CSCE Board Meeting Agenda - November 7, 2017 at 4:00 p.m.
Location: Room MNH-138, Center for Medicine, Nursing and Health Sciences
370 Bassett Road, Quinnipiac University, North Haven Campus, North Haven, CT 06473

CSCE Bylaws & Operations Manual

Status update by Kassim Tarhini

ACE Awards

Robin Kemper is unable to make the meeting on May 22nd

What are the bylaw requirements for swearing in new officers – Kassim Tarhini

Coordinate possible alternate venue locations – Gary Fuerstenberg

Connecticut State Report Card

Current status – Omkar Jambotkar

Bridges, Drinking Water, Rail, Roads, and Wastewater

Anticipated Milestones

Projector and Screen

Hitachi CP-X4042WN - $898

iDGLAX iDG-78-787W LCD LED – $97.25

Xinda LCD 1200 – $75.99

Tronfy Projector GP80 - $99.99

Dinner Meetings

Date	Topic	Sponsor	Location
January 31	Government - DOT's new Chief Engineer, Mark Rolfe, will be the guest speaker	CCSU	CCSU
March	Structural	Fairfield Branch	TBD
April 10	Water Resources	US Coast Guard Academy	US Coast Guard Academy

Scholarship Report

Scholarship Fund Update – James Sime

2018 Activities

February 9-10 - Multi-Regional Meeting in Buffalo, NY – Who from CSCE will attend?

February 18-24 - Engineers Week - Does CSCE want to plan anything for Engineers Week?

Open Discussion

Next Board Meeting: To be scheduled in January at Elizabeth's in Rocky Hill, CT

Connecticut Society of Civil Engineers Section of the American Society of Civil Engineers
Scholarship Committee Report for November 2017

CSCE-ASCE		goal %		11/6/17	actual %		
Policy Portfolio recommended by David Swensen/Yale	**Symbol**	**Goal/Policy Fund Allocation**	**Goal Amounts**	**Actual Amounts**	Actual Fund Allocation	**Buy (Sell) this # Shares**	**Buy (Sell) this $ amount**
Domestic Equity Index ETF, Large Cap	**SCHB**	20.0%	$ 43,805.13	$ 43,777.15	20.0%	0	$28
Domestic Equity Index ETF, Small Cap	**SCHA**	5.0%	$ 10,951.28	$ 10,948.78	5.0%	0	$3
Vanguard Energy ETF	**VDE**	5.0%	$ 10,951.28	$ 11,519.83	5.3%	(6)	($569)
Guggenheim S&P 500® Equal Wt Energy ETF	**RYE**	5.0%	$ 10,951.28	$ 11,171.22	5.1%	(4)	($220)
Foreign developed equity Index ETF	**SCHF**	15.0%	$ 32,853.85	$ 32,877.98	15.0%	(1)	($24)
Emerging market equity Index ETF	**SCHE**	5.0%	$ 10,951.28	$ 10,976.12	5.0%	(1)	($25)
Real Estate Index ETF	**SCHH**	15.0%	$ 32,853.85	$ 32,838.90	15.0%	0	$15
U.S. Treasury bonds or FDIC-insured Bank CDs	CDs	30.0%	$ 65,707.70	$ 64,903.65	29.6%		$804
U.S. Treasury Inflation-protected Securities	**SCHP**	0.0%	$ -	$ -			$0
Cash	cash	0.0%	$ -	$ 12.04	0.0%		($12)
Totals, above		**100.0%**	**$ 219,025.67**	**$ 219,025.67**			
		goal %	goal $	actual $	actual %	actual %	
Equities (USA)		35.0%	$ 76,658.98	$ 77,416.98	35.3%		
Foreign Equities		20.0%	$ 43,805.13	$ 43,854.10	20.0%	70.4%	
Real Estate		15.0%	$ 32,853.85	$ 32,838.90	15.0%		
Fixed Income		30.0%	$ 65,707.70	$ 64,903.65	29.6%	29.6%	
Cash		0.0%	$ -	$ 12.04	0.0%		
		100.0%	$ 219,025.67	$ 219,025.67			

Table 1 Asset allocation today

CURRENT SITUATION:

In Brinker's November 3rd newsletter, there were two key takeaways:

1) Marketimer pre-recession indicators suggest that the risk of recession in 2018 remains low. This causes Brinker to be optimistic that any mid-term off-presidential election year market decline will likely be contained with the correction range of less than 20%. As reported in the September 2017 issue of Marketimer, Bob Brinker wrote about this different type of market correction that may occur sometime between the fourth quarter of 2017 and the summer of 2018. Brinker presented historical information on fourteen (14) mid-term off-presidential election year market declines from 1962 to 2014, where each was a decline of -7.4% to -48.2%. Each decline was followed by a rebound rally lasting 16 to 93 months. Of the last eight such declines, half (4) were declines of less that -10% (minor correction), three (3) were between -10% and -20% (major correction), and just one was greater at -33.6%. Only the one (1) -33.6% decline was a bear market decline. Now in November, Brinker believes a mid-term off-presidential year market decline will likely be less than 20%, followed by a rebound rally.

2) The hurricanes dampened the nation's economic growth slightly as seen in economic indicators Brinker follows, and he observed that the recovery process will continue into 2018, especially for the housing sector. Also, the Federal Reserve now anticipates real GDP growth in 2018 in the range of 2.0 to 2.3%, with a midpoint of 2.15%. Brinker believes real GDP growth next year will likely be in the range of 2.0 to 2.6% which has a midpoint of 2.3% (and is the same as his forecast for 2017), and notes during the first 9 months of 2017, real GDP growth had averaged 2.4% on an annualized basis. So, in the Fed and Brinker forecasts, the hurricane effect appears to be 0.1 to 0.15% lower real GDP in 2018.

MARKET OUTLOOK:

The S&P500 market valuation continues to rise and stay at or near new all-time highs, like yesterday, at 2,591. In November, Brinker lowered his September estimate S&P500 operating earnings for 2017 by $2 to $128, and increased his 2018 earnings estimate by $2 to $142. His valuation range for the P/E ratio of the S&P500 continues in the range of 17 to 18, therefore market valuation is predicted at between 2,176 and 2,304 by the end of 2017, and between 2,414 and 2,556 by the end of 2018. Presently, the market is trading above the predicted maximum 2018 valuation level. In earlier 2017 Marketimer issues, Brinker observed that there was potential for the S&P500 to rise to the 2400s as a result of the historical tendency for markets to exceed fair valuation levels based on anticipated positive future developments, such as the effect of tax reform. In November, this anticipatory effect is clearly present, so it is interesting to me that Brinker continues to use a P/E ratio of the S&P500 in the range of 17 to 18. If we calculate the P/E from the current S&P500 market valuation (2,592) and the anticipated $128 end-of-year earnings, the 2017 P/E appears likely to be closer to 20 than the "range of 17 to 18." If we apply a P/E of 20 to Brinker's projected 2018 earnings of $142, it implies a S&P500 market valuation of 2,840 by Dec. 2018, or 9.6% higher than the present market value. To be clear, these are my ponderings, not Brinker's projections. Brinker continues to believe a mid-term off-presidential election year market decline will occur sometime between the fourth quarter of 2017 and the summer of 2018. It would take many months to decline and recover, and the net effect might be to arrive at about where the market is today, so that is likely why Brinker is ignoring the currently elevated market valuation. Without coming right out and saying it, Brinker seems to be expecting 2018 to be a "sideways year" with respect to S&P500 market valuation, i.e., he is projecting the S&P500 market valuation at the end of 2018 will be at about where it is today. Interesting.

Brinker's investment guidance can be summarized as to stay fully invested, rebalance to maintain your chosen asset allocation, dollar-cost-average any investment of new money, and don't be surprised by a sudden stock market pull back in the coming months.

LONG-TERM MEGATRENDS:

The present market level is 283% higher than the S&P500 as it stood at the beginning of the current bull market on March 9, 2009 (676.53).

Cyclical Type	Time Period	Time (years)	Perc. Change	Note
Bear	March 2000 to Oct 2002	2.54	-49%	03/27/00: S&P500 = 1,527.46 10/09/02: S&P500 = 776.76
Bull	Oct 2002 to Oct 2007	5.00	101%	10/09/07: S&P500 = 1,565.15
Bear	Oct 2007 to March 2009	1.42	-57%	03/09/09: S&P500 = 676.53
Bull	March 2009 to September 2017	8.66	283%	11/06/17: S&P500 = 2,592.50

Table 2 Summary of Bull and Bear Cycles in U.S. Stock Market

ASSET ALLOCATION: The present Policy Allocation (Goal) in this portfolio is 55% to Equities, 15% to Real Estate, and 30% to Fixed Income investments.

EQUITIES: Specific allocations by asset class are: 25% to U.S. Domestic Markets, 10% to Energy Sector, 15% to Foreign-developed Country Markets, 5% to Foreign-emerging Markets, and 15% to Real Estate. Presently, equity investments are nearly in balance. You will note in Table 1 that CDs are low by $804. When this value exceeds $1,000, I will rebalance and purchase another CD, and bring the asset allocation back in allignment with all goal percentages.

In the equity and real estate components of the portfolio (combined 70% goal), the Board-approved investment strategy is based on a Swensen-style (Yale) diversified portfolio of ultra-low-cost, no-transaction-fee Exchange Traded Funds (ETFs) that track major indices. Portfolio rebalancing continues throughout the year (April to April), which at a minimum is done prior to periodic (usually monthly) reports to the Board.

FIXED INCOME: In the fixed income component of the portfolio (30% goal), the Scholarship fund is entirely invested in a ladder of FDIC-insured Certificates of Deposit (CDs) with various maturity dates. CDs keep fixed-income funds intact. Interest rates are projected to increase gradually from record lows back to historically normal levels likely in the 4 to 6% range for a 10-year U.S. Treasury Note. The next CD to mature in our current ladder will be on February 14, 2018.

As noted in Table 3, below, the weighted average yield of the CD ladder is 2.83%. This calculation is based on the face value of the CDs.

Bank	Due Date	Face Amount	Coupon Rate	Frequency
Natl Bank (Wisconsin)	02/14/2018	$ 10,000.00	2.15%	Monthly
Goldman Sachs Bank	04/08/2019	$ 1,000.00	3.75%	Semi-annual
1st Finl Bank USA	09/27/2019	$ 4,000.00	2.40%	Monthly
Discover Bk US	10/21/2020	$ 5,000.00	2.20%	Semi-annual
GE Capital Bank	09/16/2021	$ 4,000.00	2.85%	Semi-annual
Goldman Sachs Bank	01/05/2022	$ 4,000.00	3.00%	Semi-annual
Goldman Sachs Bank	09/06/2022	$ 1,000.00	2.40%	Semi-annual
Synchrony Bank	10/11/2023	$ 6,000.00	3.30%	Semi-annual
Goldman Sachs Bank	02/26/2024	$ 4,000.00	3.25%	Semi-annual
Synchrony Bank	08/29/2024	$ 7,000.00	3.30%	Semi-annual
Goldman Sachs Bank	02/11/2025	$ 2,000.00	2.75%	Semi-annual
Goldman Sachs Bank	06/17/2025	$ 5,000.00	3.15%	Semi-annual
JPMorgan Chase Bank	08/16/2027	$ 3,000.00	2.80%	Quarterly
Signature Bank	11/08/2027	$ 1,000.00	2.85%	Semi-annual
HSBC Bank USA	11/24/2027	$ 3,000.00	3.00%	Monthly
HSBC Bank USA	02/08/2029	$ 3,000.00	3.10%	Monthly
HSBC Bank USA	09/29/2029	$ 1,000.00	3.00%	Monthly
Total Face Value		$ 64,000.00		
	Weighted Average Return		2.83%	

Table 3 CD Ladder as of September 13, 2017

REBALANCING: We continue to follow Yale Professor David Swensen's advice, as explained in his book, "Unconventional Success: A Fundamental Approach to Personal Investment" to frequently rebalance the portfolio, which studies have shown can add approximately 1.1% to the annual return of a portfolio as compared to an unbalanced portfolio with the same securities and starting point.

RECOMMENDATION:

It is recommended that we continue to remain fully invested and maintain the Policy Portfolio percentages through periodic re-balancing.

Lastly, it is recommended to continue following Brinker's market analyses as they may lead to a change in his market outlook, which is and has been positive for more than eight and two thirds years.