



Capital Cities

INSTITUTIONAL INVESTING MADE PERSONAL



Porter County Government Nonprofit Charitable Foundation, Inc.
Passive Equity & Money Market Analysis
November, 2017

Passive Domestic Equity Options

Schwab Custodial Platform Options

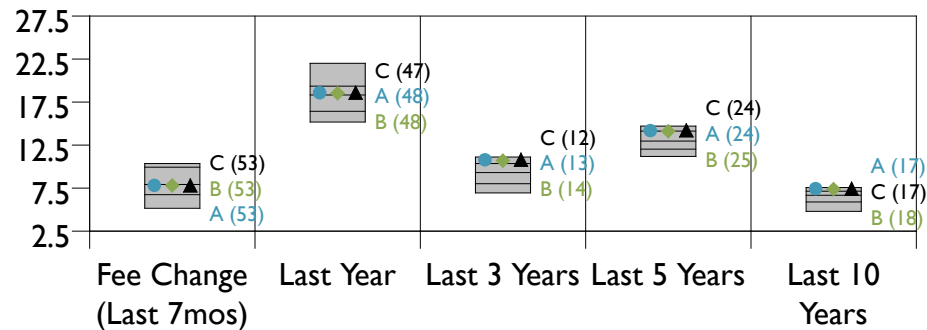
Organization	Vanguard	Schwab
Product	Institutional Index	S&P 500 Index Fund
Inception	August 31, 1976	May 19, 1997
Firm Information	Located in Valley Forge, Pennsylvania; founded in 1975 and currently has approximately \$4 trillion in assets under management.	Schwab was founded in 1971 and currently has \$3.18 trillion in client assets, 1.6 million corporate retirement plan participants and \$255 billion enrolled in advisory solutions
Strategy Description	The Index Fund seeks to track the investment performance of the S&P 500 Index. The fund attempts to replicate the performance and portfolio characteristics of the Standard & Poor's 500 Index. The Fund's objective is to match the returns of, and minimize the tracking error versus, the index.	The Index Fund seeks to track the investment performance of the S&P 500 Index. The fund attempts to replicate the holdings of the Standard & Poor's 500 Index. The Fund's objective is to match the returns of, and minimize the tracking error versus, the index.
Key Professionals	Vanguard Equity Index Group	Agnes Hong, Ferian Juwono, David Rios
Assets in Strategy	\$581.1 billion	\$29.2 billion
Fees	4 bps/ \$20 Trades	3 bps/ \$0 Trades
Vehicle Type	Mutual Fund (VINIX)	Mutual Fund (SWPPX)

- Competition in the market has caused index providers to reduce investment management expenses in a race to be the cheapest.
- Schwab reduced fees from 9bps to 3bps earlier this year, prompting our analysis.
- **Capital Cities recommends moving from the Vanguard Institutional Index to the Schwab S&P 500 Index.**

Schwab 500 vs. Vanguard Institutional

Performance Comparison Relative to Benchmark

Returns for Periods Ended September 30, 2017
Group: Callan Large Cap Core Mutual Funds



	Median	7.93	18.34	9.32	12.98	6.69
Vanguard Instl Indx Comp	● A	7.81	18.57	10.79	14.19	7.44
Schwab Cap:S&P 500 Idx	◆ B	7.82	18.54	10.71	14.12	7.39
S&P:500	▲ C	7.83	18.61	10.81	14.22	7.44

- The Schwab S&P 500 Index Fund and the Vanguard Institutional Index Fund should have nearly identical performance.

Money Market Options

Schwab Custodial Platform Options

	Sweep	Purchased
Definition	Cash received is automatically swept into this option at the end of each day	A purchase is required to move any cash received to the money market
Annualized Yield*	0.10%	0.73%
Yield as \$**	3,202	23,373
Fee	0.00%	0.35%
Inception Date	N/A	01/21/15
Trading	Auto	Signed trade sheet required
Cash Availability	Same Day	Next Day

*As of 10/31/17; **Calculation uses cash target % of 9/30/17 market value

- The changing money market environment has led Schwab to alter their offerings.
- In addition to adding a “purchased” version of some of their sweep funds, they also recently (10/3/17) lowered fees from 55 bps to 35 bps and lowered the minimum from \$25,000 to \$0 on the Schwab Govt Money Fund (Purchased).
- Compared to the current Schwab sweep option, the purchased fund should experience a higher yield.
- On the other hand, moving to the purchased option introduces additional operational burden to the Foundation.

• **Discuss the pros and cons to determine whether or not a change should be made.**