# UFCW Unions & Participating Employers Pension Fund

Client Review

September 18, 2013

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Portfolio Manager
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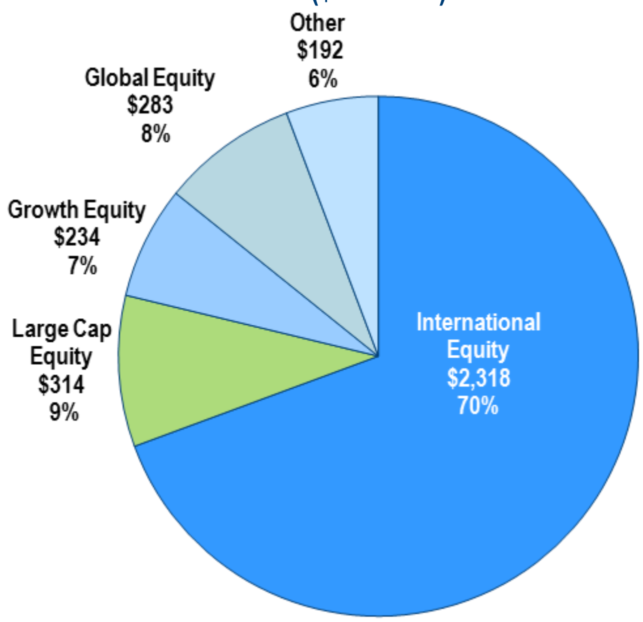
JOHNSTON ASSET MANAGEMENT
GLOBAL INVESTMENTS

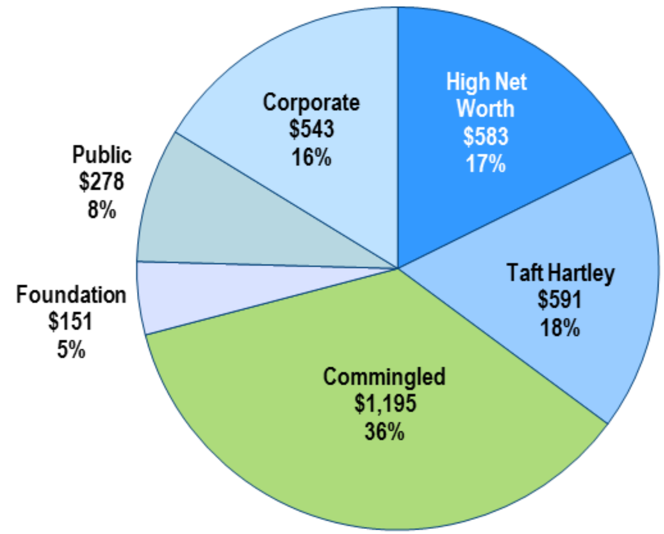
## Overview

- $3.3 billion total assets under management
- $2.3 billion in International Equity
- $362 million in new funding during the first half of the year

**Firm Assets by Strategy**
**($ Millions)**




**Client Base**
**($ Millions)**




Data as of June 30, 2013.

# Team Overview

## Investment Team

| Richard Johnston | Cassandra A. Hardman, CFA | Peter J. Cummiskey | Henry Woo, CFA | James G. Pontone |
|---|---|---|---|---|
| Managing Partner<br>Chief Investment Officer<br><br>Portfolio Manager | Co-Managing Partner<br>Managing Director<br><br>Portfolio Manager | Partner<br>Managing Director<br><br>Portfolio Manager | Partner<br>Managing Director<br><br>Portfolio Manager | Managing Director<br><br>Portfolio Manager |
| 30+ years<br>Investment Experience | 25+ years<br>Investment Experience | 15+ years<br>Investment Experience | 15+ years<br>Investment Experience | 25+ years<br>Investment Experience |
| Head of U.S. Strategies | Head of International & Global Strategies | Global Life Sciences | Global Technology | Global Energy & Materials |

## Operations & Administration

| Jeffrey S. Meyer | Joan M. Giannotti | Julie O'Connor | Nimy Kayala | John E. Hufcut | Kathleen Fennelly |
|---|---|---|---|---|---|
| | Partner | Partner | Partner | | |
| President | Chief Compliance Officer | Chief Operating Officer | Director, Performance and Operations | Head Trader | Director, Marketing & Client Service |

JOHNSTON ASSET MANAGEMENT
GLOBAL INVESTMENTS

# Investment Philosophy

We believe investment results can best be achieved over time by investing in…

- Growth companies, defined as those with secular EPS growth of 10% or more
- High quality, well-run businesses with competitive advantages
- Market leaders, either global or local
- Stocks trading at a value price

Credit Suisse

ASML SAP SGS Roche

SAB Miller

ABB Power and productivity for a better world™

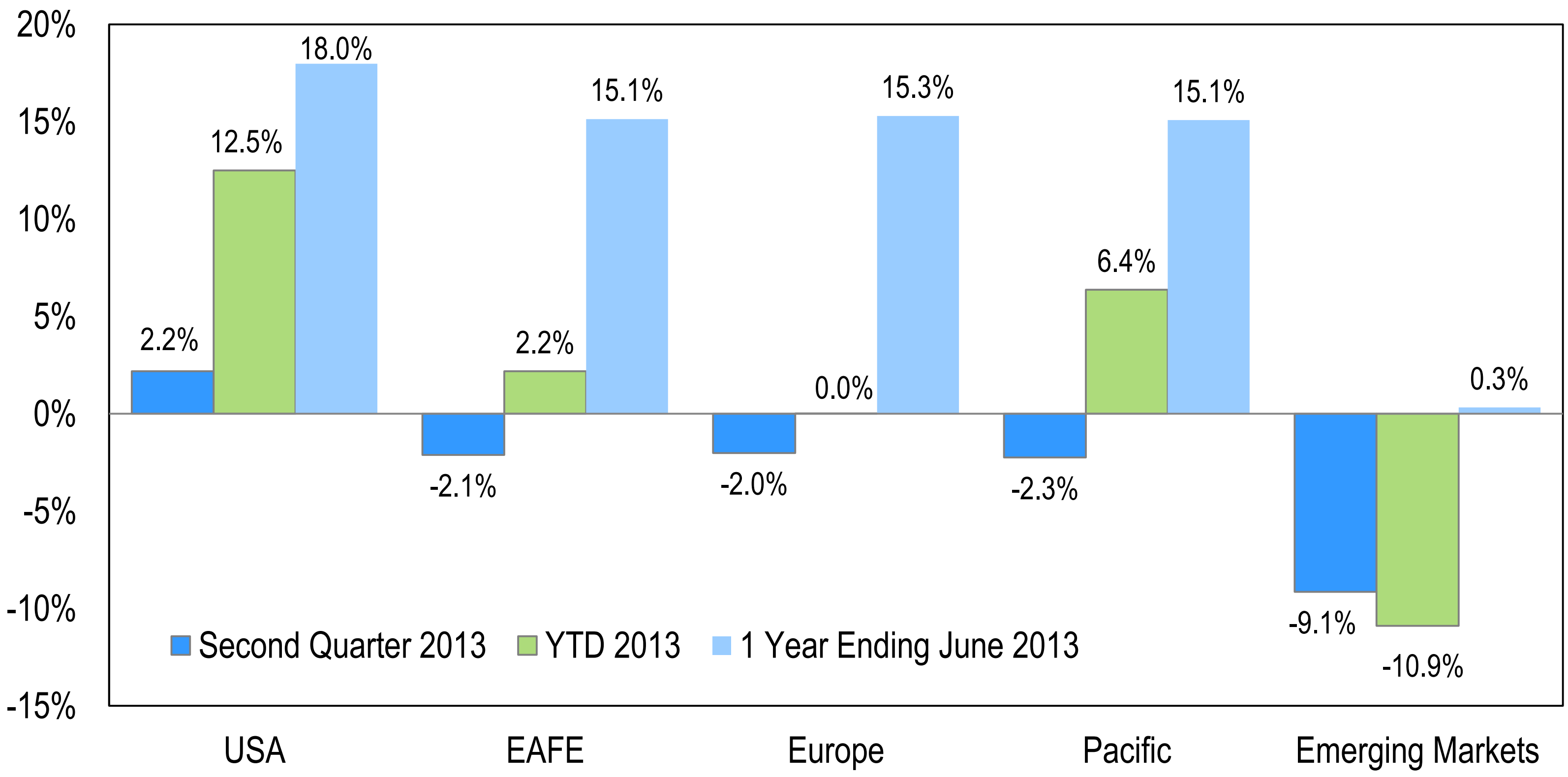
Toyota

Tencent 腾讯

Diageo

Johnston Asset Management Global Investments

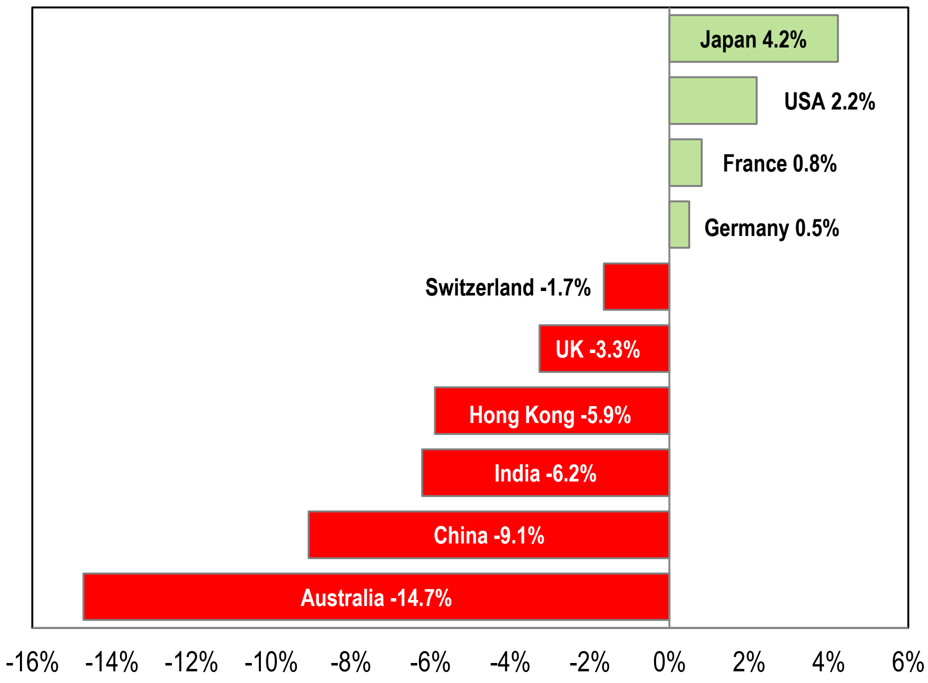
## Market Returns in Major Geographic Regions



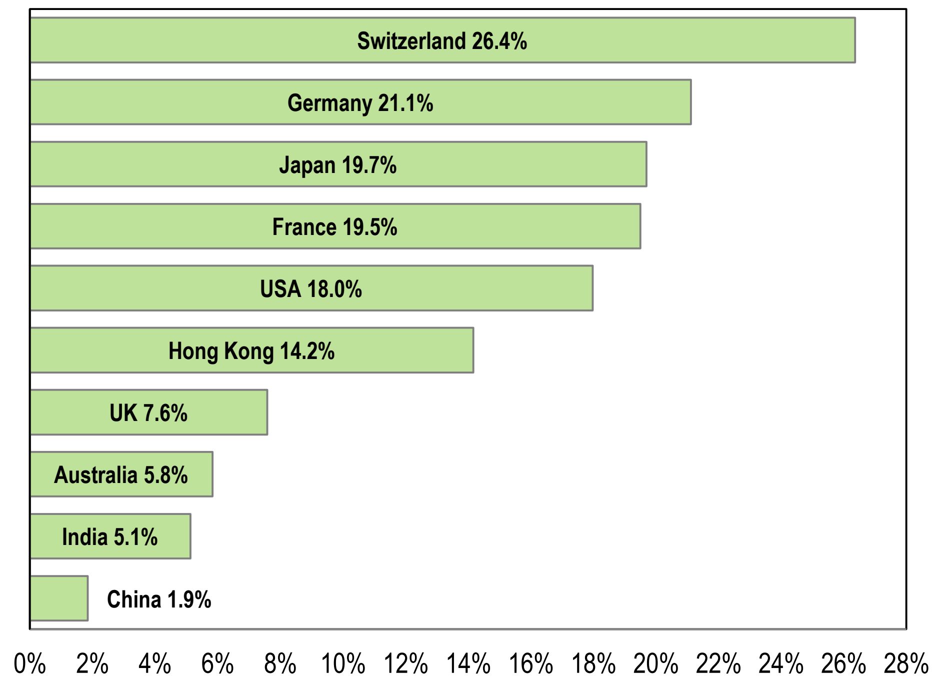

Source: MSCI.
Returns in U.S. Dollars.

## Market Returns in World Equity Markets

### Second Quarter 2013

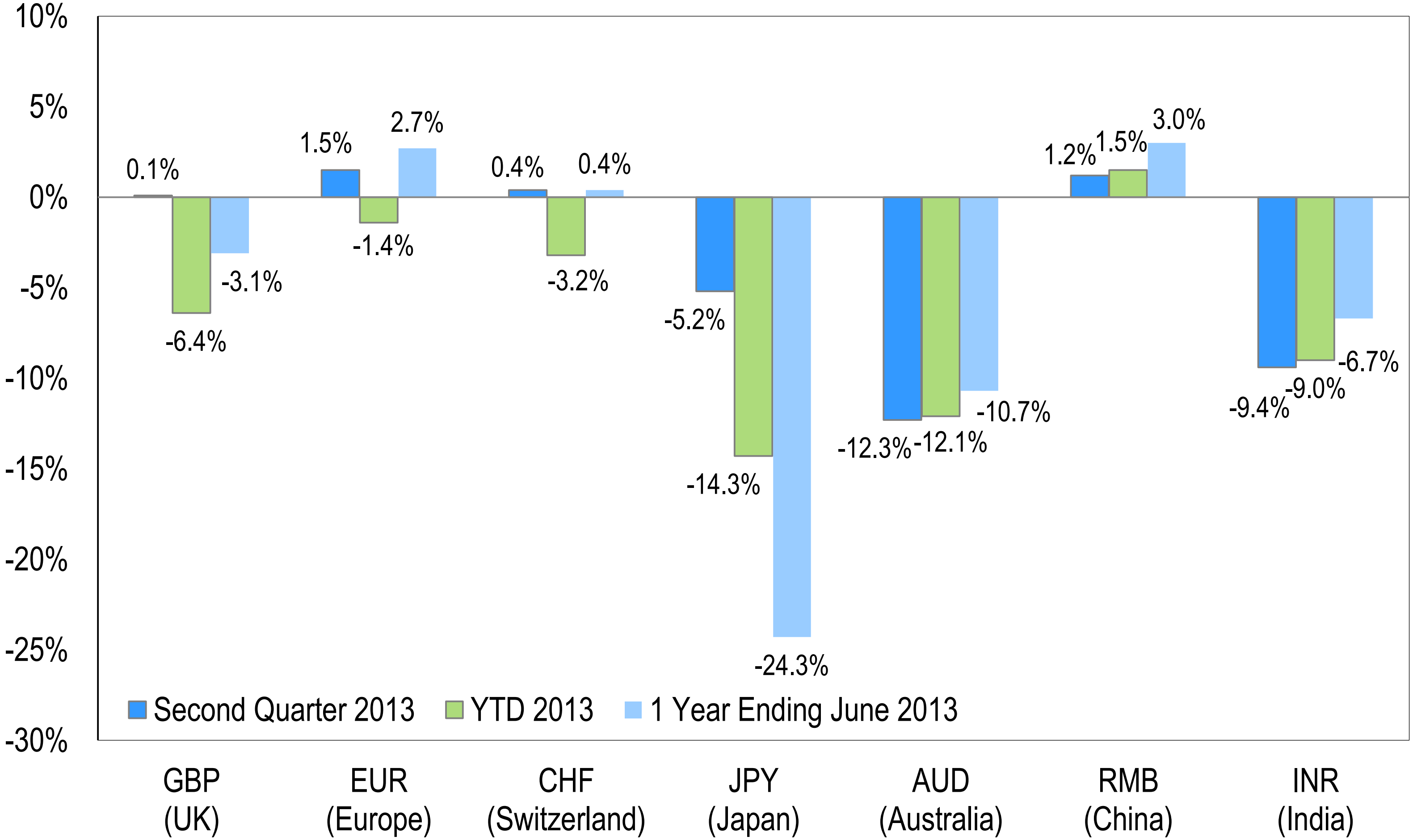



### 1 Year Ending June 2013




Source: MSCI.
Returns in U.S. Dollars.

## Performance of Major Currencies




Source: Bloomberg.
Returns shown of currencies against U.S. Dollars.

## Gross Performance through June 30, 2013

| | 2Q 13 | YTD 2013 | One Year | Three Years | Inception to Date* |
|---|---|---|---|---|---|
| International Equity Group Trust | -3.39% | 1.68% | 15.34% | 7.34% | 4.36% |
| MSCI EAFE Net Index | -0.99 | 4.10 | 18.62 | 10.04 | 5.01 |
| +/- MSCI EAFE Net Index | -2.40 | -2.42 | -3.28 | -2.70 | -0.65 |
| MSCI ACWI Ex-US Net Index | -3.08 | -0.04 | 13.63 | 7.99 | 3.42 |
| +/- MSCI ACWI Ex-US Net Index | -0.31 | +1.72 | +1.71 | -0.65 | +0.94 |

*UFCW Pension Fund Inception Date 05/01/2010.
Performance as of 6/30/2013.

# PORTFOLIO CHARACTERISTICS

*Best Performing*

| Country | MSCI EAFE 2Q 13 Net Return | Weighting vs. Benchmark: Johnston International Equity Group Trust Portfolio | Weighting vs. Benchmark: MSCI EAFE Net Index |
|---|---|---|---|
| Japan | 4.4% | 14.9% | 22.6% |
| Netherlands | 2.8 | 8.6% | 2.6% |
| Germany | 2.7 | 10.2% | 8.7% |
| France | 2.7 | 5.6% | 9.4% |
| Italy | 0.8 | 2.5% | 2.0% |
| Switzerland | -0.3 | 20.2% | 9.2% |
| Spain | -0.6 | 4.8% | 2.8% |
| United Kingdom | -2.2 | 17.2% | 21.7% |
| China | N/A | 6.5% | N/A |
| India | N/A | 4.6% | N/A |
| Cash | N/A | 4.8% | N/A |

*Worst Performing*

Data as of June 30, 2013.
Source: MSCI, Johnston Asset Management.
This material is supplemental to GIPS compliance requirements and is provided for your information only.

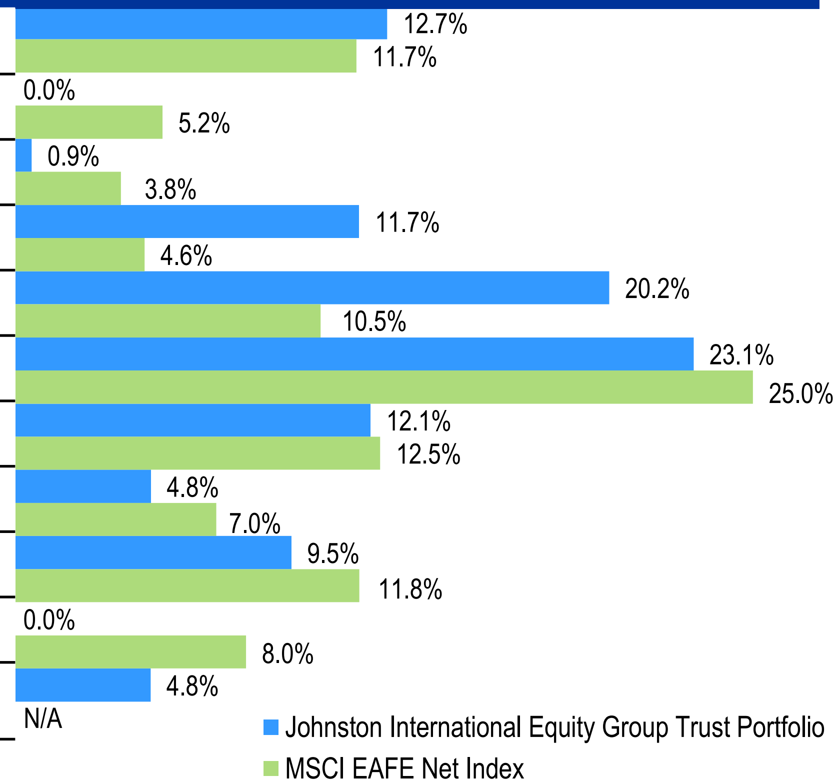
JOHNSTON ASSET MANAGEMENT
GLOBAL INVESTMENTS

# Portfolio Characteristics

*Best Performing* ↓ *Worst Performing*

| Sector | MSCI EAFE 2Q 13 Net Return |
|---|---|
| Consumer Discretionary | 5.5% |
| Telecommunication Services | 4.9 |
| Utilities | 3.5 |
| Information Technology | 1.4 |
| Health Care | 0.7 |
| Financials | -1.2 |
| Industrials | -1.7 |
| Energy | -3.2 |
| Consumer Staples | -4.7 |
| Materials | -8.8 |
| Cash | N/A |

**Weighting vs. Benchmark**




Data as of June 30, 2013.
Source: MSCI, Johnston Asset Management.
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## Top Ten Holdings

New
New

| Company | Sector | Country | % of Portfolio |
|---|---|---|---|
| ASML Holding N.V. | Information Technology | Netherlands | 5.6 |
| Toyota Motor Corp. | Consumer Discretionary | Japan | 5.5 |
| Bayer AG | Healthcare | Germany | 5.2 |
| ABB Ltd. | Industrials | Switzerland | 5.2 |
| Diageo PLC | Consumer Staples | United Kingdom | 4.9 |
| ORIX Corp. | Financials | Japan | 4.9 |
| Repsol S.A. | Energy | Spain | 4.8 |
| Credit Suisse Group | Financials | Switzerland | 4.8 |
| Kering | Consumer Discretionary | France | 4.7 |
| SABMiller PLC | Consumer Staples | United Kingdom | 4.6 |
| | | | 50.2 |

Data as of June 30, 2013.
Portfolio holdings are subject to change.
This material is supplemental to GIPS compliance requirements and is provided for your information only.

# Portfolio Characteristics

| | International Equity Group Trust | MSCI EAFE Net Index |
|---|---|---|
| ***Capitalization (in $ billions)*** | | |
| Weighted Average Market Cap | 53.3 | 58.2 |
| Median Market Cap | 25.6 | 7.9 |
| ***Value Fundamentals*** | | |
| P/E Ratio: 12 months – trailing | 20.3 | 15.2 |
| P/E Ratio: 12 months – forward | 14.3 | 12.5 |
| Price / Book | 2.0 | 1.5 |
| Dividend Yield (%) | 2.0 | 3.3 |
| ***Growth Fundamentals*** | | |
| Return on Equity: 5 Year (%) | 17.3 | 15.8 |
| EPS Growth: 5 year average – trailing (%) | 7.5 | 2.5 |
| EPS Growth: 3 to 5 year forecast (%) | 16.9 | 12.0 |
| ***Other*** | | |
| Number of Stock Holdings | 25 | 907 |
| Beta: 3 year | 1.1 | 1.0 |

Data as of June 30, 2013. MSCI EAFE excluding MS&AD Insurance Group.
Source: FactSet, Johnston Asset Management.
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# Second Quarter 2013 Performance Contributors

## Largest Negative Contributors

- ***Standard Chartered PLC (-16.4%)*** Standard Chartered reported lackluster Q1 2013 results on the back of slowing growth in emerging markets. Management said margins stabilized in April and reiterated previous profit guidance for the full year.

- ***SGS S.A. (-12.5%)*** SGS share price was impacted during the quarter by concerns about weak commodities markets along with slowing commodity company capex and the impact it may have on growth and margins for the testing & inspection sector.

- ***Diageo PLC (-8.7%)*** After advancing more than 70% in local currency terms over the previous two years, shares of Diageo corrected during the quarter. Concerns about slower growth in emerging markets was also a factor.

## Largest Positive Contributors

- ***Tencent Holdings Ltd. (+23.8%)*** Tencent announced Q1 2013 results that were ahead of consensus expectations. Net income rose 37%, driven largely by growth in gaming and other value-added services.

- ***ASML Holding N.V. (+17.3%)*** ASML reported solid Q1 2013 results with revenue beating consensus on the back of strong system sales to foundry customers, particularly TSMC. Management also made constructive remarks about advances in EUV.

- ***Toyota Motor Corp. (+15.1%)*** Toyota reported strong fiscal 2013 results, beating market expectations for earnings and cash flow. Continued rationalization of assets has helped the company increase its profitability. The company's new product cycle, increasing demand for autos and the weaker yen should continue to drive growth.

Based upon total contribution to Johnston International Equity Group Trust. Percentages shown reflect price performance. This material is supplemental to GIPS compliance requirements and is provided for your information only.

# SECOND QUARTER 2013 PORTFOLIO TRANSACTIONS

| Name | Add | Trim | New | Sold |
|---|---|---|---|---|
| Adecco S.A. | | | √ | |
| Atlas Copco AB | | | | √ |
| Baidu Inc. | | | | √ |
| Bayer AG | √ | | | |
| BHP Billiton PLC | | | | √ |
| China Life Insurance Company | | | | √ |
| Credit Suisse Group | | √ | | |
| Daiwa Securities Group | | | √ | |
| Kering | | √ | | |
| Mitsui & Co. Ltd. | | | | √ |
| ORIX Corp. | | | √ | |
| Prada S.P.A. | | √ | | |
| SABMiller PLC | | √ | | |
| SAP AG | | √ | | |
| Toyota Motor Corp. | | | √ | |

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# New Positions

| Company Description | | Investment Thesis |
|---|---|---|
| Adecco | Swiss multinational human resource consulting firm and global market leader in staffing solutions. Operates in over 70 countries and territories. | • Staffing growth above traditional employment.<br>• Temporary workers are cost effective.<br>• Flexibility of temporary work is increasingly attractive. |
| Daiwa Securities Group Inc. | Japan's second largest securities firm. Market leader in secondary trading of yen-denominated, investment-grade bonds. | • Benefitting from higher trading volumes in Japan.<br>• M&A picking up.<br>• Major cost cutting plan increased profitability. |
| ORIX | ORIX is a leading middle-market diversified financial services company and a leading leasing company in Japan. Established in 1964 as a leasing company, the company has expanded lending, retail & investment banking, real estate, private equity and life insurance. | • ORIX is transforming to a less leveraged, fee-based financial services model.<br>• Company priority is to increase ROE and grow business with leasing again becoming a bigger slice of the company.<br>• Company has improved its cost structure reducing NPL's, interest payments and SG&A. |
| TOYOTA | Toyota is the largest auto maker in the world and sells vehicles in over 160 countries. While the company produces cars overseas, they still export a meaningful number of cars from Japan. North America is their largest and most profitable market | • Expect meaningful margin rebound by lowering input costs which will drive EPS growth.<br>• Exports will benefit from a weakening yen.<br>• Beneficiary of a replacement cycle in North America due to the advanced age of cars on the road.<br>• Market leader in energy efficient vehicles. |

# Market Outlook

- The biggest risk facing the global economy is the timing of the unwinding of "Easy Money" policies around the world. Ending them too early will stall the recovery; waiting too long will trigger inflation.
- While they remain low relative to history, the run-up in interest rates in the United States over the last two months is important. The impact on the housing market and business investment in the world's largest economy bears watching. The transition from one Fed chairman to another will create additional uncertainty.
- Slack (underemployment) in global labor markets suggests that there will be limited inflationary pressures from higher wages. The risks of social unrest outside the U.S. triggered by austerity policies are the bigger concern in the near to medium term.
- The American consumer is resilient, and the slight but important recent improvements in U.S. labor market bodes well for modest consumption increases.
- Appetite for mergers and acquisitions persists given the strength of corporate balance sheets and the desire to achieve scale advantages.
- Once more progress is made in global consumer and governmental deleveraging, we see the potential for a long and steady run in global GDP growth, driven by increasing U.S. and European energy independence (helping geo-political stability) and emerging middle classes in developing markets.
- Global equities are relatively attractive at current valuations with price/earnings ratios below historical averages in many markets. An indication of this is evident in stock yields that are well above bond yields and the gap between the two, which is at historically high levels.

## International Equity Group Trust

| Security | % of Portfolio | Security | % of Portfolio |
|---|---|---|---|
| ABB Ltd. | 5.2 | Prada S.P.A. | 2.5 |
| Adecco S.A. | 2.7 | Qiagen N.V. | 3.1 |
| ASML Holding N.V. | 5.6 | Repsol S.A. | 4.8 |
| Bayer AG | 5.2 | Roche Holdings AG | 3.3 |
| Credit Suisse Group | 4.8 | SABMiller PLC | 4.6 |
| Daiwa Securities Group | 4.6 | SAP AG | 2.5 |
| Diageo PLC | 4.9 | SGS S.A. | 4.2 |
| Fresenius Medical Care | 2.5 | Shire PLC | 3.4 |
| Groupe FNAC | 0.1 | Standard Chartered PLC | 4.2 |
| ICICI Bank Ltd. | 4.6 | Tencent Holdings Ltd. | 3.8 |
| Kering | 4.7 | Toyota Motor Corp. | 5.5 |
| Mindray Medical International Ltd. | 2.7 | Veolia Environnement S.A. | 0.8 |
| ORIX Corp. | 4.9 | Cash & Equivalents | 4.8 |

Data as of June 30, 2013. Portfolio holdings are subject to change. This material is supplemental to GIPS compliance requirements and is provided for your information only.

## Johnston Asset Management International Equity

| Year End | Total Firm Assets ($ millions) | Composite | | | Annual Results | | | | Annualized | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 3 Year Standard Deviation | |
| | | U.S. Dollar ($ millions) | % of Firm Assets | Number of Accounts | Composite Gross (%) | Composite Net (%) | MSCI EAFE Net Index (%) | Performance Dispersion | Composite | MSCI EAFE Net |
| 1995 | 134 | 19.5 | 14.6 | 1 | 20.2 | 19.8 | 11.2 | N.A. | N.A. | N.A. |
| 1996 | 157 | 22.2 | 14.1 | 1 | 18.4 | 18.0 | 6.1 | N.A. | N.A. | N.A. |
| 1997 | 194 | 25.4 | 13.1 | 1 | 23.0 | 22.6 | 1.8 | N.A. | N.A. | N.A. |
| 1998 | 229 | 26.7 | 11.7 | 1 | 8.1 | 7.8 | 20.0 | N.A. | N.A. | N.A. |
| 1999 | 277 | 39.7 | 14.3 | 1 | 52.2 | 51.8 | 27.0 | N.A. | N.A. | N.A. |
| 2000 | 352 | 30.4 | 8.6 | 1 | -4.6 | -5.0 | -14.2 | N.A. | N.A. | N.A. |
| 2001 | 321 | 29.5 | 9.2 | 1 | -5.5 | -5.9 | -21.4 | N.A. | N.A. | N.A. |
| 2002 | 280 | 26.0 | 9.2 | 5 | -18.3 | -18.7 | -15.9 | N.A. | N.A. | N.A. |
| 2003 | 443 | 43.8 | 9.9 | 8 | 49.0 | 48.2 | 38.6 | 1.50 | N.A. | N.A. |
| 2004 | 639 | 137.1 | 21.5 | 21 | 18.1 | 17.4 | 20.3 | 0.30 | N.A. | N.A. |
| 2005 | 816 | 159.2 | 19.5 | 24 | 20.0 | 19.2 | 13.5 | 0.50 | N.A. | N.A. |
| 2006 | 1,059 | 260.8 | 24.6 | 44 | 32.1 | 31.3 | 26.3 | 0.60 | N.A. | N.A. |
| 2007 | 1,468 | 483.6 | 32.9 | 62 | 22.1 | 21.3 | 11.2 | 1.50 | N.A. | N.A. |
| 2008 | 1,047 | 350.3 | 33.5 | 66 | -35.8 | -36.3 | -43.4 | 1.60 | N.A. | N.A. |
| 2009 | 1,508 | 394.1* | 26.1* | 44* | 45.3 | 44.3 | 31.8 | 2.20 | N.A. | N.A. |
| 2010 | 2,045 | 534.4 | 26.1 | 48 | 7.2 | 6.4 | 7.8 | 1.00 | N.A. | N.A. |
| 2011 | 2,167 | 543.2 | 25.1 | 51 | -6.9 | -7.5 | -12.1 | 0.55 | 19.2 | 22.4 |
| 2012 | 2,955 | 674.1 | 22.8 | 52 | 16.6 | 15.8 | 17.3 | 0.70 | 16.1 | 19.4 |
| 1H 2013 | 3,345 | 757.6 | 22.6 | 47 | 2.4 | 2.1 | 4.1 | N.A. | N.A. | N.A. |

*In 2009, 15 accounts with an estimated value of $115 million moved into our International commingled vehicles, creating the appearance of being lost accounts although they did not leave the firm. Our commingled vehicles are not included in the International composite due to their use of defensive currency hedging.

Data ending June 30, 2013. See next page for additional disclosure information.



JOHNSTON ASSET MANAGEMENT
GLOBAL INVESTMENTS

# Johnston Asset Management International Equity Composite

**Johnston International Equity Composite** contains, through June 30, 2013, forty-seven fee-paying portfolios representing twenty-three percent of the firm's total assets and all of our separately managed international assets under management for a minimum of one month (managed accounts are excluded.) The composite is invested in the firm's international strategy consisting of a concentrated style of 20 to 30 securities. Minimum account size for inclusion in the composite is $100,000. Performance results are time-weighted and calculated based on monthly portfolio valuations that have been geometrically linked. Returns are presented gross and net of investment management fees and include the reinvestment of income. Returns are net of withholding taxes on foreign dividends in cases where the custodian provides dividends net of these taxes. In all other cases, returns are not reduced by withholding taxes on foreign dividends. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance is calculated based on the actual fee of each account. Our minimum new account size is $10 million. The current fee schedule (based on a minimum account size of $10 million) is as follows: 0.85% on assets up to $10 million, 0.75% on the next $15 million, 0.65% on the next $25 million, and 0.60% on the balance. Fees are described in Part II of the firm's ADV, which is available upon request. All portfolios are fee-paying and do not use leverage. Non-fee paying accounts are not included in the composite. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. For comparative purposes the composite is measured against the Morgan Stanley Capital International Europe, Australasia and Far East Net Index (EAFE). The MSCI EAFE Net Index is a stock market index designed to measure the equity market performance of developed markets outside the U.S. and Canada. The index is market-capitalization weighted. It includes a selection of stocks from 21 developed markets. It is the oldest truly international index. The MSCI EAFE net benchmark is net of fees.

**Significant Event:** At the end of 2012, Cassandra Hardman exercised her option to significantly increase her ownership of Johnston Asset Management. Richard Johnston remains the largest shareholder in the firm. In February 2013, Jeffrey S. Meyer became President of the firm. Richard Johnston has assumed the title of CEO.

Johnston Asset Management Corporation claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Johnston Asset Management has been independently verified for the periods 12/31/94 through 3/31/13. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Johnston Asset Management Corporation is an Investment Adviser registered under the Investment Advisers Act of 1940. The firm is an S Corporation. The firm specializes in managing large-cap equity portfolios, both U.S. and international, for institutional and high net worth clients. We maintain a complete list and description of composites, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Valuations and returns are computed and stated in U.S. dollars. Past performance is not indicative of future results. The Johnston International Equity Composite was created on September 30, 1993.

Other Notes: A client's principal may be at risk under certain adverse market conditions. The comparative index (MSCI EAFE Net Index) is widely recognized. While the index is a commonly accepted measure of stock market performance, our investment results may display greater or lesser volatility in any given time period. It should be noted that the MSCI EAFE Net index does not invest in emerging markets, our investments in emerging markets can range from 0-20%. Internal dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year.

The model portfolio is a member of the International Composite and reflects the portfolio's allocation as of June 30, 2013. Other portfolios in the composite may have slightly different allocations due to market conditions or client withdrawals/deposits. The International strategy invests in foreign companies via ADRs and Ordinary Shares.

Interested parties can email marketing@johnstonasset.com to obtain a presentation that complies with the requirements of GIPS and/or a list of all firm composites.