International Union of Operating Engineers Local #487

Quarterly Investment Review

First Quarter 2018

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May 31, 2018

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Agenda

- Capital Markets Review
- Plans Assets and Metrics
- Appendix

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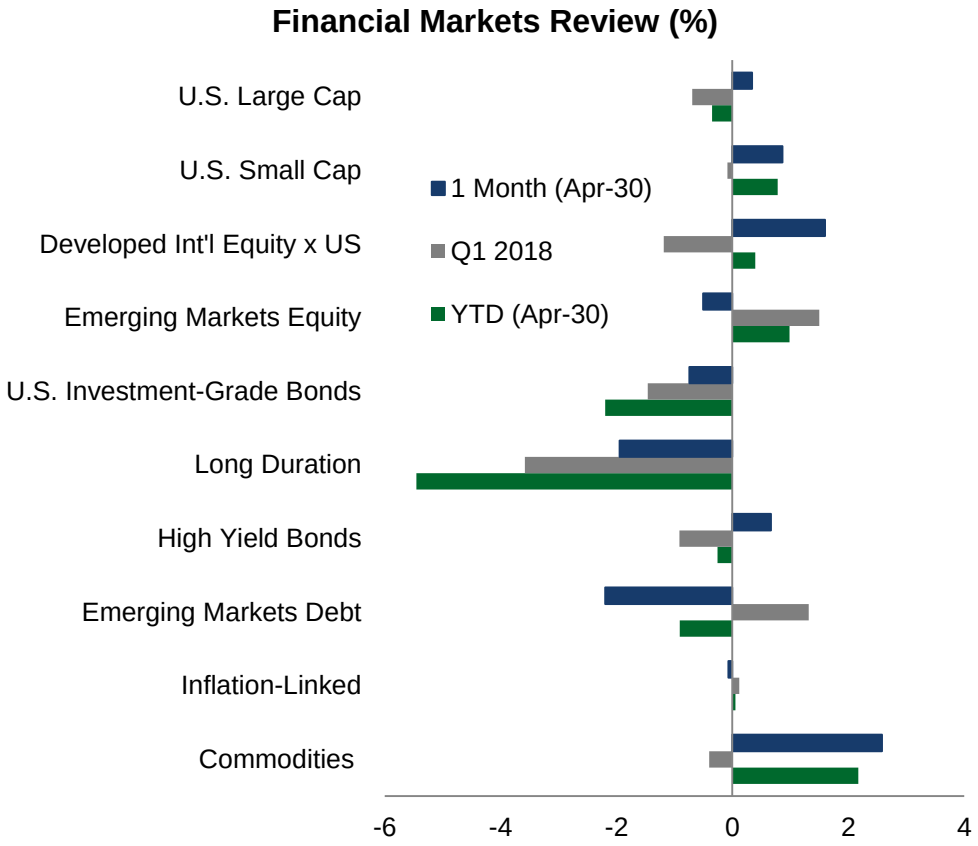
Capital Markets Review

Market performance overview

- A rewarding 2017 was still apparent in trailing 12-month returns, but most assets struggled in the first three months of 2018. Concerns about Fed tightening, trade wars, and the sudden return of stock market volatility were headwinds to risk taking. We expect volatility to remain at these more normal levels but believe risk assets should still provide attractive returns.
- Emerging market (EM) equities and debt were the lone standouts in the quarter, managing to hold onto positive year-to-date gains. Relatively dovish EM central banks, U.S. tax cuts, and country-specific insulation from U.S. trade threats provided some support.
- U.S. yield curves shifted higher and credit spreads widened slightly during the volatile quarter, causing fixed-income returns (especially in longer-duration bonds) to sag.
- Inflation-linked bonds were flat but outperformed most nominal bond indexes in the first quarter, thanks to a strong January inflation report and a rise in real rates.
- Although the U.S. dollar continued its decline from late 2016 into early February 2018, commodities slipped a bit in the quarter on intensifying trade-war fears.



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. Sources: Factset, SEI. Past performance is no guarantee of future results. As of 3/31/18.

Late-stage bull market means caution warranted but markets may have some room left to run

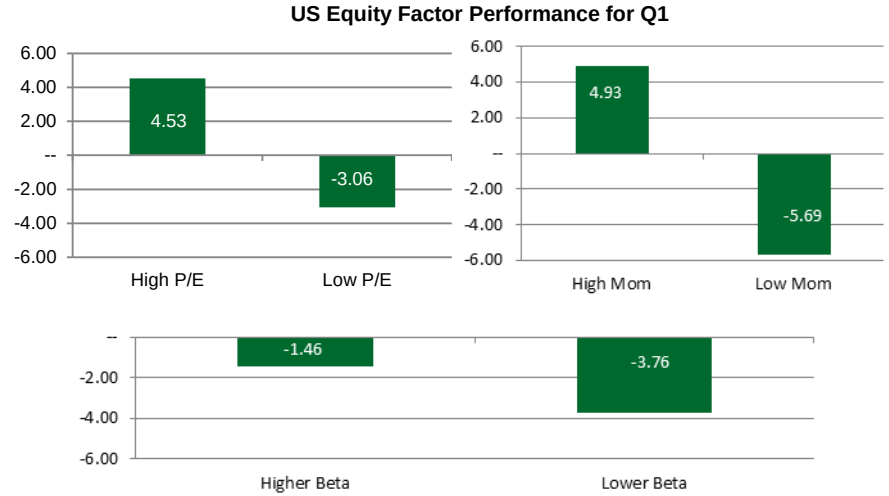
- We believe we are starting to transition from the expansion phase to the stress stage of the current market cycle.
- We're beginning to see volatility rise, credit spreads creep up, interest rates push higher, yield curves flatten out, and economic indicators peaking.
- With this said, the transition can take some time, and we believe there is still some gas left in the current bull market that should be supportive of risk-on positioning.
- With volatility expected to remain at higher, more normal levels, managers have been applying risk budgets carefully and opportunistically.

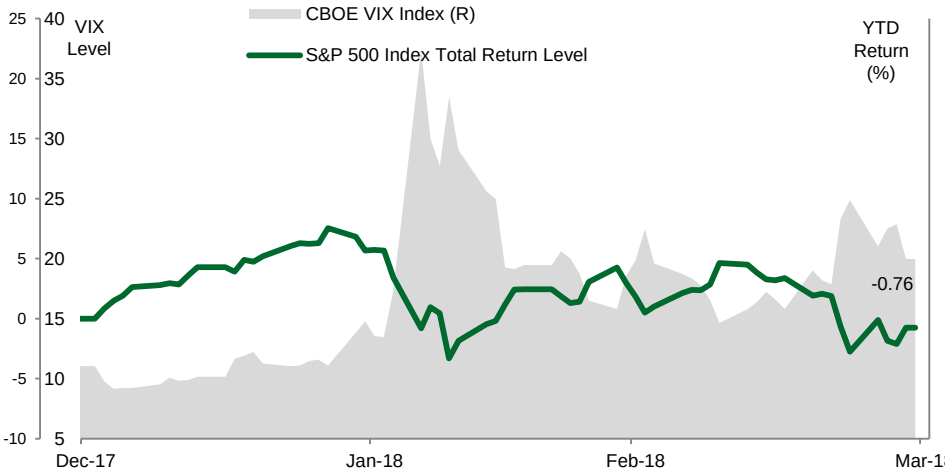
Economic Cycle

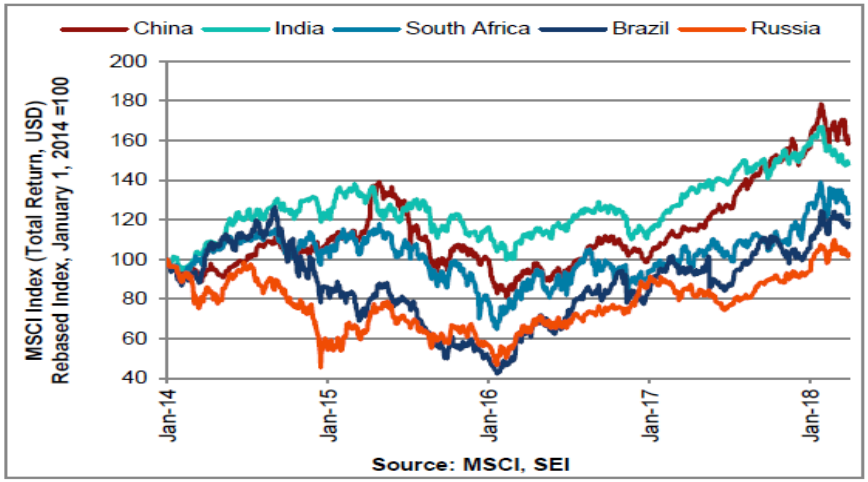
	EXPANSION	STRESS	DISTRESS	RECOVERY
Equity	› Mid-stage bull market › Real earnings growth continues at a healthy pace › Price multiples expand	› Late-stage bull market › Real earnings grow, but at a slower pace › Price multiples flat or expanding, based on higher prices and slowing growth	› Bear market › Real earnings growth falling › Price multiples fall from elevated levels	› Early-stage bull market › Real earnings growth rebounding › Price multiples can contract based on strong earnings, but then reverse
Fixed Income	› Economy re-levers, interest rates begin to rise › Government yield curve begins to normalize › Credit spreads are tightening	› Slowing debt growth; central-bank tightening › Government yield curve shifts upward, flattens › Credit spreads tight; defaults pick up	› Credit dries up; central-bank easing › Government yield curve shifting downward › Credit spreads widening	› Deleveraging and stimulus continue › Government yield curve moves down, steepens › Credit spreads begin to narrow

Source: SEI.

Equity markets review





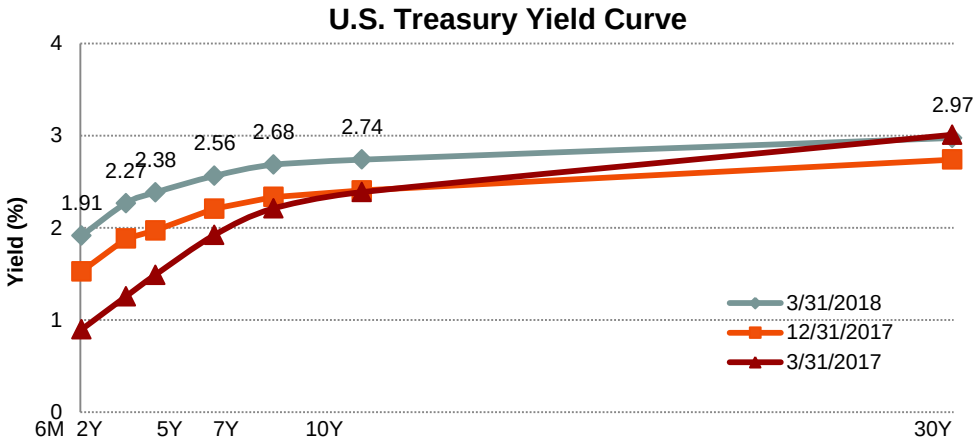


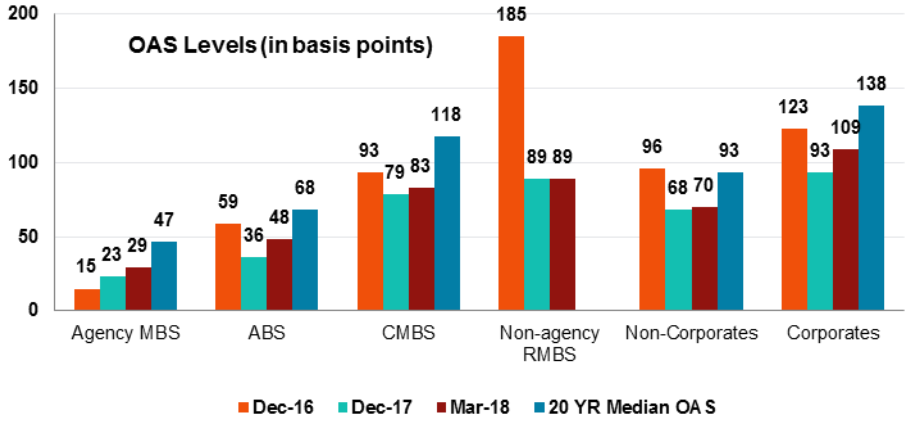
- Equities tumbled around the globe during the first quarter after climbing to record highs in late January as concerns about a rise in bond yields and inflation led to an increase in overall volatility
- Within the US equity market, small caps outperformed large caps by 60bps while growth stocks (R3000G Index) outperformed value (R3000V Index) by 430bps despite the strong pullback in technology stocks in March.
  - Among US stocks, information technology was the best performing sector for the quarter with a 4.03% return followed by consumer discretionary at 1.93%.
  - Telecommunication services were the worst performing sector at -7.28% followed by consumer staples (-6.73%), Real Estate (-6.18%) and Energy (-6.04%)
  - Areas of the market with a strong correlation to rates struggled throughout the quarter.
- Specific world markets remained strong with emerging markets up 1.42% (USD) for the quarter. Within emerging markets, Latin America (+8.02%) and Frontier Markets (+5.10%) were some of the best performers of the asset class.

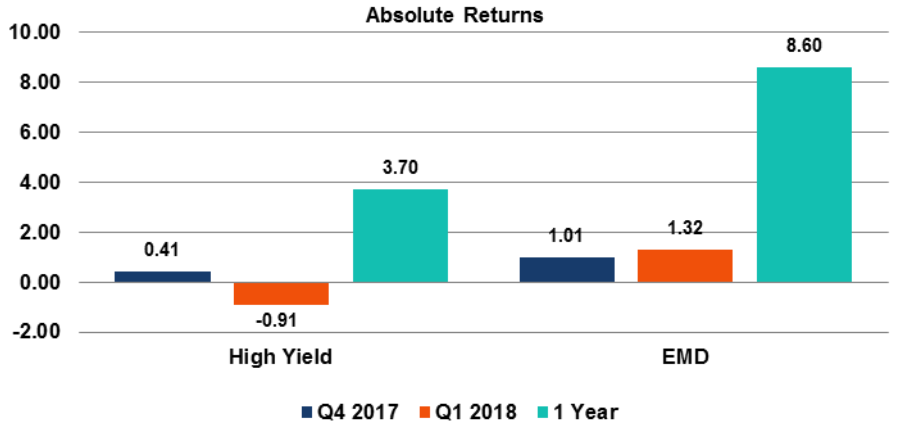
Source: Top left: FactSet, SEI. High (Low) P/E = Top (Bottom) Quintile of R1000 stocks based on 1-year Forward Price to Earnings Ratio. High (Low) Beta: Top (Bottom) Quintile of R1000 stocks based on Beta to the R1000. High (Low) Momentum: Top (Bottom) Quintile of R1000 stocks based on 12-month Price Momentum. Top right: SEI, Factset. Bottom: MSCI, SEI.

Fixed income review

- US Treasury yields moved higher to close the first quarter as expectations for growth, inflation and interest rates increased.
- The US yield curve shifted higher during the quarter and continued to flatten with shorter-date maturities impacted by rate hikes and increase in US Treasury supply.
- IG Corporate bonds were negative for the quarter, underperforming US Treasuries by 80bps while non-investment grade and leveraged loans proved to be stronger.
- IG Corporate bonds saw an increase in supply of debt for the quarter which contributed to some of the difference vs. lower quality debt.
- EM Debt continued to be the strongest fixed income asset class for the quarter



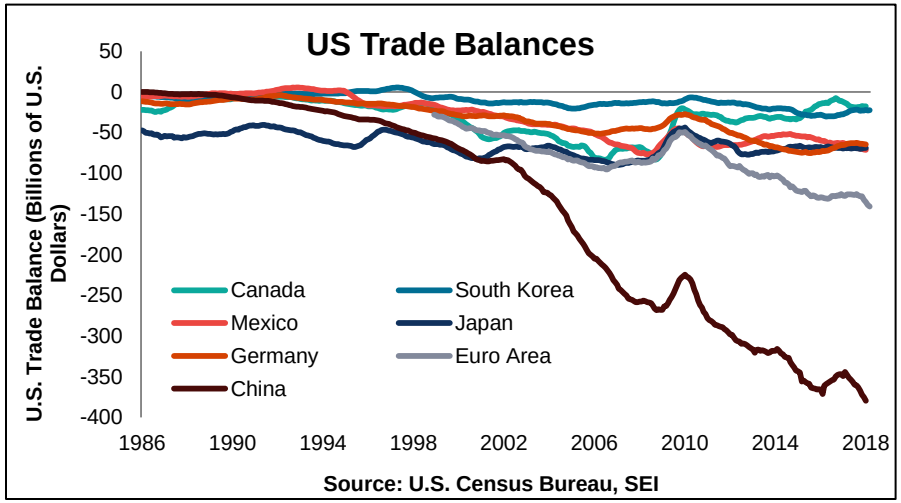


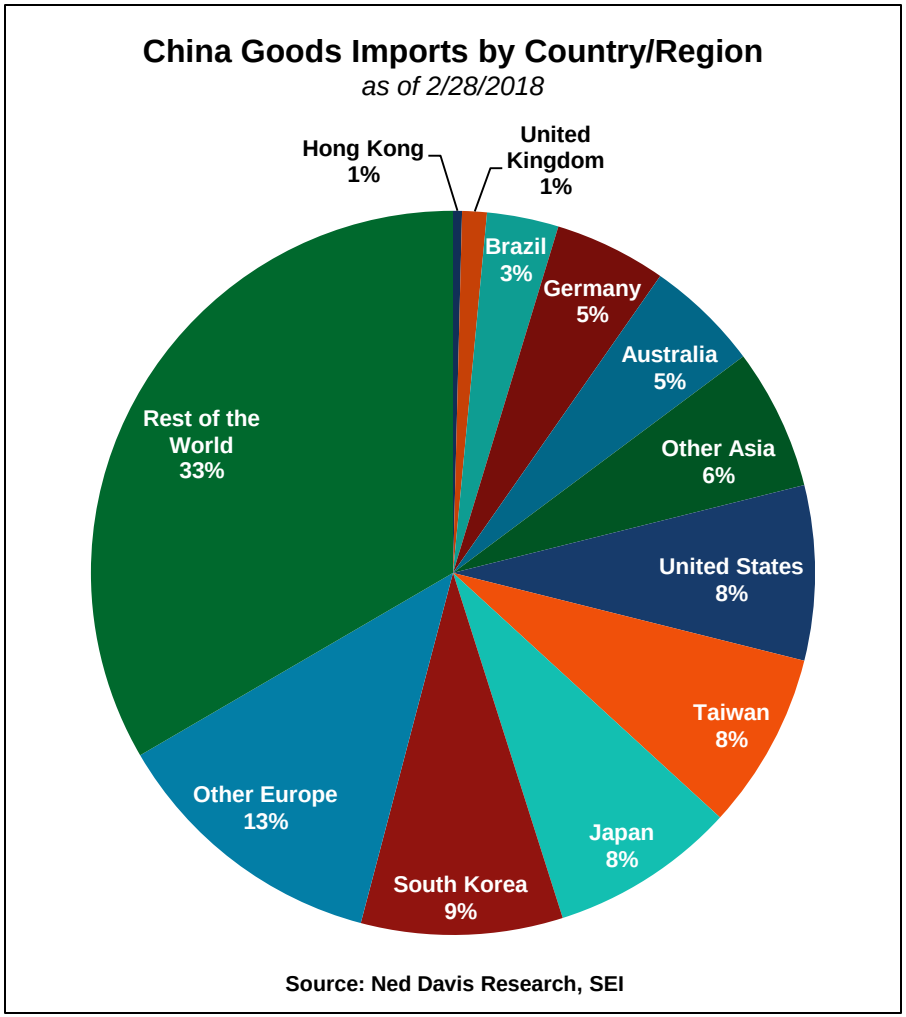


Top right chart: Bloomberg, SEI . Bottom left chart: Source: Bloomberg Barclays. 20-Year Median option-adjusted spread (OAS) calculated based on monthly data beginning 12/31/1995. CMBS OAS data begins 7/30/1999. * Non-agency RMBS OAS calculated on the subprime holdings within SIIT Core Fixed Income; ** As of 6/30/14 Agency CMBS was added to the Barclays Aggregate. The OAS presented above does not include agency CMBS and is the OAS of non-agency CMBS that is Aggregate eligible. Option-Adjusted Spreads estimate the difference in yield between a security or collection of securities and comparable Treasuries after removing the effects of any special features, such as provisions that allow an issuer to call a security before maturity. Bottom right: SEI, US HY = BofA ML Master II HY Constrained, EMD = 50% JPM EMBI GD / 50% GBI-EM GD Index.

Global trade war poses risk to current bull market

- In January, the Trump Administration imposed tariffs on washing machines and solar panels which were followed up with tariffs on aluminum and steel.
- Unsurprisingly, China and other areas have taken retaliatory measures by imposing tariffs on the U.S. The moves are minimal for now but could potentially escalate quickly.
- China will not be the only country hurt by U.S. protectionist actions aimed directly at it. Its supplier countries will feel the blowback as well.
- A full-blown trade war would pose a significant risk to the synchronized global expansion.





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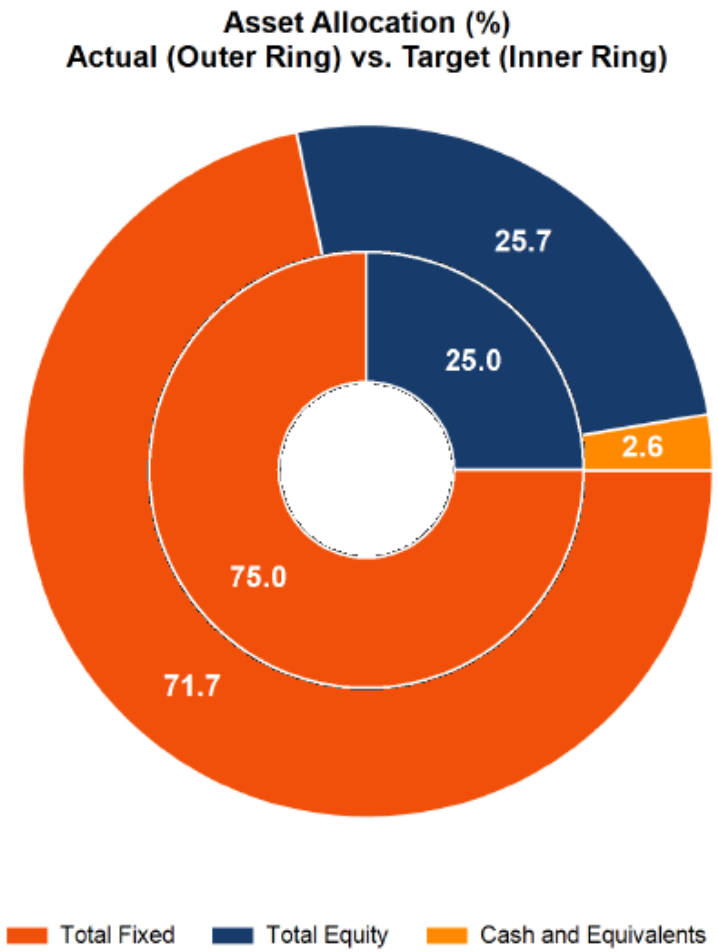
Plan Assets and Performance

Health & Welfare
Portfolio Summary – March 31, 2018



Asset Class	Actual Allocation	Market Value
SEI Large Cap Fund	6.3%	$ 245,977
SEI Small Cap Fund	2.1%	$ 81,725
SEI U.S. Managed Volatility Fund	6.0%	$ 235,921
SEI World Equity ex-US Fund	9.2%	$ 360,432
SEI Emerging Markets Equity Fund	2.1%	$ 82,446
SEI Core Fixed Income Fund	25.4%	$ 991,954
SEI Limited Duration Bond Fund	14.3%	$ 556,610
SEI Opportunistic Income Fund	19.4%	$ 755,549
SEI Ultra Short Duration Bond Fund	4.8%	$ 186,808
SEI High Yield Bond Fund	3.9%	$ 151,793
SEI Emerging Markets Debt Fund	3.9%	$ 154,057
Cash	2.6%	$ 100,000
Total	**100.00%**	**$ 3,903,271**

Health & Welfare Portfolio Performance: March 31, 2018

	Total Assets ($)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	5/31/2010
Total Portfolio Return	3,903,271	100	0.05	-0.25	-0.25	5.71	3.90	4.33	-	5.89
Standard Deviation Portfolio							*3.21*	*3.24*		
Total Portfolio Return Net			0.03	-0.35	-0.35	5.29	3.48	3.91	-	5.46
Standard Deviation Portfolio (Net)							*3.22*	*3.24*		
Total Portfolio Index			-0.23	-0.43	-0.43	4.71	3.25	3.46	-	4.59
Standard Deviation Index							*3.25*	*3.05*		

As of the close of business on 8/31/2017, the Total Index Composition is as follows:

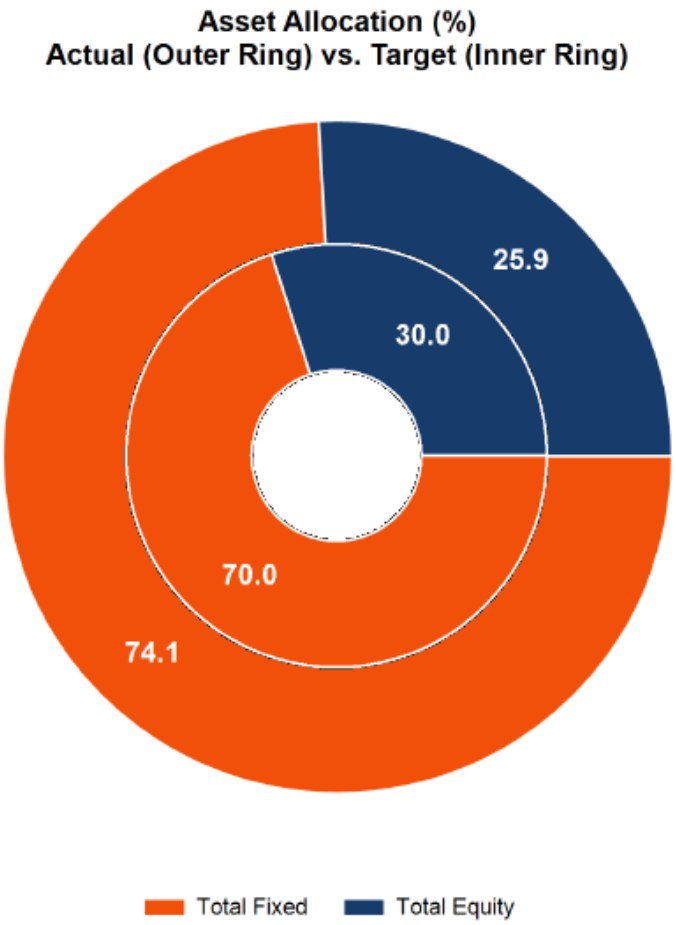
- 27.0 % Bloomberg Barclays US Agg Bond Index
- 20.0 % BofA ML 3 Month Cons Maturity LIBOR Index
- 15.0 % BofA ML 1-3 Year Treasury Index
- 9.0 % MSCI All Country World ex US Index
- 6.0 % Russell 1000 Index
- 6.0 % S&P 500 Index
- 5.0 % Blmbrg Barcl 9-12 Month Short Treas Index
- 4.0 % Hist Blnd: Emerging Markets Debt Index
- 4.0 % Hist Blnd: High Yield Bond Index
- 2.0 % MSCI Emerging + Frontier Mkts Index (Net)
- 2.0 % Russell 2000 Index

Inception date: 5/31/10 Historical Total Index can be provided upon request.

	One Month	Three Month	Year To Date
Portfolio Value	$3,901,929.83	$4,166,948.74	$4,166,948.74
Net Cash Flows	$0.00	($252,182.71)	($252,182.71)
Realized Gains	($69.32)	($1,081.59)	($1,081.59)
Unrealized Gains	($3,287.57)	($23,935.85)	($23,935.85)
Interest	$0.00	$0.00	$0.00
Dividends	$4,697.99	$13,522.34	$13,522.34
Ending Portfolio Value	$3,903,270.93	$3,903,270.93	$3,903,270.93

The Portfolio Return numbers are calculated using Gross Fund Performance, using a true time-weighted performance method (prior to 6/30/2012, the Modified Dietz method of calculation was used). 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 and valuations may be reported on a monthly or quarterly lag. Alternative, Property and Private Assets performance is calculated gross of investment management fees and net of administrative expenses and underlying fund expenses. However: Structured Credit Fund performance is calculated gross of investment management fees and net of administrative expenses; SEI Offshore Opportunity Fund II Ltd. Class A performance is calculated net of investment management and administrative fees; and Energy Debt Fund performance is calculated net of management fees, performance fees, as applicable, and operating expenses. Net Portfolio Returns since 6/30/2012 reflect the deduction of SIMC's investment management fee and the impact that fee had on the client's portfolio performance. Prior to 6/30/2012, Net Portfolio Returns deduct a proxy annual fee for all periods to demonstrate the impact that SIMC's investment management fee had on the portfolio performance. However, this is a hypothetical calculation, as it does not reflect the actual fees paid by the client during the period. Please see your client invoice for actual fees paid.

Apprentice & Training Portfolio Summary – March 31, 2018



Asset Class	Actual Allocation	Market Value
SEI Large Cap Fund	6.3%	$ 71,699
SEI Small Cap Fund	2.1%	$ 23,973
SEI U.S. Managed Volatility Fund	6.1%	$ 69,836
SEI World Equity ex-US Fund	9.3%	$ 105,880
SEI Emerging Markets Equity Fund	2.1%	$ 24,088
SEI Core Fixed Income Fund	26.4%	$ 301,169
SEI Limited Duration Bond Fund	14.8%	$ 168,228
SEI Opportunistic Income Fund	19.9%	$ 227,280
SEI Ultra Short Duration Bond Fund	4.9%	$ 56,350
SEI High Yield Bond Fund	4.0%	$ 45,516
SEI Emerging Markets Debt Fund	4.0%	$ 46,074
Total	**100.00%**	**$ 1,140,093**

Apprentice & Training Portfolio Performance: March 31, 2018

	Total Assets ($)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	5/31/2010
Total Portfolio Return	1,140,093	100	0.06	-0.31	-0.31	5.63	3.87	3.81	-	4.83
Standard Deviation Portfolio							*3.22*	*3.07*		
Total Portfolio Return Net			0.04	-0.41	-0.41	5.21	3.45	3.39	-	4.41
Standard Deviation Portfolio (Net)							*3.23*	*3.07*		
Total Portfolio Index			-0.23	-0.43	-0.43	4.71	3.25	2.98	-	3.46
Standard Deviation Index							*3.25*	*2.90*		

As of the close of business on 8/31/2017, the Total Index Composition is as follows:

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- 20.0 % BofA ML 3 Month Cons Maturity LIBOR Index
- 15.0 % BofA ML 1-3 Year Treasury Index
- 9.0 % MSCI All Country World ex US Index
- 6.0 % Russell 1000 Index
- 6.0 % S&P 500 Index
- 5.0 % Blmbrg Barcl 9-12 Month Short Treas Index
- 4.0 % Hist Blnd: Emerging Markets Debt Index
- 4.0 % Hist Blnd: High Yield Bond Index
- 2.0 % MSCI Emerging + Frontier Mkts Index (Net)
- 2.0 % Russell 2000 Index

Inception date: 5/31/10 Historical Total Index can be provided upon request.

	One Month	Three Month	Year To Date
Portfolio Value	$1,139,618.39	$893,979.42	$893,979.42
Net Cash Flows	$0.00	$249,531.73	$249,531.73
Realized Gains	$0.00	($4.48)	($4.48)
Unrealized Gains	($909.66)	($6,795.83)	($6,795.83)
Interest	$0.00	$0.00	$0.00
Dividends	$1,384.12	$3,382.02	$3,382.02
Ending Portfolio Value	$1,140,092.85	$1,140,092.85	$1,140,092.85

The Portfolio Return numbers are calculated using Gross Fund Performance, using a true time-weighted performance method (prior to 6/30/2012, the Modified Dietz method of calculation was used). 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 and valuations may be reported on a monthly or quarterly lag. Alternative, Property and Private Assets performance is calculated gross of investment management fees and net of administrative expenses and underlying fund expenses. However: Structured Credit Fund performance is calculated gross of investment management fees and net of administrative expenses; SEI Offshore Opportunity Fund II Ltd. Class A performance is calculated net of investment management and administrative fees; and Energy Debt Fund performance is calculated net of management fees, performance fees, as applicable, and operating expenses. Net Portfolio Returns since 6/30/2012 reflect the deduction of SIMC's investment management fee and the impact that fee had on the client's portfolio performance. Prior to 6/30/2012, Net Portfolio Returns deduct a proxy annual fee for all periods to demonstrate the impact that SIMC's investment management fee had on the portfolio performance. However, this is a hypothetical calculation, as it does not reflect the actual fees paid by the client during the period. Please see your client invoice for actual fees paid.

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Appendix

Equity strategies

Strategies	April 2018	Q1 2018	YTD 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SIIT Large Cap Fund	**-0.01**	**-0.81**	**-0.81**	**21.33**	**7.24**	**1.50**	**11.57**	**35.54**	**17.34**	**0.98**	**14.29**	**29.94**
Russell 1000 Index	0.34	-0.69	-0.35	21.69	12.05	0.92	13.24	33.11	16.42	1.50	16.10	28.43
SIIT Small Cap Fund	**0.47**	**-0.57**	**-0.10**	**9.90**	**18.42**	**-3.07**	**4.04**	**41.89**	**14.37**	**-4.90**	**24.68**	**38.05**
Russell 2000 Index	0.86	-0.08	0.78	14.65	21.31	-4.41	4.89	38.82	16.35	-4.18	26.85	27.17
SIIT U.S. Managed Volatility Fund	**0.25**	**-1.73**	**-1.48**	**15.56**	**14.02**	**1.57**	**17.77**	**30.03**	**13.39**	**10.78**	**16.09**	**15.64**
Russell 3000 Index	0.38	-0.64	-0.27	21.13	12.74	0.48	12.56	33.55	16.42	1.03	16.93	28.34
SIIT World Equity Ex-US Fund	**0.53**	**-0.21**	**0.31**	**29.88**	**4.20**	**-5.62**	**-2.34**	**18.32**	**18.70**	**-12.75**	**13.40**	**35.30**
MSCI All Country World ex US Index	1.60	-1.18	0.40	27.19	4.50	-5.66	-3.87	15.29	16.83	-13.71	11.15	41.45
SIIT Emerging Markets Equity‡	**-1.89**	**3.19**	**1.24**	**34.29**	**10.92**	**-11.22**	**-5.18**					
MSCI EFM (Emerging + Frontier Markets) Index (Net) (USD)	-0.51	1.50	0.99	37.15	10.98	-14.90	-5.69					

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

Data as of 4/30/2018, Source: SEI Data Portal, 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	April 2018	Q1 2018	YTD 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SIIT Core Fixed Income Fund	**-0.74**	**-1.32**	**-2.04**	**4.29**	**3.49**	**0.96**	**6.87**	**-1.10**	**7.23**	**8.12**	**9.96**	**15.55**
Bloomberg Barclays US Aggregate Bond Index (USD)	-0.74	-1.46	-2.19	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54	5.93
SIIT High Yield Bond Fund	**0.88**	**-0.40**	**0.48**	**8.35**	**17.59**	**-3.89**	**2.82**	**8.32**	**17.24**	**5.58**	**17.97**	**58.84**
BofA Merrill Lynch US High Yield Constrained Index (USD)	0.67	-0.91	-0.25	7.48	17.49	-4.61	2.51	7.41	15.55	4.37	15.07	58.10
SIIT Opportunistic Income Fund	**0.33**	**0.78**	**1.12**	**4.16**	**4.45**	**1.15**	**2.31**	**2.77**	**7.50**	**1.60**	**7.38**	**15.93**
BofA Merrill Lynch USD 3-Month LIBOR Constant Maturity Index (USD)	0.18	0.33	0.51	1.11	0.66	0.23	0.23	0.24	0.51	0.27	0.33	0.99
SIIT Emerging Markets Debt Fund	**-2.10**	**2.09**	**-0.05**	**15.96**	**11.09**	**-7.63**	**0.16**	**-8.42**	**19.15**	**5.96**	**15.82**	**43.08**
50/50 JPM EMBI Global Div & JPM GBI EM Global Div*	-2.20	1.32	-0.91	12.74	10.16	-7.14	0.71	-7.10	17.18	7.35	12.24	29.82
SIIT Limited Duration Bond Fund ǂ	**-0.01**	**0.00**	**-0.01**	**1.40**	**1.85**	**0.87**	**0.16**					
BofA Merrill Lynch 1-3 Year US Treasury Index (USD)	-0.16	-0.13	-0.29	0.42	0.89	0.54	0.29					
SIIT Ultra Short Duration Fund	**0.20**	**0.24**	**0.44**	**1.87**	**1.95**	**0.83**	**0.84**	**1.03**	**2.93**			
Bloomberg Barclays Short US Treasury 9-12 Month Index (USD)	0.09	0.30	0.38	0.68	0.79	0.20	0.17	0.25	0.23			

Data as of 4/30/2018, Source: SEI Data Portal, 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.

Important information

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