Mid-Atlantic UFCW and Participating Employers Pension Fund

Master Consulting Services Report

Period Ended
December 31, 2014

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Market Discussion Points 4Q | 2014

INVESTMENT PERFORMANCE SERVICES, LLC

Financial Market Performance

Periods Ending December 31, 2014

Strategy	Sector	Index	QTR	YTD	2014	2013	2012	2011	2010	1-Yr	3-Yr	5-Yr	10-Yr	20-Yr
Stocks	**US Large Cap**	S&P 500 Index	4.9	13.7	13.7	32.4	16.0	2.1	15.1	13.7	20.4	15.4	7.7	9.8
	US Small Cap	Russell 2000	9.7	4.9	4.9	38.8	16.3	-4.2	26.8	4.9	19.2	15.5	7.8	9.6
	All Country	MSCI All Country World (net)	0.4	4.2	4.2	22.8	16.1	-7.3	12.7	4.2	14.1	9.2	6.1	-
	Non-US Developed	MSCI EAFE (net)	-3.6	-4.9	-4.9	22.8	17.3	-12.1	7.8	-4.9	11.1	5.3	4.4	5.0
	Emerging Markets	MSCI EM (net)	-4.5	-2.2	-2.2	-2.6	18.2	-18.4	18.9	-2.2	4.0	1.8	8.4	-
Bonds	**Treasury**	Barclays US Govt Index	1.9	4.9	4.9	-2.6	2.0	9.0	5.5	4.9	1.4	3.7	4.3	5.9
	Broad Market	Barclays Aggregate	1.8	6.0	6.0	-2.0	4.2	7.8	6.5	6.0	2.7	4.4	4.7	6.2
	High Yield	Barclays HY BaB 2% Issuer Cap	-0.3	3.5	3.5	6.2	15.0	6.0	13.9	3.5	8.1	8.8	7.2	-
	Global Bonds	Citigroup WGBI	-1.5	-0.5	-0.5	-4.0	1.6	6.4	5.2	-0.5	-1.0	1.7	3.1	5.3
Global Tactical Asset Allocation		65% MSCI World /35% Citi WGBI	0.1	3.1	3.1	15.1	10.9	-1.2	9.8	3.1	9.6	7.4	5.3	6.7
Real Estate	**Core**	NCREIF ODCE Equal Weighted (Preliminary)	3.1	12.4	12.4	13.3	11.0	16.0	16.1	12.4	12.3	13.8	6.7	8.7
Hedge Funds	**Diversified FOFs**	HFRI HFOF Composite	0.8	3.2	3.2	9.0	4.8	-5.7	5.7	3.2	5.6	3.3	3.0	5.8
	Equity Long-Short	HFRI Equity Hedge	0.4	2.3	2.3	14.3	7.4	-8.4	10.5	2.3	7.9	4.9	4.7	10.3
Commodities	**Commodities**	Goldman Sachs Commodity Index	-27.7	-33.1	-33.1	-1.2	0.1	-1.2	9.0	-33.1	-12.9	-6.5	-4.8	1.9

INVESTMENT PERFORMANCE SERVICES LLC

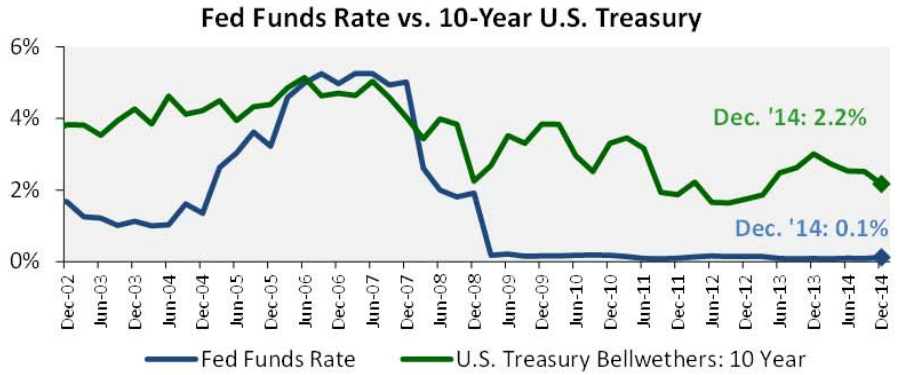
Asset Class Performance "Quilt"

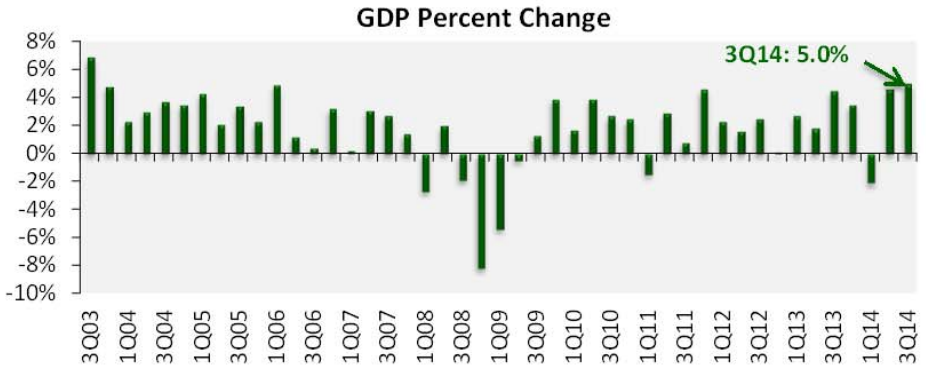
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	4Q14	10-yrs. '05 - '14 Cum.	10-yrs. '05 - '14 Ann.
MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Russell 2000 38.8%	REITs 28.0%	REITs 12.9%	MSCI EME 132.0%	MSCI EME 8.8%
Bberg Cmdty 21.4%	MSCI EME 32.6%	Bberg Cmdty 16.2%	Cash 1.8%	MSCI EAFE 32.5%	Russell 2000 26.9%	Barclays Agg 7.8%	MSCI EME 18.6%	S&P 500 32.4%	S&P 500 13.7%	Russell 2000 9.7%	REITs 122.3%	REITs 8.3%
MSCI EAFE 14.0%	MSCI EAFE 26.9%	MSCI EAFE 11.6%	Market Neutral 1.1%	REITs 28.0%	MSCI EME 19.2%	Market Neutral 4.5%	MSCI EAFE 17.9%	MSCI EAFE 23.3%	Barclays Agg 6.0%	S&P 500 4.9%	Russell 2000 111.3%	Russell 2000 7.8%
REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Asset Alloc. -24.0%	Russell 2000 27.2%	Bberg Cmdty 16.8%	S&P 500 2.1%	Russell 2000 16.3%	Asset Alloc. 15.0%	Asset Alloc. 5.2%	Asset Alloc. 2.0%	S&P 500 109.5%	S&P 500 7.7%
Asset Alloc. 8.3%	S&P 500 15.8%	Asset Alloc. 7.4%	Russell 2000 -33.8%	S&P 500 26.5%	S&P 500 15.1%	Cash 0.1%	S&P 500 16.0%	Market Neutral 9.3%	Russell 2000 4.9%	Barclays Agg 1.8%	Asset Alloc. 91.7%	Asset Alloc. 6.7%
Market Neutral 6.1%	Asset Alloc. 15.2%	Barclays Agg 7.0%	Bberg Cmdty -35.6%	Asset Alloc. 22.2%	Asset Alloc. 12.5%	Asset Alloc. -0.6%	Asset Alloc. 11.3%	REITs 2.9%	Cash 0.0%	Market Neutral 1.0%	MSCI EAFE 61.5%	MSCI EAFE 4.9%
S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	S&P 500 -37.0%	Bberg Cmdty 18.9%	MSCI EAFE 8.2%	Russell 2000 -4.2%	Barclays Agg 4.2%	Cash 0.0%	Market Neutral -0.5%	Cash 0.0%	Barclays Agg 58.4%	Barclays Agg 4.7%
Russell 2000 4.6%	Cash 4.8%	Cash 4.8%	REITs -37.7%	Barclays Agg 5.9%	Barclays Agg 6.5%	MSCI EAFE -11.7%	Market Neutral 0.9%	Barclays Agg -2.0%	MSCI EME -1.8%	MSCI EAFE -3.5%	Market Neutral 54.0%	Market Neutral 4.4%
Cash 3.0%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Market Neutral 4.1%	Cash 0.1%	Bberg Cmdty -13.3%	Cash 0.1%	MSCI EME -2.3%	MSCI EAFE -4.5%	MSCI EME -4.4%	Cash 15.7%	Cash 1.5%
Barclays Agg 2.4%	Bberg Cmdty 2.1%	REITs -15.7%	MSCI EME -53.2%	Cash 0.1%	Market Neutral -0.8%	MSCI EME -18.2%	Bberg Cmdty -1.1%	Bberg Cmdty -9.5%	Bberg Cmdty -17.0%	Bberg Cmdty -12.1%	Bberg Cmdty -17.1%	Bberg Cmdty -1.9%

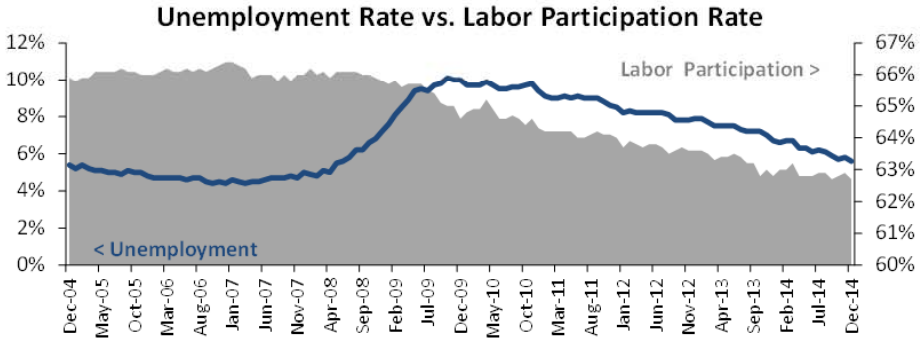
Source: Russell, MSCI, Bloomberg, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 12/31/14, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/14. "10-yrs" returns represent period of 12/31/04 – 12/31/14 showing both cumulative (Cum.) and annualized (Ann.) over the period. J.P. Morgan Guide to the Markets – U.S. Data are as of 12/31/14.

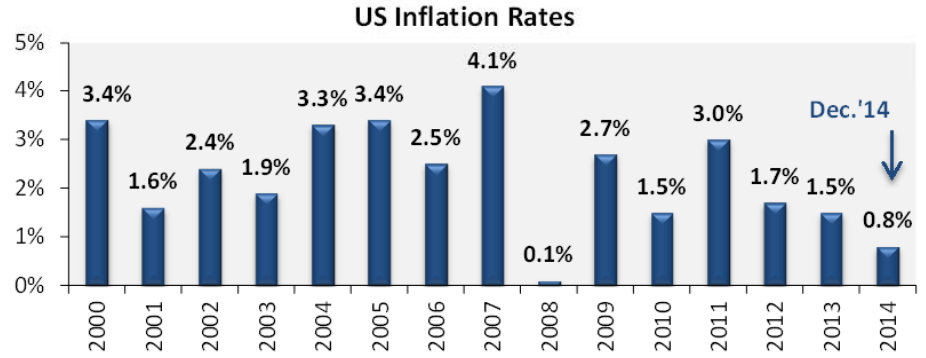
U.S. Economy

Investors could use some good news and received some during the fourth quarter. The decline in oil prices has been reflected at the gas pumps, and consumers can tangibly feel the savings. December's unemployment rate fell to 5.6% and job creation was at 252,000. While this too is good news, the number of people working part-time that are looking for full-time jobs is still high. GDP is expanding at an annual rate of 5.0% and it's components - consumer, business and government - were up. The U.S. dollar continues to strengthen. Housing prices have been flat in the second half of the year, but are still estimated to be up 4.5% over the past 12 months. Inflation is expected to be under 1% for the year. Corporate earnings continue to beat expectations, with 78% of the S&P 500 companies ahead of estimates for earnings per share. However, investors are nervous and react quickly to adverse news, which increases volatility. We saw the equity markets take a significant dip in December before recovering by year-end. The biggest surprise was that interest rates in the longer part of the yield curve decreased, with the 10-Year Treasury declining from 3.03% at the beginning of the year to 2.17% at year-end. Intermediate rates in the 2-3 year range actually rose by about 30 basis points.





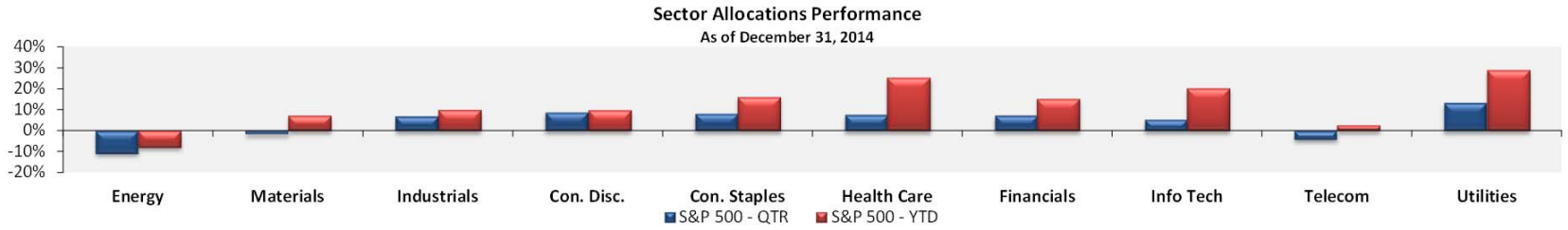


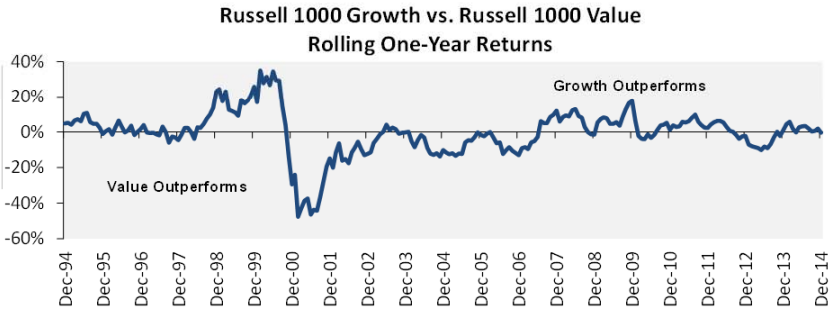


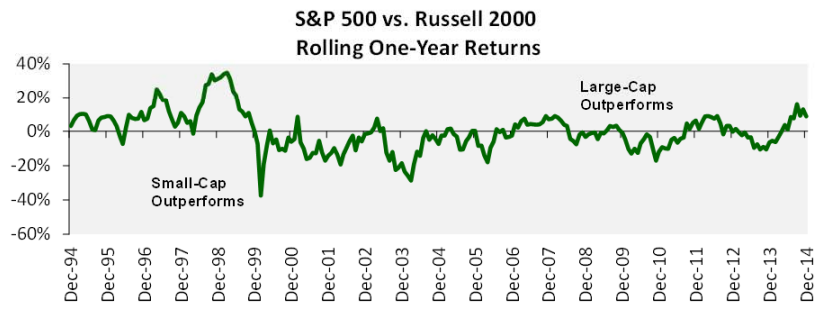
U.S. Equity Market

The headlines in the financial press would have you believe that equity markets had another outstanding year. The S&P 500 did in fact hit an all time high on December 29, 2014 at 2090.57 and returned 13.7% for the year, but these gains were very narrowly focused on U.S. large cap stocks and were driven by a few key sectors. With the precipitous drop in the price of oil from about $90 per barrel to under $50 a barrel, the energy sector declined over 8% as measured by the S&P 500. Industry and sector mattered as exemplified by coal mining stocks being down 33% while airline stocks were up 84%. Another large dispersion was between large and small cap stocks. The Russell 1000 was up 13.3%, while the Russell 2000 was up just 4.9% despite rallying 9.7% in the 4th quarter. There has also been explosive growth in the use of index funds and ETFs as the preferred method for investors to access the equity markets. Index funds and ETFs now account for more than 32% of the market, up from 17% in 2007. Vanguard alone reported record inflow to their index funds of nearly $300 million in 2014. In terms of index outperformance, 2014 was also the worst year for active managers since the tech boom in 1998-99. There was little style rotation with growth and value fairly close in return across all capitalizations.

		4Q 14	YTD	2014	2013	2012	2011	2010	1-Year	3-Year	5-Year	10-Year
Large Cap	S&P 500	4.9	13.7	13.7	32.4	16.0	2.1	15.1	13.7	20.4	15.4	7.7
	Russell 1000	4.9	13.3	13.3	33.1	16.4	1.5	16.1	13.3	20.6	15.6	8.0
	Russell 1000 Value	5.0	13.5	13.5	32.5	17.5	0.4	15.5	13.5	20.9	15.4	7.3
	Russell 1000 Growth	4.8	13.1	13.1	33.5	15.3	2.6	16.7	13.1	20.3	15.8	8.5
Mid Cap	Russell Mid-Cap	5.9	13.2	13.2	34.8	17.3	-1.6	25.5	13.2	21.4	17.2	9.6
	Russell Mid-Cap Value	6.1	14.7	14.7	33.5	18.5	-1.4	24.8	14.7	22.0	17.4	9.4
	Russell Mid-Cap Growth	5.8	11.9	11.9	35.8	15.8	-1.7	26.4	11.9	20.7	16.9	9.4
Small Cap	Russell 2000	9.7	4.9	4.9	38.8	16.3	-4.2	26.8	4.9	19.2	15.5	7.8
	Russell 2000 Value	9.4	4.2	4.2	34.5	18.1	-5.5	24.5	4.2	18.3	14.3	6.9
	Russell 2000 Growth	10.1	5.6	5.6	43.3	14.6	-2.9	29.1	5.6	20.1	16.8	8.5
Total Market	Wilshire 5000	5.3	12.7	12.7	33.1	16.1	1.0	17.2	12.7	20.3	15.5	8.0
	Russell 3000	5.2	12.6	12.6	33.6	16.4	1.0	16.9	12.6	20.5	15.6	7.9







Equity Performance "Quilt"

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	4Q'14	10 yrs '05-'14 Cum.	10 yrs '05-'14 Ann.
Mid Value 12.6%	Small Value 23.5%	Large Growth 11.8%	Small Value -28.9%	Mid Growth 46.3%	Small Growth 29.1%	Large Growth 2.6%	Mid Value 18.5%	Small Growth 43.3%	Mid Value 14.7%	Small Growth 10.1%	Mid Value 165.4%	Mid Value 10.3%
Mid Growth 12.1%	Large Value 22.2%	Mid Growth 11.4%	Large Value -36.8%	Large Growth 37.2%	Mid Growth 26.4%	Large Value 0.4%	Small Value 18.1%	Mid Growth 35.7%	Large Value 13.5%	Small Value 9.4%	Mid Growth 154.0%	Mid Growt 9.8%
Large Value 7.1%	Mid Value 20.2%	Small Growth 7.0%	Large Growth -38.4%	Small Growth 34.5%	Mid Value 24.8%	Mid Value -1.4%	Large Value 17.5%	Small Value 34.5%	Large Growth 13.0%	Mid Value 6.1%	Small Growth 145.7%	Small Growt 9.4%
Large Growth 5.3%	Small Growth 13.3%	Large Value -0.2%	Mid Value -38.4%	Mid Value 34.2%	Small Value 24.5%	Mid Growth -1.7%	Mid Growth 15.8%	Large Growth 33.5%	Mid Growth 11.9%	Mid Growth 5.8%	Small Value 128.3%	Small Value 8.6%
Small Value 4.7%	Mid Growth 10.7%	Mid Value -1.4%	Small Growth -38.5%	Small Value 20.6%	Large Growth 16.7%	Small Growth -2.9%	Large Growth 15.3%	Mid Value 33.5%	Small Growth 5.6%	Large Value 5.0%	Large Growth 112.5%	Large Growt 7.8%
Small Growth 4.2%	Large Growth 9.1%	Small Value -9.8%	Mid Growth -44.3%	Large Value 19.7%	Large Value 15.5%	Small Value -5.5%	Small Growth 14.6%	Large Value 32.5%	Small Value 4.2%	Large Growth 4.8%	Large Value 107.7%	Large Value 7.6%

Source: FactSet, Russell Investment Group, J.P. Morgan Asset Management. All data are based on Russell Indexes and represent total return for stated period. Each style is representative of corresponding Russell style index. Past performance is not indicative of future returns. Data are as of 12/31/14. Large Value = Russell 1000 Value Index; Large Growth = Russell 1000 Growth Index; Mid Value = Russell Mid Cap Value Index; Mid Growth = Russell Mid Cap Growth Index; Small Value = Russell 2000 Value Index; Small Growth = Russell 2000 Growth Index. J.P. Morgan Guide to the Markets – U.S. Data are as of 12/31/14.

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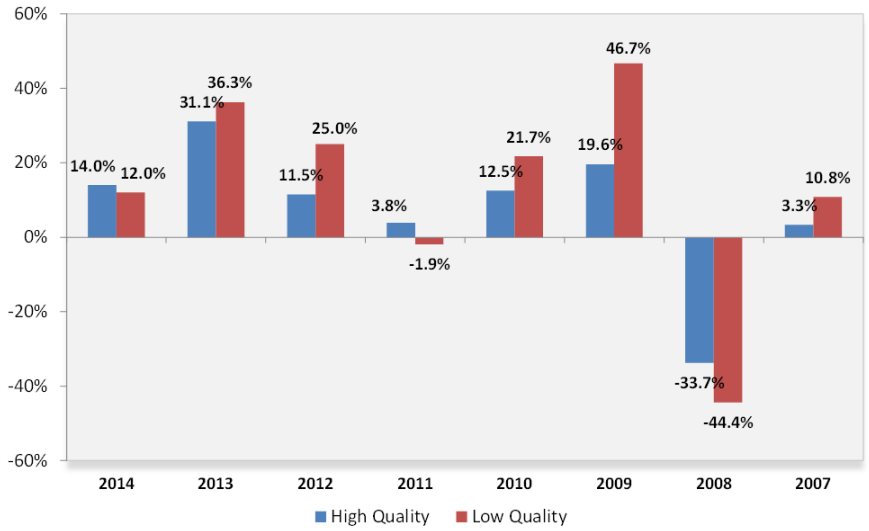
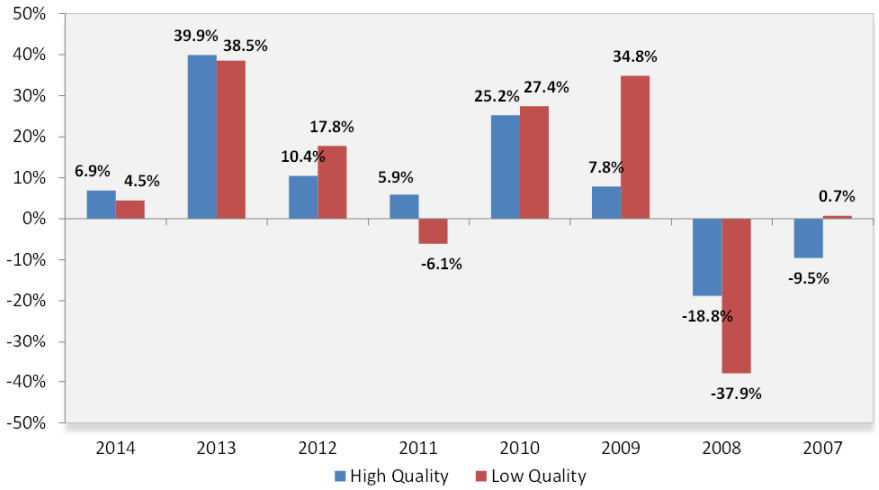
U.S. Stock Returns by Quality

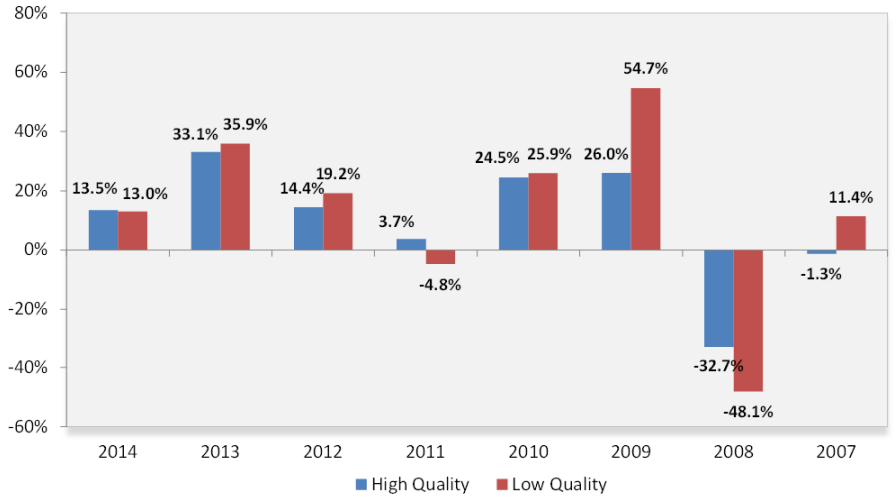
Large Cap Stock Returns by Quality



Small Cap Stock Returns by Quality



Midcap Stock Returns by Quality



Sources: Standard & Poor's, Wilshire Atlas, Atlanta Capital. Standard & Poor's Quality Rankings are utilized to capture the long-term growth and stability of a company's earnings and dividends in a single measure. The High Earnings Stability and Low Earnings Stability portfolios are provided to compare the aggregate of all companies with B+ or Better S&P Rankings to those with B or Below S&P Rankings. The material is based upon information that S&P, Wilshire and Atlanta Capital considers to be reliable, but neither S&P, Wilshire nor Atlanta Capital warrants its completeness, accuracy or adequacy and it should not be relied upon as such. Rates of return are calculated using a market capitalization weighted-methodology. Performance during certain periods reflects strong stock market performance that is not typical and may not be repeated. Past performance does not predict future results. The information contained herein has been provided for informational and illustrative purposes only and is not intended to be, nor should it be considered, investment advice.

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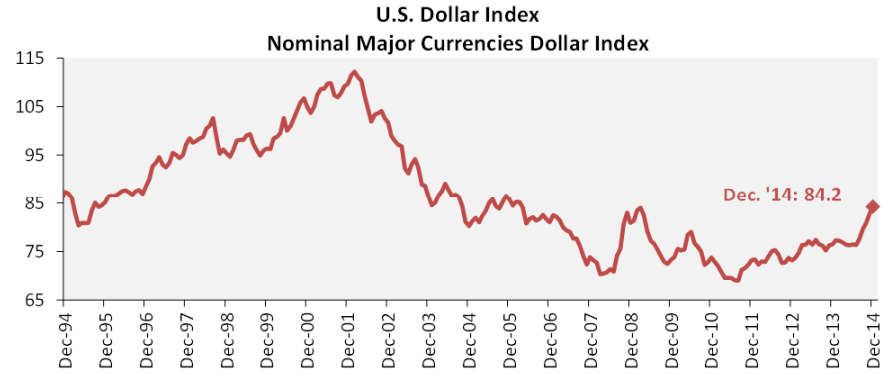
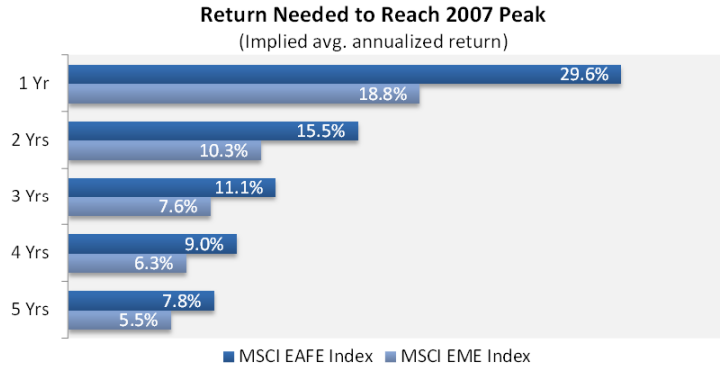
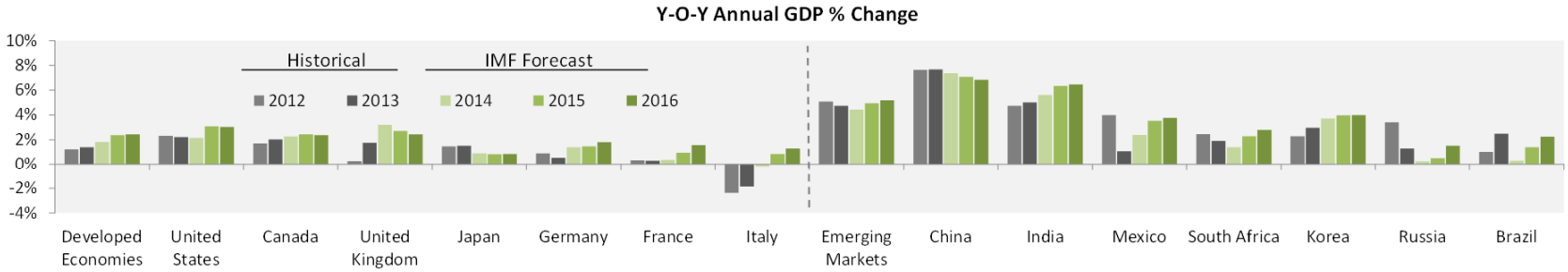
International Equity Market

The slowdown in economic growth in Europe and the strengthening U.S. dollar provided a backdrop for negative equity returns in the Eurozone. The MSCI EAFE Index was down 4.9%, low GDP growth resulted in the MSCI Europe ex-UK Index being down 6.5% for the year and the UK was down 5.4%. The European Central Bank is taking action, lowering interest rates further to the point were some rates are now negative. The decline in oil prices hit Russia the hardest and their equity markets declined 46%, with most of that drop occurring in the fourth quarter. In Asia, despite a slowdown in GDP growth, China was up 8% and India was up 23.9%.

		4Q 14	YTD	2014	2013	2012	2011	2010	1-Year	3-Year	5-Year	10-Year
Global	MSCI AC World Index (net)	0.4	4.2	4.2	22.8	16.1	-7.3	12.7	4.2	14.1	9.2	6.1
	MSCI World Small Cap (net)	1.8	1.8	1.8	28.7	18.1	-11.3	26.3	1.8	15.6	11.6	8.1
	MSCI World ex US (net)	-3.9	-3.9	-3.9	15.3	16.8	-13.7	11.2	-3.9	9.0	4.4	5.1
Developed ex US	MSCI EAFE (net)	-3.6	-4.9	-4.9	22.8	17.3	-12.1	7.8	-4.9	11.1	5.3	4.4
	MSCI EAFE Value (net)	-4.9	-5.4	-5.4	22.9	17.7	-12.2	3.3	-5.4	11.0	4.4	3.9
	MSCI EAFE Growth (net)	-2.3	-4.4	-4.4	22.5	16.9	-12.1	12.3	-4.4	11.0	6.2	4.9
	MSCI EAFE Small Cap (net)	-2.3	-4.9	-4.9	29.3	20.0	-15.9	22.0	-4.9	13.8	8.6	6.0
Emerging Markets	MSCI Emerging Markets (net)	-4.5	-2.2	-2.2	-2.6	18.2	-18.4	18.9	-2.2	4.0	1.8	8.4





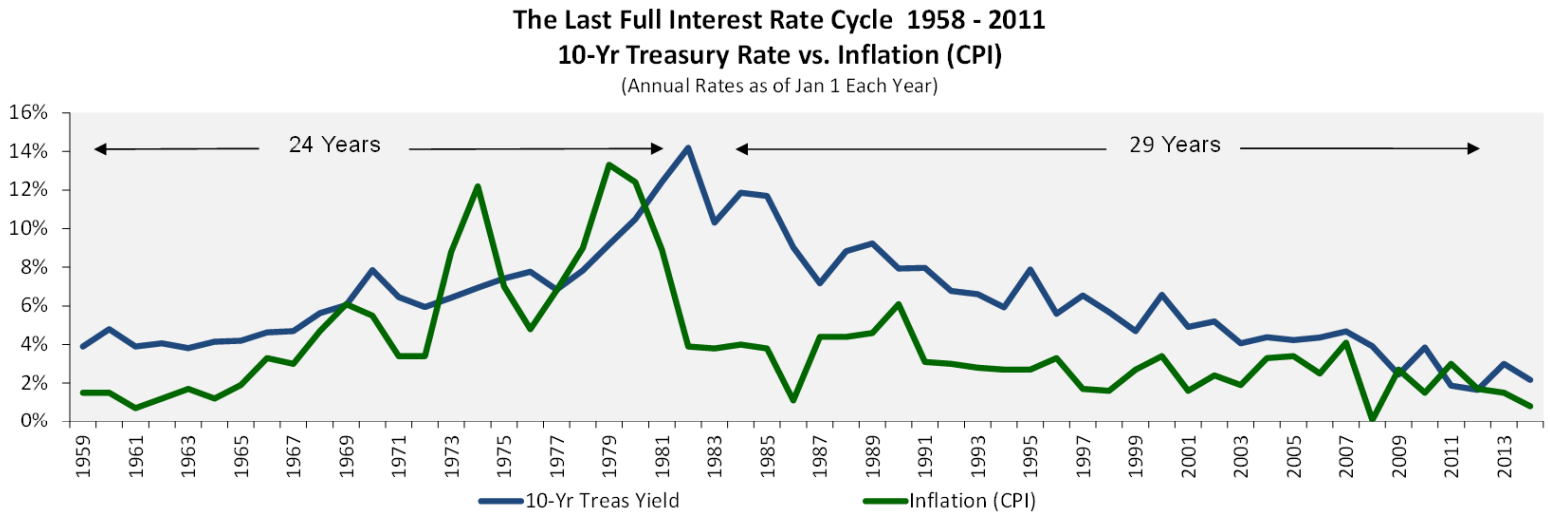


Top left chart: The major currencies index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of currencies in the broad index that circulate widely outside the country of issue. The weights are derived from those in the broad index. **Top right chart:** Data as of December 31, 2013. **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 2014.

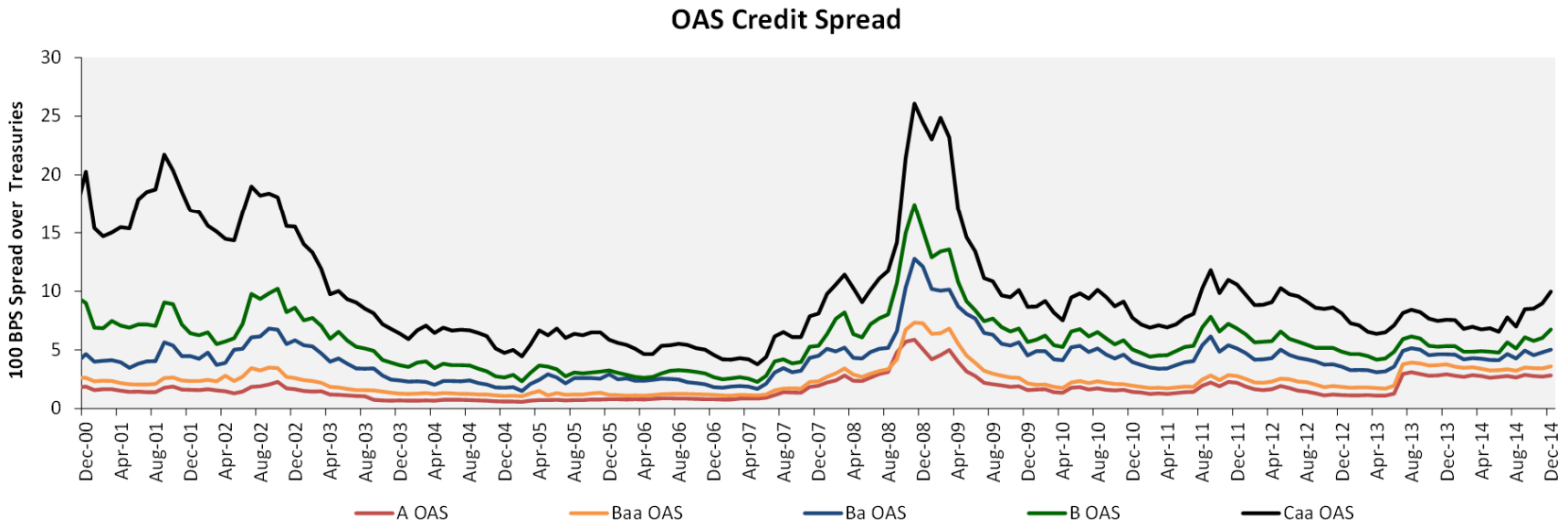
Bond Market

The Federal Reserve finished their "quantitative easing" bond buying in October without much fanfare. The surprise was a significant flattening of the yield curve with the 2-year Treasury yield increasing by about 28 basis points from 0.38% to 0.66% while the 10-Year Treasury yield dropped from 3.03% at the beginning of the year to 2.17%. This led to a modest rally in longer-term bond prices. The Barclays Intermediate Govt/Credit posted a 3.9% return while the longer duration Barclays Aggregate posted a 6.0% return for the year. Corporate high yield bonds were hit hard by the declines in energy-sector bonds, which is 17% of the benchmark. Overall spreads widened in the U.S. high yield sector by 101 basis points, resulting in negative returns for most high yield indexes in the fourth quarter, but the Barclays High Yield Ba/B 2% Capped Index was still up 3.5% for the year. The consensus is that the Federal Reserve will announce the beginning of modest and measured rate hikes sometime in 2015.

	Yield	Duration	4Q 14	YTD	2014	2013	2012	2011	2010	1-Year	3-Year	5-Year	10-Year
Barclays Aggregate	2.2	5.6	1.8	6.0	6.0	-2.0	4.2	7.8	6.5	6.0	2.7	4.4	4.7
Barclays Govt/Credit	2.1	6.1	1.8	6.0	6.0	-2.4	4.8	8.7	6.6	6.0	2.8	4.7	4.7
Barclays Int Agg	2.0	4.0	1.2	4.1	4.1	-1.0	3.6	6.0	6.1	4.1	2.2	3.7	4.3
Barclays Int Govt/Credit	1.7	3.9	0.9	3.1	3.1	-0.9	3.9	5.8	5.9	3.1	2.0	3.5	4.1
Barclays HY Ba/B2% Capped	5.9	4.5	-0.3	3.5	3.5	6.2	15.0	6.0	13.9	3.5	8.1	8.8	7.2
Barclays Mortgage	2.6	4.4	1.8	6.1	6.1	-1.4	2.6	6.2	5.4	6.1	2.4	3.7	4.7
Barclays Treasury	1.4	5.6	1.9	5.1	5.1	-2.7	2.0	9.8	5.9	5.1	1.4	3.9	4.4
Barclays US TIPS	2.0	5.8	0.0	3.6	3.6	-8.6	7.0	13.6	6.3	3.6	0.4	4.1	4.4
91 day T-Bills	0.0	0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	1.5



Bond Market


OAS Credit Spread
100 BPS Spread over Treasuries
30
25
20
15
10
5
0
Dec-00
Apr-01
Aug-01
Dec-01
Apr-02
Aug-02
Dec-02
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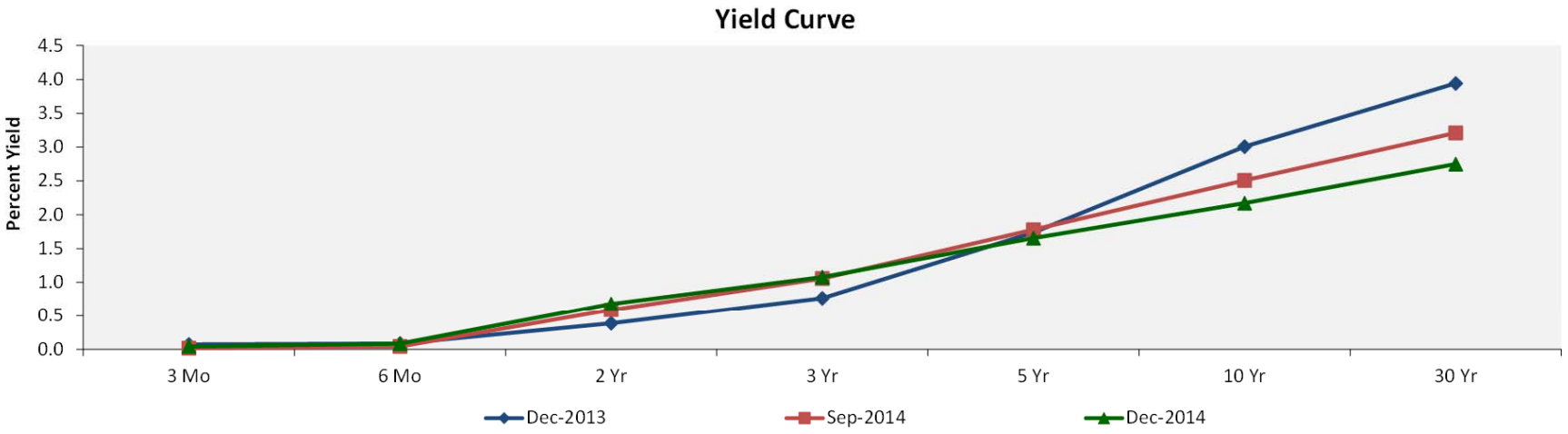
Caa OAS


Yield Curve
Percent Yield
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
3 Mo
6 Mo
2 Yr
3 Yr
5 Yr
10 Yr
30 Yr
Dec-2013
Sep-2014
Dec-2014

Interest Rate Sensitivity

12 Month Holding Period - Annualized Returns as of 12/31/2014

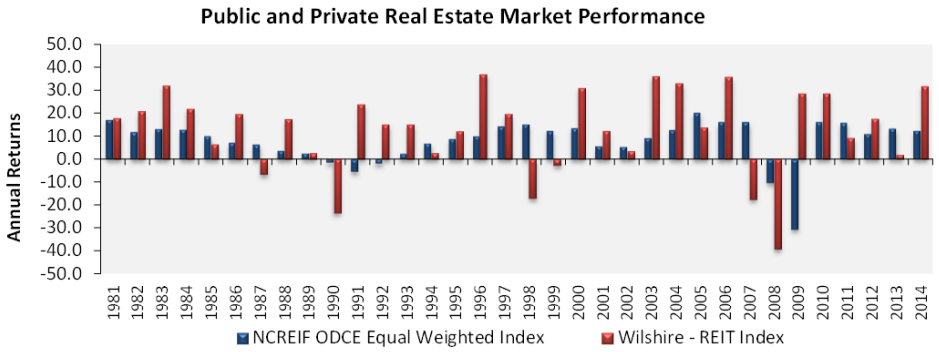
Yield Change (bps)	10 Year Treasury S010	Barclays Aggregate US Aggregate	Barclays Intermd. Gov/Corp US Gov/Credit	Barclays 1-3 yr Gov/Corp US Gov/Credit	ML Defensive US HY BB/B ND H4ND	ML Short Duration US HY BB/B 1-3 yr J1A4
-150	17.07	10.58	7.34	3.63	11.98	6.44
-100	12.17	7.80	5.38	2.67	9.86	5.56
-50	7.27	5.03	3.43	1.71	7.74	4.68
-25	4.82	3.64	2.45	1.23	6.68	4.24
0	2.37	2.25	1.47	0.75	5.62	3.80
25	-0.08	0.86	0.49	0.27	4.56	3.36
50	-2.53	-0.53	-0.49	-0.21	3.50	2.92
100	-7.43	-3.30	-2.44	-1.17	1.38	2.04
150	-12.33	-6.08	-4.40	-2.13	-0.74	1.16
200	-17.23	-8.85	-6.35	-3.09	-2.86	0.28
250	-22.13	-11.63	-8.31	-4.05	-4.98	-0.60
300	-27.03	-14.40	-10.26	-5.01	-7.10	-1.48
350	-31.93	-17.18	-12.22	-5.97	-9.22	-2.36
400	-36.83	-19.95	-14.17	-6.93	-11.34	-3.24
450	-41.73	-22.73	-16.13	-7.89	-13.46	-4.12
500	-46.63	-25.50	-18.08	-8.85	-15.58	-5.00
Duration	9.800	5.550	3.910	1.920	4.240	1.760

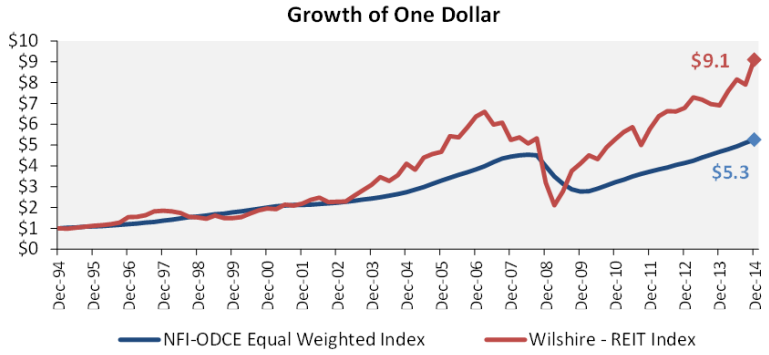
FOR ILLUSTRATIVE PURPOSES ONLY: For each index the current yield to worst as of 12/31/2014 was used as the base case annualized return. The annualized return sensitivity to a uniform increase or decrease in the yield curve was calculated by taking the index's Macaulay's (Modified) Duration as of 12/31/2014 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

Commercial real estate posted good returns again this year. The recovering economy, reasonable economic growth and constrained supply all helped to generate positive returns. The NCREIF ODCE Equal-Weighted Index was up 12.4% for 2014 and represents the fifth straight year of recovery since the 2008-2009 downturn. The first part of this recovery was led by multi-family demand, but more recently industrial and retail have rebounded. Occupancy rates remain high and new construction has high pre-construction lease rates or is build-to-suit. All indicators are that reasonable rent increases are being obtained and there is no excess capacity being developed. As shown below, a survey of NCREIF constituents indicated they expect returns in the 9% range in 2015, and declining slightly to the 8.0-8.5% range over the next 3-5 years. REITS have been particularly attractive to individual investors due to their high current dividend yield, but were hard hit by the small cap stock retrenchment in late 2013 and early 2014; they have since rebounded remarkably over the course of 2014.

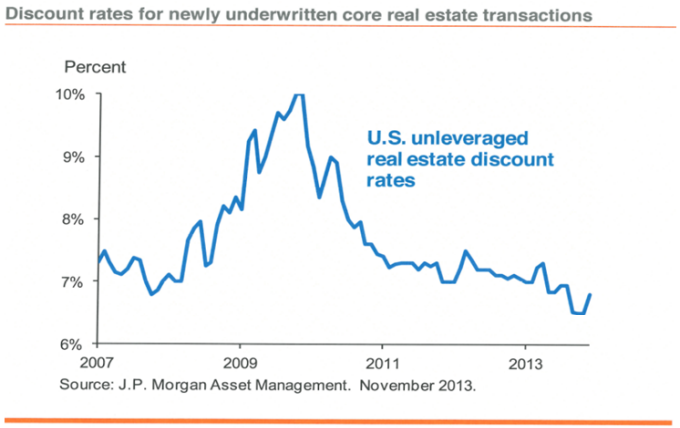
		4Q 14	YTD	2014	2013	2012	2011	2010	1-Year	3-Year	5-Year	10-Year
US Private	NCREIF ODCE Equal Weighted (Pre.)	3.1	12.4	12.4	13.3	11.0	16.0	16.1	12.4	12.3	13.8	6.7
US Public	Wilshire REIT	15.1	31.8	31.8	1.9	17.6	9.2	28.6	31.8	16.4	17.3	8.3





	Total return (incl. income) 2014	Total return (incl. income) 2015	Total return (incl. income) 2016	Total return (incl. income) 2014 to 2018 (per year)
National, All Property Types (NPI)	10.8	9.1	8.0	8.4
Office	10.5	9.2	8.5	8.6
Retail	11.9	9.2	8.0	8.6
Industrial	11.7	9.8	8.5	8.9
Apartment	9.6	8.6	7.1	7.7

Bottom left 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 NECREIF Property Index Q2 2014.

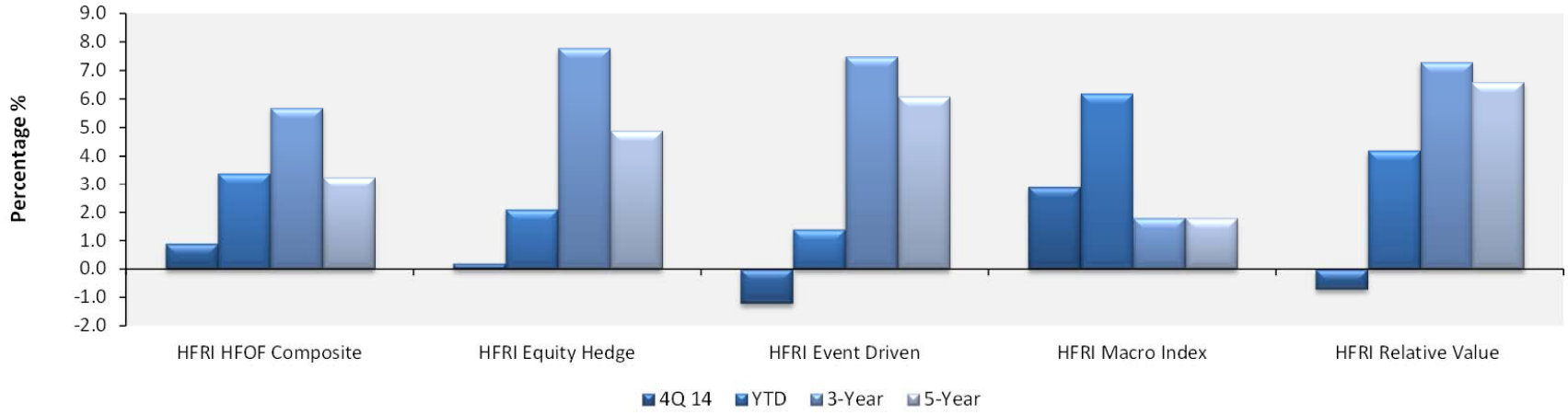


Hedge Fund of Funds Market

Hedge funds closed 2014 with little fanfare, as the HFRI FOF Composite rose 0.9% during the quarter to close the year at 3.35%. Following a relatively good year in 2013, this was hardly a banner year for hedge funds. Outside of a spike in mid-October and mid-December, equity volatility remained low for most of the year, which made for a difficult environment for long/short equity managers. Shorting continued to be difficult in 2014 as most stocks rose and low quality stocks outperformed high quality. Equities outside the US were largely negative. Relative value strategies provided better performance as did macro, which was the best performing hedge fund strategy after three consecutive negative years, aided in 2014 by the long US Dollar trade and short oil prices. Many predicted a rise in interest rates in 2014. That did not happen, though the consensus is that we should see rates increase mid-2015. Hedge funds have historically performed well in rising rate environments, mitigating interest rate risk, as well as in markets with increasing equity volatility. Volatility has picked up over the last few months as QE ended in the US, and may remain higher than the persistent low volatility environment of the past two years. The market dislocations this creates should provide both long and short opportunities to hedge fund managers. Hedge fund flows continue to be strong, as the asset class took in over $112 billion from investors in 2014, per a report from industry database eVestment. Their report notes that similar flows are expected in 2015, as investors look to continue diversifying from traditional asset classes.

Strategy	Index	4Q 14	YTD	2014	2013	2012	2011	2010	1-Year	3-Year	5-Year	10-Year
Fund of Funds	HFRI HFOF Composite	0.9	3.4	3.4	9.0	4.8	-5.7	5.7	3.4	5.7	3.3	3.0
Equity Long-Short	HFRI Equity Hedge	0.2	2.1	2.1	14.3	7.4	-8.4	10.5	2.1	7.8	4.9	4.7
Event Driven	HFRI Event Driven	-1.2	1.4	1.4	12.5	8.9	-3.3	11.9	1.4	7.5	6.1	5.7
Global Macro	HFRI Macro Index	2.9	6.2	6.2	-0.4	-0.1	-4.2	8.1	6.2	1.8	1.8	4.4
Relative Value	HFRI Relative Value	-0.7	4.2	4.2	7.1	10.6	0.1	11.4	4.2	7.3	6.6	6.3

Hedge Fund Strategy Performance



Data gathered from sources deemed to be reliable but not guaranteed. All indexes are trademarked by owner.

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Mid-Atlantic UFCW and Participating Employers Pension Fund

Master Consulting Services Report

Period Ended
December 31, 2014

Summary of Cash Flows

Sources of Portfolio Growth	Fourth Quarter	Year-To-Date	Inception 3/31/13
Beginning Market Value	$21,621,268	$11,961,276	$0
Net Additions/Withdrawals	$3,262,651	$12,223,439	$24,244,437
Investment Earnings	$287,808	$987,012	$927,290
Ending Market Value	$25,171,727	$25,171,727	$25,171,727

Performance Summary (Gross of Fees)

	Market Value	% of Portfolio	2014 Q4	Ending December 31, 2014 YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception Return	Since
Composite	**$25,171,727**	**100.0%**	**1.3%**	**6.1%**	**6.1%**	**--**	**--**	**--**	**3.4%**	**Mar-13**
Benchmark			*1.7%*	*--*	*--*	*--*	*--*	*--*	*--*	*Mar-13*
Total Equity	**$8,081,865**	**32.1%**	**--**	**--**	**--**	**--**	**--**	**--**	**2.4%**	**Nov-14**
CRSP US Total Market TR USD			*5.2%*	*12.6%*	*12.6%*	*20.5%*	*15.7%*	*8.2%*	*2.4%*	*Nov-14*
Vanguard Index Trust Total Stk Mkt	$8,081,865	32.1%	--	--	--	--	--	--	2.4%	Oct-14
CRSP US Total Market TR USD			*5.2%*	*12.6%*	*12.6%*	*20.5%*	*15.7%*	*8.2%*	*2.4%*	*Oct-14*
Total Short Duration Hi Yld	**$4,008,421**	**15.9%**	**--**	**--**	**--**	**--**	**--**	**--**	**-0.5%**	**Nov-14**
BofA Merrill Lynch - U.S. High Yield Cash Pay 1-3 Yr BB Index			*0.7%*	*1.9%*	*1.9%*	*5.8%*	*6.7%*	*--*	*-0.2%*	*Nov-14*
Chartwell Short Duration High Yld	$4,008,421	15.9%	--	--	--	--	--	--	-0.5%	Oct-14
BofA Merrill Lynch - U.S. High Yield Cash Pay 1-3 Yr BB Index			*0.7%*	*1.9%*	*1.9%*	*5.8%*	*6.7%*	*--*	*-0.2%*	*Oct-14*
Total GTAA	**$12,012,806**	**47.7%**	**0.8%**	**5.1%**	**5.1%**	**--**	**--**	**--**	**2.8%**	**Mar-13**
65%/35% MSCI World Index/CitigroupWGBI			*0.1%*	*3.1%*	*3.1%*	*9.6%*	*7.4%*	*--*	*7.8%*	*Mar-13*
First Eagle Global Value Fund	$12,012,806	47.7%	0.5%	--	--	--	--	--	-1.0%	Jul-14
65%/35% MSCI World Index/CitigroupWGBI			*0.1%*	*3.1%*	*3.1%*	*9.6%*	*7.4%*	*--*	*-1.2%*	*Jul-14*
Total Fund Cash	**$1,068,635**	**4.2%**	**0.0%**	**0.4%**	**0.4%**	**--**	**--**	**--**	**0.2%**	**Mar-13**
Cash	$1,068,635	4.2%	0.0%	0.4%	0.4%	--	--	--	0.2%	Mar-13

Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Policy	Policy Range	Difference	Difference
Large Cap Equity	$8,081,865	32.1%	25.0%	20.0% - 30.0%	7.1%	$1,788,933
Short Duration Hi Yield Fxd Income	$4,008,421	15.9%	10.0%	5.0% - 15.0%	5.9%	$1,491,248
Real Estate	--	--	10.0%	5.0% - 15.0%	-10.0%	-$2,517,173
GTAA	$12,012,806	47.7%	55.0%	50.0% - 60.0%	-7.3%	-$1,831,644
Cash	$1,068,635	4.2%	--	--	4.2%	$1,068,635
Total	**$25,171,727**	**100.0%**	**100.0%**			

Asset Allocation

- At the April 28, 2014 meeting, an asset allocation review was presented and discussed. The Policy Committee approved new asset allocation targets of 25% US equity, 10% short duration high yield bonds, 10% real estate, and 55% GTAA.
- Current managers for FELRA Pension Fund will be used for US equity allocation (Vanguard Total US Stock Market Index) and short duration high yield allocation (Chartwell Investment Partners).
- At the April 28, 2014 meeting, a GTAA manager search was reviewed and manager presentations were heard. The Trustees elected to retain First Eagle for the 55% GTAA allocation. On July 31, 2014, $8.5M was transferred from PIMCO All Asset Fund to First Eagle (GTAA).
- At the May 7, 2014 teleconference meeting, a real estate manager search was reviewed and manager presentations were heard. The Trustees elected to retain American Realty Advisors for the 10% real estate allocation.
- On October 31, 2014, $8.6M was transferred from PIMCO All Asset Fund to First Eagle Global Value Fund ($3.6M) and Vanguard Total US Stock Market Index Fund ($5.0M). An additional $400,000 was transferred from the cash account to Vanguard Total US Stock Market Index Fund.
- On November 7, 2014, PIMCO All Asset Fund was terminated and proceeds ($1.8M) transferred to Chartwell (SDHY).
- On January 30, 2015, excess cash reserves of $3.3M were transferred to First Eagle (GTAA) for investment.

Recommendation: 1) Increase the allocation to American Realty Advisors (real estate) from $1.7M to $6M. 2) Rebalance closer to targets as American Realty Advisors issues capital calls. SDHY and equities will be used as the funding source.

Account Information	
Account Name	**Vanguard Index Trust Total Stk Mkt**
Account Structure	**Mutual Fund**
Investment Style	**Passive**
Inception Date	**10/31/14**
Account Type	**Equity**
Benchmark	**CRSP US Total Market TR USD**
Universe	

Vanguard Index Trust Total Stk Mkt

Ending December 31, 2014

Sources of Portfolio Growth	Fourth Quarter	Inception 10/31/14
Beginning Market Value	$0	$0
Net Additions/Withdrawals	$7,850,000	$7,850,000
Investment Earnings	$231,865	$231,865
Ending Market Value	$8,081,865	$8,081,865

						Ending December 31, 2014					Inception	
	2014 Q4	YTD	1 Yr	3 Yrs	5 Yrs	2014	2013	2012	2011	2010	Return	Since
Vanguard Index Trust Total Stk Mkt	--	--	--	--	--	--	--	--	--	--	2.4%	Oct-14
CRSP US Total Market TR USD	*5.2%*	*12.6%*	*12.6%*	*20.5%*	*15.7%*	*12.6%*	*33.6%*	*16.2%*	*0.7%*	*17.9%*	*2.4%*	*Oct-14*

Note: Returns are gross of fees.

Mid-Atlantic UFCW Unions and Participating Employers Pension Fund - Vanguard Total US Stock Market Index

Correspondence Summary

- On October 31, 2014, manager received $5.4M from PIMCO All Asset Fund. In November 2014, manager received an additional $2.45M from the cash account.

Manager Summary

Recommendation: None.

Compliance Summary

Checklist compliance monitoring will begin when the Investment Policy Statement and Manager Addendum are signed.

Account Information	
Account Name	**Chartwell Short Duration High Yld**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**10/31/14**
Account Type	**US Fixed Income High Yield**
Benchmark	**BofA Merrill Lynch - U.S. High Yield Cash Pay 1-3 Yr BB Index**
Universe	

Chartwell Short Duration High Yld

Ending December 31, 2014

Sources of Portfolio Growth	Fourth Quarter	Inception 10/31/14
Beginning Market Value	$0	$0
Net Additions/Withdrawals	$4,033,867	$4,033,867
Investment Earnings	-$25,446	-$25,446
Ending Market Value	$4,008,421	$4,008,421

		Ending December 31, 2014									Inception	
	2014 Q4	YTD	1 Yr	3 Yrs	5 Yrs	2014	2013	2012	2011	2010	Return	Since
Chartwell Short Duration High Yld	--	--	--	--	--	--	--	--	--	--	-0.5%	Oct-14
BofA Merrill Lynch - U.S. High Yield Cash Pay 1-3 Yr BB Index	*0.7%*	*1.9%*	*1.9%*	*5.8%*	*6.7%*	*1.9%*	*5.5%*	*10.2%*	*4.4%*	*11.7%*	*-0.2%*	*Oct-14*

Note: Returns are gross of fees.

Mid-Atlantic UFCW Unions and Participating Employers Pension Fund - Chartwell Short Duration High Yield

Correspondence Summary

- On October 21, 2014, $2.2M was received from cash reserves. On November 7, 2014, manager received $1.8M from PIMCO All Asset Fund.

Manager Summary

- On January 7, 2014, Chartwell announced it has entered into an agreement to be acquired by TriState Capital Holdings, Inc., a Pittsburgh based bank holding company. The transaction closed on March 6, 2014. Clients were asked to sign a consent of assignment regarding the ownership change.
- IPS conducted an on-site due diligence meeting with Chartwell on February 28, 2014.

Recommendation: None.

Compliance Summary

Checklist compliance monitoring will begin when the Investment Policy Statement and Manager Addendum are signed.

Account Information	
Account Name	**First Eagle Global Value Fund**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**7/31/14**
Account Type	**Other**
Benchmark	**65%/35% MSCI World Index/CitigroupWGBI**
Universe	

First Eagle Global Value Fund
Ending December 31, 2014

Sources of Portfolio Growth	Fourth Quarter	Inception 7/31/14
Beginning Market Value	$8,360,359	$0
Net Additions/Withdrawals	$3,600,000	$12,100,000
Investment Earnings	$52,447	-$87,194
Ending Market Value	$12,012,806	$12,012,806

		Ending December 31, 2014									Inception	
	2014 Q4	YTD	1 Yr	3 Yrs	5 Yrs	2014	2013	2012	2011	2010	Return	Since
First Eagle Global Value Fund	0.5%	--	--	--	--	--	--	--	--	--	-1.0%	Jul-14
65%/35% MSCI World Index/CitigroupWGBI	*0.1%*	*3.1%*	*3.1%*	*9.6%*	*7.4%*	*3.1%*	*15.1%*	*10.9%*	*-1.2%*	*9.8%*	*-1.2%*	*Jul-14*

Note: Returns are gross of fees.

Mid-Atlantic UFCW Unions and Participating Employers Pension Fund - First Eagle Global Value Fund

Correspondence Summary

- On July 31, 2014, $8.5M was received from PIMCO All Asset Fund.
- On October 31, 2014, $3.6M was received from PIMCO All Asset Fund.
- On January 30, 2015, $3.3M was received from cash reserves.

Manager Summary

- IPS conducted a due diligence meeting with First Eagle on October 21, 2014.
- IPS has scheduled a due diligence meeting with First Eagle on February 6, 2015.
- On October 6, 2014, First Eagle informed clients that Abhay Deshpande, one of three portfolio managers of the Global Value team, resigned. Matt McLennan and Kimball Brooker will continue to lead the team's efforts.

Recommendation: Monitor due to personnel departure.

Compliance Summary

Checklist compliance monitoring will begin when the Investment Policy Statement and Manager Addendum are signed.

Account Information	
Account Name	**Cash**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**3/31/13**
Account Type	**Cash**
Benchmark	
Universe	

Cash
Ending December 31, 2014

Sources of Portfolio Growth	Fourth Quarter	Inception 3/31/13
Beginning Market Value	$2,855,923	$0
Net Additions/Withdrawals	-$1,787,349	$1,067,937
Investment Earnings	$61	$698
Ending Market Value	$1,068,635	$1,068,635

Custody Bank

- PNC Bank.

Investment Policy Statement

- Investment policy statement was adopted in August 2014. Policy has been circulated to managers.

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.

Mid -Atlantic UFCW and Participating Employers Pension Fund
Custom Benchmark

*	Start		
	10/1/2014	Russell 100	25
		NCREIF ODCE Equal Weighted	10
		BofA Merrill Lynch - U.S. High Yield Cash Pay 1-3 Yr BB	10
		65% MSCI World Index / 35% Citigroup WGBI	55

* The above benchmark detail represents historical and *current

Mid-Atlantic UFCW and Participating Employers Pension Fund

Footnotes

Pimco All Asset Fund Instl FD funded 3/19/13.

Values, flows and returns for all commingled funds, mutual funds, and partnerships are provided by the firm managing the assets and cannot be verified by IPS.

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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

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