

Executive Committee Meeting with Raymond James Investment Representatives February 4, 2021, 4:00pm CST by conference call

The Executive Committee met with Raymond James Investment Representatives by conference call February 4, 2021 4:00pm CST for a Q and A and discussion. Those present on the call were Raymond James Representatives Chris Dixon, Financial Advisor and Ryan Tedesco, Senior Asset Manager Raymond James. Beta Beta Beta Biology Honor Society Executive committee present were President Julie Ballenger, Vice President Tony Schountz, Past President Don Roush, BIOS Editor Lori Kelman, Kathy Roush, National Secretary/Treasurer, Iris Daly, Assistant National Secretary/Treasurer.

Kathy introduced everyone.

Julie Thanked the Raymond James representatives for their time.

Kathy asked if Tony wanted to start with some questions.

Chris asked if could start with an introduction and explanation.

Chris “The TriBeta investment fund currently with Raymond James came from Ameriprise in New Jersey at the beginning of 2016. There was no official policy statement, so Kathy and I put one together. The plan was to grow the fund safely. Then in 2018 it was updated. That is the policy statement we have been using.”

Tony “Could you tell me what the front end and backend loads are on these mutual funds?”

Chris “There are none. You (TriBeta) pay a flat fee 50 basis points. The mutual funds all have an expense ration that is tied into the expense. That expense is reimbursed to the client on a semi-monthly basis. It is not a line item on the monthly statement. It is a part of the total performance of that mutual fund.”

Tony “Ok. That is 50 basis points based on the total portfolio value?”

Chris “That is correct. If the account goes down, we make less. When we first opened the account, we did it at 1%. Then at some point we reduced it to 75 basis points. Kathy and I met again, and I (Chris) appealed to my supervisor to reduce it to 50 basis points which was half. (This was based on the organization as a nonprofit and received the PPPLoan). This is compared to the 1.4% national average of nonprofit clients with greater holdings with Raymond James.”

Tony “The other question I have is about complexity of the portfolio. I follow the literature closely. It is obvious to me that Index funds outperform the complex portfolios like this. What are your thoughts on this?”

Chris “First we were not tracking index funds as a target when this account was opened. Kathy was looking to get it under some professional management and local advice and improve returns that were not achieved at Ameriprise in New Jersey. We were not trying to keep up with the S & P. We were not trying to keep up with any fund. Kathy said I do not want to get crazy with this money because it is not my money. I want to do something that will grow it but grow it at a safe rate. These funds that TriBeta has are the go-to funds for most nonprofits. Kathy’s idea was to do better than bank CDs. Ryan Tedesco is on the phone as a Senior Asset Manager can tell you about their process in selecting best in class funds. Many investors that would normally have their money in CDs are now trying to put their money in safe growth not trying to beat the S&P. The TriBeta fund was put in a conservative fund with 50% liquidity for use with TriBeta programs. In 2018 it changed to 20% liquidity. The investment was conservative to try to prevent a loss if there was a downturn in the market. Since some of this investment is 20% liquidity and not fully invested the return is a little less than if fully invested. The comparison to Vanguard represented fully invested compared to the current investment of 20% liquidity. The return would have been better if it was fully invested. Some of the CDS in Wells Fargo matured and changed the situation. It might allow for a greater risk with the Raymond James account.”

Tony “I did not realize some of the CDS were maturing and that may be something our organization may need to discuss. What I did want to ask about is the total mix of bond and stock such as a 60% index, 40% bond index or less risk of 50/50 index stock to bond.”

Chris “Ryan can you talk to us about the asset management team and what they do behind the scenes?”

Ryan “I would be happy to discuss the process of the asset management team. Thank you. I am Ryan Tedesco out of Tampa Bay, FL. We have 465 individuals working in the asset management team with over 15 billion dollars managed. We have 32 associates in research that track predictions and changes in the market and many others that track managers and CEOs and changes in companies in the selection of best in class. All this affects something like the Freedom portfolio.”

Tony “It sounds to me that there are no index funds options. Is that correct?”

Chris “You can buy an index fund and hold one position. You can buy an index fund; you can pay a commission just like you would if you bought a stock. There would be a commission on the purchase of the stock.”

Tony “So there is a commission.”

Chris “Yes. Unless you manage your own through TDAmeritrade or Robin Hood. It is a huge responsibility for someone to manage an organization’s funds with a manager. But that maybe what you want.”

Tony “Ok. Well, that is all my questions.”

Don “Can you tell me what the risk level change might be if TriBeta Funds moved from 20% cash to 2% cash?”

Chris “Yes. You have 60% exposure to the market. It will increase the exposure to the market about 5% not a great increase.”

Don “The fund TriBeta is in now has what kind of exposure to the market?”

Chris “TriBeta has what is called the Defensive Fund. It is 60% exposure to the market, 45% in US equity, 5% international.”

Don “How does that compare to the run of the mill foundations?” How many are in the 20% and how many are in the 2%? What is the benefit of 20% to the 2% beside making more money?”

Chris “Let me explain this. You have a pie and Raymond James fund is a piece of the pie. There are mature CDs sitting in Wells Fargo doing nothing. That needs to be a part of the pie. You can use it if it is needed. If you have that mature CD fund you may not need the cash position in RJ fund. To answer your question, it depends on the organization’s objectives. Some organizations can only have CDs. Some want 30% equities nothing lower. Some moved to a fixed annuity for 2% interest instead of CD. **No other organizations I manage are more aggressive than TriBeta’s current position.**

Tony “Let me ask you this. Do any of these organizations take money out of their account every year?”

Chris “Some might”

Tony “As far as I know TriBeta has never taken any money out of this fund or this account.”

Chris “No. No money has been taken out.”

Julie “We need to have discussions when we can meet in person with the rest of executive committee hopefully in 2022 and have formal goals and policy statement approved for all TriBeta funds.”

Tony “I think we are going to get better with COVID because the vaccine is here. I am cautiously optimistic.

Don “Lori, do you have questions?”

Lori “I have a question about the funds. If you think of them as large cap or small cap. If these funds fall in this and if there are any fees that could be saved if you had one fund or do you think one fund is better than spread out?”

Chris You pay a fixed fee no matter how many funds. There is no added fee. The fund is balanced yearly. You may want to touch on this Ryan.”

Ryan “Yes. We track managers and funds and predictions. We rebalance once a year. Any trading is once a quarter.”

Don “Does anyone else want to ask any questions? Thank you, Ryan, for joining us. We appreciate the time you spent with us. Thank you, Chris, for your time. We do not have a formal goal statement or policy statement. I think we all agree that the TriBeta organization needs to discuss goals and purpose for the fund and what we want and need for the organization. This has been helpful. Does anyone else have any more questions?”

Julie “Thank you very much for your time.”

Tony “Thank you for your time.”

Lori “Thank you for your time.”

Don “Thank you for your time.”

Chris “Thank you. Any more questions please let me know. My email is chris.dixon@raymondjames.com

Bye Everyone.

Respectfully submitted,
Kathy Roush