STIFEL

Meriden Retirement Board
Tuesday – June 13, 2017

Overview

It's been quite a year. Just last June, David Cameron was Prime Minister of Great Britain and Donald Trump was considered an unstable sideshow in American politics, with his campaign in turmoil. Then came the June 23rd Brexit vote, and four days later a chance airport encounter between Bill Clinton and Loretta Lynch discussing "grandchildren and golf" in Phoenix. Enter James Comey, Russian hackers, WikiLeaks, and a laptop owned by disgraced former Congressman Anthony Weiner. The history of this past year remains incomplete, but is clearly an open wound to many. A colorful elderly Socialist scored unexpected electoral victories, in both Britain and the US. Opinion polls everywhere embarrass their sponsors. The British now are cobbling together a tattered coalition in Parliament, and angry political warfare in our country remains relentless, center-stage, and prime time. Historian Jon Meacham recently asked what do the American people today "love in common?" The answer, he said: "not enough."

As the Federal Reserve prepares for an interest rate hike tomorrow, markets are scrambling on reduced expectations for healthcare, tax-reform and repatriation. Explosive rotation has ruled US equity markets since election night. Technology sells off from historic highs and financials soar. Even the energy sector catches a higher bid, amid widespread belief in controlled supply. Investors might be forgiven for feeling anxious when scanning the homepage for CNBC: "Goldman Sachs: The market is overvalued," says one headline. Followed by: "The five biggest tech stocks lost $100 billion on Friday." Then: "Possible correction looming, expert warns. It's time to sell." And finally: "JPMorgan sees a 'summer top' and market correction into the fall." They didn't even mention the looming debt ceiling debate and threatened government shutdown, certain to elbow its way onto the front page over the next few weeks.

Meriden Retirement Fund

As of Friday, the City Employees Retirement fund held $139 million, the combined Police/Fire pensions totaled $103.5 million, and the OPEB Healthcare fund valuation was $32 million. Meriden's broadly diversified investment funds posted a seventh consecutive monthly gain in May, and began June with continued momentum. Steady and balanced growth has lifted the 2017 fiscal year to gains of +10% for the pension funds and +12% for the OPEB healthcare trust.

higher fees

Asset allocation in the retirement accounts show 52% in domestic equity, 12% international, 16% in fixed income, and the remaining 20% spread among alternative investments such as managed futures, hedge funds, and private equity partnerships. The OPEB allocation shows 41% domestic and 26% international equities, with fixed income and cash totaling 25%, and alternatives at 8%. As economist Brian Portnoy says: "diversification means always having to say you're sorry," and this year that dubious honor goes to the fixed income sector, where returns have been minimal to flat. Outperformance has been posted in the technology, international, and small-cap sectors – where growth stocks have outpaced value.

Central Park Group shared a new valuation Thursday provided for the Carlyle Equity Opportunity Fund, one of Meriden's earliest private equity selections. CEOF reports its investment of $1.15 billion, placed in seventeen companies since 2011, is now valued at $1.54 billion – showcasing the significant difference between intrinsic and liquidity valuations on your invested, long-term capital.

Patrick Sheehan
Mark Hammond
Gerald Glass

DJIA: 21,313.61
S&P 500: 2429.39
June 12, 2017

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