

USMS Investment Committee Minutes

Committee Name:	USMS Investment Committee	Session #:	Report #:
Committee Chair:	Ralph Davis	Vice Chair:	Stan Benson
Minutes recorded by:	Stan Benson	Date/time of meeting:	Jan. 30, 2014 7:30 EST

Motions Passed:

1. None moved

Number of committee members present:

Absent:

Committee members present (list all, including chair and vice chair): Ralph Davis, Chair; Stan Benson, Vice Chair; Elyce Dilworth, Phil Dodson, Homer Lane, Bill Sherman, Ex Officio: Susan Kuhlman.

Minutes

The meeting was called to order at 7:30 EST

The minutes from the previous meeting were presented and approved.

Performance of the portfolio were discussed and reviewed for 2013:

Equities

Northern Index Large cap 32.22% tracking with the S&P 500 32.39%

Delaware Value 33.45% tracking with the Russell Value 32.53%

Harbor fund 37.57% tracking with Russell Growth 33.48%

Mid Cap Northern Index – 33.17% versus S&P 400 Index 33.50%

Northern Small Cap Value-36.29% versus Russell 2000 Value 34.52%

Northern Small Cap Index- 38.52% versus Russell 2000 38.82%

Northern Intl Equity Index – 21.72% versus MSCI Index 22.78%

Northern Emerging – (3.03%) versus MSCI Emerging Markets. Equity (2.6%)

Fixed Income

MFC Flex shares Tips Index -5.28% versus Index -4.69%

Northern Funds Bond Index Fund -2.28 % versus Barclays 2.02%

Cash 0.01% versus US T-Bills .08%

Bill Sherman had to excuse himself for the remainder of the meeting.

Discussion centered started with Bonds and reinvesting dividends. Elyce and Stan agreed that the International fund would be a good place to add since that particular fund is 60% weighted in Europe.

We talked around the table a bit about forecasting what we think 2014 will look like.

Elise suggested a Global Infrastructure Fund, Northern has one and is competitive.

We made a note to discuss the Northern Model Portfolio and the Northern Global Infrastructure Fund with Jim Walker.

The USMS Committee meeting was adjourned so we could reconnect with Jim Walker.

Jim Walker joined for the second part of the conference call. Northern's model portfolio was not readily available but we are half way between Growth and income and Growth and moderate income. Right now the Northern Model is about 52% equity.

Northern's strategic in EM, haven't cut back there and valuation in EM is attractive compare to valuation in the US. Like Europe and Developed International Funds.

He agreed that the managed funds did well against their benchmarks. He recommended moving the 5-year target duration fund to the 3-year target duration fund. The PE rates on the S&P 500 are 18 versus historic 16 PE.

10 year treasury expected to be 2.5 -3.0%. Realist goal of 5% for 2014, but hesitated to lock any real number for one year.

When we brought up the idea of adding Global Infrastructure, Jim was hesitant to move forward with that idea because of operational constraints, although he likes the general idea. He reminded us that we are a discretionary fund and if he adds that fund because we want it, the performance is not really his. He was considering adding another 2% or so at his discretion into the International Developed fund along with moving a percentage or so from Large Cap Domestic into International Developed.

With the agenda complete, the meeting was adjourned.

The meeting was adjourned at 9:15 EST
