# IBEW Local #25 Retirement Funds



## IBEW Local #25 Funds Update

Due to slowing economic growth in China, collapsing energy prices, concerns about Federal Reserve plans to raise interest rates and elevated asset valuations, most asset classes generated negative to flat returns in 2015. As a result, retirement investors were challenged. Multi-employer, public and corporate pension funds, for example, generated median returns of 0.6%, -0.4% and -1.5%, respectively, for the year.

In this environment, the IBEW 25 Pension, Annuity and 401(k) Funds returned -0.4%, 0.2% and -0.3% for the year (see Figure 1). Over five and three year periods, the Pension Fund generated annualized returns of 7.7% and 7.9%, while the Annuity and 401(k) Funds generated annual returns of 5.4% and 5.3% and 5.6% and 5.1%, respectively.*

**Figure 1: IBEW Local 25 Returns***

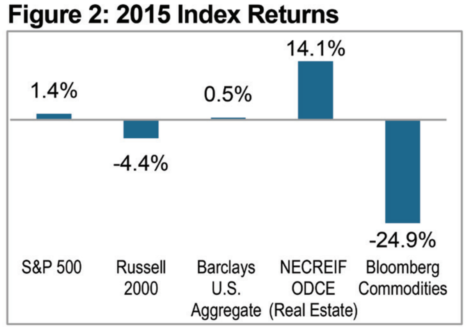
| IBEW #25 | 5 Yrs | 3 Yrs | 1 Yr |
|---|---|---|---|
| Pension | 7.7% | 7.9% | -0.4% |
| *Index* | *7.2%* | *7.4%* | *0.9%* |
| Annuity | 5.4% | 5.3% | 0.2% |
| *Index* | *4.9%* | *5.0%* | *1.0%* |
| 401(k) | 5.6% | 5.1% | -0.3% |
| *Index* | *5.1%* | *4.9%* | *0.8%* |

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

## 2015 Market Review

Across the capital markets, returns for core equity indexes ranged from a low of -14.9% for emerging markets to positive 1.4% for the S&P 500 Index of U.S. large company stocks. Bond index returns ranged from -5.5% for global bonds to 0.5% for the Barclays U.S. Capital Aggregate index. Among alternatives, U.S. real estate was a bright spot, gaining 14.1%. Commodities as measured by the Bloomberg index lost 24.9%, while hedge funds lost 0.3%.

**Figure 2: 2015 Index Returns**




## March 2016 Market Update

With the exception of interest rate sensitive bond sectors, most public market indexes incurred losses during the first two months of 2016 amid continued volatility related to China, depressed energy prices and divergent global monetary policies. Major equity index returns through February 2016 year-to-date ranged from -8.9% for the MSCI Index of developed markets international stocks to -5.1% for U.S. large cap stocks, while U.S. high yield bonds lost 1.6%. As evidence of the market's aversion to risk, U.S. Treasuries, a traditional safe haven, gained 2.1%, outperforming the vast majority of asset classes. More recently, equity markets staged a recovery through the first half of March with the S&P 500 index recouping most of its year to date loss. While recent developments are encouraging, conditions that led to market volatility in 2015 and early in 2016 remain present, so there is a significant possibility of further volatility.

## Investing for the Long-Term

After a year like 2015, or any period of time for that matter, it makes sense for an investor to review their portfolio with an emphasis on multi-year periods as well as near-term returns. Although quarterly returns should be monitored, a review of the Funds' long-term results is a more meaningful measure of effectiveness. Again, figure 1 reports the IBEW Local 25 Retirement Funds' results for 5, 3 and 1 year periods. Since 1992, a period that includes multiple market cycles, the Pension generated an annualized gain of 7.7%. The Annuity Fund gained 6.2% over this period, while the 401(K) Fund gained 6.6% from January 1993. The Funds achieved these results by developing and implementing asset allocation strategies that balance each Fund's risk and return objectives.

As evidenced by 2015, an effective asset allocation strategy does not guarantee positive returns in every period. Moreover, adjustments may be necessary in parts of a portfolio, particularly as the markets evolve and investment managers' performance varies. Toward that end, the IBEW Local 25 Trustees monitor asset classes, investment strategies and investment managers in accordance with criteria documented in the Funds' investment policies and make adjustments as necessary. The Trustees will continue to monitor the Funds' portfolios with assistance of their investment consultant and advisors.

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