# Warehouse Employees Local #730 Welfare Fund

## Master Consulting Services Report

## Period Ended
## March 31, 2019

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# Market Discussion Points 1Q | 2019

# Financial Market Performance

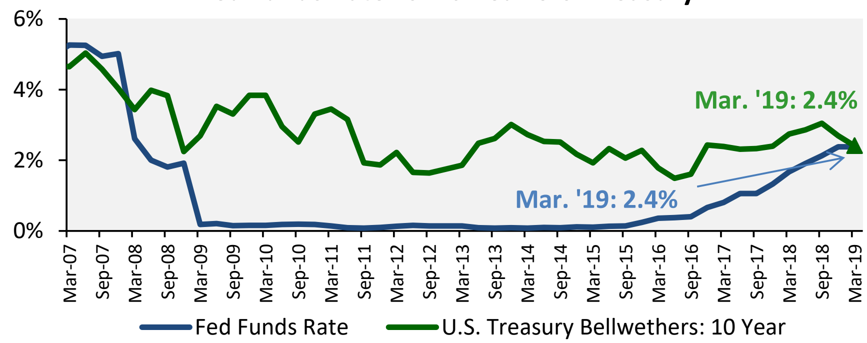
Periods Ending March 31, 2019

| Strategy | Sector | Index | QTR | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 1-Yr | 3-Yr | 5-Yr | 10-Yr | 20-Yr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stocks | **US Large Cap** | S&P 500 | 13.7 | 13.7 | -4.4 | 21.8 | 12.0 | 1.4 | 13.7 | 9.5 | 13.5 | 10.9 | 15.9 | 6.0 |
| | **US Small Cap** | Russell 2000 | 14.6 | 14.6 | -11.0 | 14.7 | 21.3 | -4.4 | 4.9 | 2.1 | 12.9 | 7.1 | 15.4 | 8.4 |
| | **All Country** | MSCI All Country World (net) | 12.2 | 12.2 | -9.4 | 24.0 | 7.9 | -2.4 | 4.2 | 2.6 | 10.7 | 6.5 | 12.0 | - |
| | **Non-US Developed** | MSCI EAFE (net) | 10.0 | 10.0 | -13.8 | 25.0 | 1.0 | -0.8 | -4.9 | -3.7 | 7.3 | 2.3 | 9.0 | 3.9 |
| | **Emerging Markets** | MSCI EM (net) | 9.9 | 9.9 | -14.6 | 37.3 | 11.2 | -14.9 | -2.2 | -7.4 | 10.7 | 3.7 | 8.9 | 8.4 |
| | **Int'l Small Cap** | MSCI EAFE Small Cap (net) | 10.7 | 10.7 | -17.9 | 33.0 | 2.2 | 9.6 | -5.0 | -9.4 | 7.5 | 4.5 | 12.8 | 7.7 |
| Bonds | **Treasury** | Bloomberg Barclays US Govt | 2.1 | 2.1 | 0.9 | 2.3 | 1.1 | 0.9 | 4.9 | 4.2 | 1.1 | 2.2 | 2.4 | 4.3 |
| | **Broad Market** | Bloomberg Barclays Aggregate | 2.9 | 2.9 | 0.0 | 3.5 | 2.7 | 0.6 | 6.0 | 4.5 | 2.0 | 2.7 | 3.8 | 4.7 |
| | **Intermediate** | Bloomberg Barclays Gov/Credit Int. | 2.3 | 2.3 | 0.9 | 2.1 | 2.1 | 1.1 | 3.1 | 4.2 | 1.7 | 2.1 | 3.1 | 4.3 |
| | **High Yield** | Bloomberg Barclays HY BaB 2% IC | 7.2 | 7.2 | -1.9 | 6.9 | 14.1 | -2.7 | 3.5 | 6.4 | 7.5 | 4.6 | 10.0 | - |
| | **Short Duration HY** | BofA ML HY Cash Pay BB 1-3 YR | 3.8 | 3.8 | 1.4 | 3.6 | 8.5 | 1.2 | 1.9 | 5.4 | 5.0 | 3.8 | 7.5 | - |
| | **Global Bonds** | FTSE WGBI | 1.7 | 1.7 | -0.8 | 7.5 | 1.6 | -3.6 | -0.5 | -1.6 | 1.0 | 0.6 | 2.2 | 4.0 |
| GTAA | **Unconstrained** | 65% MSCI World /35% FTSE WGBI | 8.7 | 8.7 | -5.7 | 17.0 | 5.6 | -1.6 | 3.0 | 2.5 | 7.4 | 4.8 | 9.0 | 5.0 |
| Real Estate | **Core** | NCREIF ODCE Equal Weighted | 1.7 | 1.7 | 8.2 | 7.8 | 9.3 | 15.2 | 12.4 | 7.7 | 8.1 | 10.3 | 8.5 | 8.2 |
| Hedge Fund of Funds | **Diversified FOFs** | HFRI HFOF Composite | 4.6 | 4.6 | -4.0 | 7.8 | 0.5 | -0.3 | 3.4 | 0.1 | 3.9 | 2.2 | 3.5 | 4.3 |
| | **Equity Long-Short** | HFRI Equity Hedge | 7.8 | 7.8 | -7.1 | 13.3 | 5.5 | -1.0 | 1.8 | -0.2 | 6.8 | 3.6 | 6.5 | 6.4 |
| Commodities | **Commodities** | Goldman Sachs Commodity | 15.0 | 15.0 | -13.8 | 5.8 | 11.4 | -32.9 | -33.1 | -3.0 | 6.2 | -12.6 | -3.4 | 0.7 |

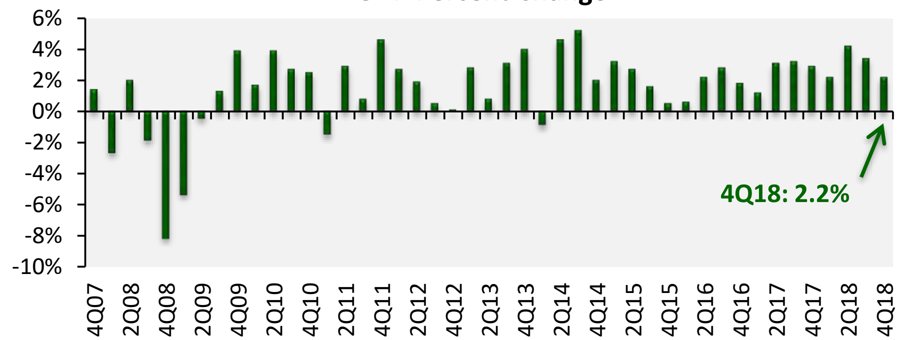
# U.S. Economy

The wildly popular HBO series *Game of Thrones* recently launched its eighth and final season. “Winter is coming” is a popular refrain used in the show as a reminder of the need to be constantly vigilant against various threats. The characters do not know when “winter” will arrive, but they know it inevitably will. As the current economic expansion enters its eleventh year and becomes the second longest on record, many have been predicting that “winter is coming” for the U.S. economy. Much like in *Game of Thrones*, “winter” certainly will arrive at some point, however the current data does not suggest that it is imminent. U.S. GDP growth for the 4th quarter was 2.2%, down from 3.4% in the 3rd quarter and a peak of 4.2% in the 2nd quarter as the effects of tax cuts began to fade. While growth is clearly slowing and most major economies are in the later stages of expansion, a recession does not appear to be on the immediate horizon. Central banks globally have all moved to easier fiscal conditions, which should help support an environment of positive, albeit slowing, growth. The U.S. Federal Reserve is on hold with regard to future rate hikes in response to softening economic data and the sell-off in risk assets in the fourth quarter. Inflation remains stable, slightly below the Fed’s 2% target. In addition, most cyclical sectors do not appear overextended and tighter labor markets have led to wage growth, which should help support consumer spending in 2019 and allow the current expansion to become the longest on record. Advanced estimates of 1st quarter GDP growth exceeded expectations at 3.2%.

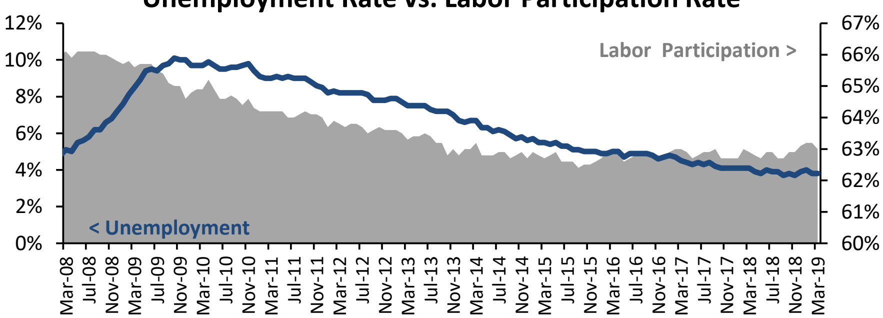
**Fed Funds Rate vs. 10-Year U.S. Treasury**



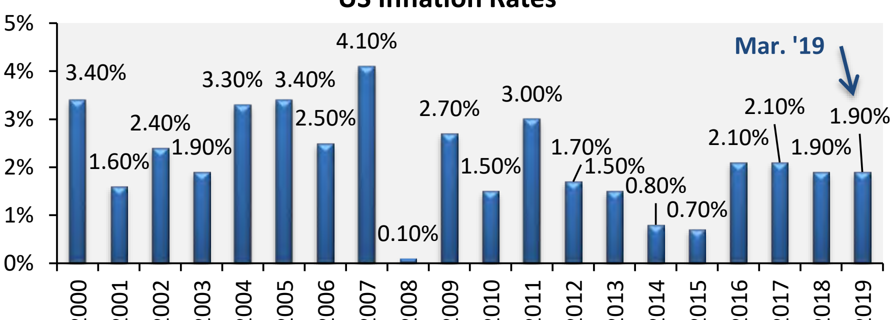

**GDP Percent Change**




**Unemployment Rate vs. Labor Participation Rate**

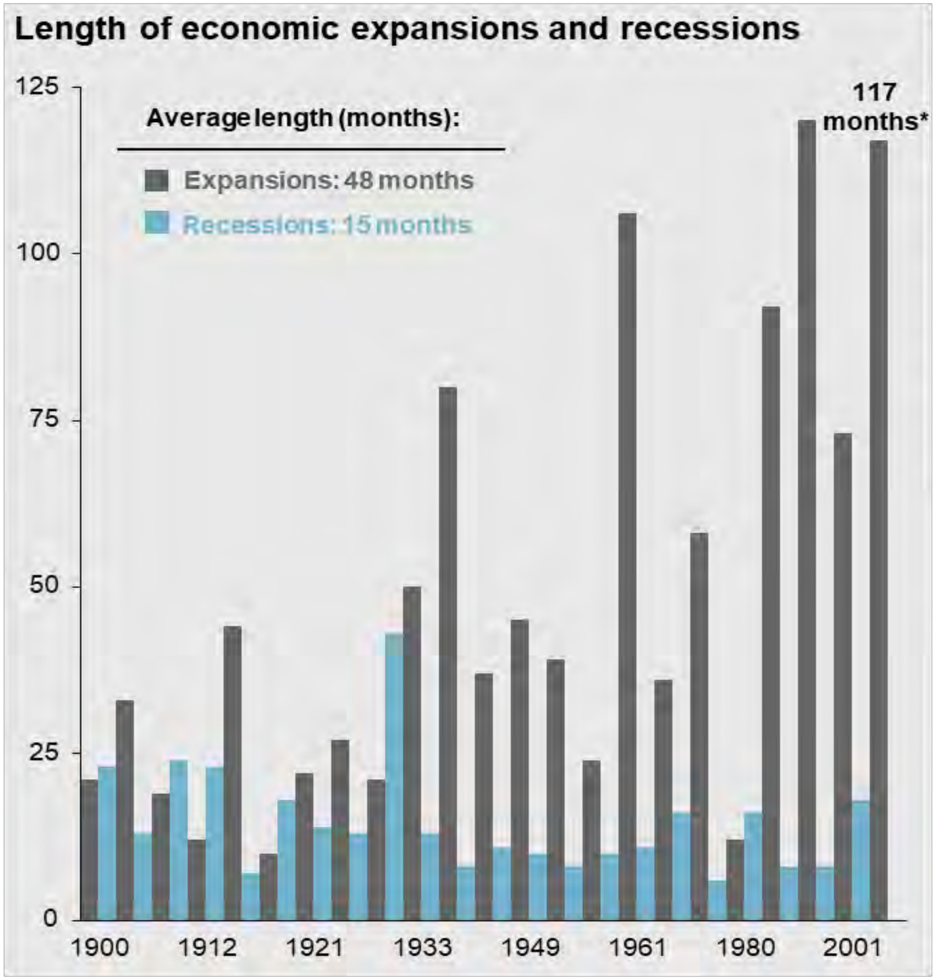


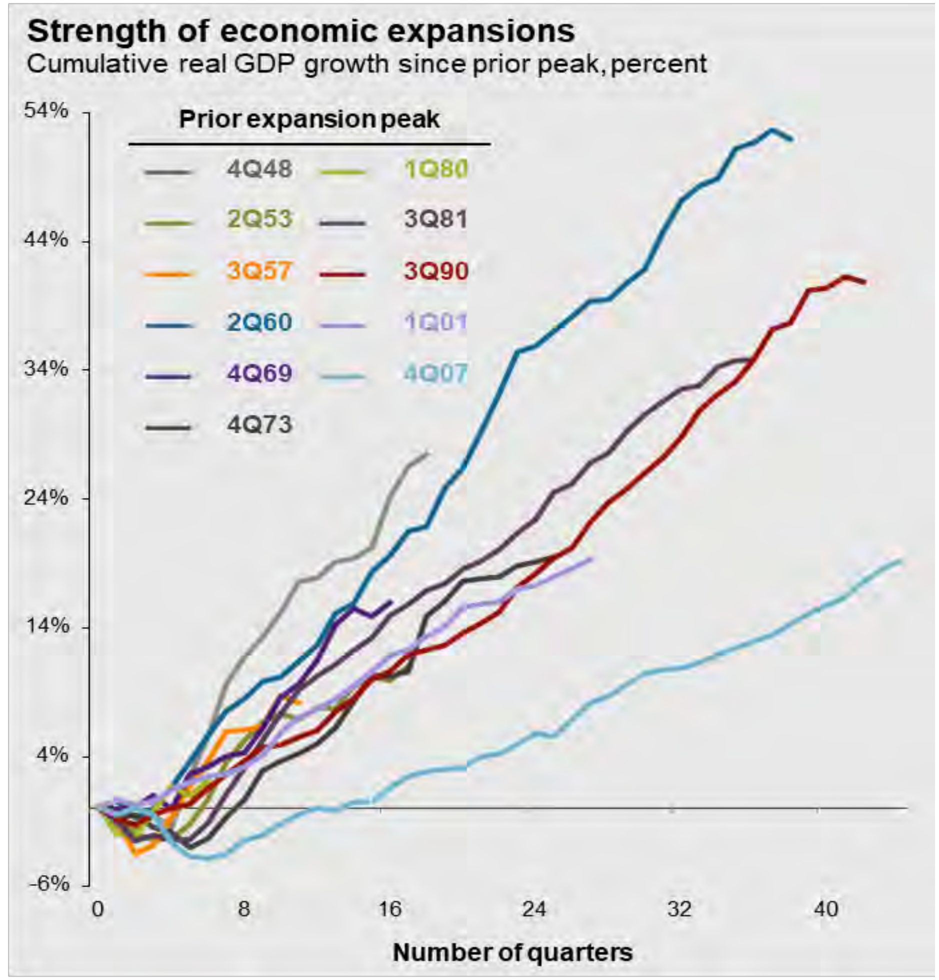

**US Inflation Rates**




Source: Top Left - The Federal Reserve; Top Right - Bureau of Economics, U.S. Department of Commerce; Bottom Left and Right: Bureau of Labor Statistics

# How does this expansion compare to history?



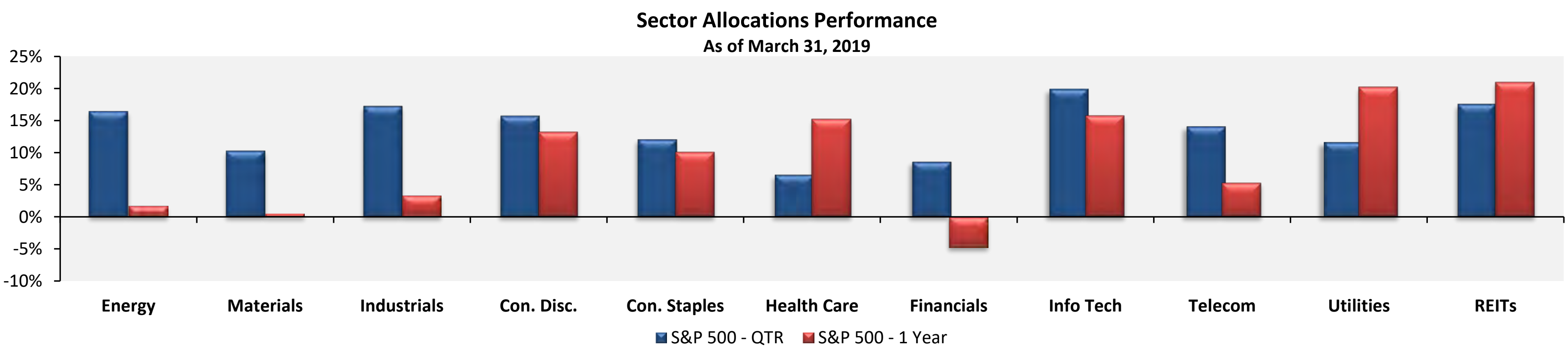

Source: BEA, NBER, J.P. Morgan Asset Management. Data are as of March 31, 2019.

# U.S. Equity Market

Immediately following the largest December decline since 1931 and worst year since 2008, U.S. equity markets had their strongest quarter in a decade to start the year. Stocks benefited from the Fed's pivot to a more patient approach, reduced global trade tensions, and signs of stabilization of growth in China. The S&P 500 index returned 13.7% in the 1st quarter, as all segments of the market produced double-digit gains. Mid-cap stocks were the best performer from a capitalization standpoint, returning 16.5%, while small caps were also strong, up 14.6%. Growth outperformed value across all capitalizations, with the Russell 1000 Growth Index up 16.1% compared to 11.9% for the Russell 1000 Value.

Each sector in the S&P 500 produced a positive return during the quarter. Technology, REITs, and industrials were the best performing sectors, all producing returns in excess of 17% for the quarter, while financials and health care were the only two sectors to not produce double-digit gains. Over the last year, financials are the only sector to have produced a negative return, as declining bond yields have weighed on the group. The first quarter equity market rally was primarily driven by multiple expansion. As of March 31, 2019, the S&P 500 was valued at 16.4x on a forward PE basis, up from 14.4x at the start of the quarter and slightly above the 25-year average forward PE of 16.2x. Investors are currently anticipating single digit earnings growth in 2019 due to the fading effects of tax cuts, higher interest costs, material costs, and wages.

| Sector | Index | 1Q 19 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Large Cap** | S&P 500 | 13.7 | 13.7 | -4.4 | 21.8 | 12.0 | 1.4 | 13.7 | 9.5 | 13.5 | 10.9 | 15.9 |
| | Russell 1000 | 14.0 | 14.0 | -4.8 | 21.7 | 12.1 | 0.9 | 13.3 | 9.3 | 13.5 | 10.6 | 16.1 |
| | Russell 1000 Value | 11.9 | 11.9 | -8.3 | 13.7 | 17.3 | -3.8 | 13.5 | 5.7 | 10.5 | 7.7 | 14.5 |
| | Russell 1000 Growth | 16.1 | 16.1 | -1.5 | 30.2 | 7.1 | 5.7 | 13.1 | 12.8 | 16.5 | 13.5 | 17.5 |
| **Mid Cap** | Russell Mid-Cap | 16.5 | 16.5 | -9.1 | 18.5 | 13.8 | -2.4 | 13.2 | 6.5 | 11.8 | 8.8 | 16.9 |
| | Russell Mid-Cap Value | 14.4 | 14.4 | -12.3 | 13.3 | 20.0 | -4.8 | 14.7 | 2.9 | 9.5 | 7.2 | 16.4 |
| | Russell Mid-Cap Growth | 19.6 | 19.6 | -4.8 | 25.3 | 7.3 | -0.2 | 11.9 | 11.5 | 15.1 | 10.9 | 17.6 |
| **Small Cap** | Russell 2000 | 14.6 | 14.6 | -11.0 | 14.7 | 21.3 | -4.4 | 4.9 | 2.1 | 12.9 | 7.1 | 15.4 |
| | Russell 2000 Value | 11.9 | 11.9 | -12.9 | 7.8 | 31.7 | -7.5 | 4.2 | 0.2 | 10.9 | 5.6 | 14.1 |
| | Russell 2000 Growth | 17.1 | 17.1 | -9.3 | 22.2 | 11.3 | -1.4 | 5.6 | 3.9 | 14.9 | 8.4 | 16.5 |
| **Total Market** | Wilshire 5000 | 14.1 | 14.1 | -5.3 | 21.0 | 13.4 | 0.7 | 12.7 | 8.9 | 13.6 | 10.5 | 16.0 |
| | Russell 3000 | 14.0 | 14.0 | -5.2 | 21.1 | 12.7 | 0.5 | 12.6 | 8.8 | 13.5 | 10.4 | 16.0 |



# Is the market expensive...not according to historical valuations

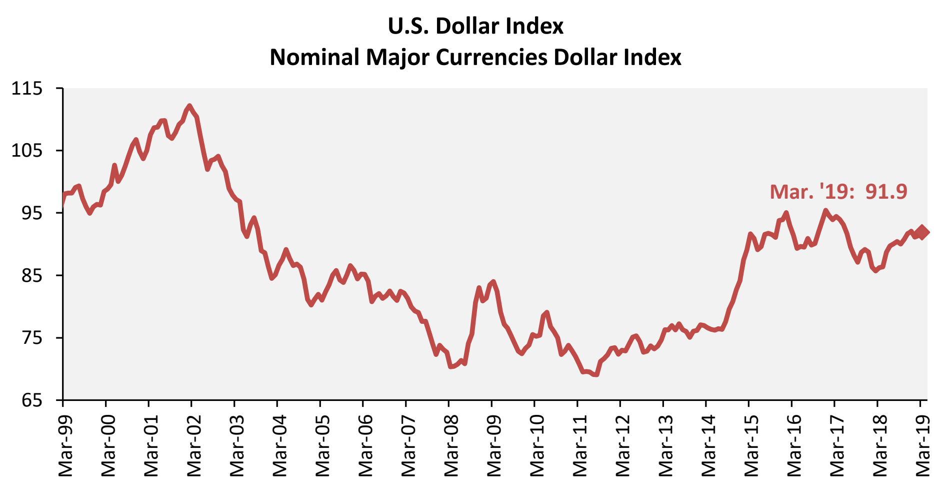

| Valuation measure | Description | Latest | 25-year avg.* | Std. dev. Over-/under-Valued |
|---|---|---|---|---|
| P/E | Forward P/E | 16.4x | 16.2x | 0.1 |
| CAPE | Shiller's P/E | 29.9 | 26.9 | 0.5 |
| Div. Yield | Dividend yield | 2.1% | 1.9% | -0.3 |
| P/B | Price to book | 3.1 | 2.9 | 0.2 |
| P/CF | Price to cash flow | 12.2 | 10.7 | 0.8 |
| EY Spread | EY minus Baa yield | 1.4% | -0.1% | -0.8 |

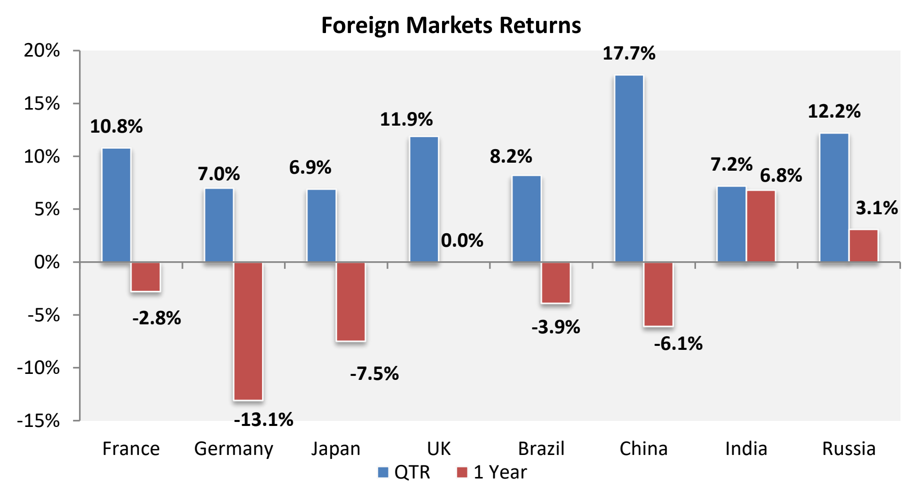
Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Data are as of March 31, 2019.

# International Equity Market

Non-U.S. equity markets also participated in the rally in the first quarter, although they broadly underperformed U.S. equities as the MSCI EAFE Index returned 10.0% for the period. Over the last 11 years, U.S. equites have outperformed developed market non-U.S. equities by 125%. For the quarter, European markets were able to shake off signs of slowing growth across the region and continued uncertainty surrounding the outcome of Brexit negotiations. A move away from tighter monetary policy supported Eurozone markets and the U.K, although a stronger U.S. dollar detracted from non-U.S. equity returns. Chinese equities produced strong returns during the quarter on optimism regarding trade negotiations with the U.S. and increased support of the economy by the Chinese government. Overall, emerging markets performed in-line with developed markets, up 9.9%. International small caps outperformed slightly, up 10.3%.

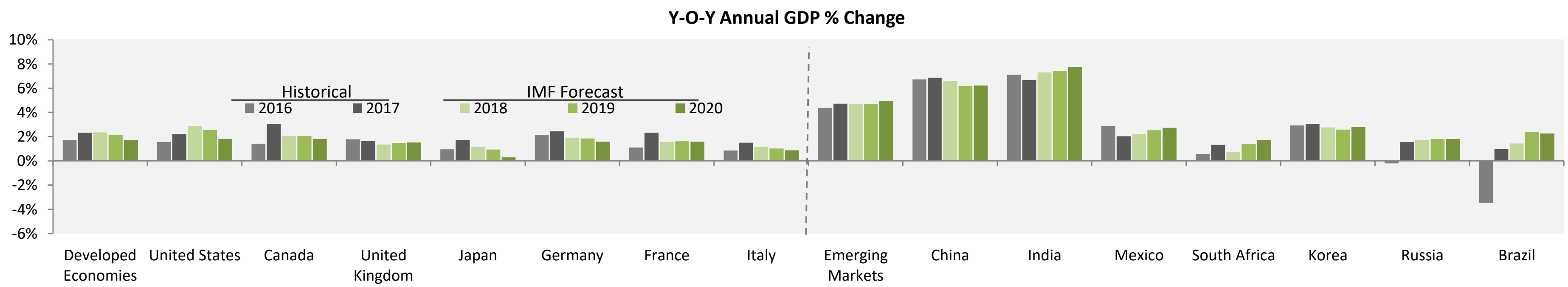
| Sector | Index | 1Q 19 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Global** | MSCI AC World Index (net) | 12.2 | 12.2 | -9.4 | 24.0 | 7.9 | -2.4 | 4.2 | 2.6 | 10.7 | 6.5 | 12.0 |
| | MSCI World Small Cap (net) | 13.1 | 13.1 | -14.4 | 23.8 | 11.6 | -1.0 | 1.8 | -2.7 | 9.9 | 5.5 | 14.3 |
| | MSCI World ex US (net) | 10.3 | 10.3 | -14.2 | 27.2 | 4.5 | -5.7 | -3.9 | -4.2 | 8.1 | 2.6 | 8.9 |
| | MSCI World ex US Small Cap (net) | 10.3 | 10.3 | -18.2 | 31.6 | 3.9 | 2.6 | -4.0 | -9.5 | 7.0 | 3.3 | 11.9 |
| **Developed ex US** | MSCI EAFE (net) | 10.0 | 10.0 | -13.8 | 25.0 | 1.0 | -0.8 | -4.9 | -3.7 | 7.3 | 2.3 | 9.0 |
| | MSCI EAFE Value (net) | 7.9 | 7.9 | -14.8 | 21.4 | 5.0 | -5.7 | -5.4 | -6.1 | 6.9 | 0.7 | 8.1 |
| | MSCI EAFE Growth (net) | 12.0 | 12.0 | -12.8 | 28.9 | -3.0 | 4.1 | -4.4 | -1.3 | 7.6 | 3.9 | 9.7 |
| | MSCI EAFE Small Cap (net) | 10.7 | 10.7 | -17.9 | 33.0 | 2.2 | 9.6 | -5.0 | -9.4 | 7.5 | 4.5 | 12.8 |
| **Emerging Markets** | MSCI Emerging Markets (net) | 9.9 | 9.9 | -14.6 | 37.3 | 11.2 | -14.9 | -2.2 | -7.4 | 10.7 | 3.7 | 8.9 |



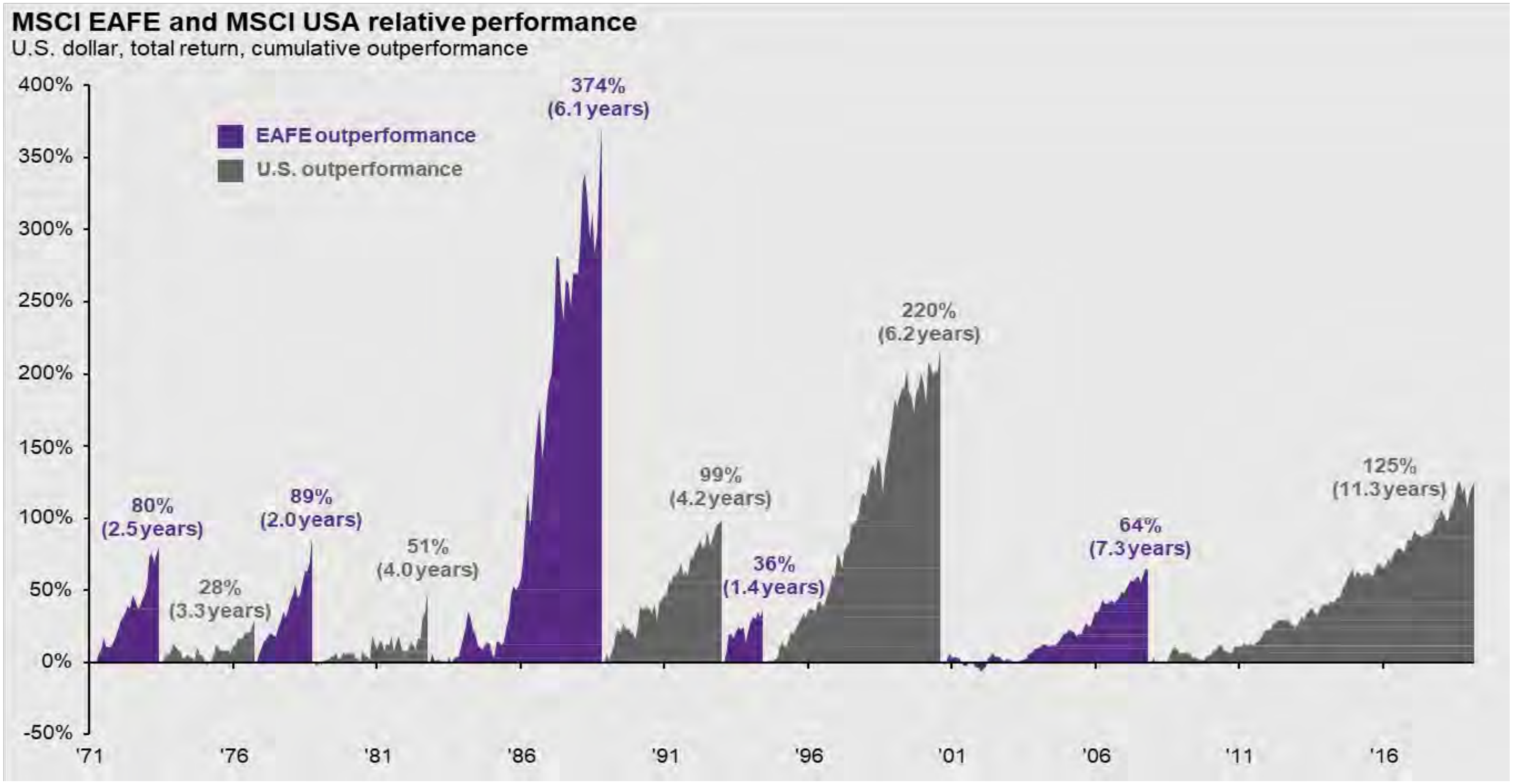

Left chart: The major currencies index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of currencies in the broad index that circulate widely outside the country of issue. The weights are derived from those in the broad index. Source: The Federal Reserve. Right chart: Data as of March 31, 2019.

# International Equity Market


Top chart: Source - MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management. Bottom chart: Annual percentages of constant price GDP are year-on-year changes; the base year is country-specific. Source: International Monetary Fund, World Economic Outlook Database, October 2018.

# Cycles of U.S. Equity Outperformance

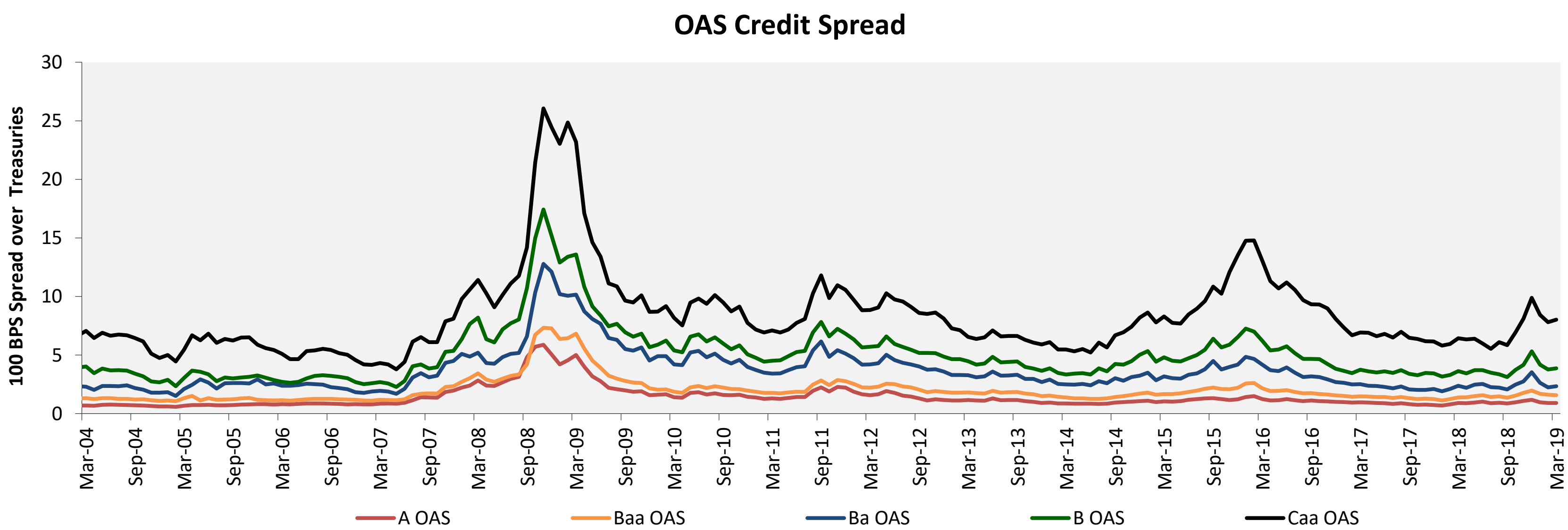



Source: MSCI, FactSet, J.P. Morgan Asset Management. Data are as of March 31, 2019.

# U.S. Bond Market

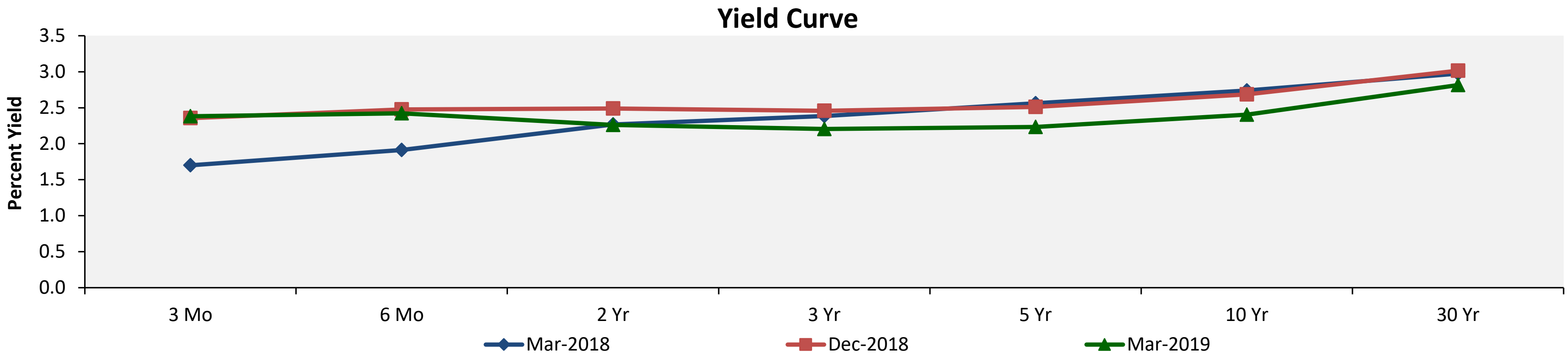
During the first quarter, the Fed's consensus outlook shifted from two expected rate hikes in 2019 to none. Meanwhile, market participants are now pricing in a rate cut later in 2019. With this backdrop, Treasury yields declined meaningfully during the quarter, with the 10-year Treasury ending the quarter at 2.41%, down from 2.69% to start the year, while the 2-year Treasury closed at 2.27%, down from 2.48% at the start of the year. Since yields peaked in November, the 2-year is down 71 bps and 10-year is down 83 bps. The yield curve flattened during the quarter, at one point in March, resulting in an inverted curve between the 3-month and 10-year, while a yield curve inversion has preceded the last seven recessions, there have been several false positives and the time from inversion to recession can vary and be significant. Lower rates for the quarter resulted in positive performance for investment grade bonds, with the Bloomberg Barclays US Aggregate index returning 2.9%, the second best quarter for the index since 2011. High yield credit spreads retraced much of the widening they experienced in the 4th quarter, resulting in a strong quarter for below investment grade bonds, up 7.2%. High yield bonds experienced inflows during all three months of the quarter as default rates remain low and interest coverage ratios are high. Conversely, floating rate bank loans have experienced six consecutive months of outflows, as the prospects of higher interest rates has diminished.

| Index | Yield | Duration | 1Q 19 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bloomberg Barclays Aggregate | 2.93 | 6.1 | 2.9 | 2.9 | 0.0 | 3.5 | 2.7 | 0.6 | 6.0 | 4.5 | 2.0 | 2.7 | 3.8 |
| Bloomberg Barclays Govt/Credit | 2.87 | 6.6 | 3.3 | 3.3 | -0.4 | 4.0 | 3.1 | 0.2 | 6.0 | 4.5 | 2.1 | 2.8 | 3.9 |
| Bloomberg Barclays Int Agg | 2.78 | 4.3 | 2.3 | 2.3 | 0.9 | 2.3 | 2.0 | 1.2 | 4.1 | 4.3 | 1.7 | 2.3 | 3.3 |
| Bloomberg Barclays Int Govt/Credit | 2.62 | 4.0 | 2.3 | 2.3 | 0.9 | 2.1 | 2.1 | 1.1 | 3.1 | 4.2 | 1.7 | 2.1 | 3.1 |
| Bloomberg Barclays HY Ba/B 2% IC | 5.58 | 3.8 | 7.2 | 7.2 | -1.9 | 6.9 | 14.1 | -2.7 | 3.5 | 6.4 | 7.5 | 4.6 | 10.0 |
| BofA ML HY Cash Pay BB 1-3 Yr. | 4.72 | 1.5 | 3.8 | 3.8 | 1.4 | 3.6 | 8.5 | 1.2 | 1.9 | 5.4 | 5.0 | 3.8 | 7.5 |
| Bloomberg Barclays Mortgage | 3.08 | 5.0 | 2.2 | 2.2 | 1.0 | 2.5 | 1.7 | 1.5 | 6.1 | 4.4 | 1.8 | 2.7 | 3.1 |
| Bloomberg Barclays Treasury | 2.37 | 6.2 | 2.1 | 2.1 | 0.9 | 2.3 | 1.0 | 0.8 | 5.1 | 4.2 | 1.0 | 2.2 | 2.4 |
| Bloomberg Barclays US TIPS | 2.60 | 7.5 | 3.2 | 3.2 | -1.3 | 3.0 | 4.7 | -1.4 | 3.6 | 2.7 | 1.7 | 1.9 | 3.4 |
| BofA ML 91 day T-Bills | 2.39 | 0.3 | 0.6 | 0.6 | 1.9 | 0.9 | 0.3 | 0.1 | 0.0 | 2.1 | 1.2 | 0.7 | 0.4 |




Source: Bloomberg Barclays

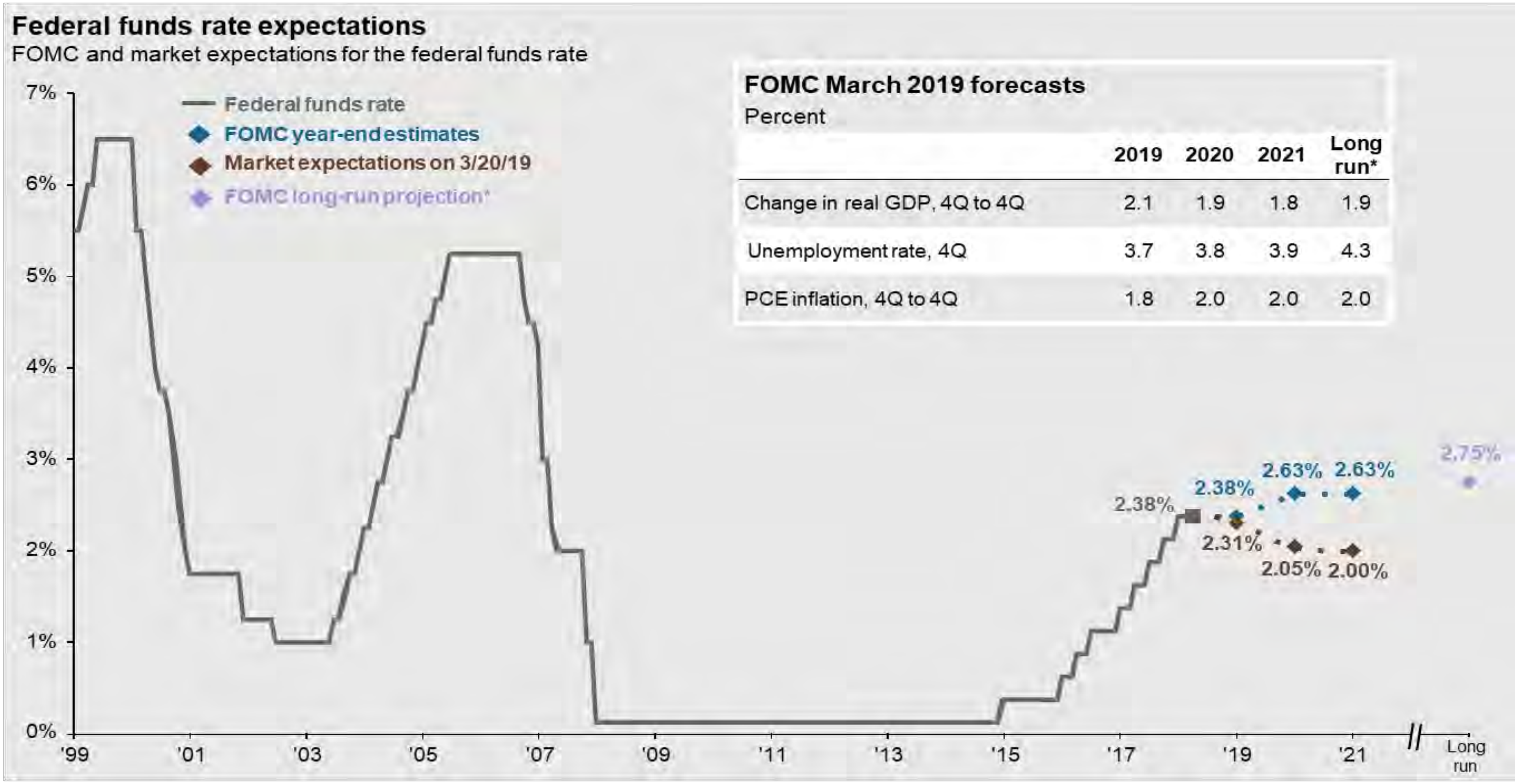
# U.S. Yield Curve





**Source:** Top Chart - Bloomberg Barclays. Bottom Chart - FactSet, Federal Reservse, J.P. Morgan Asset Management. Data are as of March 31, 2019.

# Fed Interest Rate Policy




| | 2019 | 2020 | 2021 | Long run* |
|---|---|---|---|---|
| Change in real GDP, 4Q to 4Q | 2.1 | 1.9 | 1.8 | 1.9 |
| Unemployment rate, 4Q | 3.7 | 3.8 | 3.9 | 4.3 |
| PCE inflation, 4Q to 4Q | 1.8 | 2.0 | 2.0 | 2.0 |

**Source:** Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Data are as of March 31, 2019.

# Interest Rate Sensitivity

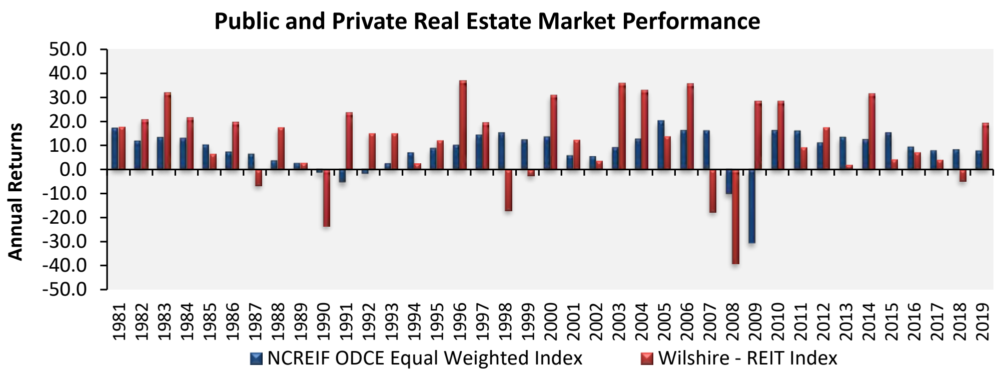
| 12 Month Holding Period - Annualized Returns as of 3/31/2019 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Yield Change (bps) | 10 Year Treasury | Bloomberg Barclays Aggregate US Aggregate | Bloomberg Barclays Int Govt/Credit US Int Govt/Credit | ML Gov/Corp Master | ML 1-3 yr Gov/Corp | Defensive ML US HY BB/B ND | Short Duration ML US HY BB/B 1-3 yr |
| -150 | 15.38 | 12.13 | 8.55 | 12.78 | 5.31 | 11.22 | 7.00 |
| -100 | 11.06 | 9.06 | 6.57 | 9.49 | 4.37 | 9.34 | 6.24 |
| -50 | 6.74 | 6.00 | 4.60 | 6.21 | 3.43 | 7.47 | 5.48 |
| -25 | 4.58 | 4.46 | 3.61 | 4.56 | 2.96 | 6.53 | 5.10 |
| 0 | 2.42 | 2.93 | 2.62 | 2.92 | 2.49 | 5.59 | 4.72 |
| 25 | 0.26 | 1.40 | 1.63 | 1.28 | 2.02 | 4.65 | 4.34 |
| 50 | -1.90 | -0.14 | 0.65 | -0.37 | 1.55 | 3.72 | 3.96 |
| 100 | -6.22 | -3.20 | -1.33 | -3.65 | 0.61 | 1.84 | 3.20 |
| 150 | -10.54 | -6.27 | -3.31 | -6.94 | -0.33 | -0.04 | 2.44 |
| 200 | -14.86 | -9.33 | -5.28 | -10.22 | -1.27 | -1.91 | 1.68 |
| 250 | -19.18 | -12.40 | -7.26 | -13.51 | -2.21 | -3.79 | 0.92 |
| 300 | -23.50 | -15.46 | -9.23 | -16.79 | -3.15 | -5.66 | 0.16 |
| 350 | -27.82 | -18.53 | -11.21 | -20.08 | -4.09 | -7.54 | -0.60 |
| 400 | -32.14 | -21.59 | -13.18 | -23.36 | -5.03 | -9.41 | -1.36 |
| 450 | -36.46 | -24.66 | -15.16 | -26.65 | -5.97 | -11.29 | -2.12 |
| 500 | -40.78 | -27.72 | -17.13 | -29.93 | -6.91 | -13.16 | -2.88 |
| Duration | 8.64 | 6.13 | 3.95 | 6.57 | 1.88 | 3.75 | 1.52 |

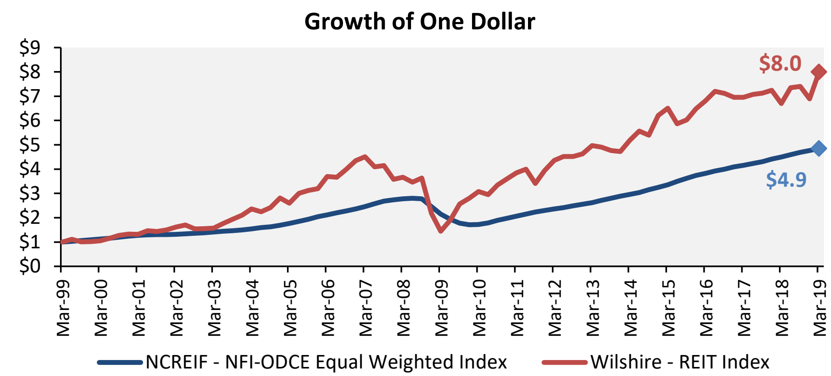
**FOR ILLUSTRATIVE PURPOSES ONLY:** For each index the current yield to worst as of 3/31/2019 was used as the base case annualized return. The annualized return sensitivity to a uniform increase or decrease in the yield curve was calculated by taking the index's Macaulay's (Modified) Duration to Worst as of 3/31/2019 multiplied by the percentage point change in the yield curve (basis point change divided by 100) and then appropriately adding or subtracting this implied percentage change in the value of the index (due to the shift in the yield curve) to the base case annualized return. This is a rough approximation of the annual return sensitivity to parallel shifts in the yield curve. **SOURCE:** PENN Capital Internal Research.

# Real Estate Market

The change in policy by the Federal Reserve increased the relative attractiveness of real estate. First, real estate has an attractive annual yield of 4.2% and, furthermore, one that grows over time as rents are raised. Second, a lower interest rate structure means the discount rate used to value real estate will stay lower and lead to better valuations. Third, lower interest rates are leading to better economic growth which leads to a firmer real estate market as demand remains solid. Real estate produced a return of 1.7% in the first quarter, consisting of income gains of 1.1% and appreciation of 0.6%. Real estate returns will now depend on income of 4-5% and income growth of 3-4% for the majority of total return. Income returns of approximately 4-5% and appreciation of 1-3% indicate a long-term expected total return of 5-8%. Unless interest rates rise substantially, the income component of real estate should continue to be appealing to investors, especially foreign investors, and keep valuations at high levels.

| Sector | Index | 1Q 19 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **US Private** | NCREIF ODCE Equal Weighted | 1.7 | 1.7 | 8.2 | 7.8 | 9.3 | 15.2 | 12.4 | 7.7 | 8.1 | 10.3 | 8.5 |
| **US Public** | Wilshire REIT | 16.0 | 16.0 | -4.8 | 4.2 | 7.2 | 4.2 | 31.8 | 19.3 | 5.5 | 9.0 | 18.7 |



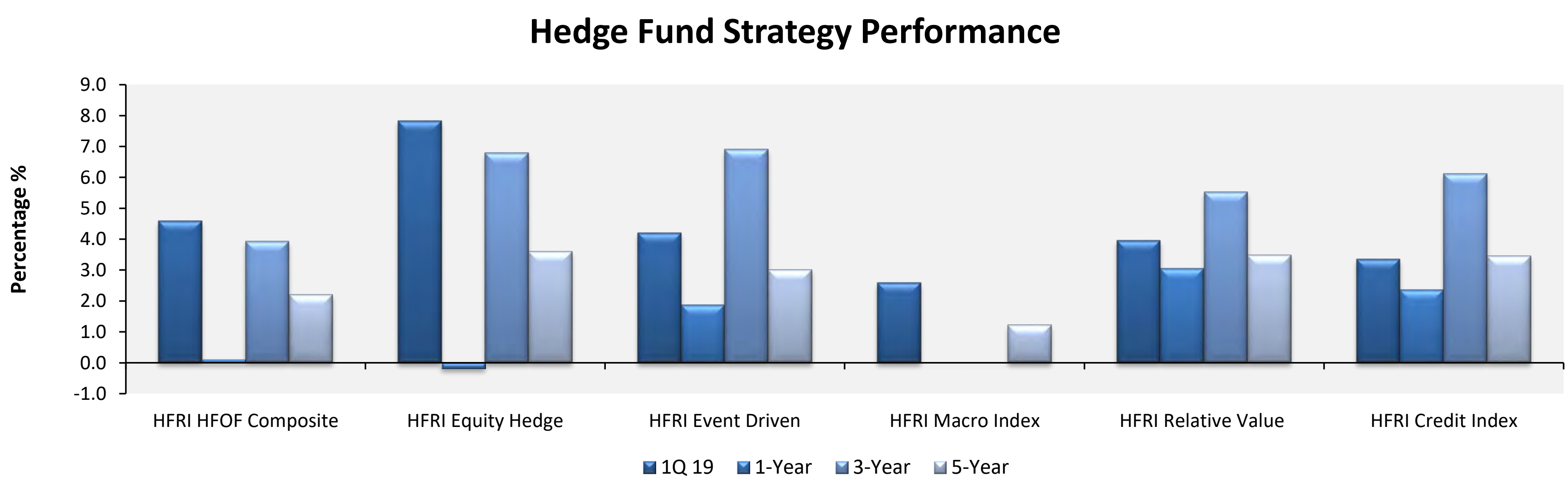

| | Total return (incl. income) 2019 | Total return (incl. income) 2020 | Total return (incl. income) 2021 | Total return (incl. income) 2019 to 2023 (per year) |
|---|---|---|---|---|
| **National, All Property Types (NPI)** | 6.1 | 4.6 | 4.0 | 5.1 |
| **Office** | 5.4 | 3.9 | 3.0 | 4.5 |
| **Retail** | 4.1 | 3.6 | 3.7 | 4.3 |
| **Industrial** | 9.4 | 6.5 | 5.2 | 6.5 |
| **Apartment** | 5.9 | 5.1 | 4.5 | 5.4 |

**Bottom chart:** Average of respondents' forecasts of the NCREIF Property Index (NPI) and sub-indices by property type. **Source:** Pension Real Estate Association Consensus Forecast Survey of the NCREIF Property Index Q1 2019.

# Hedge Fund of Funds Market

Hedge funds benefitted from the broad-based gains across asset classes in the first quarter, as the HFRI Fund of Funds Composite rose 4.59%. Hedged equity, which was the worst performing hedge fund strategy in the fourth quarter of 2018, has been the best performing strategy thus far in 2019 as equity markets have rallied globally. Individual HFOF manager performance was divergent during the quarter, and was primarily a function of how much long equity exposure managers were willing to maintain in what is now the second-longest economic expansion on record. Many managers have been cautious in an effort to limit equity risk. Event driven strategies were broadly positive during the quarter, as the HFRI Event Driven index rose 4.2%. Activist equity strategies led the way here, though credit-focused strategies were broadly positive on high yield spread tightening and more accommodative central bank policy. The HFRI Macro index rose just 2.5%, as results among sub-strategies were mixed: the continued decline in correlations between global stock markets has created opportunity for active equity traders to pick stocks both long and short; commodity prices were largely higher during the quarter, especially within energy and industrial metals; lackluster returns were seen among currency-focused managers, as the U.S. Dollar continues to strengthen, weakening returns outside the U.S.

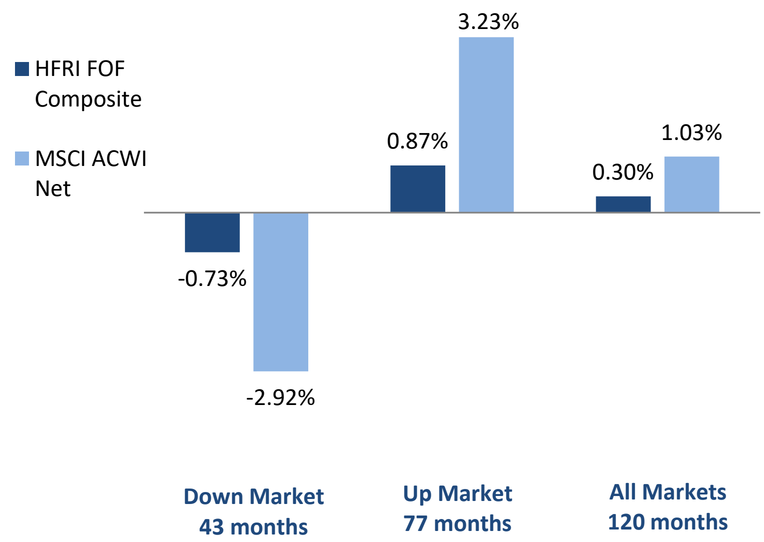
| Strategy | Index | 1Q 19 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund of Funds** | HFRI HFOF Composite | 4.6 | 4.6 | -4.0 | 7.8 | 0.5 | -0.3 | 3.4 | 0.1 | 3.9 | 2.2 | 3.5 |
| **Equity Long-Short** | HFRI Equity Hedge | 7.8 | 7.8 | -7.1 | 13.3 | 5.5 | -1.0 | 1.8 | -0.2 | 6.8 | 3.6 | 6.5 |
| **Event Driven** | HFRI Event Driven | 4.2 | 4.2 | -2.1 | 7.6 | 10.6 | -3.6 | 1.1 | 1.9 | 6.9 | 3.0 | 6.9 |
| **Global Macro** | HFRI Macro Index | 2.6 | 2.6 | -4.1 | 2.2 | 1.0 | -1.3 | 5.6 | 0.0 | 0.0 | 1.2 | 1.4 |
| **Relative Value** | HFRI Relative Value | 4.0 | 4.0 | -0.5 | 5.1 | 7.7 | -0.3 | 4.0 | 3.1 | 5.5 | 3.5 | 6.9 |
| **Credit** | HFRI Credit Index | 3.4 | 3.4 | -0.1 | 6.0 | 8.6 | -1.0 | 3.0 | 2.4 | 6.1 | 3.5 | 7.5 |



# Hedge Fund of Funds Market

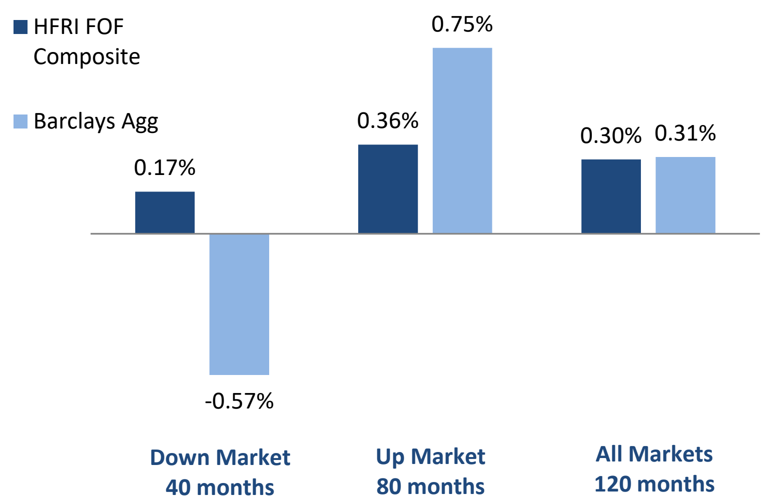
## Up/Down Capture vs. Equity

**Average Returns**
**March 2009 - March 2019**




## Up/Down Capture vs. Bonds

**Average Returns**
**March 2009 - March 2019**



# Warehouse Local #730 Welfare Fund

Master Consulting Services Report

Period Ended

March 31, 2019

## Total Plan Growth of Assets

### Summary of Cash Flows

| | First Quarter | One Year | Three Years | Five Years | Seven Years | Ten Years |
|---|---|---|---|---|---|---|
| Beginning Market Value | $8,546,539 | $6,969,047 | $8,926,275 | $14,975,382 | $19,403,645 | $17,674,271 |
| Net Cash Flow | $315,461 | $1,751,303 | -$582,015 | -$7,313,352 | -$13,168,074 | -$14,735,202 |
| Net Investment Change | $218,553 | $360,202 | $736,293 | $1,418,522 | $2,844,981 | $6,141,484 |
| Ending Market Value | $9,080,552 | $9,080,552 | $9,080,552 | $9,080,552 | $9,080,552 | $9,080,552 |

- The Fund's fiscal year end is December 31.

## Total Plan Performance (Gross of Fees)

| | Market Value | % of Portfolio | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|---|---|---|---|---|---|---|---|---|
| | | | Ending March 31, 2019 | | | | | |
| **Composite** | **$9,080,552** | **100.0%** | **2.5%** | **4.5%** | **3.3%** | **3.0%** | **3.4%** | **4.2%** |
| **Total Investment Grade Fixed Income** | **$3,957,460** | **43.6%** | **2.4%** | **4.5%** | **2.0%** | **2.4%** | **2.1%** | **2.8%** |
| *BBgBarc US Govt/Credit Int TR* | | | *2.3%* | *4.2%* | *1.7%* | *2.1%* | *2.0%* | *3.1%* |
| **Total Short Duration High Yield Fixed Income** | **$3,130,978** | **34.5%** | **3.7%** | **5.0%** | **4.7%** | **3.0%** | **--** | **--** |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | | | *3.8%* | *5.4%* | *5.0%* | *3.8%* | *4.6%* | *7.4%* |
| **Total Real Estate** | **$412,944** | **4.5%** | **1.7%** | **8.2%** | **7.7%** | **9.8%** | **10.4%** | **7.8%** |
| *NCREIF ODCE Equal Weighted Net* | | | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *9.9%* | *7.5%* |
| **Total Cash** | **$1,579,170** | **17.4%** | **0.5%** | **1.9%** | **0.9%** | **0.6%** | **0.4%** | **0.3%** |
| *91 Day T-Bills* | | | *0.6%* | *2.1%* | *1.2%* | *0.8%* | *0.6%* | *0.4%* |

| | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year Ends December 31 | | | | | | | | | | | |
| **Composite** | **2.5%** | **1.6%** | **3.5%** | **3.3%** | **1.8%** | **3.8%** | **3.7%** | **6.0%** | **5.0%** | **6.2%** | **2.4%** | **-2.7%** |
| *Benchmark* | *2.8%* | *1.5%* | *2.8%* | *5.0%* | *1.4%* | *4.3%* | *3.8%* | *6.4%* | *6.1%* | *7.7%* | *4.2%* | *-5.1%* |

## Current vs. Policy
### As of March 31, 2019

| | Current | Current | Policy | Policy Range | Difference | Difference |
|---|---|---|---|---|---|---|
| Investment Grade Fixed Income | $3,957,460 | 43.6% | 50.0% | 40.0% - 55.0% | -6.4% | -$582,816 |
| Short Duration High Yield Fixed Income | $3,130,978 | 34.5% | 40.0% | 30.0% - 45.0% | -5.5% | -$501,243 |
| Real Estate | $412,944 | 4.5% | 5.0% | 0.0% - 10.0% | -0.5% | -$41,083 |
| Cash | $1,579,170 | 17.4% | 5.0% | 0.0% - 20.0% | 12.4% | $1,125,143 |
| **Total** | **$9,080,552** | **100.0%** | **100.0%** | | | |

- Policy effective January 1, 2019.

# Asset Allocation

- Asset allocation reviews were presented to the Board of Trustees at the December 5, 2007, April 1, 2009, March 11, 2010, May 2, 2013, March 14, 2014, March 19, 2015, January 15, 2016, March 27, 2017, September 29, 2017, March 5, 2018 meetings and March 27, 2019 meetings.

- An asset allocation was presented at the March 5, 2018 meeting. As of January 31, 2018 the Fund's cash allocation was 3.2% above Policy. It was recommended to allocate $100K each to Wedge and Chartwell. Decision: Agreed. Transfers occurred on March 14, 2018.

- At the September 14, 2018 meeting, based on the Fund's cash allocation as of July 31, 2018 and cash flow expectations, IPS recommended rebalancing $350K from cash - $200K to fixed income (Wedge) and $150K to SDHY (Chartwell). Decision: Agreed. Transfers occurred on September 24, 2018.

- At the December 20, 2018 meeting, the Trustees decided not to rebalance assets at this time, but to amend the AA Policy ranges to allow for more cash. The Trustees decided to adopt Policy Ranges: 40-55% intermediate fixed income, 30-45% SDHY, 0-10% real estate, and 0-20% cash.

- An asset allocation review was presented at the March 27, 2019 meeting. It was noted the cash allocation was 13% above Policy. Based on input from the Fund that cash was not needed in the near term for benefits, the Trustees agreed with the recommendation to rebalance assets as follows: $600K to investment grade fixed income (Wedge), $500K to SDHY (Chartwell) and commit an additional $400K to real estate (ARA). Due to higher than expected medical claims, new recommendation is as follows: rebalance $300K to investment grade fixed income (Wedge), $250K to SDHY (Chartwell), and still commit $400K to ARA. Rebalancing to investment grade and SDHY occurred on May 8, 2019.

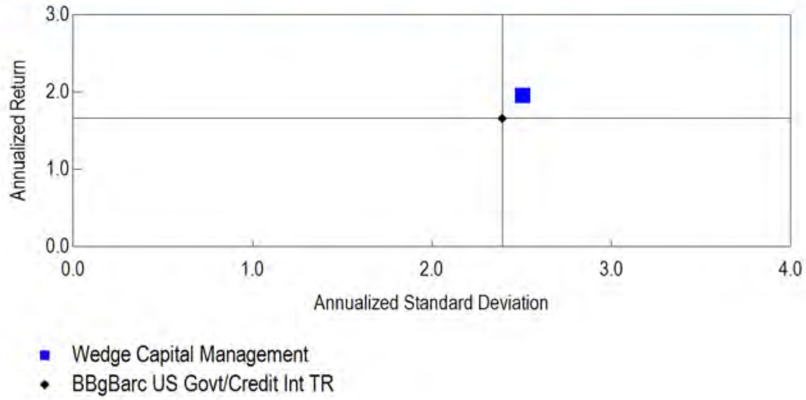
**Recommendation: None.**

| Account Information | |
|---|---|
| Account Name | **Wedge Capital Management** |
| Account Structure | **Separate Account** |
| Investment Style | **Active** |
| Inception Date | **12/31/14** |
| Account Type | **Fixed** |
| Benchmark | **BBgBarc US Govt/Credit Int TR** |
| Universe | **eV US Interm Duration Fixed Inc Gross** |

## Wedge Capital Management
Ending March 31, 2019

| | First Quarter | Inception 12/31/14 |
|---|---|---|
| Beginning Market Value | $3,863,301 | $0 |
| Net Cash Flow | $0 | $3,539,590 |
| Net Investment Change | $94,159 | $417,870 |
| Ending Market Value | $3,957,460 | $3,957,460 |

Annualized Return vs. Annualized Standard Deviation
3 Years Ending March 31, 2019




### 3 Years Ending March 31, 2019

| | Anlzd Return | Anlzd Standard Deviation | Up Mkt Capture Ratio | Down Mkt Capture Ratio |
|---|---|---|---|---|
| Wedge Capital Management | 2.0% | 2.5% | 109.6% | 96.4% |
| BBgBarc US Govt/Credit Int TR | 1.7% | 2.4% | 100.0% | 100.0% |

### Gross of Fees

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 | Inception | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Wedge Capital Management | 2.4% | 4.5% | 2.0% | -- | 1.1% | 2.6% | 2.2% | 1.5% | -- | 2.3% | Dec-14 |
| *BBgBarc US Govt/Credit Int TR* | *2.3%* | *4.2%* | *1.7%* | *--* | *0.9%* | *2.1%* | *2.1%* | *1.1%* | *--* | *2.0%* | *Dec-14* |

### Net of Fees

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Wedge Capital Management | 2.4% | 4.2% | 1.7% | -- | 0.9% | 2.3% | 2.0% | 1.3% | -- |
| *BBgBarc US Govt/Credit Int TR* | *2.3%* | *4.2%* | *1.7%* | *--* | *0.9%* | *2.1%* | *2.1%* | *1.1%* | *--* |

# Warehouse Employees Local #730 Welfare Fund - Wedge Capital Management

## Correspondence/Transfer Summary

- On December 1, 2014, manager was funded with $6.8M from the termination of Atlanta Capital.
- On October 5, 2017, manager received $385K from American Realty proceeds to rebalance closer to Policy.
- On March 14, 2018, manager received $100K from the cash  account to rebalance closer to Policy.
- On June 14, 2018, manager received $100K from the cash  account to rebalance closer to Policy.
- On September 24, 2018, manager received $200K from the cash  account to rebalance closer to Policy.

## Manager Summary

- IPS conducted due diligence meetings with Wedge Capital on August 11, 2017 (on-site) and January 14, 2019.

**Recommendation:  None.**

## Compliance Summary

**Exceptions:  None.**

**Action to be taken:  None.**

**Items of Interest:  Ownership Changes -** Manager stated Jason Boles, John Carr, Chris Lewis, Mike Ritzer, Brian Whisnant, and Li Zhang were admitted to the partnership effective January 1, 2019.  **Form ADV -** Manager stated that a routine annual amendment was performed in March 2019.

## Account Information

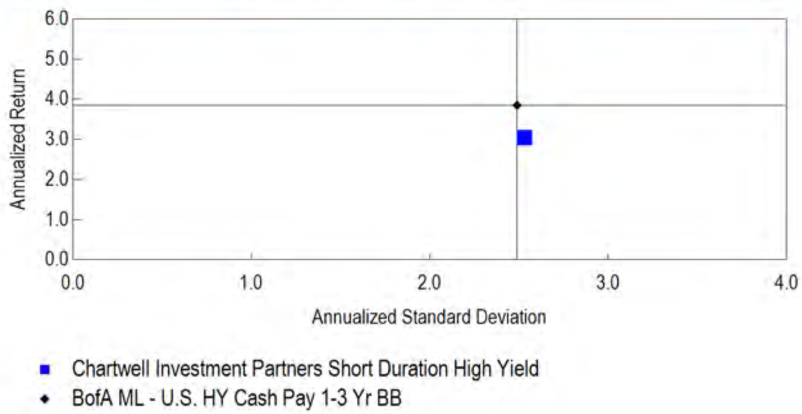
| | |
|---|---|
| Account Name | Chartwell Investment Partners Short Duration High Yield |
| Account Structure | Separate Account |
| Investment Style | Active |
| Inception Date | 8/31/13 |
| Account Type | US Fixed Income High Yield |
| Benchmark | BofA ML - U.S. HY Cash Pay 1-3 Yr BB |
| Universe | |

## Chartwell Investment Partners Short Duration High Yield

Ending March 31, 2019

| | First Quarter | Inception 8/31/13 |
|---|---|---|
| Beginning Market Value | $3,019,963 | $0 |
| Net Cash Flow | $0 | $2,594,500 |
| Net Investment Change | $111,015 | $536,478 |
| Ending Market Value | $3,130,978 | $3,130,978 |

### Annualized Return vs. Annualized Standard Deviation
### 5 Years Ending March 31, 2019




### 3 Years Ending March 31, 2019

| | Anlzd Return | Anlzd Standard Deviation | Up Mkt Capture Ratio | Down Mkt Capture Ratio |
|---|---|---|---|---|
| Chartwell Investment Partners Short Duration High Yield | 4.7% | 2.4% | 93.6% | 79.6% |
| BofA ML - U.S. HY Cash Pay 1-3 Yr BB | 5.0% | 2.6% | 100.0% | 100.0% |

### 5 Years Ending March 31, 2019

| | Anlzd Return | Anlzd Standard Deviation | Up Mkt Capture Ratio | Down Mkt Capture Ratio |
|---|---|---|---|---|
| Chartwell Investment Partners Short Duration High Yield | 3.0% | 2.5% | 82.0% | 109.1% |
| BofA ML - U.S. HY Cash Pay 1-3 Yr BB | 3.8% | 2.5% | 100.0% | 100.0% |

### Gross of Fees

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 | Inception | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners Short Duration High Yield | 3.7% | 5.0% | 4.7% | 3.0% | 1.2% | 3.9% | 6.7% | -0.8% | 1.6% | 3.4% | Aug-13 |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | *3.8%* | *5.4%* | *5.0%* | *3.8%* | *1.4%* | *3.6%* | *8.5%* | *1.2%* | *1.9%* | *4.1%* | *Aug-13* |
| *BBgBarc 1-3 Yr BB U.S. Constrained Index* | *3.6%* | *5.7%* | *5.1%* | *3.9%* | *1.9%* | *3.9%* | *8.8%* | *1.1%* | *1.5%* | *4.1%* | *Aug-13* |

### Net of Fees

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners Short Duration High Yield | 3.5% | 4.5% | 4.2% | 2.5% | 0.7% | 3.3% | 6.2% | -1.3% | 1.1% |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | *3.8%* | *5.4%* | *5.0%* | *3.8%* | *1.4%* | *3.6%* | *8.5%* | *1.2%* | *1.9%* |
| *BBgBarc 1-3 Yr BB U.S. Constrained Index* | *3.6%* | *5.7%* | *5.1%* | *3.9%* | *1.9%* | *3.9%* | *8.8%* | *1.1%* | *1.5%* |

# Warehouse Employees Local #730 Welfare Fund - Chartwell Investment Partners Short Duration High Yield

## Correspondence/Transfer Summary

- On August 15, 2013, manager was funded with $3.2M from fixed income (Atlanta Capital).
- On October 5, 2017, $50K was received from real estate proceeds (American Realty) to rebalance closer to Policy.
- On March 14, 2018, manager received $100K from the cash account to rebalance closer to Policy.
- On June 14, 2018, manager received $100K from the cash account to rebalance closer to Policy.
- On September 24, 2018, manager received $15K from the cash account to rebalance closer to Policy.

## Manager Summary

- IPS conducted due diligence meetings with Chartwell on March 22, 2017, October 8, 2018 (on-site) and January 7, 2019.
- On January 25, 2018, Chartwell announced their planned acquisition of the public equity and fixed income businesses of Columbia Partners, an investment management firm based in Chevy Chase, MD. While a consent to assignment was required on the part of Columbia Partners' clients, no action is required on the part of Chartwell clients. The transaction closed on April 9, 2018.

**Recommendation: None.**

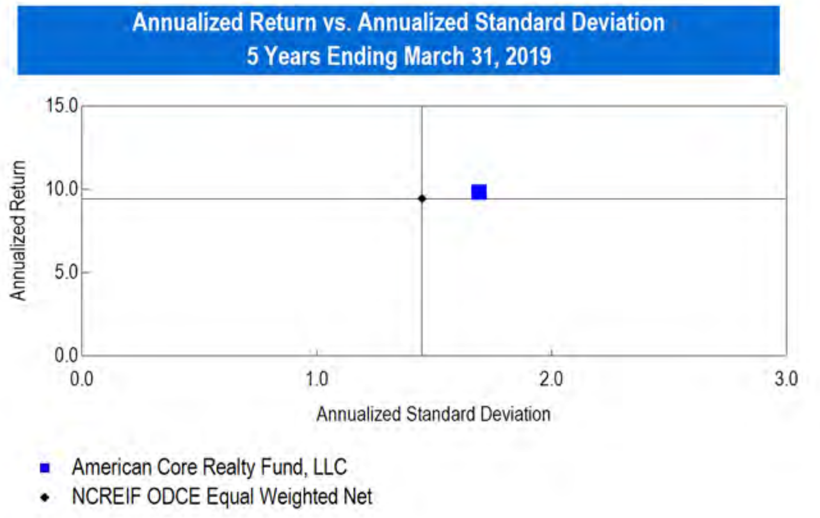
## Compliance Summary

**Exceptions: None.**

**Action to be taken: None.**

**Items of Interest: Personnel Changes –** During 1Q 2019, the following people left the firm to pursue other career opportunities: Kevin Shea, Small/Mid Cap Growth Portfolio Analyst, Mark Goodman, Small/Mid Value Portfolio Analyst, Mark long, Large Cap Growth Portfolio Analyst, George Cipolloni, Berwyn Income Fund, Senior Portfolio Manager and Mark Saylor, Berwyn Income Fund, Senior Portfolio Manager. During 1Q 2019, Jared Marks, CFA, and Thomas Mattsson, CFA, joined the firms Mid Cap Value, Small Cap Value, and SMid Value Equity strategies team as research analysts.

| Account Information | |
|---|---|
| Account Name | American Core Realty Fund, LLC |
| Account Structure | Commingled Fund |
| Investment Style | Active |
| Inception Date | 7/01/08 |
| Account Type | Real Estate |
| Benchmark | NCREIF ODCE Equal Weighted Net |
| Universe | |




## American Core Realty Fund, LLC
Ending March 31, 2019

| | First Quarter | Inception 7/1/08 |
|---|---|---|
| Beginning Market Value | $407,012 | $2,000,000 |
| Net Cash Flow | $0 | -$1,623,507 |
| Net Investment Change | $5,933 | $36,451 |
| Ending Market Value | $412,944 | $412,944 |

### 3 Years Ending March 31, 2019

| | Anlzd Return | Anlzd Standard Deviation | Up Mkt Capture Ratio | Down Mkt Capture Ratio |
|---|---|---|---|---|
| American Core Realty Fund, LLC | 7.7% | 0.7% | 105.9% | -- |
| NCREIF ODCE Equal Weighted Net | 7.3% | 0.4% | 100.0% | -- |

### 5 Years Ending March 31, 2019

| | Anlzd Return | Anlzd Standard Deviation | Up Mkt Capture Ratio | Down Mkt Capture Ratio |
|---|---|---|---|---|
| American Core Realty Fund, LLC | 9.8% | 1.7% | 105.1% | -- |
| NCREIF ODCE Equal Weighted Net | 9.4% | 1.4% | 100.0% | -- |

### Gross of Fees

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 | Inception | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American Core Realty Fund, LLC | 1.7% | 8.2% | 7.7% | 9.8% | 8.7% | 8.1% | 7.1% | 15.4% | 11.6% | 5.0% | Jul-08 |
| *NCREIF ODCE Equal Weighted Net* | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *7.3%* | *6.9%* | *8.3%* | *14.2%* | *11.4%* | *4.3%* | *Jul-08* |

### Net of Fees

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| American Core Realty Fund, LLC | 1.5% | 7.0% | 6.5% | 8.6% | 7.5% | 6.9% | 5.9% | 14.1% | 10.4% |
| *NCREIF ODCE Equal Weighted Net* | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *7.3%* | *6.9%* | *8.3%* | *14.2%* | *11.4%* |

# Warehouse Employees Local #730 Welfare Fund - American Core Realty Fund

## Correspondence/Transfer Summary

- Income is reinvested.
- On April 1, 2014, $300K was transferred to fixed income (Atlanta Capital) for rebalancing.
- At the June 19, 2015 meeting, the Trustees elected to redeem $350K from real estate (ARA) for cash needs and to rebalance allocations closer to Policy. Proceeds were received on September 30, 2015.
- To rebalance closer to Policy, a redemption request for $435K was submitted to real estate (American Realty Advisors) and was effective September 30, 2017.

## Manager Summary

- IPS conducted due diligence meetings with American Realty Advisors on June 21, 2017 (on-site) and June 4, 2018.

**Recommendation: None.**

## Compliance Summary

**Manager verified that the portfolio is currently, and has been during the past quarter, in compliance with the firm's commingled investment vehicle investment guidelines and/or offering document governing the management of the investment. With respect to the portfolio(s) under management, manager acknowledges sole fiduciary responsibility under ERISA for adherence with the commingled investment vehicle and /or offering document guidelines.**

**Items of Interest: None.**

| Account Information | |
|---|---|
| Account Name | **PNC Cash Account** |
| Account Structure | **Separate Account** |
| Investment Style | **Active** |
| Inception Date | **1/01/98** |
| Account Type | **Cash** |
| Benchmark | **91 Day T-Bills** |
| Universe | |

## PNC Cash Account
Ending March 31, 2019

| | **First Quarter** | **Inception 1/1/98** |
|---|---|---|
| Beginning Market Value | $1,256,263 | $1,375,630 |
| Net Cash Flow | $315,461 | $7,827 |
| Net Investment Change | $7,447 | $195,714 |
| Ending Market Value | $1,579,170 | $1,579,170 |

**Gross of Fees**

| | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 2018 | 2017 | 2016 | 2015 | 2014 | Inception | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| PNC Cash Account | 0.5% | 1.9% | 0.9% | 0.6% | 1.5% | 0.6% | 0.1% | 0.0% | 0.0% | 1.9% | Jan-98 |
| *91 Day T-Bills* | *0.6%* | *2.1%* | *1.2%* | *0.8%* | *1.9%* | *0.9%* | *0.3%* | *0.0%* | *0.0%* | *1.9%* | *Jan-98* |

## Compliance Summary

Cash and money market accounts are not monitored for compliance by IPS.

## Commission Recapture Provider

- Cowen and Company, LLC.
- On April 3, 2017, Cowen Group announced the signing of a definitive agreement to acquire ConvergEx Group. IPS contacted John Seyler at ConvergEx to discuss the transaction. Per ConvergEx, there will be no impact to existing ConvergEx clients and a consent to assignment is not required. The transaction closed on June 1, 2017. Following the acquisition, the name changed to Cowen Execution Services, LLC.
- Your Fund's commission recapture provider, ConvergEx Group, was recently purchased by Cowen, Inc. As a result of the this transaction, CovergEx's Plan Sponsor Division, renamed Cowen Execution Services, LLC, will be moved into Cowen and Company, LLC. You may have received correspondence from Cowen regarding "assignment" of your current agreement with Cowen Execution Services to Cowen and Company . IPS has been in contact with Cowen and recommends that you agree to the assignment. The notice sent by Cowen is structured as a negative consent; therefore, agreeing to the assignment requires no action.
- IPS evaluated the benefits of ongoing participation in a commission recapture program and suggests Funds continue to participate in them. To potentially enhance the manager's utilization of your commission recapture program, IPS will work with your Fund Administrator to send reminder letters to investment managers in early 2019.

## Custody Bank

- The current custodian is PNC Bank.

## Investment Policy Statement

- The current investment policy statement was adopted and signed on June 8, 2018.

## Commingled Funds

- Commingled Fund: Due to the commingled fund structure, IPS does not monitor the holdings within the commingled fund for compliance with the client's investment policy statement. The commingled fund is governed by its own investment policy. However, all investment managers have verified that the portfolio and individual holdings are currently, and have been during the past quarter, in compliance with the firm's commingled investment vehicle guidelines and/or offering document governing the management of the investment.

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# Warehouse Local #730 Welfare Fund

# Appendix

## Performance Summary (Gross of Fees) - Annualized

| | | | Ending March 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Market Value | % of Portfolio | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs | Inception | Inception Date |
| **Composite** | **$9,080,552** | **100.0%** | **2.5%** | **4.5%** | **3.3%** | **3.0%** | **3.4%** | **4.2%** | **4.4%** | **Jan-98** |
| **Total Investment Grade Fixed Income** | **$3,957,460** | **43.6%** | **2.4%** | **4.5%** | **2.0%** | **2.4%** | **2.1%** | **2.8%** | **4.3%** | **Jan-98** |
| *BBgBarc US Govt/Credit Int TR* | | | *2.3%* | *4.2%* | *1.7%* | *2.1%* | *2.0%* | *3.1%* | *4.4%* | *Jan-98* |
| Wedge Capital Management | $3,957,460 | 43.6% | 2.4% | 4.5% | 2.0% | -- | -- | -- | 2.3% | Dec-14 |
| *BBgBarc US Govt/Credit Int TR* | | | *2.3%* | *4.2%* | *1.7%* | *--* | *--* | *--* | *2.0%* | *Dec-14* |
| **Total Short Duration High Yield Fixed Income** | **$3,130,978** | **34.5%** | **3.7%** | **5.0%** | **4.7%** | **3.0%** | **--** | **--** | **3.4%** | **Aug-13** |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | | | *3.8%* | *5.4%* | *5.0%* | *3.8%* | *--* | *--* | *4.1%* | *Aug-13* |
| Chartwell Investment Partners Short Duration High Yield | $3,130,978 | 34.5% | 3.7% | 5.0% | 4.7% | 3.0% | -- | -- | 3.4% | Aug-13 |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | | | *3.8%* | *5.4%* | *5.0%* | *3.8%* | *--* | *--* | *4.1%* | *Aug-13* |
| *BBgBarc 1-3 Yr BB U.S. Constrained Index* | | | *3.6%* | *5.7%* | *5.1%* | *3.9%* | *--* | *--* | *4.1%* | *Aug-13* |
| **Total Real Estate** | **$412,944** | **4.5%** | **1.7%** | **8.2%** | **7.7%** | **9.8%** | **10.4%** | **7.8%** | **5.0%** | **Jul-08** |
| *NCREIF ODCE Equal Weighted Net* | | | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *9.9%* | *7.5%* | *4.3%* | *Jul-08* |
| American Core Realty Fund, LLC | $412,944 | 4.5% | 1.7% | 8.2% | 7.7% | 9.8% | 10.4% | 7.8% | 5.0% | Jul-08 |
| *NCREIF ODCE Equal Weighted Net* | | | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *9.9%* | *7.5%* | *4.3%* | *Jul-08* |
| **Total Cash** | **$1,579,170** | **17.4%** | **0.5%** | **1.9%** | **0.9%** | **0.6%** | **0.4%** | **0.3%** | **1.9%** | **Jan-98** |
| *91 Day T-Bills* | | | *0.6%* | *2.1%* | *1.2%* | *0.8%* | *0.6%* | *0.4%* | *1.9%* | *Jan-98* |
| PNC Cash Account | $1,579,170 | 17.4% | 0.5% | 1.9% | 0.9% | 0.6% | 0.4% | 0.3% | 1.9% | Jan-98 |
| *91 Day T-Bills* | | | *0.6%* | *2.1%* | *1.2%* | *0.8%* | *0.6%* | *0.4%* | *1.9%* | *Jan-98* |

## Performance Summary (Net of Fees) - Annualized

| | | | Ending March 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|
| | Market Value | % of Portfolio | 2019 Q1 | 1 Yr | 3 Yrs | 5 Yrs | 7 Yrs |
| **Composite** | **$9,080,552** | **100.0%** | **2.5%** | **4.1%** | **2.9%** | **2.7%** | **3.1%** |
| **Total Investment Grade Fixed Income** | **$3,957,460** | **43.6%** | **2.4%** | **4.2%** | **1.7%** | **2.1%** | **1.9%** |
| *BBgBarc US Govt/Credit Int TR* | | | *2.3%* | *4.2%* | *1.7%* | *2.1%* | *2.0%* |
| Wedge Capital Management | $3,957,460 | 43.6% | 2.4% | 4.2% | 1.7% | -- | -- |
| *BBgBarc US Govt/Credit Int TR* | | | *2.3%* | *4.2%* | *1.7%* | -- | -- |
| **Total Short Duration High Yield Fixed Income** | **$3,130,978** | **34.5%** | **3.5%** | **4.5%** | **4.2%** | **2.5%** | **--** |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | | | *3.8%* | *5.4%* | *5.0%* | *3.8%* | -- |
| Chartwell Investment Partners Short Duration High Yield | $3,130,978 | 34.5% | 3.5% | 4.5% | 4.2% | 2.5% | -- |
| *BofA ML - U.S. HY Cash Pay 1-3 Yr BB* | | | *3.8%* | *5.4%* | *5.0%* | *3.8%* | -- |
| *BBgBarc 1-3 Yr BB U.S. Constrained Index* | | | *3.6%* | *5.7%* | *5.1%* | *3.9%* | -- |
| **Total Real Estate** | **$412,944** | **4.5%** | **1.5%** | **7.0%** | **6.5%** | **8.6%** | **9.2%** |
| *NCREIF ODCE Equal Weighted Net* | | | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *9.9%* |
| American Core Realty Fund, LLC | $412,944 | 4.5% | 1.5% | 7.0% | 6.5% | 8.6% | 9.2% |
| *NCREIF ODCE Equal Weighted Net* | | | *1.5%* | *6.8%* | *7.3%* | *9.4%* | *9.9%* |
| **Total Cash** | **$1,579,170** | **17.4%** | **0.5%** | **1.9%** | **0.9%** | **0.6%** | **0.4%** |
| *91 Day T-Bills* | | | *0.6%* | *2.1%* | *1.2%* | *0.8%* | *0.6%* |
| PNC Cash Account | $1,579,170 | 17.4% | 0.5% | 1.9% | 0.9% | 0.6% | 0.4% |
| *91 Day T-Bills* | | | *0.6%* | *2.1%* | *1.2%* | *0.8%* | *0.6%* |

## Benchmark History
## As of March 31, 2019

| Composite | | |
|---|---|---|
| 10/1/2017 | Present | BBgBarc US Govt/Credit Int TR 50% / BofA ML - U.S. HY Cash Pay 1-3 Yr BB 40% / NCREIF ODCE Equal Weighted Net 5% / 91 Day T-Bills 5% |
| 4/1/2016 | 9/30/2017 | BBgBarc US Govt/Credit Int TR 45% / BofA ML - U.S. HY Cash Pay 1-3 Yr BB 40% / NCREIF ODCE Equal Weighted Net 5% / 91 Day T-Bills 10% |
| 9/1/2013 | 3/31/2016 | S&P 500 10% / BBgBarc US Govt/Credit Int TR 55% / Citi BB/B Ex Split B/CCC Index 10% / BofA ML - U.S. HY Cash Pay 1-3 Yr BB 20% / NCREIF ODCE Equal Weighted Net 5% |
| 7/1/2010 | 8/31/2013 | S&P 500 10% / BBgBarc US Govt/Credit Int TR 75% / NCREIF ODCE Equal Weighted Net 5% / Citi BB/B Ex Split B/CCC Index 10% |
| 7/1/2008 | 6/30/2010 | S&P 500 15% / BBgBarc US Govt/Credit Int TR 75% / NCREIF ODCE Equal Weighted Net 10% |
| 7/1/2006 | 6/30/2008 | S&P 500 25% / BBgBarc US Govt/Credit Int TR 75% |
| 7/1/2004 | 6/30/2006 | S&P 500 25% / FTSE Treasury 1-3 Yrs TR 37.5% / BBgBarc US Govt/Credit Int TR 37.5% |
| 1/1/2004 | 6/30/2004 | S&P 500 20% / FTSE Treasury 1-3 Yrs TR 40% / BBgBarc US Govt/Credit Int TR 40% |
| 4/1/2001 | 12/31/2003 | S&P 500 10% / FTSE Treasury 1-3 Yrs TR 45% / BBgBarc US Govt/Credit Int TR 45% |
| 1/1/1998 | 3/31/2001 | S&P 500 10% / FTSE Treasury 1-3 Yrs TR 90% |

## Warehouse Local #730 Welfare Fund

## Footnotes

- The following composite returns prior to 1st quarter 2010 do not include cash in the calculation of returns.
    - Total Domestic Equity
    - Total Domestic Fixed Investment Grade
    - Total Real Estate
- The Net of Fees returns in this report are estimated.  Fees do not include:  the investment consulting fee paid to IPS, investment manager incentive fees, custodian fees, or other administrative costs.
- Net of fee calculations began 1st quarter 2008 and cannot be calculated for prior time periods.
- Values, flows and returns for all commingled funds, mutual funds, partnerships, and all other alternative assets are provided by the firm managing the assets and cannot be independently verified by IPS.
- Separately managed account returns are calculated by IPS using custodian data.

## Index Disclosure

- Barclays Int Govt/Credit – Index listed for illustration purposes.
- Barclays 1-3 Yr BB U.S. Constrained Index – Index listed for illustration purposes.
- NCREIF ODCE Equal Weighted Net Index - During 4th Quarter 2018 the real estate benchmark changed from the NCREIF ODCE Equal Weighted Index to NCREIF ODCE Equal Weighted Net Index for all historical time periods since inception.

# ERISA Pension Investment Conference

**April 24 – 27, 2018**

- The following investment managers and providers attended and helped to defray the cost of IPS' annual ERISA Pension Investment Conference ("EPIC"). EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider who may pay to attend EPIC.

Aberdeen Asset Management
Amalgamated Bank of Chicago
American Realty Advisors
ASB Capital Management
Atlanta Capital Management
BlackRock
Boyd Watterson
Brown Advisory
Chartwell Investment Partners
Christenson Investment Partners
Corbin Capital Partners
Corry Capital Advisors
Earnest Partners
Eaton Vance Management
EnTrustPermal
First Eagle Investment Mgmt.
Foundry Partners
Fred Alger Management
GAMCO Asset Management
GCM Grosvenor

Glouston Capital Partners
GoldenTree Asset Management
Great Lakes Advisors
Hach Rose Schirripa & Cheverie
Hamilton Lane Advisors
Hardman Johnston Global Advisors
HPS Investment Partners
Intercontinental Real Estate Corp.
Invesco Advisers, Inc.
Janus Henderson Investors
JP Morgan Asset Management
Kearney Capital LLC
Lord Abbett & Co.
LSV Asset Management
MacKay Shields
McMorgan & Company
MEPT/Bentall Kennedy
National Investment Services
Neuberger Berman
Patriot Financial Partners

PENN Capital Management
PNC Capital Advisors
Post Advisory Group
Principal Global Investors
Quantitative Management Associates
Rothschild Asset Management
Ryan Labs Asset Management
Schroders Investment Management
Segall Bryant & Hamill
Sierra Investment Partners
Smith Graham & Co.
The Boston Company
BNY Mellon Asset Management
Ullico Investment Company
Vista Underwriting Partners
Victory Capital Management
Washington Capital Management
WEDGE Capital Management
Wellington Management Company
Westfield Capital Management
William Blair & Company

# Glossary of Investment Terminology

| | |
|---|---|
| Total Return | The annual return on an investment including appreciation, depreciation and income (interest, dividends, net operating income). |
| Alpha | The excess return (positive or negative) generated by active portfolio management and security selection, relative to a benchmark. |
| Beta | A historical measure of an investment's volatility relative to the market. The beta of the market is 1.0 (as represented by a benchmark such as the S&P 500 Index). A beta of greater than 1.0 indicates an investment with greater volatility than the benchmark. A beta of less than 1.0 indicates less volatility than the benchmark. |
| Standard Deviation | Standard deviation is a statistical measurement of the dispersion of a set of data from its mean. The more spread apart the data are, the greater the standard deviation. |
| Risk | For an investment portfolio, risk is typically defined as the volatility of the returns, as measured by calculating the standard deviation. The risk does not necessarily indicate the risk of loss, but does indicate the risk of inconsistent returns. |
| Capture Ratio | Calculates how well a manager performs in a rising or falling market as a percentage of a benchmark. In a rising market, a percentage of 100 or better is preferred, and indicates the manager exceeded the benchmark (upside capture ratio). In a falling market, a percentage of less than 100 is preferred, indicating that the manager lost less than the benchmark (downside capture ratio). |
| Correlation | A statistical measure of how two asset classes perform in relation to each other. Asset classes with a correlation of 1.0 have perfect positive correlation (exactly the same). Assets with perfect negative correlation of -1.0 will perform equally but in opposite directions. |
| Efficient Frontier | A series of portfolios with the maximum expected return for any level of risk, which is calculated based on assumptions of risk, return and correlation. These portfolios are shown graphically on a risk and return chart, and represent the most efficient tradeoff between risk and return. |
| Market Cap | The dollar value of a corporation, which is calculated by multiplying the share price and the number of outstanding shares. |
| Large Cap | Stocks which typically have a market capitalization of $10 billion or higher. |
| Mid Cap | Stocks which typically have a market capitalization of $2 to $10 billion. |
| Small Cap | Stocks which typically have a market capitalization of $2 billion or less. |
| Geometric Calculation | Geometric Calculations are used when determining an annualized investment return and tends to dampen the effect of very high or very low values. The result is a number that is smaller than (or equal to) the arithmetic average of the values. |
| Compound Annual Returns | Compound annual returns show the annual investment return, assuming the investment grew at a constant rate, and reflects the impact of the time in the calculation of an investment return. |
| Return/Risk Ratio | The return/risk ratio is the expected return of an investment divided by the expected standard deviation (risk). When comparing return/risk ratios a higher value is presumed to be better than a lower value |