

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

**January 1, 2012 – June 30 - 2013**

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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 Endowment of the Society for the Period 1/1/12 – 6/30/13. It extends the 2012 calendar year report, which was issued previously on February 18, 2013.

## **General Considerations and Investment Performance.**

The current investment philosophy for the Waterbird Society 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 is 0.4% of the account value, an extremely low rate. Monthly performance statements are provided to the chair of the Finance and Investment Committee, who recompiles the information and distributes it among committee members, the president, president-elect and treasurer. An Excel file, Investment Reports 6-30-13.xls is available separately as an attachment. . The yellow-shaded areas denote performance for the current portion of the 2013 calendar year.

Nisbet, Kushlan and Waterbird Society Endowments are invested in similar mixes of mutual funds, since the goals for all three are similar. The only difference is that fewer funds in the Nisbet Endowment owing to the smaller size of the endowment, and recently a small-cap stocks selected from the WisdomTree Emerging Markets Dividend Index has been added to the Society endowment. 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, hyperlinks are also provided enabling readers to use the internet to view the details of their performance, current and historical. Note, of these mutual funds some are principally stocks (e.g., the Fidelity Contrafund; ArtisanSmall Cap Investor) some are principally bonds (e.g., Metropolitan West Total Return Bond I; Oppenheimer International Bond Y), and some are a mix of stocks and bonds plus other income producing instruments (e.g., debt securities, derivatives, etc.; PIMCO Total Return Instl; Thornburg International Value I )

The Finance and Investment Committee tracks portfolio performance under Parsec management against general investment market return. Figure 1 shows the performance of each endowment as well as the Society's Total Position January 1, 2012 through June 30, 2013. For 2012, total value of all endowments increased 7%, taking deposits and withdrawals into consideration. Taking deposits into consideration, the value of all endowments has increased ~6% for the first half of 2013.

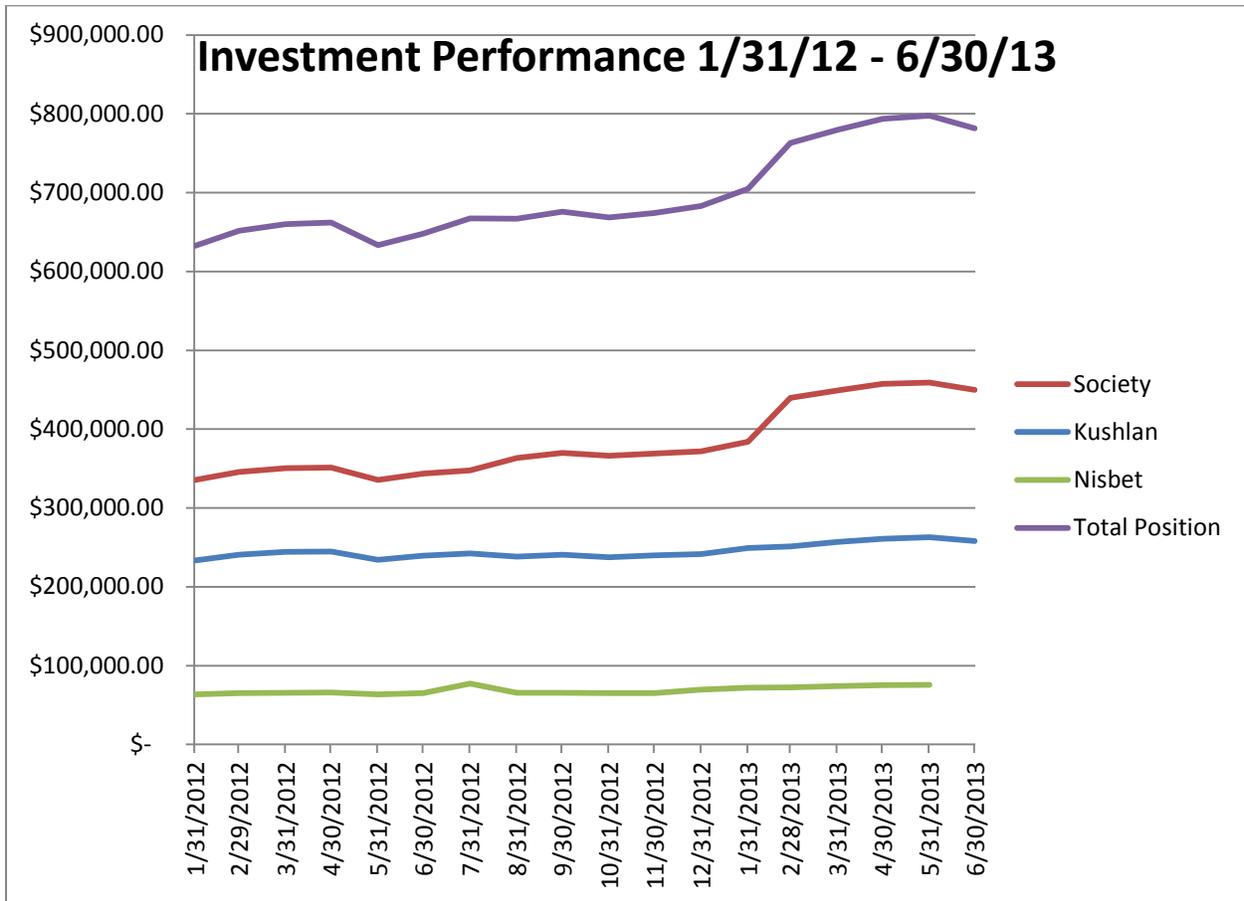


Figure 1. Investment performance of the three endowments within the portfolio of the Waterbird Society from January 1, 2012 – June 30, 2013. Overall change in our Total Position for 2012, after taking deposits and withdrawals into account, was an increase of 7%. Taking deposits into consideration, the value of all endowments has increased ~6% for the first half of 2013. See Investment Reports.xls for the data that are the foundation of this graph.

## **Specifics.**

### **Nisbet Endowment Calendar 2012 Report.**

The investment shows a ~6% gain for the year after deposits of \$4,000 and awards are accounted for). Based on a 4% withdrawal of the 5-year moving average of end-of-year holdings, \$2,000 were authorized for Nisbet Awards in 2012. Two awards were announced: 1) Kyle Elliot; Dept. Biological Sciences, Univ. of Manitoba, Winnipeg MB R3T 2N2; “Senescence in Seabirds: A Sleepy Secret?”; \$1000 and 2) Dr. Kurt Burnham; High Arctic Institute; 603 10<sup>th</sup> Ave, Orion, IL 61273, USA; “Northwest Greenland Arctic Tern Survey”; \$1000.

### **Nisbet Endowment July 2013 Report**

For the first half of calendar 2013, the Nisbet endowment has increased in value ~6%,

### **Kushlan Endowment 2012 Report.**

The investment shows a ~7% gain for the year after awards are accounted for. Based on a 4% withdrawal of the 5-year moving average of end-of-year holdings, \$9,100 were authorized for Kushlan Awards in 2011. Two awards were announced in late-September: 1) Rogers K. Makau; Ornithology Section, National Museums of Kenya, P.O. Box 40658-00100, Nairobi-Kenya; “Waterbird Diversity, Abundance and Threats in the Mwea Rice Irrigation Scheme”; \$6935 and 2) Rado Andriamasimanana; Asity Madagascar, LOT IIN 83 DM Analamahitsy Carrière, Antananarivo 101, Madagascar; “Analysis of population trends of the Ciconiiformes of Madagascar”; \$2065

### **Kushlan Endowment July 2013 Report.**

For the first half of calendar 2013, the Kushaln endowment has increased in value ~7%,

### **Nisbet and Kushlan Support of Research Since 2010.**

Treasurer Chris Custer suggested a summary of recent disbursements in support of research by the Nisbet and Kushlan Endowments be included in this report of the Finance and Investment Committee. Please see Table 1 below.

<b>Endowment</b>	<b>Year</b>	<b>Amount</b>	<b>Awardee</b>
<i>Nisbet</i>			
	2010	\$ 819.00	Louise K Blight
	2011	\$ 900.00	Christopher Millow
	2011	\$ 900.00	Pava Pandey
	2012	\$ 1,000.00	Kyle Elliot

	2012	\$ 1,000.00	Kurt Burnham
	Total Nisbet	\$ 4,619.00	Over 3 years
<i>Kushlan</i>			
	2010	\$ 4,700.00	Bhaiya Khanal
	2010	\$ 1,500.00	Frias Soler
	2011	\$ 7,000.00	Jeffrey Wozniak
	2011	\$ 2,000.00	Nickson Otieno
	2012	\$ 6,935.00	Rogers Makau
	2012	\$ 2,065.00	Rado Andriamasimanana
	Total Kushlan	\$ 24,200.00	Over 3 Years

Table 1. Recent disbursements in support of research by the Nisbet and Kushlan Endowments. Total support from both endowments amounted to \$28,819 from 2010 through 2012. Additional information on these projects as well as those prior to 2010, is available from the research committee.

**Waterbird Society Endowment 2012 Report.**

The investment shows a ~7% gain for the year ( after taking into account \$11,408.95 deposited from the Society’s Operating Fund) see Investment Reports.xls for details). No withdrawals have been made for use of the operating fund.

**Waterbird Society Endowment July 2013 Report.**

For the first half of calendar 2013, the general Society endowment has increased in value ~7%. Deposits in February 2013 totaling \$52,420 from the Society’s Operating Fund are not included in this percentage. The Treasurer has informant the Finance and Investment Committee that an additional \$5822 from the Operating Funds to the Society Endowment was deposited July 24. The majority of the deposit was from a supplemental payment from the NAOC local organizing committee

**Conclusions.**

The overall modest recovery of the endowments in 2012 has been at least temporarily superseded by performance in 2013. The Society’s investments have gained about 7%, compared to overall DJIA performance of ~11%. 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 in June's market reaction to the possibility of a reassessment of recent Federal policy to increase the money supply and a subsequent reactive increase in interest rates.

*Prepared July 25 2013*

## **Appendix A**

Investment goals and principles of each of the mutual funds in which the Society is or has been invested.

**Fidelity Contrafund.** [FCNTX](#). 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.

Kushlan and Society Endowments

**Artisan Small Cap Value Investor.** [ARTVX](#). The investment seeks long-term capital growth. The fund invests primarily in U.S. companies. Under normal market conditions, the fund invests no less than 80% of net assets plus any borrowings for investment purposes in the common stocks of small companies with market capitalizations less than three times the weighted average market cap of companies in the Russell 2000® Index.

Nisbet, Kushlan and Society Endowments

**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.

Nisbet, Kushlan and Society Endowments

**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 invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.

Nisbet, Kushlan and Society Endowments

**Perkins Mid Cap Value T.** [JMCVX](#). 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.

Nisbet, Kushlan and Society Endowments

**Matthews Pacific Tiger Investor.** [MAPTX](#). 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.

**Metropolitan West High Yield Bond Fund Class M** [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.

Nisbet and Society Endowments

**Metropolitan West Total Return Bond I.** [MWTIX](#). 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.

Kushlan and Society Endowments

**Oppenheimer International Bond Y.** [OIBYX](#). 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.

Kushlan Endowment

**PIMCO Low Duration Instl. [PTLDX](#).** 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.

Kushlan and Society Endowments

**PIMCO Total Return Instl. [PTTRX](#).** 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.

Nisbet, Kushlan and Society Endowments

**Templeton Global Bond Fund [TGBAX](#).** 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.

Kushlan Endowment

**Thornburg International Value I. [TGVIX](#).** The investment seeks long-term capital appreciation. The fund normally invests at least 75% of assets in foreign securities or depository receipts of foreign securities. It may invest in developing countries. The fund typically makes equity investments in the following three types of companies: basic value companies with well-established businesses whose stock is under valued; consistent earner companies when they are selling at valuations below historic norms; and emerging franchises that are in the process of establishing a leading position in a product, service or market expecting growth at an above average rate.

Kushlan and Society Endowments

**Vanguard Inflation-Protected Secs Inv. [VIPSX](#).** 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."

Nisbet, Kushlan and Society Endowments

**Vanguard Federal Money Market Inv. [VMFXX](#)**. The investment seeks to provide current income while maintaining liquidity and a stable share price of \$1. The fund invests primarily in high-quality, short-term money market instruments. It invests at least 80% of assets in securities issued by the U.S. government and its agencies and instrumentalities. The fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

Kushlan Endowment

**WisdomTree Emerging Markets Small Cap Dividend Fund. [DGS](#)** 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.

**American Funds AMCAP Fund Class F-1. [AMPFX](#)** 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.

**Metropolitan West High Yield Bond Fund Class 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.

**Templeton Global Bond Fund Advisor Class [TGBAX](#)** 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.

Society Endowment