Thom Duffy: Welcome to Knights of Columbus Asset Advisors' 2016 market year-in-review and outlook for the New Year. Thank you for joining us this afternoon. This is Thom Duffy, Knights of Columbus Asset Advisors' VP for Investment Strategy, and it is our privilege to have you join us today. Before I introduce our speakers for an entertaining discussion. I have a few housekeeping items to share.

First, during the presentation, all lines will be muted to ensure that any background noise does not distract from your listening pleasure. Second, if you have any questions, please submit them using the Go-To-Meeting chat function that was included in your invitation and we'll get to as many of them as time permits. Finally, before we hear from our two speakers today, I am obliged to state that:

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Now it is my pleasure to introduce you to Mike Vogelzang, the President and Chief Investment Officer of the renowned equity manager Boston Advisors, where he has served for the past 20 years, as well as Tony Minopoli, the President and Chief Investment Officer of Knights of Columbus Asset Advisors where he spent the last 11 years overseeing the growth of the Order's investment portfolio to nearly $24 billion.

If you would like to ask Mr. Minopoli or Mr. Vogelzang a question, please type it in the space provided below and, in the drop down box that will appear under the triangle immediately to the left of the "send" button, please select the "Organizer(s) Only" option before clicking "Send."

Tony, thank you so much for joining us. The conference line is yours.

Anthony Minopoli: Well, as Thom was reading that the only thing that kept coming to mind is that I'm hoping part of the 75% of the regulation that the new president is hoping to get rid of is some of the Securities Exchange Commission (SEC) required disclosures before we put people to sleep permanently. I want to thank you all for participating this afternoon and I was just sharing with my team, before we came on the call, we have a board of directors meeting for the Knights of Columbus next week and prepping some numbers. These are numbers that I want to share and thank our clients that are on the line and we appreciate your support in becoming part of Knights of Columbus Asset Advisors. And also for those that are considering us. Last year because we were relatively new at the time, when we were presenting to the Board last February, we had an external count of 12 clients with roughly, I'm sorry 23 clients, with $12million in assets. In the last 12 months year-over-year that number has grown by an additional 77 clients and nearly $200mm of incremental assets. So, when you take into account, the mutual funds, our commingled fund series, and our private debt fund, the KOCAA vehicles have now about half a billion assets and that's in addition to nearly 24 billion that we manage on behalf of Knights of Columbus so were very pleased with the growth and thank you for helping us achieve this success. I want to talk briefly about the fixed income markets and a little about outlook and then hand it over to Michael Vogelzang to talk about equities and then we will certainly answer any and all questions that customers have. You know, when looking really at the fourth quarter, it's sort of a new paradigm that occurred on election day, but during the fourth quarter, we saw interest rates as measured by the 10 year increase by 80bps and when you look underlying, focusing on the 10 year generically, if you look at 10 year industrials, those credit spreads came in by about 7 bps so looked at differently, 10 year corporate bonds saw their yields increase by about 73 bps high quality mortgages and by that I mean Fannie, Freddie and Ginnie, in aggregate increased, we saw credit spreads widen by about 10 bps so in fact we saw 90 bps of increase on their yields and really when we think about what's going on, the question is what goes on from now, and we really want to take this in two blocks. The FEDeral Reserve (FED) on one hand and what's going to happen with regulations and what's going to happen from a fiscal standpoint. On the FED side, they're continuing to be, as they have said for months and months, data dependent and we think that means, probably at the end of the year, the FEDs Funds rate will be somewhere between 1% and 1.5% and with some increases and that's really associated with what's occurring as you think about the new administration. On the one hand if you think about tax reduction that has been promised, and if you think about infrastructure build, just about general infrastructure build the combination of decreased tax receipts and increased fiscal spending is just inflationary on its very basis. The other part is the fact that we are starting to see wage growth come in and the unemployment rate. The official unemployment rate, actually ticked up by 10bps in the month of December but that coincided with a 10bps increase in the labor participation rate and if you look at the difference in labor participation rate at its peak before the financial crisis, and where we are now, that's about a 4% percent differential. So if you take the headline unemployment number at face value at 4.7% and those people that left the labor force, decided to come back in mass into the labor force, you're talking about unemployment at 8.7%. I don't think, were not forecasting that that's going to happen in that way, but that's to give you an idea of when people talk about slack in the labor market. That's really slack the labor market, coupled with those working part time jobs that wouldn't mind having full time employment. What this all means is while the economy, seemingly is on solid footing, continues to improve is what you are seeing increases in the employment pool driven by higher wages. There could be some bumpiness in the unemployment rate. I think the big caveat on a macro basis to all of this is what does the pronouncement of the tweets from our current president mean. And for those of you that read our monthly letter, and it's on the website, I encourage everyone to take a peek at it. I mentioned a month or so ago, that if *build that wall* really manifested itself into comprehensive immigration reform, I think the country is all the better for it. If tearing up NAFTA means better, or more comprehensive, trade agreements with our global trading partners, perhaps all the better. and there's a whole other corollary argument, that maybe we can have a call one day, which really all these global trades agreements, which many cases philosophically, we opened our boarders and we created trading agreements that really lifted the living standards for many countries around the world and the President is saying this "America first". Now if "America first" means we want even footing, I think that's better, if what the President means is protectionist, for those that are students of history and certainly financial history, Smoot Hawley didn't work out so well in the 30s. I think there is a lot of TBD and it really depends on what is the path we tax Vis a Vis taxes, what's the path we take Vis a Vis employment and what do all these actions with respect to trade, how do they manifest themselves in the economy. so what it means for us from a strategy standpoint right now, for those that are clients and read our material or heard our pitch, we are not big in the game of interest rate timing and we are not going to start doing that now. We do think we are going to continue emphasize our overweight to the spread sectors and were going to continue to try to build a material yield to maturity advantage over our benchmarks and we think that by doing that we will continue to perform well over time. And the last thing I wanted to say before turning it over to Mike has a little to do with performance, but really just peer groups for a moment. We endeavor in our products, our goal is to generate excess return, net of fees, above the benchmark. And when we look specifically in the limited duration part of the world, we have been able to do that. But the issue has been our peer group rankings have not been as strong as we would have liked. and what we found is that whether you're looking at Lipper or Morningstar, our core approach of IG only, no derivatives, were not purchasing high yield, no non-dollar that what's happening some of the funds that have been performing well are funds that have well in excess in those type of sectors. I've reached out to both Morningstar and Lipper, and they politely told me "that's great, thanks for the tip were not going to do anything about it" we're going to take our rankings as they come, we obviously want to be in the top quartile or the top third at all times, but we have to recognize that we think most people that are investing the limited duration are doing so on the basis that they want both yield, but they really want capital preservation. we believe what we have done hallmark the knights of Columbus portfolios for long term as well as the mutual fund strategies or limited duration fund strategy in general, we think that capital preservation dictates that some of these more esoteric securities don't belong in the portfolio and if that means our rankings are a couple percentiles less, we think that’s what we should do. So with that I’m going to turn it over to Mike to talk about equities, and maybe well ping off each other and then turn it over to questions.

MikeVogelzang: Sure, great, thanks Tony. I get to talk about the exciting half of the capital markets. Not that, fixed income isn’t, we manage four sub advised funds for the Knights of Columbus. The first is LCG, LGV, Small Cap, and Intl Equity fund so we have a big span to cover and we ended up having a solid year. 2016 was a real challenge for active managers as many of you know. The first 9 months was really led by a global investor desire for two things, the first is quality. Quality or safety, or predictability, buying something they know would be okay, coupled with dividend yield. Those two dynamics drove what we thought was almost bubble like status. It had some similarities to the late 90s in the technology bubble, where people were simply paying for stability and dividend yield, regardless of what the valuations were. For example, Colgate is a wonderful company as we all know, they sell toothpaste and a few other things. In the middle of the year, Colgate was trading at roughly 32x earnings and while at the same time the last three years previously, it had negative revenue and eps growth, they were growing basically flat to down 1-2%. That’s not a company were interested in paying 32x earnings for. But that’s what markets were paying, and chasing those kind of names, because they sell toothpaste how bad could it be. The second example was utilities. Utilities typically trade between 5-11 or 12x earnings. Towards the middle of the summer, utilities were trading around 25x earnings, again 1 or 2% growth, not only growth but its regulated growth which means it can’t have any upside. So we felt like that part of the market was really quite irrational in the middle of the year because on the other hand, things like GM and airline stocks were trading at 5x cash flow so significant discounts to the market. It was really a two tiered market. our approach has always been to find the best amount of growth we can for the valuation that we pay or vice versa, were looking for the best combination of valuation and for that valuation get as much growth as we can, so that was a really difficult period. The first six or seven or eight months were difficult. And, again, this was a global phenomenon, we saw this in our international portfolio, in our domestic portfolios as well. This of course was driven by low IRs, Tony talked about that. In July of 2016 the 10yr treasury in the U.S. bottomed out at 1.32%, which is historic low, it also was actually quite a high rate relative to the global rates, the developed rates around the world, Japan, Germany, Switzerland, and so were actually negative at that time. We were in a period of extremely low IRs driven by very low expectation for economic life. As the U.S. economy and a little bit of global economic activity began to percolate. Rates began to rise, really starting in July and that safety trade that we talked about began to wane. That waxing and waning began to gather steam until the election and then it went in full tilt mode. We saw the safety trade underperform tremendously, we saw the global cyclical type companies began to perform significantly better. For example, the ten year went from 1.35% all the way to 2.6%, doubling in the ten year treasury rate. Small cap value since the election has been up by 19% while large cap growth is only up 7%. So you can see this sort of cyclical, risky value, avoid things that are expensive bias in the market. As a result, the second half of the year was significantly better for us, for the portfolios and our investment style. We view this as the markets effectively paying attention to the fundamentals as opposed to looking for a specific thing so we ended the year quite strongly. We expect 2017 to play out very similarly. We're currently positioned to take advantage of that type of market activity heading into 2017. We're quite constructive on U.S. equities, and global equities, although we like emerging markets a little more than developed, mostly because of political trouble in Europe. as rates continue to move up, and we continue they will both short term and long term, the FEDeral reserve is certainly going to raise rates again, maybe two, maybe even four times this year and the ten year treasury will likely move up as long as the economic activity continues to move, that should generate corporate profits, really the first decent corporate profit growth in the last three or four years. We think that will be constructive for us equities. Said another way, and maybe the bond guys have a different opinion than the stock guys, we would much prefer inflation, slight bit of inflation in the markets than the flirtations with deflation ever since the financial crisis.

Tony Minopoli: Hey Mike when you talk about inflation, do you break it down, sort of good inflation vs. bad inflation. by that I mean, where were we seeing economic activity opposed, one of the things we're concerned about a little bit is if essentially what we have is wage led inflation and all that is going to do is to increase to the prices, it isn't as good as aggregate demand inflation that's kind of lifting votes, do you have kind of an opinion as you think of the equity market.

Mike Vogelzang: Yea, sure. We think one leads to the other and this is fairly well worn economic ground, the thought here is that were flirting with too much money, not flirting with it. We've had too much money chasing too few things overseas. The FED reserve, banks around the world, have been floundering their systems with cash to avoid deflation which of course what the financial crisis was all about. What we are seeing now, as IRs rise, is that there is good economic demand for money that means capital is put to use, whether its infrastructure projects or a reacceleration of demand in China, we certainly see it in materials, basic materials, the price of raw materials, raw steel, and the wholesale price of steel has been moving up tremendously. Those are good inflation things. We think unemployment inflation will take time to take hold, we think employment replacement by technology would be above the economic cycle and a long term trend. We particularly think low wage jobs will be very difficult to find and hopefully keep long term permanent inflation under control so yes, we think we are in the sweet spot of inflation probably for the next year or two, of course, I'm watching it in case it gets worse .

Thom Duffy: Great, Mike thank you. Its Thom Duffy again. I understand we had excellent attendance in terms of folks that have signed up. We may have actually maxed out the number of opportunities for folks to log into the GoToMeeting site to post questions, so my apologies for that, but again great full participation. If you have a question, and you are not able to submit via chat function, you may email that question to thomas.duffy@kofc.org and we'll be happy to take it that way as well.

We do have a couple questions that have been submitted. The first one is for Mike.

Is there any themes in the equity portfolios?

Mike Vogelzang: Yea, so it does depend on which portfolio. The international portfolio is relatively constructive on emerging and emerging exposure. I think a little more cautious in the European side of the equation. Domestically, as I was saying, we have a decided to tilt towards economically sensitive stocks that will have a positive correlation to rising IRs. First and foremost, that's financials, we have seen bank stocks up, 30%, 40%, and 60% and in some cases 100% since the election. Banks are getting a double whammy of good news, first is inflation, or interest rates as we talked about and the sort of liquidity trap that the world has been in has really hurt banks. It's really difficult when low interest rates for banks to receive higher net interest margins, which is their life blood. As rates have risen, it's really helping banks income statements. The second reason is banks have been incredibly weighted down by their regulation. The regulatory environment for banks has been nothing short of brutal since the financial crisis, there are large banks that have entire floors, multiple floors dedicated to full time regulatory staff that oversee it full time. Literally hundreds, if not thousands, in a bank full time. I think the promise of less regulation in the financial industry will be helpful and provide some upside, we think the financial services stocks, insurances, banks, the diversified global financials are really an interesting place and we've been doing a lot of work there. So that's certainly one thing, the value economically in interest rate sensitive stocks and then of course still avoiding still quite expensive consumer staples and utilities.

Thom Duffy: Great thank you, we have a second question.

Tony this is for you:

The question goes to rates and do you expect a rapid increase in IRs?

It's a good question, one of the things that you worry about in a rising rate environment. What's the shape of that increase? Is it a spike or is it a gradual increase? On the front end of the curve, the FED is being very much, as they say data driven and driven by their dots and they're going to be careful. We think they're going to be on hold for the first half of the year as they try to figure out what this new regime in Washington means. But they might be more aggressive in the latter half of the year and we could see 75bps of increases in the second half, on the longer end of the curve, the interesting thing in terms of kind of capping how quickly rates can rise it's almost a corollary to the oil market, right? OPEC said they are going to start decreasing production, and energy prices should start rising. Well as they started to rise a bit, the U.S shale play became economically feasible and took a little gas out of the ability for rate rises to increase. We think there is similar corollary to that in the bond world is basically pension funds and frankly insurance companies. as IR increase both the frozen and activate DB plans can use a lot of long dated paper in order to hedge their liabilities so if you hit benchmark or round number levels. Let's say on the 30 yr., 3.25, 3.50, 3.75 the instance of buyers stepping in will keep the rapid descent of IR from occurring because of the natural demand on the other side.

Mike Vogelzang: One of the things were debating internally at the shop is if one can take the rally long term view, I know it's hard to believe I'm actually older than Tony I got in the business in the mid-80s, back in the 80s my first mortgage was 12% when I got out of college and we've been basically downward in IRs since then, and the low has been either the financial crisis last July. The debate were having "has a secular change occurred"? Has the increased IRs that Paul Volcker and the choking off of inflation back in the 80s and even the late 70s, has that now been complete and are we now in a period where IRs might begin to rise. I don't think we have an answer but it's very interesting to think about and look at the 40, 50 charts and see where we are in that cycle. It's obviously too early to say, but it feels to us anyway that there might be a secular shift, that is long term cycle shift.

Thom Duffy: Great we have another question online, Tony for you:

Are you considering, and in fact, probably as a follow up to Mike's answer on financial services, are we considering financial services ETFs?

Tony Minopoli: I don't think we're ever going to get that granular in terms of sector level type ETFS mainly because things can change so rapidly, and what we've tried to do, our general strategy is to maintain as much flexibility so that our portfolios can participate in a very wide array of IR environments and a wide array of economic environments. If we were going to offer individuals sectors, I don't think that would be trying to get a little too granular. We'll develop more products that are broad market based before we were to do that.

And Mike I suspect that given your focus on that theme, you may have an overweight in some point in time.

Mike Vogelzang: Yea, sure I think we don't take really large sector bets, our objective is to hit singles and doubles. We spend our time on those stocks that fit that theme in the financial services area. Banks as a sub category under financials, we do a lot of research on understanding bank vs. bank and how they may be more or less sensitive. So we are clearly looking for and finding what we consider to be really well run companies that are more IR sensitive than others. There are other points in time that you want to go the other way, you want to buy companies that may be in the financial services area but less IR sensitive, but today certainly it's a theme in our portfolios.

Thom Duffy: Great thank you, well that concludes the questions that have been submitted. Certainly we want to say thank you again for joining us we appreciate your time. Hopefully you found this to be valuable and we look forward to speaking to you again the near future.

Thank you very much and have a great day