

# **William C. Conner Foundation**

## **Educational Investment Fund**

### **2017 Annual Report**



## **Celebrating 45 Years of The Educational Investment Fund**

**Setting the Standard of Excellence in  
Investment Management Education, Experience,  
Ethics, and Philanthropy since 1973**

# **William C. Conner Foundation**

Educational Investment Fund

Neeley School of Business  
Texas Christian University  
Fort Worth, TX

April 25, 2018



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***Educational Investment Fund***

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## Preface

2017 marked the 45th year of operations of the Educational Investment Fund, during which time the William C. Conner Foundation has provided students at Texas Christian University a unique learning experience in fundamental security analysis and portfolio management. In 2017, 42 student analysts, 30 undergraduates and 12 MBA students, contributed to the management of the Foundation’s assets. This report summarizes the activities and events that transpired in 2017.

## To the Trustees of the William C. Conner Foundation

### Economy in Review

Upon review of the U.S. financial markets and economy during 2017, we see a broad-based and persistent continuation of the post-financial crisis expansion in the wake of higher corporate earnings growth, expanded earnings multiples, and continued improvement in the macroeconomic environment, ultimately pushing equity markets to record highs.

The beginning of the year proved to be an extension of late 2016 trends, with investors still attempting to digest the implications of President-elect Donald Trump's agenda of tax reform, lighter regulation, and infrastructure spending to spur economic growth and create jobs. After a Republican Congress failed to repeal and replace Obamacare in March, confidence in the White House's ability to enact other legislative agenda items, primarily tax reform, waned, causing the optimistic investor sentiment stemming from the election to start deteriorating as well. First quarter annualized real GDP growth of 1.2% only exacerbated uncertainty in the market and contributed to a slight sell-off heading into quarter close.

Despite the legislative setback, three interest rate hikes by the Federal Reserve, and trade policy concerns, equity markets continued to march higher throughout the year. This can be attributed to strong corporate profit growth following two years of stagnation in addition to much improved economic data, specifically pertaining to GDP, manufacturing, housing, and jobs. The S&P 500 rose 21.8% including dividends in 2017 with nine of the eleven economic sectors having positive returns. Also worth noting is the S&P 500 rose in each month of the year—a first for the index.

Such strong equity market returns were achieved with extraordinarily low volatility. There were only seven trading days in 2017 when the S&P 500 changed by greater than 1% but less than 2%; the index did not record any daily movements greater than 2%. To put things in perspective, the last time there were no daily moves greater than 2% for the market was 2005.

Shifting to interest rates, the 10-Year Treasury yield closed the year at 2.41%, just 0.04% less than where it opened the year. It peaked in March, reaching 2.63%, in part due to improving jobs data and less concern of rising inflation. Additionally, geopolitical tension relating to Syria and North Korea was increasing while the U.S. dollar continued to weaken. The Federal Reserve decided to raise rates by another 0.25% in June and December after already doing so in March. Due to the elevated pace of interest rate hikes, the yield curve flattened dramatically, with the 2-Year Treasury yield reaching 1.89% and becoming competitive with the dividend yield on the S&P 500 for the first time since 2008. Traditionally, such a shift in the curve is indicative of slowing economic growth and greater recession risk. In today's environment, that view is less applicable as extremely low global bond yields held the long end of the curve relatively unchanged.

Oil prices were relatively stable, hovering around forty-five to fifty dollars per barrel for West Texas Intermediate until the fourth quarter where prices experienced a steady run-up and ultimately closed the year above sixty dollars per barrel.

The year ended on a largely positive note as Congress passed the Tax Cuts and Jobs Act which effectively lowered the corporate tax rate to 21% from 35%. Not only did this erase some question marks surrounding Trump's agenda after failing to reform healthcare earlier in the year, but it provided investors with a significant tailwind for equities heading into 2018.

### EIF Operating Summary

The EIF is a long-term equity-focused fund, traditionally with about 70% invested in stocks. The total EIF portfolio return for 2017 was 19.42% compared to 14.11% for the Lipper Balanced Fund Index, which is the average of the 30 largest professionally managed balanced funds, and 13.73% for the Vanguard Balanced Fund index.

In 2017, the EIF equity allocation averaged 74.3%, with total returns of 25.61% compared to 21.65% for the Lipper Large Cap Core Index, and 21.84%

for the S&P 500. The EIF fixed income allocation averaged 19.6% with returns of 3.83%, compared to 2.25% for the Lipper short/intermediate bond index, and 3.62% for the Barclay's Aggregate Bond index. The EIF bond holdings were strategically allocated toward shorter-term and higher-risk bonds as the EIF looked to decrease interest rate risk while increasing exposure to the improving macroeconomic environment.

We are proud to distribute \$74,212 to our beneficiaries, Texas Christian University and the Department of Ophthalmology at the Baylor College of Medicine. Last year, our 2016 contribution marked a milestone for the Fund, breaking the \$3 million mark cumulatively, and further emphasizes the philanthropic component of the EIF. With the 2017 contribution, the cumulative distribution of the William C. Conner Foundation Educational Investment Fund is \$3,111,231. All fund members, past and present, take great pride in the philanthropic component of the EIF.

### **Year Highlights**

The EIF continues to be held in high regard both locally and nationally. During 2017, nearly across the board, EIF members were recognized on TCU's Dean's Honor List, and received numerous scholarships and awards, including the CFA® Awareness & Access Scholarships, Luther King Capital Management Center for Financial Studies Scholarship, Meredith Fraker Thompson Memorial Scholarship, Neeley Heritage Scholarship, TCU Real Estate Club Award, Finance Senior Scholar, and the Wall Street Journal Award. In June 2018, ten EIF members plan to take the CFA Level I exam, and seven will be taking the Level II CFA exam. EIF members also served as mentors in the TCU High School Investor Challenge Program offered by the Luther King Capital Management Center for Financial Studies. Lastly, ten EIF members currently serve as mentors for sophomore students in the Transaction and Investment Professionals Board Program to help place them in competitive finance internship programs.

Many EIF members were successful in their search for full-time employment. Some of the companies hiring EIF members in 2017 include Goldman Sachs, JPMorgan Chase, Citigroup, UBS, Bank of America Merrill Lynch, Wells Fargo, and Alvarez & Marsal.

### **Ending Comments**

On behalf of all of the 2017 EIF members, I would like to thank the William C. Conner family, the Board of Trustees, the administration of Texas Christian University, Jim Hille, UBS, and all of our guests during the course of the year. We would like to thank the team at Weaver and Tidwell, L.L.P. for their financial review of the EIF accounts. We also thank the Luther King Capital Management Center for Financial Studies and its Director, Dr. Joe Lipscomb, for their continuing support of the students in the EIF.

We extend a special thank you to Dr. Larry Lockwood as the EIF faculty advisor. Although the operations of the fund are student managed, we generate much of our success from the instruction and support provided us by Dr. Lockwood. The knowledge and experience that Dr. Lockwood contributes to the Fund creates a lasting impact on its members. We extend a special thank you to Dr. Stan Block for his countless years of service to the Fund and his lasting legacy at TCU. With their combined wisdom they have built a program of applied learning in financial markets that rivals any other program in the country.

I am deeply honored and humbled to serve as the Chief Administrator for the EIF this semester. On behalf of all the 2017 members of the EIF, I would like to say thank you for allowing us to take part in this great opportunity.

With much appreciation,

Jason A. Cline  
Chief Administrative Officer  
William C. Conner Educational Investment Fund  
Texas Christian University

## History of the Educational Investment Fund

The TCU Educational Investment Fund was established in 1973 with a \$600,000 donation from William C. Conner, co-founder of Alcon Laboratories. The donation consisted entirely of Alcon Laboratories common stock, which was used to establish the William C. Conner Foundation. The five founding members, James Bowie, Gary Naifeh, William McLaughlin, Ronald Moore, Roy Topham, and faculty advisor Dr. Stan Block used the Alcon stock to establish a margin account against which the Fund could invest.

Within two months of the Fund's founding, the stock market experienced its biggest decline since the end of World War II, providing the original five members with a valuable lesson in the risks associated with investing. The fact that the Fund survived its early setbacks to become the success it is today is a testament to the vision of Dr. Conner, and the determination of its founders.

In 1978, Dr. Conner contributed an additional \$100,000 to the Fund, bringing its total value to slightly more than \$800,000. Through the liquidation of its original holding, the EIF closed its margin account and began investing directly in various securities. Today, the fund has a value of approximately \$1.4 million.

In 1983, the manner of distributions to the beneficiaries changed from an annual payment equal to the realized profit for the year to an annual distribution of 6% of the Fund's year-end net asset value. This change has allowed the EIF to grow, while still providing income to its beneficiaries. In 2016, this distribution rate was lowered to 5%, reflecting the continued mission of allowing the EIF to grow in a lower-growth environment.

Although the EIF is not the oldest university fund in existence, it is the oldest fund whose operations are controlled entirely by student managers. Since its inception, the Fund has represented an innovating, challenging approach to education in finance. It has allowed students to gain unparalleled investment management experience while still in a university setting. Throughout the history of the EIF, over \$3 million has been distributed by the Fund, in the form of an annual contribution to the William C. Conner

Foundation's two beneficiaries: Texas Christian University and the Department of Ophthalmology at Baylor College of Medicine.

Universities across the country continue to recognize the benefits of TCU's student-run investment fund. Over the past several years, prestigious institutions such as UCLA, Rice University, Columbia University, and the University of Chicago have contacted TCU regarding the development of their student-run portfolio program, with many universities using TCU's William C. Conner Educational Investment Fund as the base model for their programs.

The future of the Educational Investment Fund remains bright. The generous contribution made by Dr. Conner 44 years ago has enabled over 1,000 students to benefit from this unique educational experience. The program consistently produces top-rate graduates who go on to achieve success through various industries, but specifically in the world of finance. The Fund is proud to keep good relationships with its alumni and appreciates those individuals who regularly return to Fort Worth to share their professional experiences with current Fund members. This solid network of alumni is indicative of the quality experience provided by participation in the TCU Educational Investment Fund.

The success of the Educational Investment Fund has been made possible by the vision and support of Dr. Conner, the dedication of the William C. Conner Board of Trustees, Dr. Stanley Block and Dr. Larry Lockwood, as well as the numerous other TCU faculty members, alumni, and students who have donated their time and effort to the Fund.

Thank you for being a vital part of Texas Christian University and the TCU Neeley School of Business's Educational Investment Fund experience. Your continued involvement with the EIF ensures that past, present, and future alumni will continue to be recognized for the superb educational opportunities afforded by TCU.

## Educational Investment Fund Members



*First Row (left to right): Larry Lockwood (faculty advisor), David Funkhouser, Daniel Omowole, Jacob Choulet, Megan McGee, Ly Pham, Ha Ong, Demi Fritz, Brent Fescenmeyer*

*Second Row (left to right): Peyton Purcell, Tyler Linders, Jake Carty, Jason Cline, Jose Barron, Dylan Dotter, Ryan Graf, Pierfrancesco Janes*

*Third Row (left to right): Hudson Trent, Janvier Rutsobe, Thomas Caldwell, Erik Miller*

## Spring 2018 Officers



*Left to right: Peyton Purcell (Chief Economist), Jason Cline (Chief Administrator), Jacob Choulet (Operations Manager), Demi Fritz (Fund Accountant), Erik Miller (Portfolio Manager), Thomas Caldwell (Portfolio Manager)*

## Summer/Fall 2017 Officers



*Left to right: Ryan Graf (Operations Manager – Summer 2017, Portfolio Manager – Fall 2017),  
Jason Cline (Operations Manager – Fall 2017), Ly Pham (Chief Economist – Summer/Fall 2017),  
Brent Fescenmeyer (Portfolio Manager – Summer 2017, Chief Administrator – Fall 2017),  
David Funkhouser (Portfolio Manager – Summer 2017)*

*Not Pictured: Timothy Swan (Fund Accountant – Summer 2017, Portfolio Manager – Fall 2017),  
Brandon Curry (Portfolio Manager – Fall 2017)*

## 2017 Investment Transactions

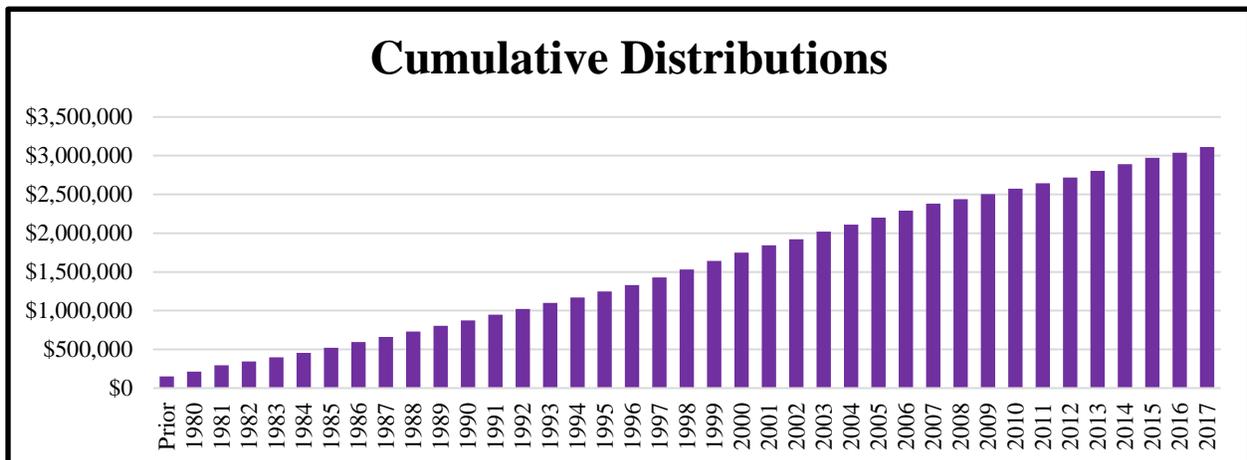
Sales	Quantity	Date	Amount
FLEXSHARES DISCIPLINED DURATION MBS INDEX FUND	(2,335)	01/20/2017	\$56,030.23
SIMON PPTY GROUP INC SBI UNSOLICITED	(82)	02/02/2017	\$14,952.14
AMGEN INC UNSOLICITED	(42)	02/07/2017	\$6,958.60
UNITEDHEALTH GROUP INC UNSOLICITED	(43)	02/07/2017	\$6,869.75
SPDR S&P 500 ETF TR UNSOLICITED	(444)	02/07/2017	\$101,778.37
FINANCIAL SELECT SECTOR SPDR FUND ETF	(2,096)	02/15/2017	\$51,190.83
WEBSTER FINANCIAL CORP WATERBURY CONN	(711)	02/17/2017	\$39,169.72
ORACLE CORP UNSOLICITED	(815)	02/22/2017	\$34,279.95
CISCO SYSTEMS INC UNSOLICITED	(1,056)	03/10/2017	\$36,038.04
SPDR S&P 500 ETF TR UNSOLICITED	(201)	03/10/2017	\$47,771.66
CONSUMER DISCRETIONARY SELECT SECTOR SPDR FUND	(140)	03/29/2017	\$12,151.08
TECHNOLOGY SELECT SECTOR SPDR ETF	(225)	03/29/2017	\$11,914.49
CONSUMERS STAPLES SELECT SECTOR SPDR FUND ETF	(75)	03/29/2017	\$4,047.16
FINANCIAL SELECT SECTOR SPDR FUND ETF	(450)	03/29/2017	\$10,623.02
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	(75)	03/29/2017	\$4,812.89
SPDR BLOOMBERG BARCLAYS SHORT TERM HIGH YIELD	(2,600)	04/04/2017	\$72,317.37
EMERSON ELECTRIC CO UNSOLICITED	(505)	04/07/2017	\$30,057.24
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	(487)	04/19/2017	\$31,472.44
TECHNOLOGY SELECT SECTOR SPDR ETF	(595)	04/19/2017	\$31,431.46
AMERICAN INTL GROUP INC COM NEW	(525)	04/21/2017	\$31,159.00
BERKSHIRE HATHAWAY INC NEW CL B	(236)	04/28/2017	\$38,887.18
ENERGY SELECT SECTOR SPDR FUND ETF	(325)	05/02/2017	\$21,788.55
MATRIX SERVICE CO UNSOLICITED	(1,390)	05/02/2017	\$15,519.36
VANGUARD SHORT-TERM CORPORATE BOND ETF	(522)	06/14/2017	\$41,769.09
SPDR BLOOMBERG BARCLAYS SHORT TERM HIGH YIELD	(1,177)	06/14/2017	\$32,960.06
AMGEN INC UNSOLICITED	(181)	06/14/2017	\$29,789.19
BOEING COMPANY UNSOLICITED	(55)	06/21/2017	\$10,814.17
KINDER MORGAN INC UNSOLICITED	(423)	06/28/2017	\$7,985.85
EXXON MOBIL CORP UNSOLICITED	(65)	06/28/2017	\$5,245.39
SPDR S&P 500 ETF TR UNSOLICITED	(85)	07/12/2017	\$20,663.11
TECHNOLOGY SELECT SECTOR SPDR ETF	(247)	07/12/2017	\$13,767.79
UNION PACIFIC CORP UNSOLICITED	(259)	07/19/2017	\$28,107.76
FINANCIAL SELECT SECTOR SPDR FUND ETF	(1,043)	07/26/2017	\$26,274.68
HEALTH CARE SELECT SECTOR SPDR FUND ETF	(128)	07/26/2017	\$10,208.96
VANGUARD SHORT-TERM CORPORATE BOND ETF	(1,316)	09/08/2017	\$105,618.43
ALTRIA GROUP INC UNSOLICITED	(465)	09/15/2017	\$29,046.11
SPDR S&P 500 ETF TR UNSOLICITED	(51)	09/27/2017	\$12,682.78
CONSUMER DISCRETIONARY SELECT SECTOR SPDR FUND	(115)	09/27/2017	\$10,249.32
DELPHI AUTOMOTIVE PLC UNSOLICITED	(82)	09/27/2017	\$8,333.98
FACEBOOK INC CL A UNSOLICITED	(67)	10/02/2017	\$11,389.50
APPLE INC UNSOLICITED	(51)	10/02/2017	\$7,789.54
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	(500)	10/06/2017	\$35,863.92
APPLIED MATERIALS INC UNSOLICITED	(207)	10/25/2017	\$11,596.51
VISA INC CL A UNSOLICITED	(38)	10/25/2017	\$4,105.65
ALIBABA GROUP HLDG LTD SPON ADR	(32)	10/25/2017	\$5,542.70
ALPHABET INC CL C UNSOLICITED	(4)	10/25/2017	\$3,818.14
MICROSOFT CORP UNSOLICITED	(92)	10/25/2017	\$7,175.78
MEDTRONIC PLC UNSOLICITED	(360)	11/09/2017	\$29,035.84
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	(273)	11/10/2017	\$19,275.43
FINANCIAL SELECT SECTOR SPDR FUND ETF	(1,137)	11/10/2017	\$29,710.72
STARBUCKS CORP UNSOLICITED	(537)	12/04/2017	\$30,923.56
FINANCIAL SELECT SECTOR SPDR FUND ETF	(1,290)	12/06/2017	\$35,897.91
DELPHI TECHNOLOGIES PLC UNSOLICITED	(106)	12/06/2017	\$5,777.16
<b>Total Sales</b>			<b>\$1,342,639.56</b>

<b>Purchases</b>	<b>Quantity</b>	<b>Date</b>	<b>Amount</b>
SPDR BLOOMBERG BARCLAYS SHORT TERM HIGH YIELD	2,023	01/20/2017	\$56,416.03
VANGUARD SHORT-TERM CORPORATE BOND ETF	629	02/07/2017	\$50,167.68
ENERGY SELECT SECTOR SPDR FUND ETF	272	02/07/2017	\$19,756.21
CONSUMERS STAPLES SELECT SECTOR SPDR FUND ETF	94	02/07/2017	\$5,019.39
SPDR BLOOMBERG BARCLAYS SHORT TERM HIGH YIELD	1,791	02/07/2017	\$50,077.88
NEXTERA ENERGY INC COM UNSOLICITED	40	02/07/2017	\$5,018.05
APOLLO GLOBAL MGMT LLC CL A	1,352	02/15/2017	\$31,746.13
SPDR S&P 500 ETF TR UNSOLICITED	201	02/17/2017	\$47,083.22
ENERGY SELECT SECTOR SPDR FUND ETF	53	02/17/2017	\$3,871.25
FINANCIAL SELECT SECTOR SPDR FUND ETF	1,226	02/17/2017	\$29,822.53
CONSUMER DISCRETIONARY SELECT SECTOR SPDR FUND	255	02/17/2017	\$22,015.85
MICROSOFT CORP UNSOLICITED	534	02/22/2017	\$34,407.47
TECHNOLOGY SELECT SECTOR SPDR ETF	681	03/10/2017	\$36,202.73
VANGUARD MORTGAGE BACKED SECURITIES ETF	1,377	04/04/2017	\$72,403.62
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	463	04/07/2017	\$30,191.92
RAYTHEON CO NEW UNSOLICITED	206	04/19/2017	\$31,618.57
APPLIED MATERIALS INC UNSOLICITED	826	04/19/2017	\$32,442.71
FINANCIAL SELECT SECTOR SPDR FUND ETF	1,336	04/21/2017	\$31,258.47
FINANCIAL SELECT SECTOR SPDR FUND ETF	1,645	04/28/2017	\$38,908.51
EXXON MOBIL CORP UNSOLICITED	439	05/02/2017	\$36,038.63
VANGUARD SHORT-TERM CORPORATE BOND ETF	945	05/03/2017	\$75,465.31
SPDR S&P 500 ETF TR UNSOLICITED	106	06/14/2017	\$25,968.96
HEALTH CARE SELECT SECTOR SPDR FUND ETF	578	06/14/2017	\$45,063.53
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	158	06/21/2017	\$10,823.91
SPDR S&P 500 ETF TR UNSOLICITED	55	06/28/2017	\$13,399.35
ALIBABA GROUP HLDG LTD SPON ADR	233	07/12/2017	\$34,485.75
INDUSTRIAL SELECT SECTOR SPDR FUND ETF	407	07/19/2017	\$28,183.02
BANK OF AMER CORP UNSOLICITED	1,420	07/26/2017	\$34,940.39
VANGUARD MORTGAGE BACKED SECURITIES ETF	1,724	09/08/2017	\$91,554.30
SPDR BLOOMBERG BARCLAYS SHORT TERM HIGH YIELD	512	09/08/2017	\$14,270.93
CONSUMERS STAPLES SELECT SECTOR SPDR FUND ETF	520	09/15/2017	\$28,722.33
GENERAL MOTORS CO UNSOLICITED	775	09/27/2017	\$31,255.36
HONEYWELL INTL INC UNSOLICITED	251	10/06/2017	\$35,900.56
PAYPAL HOLDINGS INC UNSOLICITED	458	10/25/2017	\$32,133.57
HEALTH CARE SELECT SECTOR SPDR FUND ETF	355	11/09/2017	\$29,032.13
SPDR S&P 500 ETF TR UNSOLICITED	34	11/10/2017	\$8,817.39
ALLSTATE CORP UNSOLICITED	360	11/10/2017	\$35,652.05
VANGUARD MORTGAGE BACKED SECURITIES ETF	390	11/28/2017	\$20,610.20
CONSUMER DISCRETIONARY SELECT SECTOR SPDR FUND	300	12/04/2017	\$29,332.25
APTIV PLC UNSOLICITED	79	12/06/2017	\$6,928.25
BLACKROCK INC UNSOLICITED	69	12/06/2017	\$35,546.24
<b>Total Purchases</b>			<b>\$1,332,552.63</b>

## Distributions

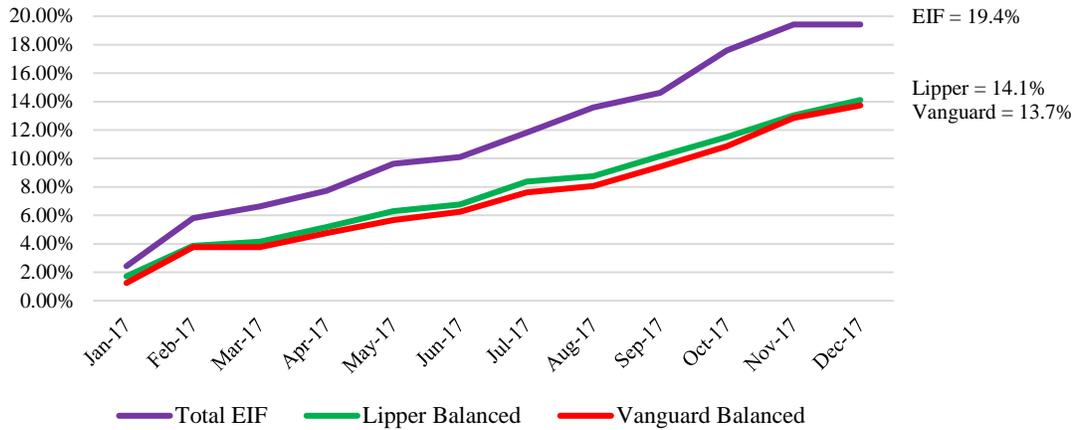
Each year, the Foundation distributes a portion of its ending net asset value as of December 31 year end to its beneficiaries, Texas Christian University and the Department of Ophthalmology at the Baylor College of Medicine. Beginning with the 2005 distribution, proceeds to TCU were paid to the General Fund and the Finance Department. The distribution percentage was changed from 6% to 5% beginning with the 2016 distribution. The payment history is detailed below:

Year	TCU	Baylor	Total Payout	Cumulative Payout
Prior	\$227,924	\$227,924	\$455,848	\$455,848
1985	\$31,512	\$31,512	\$63,024	\$518,872
1986	\$36,988	\$36,988	\$73,976	\$592,848
1987	\$34,453	\$34,453	\$68,906	\$661,754
1988	\$35,178	\$35,178	\$70,356	\$732,110
1989	\$36,728	\$36,728	\$73,456	\$805,566
1990	\$33,690	\$33,690	\$67,380	\$872,946
1991	\$37,447	\$37,447	\$74,894	\$947,840
1992	\$37,364	\$37,364	\$74,728	\$1,022,568
1993	\$38,870	\$38,870	\$77,740	\$1,100,308
1994	\$34,532	\$34,532	\$69,064	\$1,169,372
1995	\$38,998	\$38,998	\$77,996	\$1,247,368
1996	\$41,819	\$41,819	\$83,638	\$1,331,006
1997	\$47,985	\$47,985	\$95,970	\$1,426,976
1998	\$51,280	\$51,280	\$102,560	\$1,529,536
1999	\$56,224	\$56,224	\$112,448	\$1,641,984
2000	\$53,905	\$53,905	\$107,810	\$1,749,794
2001	\$47,754	\$47,754	\$95,508	\$1,845,302
2002	\$38,892	\$38,892	\$77,784	\$1,923,086
2003	\$47,622	\$47,622	\$95,244	\$2,018,330
2004	\$45,616	\$45,616	\$91,232	\$2,109,562
2005	\$44,704	\$44,704	\$89,408	\$2,198,970
2006	\$44,972	\$44,972	\$89,944	\$2,288,914
2007	\$45,524	\$45,524	\$91,048	\$2,379,962
2008	\$29,150	\$29,150	\$58,300	\$2,438,262
2009	\$33,180	\$33,180	\$66,360	\$2,504,622
2010	\$35,864	\$35,865	\$71,729	\$2,576,351
2011	\$34,720	\$34,721	\$69,441	\$2,645,792
2012	\$37,104	\$37,104	\$74,208	\$2,720,000
2013	\$42,570	\$42,570	\$85,140	\$2,805,140
2014	\$42,576	\$42,577	\$85,153	\$2,890,293
2015	\$40,464	\$40,464	\$80,928	\$2,971,221
2016	\$32,899	\$32,899	\$65,798	\$3,037,019
2017	\$37,106	\$37,106	\$74,212	\$3,111,231

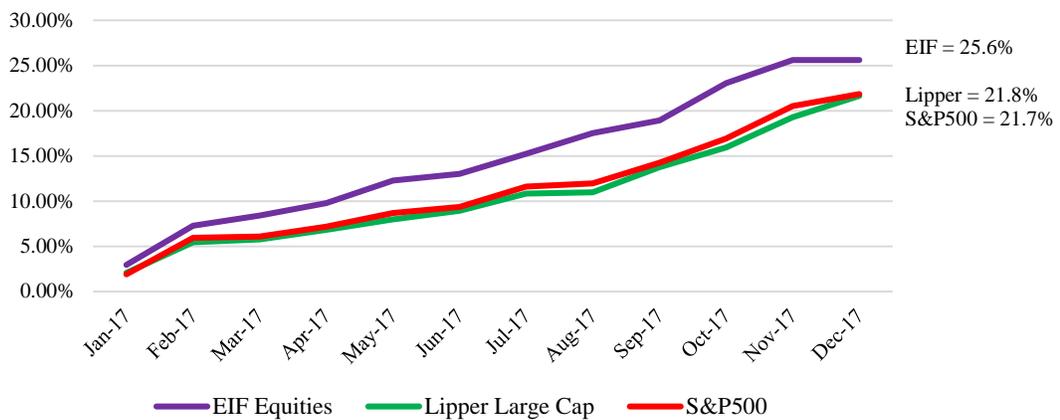


# Cumulative EIF 2017 Performance versus Fund Benchmarks

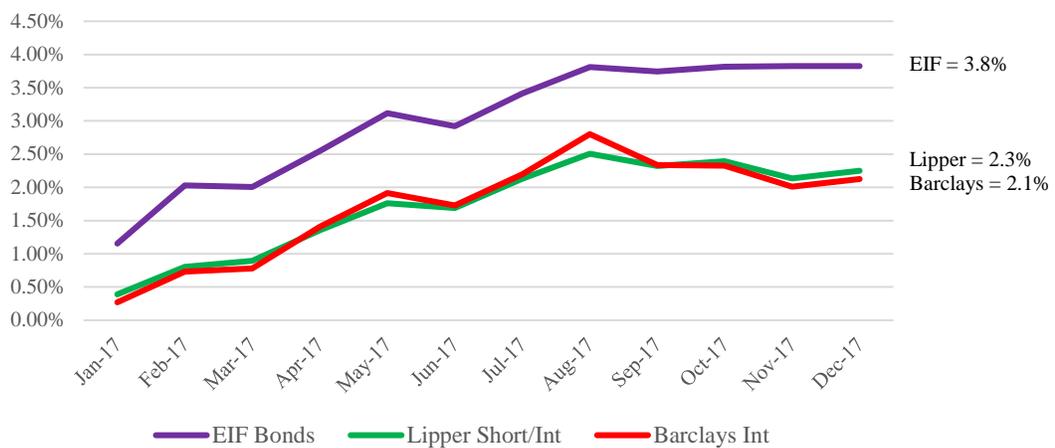
## Total EIF vs. Balanced Indexes



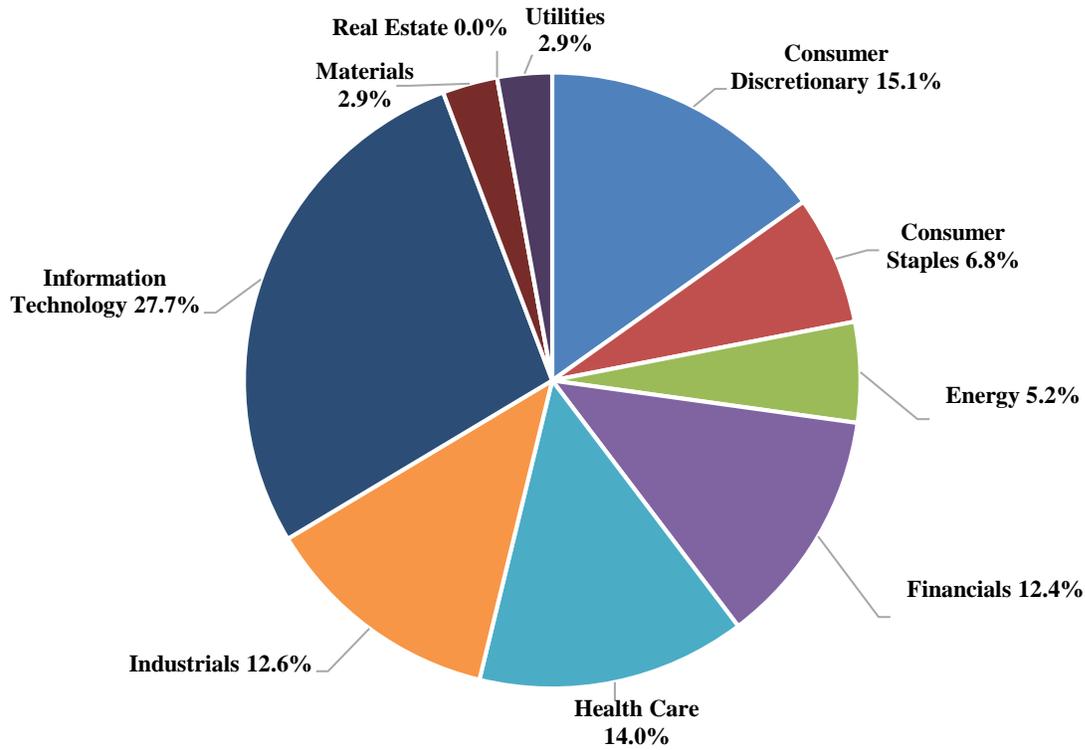
## EIF Equities vs. Stock Indexes



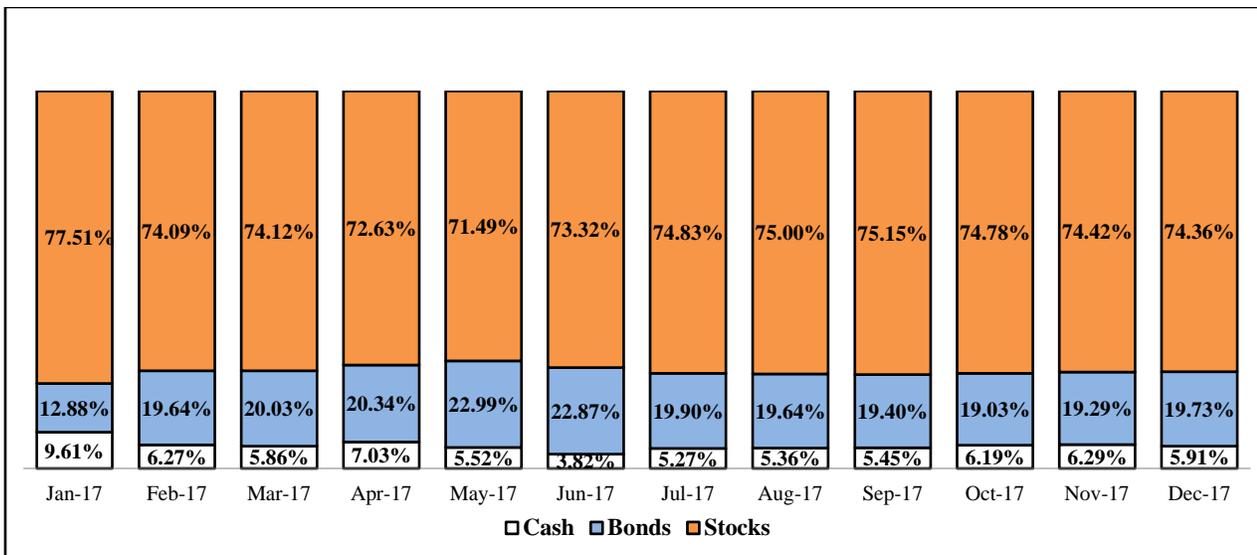
## EIF Bonds vs. Bond Indexes



## EIF Equities Sector Allocation (as of 12/31/2017)



## 2017 EIF Asset Allocation



## Schedule of Investments

Asset Class: Equity	Shares	Market Value 12/31/2017	Equity % as of 12/31/2017	Total % as of 12/31/2017
<b>Consumer Discretionary</b>				
Aptiv Plc	399	\$27,074.70	3.07%	2.28%
General Motors Corp	775	\$31,767.25	2.88%	2.14%
Priceline Group	21	\$36,492.54	3.31%	2.46%
Hasbro Inc.	256	\$23,267.84	2.11%	1.57%
XLY Consumer Discretionary SPDR	300	\$29,607.00	2.69%	1.99%
		\$154,981.80	14.06%	10.44%
<b>Consumer Staples</b>				
PepsiCo Inc.	309	\$37,055.28	3.36%	2.50%
XLP Consumer Staples SPDR	118	\$37,376.73	3.39%	2.52%
		\$74,432.01	6.75%	5.01%
<b>Energy</b>				
Kinder Morgan	1,320	\$23,852.40	2.16%	1.61%
Exxon Mobil Corp	374	\$31,281.36	2.84%	2.11%
		\$55,133.76	5.00%	3.71%
<b>Financials</b>				
Apollo Global Management	1,352	\$45,251.44	4.10%	3.05%
Bank of America Corp	1,420	\$41,918.40	3.80%	2.82%
BlackRock Inc.	69	\$35,445.99	3.21%	2.39%
Allstate Corp	360	\$37,695.60	3.42%	2.54%
XLF Financials SPDR	287	\$8,010.17	0.73%	0.54%
		\$168,321.60	15.27%	11.34%
<b>Health Care</b>				
Laboratory Corp	233	\$37,165.83	3.37%	2.50%
UnitedHealth Group	198	\$43,651.08	3.96%	2.94%
XLV Health Care SPDR	805	\$66,557.40	6.04%	4.48%
		\$147,374.31	13.37%	9.93%
<b>Industrials</b>				
Boeing	155	\$45,711.05	4.15%	3.08%
Raytheon	206	\$38,697.10	3.51%	2.61%
Honeywell International Inc.	251	\$38,493.36	3.49%	2.59%
XLI Industrials SPDR	421	\$8,626.38	0.78%	0.58%
		\$131,527.89	11.93%	8.86%
<b>Information Technology</b>				
Apple Inc.	227	\$38,415.21	3.48%	2.59%
Applied Materials Inc.	619	\$31,643.28	2.87%	2.13%
Facebook Inc.	204	\$35,997.84	3.26%	2.43%

Alphabet Inc. Class C	36	\$37,670.40	3.42%	2.54%
Microsoft Corp	442	\$37,808.68	3.43%	2.55%
Visa Inc.	360	\$36,714.44	3.33%	2.47%
Alibaba Group	201	\$34,658.43	3.14%	2.34%
PayPal Holdings Inc.	458	\$33,717.96	3.06%	2.27%
		\$286,626.24	25.99%	19.31%

<b>Materials</b>				
Ecolab Inc.	231	\$30,995.58	2.81%	2.09%
		\$30,995.58	2.81%	2.09%

<b>Utilities</b>				
Nextera Energy Inc.	240	\$37,485.60	3.40%	2.53%
		\$37,485.60	3.40%	2.53%

<b>Other</b>				
SPY S&P 500 SPDR	59	\$15,744.74	1.43%	1.06%
		\$15,744.74	1.43%	1.06%

<b>Total Equity Value</b>		<b>\$1,102,623.53</b>	<b>100.00%</b>	<b>74.29%</b>
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<b>Asset Class: Fixed Income</b>	<b>Shares</b>	<b>Market Value 12/31/2017</b>	<b>Fixed Inc% as of 12/31/2017</b>	<b>Total % as of 12/31/2017</b>
Vanguard Mortgage Backed Securities ETF	3,491	\$183,068.04	62.75%	12.33%
Bloomberg Barclays Short Term High Yield ETF	1,975	\$54,431.00	18.66%	3.67%
Vanguard Short-Term Corporate ETF	684	\$54,241.20	18.59%	3.65%
<b>Total Fixed Income Value</b>		<b>\$291,740.24</b>	<b>100.00%</b>	<b>19.66%</b>

<b>Asset Class: Cash</b>		<b>Market Value 12/31/2017</b>	<b>Cash % as of 12/31/2017</b>	<b>Total % as of 12/31/2017</b>
Cash & Money Balances		\$89,880.79	100.00%	6.06%
<b>Total Portfolio Value</b>				<b>\$1,484,244.56</b>

## Description of Individual Equity Holdings as of December 31, 2017

*(all return comparisons are holding period specific)*

### CONSUMER DISCRETIONARY

**Aptiv PLC (APTV):** Aptiv PLC, formerly known as Delphi Automotive, is a global technology company that develops safer, greener, and more connected solutions, which enable the future of mobility. The Company designs and manufactures vehicle components for the automotive and commercial vehicles market. Aptiv operates through two segments, Signal and Power Solutions and Advanced Safety and User Experience. The Company's market cap as of 12/29/2017 is \$22.55B and returned 52.4% for the EIF in 2017, outperforming the sector SPDR (XLY) by 29.6%.

**General Motors Co. (GM):** General Motors is an automobile manufacturing company who designs, builds and sells cars, trucks, crossovers and automobile parts. The Company's segments include GM North America (GMNA), GM International (GMI) and General Motors Financial Company, Inc. (GM Financial). General Motors continues to expand business in Asia through several joint ventures. The Company's market cap as of 12/29/2017 is \$57.36B and returned 1.9% for the EIF in 2017, underperforming the sector SPDR (XLY) by 8.3%.

**Hasbro, Inc. (HAS):** Hasbro Inc. is an American multinational toy and board game company. The Company designs, manufactures, and markets action figures, arts and crafts, electronic toys, dolls, as well as traditional board games. Hasbro's brands include: Littlest Pet Shop, Magic: The Gathering, Monopoly, My Little Pony, Nerf, Play-Doh, and Transformers. The Company also engages in partnerships and licenses with Marvel, Star Wars, Disney Princess and Disney Frozen. Hasbro has a market cap of \$11.32B, making it the largest toy maker in the world according to market value and returned 19.6% for the EIF in 2017, underperforming the sector SPDR (XLY) by 3.2%.

**The Priceline Group (PCLN):** The Priceline Group is the world's leading provider of online travel & related services, provided to consumers and local partners in more than 220 countries and territories through six primary brands: Booking.com, priceline.com, agoda.com, KAYAK, Rentalcars.com and OpenTable. Collectively, Priceline operates in more than 220 countries and territories in Europe, North America, South America, the Asia-Pacific region, the Middle East and Africa in more than 40 languages. The Company's mission is to help people experience the world. Priceline has a market cap of \$84.59B and returned 18.5% for the EIF in 2017, underperforming the sector SPDR (XLY) by 4.3%.

### CONSUMER STAPLES

**PepsiCo (PEP):** PepsiCo is an American multinational food and beverage company with a strong portfolio of brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker, Mountain Dew, and Tropicana. Through PepsiCo's operations, authorized bottlers, contract manufacturers, and other third parties, the company serves customers in more than 200 countries and territories. PepsiCo has a market cap of \$170.29B and returned 13.0% for the EIF in 2017, outperforming the sector SPDR (XLP) by 4.8%.

## ENERGY

**Kinder Morgan (KMI):** Kinder Morgan is one of the largest energy infrastructure companies in North America, operating 84,000 miles of pipelines that transport natural gas, refined petroleum products, crude oil, condensate, carbon dioxide and other products, along with more than 150 terminals that transload and store petroleum and chemical products. The company is also a leading producer of carbon dioxide used in oilfield operations. It generates most of its sales domestically. Kinder Morgan has a market cap of \$40.06B and returned -10.6% for the EIF in 2017, underperforming the sector SPDR (XLE) by 9.7%.

**Exxon Mobil Corporation (XOM):** Exxon Mobil is the largest publicly traded international integrated oil and gas company. It has a global presence in oil and gas exploration and production (onshore, offshore and unconventional), integrated refining and marketing of petroleum products, and it is leader in lubricant and petrochemical manufacturing. Exxon Mobil has a market cap of \$354.55B and returned 4.9% for the EIF in 2017, underperforming the sector SPDR (XLE) by 5.4%.

## FINANCIALS

**The Allstate Corporation (ALL):** Through its subsidiaries, The Allstate Corporation provides property-liability insurance as well as other types of insurance in the United States and Canada. The Company primarily sells private passenger automobile and homeowners insurance through independent and specialized brokers. They operate through four segments: Allstate Protection, Allstate Financial, Discontinued Lines and Coverages, and Corporate and Other. Allstate has a market cap of \$37.17B and returned 6.0% for EIF in 2017, underperforming the sector SPDR (XLF) by 1.5%.

**Apollo Global Management, LLC – Class A (APO):** Apollo Global Management is one of the world's leading alternative asset managers who raises, invests, and manages capital across its private equity, credit, and real estate investment platforms on behalf of institutional investors and high-net-worth individuals. Apollo specializes in distressed investments and has had some of its biggest successes investing during economic downturns. The Company has a market cap of \$13.17B and returned 55.4% for the EIF in 2017, outperforming the sector SPDR (XLF) by 39.7%.

**Bank of America Corporation (BAC):** Bank of America Corporation accepts deposits and offers banking, investing, asset management, and other financial and risk-management products and services to individual consumers, small and middle-market businesses, institutional investors, large corporations, and governments worldwide. The Company has a market cap of \$303.68B and returned 23.1% for the EIF in 2017, outperforming the sector SPDR (XLF) by 10.7%.

**BlackRock Inc. (BLK):** BlackRock Inc. provides investment management services to institutional clients and to retail investors through various investment vehicles. The Company manages funds, as well as offers risk management services. BlackRock serves governments, companies, and foundations worldwide. The Company has a market cap of \$82.18B and returned 0.4% for the EIF in 2017, underperforming the sector SPDR (XLF) by 0.9%.

## HEALTHCARE

**Laboratory Corporation of America Holdings (LH):** Laboratory Corporation of American Holdings (LabCorp) operates within the diagnostic and medical laboratories industry. They are the second largest company in the industry and are classified as an independent laboratory. LabCorp traditionally generates revenue through generic and specialty medical tests and clinical trials. In November 2014, LabCorp announced the \$6.2 billion purchase of Covance, a contract research organization. Covance focuses on research on research on early and late-stage drug development. LabCorp has a market cap of \$16.25B and returned 24.2% for the EIF in 2017, outperforming the sector SPDR (XLV) by 2.5%.

**UnitedHealth Group Inc. (UNH):** UnitedHealth Group Inc. is the largest diversified health and well-being company in the United States. The Company actively works to help people choose healthier lifestyles and improve the overall health system. The company aids its clients and provides health benefits to Employer and individual, Medicare and Retirement, Community and State, and International. Optum is a health services business serving those who need, provide, and pay for care which includes OptumHealth, OptumInsight, and OptumRx. UNH has a market cap of \$213.63B and returned 39.8% for the EIF in 2017, outperforming the sector SPDR (XLV) by 18.1%.

## INDUSTRIALS

**The Boeing Company (BA):** The Boeing Company is a world leader in the aerospace industry both in terms of production and technology, and is credited with many of the advancements in aviation over the last century. The company makes many different types of aircraft, space vehicles and missile systems, and provides services related to the operation and upkeep of its products worldwide. Boeing was founded in 1916, is headquartered in Chicago, Illinois, and employs roughly 141,000 people. Boeing has a market cap \$174.30B and returned 94.8% for the EIF in 2017, outperforming the sector SPDR (XLI) by 70.8%.

**Honeywell International Inc. (HON):** Honeywell International Inc. develops and manufactures technologies that are meant to solve challenges around the world pertaining to energy, safety, security, productivity and global urbanization. As a diversified technology and manufacturing company, Honeywell is uniquely positioned to blend physical products with software to serve customers worldwide. Honeywell manage its business operations through four segments: Aerospace, Home and Building Technologies, Performance Materials and Technologies, and Safety and Productivity Solutions. The Company's products and solutions enable a safer, more comfortable and more productive world, enhancing the quality of life of people around the globe. The Company has a market cap of \$115.16B and returned 7.3% for the EIF in 2017, outperforming the sector SPDR (XLI) by 1.6%.

**Raytheon Co. (RTN):** Raytheon Co. is a globally diversified manufacturer of defense systems. The Company provides state-of-the-art electronics, mission systems integration, products and services sensing, effects and mission support services. Raytheon operates through five segments: Integrated Defense Systems (IDS); Intelligence, Information and Services (IIS); Missile Systems (MS); Space and Airborne Systems (SAS), and Forcepoint. The Company has a market cap of \$54.10B and returned 24.0% for the EIF in 2017, outperforming the sector SPDR (XLI) by 5.1%.

## INFORMATION TECHNOLOGY

**Alibaba Group Holding Limited – ADR (BABA):** Alibaba Group is a leading online marketplace for importers and exporters in China and Japan founded by Jack Ma in 1999. Alibaba operates in the following segments: core commerce, cloud computing, digital media and entertainment, and innovation initiatives and others. Alibaba has a market cap of \$442.43B and returned 15.7% for the EIF in 2017, outperforming the sector SPDR (XLK) by 1.2%.

**Alphabet Inc. – Class C (GOOG):** Alphabet Inc. is a global technology holding company and a collection of businesses -- the largest of which is Google. Google is the world's leading search engine with as many as 3.5 billion searches a day and 1.2 trillion searches per year. Alphabet also includes businesses that are generally pretty far afield from main Internet products such as Access, Calico, CapitalG, GV, Nest, Verily, Waymo, and X. Alphabet reports all non-Google businesses collectively as Other Bets. Alphabet has a market cap of \$727.04B and returned 35.6% for the EIF in 2017, outperforming the sector SPDR (XLK) by 1.3%.

**Apple Inc. (AAPL):** Apple Inc. sells products and services including iPhone, iPad, Mac, iPod, Apple TV, the iOS and Mac OS operating systems, iCloud, and various accessory and support offerings. It also sells and delivers digital content and applications through the iTunes Store, App Store, iBookstore, and Mac App Store. It also operates retail stores both nationally and internationally. Apple has a market cap of \$858.68B and returned 48.5% for the EIF in 2017, outperforming the sector SPDR (XLK) by 14.2%.

**Facebook Inc. (FB):** Facebook operates the world's leading social networking service through its flagship website. The Company develops technologies that facilitate the users to share information, photographs, website links and videos with each other. Facebook users have the ability to share and restrict information based on their own specific criteria. The Company had about 2.13 billion monthly active users by the end of 2017, and it generates substantially all revenue from selling advertising placements to marketers. Facebook has a market cap of \$512.79B and returned 53.4% for the EIF in 2017, outperforming the sector SPDR (XLK) by 19.1%.

**Microsoft Corporation (MSFT):** Microsoft Corporation develops, manufactures, licenses, sells, and supports software and computer hardware products. The Company offers operating system, server application, and business and consumer software. In addition, the Company offers software development tools and internet and intranet software. Microsoft also develops video game consoles and digital music entertainment devices. The Company has a market cap of \$658.64B and returned 35.0% for the EIF in 2017, outperforming the sector SPDR (XLK) by 11.4%.

**PayPal Holdings Inc. (PYPL):** PayPal Holdings Inc. is the leading online payment processing company. It was founded in December of 1998 and is headquartered in San Jose, California. The company operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. The Company's open digital payments platform gives 227 million active account holders the confidence to connect and transact in new and powerful ways, whether they are online, on a mobile device, in an app, or in person. PayPal serves customers worldwide. PayPal has a market cap of \$88.34B and returned 3.7% for the EIF in 2017, underperforming the sector SPDR (XLK) by 2.2%.

**Visa Inc. (V):** Visa Inc. is a multinational financial services corporation, headquartered in Foster City, California. Visa focuses on connecting consumers, businesses, financial institutions, and governments to fast, secure and reliable electronic payments. Visa helps facilitate authorization, clearing and settlement of payment transactions through its processing network. The Company has a market cap of \$266.14B and returned 47.2% for the EIF in 2017, outperforming the sector SPDR (XLK) by 12.9%.

## **MATERIALS**

**Ecolab Inc. (ECL):** Ecolab Inc. develops and provides water, hygiene, and energy technologies and services to customers across the food, hospitality, healthcare, industrial, and oil and gas industries. The Company focuses on providing customers with solutions that will help keep the environment safe, while operating efficiently to achieve their sustainability benchmarks. Ecolab has a market cap of \$38.78B and returned 15.8% for the EIF in 2017, underperforming the sector SPDR (XLB) by 8.2%.

## **UTILITIES**

**NextEra Energy Inc. (NEE):** NextEra Energy, Inc. serves as a holding company for Florida Power & Light (“FPL”) and NextEra Energy Resources (“NEER”). Florida Power & Light is a regulated electric utility that generates, transmits, and distributes power to the state of Florida. NextEra Energy Resources develops, owns, and operates electric generating facilities in wholesale energy markets primarily in the U.S., as well as in Canada and Spain. NextEra Energy is the World’s largest utility company with a market cap of \$73.57B and returned 34.4% for the EIF in 2017, outperforming the sector SPDR (XLU) by 22.3%.

## Independent Accountant's Review Report

The Board of Trustees  
William C. Conner Foundation  
Fort Worth, Texas

We have reviewed the accompanying financial statements of William C. Conner Foundation (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
April 13, 2018

# William C. Conner Foundation

## Statement of Financial Position

December 31, 2017

### ASSETS

Cash and cash equivalents	\$	89,881
Interest and dividends receivable		644
Investments		<u>1,394,363</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,484,888</u></b>

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Due to TCU	\$	<u>15</u>
Total liabilities		<u>15</u>

#### NET ASSETS

Unrestricted		1,410,661
Temporarily restricted		<u>74,212</u>
Total net assets		<u>1,484,873</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>1,484,888</u></b>
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# William C. Conner Foundation

## Statement of Activities Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Grants, donations and other income	\$ 29	\$ -	\$ 29
Investment income	245,069	-	245,069
Net assets released from restrictions:			
Satisfaction of program restrictions	65,798	(65,798)	-
Total revenues, gains, and other support	310,896	(65,798)	245,098
<b>EXPENSES</b>			
Program expenses	65,798	-	65,798
Management and general	10,799	-	10,799
Total expenses	76,597	-	76,597
<b>CHANGES IN NET ASSETS</b>	234,299	(65,798)	168,501
<b>TRANSFER OF NET ASSETS</b>	(74,212)	74,212	-
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,250,574	65,798	1,316,372
<b>NET ASSETS, END OF YEAR</b>	\$ 1,410,661	\$ 74,212	\$ 1,484,873

**William C. Conner Foundation**  
Statement of Cash Flows  
Year Ended December 31, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributors and grants	\$	29
Interest and dividends received		28,170
Cash paid to beneficiaries		(65,798)
Cash paid to vendors		(10,686)
		(48,285)
Net cash used in operating activities		(48,285)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investments purchased		(1,332,553)
Proceeds from investment sales		1,343,438
		10,885
Net cash provided by investing activities		10,885

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(37,400)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

127,281

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 89,881

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH USED IN OPERATING ACTIVITIES**

Change in net assets	\$	168,501
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gain on investments		(146,734)
Unrealized gain on investments		(69,947)
Interest and dividends receivable		(218)
Advances from TCU		98
Increase in due to TCU		15
		15
Net cash used in operating activities	\$	(48,285)

# William C. Conner Foundation

## Statement of Cash Flows

Year Ended December 31, 2017

### Note 1. Summary of Significant Accounting Policies

#### Nature of Organization

The purpose of the William C. Conner Foundation (the Foundation), incorporated under the laws of the State of Texas, is to benefit Texas Christian University of Fort Worth, Texas, and Baylor College of Medicine, Department of Ophthalmology, of Houston, Texas. Pursuant to the 1982 amended articles of incorporation, the Foundation shall distribute an amount equal to five percent of the net fair value of all its investment assets at least annually in equal shares to Texas Christian University and Baylor College of Medicine, Department of Ophthalmology.

Texas Christian University (TCU) provides administrative support services to the Foundation, and advances payments to vendors on behalf of the Foundation. TCU periodically receives reimbursements from the Foundation for these advances. As TCU operates on a different fiscal year than the Foundation, at any given time accounts between the Foundation and the TCU business office may not be entirely settled, but the amounts due to or due from are not material.

#### Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which recognizes revenues when earned and expenses when incurred.

#### Basis of Presentation

In accordance with GAAP, the Foundation is required to report information regarding its financial position and activities according to three distinct classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or through the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. The Foundation has no permanently restricted net assets.

#### Investments

Investments are carried at fair value in accordance with GAAP. Realized and unrealized gains and losses are netted and included in investment income in the statement of activities as increases or decreases in unrestricted net assets.

# William C. Conner Foundation

## Statement of Cash Flows

Year Ended December 31, 2017

### Contributions, Pledges and Support Revenue

Contributions primarily represent cash received from Foundation donors.

### Contributed Services

During the year ended December 31, 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation. Donated services of volunteers to the Foundation's program services that do not require specialized skills are not reflected in the accompanying financial statements.

### Concentration of Credit Risk

Financial instruments which may subject the Foundation to a concentration of credit risk consist principally of investments. Investments consist primarily of equities, closed-end funds, and exchange traded products (ETFs). The Foundation manages credit risk exposure by monitoring the overall quality of its investments and adhering to internal investment guidelines.

In the normal course of business, substantially all of the Foundation's securities transactions, money balances, and security positions are transacted with its broker. The Foundation is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Foundation monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash equivalents at December 31, 2017 consists of a money market account held at the Foundation's broker.

### Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

The Internal Revenue Service has also determined that the Foundation will not be a private foundation subject to the provisions of the Internal revenue Code Sections 507(a), (c) and (g) relating to the imposition of excise taxes on private foundation.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# William C. Conner Foundation

## Statement of Cash Flows

Year Ended December 31, 2017

### Uncertain Tax Positions

The Foundation recognizes in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. The pronouncement also provides guidance on measurement, classification, interest and penalties and disclosure. Management is of the opinion that material positions taken by the Foundation would more likely than not be sustained by examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax benefits.

### Subsequent Events

The Foundation evaluated all events or transactions that occurred after December 31, 2017 up through April 13, 2018, the date the financial statements were available to be issued, and did not have any material recognizable subsequent events.

### Note 2. Investments

As of December 31, 2017, the following investments were held by the Foundation:

Equities	\$ 936,700
Closed end funds and ETFs	<u>457,663</u>
	<u>\$ 1,394,363</u>

The components of investment income for the year ended December 31, 2017, are as follows:

Realized gain, net	\$ 146,734
Unrealized gain, net	69,947
Interest and dividends	<u>28,388</u>
	<u>\$ 245,069</u>

### Note 3. Fair Value Measurements

The Financial Accounting Standards Board (FASB) has established a framework for measuring fair value and requires disclosure about fair value measurements of assets and liabilities. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

# William C. Conner Foundation

## Statement of Cash Flows

Year Ended December 31, 2017

The three levels of the fair value hierarchy are:

Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access as of the reporting date.

Level 2 inputs: Observable inputs (other than level 1) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs: Unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the assets or liabilities.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2017.

*Equities, closed end funds and exchange traded products (ETF)*: Valued at the closing price reported on the active market on which the individual securities are traded and are classified within level 1 of the valuation hierarchy.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Foundation's assets measured at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities				
Technology	\$ 254,762	\$ -	\$ -	\$ 254,762
Financial	197,025	-	-	197,025
Industrial	251,154	-	-	251,154
Energy	92,619	-	-	92,619
Consumer	60,323	-	-	60,323
Healthcare	80,817	-	-	80,817
Closed end funds and ETFs				
Equity	165,922	-	-	165,922
Fixed Income	291,741	-	-	291,741
	<u>\$ 1,394,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394,363</u>

# William C. Conner Foundation

## Statement of Cash Flows

Year Ended December 31, 2017

The following table is a summary of assets measured at fair market value at December 31, 2017:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Equities	\$ 703,889	\$ 243,440	\$ (10,628)	\$ 936,701
Closed end funds and ETFs	<u>453,453</u>	<u>6,838</u>	<u>(2,629)</u>	<u>457,662</u>
Total assets at fair value	<u>\$ 1,157,342</u>	<u>\$ 250,278</u>	<u>\$ (13,257)</u>	<u>\$ 1,394,363</u>

### Note 4. Derivative Instruments

The Foundation may engage in the trading of stock and stock index options (collectively "derivatives") which exposes the Foundation to both market risk, the risks arising from changes in the market value of the contracts, and credit risk, the risk of failure by another party to perform according to the terms of a contract. As a buyer of options, the Foundation pays a premium at the outset and then bears the risk of unfavorable changes in the price of the asset or other indicator underlying the option. Purchased options expose the Foundation to a risk of loss limited to the premiums paid. The Foundation had no open derivative positions at December 31, 2017 and realized a net loss of \$2,393 during 2017 on derivative positions, which is included in investment income in the accompanying statement of activities.

### Note 5. Temporarily Restricted Net Assets

Net assets are temporarily restricted for the spending policy of the Foundation. The Foundation is to distribute an amount equal to five percent of the net fair market value of all its investment assets at least annually in equal shares to Texas Christian University and Baylor College of Medicine, Department of Ophthalmology. As of December 31, 2017, the Foundation has temporarily restricted \$74,212 of the investments for this purpose to be distributed subsequent to December 31, 2017. During the year ended December 31, 2017, the Foundation distributed \$65,798 related to the spending policy and the net fair value of its investment assets as of December 31, 2016.

## Educational Investment Fund Members

### Spring 2017

Jared Cline	Chief Administrator
Anthony Micheli	Portfolio Manager
Mark Senter	Portfolio Manager
Michael Marsh	Chief Economist
Cyrus Hamid-Khani	Fund Accountant
Abby Deutz	Operations Manager
Courtney Aldridge	
Steven Hood	
Ashley Hull	
Emily Knuth	
Fabian Lima	
Amenemope McKinney	
Zach Miller	
Anna Pelch	
Alex Sborov	
Rachel Fikse	
Andrew Pogue	
Nick Warren	

### Fall 2017

Brent Fescenmeyer	Chief Administrator
Brandon Curry	Portfolio Manager
Ryan Graf	Portfolio Manager
Timothy Swan	Portfolio Manager
Ly Pham	Chief Economist
Jason Cline	Operations Manager
Jose Barron	
Jake Carty	
Jacob Choulet	
Dylan Dotter	
Demi Fritz	
David Funkhouser	
Pierfrancesco Janes	
Tyler Linders	
Peyton Purcell	
Janvier Rutsobe	
Madison Stottle	
Hudson Trent	

### Summer 2017

Steven Hood	Chief Administrator
Brent Fescenmeyer	Portfolio Manager
David Funkhouser	Portfolio Manager
Ly Pham	Chief Economist
Timothy Swan	Fund Accountant
Ryan Graf	Operations Manager
Patrick Byrd	
Amanda Cooley	
Brandon Curry	
Zach Harris	
Jack Herr	
Fabian Lima	
Amenemope McKinney	
J.D. Newton	

### Faculty Advisor

Dr. Larry Lockwood  
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TCU Box 298530  
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# **William C. Conner Foundation**

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