## Industry and Local #338 Pension Plan

# Quarterly Investment Review

Presented by: Patrick Blizzard, Client Portfolio Manager

SEI New ways. New answers.®

April 6, 2018

# Agenda

- Capital Markets Review & Economic Outlook
- Pension Plan Assets and Metrics
- Appendix

# Executive summary: February 28, 2018

**Summary**

- YTD return was 0.6% vs. 0.6%. One year return was 12.0% vs. 11.2%. FYTD return was 8.2% vs. 7.8%.
- Asset balance as of 2/28/2018 : $92,389,545

**Market Outlook**

- Global equity valuations may move higher given strong fundamentals.
- Synchronized global expansion should persist as global growth accelerates in 2018.
    - All 45 OECD countries experienced positive growth in 2017, marking the first time in 20 years.
- Global inflation will likely linger below central bank targets in most countries around the world.
- We expect global monetary policy divergence to continue, but remain largely expansionary.
- Global fiscal policy should remain accommodative.
- We do not see a recession on the horizon, but a garden-variety correction in stock prices of 5% to 10% could occur at some point as we believe that the market is overdue; in 2017, the S&P 500 Index did not register a price correction greater than 3%.

**Portfolio Highlights**

- The U.S. Treasury Yield curve flattened in the quarter as short-term rates increased but long-term rates declined. Credit spreads generally finished at their tightest levels of the year in an environment favoring non-Government sectors over Treasuries.
- U.S. equities charged into year-end with sustained strength, capping a strong year of returns. Growth outperformed value while large cap names outperformed their small cap counterparts during the fourth quarter.
- The U.S. Federal Reserve increased its funds rate, as expected, in December and maintained projections for three additional hikes in 2018. The pace of growth for U.S. manufacturing conditions continued to accelerate as year-end approached. Joblessness remained low while consumer confidence fell only slightly from 17-year highs.

Please refer to the Portfolio Performance page for additional information on portfolio performance.

# SEI's research and perspectives: December 2017

## Ranked among the nation's best

- **SEI is the largest OCIO for Union pension plans**, with 51 Union clients, representing $9.9 billion in AUM*.
- **SEI was named the 'Top OCIO Provider'** at the Fund Intelligence 2017 Institutional Asset Management Awards.
- For the seventh year in a row, *Pensions & Investments* ranked **SEI among the leading institutional outsourced managers** based upon global outsourced assets.
- For the eighth year in a row, *Pensions & Investments* ranked **SEI in the top 10% of money managers** based on global institutional client assets.
- For the fourth time in five years, *Pensions & Investments* ranked **SEI one of the best places to work** in money management.


## Research

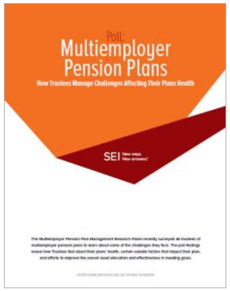
Monthly Market Commentary: Bargaining Breakthroughs in November? *A monthly snapshot including economic backdrop, portfolio review and manager positioning.*

The Party Throws a Congress: China's Leadership Strengthens Control *Our view on the recent elections in China, the world's most populous nation and second-largest economy.*

Central Banks Take Center Stage *Read our view and manager positioning as the world's major central banks to reassess their respective policy stances.*

## Recently Released!

*2017 Poll: Multiemployer Pension Plans*




Poll results are in! We recently surveyed several multiemployer plans to learn about some of the challenges they face. Look for the full report on seic.com or in your quarterly email.

## Q4 2017

**$94.5 billion**
Institutional AUM

**$337 billion**
Total worldwide AUM

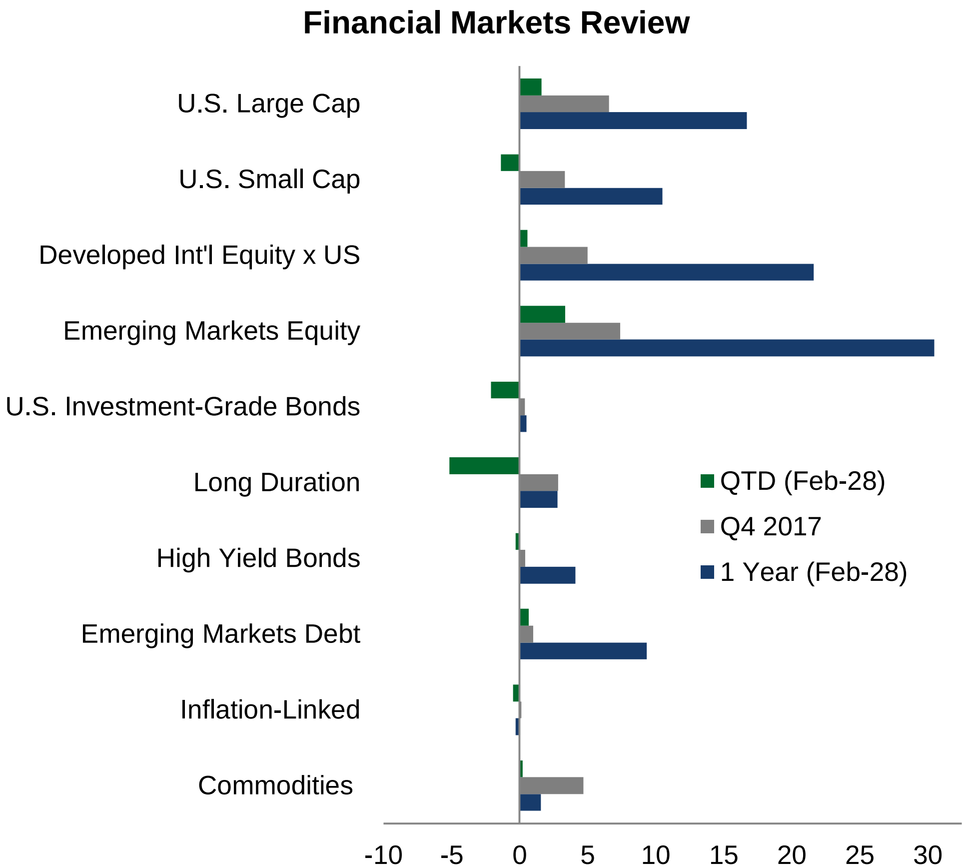
Financials as of December 31, 2017. Top OCIO Provider at the Fund Intelligence 2017 Institutional Asset Management Awards as of November 2017. Pensions & Investments ranked SEI in the top 10% of money managers (#59 out of 583) as of December 2016. Pensions & Investments ranked SEI as the fourth largest outsourcer based on worldwide institutional outsourced assets under management in 2017. * Based on competitive research utilizing publicly available information as of 9/30/2017. Largest based on number of union clients, and/or based on union client assets under management in SEI's OCIO program for which SEI has discretion for money manager hiring and replacement decisions on behalf of those clients.

# Capital Markets and Economic Overview

SEI New ways. New answers.®

# Market performance overview

- Risk assets turned in another positive quarter, capping off a very solid 2017. They were buoyed by a synchronized global expansion and, despite a widely anticipated December rate hike from the Federal Reserve, continued central bank dovishness overall.
- U.S. and emerging market (EM) equities led the way in the fourth quarter. Strong technology sectors, pro-business tax cuts in the U.S., and rising prices for EM commodity producers were tailwinds.
- The U.S. dollar weakened for the full year and again at the end of the fourth quarter, supporting an ongoing leadership rotation from U.S. to international and emerging market equities, and from U.S. high yield to emerging market debt.
- A flattening yield curve helped longer-duration bonds, while returns were subdued at shorter maturities. Low inflation proved to be an additional headwind for inflation-linked Treasurys.
- A nascent rebound in commodity prices gained steam in the fourth quarter, thanks to demand pressures fostered by expanding global growth, as well as further rationalization of global oil supplies.




U.S. Large Cap = Russell 1000, U.S. Small Cap = Russell 2000, Developed International Equity x U.S. = MSCI ACWI ex-US, Emerging Markets Equity = MSCI EFM (Emerging+Frontier Markets), U.S. Investment Grade Bonds = Bloomberg Barclays U.S. Aggregate, High Yield = BofA ML Master II HY Constrained, Emerging Markets Debt = 50% JPM EMBI GD / 50% GBI- EM GD Indexes, Long Duration = Bloomberg Barclays Long US Govt/Credit, Inflation Linked = Barclays 1-5 Year TIPS, Commodities = Bloomberg Commodity. Source: SEI. Past performance is no guarantee of future results. As of 12/31/17.

# February 2018 Update

**Broad intro:**

- We've been arguing for some time that equity markets were overdue for a correction. This has been seen in our monthly commentary and quarterly reports for much of 2017/2018.
- That said, this selloff is notable for how sharp it has been – Early February saw two of the largest one-day declines in S&P 500 since 2011, following U.S. credit rating downgrade.
- The VIX, which measures the volatility of the S&P 500, more than doubled on February 5th, shattering previous daily records and kicked off a wild week with major indexes falling over 5%. This also marked a roughly 10% correction from highs hit in late January.
- This selloff saw the S&P 500 erase 2018 gains and retreat to late November levels. The week ending February 16th saw a modest rebound, cutting recent losses by roughly half.
- Valuations, based on 12-month forward earnings, in the U.S. have gone from 18.5x to about 17x, a rather meaningful re-pricing which brings this metric back into a more normal range by historical standards.

**Context is important:**

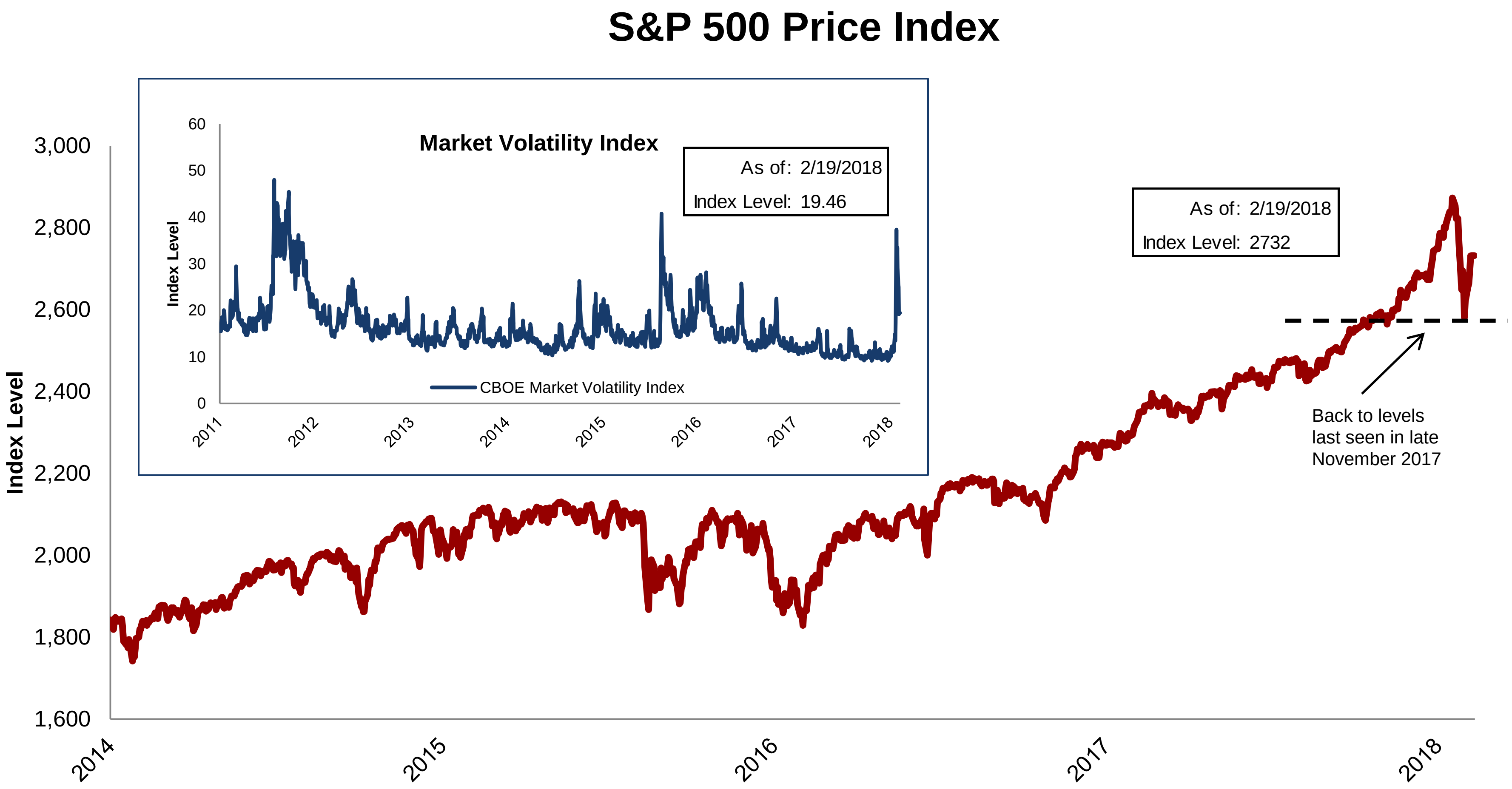
- The equity market appeared to be running ahead of itself, especially in the U.S.; a correction of some kind should not be a surprise to market participants (with the exception of the pace).
- These lower levels are still meaningfully higher than where markets stood a year ago.
- Supporting this longer term trend higher - The global economic outlook remains strong, and economic data for most countries and regions maintained a bullish tone.
- Strong U.S. employment report last Friday and rise in Treasury yields may have been unsettling for investors, as they highlighted inflationary, fiscal, and monetary policy risks.
- That said, current market structure and sentiment appear to be playing a significant role in the correction;
    - Quantitative strategies emphasizing momentum appear to be the main culprits in the selloff; we haven't heard any reports of single-stock panic or significant hedging by asset managers.
    - Overall market positioning has been short volatility for some time; a sudden unwinding is probably what's reflected in the VIX's sharp rise.
    - Risk-sensitive indicators outside equities and VIX have been fairly well behaved. This includes broad credit and other "risk-off" areas of bond and currency markets.

**To sum up:**

- Although we are probably in the later innings of the current bull cycle, we don't believe there is much fundamental concern to this correction. Rather, prevailing market structure and sentiment among particular types of market participants seem to have been roiled by last week's strong employment/wage inflation report and, triggered by the market's steep climb in January, is causing some sharp but likely temporary selling.

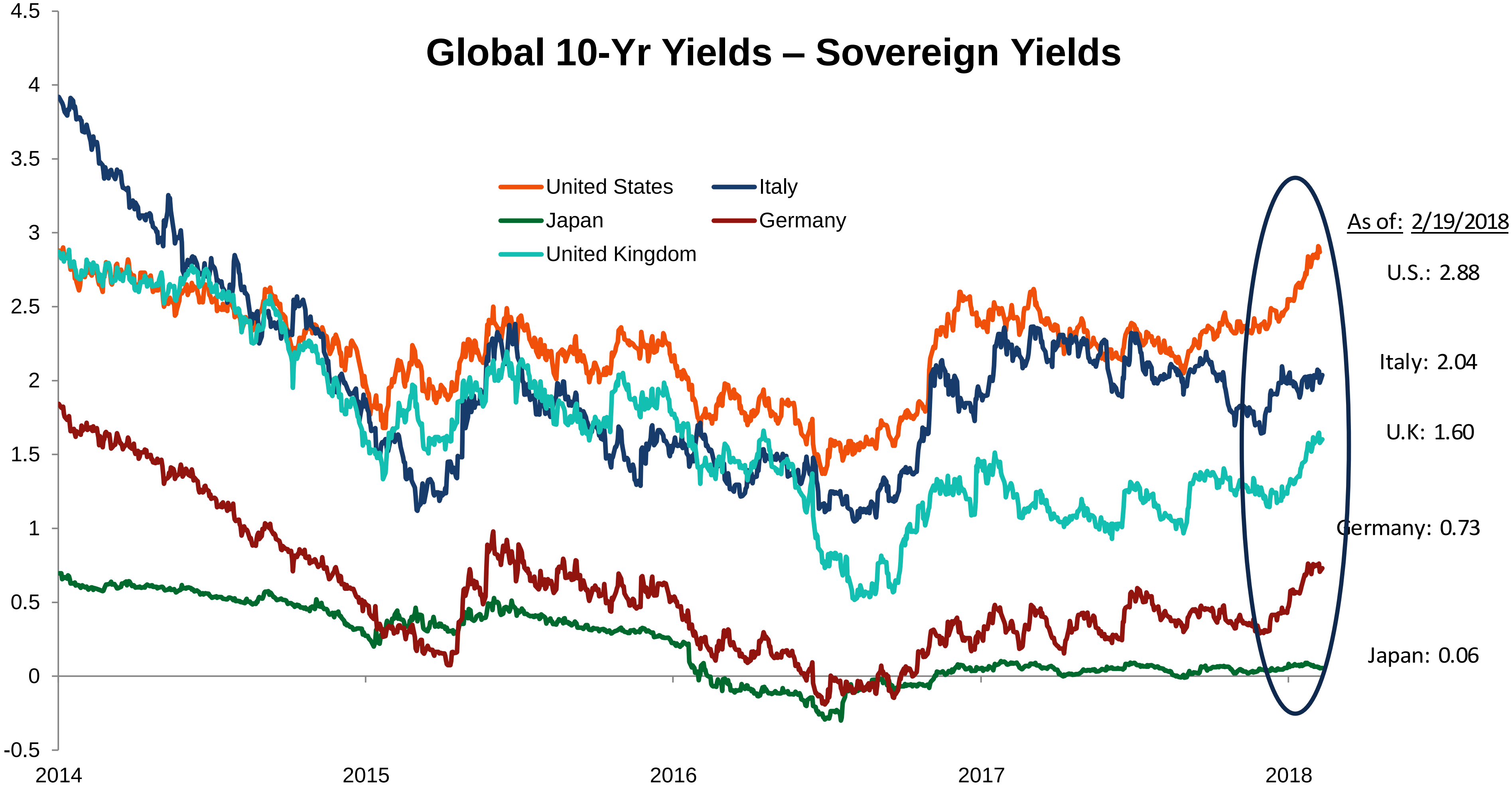
Commentary as of: February 19, 2018

# February 2018 Update




Source: Factset. Past performance is no guarantee of future results.

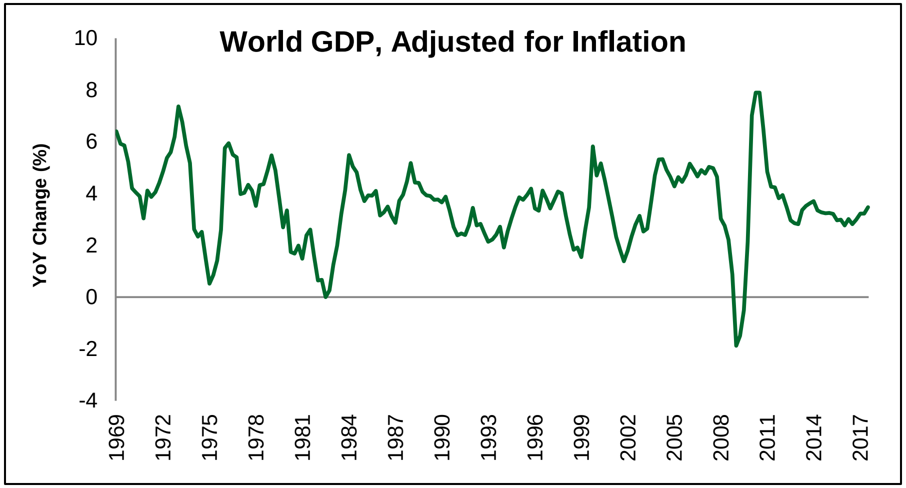
# February 2018 Update



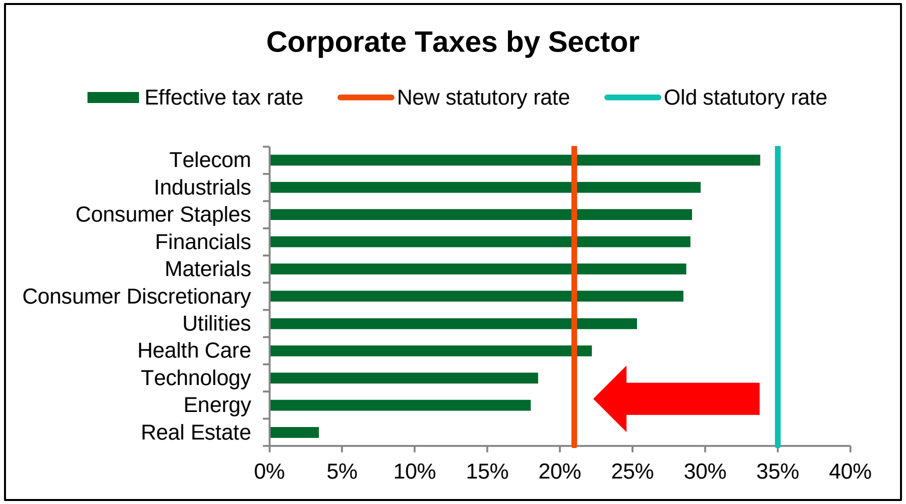

Source: Factset. Past performance is no guarantee of future results.

# Multiple tailwinds providing support to risky assets

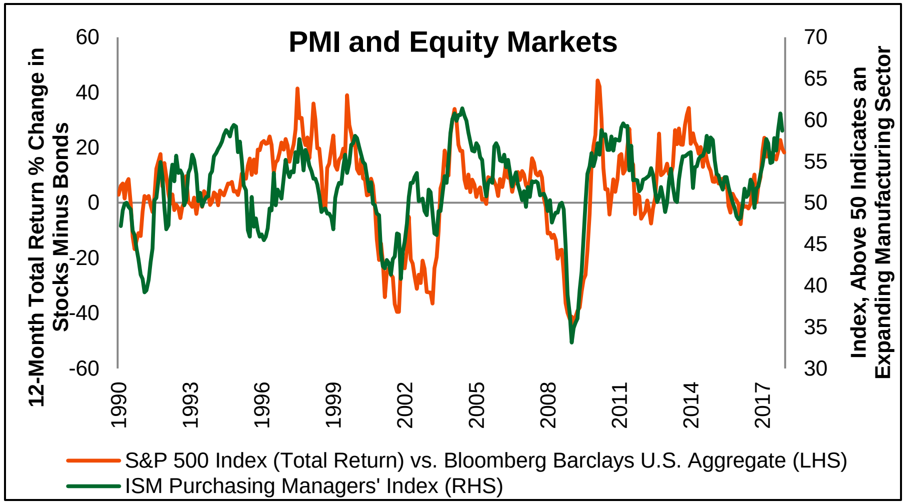
- Growth in world gross domestic product (GDP) began to tick higher during the first half of 2017 and economic activity continued to accelerate during the second half of the year.
- Purchasing manager surveys (PMIs) have continued to push higher in the U.S. and many other regions, reflecting broadly bullish corporate sentiment.
- Accelerating growth, corporate optimism, and still-relatively-dovish central bank policies should combine with a sharp cut in U.S. corporate tax rates to provide further tailwinds to risky assets.




Sources: International Monetary Fund, SEI.



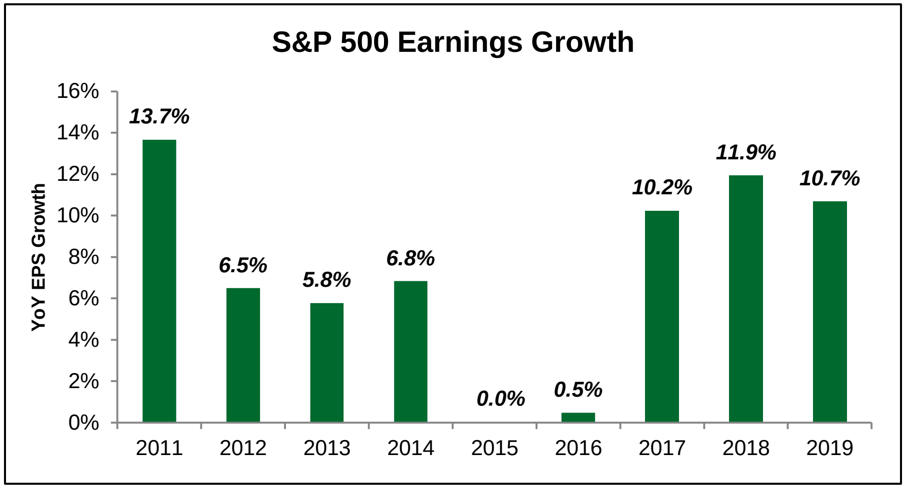

Sources: Standard & Poor's, Bloomberg, SEI. Sector rates data as of 11/29/2017.



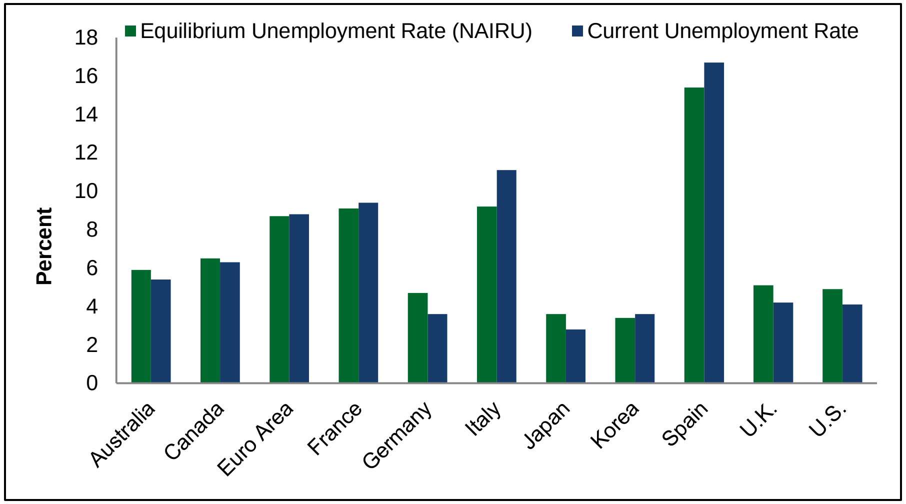

Sources: Bloomberg Barclays, Institute for Supply Management, Standard and Poor's, SEI.

# Solid fundamentals underpin strong market performance

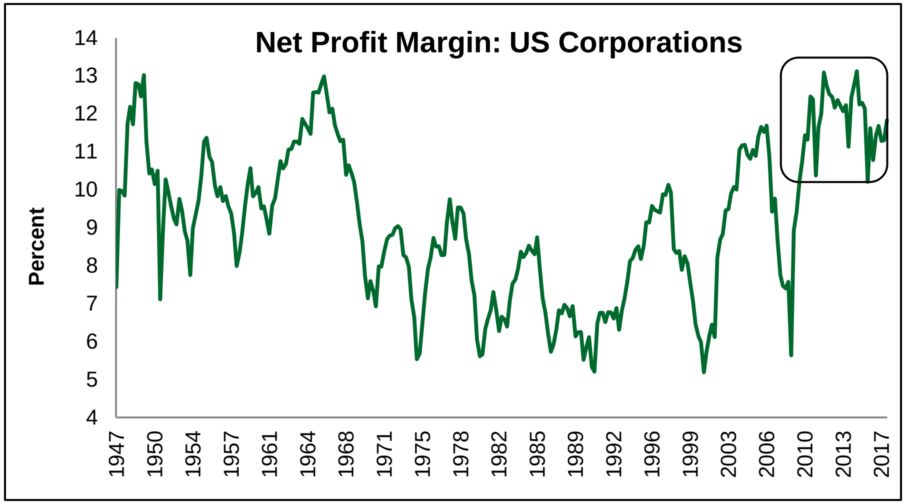
- Following a two-year earnings recession, earnings growth picked up strongly in 2017 and the outlook for corporate earnings remains optimistic.
- Profit margins have held steady at unusually high levels throughout this long expansion, helped in no small part by subdued wage-growth pressures even as labor markets approach or surpass full employment estimates.
- While we believe strong earnings growth and profit margins are likely to continue, a potential risk would be strong employment leading to higher inflation, ultimately leading to central banks tightening policy faster than currently expected.




Sources: Factset Earnings Insight as of 1/5/2018; grey bars represent forecasts.




Sources: OECD, SEI.




Sources: Bureau of Economic Analysis, ECRI, Philosophical Economics, SEI.

# The Outlook: Dancing Days for the Global Economy and Financial Markets

## The good news

- The global economy is accelerating, with most countries and regions entering 2018 on a strong note.
- Global inflation and wage pressures remain relatively subdued, although labor-related statistics strongly suggest the U.S. is approaching full employment.
- Passage of the U.S. tax bill should provide a modest tailwind to economic growth in 2018 and serve as a catalyst for additional gains in corporate profits and the equity market.
- There are signs that the U.S. dollar is beginning a transition from secular strength to secular weakness, a development consistent with improving relative economic and financial-market prospects outside the U.S.
- We will continue to give the bull market in equities and other risk assets the benefit of the doubt until we get an aggressive tightening of monetary policy and see the outlines of a looming recession.

## The bad news

- SEI is sympathetic to the view that stock prices (especially in the U.S.) now discount much of the good news that is out there. We would not rule out a garden-variety pullback in stock prices and expect low, but positive, returns in U.S. equities in 2018.
- There is a danger that the Fed and other central banks could step up the pace of interest-rates increases beyond those already projected.
- The Trump Administration continues to press major trading partners (Canada, China, Korea, Mexico) for a “better deal.” A tit-for-tat trade war would hurt global growth and add to inflation pressures.
- Geo-political events still have the potential to upset the current upbeat view, even though investors shrugged off such concerns last year.The U.S.-North Korea stand-off, rising tensions between Iran and Saudi Arabia, Brexit uncertainties and elections in Italy, Mexico, Brazil and the U.S. (among others) could spark a return to market volatility.

# Plan Assets and Metrics

# Important information: Asset valuation and portfolio returns

Inception date 1/31/2011 Historical Total Index can be provided upon request.

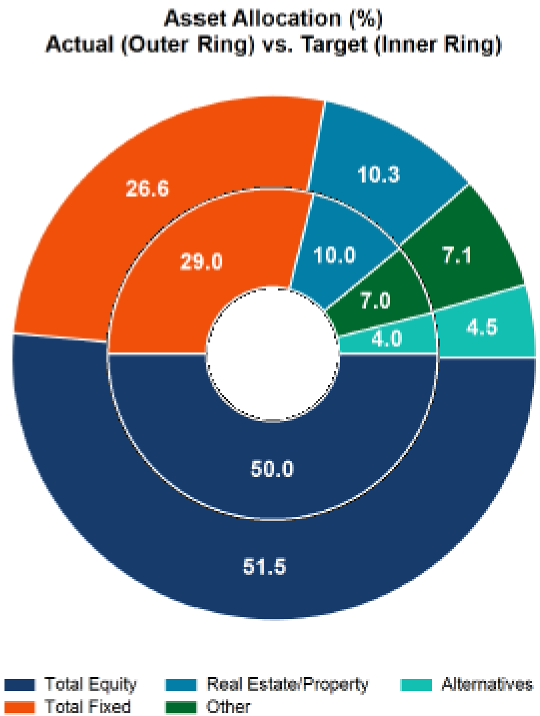
Alternative, Property and Private Assets valuations and performance may be reported on a monthly or quarterly lag.

The Portfolio Return and fund performance numbers are calculated using Gross Fund Performance, using the Modified Dietz method of calculation, which considers the timing of cash flows during the periods. Gross Fund Performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross Fund Performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable are used to offset the account level investment management fees the client pays to SIMC. Gross Fund Performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the Gross Fund Performance of the mutual funds. If applicable, Alternative, Property and Private Assets performance is calculated net of administrative fees; however, SEI Offshore Opportunity Fund Ltd. and SEI Offshore Opportunity Fund II Ltd. Class A performance is net of investment management and administrative fees.

As of the close of business on 6/30/2017, the Total Index Composition is as follows:

| | |
|---|---|
| 20.0 % | MSCI All Country World ex US Index |
| 20.0 % | Russell 1000 Index |
| 10.0 % | Hist Blnd: Core Property Index |
| 10.0 % | Bloomberg Barclays US Agg Bond Index |
| 7.0 % | Russell 2000 Index |
| 7.0 % | Hist Blnd: Dynamic Asset Allocation Index |
| 5.0 % | ICE BofA ML 1-3 Year Treasury Index |
| 4.0 % | ICE BofA ML 3 Mth Cons Mat LIBOR Index |
| 4.0 % | ICE BofA ML 3 Month US T-Bill Index |
| 4.0 % | Hist Blnd: High Yield Bond Index |
| 3.0 % | MSCI Emerging + Frontier Mkts Index (Net) |
| 3.0 % | Blmbrg Barcl 9-12 Month Short Treas Index |
| 3.0 % | Hist Blnd: Emerging Markets Debt Index |

# Portfolio asset summary: 2/28/2018




| Asset Class | Target Allocation | Actual Allocation | Market Value |
|---|---|---|---|
| SEI World Equity Ex-US Fund | 20.0 | 20.7 | $19,127,107 |
| SEI Large Cap Index Fund | 20.0 | 20.7 | $19,165,466 |
| SEI Core Property Fund CIT | 10.0 | 10.3 | $9,506,706 |
| SEI Core Fixed Income Fund | 10.0 | 9.2 | $8,469,874 |
| SEI Dynamic Asset Allocation Fund | 7.0 | 7.1 | $6,533,070 |
| SEI Small Cap Fund A | 7.0 | 6.8 | $6,244,532 |
| SEI Limited Duration Fund | 5.0 | 4.6 | $4,235,191 |
| SEI High Yield Bond Fund | 4.0 | 3.8 | $3,550,987 |
| SEI Opportunistic Income Fund | 4.0 | 3.8 | $3,506,914 |
| SEI Emerging Markets Equity Fund | 3.0 | 3.3 | $3,024,483 |
| SEI Special Situations Fund CIT | 3.5 | 3.0 | $2,780,454 |
| SEI Emerging Markets Debt Fund | 3.0 | 2.9 | $2,721,057 |
| SEI Ultra Short Duration Fund | 2.5 | 2.3 | $2,134,652 |
| SEI Structured Credit Collective Fund | 1.0 | 1.5 | $1,389,040 |
| SEI Daily Income Tr Govt Portfolio A | 0.0 | 0.0 | $13 |
| **Total** | **100.0** | **100.0** | **$92,389,545** |

Alternative, Property and Private Assets values and performance may be reported on a monthly or quarterly lag.

# Portfolio performance: 2/28/2018

| | Cumulative (%) | | | | | | | | | | Annualized | | | Inception |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | FYTD '17-'18 | FY '16-'17 | FY '15-'16 | FY '14-'15 | FY '13-'14 | FY '12-'13 | FY '11-'12 | 1 Year | 3 Year | 5 Year | 1/31/2011 |
| **Total Portfolio Return** | -2.57 | 1.66 | 0.60 | 8.19 | 13.88 | -0.82 | 3.75 | 16.58 | 14.34 | 2.15 | 11.98 | 6.98 | 8.72 | 8.45 |
| **Total Portfolio Blended Index** | -2.51 | 1.55 | 0.61 | 7.82 | 12.45 | 0.52 | 3.46 | 14.75 | 11.95 | 1.60 | 11.24 | 6.80 | 8.16 | 7.70 |

| | Calendar Years (%) | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Total Portfolio Return** | 15.40 | 7.80 | 0.47 | 5.97 | 18.63 | 13.72 |
| **Total Portfolio Blended Index** | 14.42 | 8.47 | 0.14 | 5.43 | 16.22 | 11.46 |

**Summary for periods ending 2/28/2018**

| | One Month | Three Month | Year To Date |
|---|---|---|---|
| Portfolio Value | $95,399,445.02 | $92,265,505.32 | $92,807,649.20 |
| Net Cash Flows | ($549,473.62) | ($1,383,562.69) | ($961,497.80) |
| Realized Gains | ($22,516.63) | $2,139.09 | $27,284.42 |
| Unrealized Gains | ($2,482,777.03) | ($702,602.87) | $422,138.37 |
| Interest | $0.00 | $0.00 | $0.00 |
| Dividends | $44,867.76 | $2,208,066.64 | $93,971.30 |
| Ending Portfolio Value | $92,389,545.49 | $92,389,545.49 | $92,389,545.49 |

Fiscal year is 6/30

# Equity strategies

| Strategies | QTD 2018 | Q4 2017 | YTD 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **SIIT Large Cap Index Fund** | **1.60** | **6.57** | **21.61** | **12.06** | **0.91** | **13.22** | **33.14** | **16.35** | **1.51** |
| Russell 1000 Index | 1.62 | 6.59 | 21.69 | 12.05 | 0.92 | 13.24 | 33.11 | 16.42 | 1.50 |
| **SIIT Small Cap Fund** | **-1.79** | **2.36** | **9.90** | **18.42** | **-3.07** | **4.04** | **41.89** | **14.37** | **-4.90** |
| Russell 2000 Index | -1.36 | 3.34 | 14.65 | 21.31 | -4.41 | 4.89 | 38.82 | 16.35 | -4.18 |
| **SIIT World Equity Ex-US Fund** | **0.41** | **5.46** | **29.88** | **4.20** | **-5.62** | **-2.34** | **18.32** | **18.70** | **-12.75** |
| MSCI All Country World ex US Index | 0.59 | 5.00 | 27.19 | 4.50 | -5.66 | -3.87 | 15.29 | 16.83 | -13.71 |
| **SIIT Emerging Markets Equity‡** | **3.23** | **7.18** | **34.29** | **10.92** | **-11.22** | **-5.18** | | | |
| MSCI EFM (Emerging + Frontier Markets) Index (Net) (USD) | 3.36 | 7.39 | 37.15 | 10.98 | -14.90 | -5.69 | | | |

‡2014 Performance is from 10/31/2014 - 12/31/2014.

Data as of 2/28/2018, Source: SEI, FactSet. Gross Fund Performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross Fund Performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable are used to offset the account level investment management fees the client pays to SIMC. Gross Fund Performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the Gross Fund Performance of the mutual funds. Past performance is no guarantee of future results. The principal value and investment return of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original value. Current performance may be higher or lower. For performance data current to the most recent month end, please call 1-800-DIAL-SEI.

# Fixed Income Strategies

| Strategies | QTD 2018 | Q4 2017 | YTD 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **SIIT Core Fixed Income Fund** | **-2.06** | **0.61** | **4.29** | **3.49** | **0.96** | **6.87** | **-1.10** | **7.23** | **8.12** |
| Bloomberg Barclays US Aggregate Bond Index (USD) | -2.09 | 0.39 | 3.54 | 2.65 | 0.55 | 5.97 | -2.02 | 4.21 | 7.84 |
| **SIIT High Yield Bond Fund** | **0.12** | **0.90** | **8.35** | **17.59** | **-3.89** | **2.82** | **8.32** | **17.24** | **5.58** |
| BofA Merrill Lynch US High Yield Constrained Index (USD) | -0.30 | 0.41 | 7.48 | 17.49 | -4.61 | 2.51 | 7.41 | 15.55 | 4.37 |
| **SIIT Opportunistic Income Fund** | **0.64** | **0.73** | **4.16** | **4.45** | **1.15** | **2.31** | **2.77** | **7.50** | **1.60** |
| BofA Merrill Lynch USD 3-Month LIBOR Constant Maturity Index (USD) | 0.21 | 0.28 | 1.11 | 0.66 | 0.23 | 0.23 | 0.24 | 0.51 | 0.27 |
| **SIIT Emerging Markets Debt Fund** | **1.75** | **1.46** | **15.96** | **11.09** | **-7.63** | **0.16** | **-8.42** | **19.15** | **5.96** |
| 50/50 JPM EMBI Global Div & JPM GBI EM Global Div* | 0.67 | 1.01 | 12.74 | 10.16 | -7.14 | 0.71 | -7.10 | 17.18 | 7.35 |
| **SIIT Limited Duration Bond Fund ǂ** | **-0.19** | **0.06** | **1.40** | **1.85** | **0.87** | **0.16** | | | |
| BofA Merrill Lynch 1-3 Year US Treasury Index (USD) | -0.33 | -0.25 | 0.42 | 0.89 | 0.54 | 0.29 | | | |
| **SIIT Ultra Short Duration Fund** | **0.14** | **0.40** | **1.87** | **1.95** | **0.83** | **0.84** | **1.03** | **2.93** | |
| Bloomberg Barclays Short US Treasury 9-12 Month Index (USD) | 0.13 | 0.09 | 0.68 | 0.79 | 0.20 | 0.17 | 0.25 | 0.23 | **2.72** |

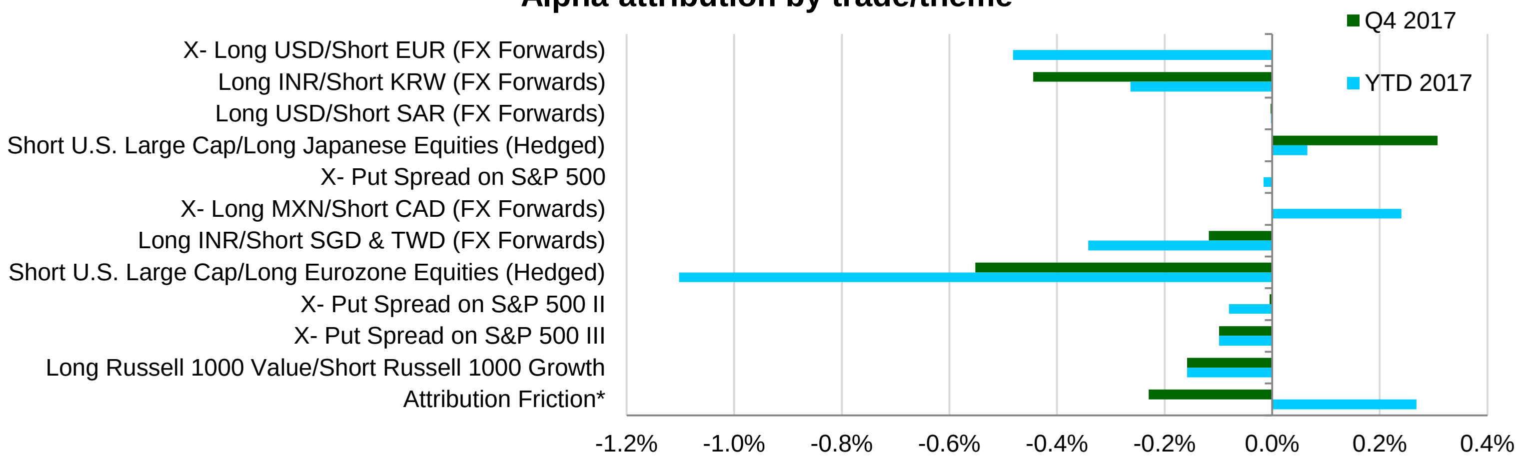
ǂ 2014 Performance is from 7/31/2014-12/31/2014.

Data as of 2/28/2018, Source: SEI, FactSet. Gross Fund Performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross Fund Performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable are used to offset the account level investment management fees the client pays to SIMC. Gross Fund Performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the Gross Fund Performance of the mutual funds. Past performance is no guarantee of future results. The principal value and investment return of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original value. Current performance may be higher or lower. For performance data current to the most recent month end, please call 1-800-DIAL-SEI.

# SEI Dynamic Asset Allocation Fund: Performance review

| Performance | QTD 2018 | Q4 2017 | YTD 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010‡ | Since Inception* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **SEI Dynamic Asset Allocation Fund (Inception Date: 7/30/10)** | **0.41** | **5.34** | **19.85** | **12.34** | **4.76** | **18.75** | **29.53** | **14.09** | **2.79** | **8.14** | **14.40** |
| SEI Blended Benchmark** | 1.83 | 6.64 | 21.83 | 11.96 | 1.38 | 13.69 | 31.04 | 11.60 | 7.71 | 6.89 | 13.96 |
| Excess Return | -1.41 | -1.30 | -1.98 | 0.38 | 3.37 | 5.06 | -1.51 | 2.49 | -4.92 | 1.25 | 0.44 |

## Alpha attribution by trade/theme




[1]A number of factors may contribute to attribution friction. Most commonly, attribution friction results from the compounding of alpha due to the performance of the beta, cash flows in DAA, sizing of static positions that are not exactly matched to a notional percentage of DAA and other general market frictions. ‡ 2010 Performance is from 7/30/2010 – 12/31/2010.
*Please note when Fund inception is mid-month, comparative benchmark inception date defaults to the most recent month-end. **Benchmark was 50% S&P 500/50% 10 Year US Treasury Bond from inception to April 2012, from May 2012 to January 2013 the benchmark was 80% S&P 500, 10% iBoxx $ Liquid High Yield Index (USD) and 10% JP Morgan EMBI Global (USD) , and from February 2013 to present the benchmark is 100% S&P 500 Index.
Performance data as of 2/28/2018. Alpha Attribution data as of 12/31/2017. Source: SEI. Gross fund performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross fund performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable are used to offset the account level investment management fees the client pays to SIMC. Gross fund performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the gross fund performance of the mutual funds. Performance data quoted is past performance. Past performance is no guarantee of future results. The principal value and investment return of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original value. Current performance may be higher or lower. For performance data current to the most recent month end, please call 1-800-DIAL-SEI.

# Goals-based strategies: Alternatives
# Diversifying return strategies

| Strategy | Q4 2017 | YTD 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| **SEI Special Situations Fund*** | **1.76** | **8.85** | **1.10** | **-2.62** | **3.80** | **8.36** | **8.97** | **-4.34** | **9.63** | **3.53‡** |
| **Core Property Fund*** | **2.02** | **8.39** | **9.53** | **14.37** | **12.03** | **13.82** | **11.48** | **11.79‡‡** | **n/a** | **n/a** |
| **Structured Credit*** | **3.25** | **12.32** | **25.71** | **-6.86** | **5.18** | **8.02** | **25.42** | **8.34** | **42.35** | **189.35** |
| BofA ML 3-Month T-Bills | 0.28 | 0.86 | 0.33 | 0.05 | 0.03 | 0.07 | 0.11 | 0.11 | 0.14 | 0.20 |
| HFRI Diversified FoF Index | 1.83 | 6.64 | 0.20 | -0.16 | 3.42 | 9.04 | 4.81 | -5.00 | 5.48 | 11.45 |
| S&P 500 Index | 6.64 | 21.83 | 11.96 | 1.38 | 13.69 | 32.39 | 16.00 | 2.11 | 15.06 | 26.46 |
| Bloomberg Barclays U.S. Aggregate Index | 0.39 | 3.54 | 2.65 | 0.55 | 5.97 | -2.02 | 4.21 | 7.84 | 6.54 | 5.93 |
| Custom (e.g. T-Bills+250) | 0.90 | 3.38 | 2.83 | 2.55 | 2.54 | 2.58 | 2.61 | 2.61 | 2.64 | 2.70 |
| NCREIF Property Index (NPI) | 1.80 | 6.97 | 7.97 | 13.33 | 11.81 | 10.98 | 10.54 | 14.30 | 13.10 | -16.8 |
| NFI – ODCE | 2.07 | 7.62 | 8.77 | 15.02 | 12.50 | 13.94 | 10.94 | 16.0 | 16.4 | -29.8 |
| Consumer Price Index (CPI) | -0.12 | 2.11 | 2.07 | 0.73 | 0.76 | 1.50 | 1.74 | 2.96 | 1.50 | 2.72 |
| CS Leveraged Loan Index | 1.17 | 4.25 | 9.88 | -0.38 | 2.02 | 6.15 | 9.40 | 1.82 | 9.97 | 44.87 |
| BofA ML U.S. High Yield Constrained Index | 0.41 | 7.48 | 17.49 | -4.61 | 2.51 | 7.41 | 15.55 | 4.37 | 15.07 | 58.10 |

*Performance is gross of investment management fees and net of administrative expenses and underlying fund expenses, with the exception of Structured Credit Fund, which is gross of investment management fees, and net of administrative expenses. Clients implemented via collective investment trusts incur product-level fees, including trustee and administrative fees, which will affect performance. Performance data as of 12/31/2017. Source: SEI, Datamart. ‡Special Situations Fund 2009 return is from Oct '09-Dec '09. ‡‡ The 2011 return for the SEI Core Property Fund includes a cash-drag, as the fund initially held significant cash prior to becoming more fully invested during the first year of operation. Public market indices included to support assessment of diversification benefits of above strategies. Performance data quoted is past performance. Past performance is no guarantee of future results. The principal value and investment return of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original value. Current performance may be higher or lower. For performance data current to the most recent month end, please call 1-800-DIAL-SEI.

# Appendix

SEI New ways. New answers.®

# SEI solution – Investment management fee schedule:

| Public Fund Assets | Fee |
|---|---|
| *First $25 million* | 0.54% |
| *Next $25 million* | 0.49% |
| *Next $50 million* | 0.44% |
| **Alternative Funds** | **Fee** |
| *Special Situations Collective Fund* | 1.15%+ .05% CIT+ 0.50% OE |
| *Structured Credit Collective Fund** | 1.25%+ .05% CIT+ 0.50% OE |
| *Core Property Collective Fund* | 1.25%+ .05% CIT+ 0.30% OE |


## Services Include:

Investment Policy Planning & Statement
Portfolio Structure - Multiple Asset Classes
Asset Allocation / Liability Analysis and Implementation
Investment Management - Specialist, Institutional Managers
Active Portfolio Management

Access to SEI's Investment Research Team
Dedicated Client Service Team/Visit & Attend Meetings Regularly
Dedicated Operations Service Manager
3(38) Fiduciary
Secured internet website
Sub- Advisor Fees

CIT= Collective Investment Trust
OE= Operating Expenses

*The Structured Credit Collective total expenses were running at 153bps (125/5/23) as of the 12/31/11 audit.

# Modeled Pension Portfolios: Local 338

| Asset Class | Old Portfolio | Current Portfolio |
|---|---|---|
| US Large Cap Fundamental Equity | 12.5% | - |
| Russell 1000 Large Cap Index | 12.5% | 20.0% |
| US Small Cap Equity | 7.0% | 7.0% |
| World Equity ex-US | 18.0% | 20.0% |
| Emerging Markets Equity | - | 3.0% |
| U.S. High Yield | 4.0% | 4.0% |
| Emerging Markets Debt | 3.0% | 3.0% |
| Dynamic Asset Allocation | 7.0% | 7.0% |
| **Total Return Enhancement Exposure** | **64.0%** | **64.0%** |
| Diversified Short Term Fixed Income | 4.0% | 4.0% |
| Short Term Corporate Fixed Income | 2.5% | 2.5% |
| Limited Duration Fixed Income | 10.0% | 5.0% |
| Core Fixed Income | 5.0% | 10.0% |
| **Total Risk Management Exposure** | **21.5%** | **21.5%** |
| Moderate Volatility Hedge | 3.5% | 3.5% |
| Structured Credit | 1.0% | 1.0% |
| Private Real Estate | 10.0% | 10.0% |
| **Total Alternatives/Other Exposure** | **14.5%** | **14.5%** |
| **Total** | **100.0%** | **100.0%** |

# Important information

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Through June 30, 2012, annual performance is calculated based on monthly return streams, geometrically linked. From June 30, 2012 onward, annual performance is based upon daily return streams, geometrically linked as of the specific month end.

Performance results do not reflect the effect of certain account level advisory fees. The inclusion of such fees would reduce account level performance, particularly when compounded over a period of years. The following hypothetical illustration shows the compound effect fees have on investment return: For an account charged 1% with a stated annual return of 10%, the net total return before taxes would be reduced from 10% to 9%. A ten year investment of $100,000 at 10% would grow to $259,374, and at 9%, to $236,736 before taxes. For a complete description of all fees and expenses, please refer to SIMC’s Form ADV Part 2A, the investment management agreement between SIMC and each client, and quarterly client invoices.

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