



# MARINER WEALTH ADVISORS



## LEXINGTON TRANSIT AUTHORITY PENSION PLAN

November 9, 2021

Pamela Thompson, CFA, Managing Director  
Michael Gosney, CFP, Wealth Advisor

# MARINER WEALTH ADVISORS – FIRM UPDATE

- **Focus and passion:** Dedicated to the fiduciary standard and putting our clients' best interests first and foremost
- **Deep local roots:** 2 offices now established in Louisville – Southern Indiana market
- **Local Tax Director:**
  - Tax practice added to complement our customized wealth planning and investment management services
- **National reach:**
  - Wide and deep services and resources of Mariner, a nationally ranked independent advisory firm
  - Close personal attention and service of a local team
- **Ohio – Kentucky – Indiana team resources:**
  - More than 20 credentialed, educated, experienced and action-oriented advisors
  - In-house investment team and strategy
- **Nationally recognized by Barron's Magazine:**
  - Ranked in Top 5 Independent Advisory Firms in the nation for five consecutive years (2016-2021)

# PRIVATELY OWNED ADVISORY FIRM WITH A NATIONWIDE PRESENCE

## OBJECTIVE

Advisors providing tailored advice based upon each client's specific situation and goals.

## SPECIALIZED

Experienced, multi-disciplined advisors focused on working with families and individuals building wealth.

## RESPONSIVE

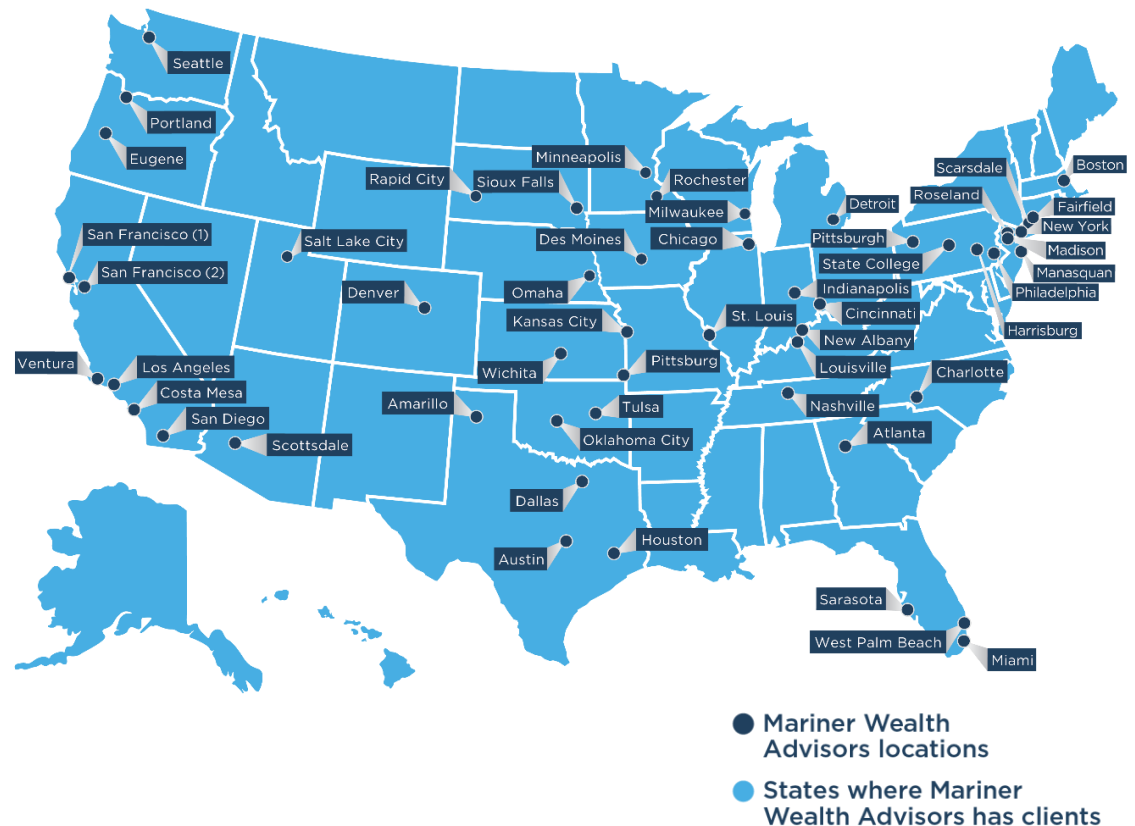
Cross-functional team working together to understand, plan and manage clients' ever-evolving financial needs and wealth demands.

## DISCIPLINED

Forward-thinkers who help guide consistent decision making to support long-term goals.

## RESPONSIBLE

Impartial advisors with a fiduciary responsibility to work in each client's best interests.



As of: 08/31/21

# YOUR LOCAL KENTUCKY TEAM



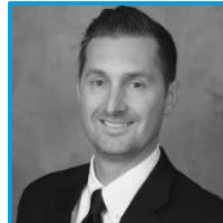
**Pamela Thompson, CFA**  
Managing Director & Senior Wealth Advisor



**Wes Martin, CFP®, ChFC**  
Principal & Senior Wealth Advisor



**Ryan Eatherly, CFP®**  
Director & Senior Wealth Advisor



**Mark Metcalf, CPA**  
Tax Director



**Afton Yaeger, CFP®**  
Wealth Advisor



**Grant Fuller, CFP®**  
Wealth Advisor



**Michael Gosney, CFP®**  
Wealth Advisor



**Matthew Bitter**  
Associate Wealth Advisor

# EXECUTIVE SUMMARY

## Lexington Transit Authority Pension Plan

<u>Asset Allocation</u>	<u>Target</u>	<u>Range</u>
Cash	5%	0-10%
Bonds	35%	20-50%
Stocks	60%	50-80%
<b><i>TOTAL</i></b>	<b><i>100%</i></b>	

### Equity Restrictions

- Maximum individual position size = 5% of the total portfolio
- Maximum international exposure = 25% of the total portfolio (including mutual funds and ADRs)
- Maximum investment in small company mutual funds = 10% of the total portfolio

### Fixed Income Restrictions

- Individual bonds must be Investment grade (BBB) or higher
- Bonds below investment grade may be held within a mutual fund, but such funds may not exceed 5% of the market value of the portfolio

### Risk Tolerance

Moderate

### Performance Benchmarks

U.S. Equities	S&P 500 Index
International Equities	MSCI EAFE Index
Fixed Income	Merrill Lynch 1-10 Year G/C Bond Index

# INVESTMENT POLICY STATEMENT

## **Lexington Transit Authority Employees' Contributory Pension Plan**

### **Statement of Investment Policy and Guidelines**

*(Approved April 25, 2014)*

# INVESTMENT POLICY STATEMENT

## Purpose

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The purpose of this statement is to establish a clear understanding between Lexington Transit Authority Employee's contributory Pension Plan and our investment managers regarding the investment policies and objectives of these assets. This statement will outline an overall philosophy that is specific enough for the investment managers to know what is expected, but sufficiently flexible to allow for changing economic conditions and securities markets. The policy will establish the investment restrictions to be placed upon the managers and will outline the procedures for policy and performance review.

This statement is made in accordance with the fiduciary requirements under the Employment Retirement Act of 1974 (ERISA).

The purpose of the Investment Policy Statement is primarily to:

- Outline and define the investment objectives and goals of the fund.
- Establish investment guidelines and limitations for each investment manager.
- Establish investment performance criteria.
- Establish communications with investment managers.

## Total Fund Objective

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The overall objective of the Lexington Transit Authority Employees' Contributory Pension Plan is to provide for preservation of capital with an emphasis on long-term growth without undue exposure to risk. These objectives should be accomplished with prudent investment management utilizing a balanced strategy of cash and equivalents, bonds and stock. Investment managers should focus on total return in a risk averse manner with consistency of investment performance.

# INVESTMENT POLICY STATEMENT

The assets of the funds should be allocated among equities, bonds and cash equivalents as follows:

Cash:	0-10%
Equities:	50-80%
Bonds:	20-50%

The performance of the total fund over a market cycle, or five-year period should:

- Exceed an index which consists of 60% of the S&P 500, 35% of the Lehman Gov't/Corp Bond Index and 5% of U.S. Treasury Bills.
- Exceed the Consumer Price Index by 400 basis points
- Rank in the top half of a universe of similar balanced funds.

## Fixed Income Portfolios

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<b>Objective:</b>	To generate a total return in excess of the benchmark over a full market cycle while preserving capital and maintaining a high degree of liquidity.
<b>Benchmark:</b>	Merrill Lynch 1-10 Year Gov't/Corp Bond Index
<b>Method:</b>	To invest in a diversified range of investment grade securities while actively seeking the segments of the bond market offering the best total return prospects, consistent with the objective.



# INVESTMENT POLICY STATEMENT

## Investment Limitations and Authorizations:

1. The Portfolio may only invest in the following:
  - A. Any individual corporate bond or asset backed security which is rated “investment grade” by Standard & Poor’s (BBB or better) or Moody’s (BAA or better); Bonds rated below investment grade may only be held within a mutual fund to mitigate credit risk, and the total of such funds may not exceed 5% of the market value of the portfolio;
  - B. Obligations of, guaranteed by, or insured by the U.S. Government, its agencies or instrumentalities;
  - C. Preferred stock which has an investment grade rating by Standard & Poor’s or Moody’s;
  - D. Obligations of U.S. Banks or Savings and Loan Associations (including certificates of deposit and banker’s acceptances) which are fully insured by the Federal Deposit Insurance Corporation;
  - E. Commercial paper or variable amount master notes issued by companies which have an issue of outstanding debt securities rated as investment grade by S&P or Moody’s or commercial paper rated A-1 by S&P or P-1 by Moody’s;
  - F. Fully collateralized repurchase agreements with respect to obligations in which the portfolios is authorized to invest;
  - G. A portion of the portfolio may invest in interest bearing cash equivalents.

# INVESTMENT POLICY STATEMENT

## 2. Restrictions on investments of the portfolio:

- A. No more than 5% of the market value of the portfolio may be invested in the securities of any one issuer except for securities of the U.S. Government, its agencies or instrumentalities, or shares of a registered investment company of an interest in a collective investment fund, which may be purchased without limit;
- B. No position size may exceed 5% of the total market capitalization of the security;
- C. The portfolio may not invest in or use synthetic securities or derivatives with the exception of a low volatile, collateralized mortgage obligations that pass the FFEIC test.

## Equity Portfolios

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<b>Objective:</b>	To generate a total return in excess of the benchmark over a full market cycle or a rolling 5-year average.
<b>Benchmark:</b>	Standard & Poor's 500 Index
<b>Method:</b>	The portfolio philosophy is that properly managed, mid-large capitalization equity portfolios are capable of providing superior investment returns while minimizing the associated risks.

# INVESTMENT POLICY STATEMENT

## Investment Limitations and Authorizations:

1. The Portfolio may only invest in the following:
  - A. Equity securities traded on a recognized U.S. exchange, through NASDAQ, or on the US. over-the-counter market;
  - B. Preferred and convertible preferred and debt securities;
  - C. Registered investment companies (mutual funds) or an interest in a collective investment fund which follows the above guidelines.
2. Restrictions on investments of the portfolio:
  - A. No more than 5% of the market value of the portfolio may be invested in the securities of any one issuer except for securities of the U.S. Government, its agencies or instrumentalities, or shares of a registered investment company of an interest in a collective investment fund, which may be purchased without limit;
  - B. Preferred and convertible securities as a class may not exceed 20% of the market value of the portfolio;
  - C. No more than 25% of the market value of the portfolio may be invested in International Equities, including Mutual Funds and American Depositary Receipts (ADR's);

# INVESTMENT POLICY STATEMENT

- D. No position size in a security may exceed 5% of the total market capitalization of the security;
- E. The portfolio may not make short sales or maintain a short position;
- F. The portfolio may not invest in or use synthetic securities or derivatives of any kind;
- G. The maximum investment in small company mutual funds is 10% of the total portfolio.

## Standards of Performance

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### Total Fund Portfolio

Exceed an index which consists of 60% of the S&P 500, 35% of the Lehman Gov't/Corporate Bond Index and 5% of U.S. Treasury Bills.

Exceed the Consumer Price Index by 400 basis points.

Rank in the top half of a universe of similar balanced funds.

### Fixed Income Portfolio

Over a market cycle (3-5 years), the performance of the fixed income portfolio should exceed the total returns of the Lehman Brothers Government/Corporate Bond Index.

# INVESTMENT POLICY STATEMENT

Over a market cycle (3-5 years), the performance of the fixed income portfolio should exceed the total returns of the Lehman Brothers Government/Corporate Bond Index.

Over a market cycle, the performance of the fixed income portfolio should rank in the top half of a universe of government/corporate fixed income manager. While the median return is the minimum acceptable, the target ranking is in the top 1/3 of the universe over a market cycle.

Over 3 year rolling periods, the volatility of the quarterly returns, as measured by the standard deviations, should not be greater than the Lehman Brothers Gov't/Corporate Bond Index.

## **Core Equity Portfolios**

Over a market cycle (3-5 years), the performance of the core equity portfolios should exceed the total returns of the Standard & Poor's 500 Index.

Over a market cycle, the performance of the core equity portfolios should rank in the top half of a universe of domestic core equity managers. While the median return is the minimum acceptable, the target ranking is in the top 1/3 of the universe over a market cycle.

Over 3 year rolling periods, the volatility of the quarterly returns, as measured by the standard deviations, should not be greater than the Standard & Poor's 500 Index.

Investments in international mutual funds should exceed the Lipper International Mutual Fund Average Return and the EAFE Index. Investments in small company mutual funds should exceed the Lipper Small Company Mutual Fund Average Return and the Russell 2000 Index.

# INVESTMENT POLICY STATEMENT

## Administration

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### Communication

The investment managers should communicate their proposed investment strategy for achieving the Plan's investment objectives to the Retirement Committee of the Lexington Transit Authority Employees' Contributory Pension Plan. The following documents should be provided, at least on a quarterly basis, for each separately managed account:

1. Statement of assets showing current market value, book value and acquisition cost, if different from book value;
2. Individual security holdings within each asset class;
3. Summary of transactions for the period.

The manager should provide a separate report on any commingled investments being used as part of their strategy.

### Review Meetings

The investment managers are expected to meet at least annually with the Retirement Committee of the Lexington Transit Authority Employees' Contributory Pension Plan. The agenda for the meeting will include, but not limited to, the following:

1. A presentation of investment results and discussion as this relates to investment policy and guidelines;

# INVESTMENT POLICY STATEMENT

2. A general discussion of market conditions, investment themes and outlook;
3. Discussion of any material changes in policy, objectives, staffing and business conditions within the firm.

The signatures below affirm that this statement of Investment Policy is hereby implemented on behalf of the Plan, as of this 25<sup>th</sup> day of April, 2014.

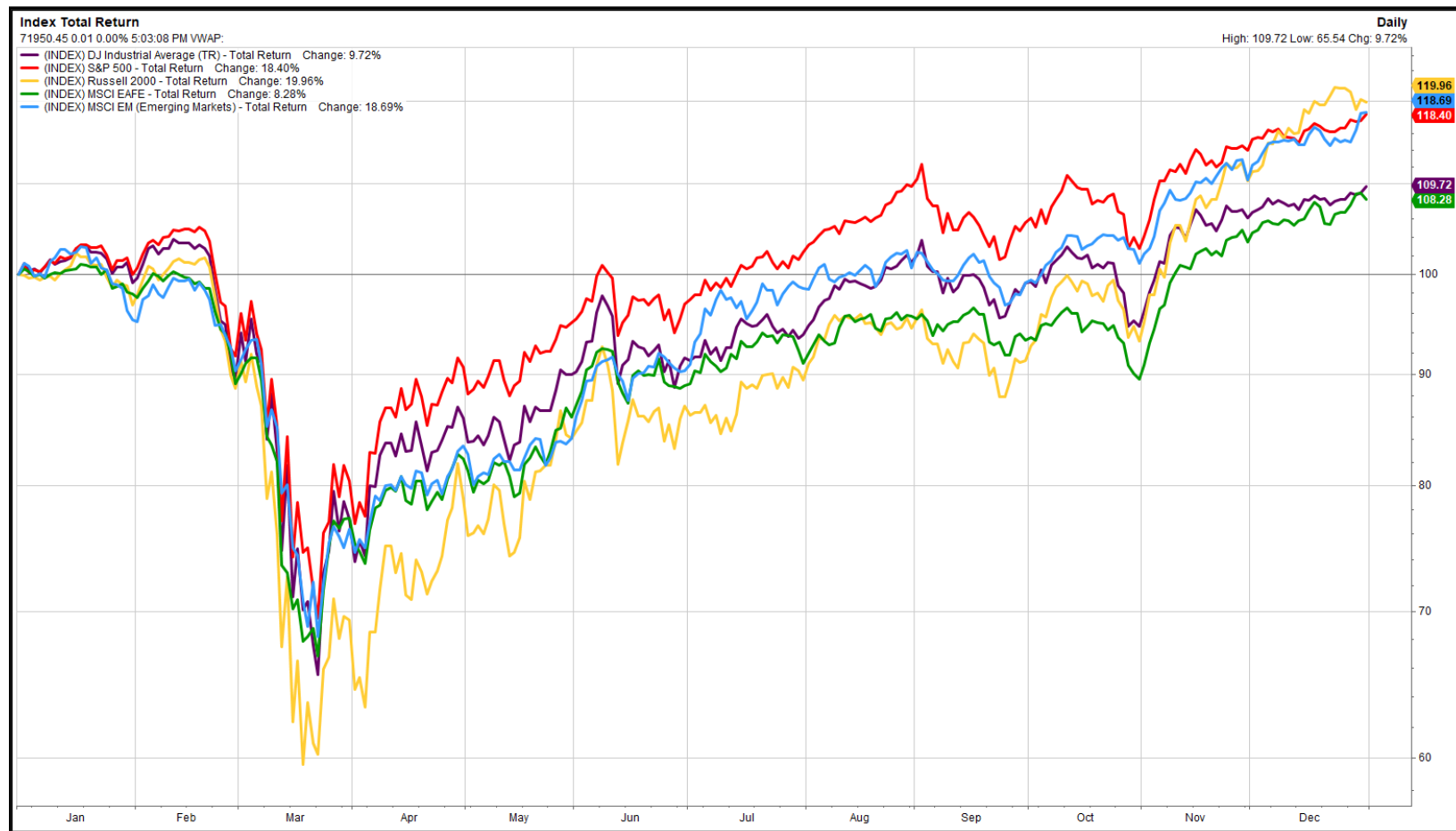


# Tab I



# 2020 GLOBAL STOCK MARKET RETURNS

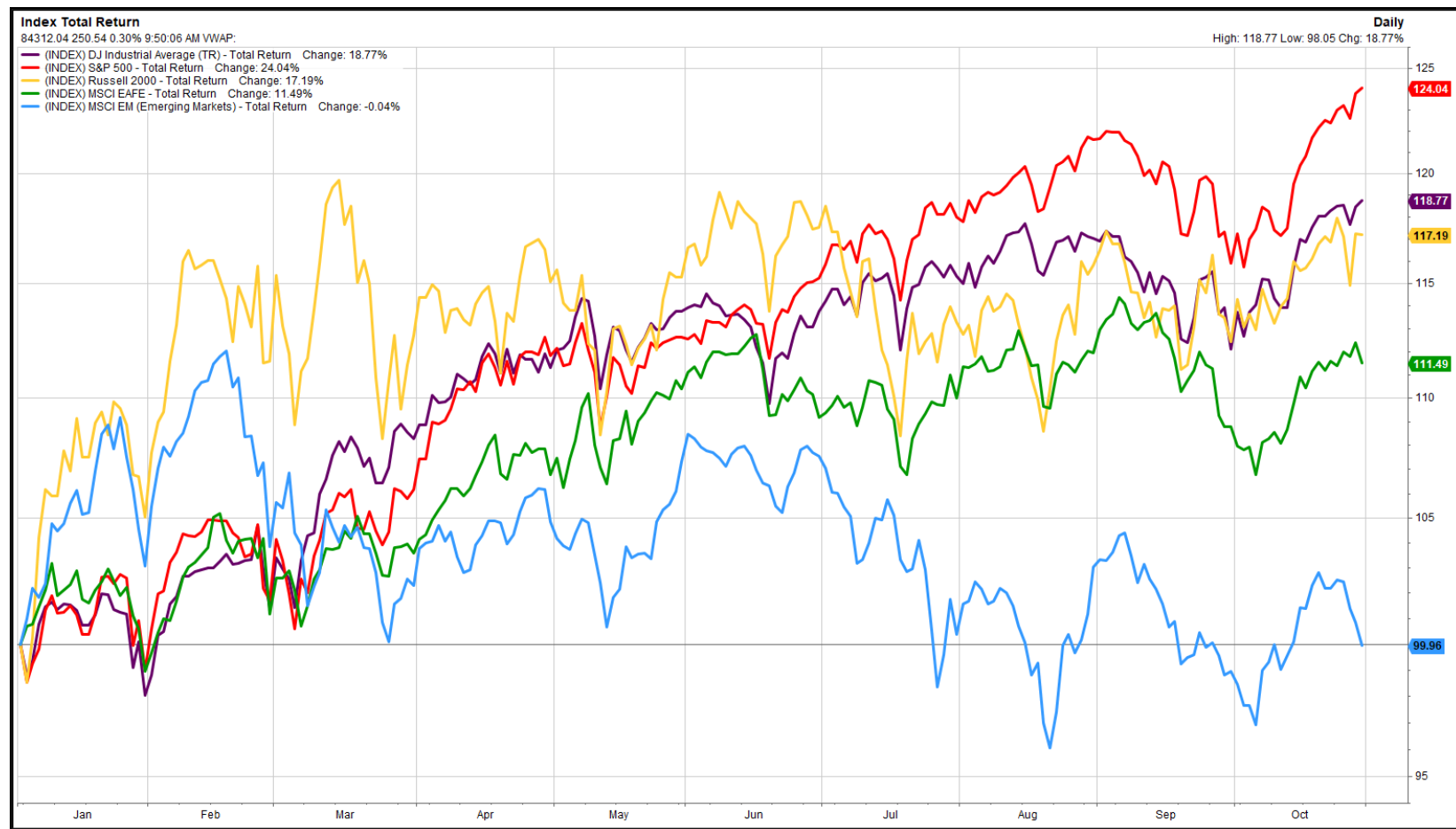
**Russell 2000 20.0%** **Emerging Markets 18.7%** **S&P 500 18.4%** **DJIA 9.7%** **EAFE International 8.3%**



Source: FactSet Research Systems as of 12/31/2020

# YTD 10/31/2021 GLOBAL STOCK MARKET RETURNS

**S&P 500 24.0% DJIA 18.8% Russell 2000 17.2% EAFE International 11.5% Emerging Markets -0.0%**



Source: FactSet Research Systems as of 01/11/2021

# PORTFOLIO SUMMARY

Lextran Pension Plan (as of October 31, 2021)



Asset Class	Allocation
<span style="color: yellow;">■</span> Large Cap	43.8 %
<span style="color: blue;">■</span> Mid Cap	14.8 %
<span style="color: darkblue;">■</span> Small Cap	5.7 %
<span style="color: lightblue;">■</span> International Equity	9.7 %
<span style="color: brown;">■</span> Commodities	0.8 %
<span style="color: orange;">■</span> Core Fixed Income	18.8 %
<span style="color: darkblue;">■</span> Cash and Cash Equivalents	6.4 %

Performance Summary**	YTD	2020	3 Yrs ending 10/31/21*	5 Yrs ending 10/31/21*
Total Portfolio	14.1%	13.6%	14.3%	11.8%
Fixed Income	0.4%	5.6%	4.5%	3.3%
Equities & Alternatives	20.2%	18.4%	19.8%	16.4%

\*Annualized returns over one year  
 \*\*Net of fees, which are 0.4% annually

Equities & Alternatives 75% Cash & Fixed Income 25%

Estimated Annual Dividends & Interest = \$297,338 (1.5%)

## Accounts Included in this Report

Account Name	Account Type	Custodian	Account Number	Equity Value	Bond Value	Cash Value	Total Value
Lextran Pension Plan	Pension Plan	US Bank	XX-5755	\$14,687,816	\$3,687,063	\$1,264,354	\$19,639,233
				\$14,687,816	\$3,687,063	\$1,264,354	\$19,639,233

# PORTFOLIO ACTIVITY SUMMARY

Lextran Pension Plan (as of October 31, 2021)

	YTD (1/1/2021 to 10/31/2021)	Last Year (1/1/2020 to 12/31/2020)	Previous Calendar Year (1/1/2019 to 12/31/2019)
Beginning Market Value	\$17,131,812	\$14,930,563	\$12,252,056
Net Cash Flow	\$107,130	\$140,514	\$125,775
Dividends and Interest	\$233,222	\$298,883	\$316,357
Bond Accrual	\$36,446	\$27,411	\$31,203
Market Value Increase/Decrease	\$2,167,070	\$1,761,852	\$2,236,375
Ending Market Value	\$19,639,233	\$17,131,812	\$14,930,563

# INDIVIDUAL EQUITY ALLOCATION BREAKDOWN

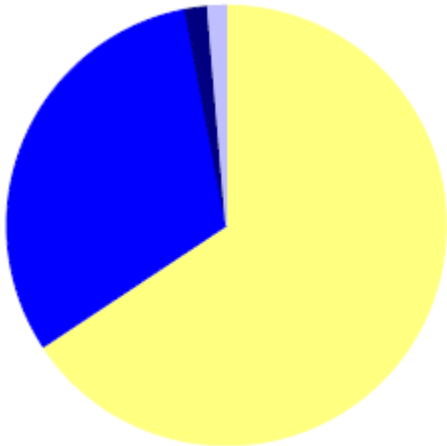
*“ACTIVE” = 64% OF TOTAL EQUITIES*



Growth & Income	Yield	5 Yr Div Growth	Beta	Cyclical Growth	EPS Growth	P/E	High Growth	EPS Growth	P/E
AbbVie, Inc.	4.4%	18%	0.8	ON Semiconductor Corporation	50%	16	Twilio, Inc. Class A	34%	n/a
Clorox Company	2.7%	8%	0.2	Micron Technology, Inc.	32%	6	Aptiv PLC	24%	43
PepsiCo, Inc.	2.7%	8%	0.6	Boeing Company	25%	39	PayPal Holdings Inc.	23%	58
Procter & Gamble Company	2.4%	4%	0.4	Albemarle Corporation	20%	42	Visa Inc. Class A	21%	40
CVS Health Corporation	2.3%	6%	0.8	Chevron Corporation	20%	13	Lowe's Companies, Inc.	18%	17
Fastenal Company	2.0%	12%	1.3	Bank of America Corp	19%	13	Alphabet Inc. Class A	17%	27
TJX Companies Inc.	1.5%	11%	1.0	FedEx Corporation	19%	12	Salesforce.com, Inc.	17%	65
Abbott Laboratories	1.4%	9%	0.7	Microchip Technology Inc.	17%	16	VMware, Inc. Class A	16%	23
UnitedHealth Group Inc.	1.4%	21%	0.8	Kansas City Southern	15%	30	Veeva Systems Inc Class A	16%	79
Target Corporation	1.4%	4%	1.0	Illinois Tool Works Inc.	13%	25	Edwards Lifesciences Corp.	15%	50
Becton, Dickinson and Co.	1.3%	6%	0.8	Crown Holdings, Inc.	12%	14	F5 Networks, Inc.	14%	19
Stryker Corporation	1.0%	11%	1.0	Marathon Petroleum Corporation	12%	20	Fiserv, Inc.	14%	20
Microsoft Corporation	0.8%	9%	0.8	L3 Harris Technologies Inc.	9%	16	Marsh & McLennan Co. Inc.	14%	25
Costco Wholesale Corporation	0.7%	12%	0.7	Intercontinental Exchange, Inc.	9%	23	Arista Networks, Inc.	13%	34
Zimmer Biomet Holdings, Inc.	0.7%	2%	1.3	LKQ Corporation	8%	13	Starbucks Corporation	13%	36
				Air Products and Chemicals, Inc.	2%	12	II-VI Incorporated	12%	17
<b>Group Average</b>	<b>1.8%</b>	<b>9%</b>	<b>0.8</b>	<b>Group Average</b>	<b>18%</b>	<b>19</b>	<b>Group Average</b>	<b>18%</b>	<b>37</b>

# TOP 10 INDIVIDUAL EQUITY HOLDINGS

Lextran Pension Plan (as of October 31, 2021)



Asset Class	Top 10 Equities	Allocation
Large Cap	Kansas City Southern	4.12 %
	Microsoft Corp	3.83 %
	Edwards Life Sciences Corp	3.49 %
	ON Semiconductor Corp	3.23 %
	CVS Health Corp	3.13 %
	LKQ Corporation	3.06 %
	Intercontinental Exchange Inc	2.90 %
	Pepsico Incorporated	2.66 %
	Marsh & McLennan Co Inc	2.61 %
	Bank of America Corp	2.58 %

# INDIVIDUAL EQUITY SECTOR ALLOCATION

Lextran Pension Plan (as of October 31, 2021)



Sectors	Allocation
Technology	21.69 %
Healthcare	18.71 %
Industrials	13.48 %
Consumer Cyclical	11.90 %
Financial Services	11.25 %
Consumer Defensive	11.06 %
Energy	4.33 %
Basic Materials	3.82 %
Communication Services	3.76 %

# EQUITY FUND HOLDINGS

## *“PASSIVE” = 36% OF TOTAL EQUITIES*

Fund Name	Symbol	YTD 10/31/21	2020	3 Yrs* ending 10/31/21	5 Yrs* ending 10/31/21
<b>Large Cap Funds</b>					
iShares Russell 1000 Growth Index	IWF	24.1%	38.3%	29.2%	25.2%
iShares Russell 1000 Value Index	IWD	21.9%	2.7%	13.7%	12.2%
<b>S&amp;P 500 Index</b>		<b>24.0%</b>	<b>18.4%</b>	<b>21.5%</b>	<b>18.9%</b>
<b>Small / Mid Cap Funds</b>					
iShares Russell 2000 Index	IWM	17.1%	20.0%	16.4%	15.4%
<b>Russell 2000 Index</b>		<b>17.2%</b>	<b>20.0%</b>	<b>16.5%</b>	<b>15.5%</b>
<b>International Funds</b>					
iShares MSCI EAFE Index	EFA	11.8%	7.6%	11.8%	9.8%
<b>MSCI EAFE Index</b>		<b>11.5%</b>	<b>7.8%</b>	<b>11.5%</b>	<b>9.8%</b>

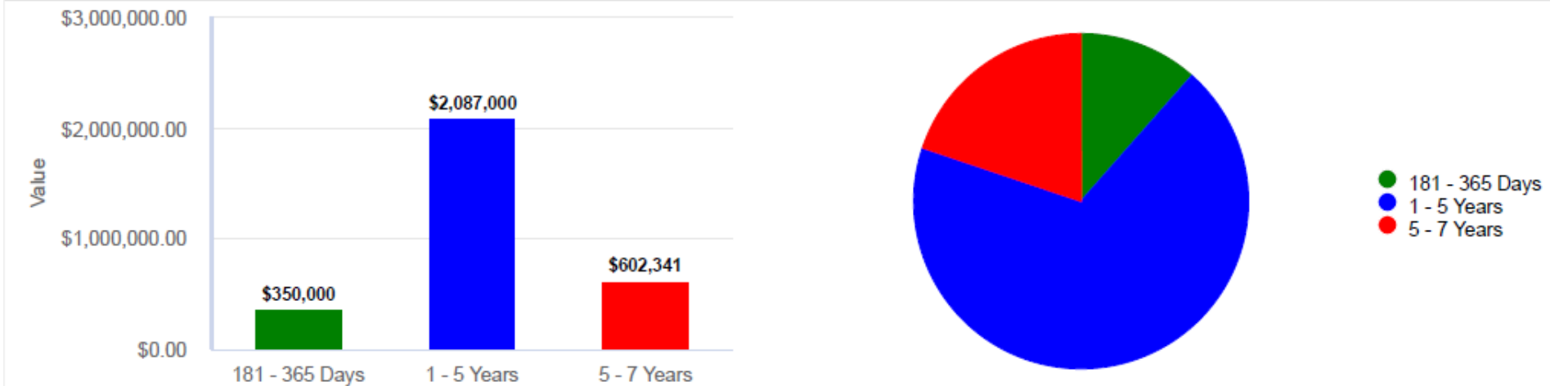
\*Annualized returns over one year



# BOND REVIEW

Lextran Pension Plan (as of October 31, 2021)

Fixed Income Maturity Ladder



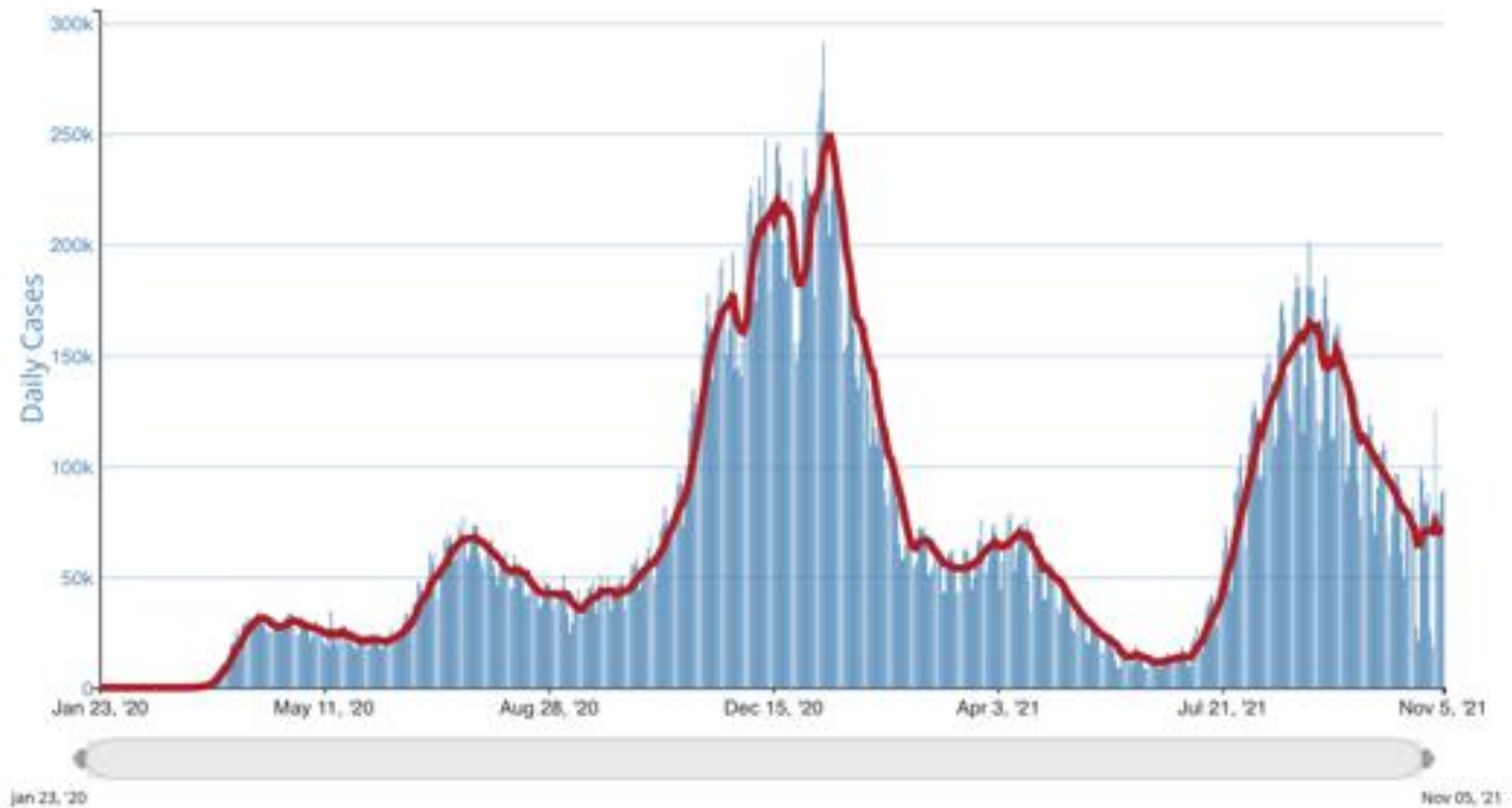
Maturity Year	Weight	Units	Cost Basis	Market Value
2022	9.7 %	350,000	\$353,149	\$356,371
2023	27.1 %	950,000	\$949,017	\$998,571
2024	12.5 %	437,000	\$437,494	\$462,357
2025	9.3 %	325,000	\$345,900	\$341,094
2026	10.7 %	375,000	\$375,591	\$396,208
2027	13.6 %	475,000	\$508,003	\$501,970
2028	3.4 %	127,341	\$128,581	\$124,549
2049	9.6 %	350,000	\$350,750	\$355,673
2099	4.1 %	150,000	\$150,000	\$150,000

A grayscale photograph of a sailboat's deck and sails on the right side of the frame, sailing on a choppy sea. The sun is visible in the upper right, creating a bright, hazy sky. The text 'Tab II' is centered in the middle of the image.

## Tab II

# FUNDAMENTAL ECONOMIC DATA

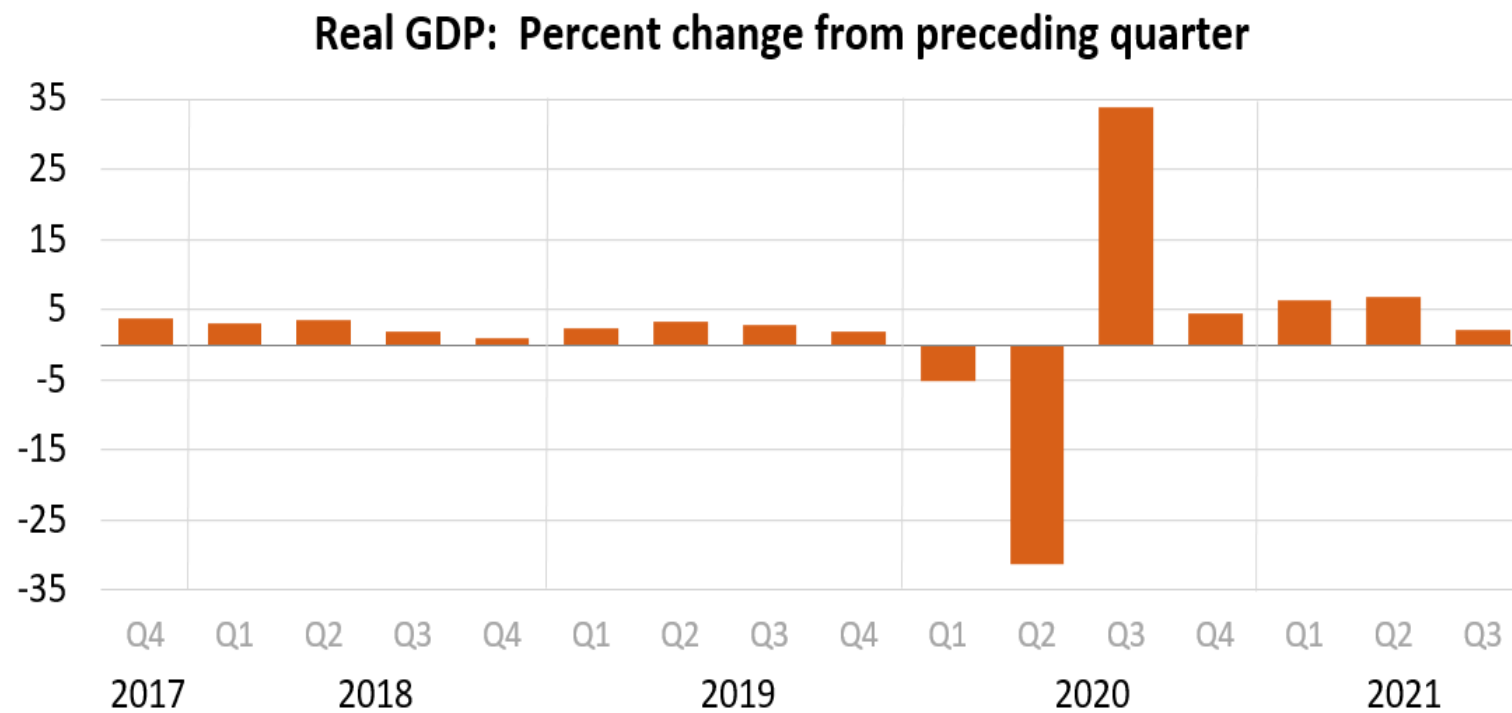
Daily Trends in COVID-19 Cases in United States  
Moving from “Pandemic” to “Endemic” phase



Source: CDC, CNBC.com

# FUNDAMENTAL ECONOMIC DATA

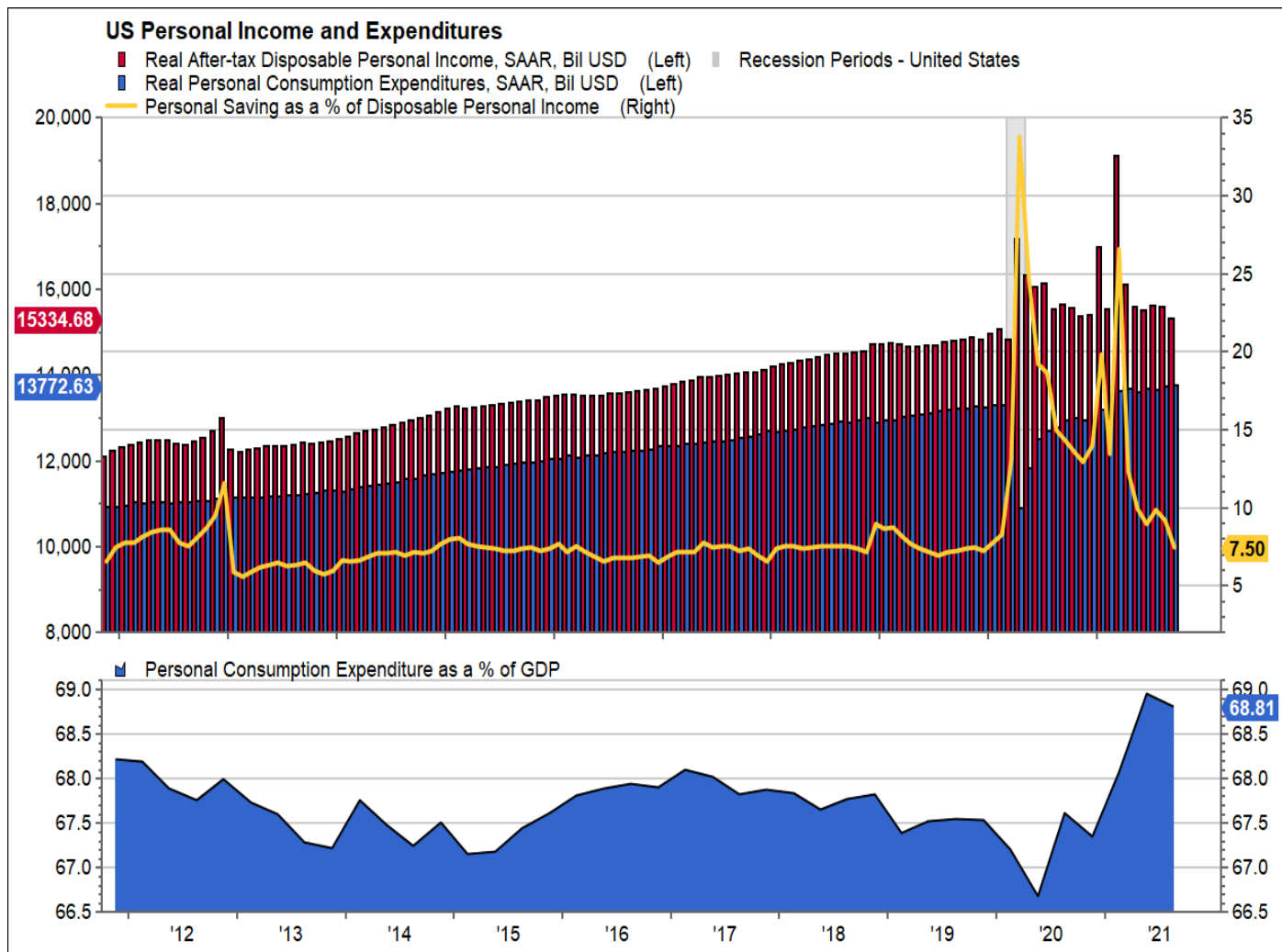
U.S. Gross Domestic Product (GDP) – Seasonally adjusted annual growth rates



Source: bea.gov

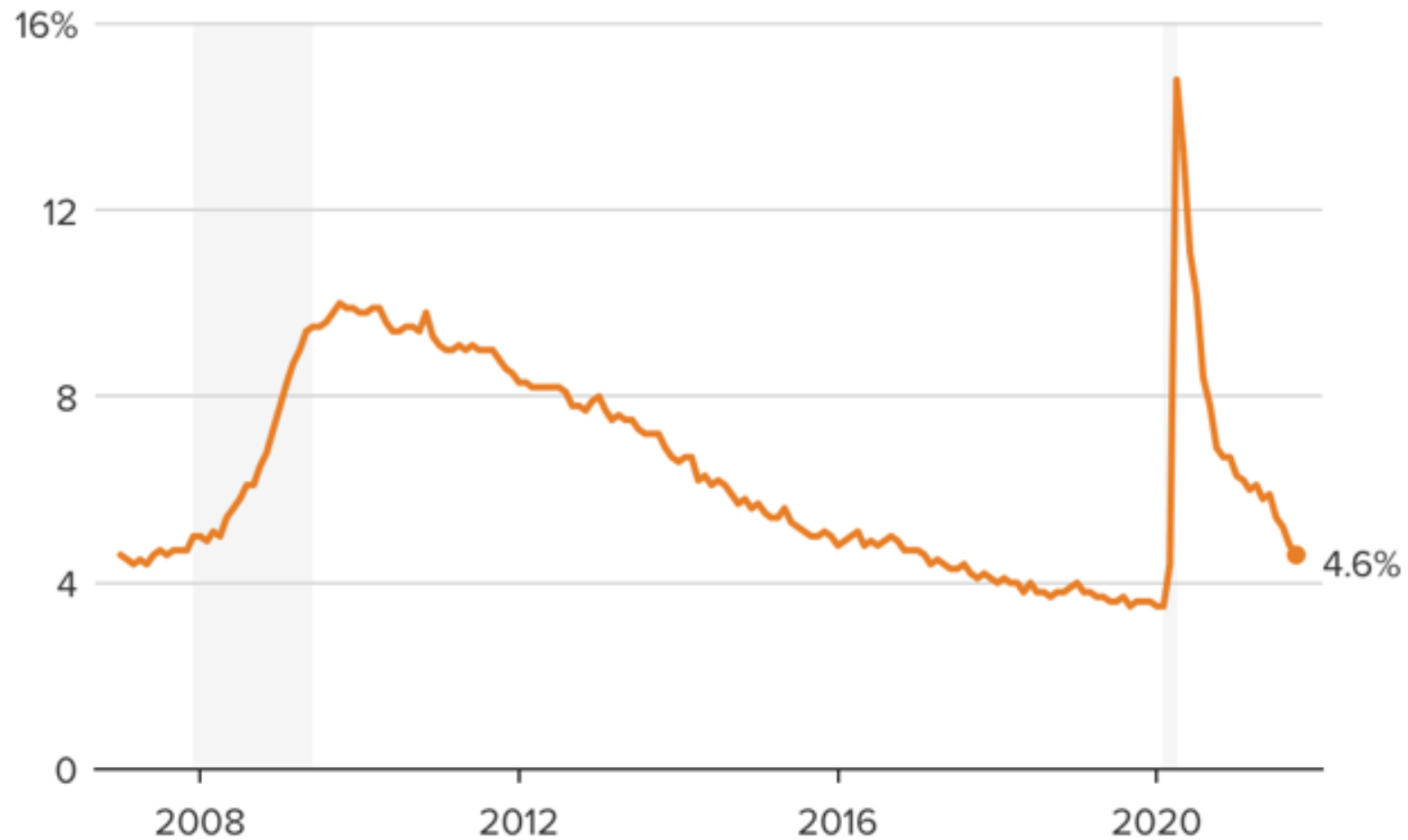
# PERSONAL INCOME & EXPENDITURES

Personal expenditures on goods and services have recovered to pre-pandemic levels  
Personal savings rates have also returned to more normal levels



# FUNDAMENTAL ECONOMIC DATA

U.S. Unemployment Rate, seasonally adjusted

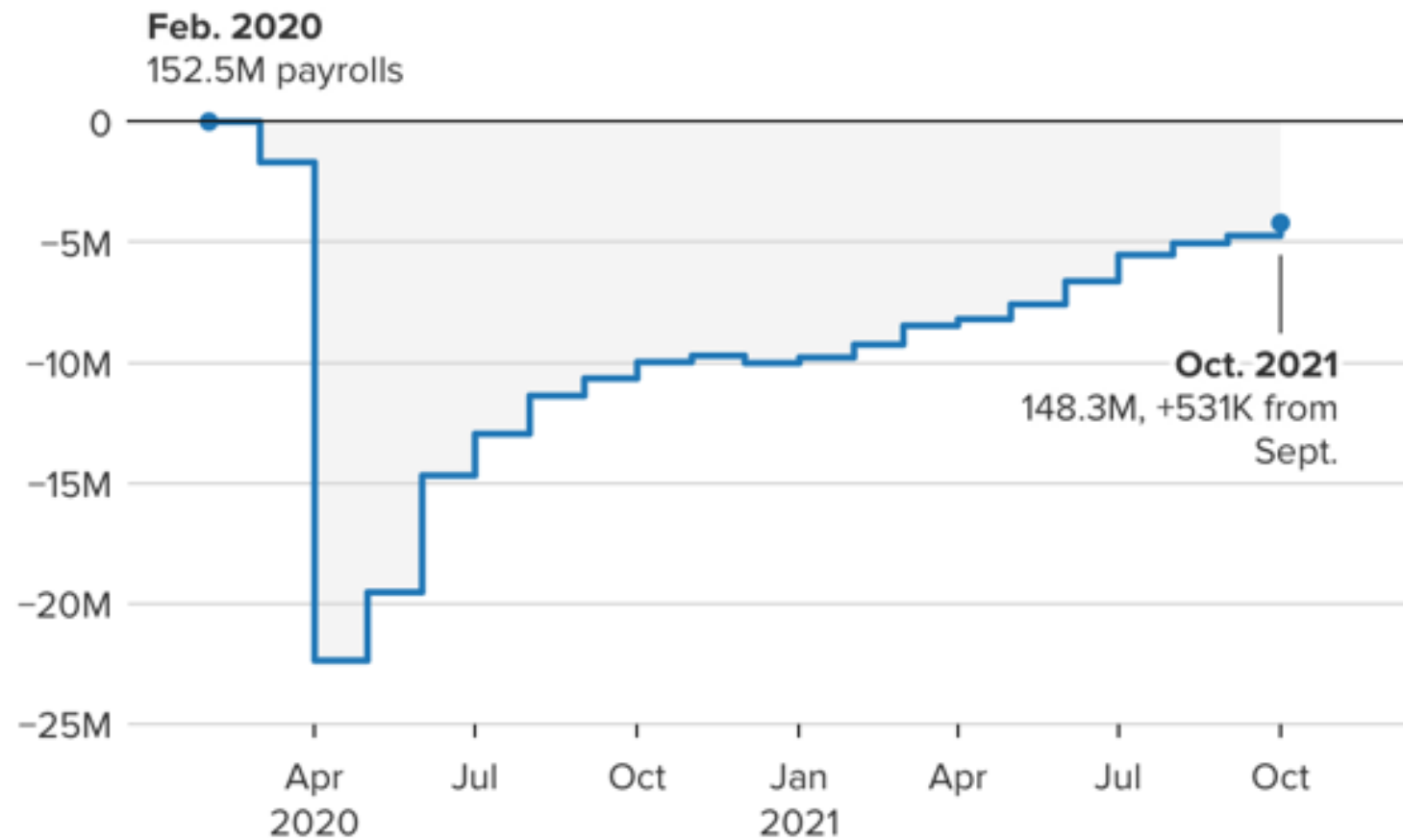


Source: CNBC, Bureau of Labor Statistics



# FUNDAMENTAL ECONOMIC DATA

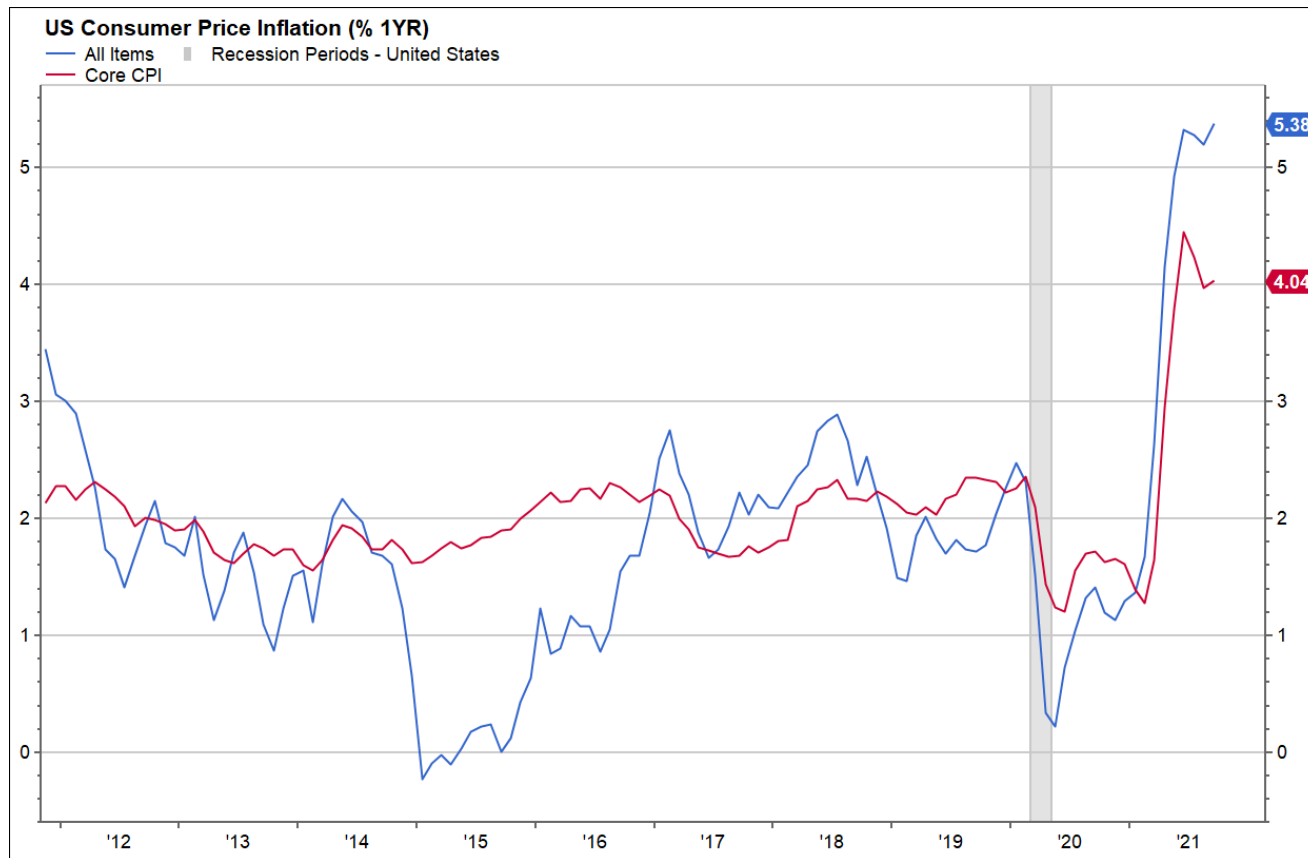
Change in total U.S. employment from pre-pandemic levels



Source: CNBC, Bureau of Labor Statistics

# INFLATION CONCERNS

CPI has increased due to supply shortages as well as the decline that occurred a year ago  
2-year average increase is more moderate



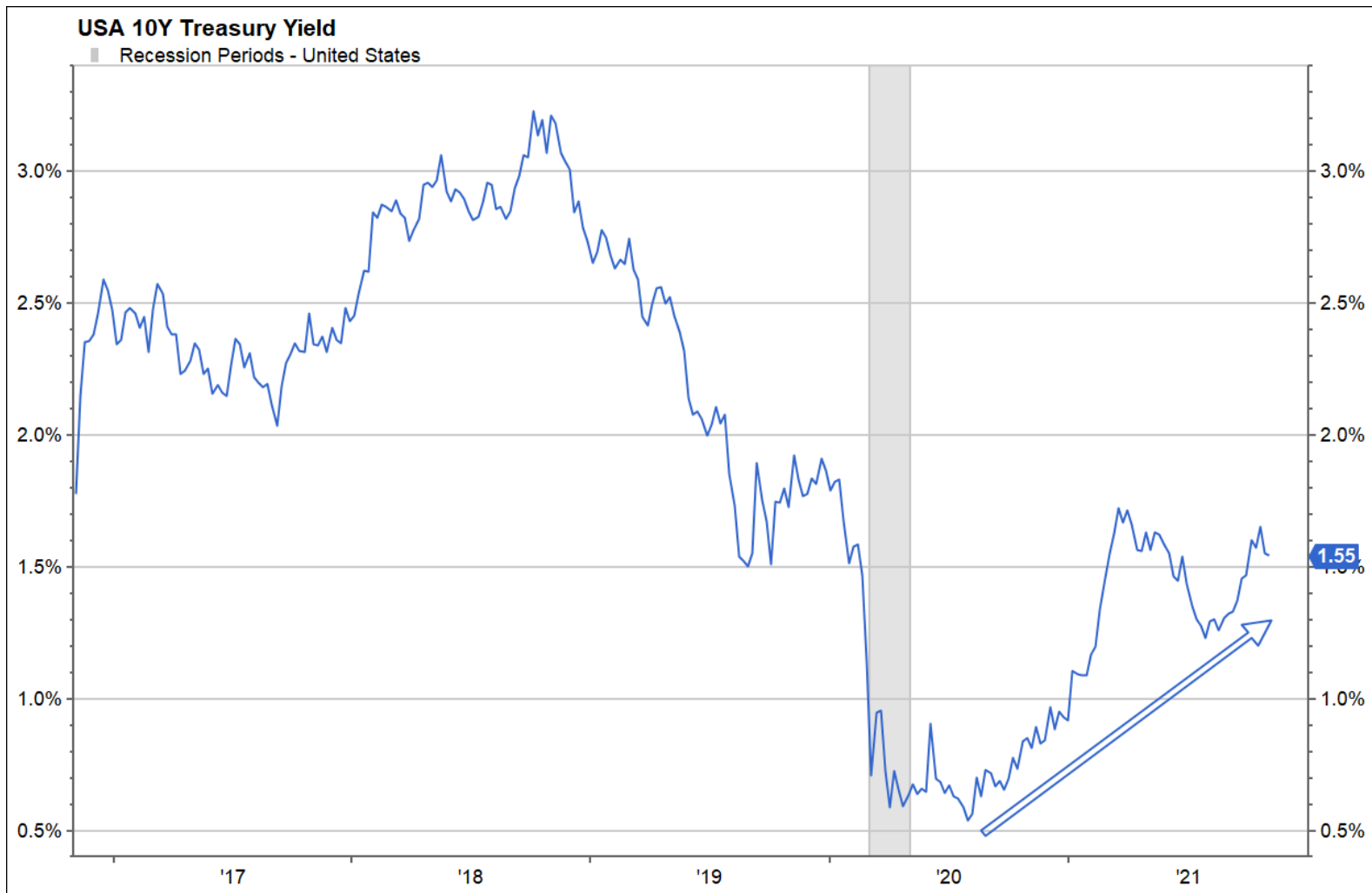
**Avg. Annualized Inflation as of Sept. 2021**

	CPI	Core CPI
1 year	5.4%	4.0%
2 year	3.4%	2.9%
3 year	2.8%	2.7%
5 year	2.6%	2.4%
10 year	1.9%	2.2%



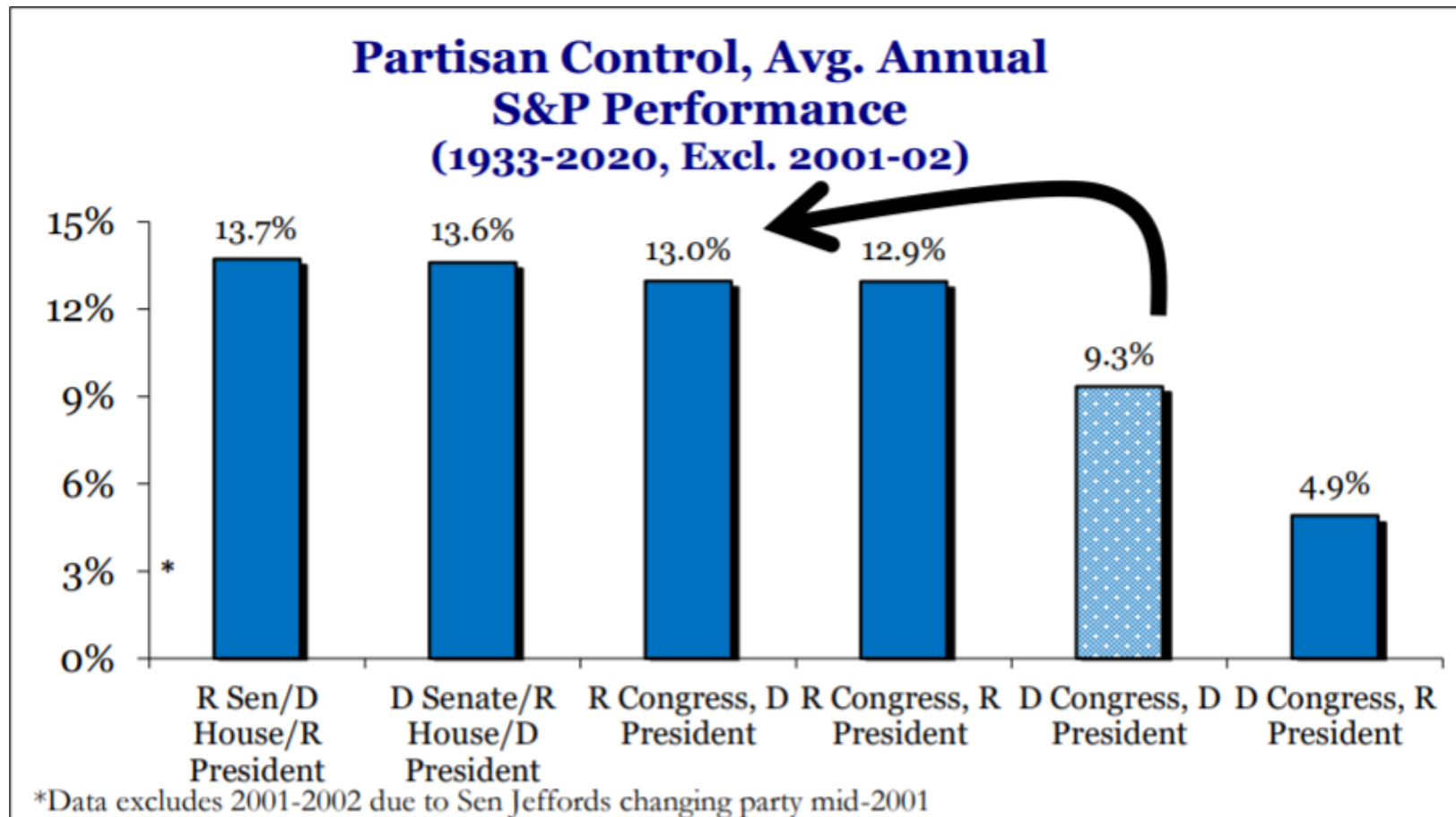
# LOW LONG-TERM INTEREST RATES

US 10-Year Treasury Yield back up from record-low pandemic levels



# POLITICS' IMPACT ON STOCK MARKET

Gridlock has historically been good for market returns

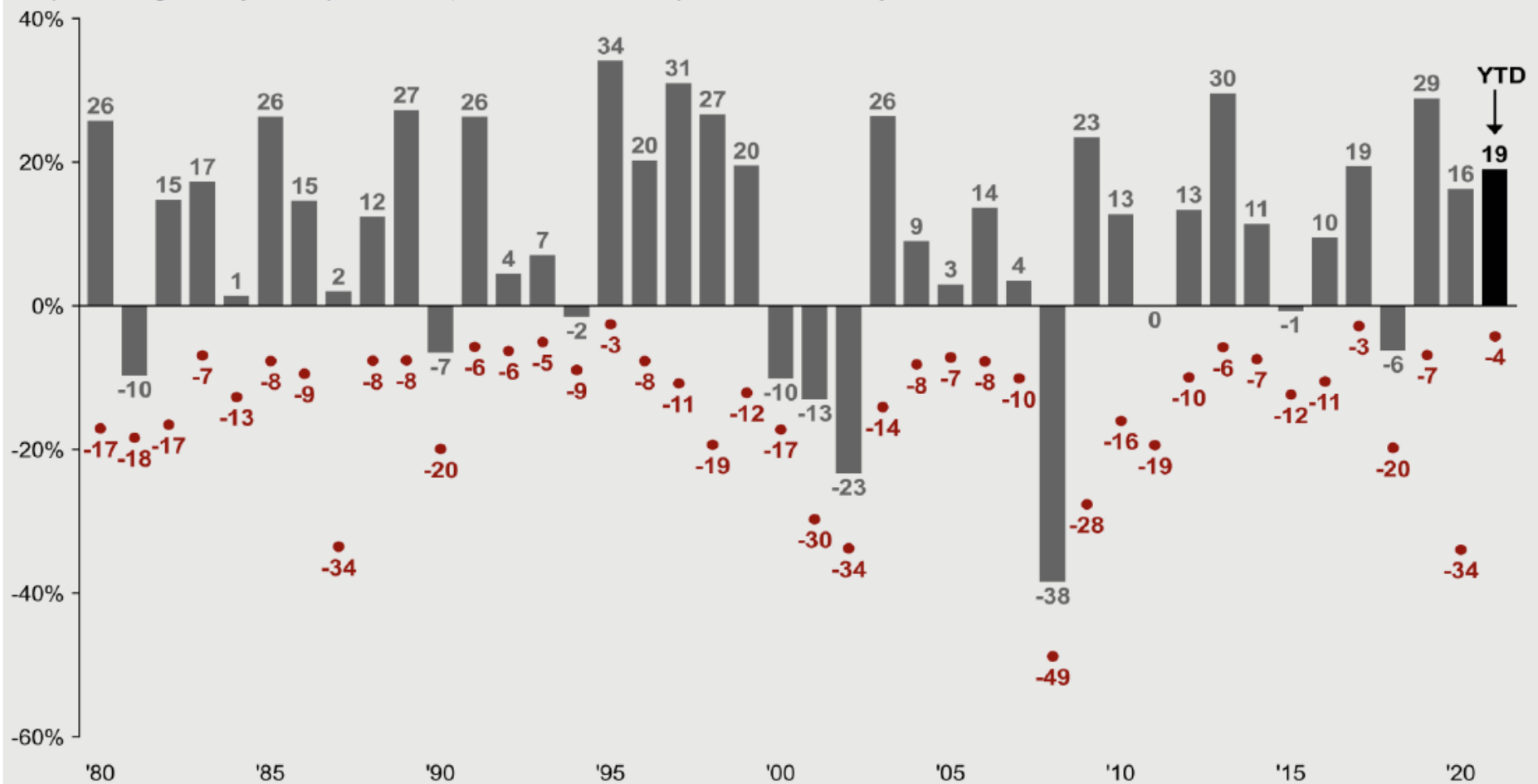


# ANNUAL RETURNS AND INTRA-YEAR DECLINES

## *“CORRECTIONS” ARE NORMAL AND HAPPEN ALMOST EVERY YEAR*

### S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 31 of 41 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2018, over which time period the average annual return was 8.4%.

Guide to the Markets – U.S. Data are as of September 15, 2021.