

**Town of Concord
Finance Department
Memorandum**

TO: Retirement Board
FROM: Kerry A. Lafleur, Treasurer *KAL*
SUBJ: Asset Allocation and Market Value - July 31, 2017
DATE: August 28, 2017

Combined Assets: Retirement System and Town Pension Reserve Fund

For the month of July, the combined market value of system assets and the Town's Pension Reserve Fund **increased 3.46%** from the prior month-end.

As of July 31, 2017, combined assets totaled \$167.63 million (\$158.50 million in the Retirement System and \$9.13 million in the Town's Pension Reserve account). The market value of combined assets **increased** in July by **\$5.6M**. This reflects a one-month change of:

plus 2.06% in the S&P 500 index;
plus 1.33% in the Russell 1000 Value Index;
plus 3.01% in the Russell Dev ex-US index; and
plus 0.46% in the Bloomberg-Barclays US Int. Gov/Credit Bond Index.

The PRIT Core return for July 2017 was **+ 1.69%**.

Compared to one year earlier, the market value of combined Concord assets is up **9.56%**. For the three-year period ending July 31, 2017, market value has increased at an average annual rate of 6.76% compared to the PRIT 3-year average yield of 7.24%.

Concord Retirement System Performance

Asset Value at July 31, 2017: \$ 158,502,711

For the most recent 12-month period:

For the one-year period ended July 31, 2017, asset value of the Concord Retirement Fund has **increased 10.17%** while the Pension Reserve Investment Trust (PRIT) Core Fund investment performance has yielded 12.08% over the same period. This divergence is higher than usual and reflects the relatively more conservative allocation of the Concord Retirement Fund while global equities have seen a dramatic upturn over the past several months.

***Comparative asset value change, most recent year and month
(Retirement System assets only, excluding Pension Reserve):***

	<u>One month</u>	<u>One year</u>
Concord Retirement Fund*	+4.28%	+10.17%
State PRIT Core Fund	+1.69%	+12.08%

* The asset value increase of 10.17% for the 12-month period ending July 31st is not precisely the investment return; rather, it reflects the difference between income (employer and employee contributions, investment earnings) and disbursements (pensions, refunds, expenses). It is, however, a close approximation of investment return for this comparative purpose.

The **market indexes** for the period ending July 31, 2017 are:

		<u>One month</u>	<u>One year</u>
S&P 500	<i>Domestic equity</i>	plus 2.06%	plus 16.04%
Barclays Govt.	<i>Int. Fixed income</i>	plus 0.46%	plus (0.03%)

42.70% of the Concord portfolio is invested with PRIT (36.73% in the Core Fund, 4.87% in the Core Real Estate Fund, and 1.09% in venture capital funds).

Comparative asset allocation:

The accompanying Asset Allocation Report includes a line at the bottom of the report to show the Asset Allocation for Concord Retirement System assets only, allocating the PRIT Core investment among its component categories. As of July 31, 2017, the PRIT Core Fund was allocated as follows:

PRIT CORE FUND, Share of portfolio asset value

	<u>this month</u>
Fixed Income	19.80 %
Equity	45.90 %
Other	34.30 %

Concord Retirement Board assets were allocated as of July 31, 2017 as follows:

Fixed Income	28.60%
Equity	49.25%
Real Estate	4.87%
Other	13.69% (alternative investments and PRIT Vintage Funds)
Cash	3.58%

The total allocation to "Equity, Real Estate and Other" at July 31, 2017 is 67.81%, with a target of 65%, as adjusted by vote at the March 2012 board meeting. At that meeting, the Board set a target allocation as follows:

	<u>Target</u>	<u>July 31, 2017</u>
Fixed income and cash	35.0%	32.18%
Real Estate	5.0%	4.87%
Equity and Other	60.0%	62.95%

Components of Investment Performance for July and for the most recent 12-month period (with reference to available benchmarks) are as follows:

\$158.50 million Retirement Board assets only:

Retirement Board Assets only:	\$ 158,502,711	Month of			Market INDEX:	
		% of Portfolio	July		12 Months	July
FRT Equity I Fund	13.84%	1.39%	16.77%	Russell 1000:	1.98%	15.95%
FRT International	2.56%	3.29%	21.34%	S&P 500:	2.06%	16.04%
total account, FRT:	16.40%	4.68%	38.11%	Russell Dev ex-US:	3.01%	17.52%
PRIT Core General	36.73%	1.68%	11.63%			
PRIT Core Real Estate*	4.87%	0.68%	5.30%			
PRIT Vintage 2006*	0.36%	0.23%	9.57%			
PRIT Vintage 2008*	0.36%	1.09%	30.10%			
PRIT Vintage 2013*	0.31%	0.65%	21.07%			
PRIT Vintage 2016*	0.05%	-1.59%	-18.51%			
PRIT Vintage 2017*	0.01%	0.06%				
Columbia, Equity	16.01%	1.78%	15.07%	Russell 1000 Value:	1.33%	13.76%
Columbia, Fixed Income	21.40%	0.46%	-0.24%	Barclays Int. Govt:	0.46%	-0.03%
Cash, MMDT	3.49%					
Total:	100.00%					

* PRIT Real Estate and Vintage Fund returns are net of fees.

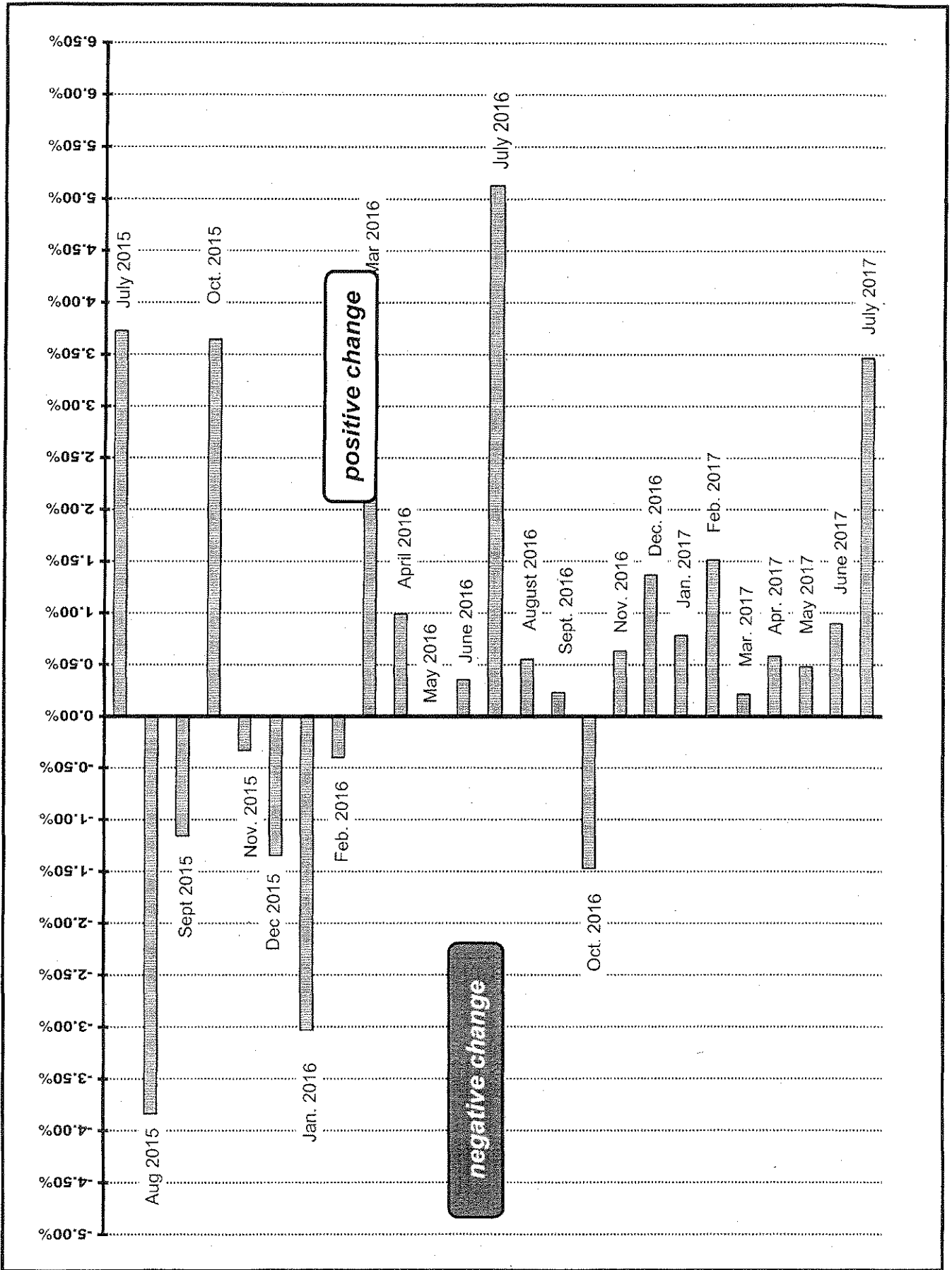
CONCORD RETIREMENT SYSTEM
ASSET ALLOCATION REPORT

MARKET VALUE AT: 7/31/2017

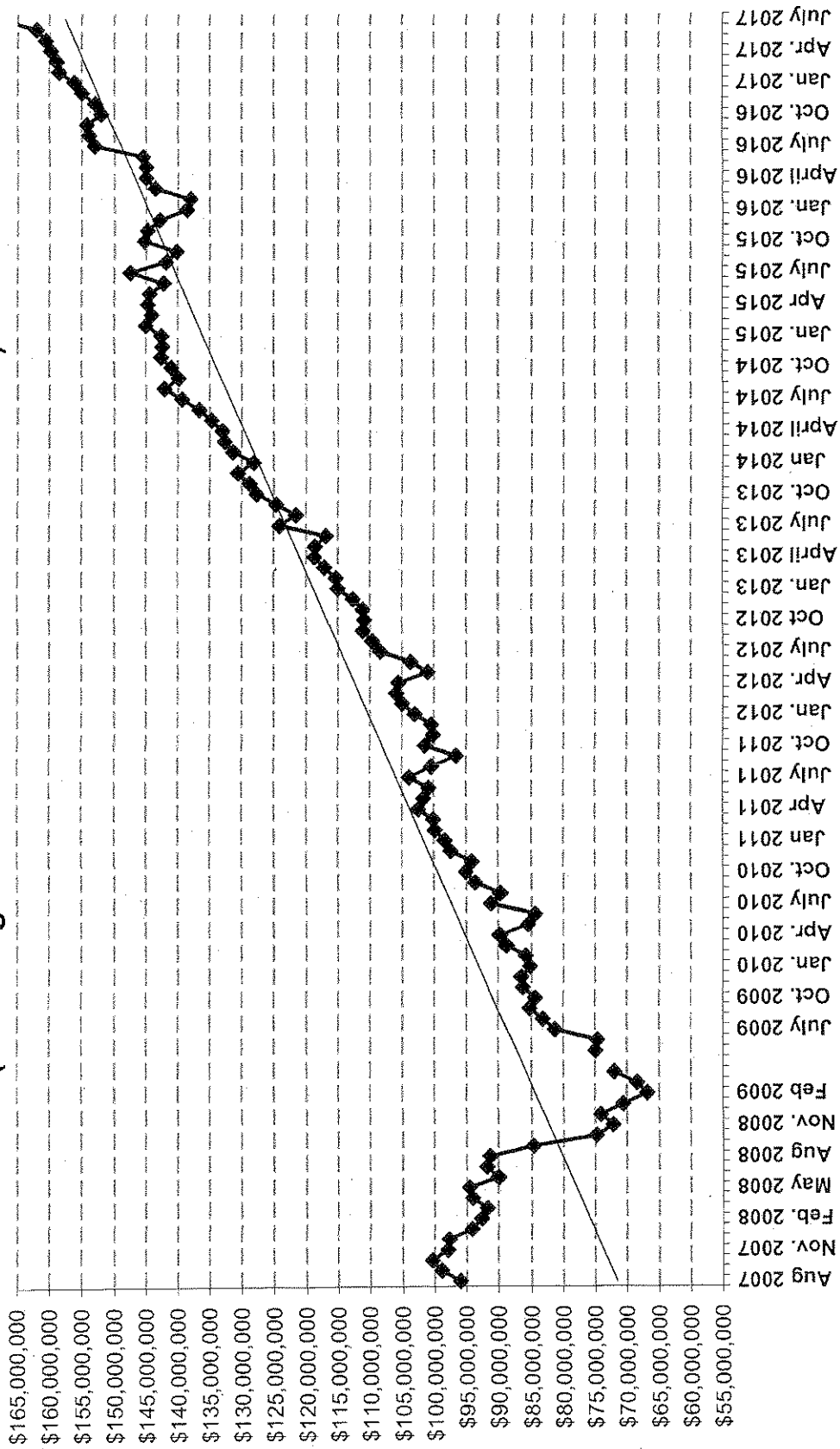
	BONDS	STOCKS	REAL ESTATE	OTHER*	CASH	TOTAL	
PENSION RESERVE							
Columbia 1055062990		\$7,867,138.08			\$10,626.93	\$7,877,765.01	
MMDT #44-001501					\$1,251,338.26	\$1,251,338.26	
TOTAL	\$0.00	\$7,867,138.08	\$0.00	\$0.00	\$1,261,965.19	\$9,129,103.27	
RETIREMENT SYSTEM							
Columbia 1055053919 - Fixed	\$33,808,070.78				\$111,161.26	\$33,919,232.04	21.40%
Columbia 1055053900 - Equity		\$25,348,070.71			\$34,177.61	\$25,382,248.32	16.01%
Equity I (FRT)		\$21,941,730.00				\$21,941,730.00	13.84%
International Fund		\$4,050,076.00				\$4,050,076.00	2.56%
PRIT Core General	\$11,528,276.76	\$26,724,641.58		\$19,970,701.66		\$58,223,620.00	36.73%
PRIT Real Estate (segmented)			\$7,726,392.00			\$7,726,392.00	4.87%
PRIT Vintage Fund 2006				\$575,840.00		\$575,840.00	0.36%
PRIT Vintage Fund 2008				\$563,532.00		\$563,532.00	0.36%
PRIT Vintage Fund 2013				\$494,197.00		\$494,197.00	1.09%
PRIT Vintage Fund 2016				\$82,004.00		\$82,004.00	0.31%
PRIT Vintage Fund 2017				\$19,458.00		\$19,458.00	0.05%
MMDT #44-002079	\$45,336,347.54	\$78,064,518.29	\$7,726,392.00	\$21,705,732.66	\$5,524,381.22	\$158,502,710.58	3.49%
GRAND TOTAL	\$45,336,347.54	\$85,931,656.37	\$7,726,392.00	\$21,705,732.66	\$6,931,685.28	\$167,631,813.85	100.00%
PERCENT OF TOTAL	27.05%	51.26%	4.61%	12.95%	4.14%	100.00%	
Retirement system ONLY	28.60%	49.25%	4.87%	13.69%	3.58%	100.00%	

*other: PRIT FUND - alternative investments, real estate, timber, absolute value (hedge); COLUMBIA - real estate

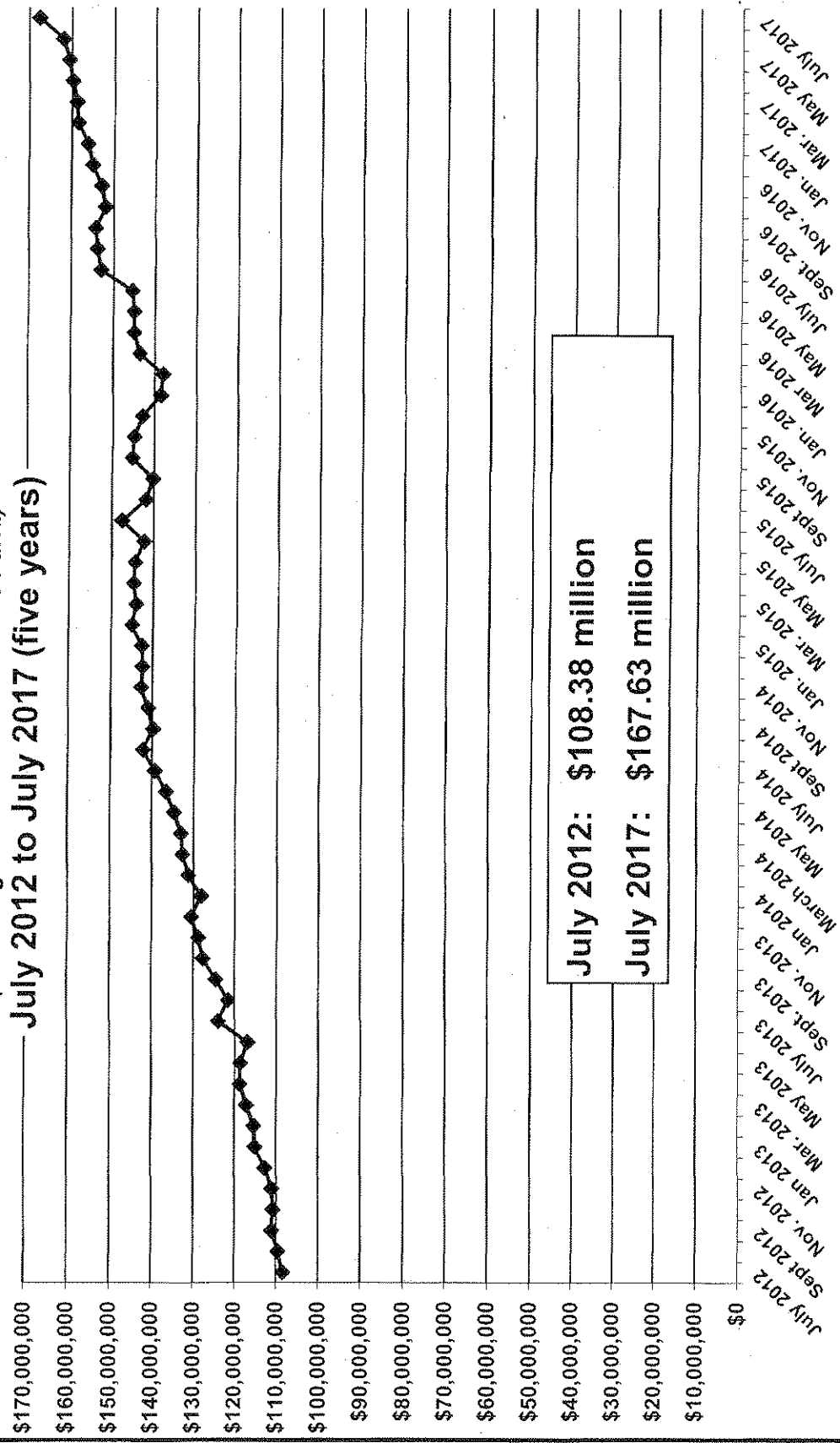
25-month Asset Change
Concord Retirement System



Concord Retirement Fund Assets, 10 years from July 2007 (including Town's Pension Reserve Account)



Retirement Fund Assets
(including Town Pension Reserve Fund)
July 2012 to July 2017 (five years)



PENSION RESERVES INVESTMENT TRUST
SUMMARY OF PLAN PERFORMANCE
RATES OF RETURN (GROSS OF FEES)
Periods Ending July 31, 2017

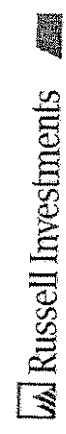
	NAV \$ (000)	Target Allocation %	Actual Allocation %	Month	FY '18	Calendar YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
GLOBAL EQUITY	31,203,113	41.6%	45.9%	3.11	3.11	16.46	18.87	7.02	11.69	4.73	6.09
CORE FIXED INCOME	7,990,518	12.0%	11.8%	0.08	0.08	2.98	-6.27	4.61	3.59	5.10	7.43
VALUE-ADDED FIXED INCOME	5,401,023	10.0%	8.0%	0.81	0.81	7.33	10.00	3.23	5.01	6.95	8.41
PRIVATE EQUITY	7,014,251	11.0%	10.3%	0.41	0.41	12.56	21.91	16.68	18.12	13.39	14.69
REAL ESTATE	6,061,774	10.0%	8.9%	0.69	0.69	5.23	5.82	10.40	11.32	6.70	6.61
TIMBERLAND	2,476,134	4.0%	3.6%	0.37	0.37	4.52	7.90	6.26	7.42	6.11	9.09
PORTFOLIO COMPLETION STRATEGIES	6,739,834	11.4%	9.9%	0.56	0.56	3.67	7.17	2.52	5.73	2.83	4.49
OVERLAY	779,330	0.0%	1.1%	1.39	1.39	6.99	5.45	4.30			5.59
TOTAL CORE	67,908,350	100%	100%	1.69	1.69	10.69	12.08	7.24	9.94	5.40	9.48
<i>INTERIM BENCHMARK (target allocation using private equity and distressed debt returns) ¹</i>				<i>1.54</i>	<i>1.54</i>	<i>9.45</i>	<i>11.29</i>	<i>6.28</i>	<i>8.95</i>	<i>5.25</i>	<i>9.91</i>
<i>TOTAL CORE BENCHMARK (target allocation with private equity and distressed debt benchmark) ²</i>				<i>1.62</i>	<i>1.62</i>	<i>9.07</i>	<i>10.70</i>	<i>6.08</i>	<i>8.37</i>	<i>4.91</i>	<i>9.80</i>
PARTICIPANTS CASH	250,077			0.10	0.10	0.60	0.90	0.47	0.34	0.70	3.80
TEACHERS' AND EMPLOYEES' CASH	56,642			0.10	0.10	0.60	0.89	0.46	0.33	0.45	2.57
TOTAL FUND	68,215,069			1.68	1.68	10.65	12.04	7.21	9.91	5.38	9.53

Performance Report
Town of Concord Retirement System
 As of July 31, 2017

Town of Concord Retirement System Investment Account - Q12Y

	Market Value	Annualized										Inception Date
		One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Ten Years	Since Inception			
Total Assets	\$25,991,805	1.68%	4.37%	12.23%	17.75%	8.63%	13.40%	5.79%	9.54%		07/01/1986	
Custom Benchmark ⁽²⁾	--	2.12	4.37	12.28	16.19	8.13	13.07	5.93	9.04		--	
Total Equity	25,991,805	1.68	4.37	12.23	17.75	8.63	13.40	5.79	9.96		07/01/1986	
Equity I Fund ⁽¹⁾	21,941,730	1.39	3.86	11.16	16.77	10.37	14.63	7.27	10.43		07/01/1986	
Russell 1000 Index	--	1.98	4.00	11.44	15.95	10.58	14.85	7.84	10.12		--	
S&P 500 Index	--	2.06	4.14	11.59	16.04	10.87	14.78	7.74	10.11		--	
International Fund ⁽¹⁾	4,050,076	3.29	7.22	18.44	21.34	4.77	10.62	2.28	6.59		03/01/1996	
Russell Dev ex-US LC Idx Net (Linked) ⁽²⁾	--	3.01	6.46	16.59	17.52	2.55	8.85	1.31	4.83		--	

Please read the endnotes included with the report.
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PERFORMANCE SUMMARY

Category	1 Month	3 Month	Year-to-Date	1 Year	3 Year	5 Year	Since Inception	Inception Date
<u>Total Fund</u>								
TOTAL	1.78	3.37	6.99	15.07	9.04	15.25	9.52	03/31/1993
<u>Index</u>								
Russell 1000 Value Index	1.33	2.88	6.05	13.76	8.45	14.00	9.61	03/31/1993
S&P 500 Index	2.06	4.14	11.59	16.04	10.87	14.78	9.38	03/31/1993

Past performance does not guarantee future results. Results are for the client's own account and are not composite results. Performance results in this report are calculated by Columbia Management Investment Advisers, LLC on a gross basis and do not reflect the deduction of management fees. Information on the impact of fees on performance is available upon request. Performance is based on time-weighted, daily calculation using values that are determined in good faith by Columbia Management Investment Advisers, LLC. Portfolio performance is calculated based on trade date, net of transaction costs and reflects accrued interest. If you have any questions regarding the above information, or if there are any changes in your investment objectives or guidelines, please contact your client relationship manager.

Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

Returns less than one year are cumulative. Returns greater than one year are annualized.

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PERFORMANCE SUMMARY

Category	1 Month	3 Month	Year-to-Date	1 Year	3 Year	5 Year	Since Inception	Inception Date
Total Fund								
TOTAL	0.46	1.40	3.48	-0.24	3.24	2.65	5.82	09/30/1987
Index								
Blmb Barc US Aggregate Bond	0.43	1.10	2.71	-0.51	2.71	2.02	6.57	09/30/1987
Blmb Barc US Gov/Credit Bond	0.42	1.28	3.09	-0.79	2.80	2.04	6.60	09/30/1987
Blmb Barc US Int Gov/Credit Bond	0.46	0.78	2.20	-0.03	2.15	1.67	5.98	09/30/1987

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