

IBEW Local #25 Retirement Funds



Summer 2018

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IBEW Local 25 Funds Calendar Year 2017 Review

Stocks and other higher-risk assets generated strong gains during 2017 amid a relatively strong U.S. economy, low unemployment, improving economic activity in Europe, a weak U.S. dollar and expected stimulus from corporate tax cuts.

In this environment, the IBEW 25 Pension, Annuity and 401(k) Funds generated returns of 12.8%, 8.9% and 10.1%, respectively, during 2017. Preliminary annualized returns for five and three year periods through December 2017 are summarized below.* Please keep in mind that these returns do not take into account the Funds' administrative/operating costs.

IBEW Local 25 Funds Returns through December 31, 2017*

Fund	5 Yrs.	3 Yrs.	YTD
Pension	8.8%	6.5%	12.8%
<i>Index</i>	<i>8.5%</i>	<i>7.1%</i>	<i>12.8%</i>
Annuity	6.1%	4.9%	8.9%
<i>Index</i>	<i>5.7%</i>	<i>4.9%</i>	<i>8.2%</i>
401(k)	6.3%	5.2%	10.1%
<i>Index</i>	<i>5.7%</i>	<i>4.9%</i>	<i>8.4%</i>

*Returns are preliminary. Returns for periods prior to September 2014 include certain fees.

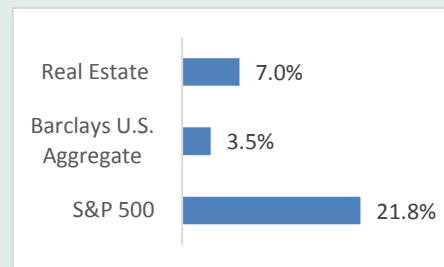
2017 Market Review

Equity index returns in 2017 ranged from 14.7% for the Russell 2000 Index of small U.S. company stocks to 21.8% for the S&P 500 Index of U.S. large company stocks to 25.6% for the MSCI Index of developed markets international stocks. The Barclays U.S. Aggregate bond index returned a more modest 3.5% amid anticipation of future Federal Reserve

interest rate hikes and the Fed's reduction of its balance sheet.

Global and U.S. high yield bond indexes returned 7.4% and 7.7%, respectively, while U.S. Treasury Inflation Protected Securities gained 2.3% during 2017 amid modest inflation expectations. Among alternative investments, U.S. real estate gained 7.0%, while Commodities, as measured by the Bloomberg Commodities Index, gained 1.7% and hedge funds gained 7.7% for the calendar year period.

Figure 2: Calendar Year 2017 Index Returns



2018 Update

After continuing their upward climb in January, stocks declined in February and experienced volatility amid concerns Federal Reserve interest rate hikes, signs of inflation, and talk of trade conflicts between the U.S. and foreign trading partners. Bond yields rose sharply resulting in capital losses for major bond sectors. The yield on the 10-year U.S. Treasury increased by 28 basis points during the first quarter of 2018 to end the period at 2.74% and more recently reached 3% in April.

For the April 2018 year-to-date period, equity returns ranged from -0.6% for the Russell Mid Cap Equity Index to 1% for emerging markets non-U.S. stocks. Bond

returns, which move inversely to yields, ranged from -3.0% for the Barclays U.S. Credit Index to -0.2% for the Barclays U.S. Corporate High Yield Index. Hedge funds and commodities gained 0.6% and 2.2% for the April 2018 year-to-date period. Although returns for the IBEW 25 Retirement Funds are not yet available for the April 2018 year-to-date, based on preliminary data, the IBEW 25 Pension, Annuity and 401(k) Funds returned 0.4%, 0.4% and 0.1%, respectively, for the March 2018 year-to-date period.

Corporate Governance

As a large institutional investor, the IBEW Local 25 Retirement Funds invest in U.S. company stocks held in portfolios managed by professional asset management firms who operate under the Funds' investment policies and contractual agreements. The Trustees of the IBEW 25 Retirement Funds delegate the voting of proxies, which influence how a company is governed, to a proxy voting agent where securities are held in separate accounts. Proxy voting has been determined by the U.S. Department of Labor to be consistent with the duties of a fiduciary for a retirement fund. By voting proxies on issues such as accounting practices, corporate board composition, or executive pay, the Funds are adhering to a best practice. The Funds are also advocating for good governance, which can improve performance to the benefit of the Funds.

The Trustees of the IBEW Local 25 Retirement Funds will continue to work with their investment consultant, advisors and staff to position the funds to meet their long-term investment objectives.