



IBEW Local #25 Retirement Funds



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Since 1932

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IBEW Local #25 Funds Update

Despite volatility related to Britain's vote to leave the European Union ("Brexit"), sluggish economic growth and concerns about global terrorism, most market sectors gained in the second quarter. After a temporary slide related to Brexit, U.S. stocks recovered to add to their modest Q1 gains, while bonds rallied and commodities gained amid a partial recovery in oil prices and modestly improved news about the Chinese economy. Non-U.S. developed market stocks lost ground amid geopolitical risks.

In this environment, the IBEW 25 Pension, Annuity and 401(k) Funds returned 2.4%, 2.5% and 3.2% for the June 2016 year-to-date period (see Figure 1). Over five, three and one year periods, the Pension Fund generated preliminary annualized returns of 7.1%, 6.7% and -0.3%, while the Annuity and 401(k) Funds generated annual returns of 5.1%, 4.8% and 1.1% and 5.4% and 5.0% and 1.2%, respectively*.

Figure 1: IBEW Local 25 Returns*

IBEW #25	5 Yrs.	3 Yrs.	YTD
Pension	7.1%	6.7%	2.4%
Index	6.9%	6.8%	3.5%
Annuity	5.1%	4.8%	2.5%
Index	4.9%	4.9%	3.2%
401(k)	5.4%	5.0%	3.2%
Index	5.1%	5.0%	3.6%

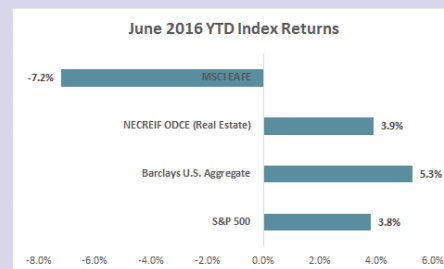
*Reported returns are preliminary and may include certain investment management fees.

2ND Quarter 2016 Market Review

June year-to-date returns for equity indexes ranged from -7.2% for the EAFE

Index of non-U.S. developed markets stocks, 3.8% for the S&P 500 Index of U.S. large company stocks and 6.4% for emerging markets stocks. Bond index returns ranged from 5.3% for the Barclays U.S. Capital Aggregate index to 9% for the U.S. Global Aggregate Index. Among alternatives, U.S. real estate gained 4.3%. Commodities as measured by the Bloomberg index gained 13.3%. Hedge funds lost 2.6%.

Figure 2: June YTD Index Returns



July 2016 Market Update

Equity indexes gained across all sectors and markets in July, while bonds, whose yields are at or near historical lows, also gained. The S&P 500 Index returned 3.9%, bringing its year-to-date return to 7.8%, while the Barclays U.S. Aggregate indexed finished with a year-to-date return of 6.3%. U.S. small cap, mid cap and emerging markets stocks added to their gains, while the EAFE index reduced its year-to-date loss to -2.3%. Higher yielding sectors of the bond markets also gained, while commodities lost ground. Index returns of course, do not factor in the returns generated by active investment managers. Recently, investment managers have been challenged. For

example, a recent report that found that 85% of active U.S. stock managers underperformed their indexes for the five years ended in December 2015. While future market cycles may again favor active managers, volatility in their returns and higher fees have prompted many investors, including the IBEW Local 25 Retirement Funds, to utilize lower cost, indexed strategies in portions of their portfolios, while continually monitoring the tradeoffs of active management.

Brexit and the Markets

The immediate impact of Britain's June 23rd vote included volatility and losses in stocks of companies (e.g. U.K. financials) whose businesses may be adversely impacted by diminished integration between U.K. and European financial systems. However, longer impacts are as yet unknown as is the process by which the U.K. will revert to operating independently from the countries that remain in the Eurozone. As of this writing, U.S. markets appear to be factoring a modest impact. Within the U.K., however, central bankers have slashed the economic growth outlook for the country and are reducing interest rates to mitigate slower projected growth. As always, the IBEW Local 25 Retirement Funds will maintain a diversified portfolio that spreads risk across markets, while positioning the Funds' to weather volatility, while generating returns over market cycles as world events evolve.

The IBEW Local 25 Retirement Fund Trustees will continue to monitor the markets, review the impacts of global market developments and position the Funds' portfolio with assistance from their investment consultant and advisors.

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