above. Moreover, caution continues to be advised: despite overall gains market swings continue, as demonstrated substantial declines in last few weeks, and recent announcements of the US Federal Reserve ending the economic stimulus ("quantitative easing"), which should improve domestic short-term bond returns in coming year.

Prepared Oct 27 2013

Appendix A

Investment goals and principles, investment type, and percentage of total total holdings by endowment for each funds in which the Society has invested since August 2013.

Fund Name	Call	Investment Type	Endowment		
			Nisbet	Kushlan	Society
<p>WisdomTree Emerging Markets Small Cap Dividend Fund. <i>DGS</i>. Seeks investment results that closely correspond to the price and yield performance of the WisdomTree Emerging Markets SmallCap Dividend Index (the Index). The Index is a fundamentally weighted index that measures the performance of primarily small-cap stocks selected from the WisdomTree Emerging Markets Dividend Index. Companies included in the Index fall within the bottom 10% of total market capitalization of the WisdomTree Emerging Markets Dividend Index as of the annual index measurement date. Companies are weighted in the Index based on annual cash dividends paid.</p>	<u>DGS</u>	Equities - Small Cap			1.0%
<p>iShares Core S&P Small-Cap <i>IJR</i>. This fund seeks to track the investment results of an index composed of small-capitalization U.S. equities. The Fund seeks to track the investment results of the S&P SmallCap 600® (the“Underlying Index”), which measures the performance of the small capitalization sector of the U.S. equity market. Components primarily include consumer discretionary, financials, industrials and information technology companies. (http://www.ishares.com/us/literature/prospectus/p-ishares-core-s-and-p-small-cap-etf-3-31.pdf)</p>	<u>IJR</u>	Equities - Small Cap		2.2%	1.4%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>Artisan Mid Cap Value Fund Investor Class. <i>ARTQX</i>. The investment seeks maximum long-term capital growth. The fund normally invests no less than 80% of its net assets plus any borrowings for investment purposes at market value at the time of purchase in the common stocks of medium-sized companies. It defines a medium-sized company as one with a market capitalization greater than the market capitalization of the smallest company in the Russell Midcap® Index and less than three times the weighted average market capitalization of companies in that Index.</p>	<u>ARTQX</u>	Equities - Midcap- Value			3.6%
<p>Perkins Mid Cap Value T. <i>JMCVX</i>. The investment seeks capital appreciation. The fund primarily invests in the common stocks of mid-sized companies whose stock prices the portfolio managers believe are undervalued. It normally invests at least 80% of assets in equity securities of companies whose market capitalization falls, at the time of purchase, within the 12-month average of the capitalization range of the Russell Midcap Value Index. The fund may invest in foreign equity and debt securities, which may include investments in emerging markets. It can also invest assets in derivatives.</p>	<u>JMCVX</u>	Equities - Mid Cap - Value + Growth	9.0%	8.4%	5.3%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>Janus Enterprise Fund Class T. JAENX. The investment seeks long-term growth of capital. The fund pursues its investment objective by investing primarily in common stocks selected for their growth potential, and normally invests at least 50% of its equity assets in medium-sized companies. Medium-sized companies are those whose market capitalization falls within the range of companies in the Russell Midcap® Growth Index. Market capitalization is a commonly used measure of the size and value of a company. It may also invest in foreign securities, which may include investments in emerging markets.</p>	<u>JAENX</u>	Equities - Mid Cap - Growth	1.1%		
<p>Columbia Dividend Income Z. GSFTX. The investment seeks total return, consisting of current income and capital appreciation. The fund normally invests at least 80% of net assets in a diversified portfolio of income-producing equity securities. It may invest up to 20% of net assets in debt securities, including securities that are rated low and below investment grade or securities that are unrated. The fund may also invest up to 20% of net assets in foreign securities.</p>	<u>GSFTX</u>	Equities - Large Cap - Value	36.2%	24.8%	25.6%
<p>American Funds EuroPacific Gr F-1. AEGFX. The investment seeks to provide long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally invests at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may</p>	<u>AEGFX</u>	Equities - Large Cap - Growth	11.2%		11.4%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.					
<p>American Funds EuroPacific Growth Fund® Class F-2. <i>AEPFX</i>. The investment seeks long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally invests at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.</p>	<u>AEPFX</u>	Equities - Large Cap - Growth		10.7%	
<p>American Funds AMCAP Fund Class F-1. <i>AMPFX</i>. Seeks long-term growth of capital. The fund invests primarily in common stocks of U.S. companies that have solid long-term growth records and the potential for good future growth. The basic investment philosophy of the investment adviser is to seek to invest in attractively valued companies that, in its opinion, represent good, long-term investment opportunities.</p>	<u>AMPFX</u>	Equities - Large Cap - Growth	7.2%		4.8%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>Fidelity Contrafund. <i>FCNTX</i>. The investment seeks capital appreciation. The fund normally invests primarily in common stocks. It may invest in securities of companies whose value Fidelity Management & Research Company (FMR) believes is not fully recognized by the public. The fund invests in both domestic and foreign issuers. It may invest in "growth" stocks or "value" stocks or both. The advisor uses fundamental analysis of each issuer's financial condition and industry position and market and economic conditions to select investments.</p>	<u>FCNTX</u>	Equities - Large Cap - Growth		18.1%	14.8%
<p>Matthews Pacific Tiger Investor. <i>MAPTX</i>. The investment seeks long-term capital appreciation. The fund normally invests at least 80% of net assets which include borrowings for investment purposes, in the common and preferred stocks of companies located in Asia excluding Japan, which includes China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam (the "Pacific Tiger countries"). The location of a company can be determined by where it is organized, where its revenues and profits are derived, where its assets are located, or other factors.</p>	<u>MAPTX</u>	Equities - Large Cap - Growth	4.2%		3.0%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>Oppenheimer Developing Markets Fund Class A. <i>ODMAX</i>. The investment seeks capital appreciation. The fund mainly invests in common stocks of issuers in developing and emerging markets throughout the world and at times it may invest up to 100% of its total assets in foreign securities. Under normal market conditions, it will invest at least 80% of its net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in a developing market, i.e. are in a developing market or are economically tied to a developing market country. The fund will invest in at least three developing markets.</p>	<u>ODMAX</u>	Equities - Large Cap - Growth		4.6%	
<p>Vanguard Inflation-Protected Secs Inv. <i>VIPSX</i>. The investment seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. It may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all bonds purchased by the fund will be rated “investment-grade.”</p>	<u>VIPSX</u>	Bonds - US Government	3.3%	3.7%	3.3%
<p>Templeton Global Bond Fund. <i>TGBAX</i>. The Fund seeks current income, with capital appreciation and growth of income, by investing at least 80% of its net assets in bonds of governments and government agencies located anywhere in the world.</p>	<u>TGBAX</u>	Bonds - International			4.5%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
Metropolitan West High Yield Bond Fund Class					
<p>Institutional. MWHIX. The investment seeks to maximize long-term total return consistent with preservation of capital. The fund pursues its objective by investing, under normal circumstances, at least 80% of its net assets plus borrowings for investment purposes in high yield bonds (commonly called "junk bonds") which are rated below investment grade or are unrated and determined by the Adviser to be of similar quality. Under normal conditions, the portfolio duration is two to eight years and the dollar-weighted average maturity ranges from two to fifteen years.</p>	MWHIX	Bonds			2.4%
Metropolitan West High Yield Bond Fund Class M.					
<p>MWHYX. Seeks to maximize long-term total return consistent with preservation of capital. The fund pursues its objective by investing, under normal circumstances, at least 80% of its net assets plus borrowings for investment purposes in high yield bonds (commonly called "junk bonds") which are rated below investment grade or are unrated and determined by the Adviser to be of similar quality. Under normal conditions, the portfolio duration is two to eight years and the dollar-weighted average maturity ranges from two to fifteen years.</p>	MWHYX	Bonds	2.3%	3.0%	

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>Metropolitan West Total Return Bond I. <i>MWTIX</i>. The investment seeks to maximize long-term total return. The fund pursues its objective by investing, under normal circumstances, at least 80% of net assets in investment grade fixed income securities or unrated securities that are determined by the Adviser to be of similar quality. Up to 20% of the fund's net assets may be invested in securities rated below investment grade. Under normal conditions, the portfolio duration is two to eight years and the dollar-weighted average maturity ranges from two to fifteen years.</p>	MWTIX	Bonds		11.5%	6.2%
<p>Oppenheimer International Bond Y. <i>OIBYX</i>. The investment seeks total return with a secondary objective of income consistent with total return. The fund invests mainly in debt securities of foreign government and corporate issuers. It normally invests at least 80% of assets in bonds and at least in three countries other than the United States. The fund does not limit its investments to securities of issuers in a particular market capitalization or maturity range or rating category. It is non-diversified.</p>	OIBYX	Bonds - International		1.7%	

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>PIMCO Low Duration Fund Class D. <i>PLDDX</i>. The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.</p>	<u>PLDDX</u>	Bonds +	3.2%	3.1%	
<p>PIMCO Real Return Fund Class D. <i>PRRDX</i>. The investment seeks maximum real return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 80% of its net assets in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and corporations, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. It invests primarily in investment grade securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher.</p>	<u>PRRDX</u>	Bonds +	1.2%	0.0%	0.6%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>PIMCO Low Duration Instl. <i>PTLDX</i>. The investment seeks maximum total return. The fund invests at least 65% of total assets in a diversified portfolio of Fixed-Income Instruments of varying maturities. It invests primarily in investment-grade debt securities, but may invest up to 10% of total assets in high-yield securities rated B or higher by Moody’s or S&P, or, if unrated, determined by PIMCO to be of comparable quality. The fund may invest up to 30% of total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers.</p>	PTLDX	Bonds +	0.0%	1.4%	6.9%
<p>PIMCO Total Return Instl. <i>PTTRX</i>. The investment seeks maximum total return. The fund normally invests at least 65% of total assets in a diversified portfolio of Fixed-Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of total assets in high-yield securities (“junk bonds”). The fund may invest in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities.</p>	PTTRX	Bonds +	14.1%	2.5%	3.0%

Endowment

Fund Name	Call	Investment Type	Nisbet	Kushlan	Society
<p>Templeton Global Bond Fund Class A. <i>TPINX</i>. The investment seeks current income with capital appreciation and growth of income. Under normal market conditions, the fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures. It invests predominantly in bonds issued by governments and government agencies located around the world. The fund may invest up to 25% of its total assets in bonds that are rated below investment grade. It regularly uses various currency related transactions involving derivative instruments. The fund is non-diversified.</p>	<u>TPINX</u>	Bonds	5.2%	3.2%	1.3%
<p>Artisan Small Cap Value Investor. <i>ARTVX</i>.</p> <p><i>No longer applicable as we divested our holdings in this fund in August 2013.</i></p>	<u>ARTVX</u>				
<p>Thornburg International Value I. <i>TGVIX</i>.</p> <p><i>No longer applicable as we divested our holdings in this fund in April 2014.</i></p>	<u>TGVIX</u>				
	<i>Cash</i>		1.8%	1.1%	0.7%