HEALTH WEALTH CAREER

Central Pennsylvania Teamsters

Consolidated

Quarterly Investment Review

June 30, 2019

CAPITAL MARKET MONITOR
JUNE 2019

EASING TRADE TENSIONS AND DOVISH MONETARY POLICIES LIFT US EQUITY MARKET TO A NEW HIGH

Global equity markets rebounded from May's decline and closed out a solid first half of 2019 with the S&P 500 reaching a new high. Dovish statements from the Fed, ECB and PBoC eased financial conditions. Trade tensions also eased as US and China renewed negotiations and the Trump administration dropped threatened tariffs on Mexico. These factors contributed positively to market sentiment, and investors anticipated easing monetary conditions to offset weaker global economic growth.

In turn, geopolitical risks heightened following more stringent sanctions on Iran after oil tankers were attacked in the Middle East. The situation in Venezuela continues to unravel as the country is enveloped in civil unrest. Brexit remains a source of uncertainty with Prime Minister May resigning. However, a surprising and historic visit by Present Trump to North Korea restarted the stalled denuclearization discussions. Meanwhile, oil and gold surged.

Interest rates declined and negative yielding bonds reached a record high. The global economy continued to soften, while inflation remained low. High quality bonds trailed emerging market debt and global equities during the month. Defensive stocks and interest rate sensitive REITs trailed the broader market rally.

US equity markets led the rally, while non-US developed stocks and emerging market stocks modestly trailed. Materials & processing was the best performing sector, while defensive stocks lagged.

Volatility moderated following the spike in May. The US dollar weakened against major currencies on lower yields and potential rate cuts. Easing financial conditions helped to lift emerging market currencies.

At a Glance
Market Returns in % as of June 2019 in USD

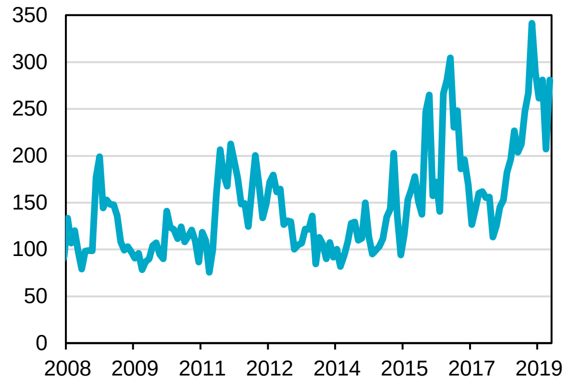
Major Asset Class Returns	1M	YTD	1Y
MSCI ACWI	6.5	16.2	5.7
S&P 500	7.0	18.5	10.4
Russell 2500	7.1	19.2	1.8
MSCI EAFE	5.9	14.0	1.1
MSCI EM	6.2	10.6	1.2
Bloomberg Barclays Treasury	0.9	5.2	7.2
Bloomberg Barclays Credit	2.3	9.4	10.3
Bloomberg Barclays Credit Long	3.9	15.4	15.0
Bloomberg Barclays Aggregate	1.3	6.1	7.9
Bloomberg Barclays US TIPS	0.9	6.1	4.8
Bloomberg Barclays High Yield	2.3	9.9	7.5
FTSE WGBI	2.3	5.4	5.5
JPM Global Diversified	5.5	8.7	9.0
NAREIT Equity REITs	1.4	19.3	13.0
NAREIT Global REITs	1.7	15.1	8.6
FTSE Global Core Infrastructure 50/50	4.3	18.5	16.4
Bloomberg Commodity TR	2.7	5.1	-6.8

Source: Thomson Reuters Datastream

MARKET DRIVERS, ECONOMY, MONETARY POLICY
EASING TRADE TENSIONS BUT WEAKER GROWTH OUTLOOK

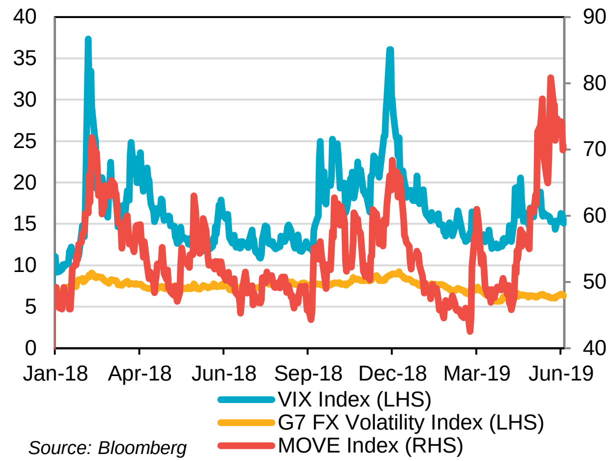
- Leading economic indicators suggest slowing growth. The OECD, IMF and World Bank trimmed their global growth forecasts earlier this year, citing trade tensions along with high policy uncertainty.
- At the G-20 summit in Japan, US and China restarted discussions which had stalled in May. Trump and Xi agreed to hold off on imposing new tariffs. Additionally, the US administration set expectations for significant trade deals with Japan and India. The US also removed the potential 5% tariff on Mexican imports after Mexico agreed to assist with immigration issues.
- Earnings growth forecasts have softened and analysts project a 2.6% decline for Q2 2019. Specifically, expectations for US based multinational companies are down, perhaps due to tariffs and supply disruptions. However, buybacks and lower interest rates may provide support to stock prices.
- Central banks signaled that they intend to maintain accommodative policies. The ECB announced a new round of lending programs to banks. It also suggested that it doesn't intend to lift rates before 2020. The BoJ will continue to target a 10y yield near zero. The PBoC has further cut its reserve requirements to encourage lending. The Fed Fund futures market has now priced in three rate cuts by 2020 with the first one starting in July. Meanwhile, inflation expectations have been falling across developed counties.
- The Fed announced that the largest 18 US banks passed their stress tests and have sufficient capital that would allow them to weather a severe recession.

Global Economic Policy Uncertainty



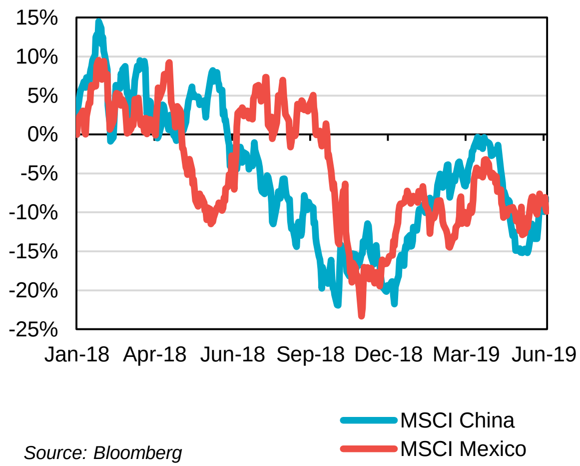
Source: Economic Policy Undertainty

Market Volatility



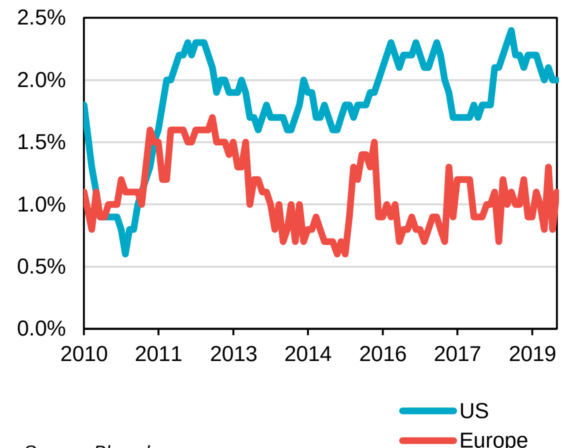
Source: Bloomberg

China and Mexico Stock Markets



Source: Bloomberg

Core Inflation



Source: Bloomberg

PERFORMANCE REPORT UPDATE

UPCOMING PERFORMANCE REPORT ENHANCEMENTS

As we unify reporting across the combined Mercer-Pavilion-Summit entity, we have created a “best ideas” performance report—including key data points and performance drivers in a clear and concise format—that we expect to roll out with the Q3 reporting cycle. Key benefits of the new design include:

- Consistent layout and informational content across plan types and asset classes
- Thoughtful design, leveraging the capabilities of the performance platform
- A more powerful and targeted presentation that emphasizes key metrics, including:
  - Total plan components consolidated into a one-page summary
  - Comprehensive one-page, performance and risk report, providing current and historical perspective
  - Characteristic pages redesigned to provide a thorough yet succinct review of holdings data

We believe these changes enhance the usability and content of your performance report. We look forward to hearing your feedback as we continue to work towards providing the highest quality deliverables to support your performance reporting requirements.

Thank You!

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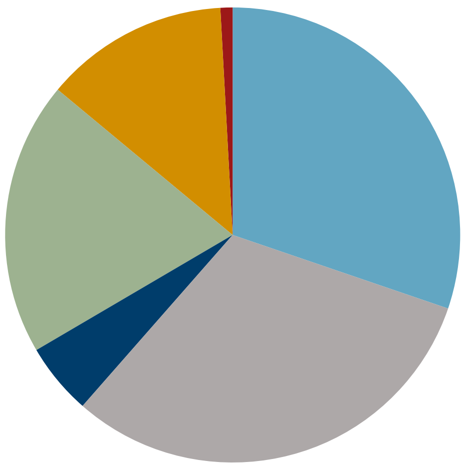
Retirement Income Plan 1987: Portfolio Summary

As of June 30, 2019

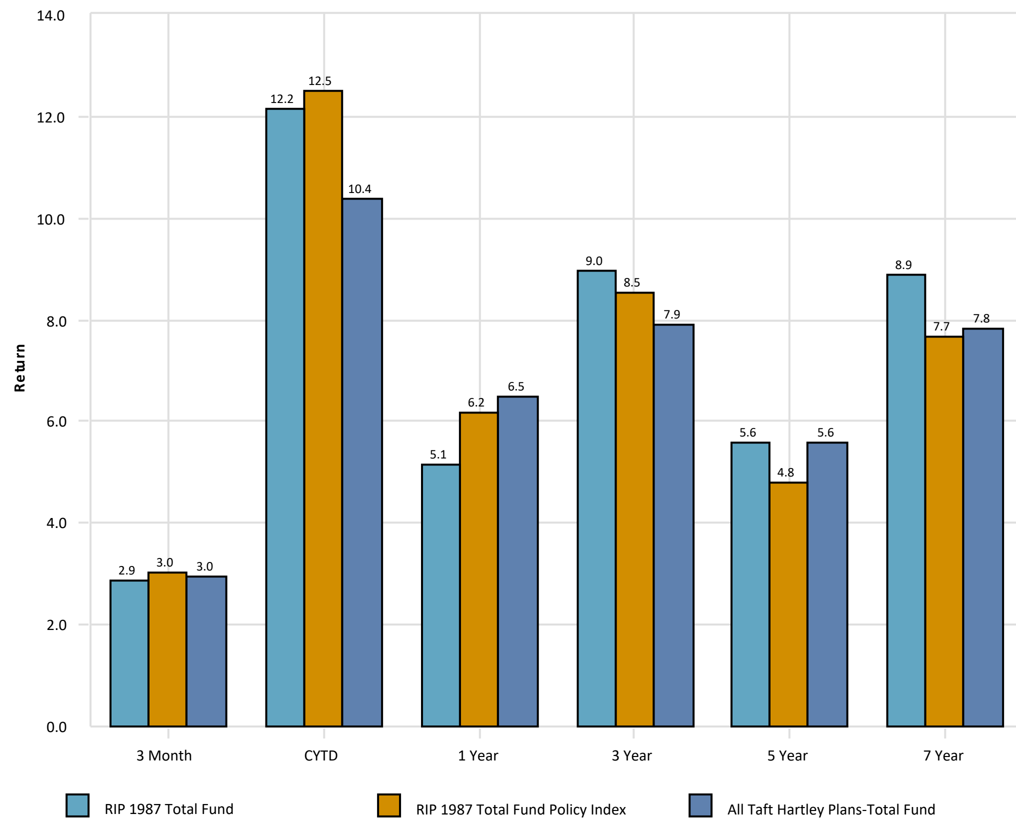
Asset Allocation

June 30, 2019 : $1,130,361,757



	Market Value ($)	Allocation (%)
US Equity	341,758,476	30.23
International Equity	353,042,018	31.23
Energy MLPs	57,613,054	5.10
Fixed Income	220,110,905	19.47
Real Estate	148,052,098	13.10
Cash	9,785,205	0.87

Comparative Performance



Year to Date Financial Reconciliation

	Market Value As of 01/01/2019	Net Flows	Return On Investment	Market Value As of 06/30/2019
RIP 1987 Total Fund	1,064,492,304	-45,352,690	111,222,143	1,130,361,757

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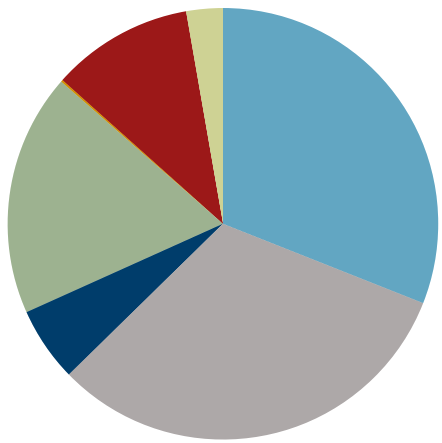
Defined Benefit Plan: Portfolio Summary

As of June 30, 2019

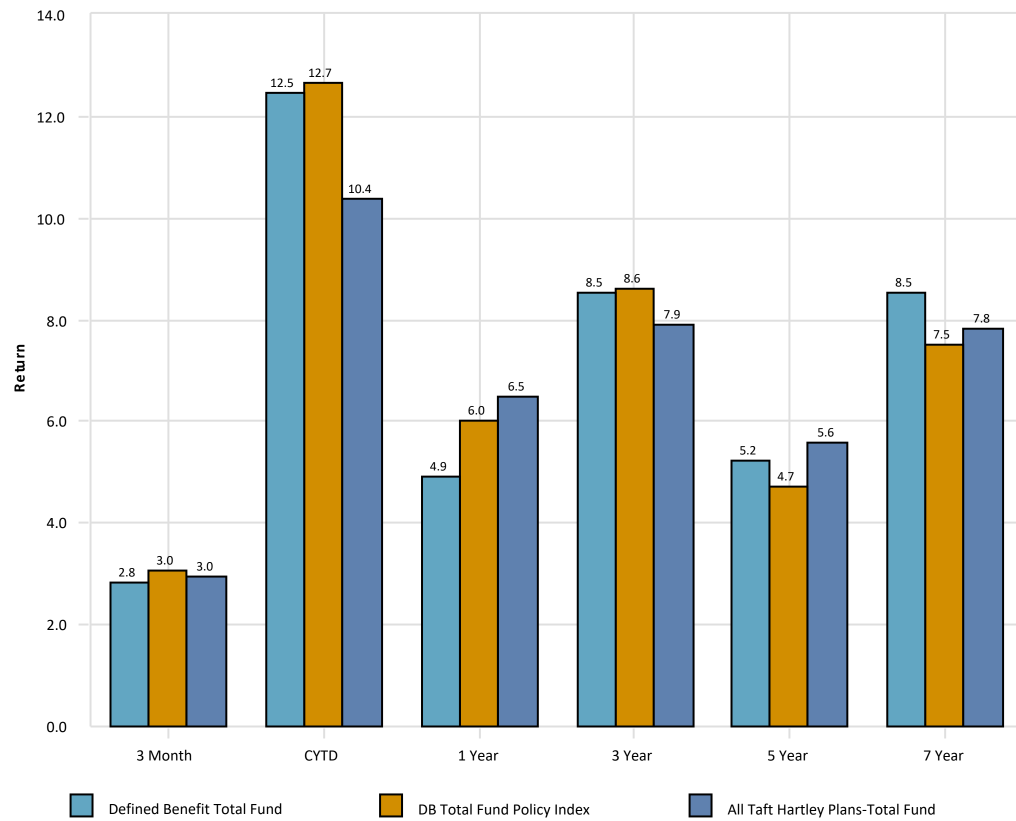
Asset Allocation

June 30, 2019 : $1,075,586,405



	Market Value ($)	Allocation (%)
US Equity	333,394,255	31.00
International Equity	340,846,683	31.69
Energy MLPs	60,270,257	5.60
Fixed Income	195,482,917	18.17
Hedge Fund	1,593,443	0.15
Real Estate	114,423,766	10.64
Cash	29,575,083	2.75

Comparative Performance



Year to Date Financial Reconciliation

	Market Value As of 01/01/2019	Net Flows	Return On Investment	Market Value As of 06/30/2019
Defined Benefit Total Fund	973,550,495	14,326,095	87,709,814	1,075,586,405

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