

South Dakota Investment Council / AGID/ AGI U.S. LLC
4th Quarter Conference Call Minutes
 Wednesday, February 6, 2019

Attendees:

Tammy Otten (SDIC)
 Sherry Nelson (SDIC)

Heather Bergman (AGI U.S.)
 Steve Piekara (AGID)

I. AGI Distributors (AGID): Assets under management and sales update. *There is continued pressure from passively-managed higher education savings plans. Allianz will update us when they receive asset information from Strategic Insight (they run the savingforcollege.com website and gather information from all 529 plans).*

1. Plan Assets (\$ millions) – *The decrease during 4Q brought the assets under \$1 B, but the assets rebounded to just over \$1B in January 2019.*

	4Q18	3Q18
South Dakota (Advisor Sold)	\$63M	\$69M
South Dakota (Direct)	\$29M	\$30M
National (Advisor Sold)	\$865M	\$950M
Total Plan Assets	\$957M	\$1,049M

2. Plan Sales – *Improved from 3Q.*

	4Q18		3Q18	
	Gross	Net	Gross	Net
South Dakota (Advisor Sold)	\$1.1M	(\$307k)	\$1.1M	(\$940k)
South Dakota (Direct)	\$621k	\$219k	\$609k	(\$439k)
National (Advisor Sold)	\$10.6M	(\$17.2M)	\$9.5M	(\$36.0M)
Total Plan Assets	\$12.4M	(\$17.3M)	\$11.2M	(\$37.3M)

II. AGI U.S. LLC – Quarterly Investment Portfolio Review

Performance of Portfolios – 4Q 2018 – *Weak performance of most funds persisted during 4Q. AllianzGI Best Styles International Equity was a key detractor from performance of the age-based portfolios. Allianz is in constant communication with the portfolio managers for this fund, monitoring their performance and approach. The managers’ explanation is that underperformance due to their “value” approach is an outlier and that it rarely lasts this long, according to their study on “persistence” of style underperformance. The AllianzGI Global Allocation Fund also underperformed for the 4Q, largely due to “selection” but also from currency. Dodge & Cox International Stock Fund had a challenging 4Q and Allianz is closely monitoring the fund. Their higher emerging market exposure hurt the returns. Overall, it was a tough quarter for the HESP.*

III. Open Discussion on any questions or topics – *The audit is scheduled for March, with our final comments due by March 19, 2019.*