

Summary of Investment Proposal to ArtStream

By District Capital Management

Objective

To grow ArtStream's cash reserves, while managing risk.

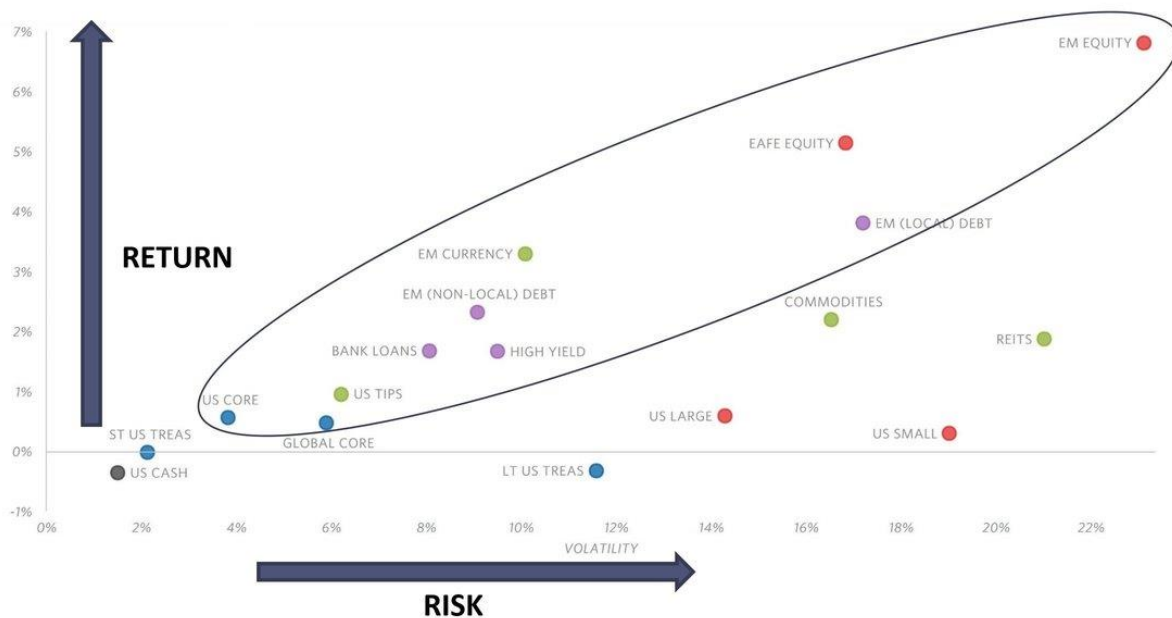
Assumptions

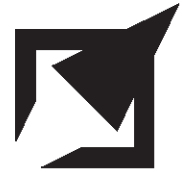
- **Timeline:** Reserves will not be needed until 10 or more years. But should an emergency or opportunity arises in the near or medium-term, ArtStream may decide to use some of it.
- **Risk Tolerance:** ArtStream has an average to slightly above average willingness to take risk. On any given year, it is comfortable having an annual return range of +35% to -25%.

[Note that its current American Funds portfolio has an annual return range of +44% to -35%, but may be too aggressive for ArtStream, given the flexibility it may desire to liquidate some investments in the medium-term.]

District Capital's Investment Philosophy

- **Smart Diversification:** Invest across the risk-return spectrum, but only for investments that have a good risk/reward profile. Asset classes inside the circle below represent sound investments.





District Capital's Investment Philosophy (continued)

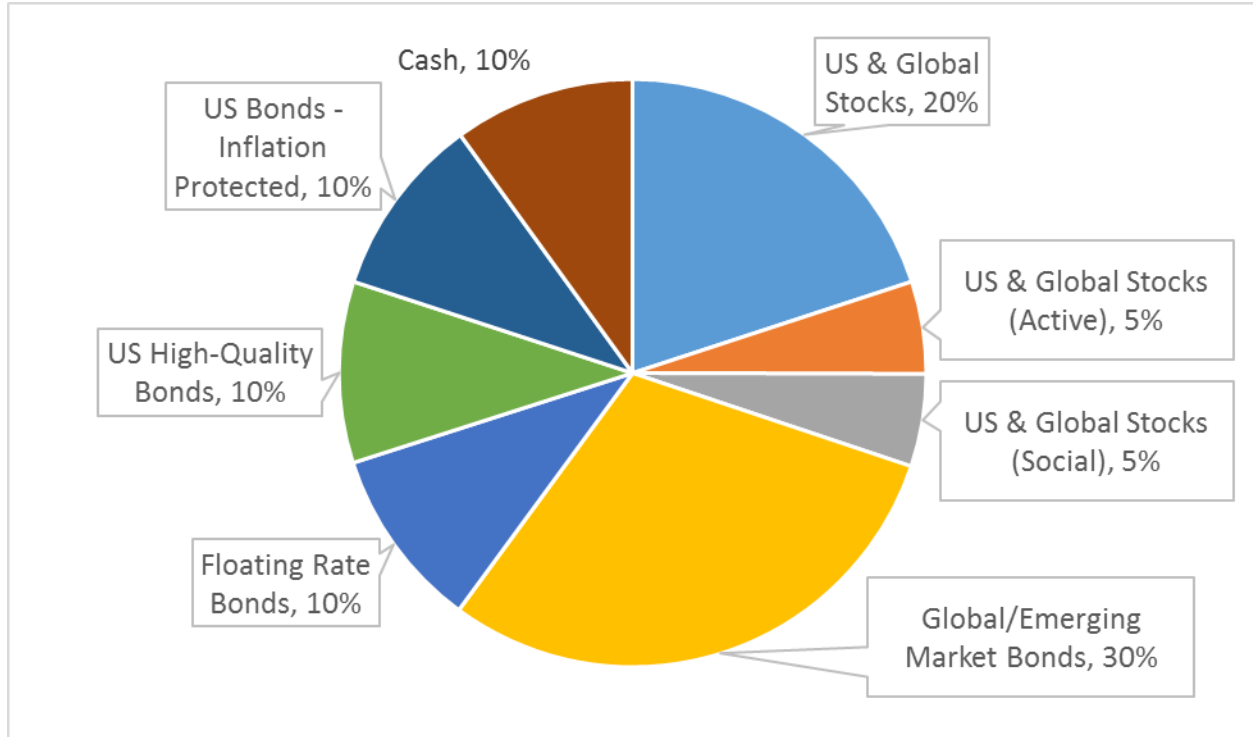
- **Minimize costs.** Excessive fund fees and transaction costs are a big drag on investment return. In 2015, the [White House released a study](#) revealing that hidden fund fees lead to \$17 billion in losses each year for working and middle class families. We cannot control the market, but we can control costs.

Observations on Current ArtStream Portfolio

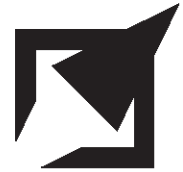
- About 80% is **concentrated in one asset class** (US Large Cap) that currently does not have a good risk/return profile. About 15% is in two other investment types (international and emerging market stocks), and the remaining is in cash/bonds.
- **There is room to lower fund costs.** Fee of American Funds The Growth Fund of America® Class A (AGTHX) is 5.75% sales fee plus 0.66% management fee. Fee of American Funds Washington Mutual Investors Fund Class A (AWSHX) is 5.75% sales fee plus 0.58% management fee. **We can reduce these costs by more than a third, resulting in tens of thousands of savings.**

Recommendations

- **Diversify ArtStream's portfolio across 8 asset classes.**



Conservative ↔ Aggressive



- **Implementation:**

Asset Class	Fund	Fee
US Bonds – Inflation Protected	Vanguard Inflation-Protected (VAIPX)	0.10%
US High Quality Bonds	Vanguard Core Bond Fund (VCOBX)	0.15%
Floating Rate Bonds	Loomis Sayles Floating Rate (LSFYX)	0.80%
Global/Emerging Market Bonds	Templeton Global Income (GIM)	0.68%
US Stocks	SPDR S&P 500 ETF (SPY)	0.09%
International Stocks (Developed)	Vanguard Developed Stocks (VEA)	0.07%
	Artisan Global Value Investor (ARTGX)	1.29%
	Northern Global Sustainability Index	0.31%
International Stocks (Small)	Vanguard Ex-US Small Cap ETF (VSS)	0.13%
Emerging Market Stocks	Vanguard Emerging Markets (VWO)	0.14%

- **Annual Return Range:** +26% to -18%
- **Rebalancing:** We will change the above allocation if/when market conditions change. If an opportunity to be more aggressive arises, we will recommend as such. If risk rises in a certain investment type, we will modify accordingly.

District Capital’s Advisory Fees

- \$150/month retainer fee (ArtStream to execute trades), or 0.85% of assets (District Capital to execute trades)