BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

James T. Strouse
Chairman of the Board
Robert Hooper
Vice-Chairman

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SPECIAL MEETING
Retirement Board Meeting Agenda
Contois Aduitorium
Thursday May 10, 2018 – 10:00 AM

1. Agenda
2. Public Forum
3. Ratify/Approve Refund and Rollover's
4. Presentation Regarding Investments – Dahab Associates
5. Other Business
6. Adjourn

City Of Burlington Employees Retirement Plan

Performance Review
March 2018

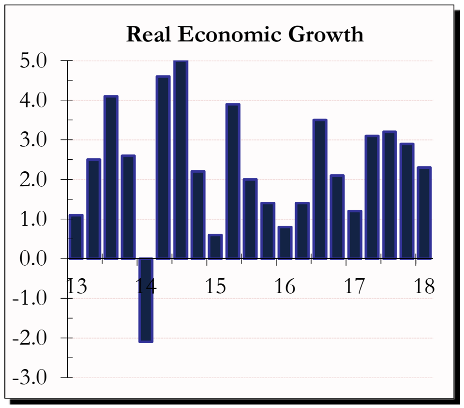
DAHAB ASSOCIATES

New York Massachusetts Pennsylvania Florida

ECONOMIC ENVIRONMENT

The Good News Continued

Global expansion continued unabated into 2018. Domestically, there was lots of good news. Real GDP expanded 2.3% in the first quarter, according to the BEA advance estimate, a slight deceleration from the fourth quarter's 2.9% growth. Job growth supported the GDP gain, averaging more than 200,000 during the quarter; this level of hiring took place despite a weather-related dip to 103,000 new jobs in March. Reflecting the optimism, sales of new and existing homes were brisk and prices of each rose. Manufacturing and services output also expanded. In addition, the University of Michigan's Consumer Sentiment Index was the most positive in 14 years (101.4) and its Current Conditions Component Index stood at an all-time high (121.2). The Fed played its role by once again raising short-term rates from 1.5% to 1.75%. Core inflation reached an annualized 2.1% in March, just above the Fed's 2% sweet spot. Including food and energy, the annualized rate rose to 2.4%.

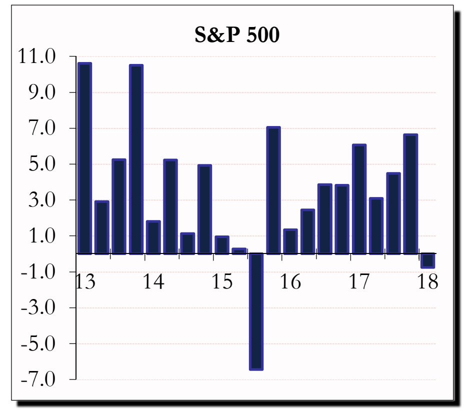


The economic picture was quite rosy for the first quarter, but there were some hiccups. Commodity prices for liquid natural gas and for many agricultural products temporarily swooned. A greater concern for the longer term was the Trump team's announcement of possible tariffs on steel, aluminum and a host of other products. That fueled uncertainty, leading to a rather chaotic quarter for stock and bond markets.

DOMESTIC EQUITIES

Volatility Rattled the Markets

There was no mistaking a pattern of clearly volatile S&P 500 returns. Most of January was uneventful, followed briefly by inflation fears; next, investors felt that inflation was under control. That sense of relief gave way to worries over a likely tariff war. By the end of the quarter, investors relaxed again, viewing the tariff issue as nothing more than the opening salvo in trade negotiations. It was quite a ride and one seldom seen in the previous nine years of bull market.



The intra-quarter volatility resulted in the S&P's 0.8% loss, as well as the Dow's 2.0% loss. However, the NASDAQ managed a positive 2.6% return as tech stocks provided ballast. Growth stocks again bested value stocks in all size categories. For example, the Russell 1000 Growth Index was up 1.4%, while the Russell 1000 Value Index was down 2.8%. In the small-cap space, the Russell 2000 Growth Index gained 2.3% vs. 2.6% in lost return for the Russell 2000 Value. Overall, small caps performed modestly better than their mid-cap or large-cap counterparts, but most stocks paused from their 2017 upward paths.

Consumer service stocks earned the highest return (+5.1%). The computer technology sector, bolstered by Amazon, Netflix and Microsoft, posted a 4% gain. However, all other sectors were in the red. Higher interest rates hurt utility stocks, which were off 4.5%; falling liquid natural gas prices drove energy stocks down 5.1%;

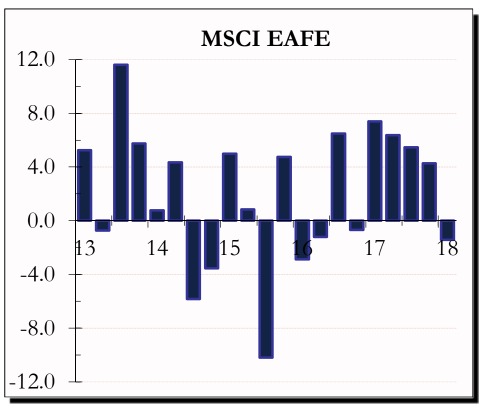
and the specter of a looming trade war sent basic industrial stocks tumbling 6.6%. Finally, REIT prices continued to struggle (-8.5%), impacted by interest rate hikes and especially by retail store closings.

INTERNATIONAL EQUITIES

US Pullback Dampened Overseas Markets

Many economies around the world were either ramping up or continuing to do well. The GDPs of China, Japan, the Euro region and lately, Brazil, led the way. Consumer spending, rising exports and currency strength vs. the US dollar generally helped those economies. Nonetheless, the volatility in US markets affected the bourses of most countries.

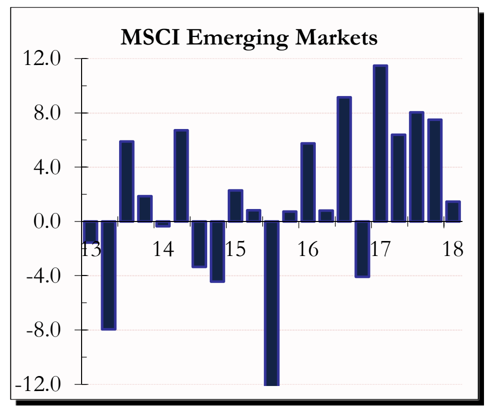
For the quarter, the MSCI EAFE Index dipped 1.4%. Markets in the Eurozone, the UK, Australia and the Pacific region all slipped.



Within the Eurozone, the Italian market did surprisingly well (+5.4%), reflecting consumer confidence and job growth despite its hung parliament. French stocks were slightly positive (+0.4%), even as unions tested President Macron's reforms. German shares fell 3.5% after five months of political uncertainty, heedless of its strong economy. On the other hand, Spanish shares fell just 1.7%, with economic gains offsetting Catalonian independence issues. The UK market dropped 3.9% as it continued to grapple with Brexit issues.

The Australian market slumped 6.1% amid lower construction investment and weak bank shares. In the Pacific, Singapore stood out with the highest GDP growth rate in three years. Its market moved up 2.8%, accordingly. Japan (+1.0%) experienced the lowest unemployment rate in two decades! That milestone plus an expanding manufacturing sector pushed back against a surging Yen (and effectively raised export prices). Hong Kong shares eased back 1.4%.The Israel market was hit by a series of government corruption scandals that sent shares tumbling 5.3%. Canada sank 7.2% amid declining consumer purchases, NAFTA re-negotiations and a dramatically weakening currency.

EM market returns varied all over the lot, but overall inched up 1.5%. Among the big four BRIC countries, there were surprises. **B**razil continued its turnaround, climbing 12.5%, led by strong



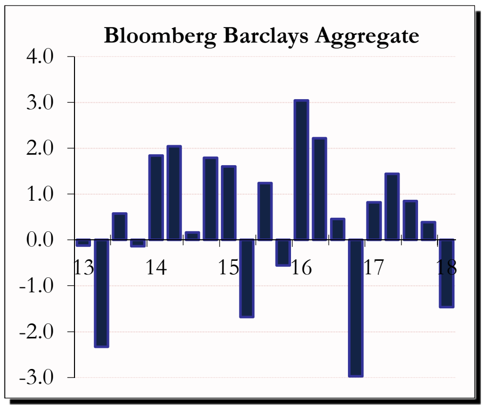
business confidence. Shares of Brazil's state-owned Petrobras rocketed 38% on the strength of rising oil prices. **R**ussia provided another surprise, gaining 9.4% despite new global sanctions. **I**ndia's shares dropped 7%, largely due to fraud scandals at its public sector banks. **C**hina's shares, which gained 1.8%, benefited from sustained economic growth and rising middle class consumer spending.

BOND MARKET

Rates Rose and Prices Fell (Modestly)

As expected, the Federal Reserve Board raised the Fed funds rate to a range of 1.5% - 1.75%. As a result, the yield curve rose along all maturities and bond prices fell accordingly. Returns were modestly negative except in the ultra-short space (where they were modestly positive) and the very long space (where they were significantly negative). As inflation fears subsided, the yield curve flattened at the long end.

The Barclays Aggregate Index returned -1.5%. Treasuries, representing the largest fraction of the index, declined 1.2%. Mortgage-backed issues did the same. However, 20-year and longer Treasury issues fell 3.4%. Corporate bond returns were also in the red (-2.1%). AAA names fell 1.1%, while single A issues were down 2.5%. High yield credits held up under the pressure, losing an average of just 0.9%; low default rates acted as a floor for high yield prices.



The G-6 Index (sovereign bonds among six developed economies) actually climbed 4.9% due largely to their strengthening currencies vs. the US dollar. Canada was the only G-6 component to decline (-2.4%), reflecting both its weakened currency and faltering economy. Emerging market bond losses were muted, easing back 1.5%; generally, stronger currencies and economies dampened losses for EM securities.

CASH EQUIVALENTS

Another Fed Rate Hike Helped

A higher 90-day T-bill return was attributable to the latest Fed funds increase — the fourth since early last year. The T-bill gave investors 0.33% for the quarter and just over 1% for the fiscal year. With more Fed funds increases likely this year, cash equivalents are finally providing at least some return to ultra-conservative investors.

Economic Statistics

	Current Quarter	Previous Quarter
GDP	2.3	2.9
Unemployment	4.1	4.1
CPI All Items Year/Year	2.1	2.4
Fed Funds Rate	1.75	1.50
Industrial Capacity	78.0	77.3
US Dollars per Euro	1.23	1.20

Major Index Quarter Returns

Index	Quarter	Year
Russell 3000	-0.6	13.8
S&P 500	-0.8	14.0
Russell Midcap	-0.5	12.2
Russell 2000	-0.1	11.8
MSCI EAFE	-1.4	15.3
MSCI Emg Markets	1.4	25.3
NCREIF ODCE	2.2	8.1
U.S. Aggregate	-1.5	1.2
90 Day T-bills	0.4	1.2

Domestic Equity Return Distributions

Quarter

	VAL	COR	GRO
LC	-2.8	-0.7	1.4
MC	-2.5	-0.5	2.2
SC	-2.6	-0.1	2.3

Trailing Year

	VAL	COR	GRO
LC	6.9	14.0	21.3
MC	6.5	12.2	19.7
SC	5.2	11.8	18.6

Market Summary

- **The BEA estimates a 2.3% growth for GDP in the first quarter.**
- **Unemployment remained at 4.1%.**
- **Year over year CPI for all items expanded 2.4%.**
- **The dollar weakened slightly relative to the euro**
- **Growth continued to outperform value in the stock market. Smaller cap stocks fared better than large and mid-sized companies.**

INVESTMENT RETURN

On March 31st, 2018, the City of Burlington Employees Retirement System was valued at $190,116,363, a decrease of $565,602 from the December ending value of $190,681,965. Last quarter, the account recorded total net withdrawals of $48,887 in addition to $516,715 in net investment losses. The fund's net investment loss was a result of income receipts totaling $126,835 and realized and unrealized capital losses totaling $643,550.

RELATIVE PERFORMANCE

Total Fund

During the first quarter, the total portfolio lost 0.3%, which was 0.1% less than the Burlington Policy Index's return of -0.2% and ranked in the 47th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 11.5%, which was equal to the benchmark's 11.5% performance, and ranked in the 20th percentile. Since December 2001, the account returned 5.8% per annum.

Equity

The equity segment lost 0.4% last quarter, 0.4% above the MSCI All Country World index’s return of -0.8% and ranked in the 40th percentile of the Global Equity universe. Over the trailing twelve months, the equity portfolio returned 15.3%, 0.1% less than the benchmark's 15.4% performance, and ranked in the 47th percentile.

Real Assets

In the first quarter, the real assets portion of the portfolio gained 1.6%, which was 0.7% above the Real Assets Blended Index's return of 0.9%. Over the trailing twelve-month period, this component returned 5.6%, which was 0.4% greater than the benchmark's 5.2% return.

Fixed Income

In the first quarter, the fixed income segment lost 1.0%, which was equal to the Intermediate Gov/Credit Index’s return of -1.0% and ranked in the 58th percentile of the Broad Market Fixed Income universe. Over the trailing twelve-month period, this segment returned 0.3%, which was 0.1% less than the benchmark's 0.4% performance, and ranked in the 97th percentile.

ASSET ALLOCATION

At the end of the first quarter, equities comprised 73.3% of the total portfolio ($139.3 million), while real assets totaled 10.1% ($19.2 million). The account's fixed income component comprised 16.0% ($30.5 million) of total value, while the remaining 0.6% was comprised of cash & equivalents ($1.2 million).

The Retirement System also had a negative cash balance in the Pooled Account (not included in the valuations in this report) of -$3,127,259.85.

EXECUTIVE SUMMARY

PERFORMANCE SUMMARY

	Qtr / YTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since 12/01
Total Portfolio - Gross	-0.3	8.3	11.5	7.0	6.5	5.9	5.8
PUBLIC FUND RANK	(47)	(15)	(20)	(24)	(89)	(85)	----
Total Portfolio - Net	-0.3	8.2	11.4	6.7	6.1	5.5	----
Policy Index	-0.2	8.2	11.5	7.5	7.0	5.6	----
Equity - Gross	-0.4	11.1	15.3	----	----	----	----
GLOBAL EQUITY RANK	(40)	(37)	(47)	----	----	----	----
MSCI AC World	-0.8	10.5	15.4	8.7	9.8	6.2	7.3
ACWI Ex US	-1.1	10.4	17.1	6.7	6.4	3.2	7.4
MSCI EAFE	-1.4	8.4	15.3	6.0	7.0	3.2	6.7
MSCI EM Net	1.4	17.6	24.9	8.8	5.0	3.0	11.0
Russell 3000	-0.6	10.5	13.8	10.2	13.0	9.6	7.8
S&P Completion	0.1	10.2	13.1	8.0	11.8	10.3	----
Real Assets - Gross	1.6	4.5	5.6	----	----	----	----
Real Assets Idx	0.9	5.4	5.2	3.5	3.0	0.9	5.9
NCREIF ODCE	2.2	6.3	8.1	10.0	11.4	5.1	8.1
NCREIF Timber	0.9	3.1	3.8	3.4	6.1	4.1	7.1
BLP Commodity	-0.4	6.9	3.7	-3.2	-8.3	-7.7	1.1
Fixed Income - Gross	-1.0	-0.6	0.3	----	----	----	----
BROAD MARKET FIXED RANK	(58)	(98)	(97)	----	----	----	----
Int Gov/Credit	-1.0	-0.6	0.4	0.9	1.2	2.9	3.8
Global Aggregate	1.4	4.3	7.0	3.1	1.5	2.6	5.0
Global Agg Ex US	3.6	7.9	11.7	4.6	1.2	1.8	5.4
Aggregate Index	-1.5	-0.2	1.2	1.2	1.8	3.6	4.4

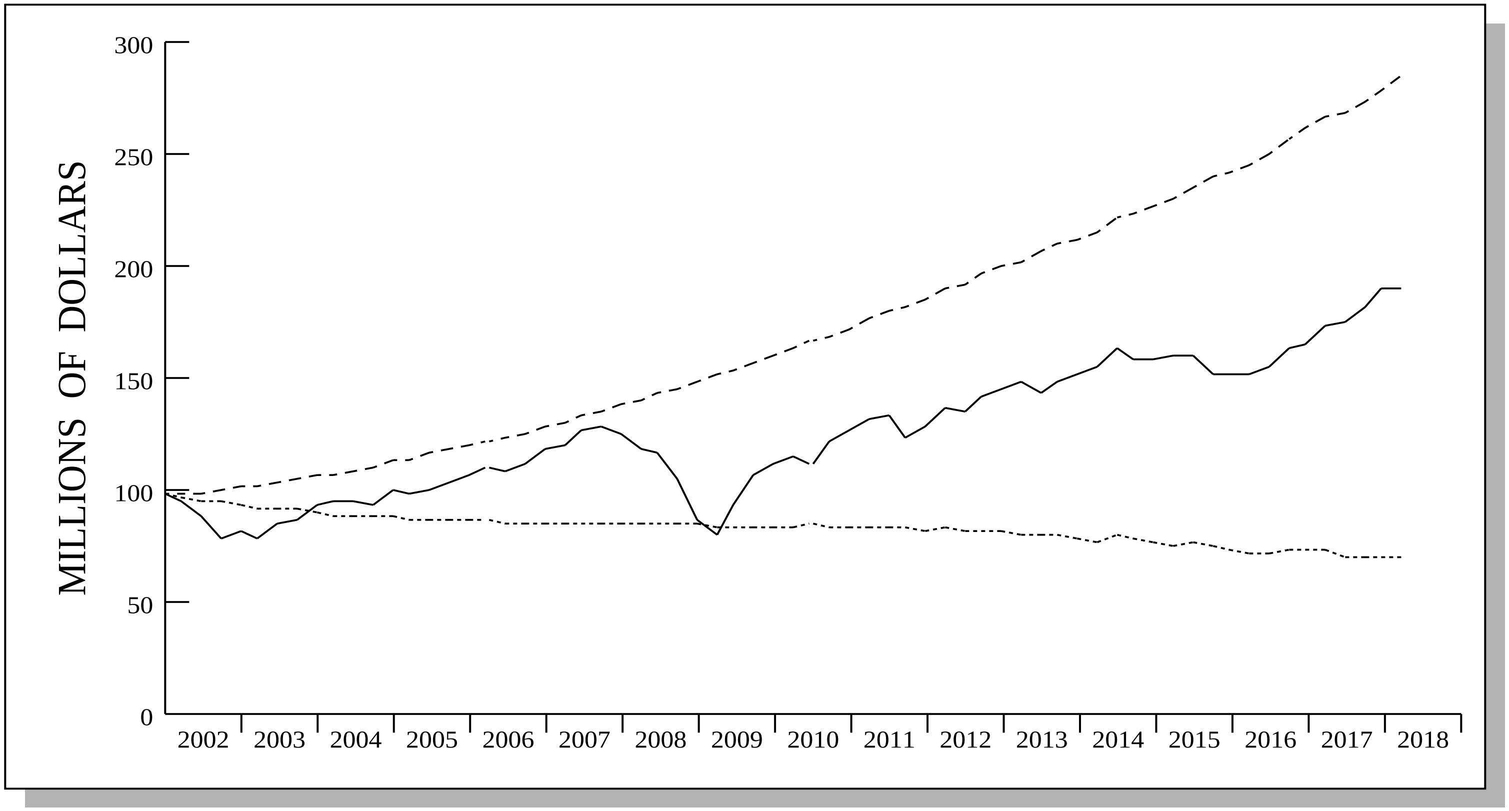
ASSET ALLOCATION

Equity	73.3%	$ 139,292,670
Real Assets	10.1%	19,187,108
Fixed Income	16.0%	30,473,260
Cash	0.6%	1,163,325
Total Portfolio	100.0%	$ 190,116,363

INVESTMENT RETURN

Market Value 12/2017	$ 190,681,965
Contribs / Withdrawals	- 48,887
Income	126,835
Capital Gains / Losses	-643,550
Market Value 3/2018	$ 190,116,363

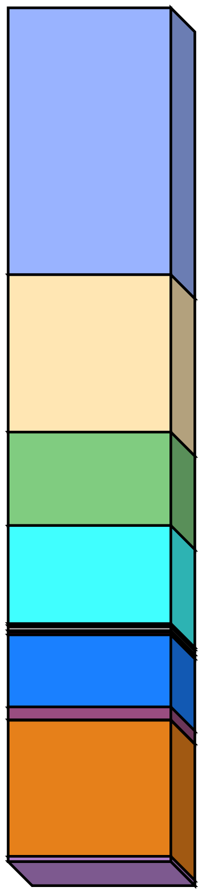
INVESTMENT GROWTH



VALUE ASSUMING
8.0% RETURN $ 285,256,575

	LAST QUARTER	PERIOD 12/01 - 3/18
BEGINNING VALUE	$ 190,681,965	$ 98,885,312
NET CONTRIBUTIONS	- 48,887	- 27,857,778
INVESTMENT RETURN	-516,715	119,088,829
ENDING VALUE	$ 190,116,363	$ 190,116,363
INCOME	126,835	15,210,260
CAPITAL GAINS (LOSSES)	-643,550	103,878,569
INVESTMENT RETURN	-516,715	119,088,829

MANAGER ALLOCATION AND TARGET SUMMARY



Name	Market Value	Percent	Target
Mellon Large Cap (LCC)	$59,456,454	31.3	30.0
Mellon Smid Cap (SMID)	$35,082,458	18.5	18.0
Mellon EAFE (INEQ)	$20,962,409	11.0	10.0
Mellon Emerging Mkts (EMKT)	$21,889,517	11.5	10.0
Hamilton Lane II (PREQ)	$344,457	0.2	0.5
Hamilton VII A (PREQ)	$916,855	0.5	0.9
Hamilton VII B (PREQ)	$640,520	0.3	0.6
UBS TPF (REAL)	$16,262,893	8.6	8.0
Molpus SWF II (TIMB)	$2,924,215	1.5	2.0
Mellon Int. Gov/Cred (IMFI)	$30,473,260	16.0	20.0
Key Bank (CASH)	$1,163,325	0.6	0.0
Total Portfolio	**$190,116,363**	**100.0**	**100.0**

INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value December 31st, 2017	Net Cashflow	Net Investment Return	Market Value March 31st, 2018
Mellon Large Cap (LCC)	-0.8	59,911,673	0	-455,219	59,456,454
Mellon Smid Cap (SMID)	-0.2	35,155,699	0	-73,241	35,082,458
Mellon EAFE (INEQ)	-1.6	21,312,171	0	-349,762	20,962,409
Mellon Emerging Mkts (EMKT)	1.3	21,611,789	0	277,728	21,889,517
Hamilton Lane II (PREQ)	5.3	370,936	-44,550	18,071	344,457
Hamilton VII A (PREQ)	5.5	1,004,725	-142,300	54,430	916,855
Hamilton VII B (PREQ)	2.3	646,792	-21,289	15,017	640,520
UBS TPF (REAL)	1.9	15,998,526	-36,620	300,987	16,262,893
Molpus SWF II (TIMB)	0.0	2,924,215	0	0	2,924,215
Mellon Int. Gov/Cred (IMFI)	-1.0	30,777,986	0	-304,726	30,473,260
Key Bank (CASH)	---	967,453	195,872	0	1,163,325
Total Portfolio	**-0.3**	**190,681,965**	**-48,887**	**-516,715**	**190,116,363**

MANAGER PERFORMANCE SUMMARY - GROSS OF FEES

Portfolio	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years	Since Inception	
Total Portfolio	(Public Fund)	-0.3 (47)	8.3 (15)	11.5 (20)	7.0 (24)	6.5 (89)	5.8 ----	12/01
Policy Index		***-0.2 ----***	***8.2 ----***	***11.5 ----***	***7.5 ----***	***7.0 ----***	***---- ----***	***12/01***
Mellon Large Cap	(LC Core)	-0.8 ----	10.6 ----	14.0 ----	---- ----	---- ----	15.6 ----	03/16
S&P 500		***-0.8 ----***	***10.6 ----***	***14.0 ----***	***10.8 ----***	***13.3 ----***	***15.6 ----***	***03/16***
Mellon Smid Cap	(Smid Cap)	-0.2 ----	10.1 ----	12.5 ----	---- ----	---- ----	17.0 ----	03/16
Russell 2500		***-0.2 ----***	***10.0 ----***	***12.3 ----***	***8.1 ----***	***11.5 ----***	***16.8 ----***	***03/16***
Mellon EAFE	(Intl Eq)	-1.6 ----	8.4 ----	15.2 ----	---- ----	---- ----	13.6 ----	03/16
MSCI EAFE		***-1.4 ----***	***8.4 ----***	***15.3 ----***	***6.0 ----***	***7.0 ----***	***13.8 ----***	***03/16***
Mellon Emerging Mkts	(Emerging Mkt)	1.3 ----	17.4 ----	24.7 ----	---- ----	---- ----	20.9 ----	03/16
MSCI EM Net		***1.4 ----***	***17.6 ----***	***24.9 ----***	***8.8 ----***	***5.0 ----***	***21.0 ----***	***03/16***
Hamilton Lane II		5.3 ----	8.5 ----	2.7 ----	-0.7 ----	4.5 ----	11.3 ----	03/09
S&P Completion		***0.1 ----***	***10.2 ----***	***13.1 ----***	***8.0 ----***	***11.8 ----***	***17.9 ----***	***03/09***
Hamilton VII A		5.5 ----	9.0 ----	14.1 ----	10.7 ----	14.8 ----	13.3 ----	09/11
S&P Completion		***0.1 ----***	***10.2 ----***	***13.1 ----***	***8.0 ----***	***11.8 ----***	***16.2 ----***	***09/11***
Hamilton VII B		2.3 ----	9.7 ----	14.2 ----	7.6 ----	8.6 ----	8.4 ----	09/11
S&P Completion		***0.1 ----***	***10.2 ----***	***13.1 ----***	***8.0 ----***	***11.8 ----***	***16.2 ----***	***09/11***
UBS TPF		1.9 ----	5.8 ----	7.1 ----	---- ----	---- ----	6.5 ----	09/16
NCREIF ODCE		***2.2 ----***	***6.3 ----***	***8.1 ----***	***10.0 ----***	***11.4 ----***	***8.0 ----***	***09/16***
Molpus SWF II		0.0 ----	-2.1 ----	-1.8 ----	2.5 ----	4.0 ----	3.4 ----	03/09
NCREIF Timber		***0.9 ----***	***3.1 ----***	***3.8 ----***	***3.4 ----***	***6.1 ----***	***3.9 ----***	***03/09***
Mellon Int. Gov/Cred	(Int Fixed)	-1.0 ----	-0.6 ----	0.3 ----	---- ----	---- ----	0.4 ----	03/16
Int Gov/Credit		***-1.0 ----***	***-0.6 ----***	***0.4 ----***	***0.9 ----***	***1.2 ----***	***0.4 ----***	***03/16***

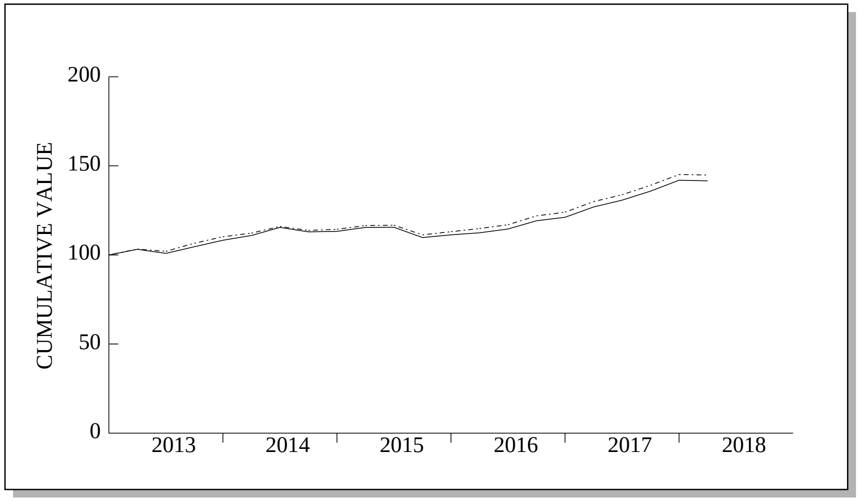
MANAGER PERFORMANCE SUMMARY - NET OF FEES

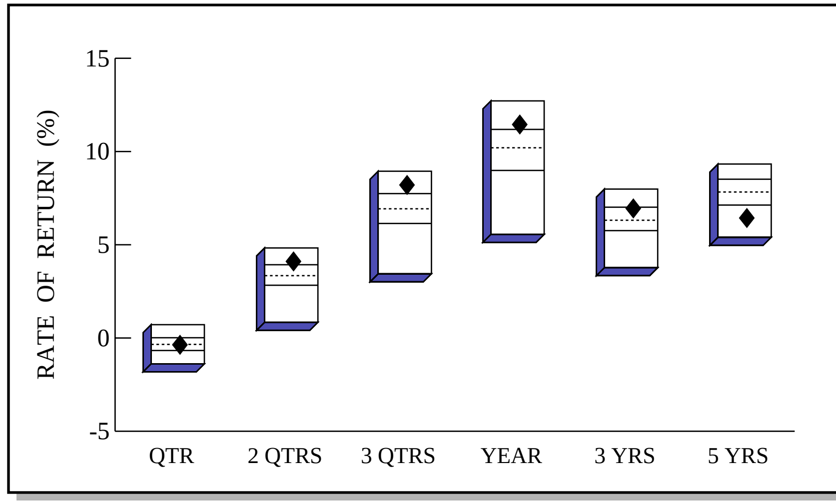
Name	Quarter	FYTD	1 Year	3 Years	5 Years	Since Inception	
Total Portfolio	-0.3	8.2	11.4	6.7	6.1	----	12/01
Policy Index	*-0.2*	*8.2*	*11.5*	*7.5*	*7.0*	*----*	*12/01*
Mellon Large Cap	-0.8	10.5	14.0	----	----	15.5	03/16
S&P 500	*-0.8*	*10.6*	*14.0*	*10.8*	*13.3*	*15.6*	*03/16*
Mellon Smid Cap	-0.2	10.0	12.4	----	----	16.9	03/16
Russell 2500	*-0.2*	*10.0*	*12.3*	*8.1*	*11.5*	*16.8*	*03/16*
Mellon EAFE	-1.7	8.3	15.1	----	----	13.5	03/16
MSCI EAFE	*-1.4*	*8.4*	*15.3*	*6.0*	*7.0*	*13.8*	*03/16*
Mellon Emerging Mkts	1.3	17.3	24.6	----	----	20.8	03/16
MSCI EM Net	*1.4*	*17.6*	*24.9*	*8.8*	*5.0*	*21.0*	*03/16*
Hamilton Lane II	3.8	4.5	-1.1	-4.1	1.8	9.3	03/09
S&P Completion	*0.1*	*10.2*	*13.1*	*8.0*	*11.8*	*17.9*	*03/09*
Hamilton VII A	5.2	8.0	12.8	9.4	13.2	11.3	09/11
S&P Completion	*0.1*	*10.2*	*13.1*	*8.0*	*11.8*	*16.2*	*09/11*
Hamilton VII B	1.9	8.6	12.1	6.2	7.2	6.5	09/11
S&P Completion	*0.1*	*10.2*	*13.1*	*8.0*	*11.8*	*16.2*	*09/11*
UBS TPF	1.7	5.1	6.0	----	----	5.4	09/16
NCREIF ODCE	*2.2*	*6.3*	*8.1*	*10.0*	*11.4*	*8.0*	*09/16*
Molpus SWF II	0.0	-2.6	-2.5	1.6	3.1	2.6	03/09
NCREIF Timber	*0.9*	*3.1*	*3.8*	*3.4*	*6.1*	*3.9*	*03/09*
Mellon Int. Gov/Cred	-1.0	-0.6	0.3	----	----	0.3	03/16
Int Gov/Credit	*-1.0*	*-0.6*	*0.4*	*0.9*	*1.2*	*0.4*	*03/16*

MANAGER VALUE ADDED

1 Quarter	Portfolio	Benchmark	1 Year
0.0	Mellon Large Cap	S&P 500	0.0
0.0	Mellon Smid Cap	Russell 2500	0.2
-0.2	Mellon EAFE	MSCI EAFE	-0.1
-0.1	Mellon Emerging Mkts	MSCI EM Net	-0.2
5.2	Hamilton Lane II	S&P Completion	-10.4
5.4	Hamilton VII A	S&P Completion	1.0
2.2	Hamilton VII B	S&P Completion	1.1
-0.3	UBS TPF	NCREIF ODCE	-1.0
-0.9	Molpus SWF II	NCREIF Timber	-5.6
0.0	Mellon Int. Gov/Cred	Int Gov/Credit	-0.1
-0.1	**Total Portfolio**	**Policy Index**	**0.0**

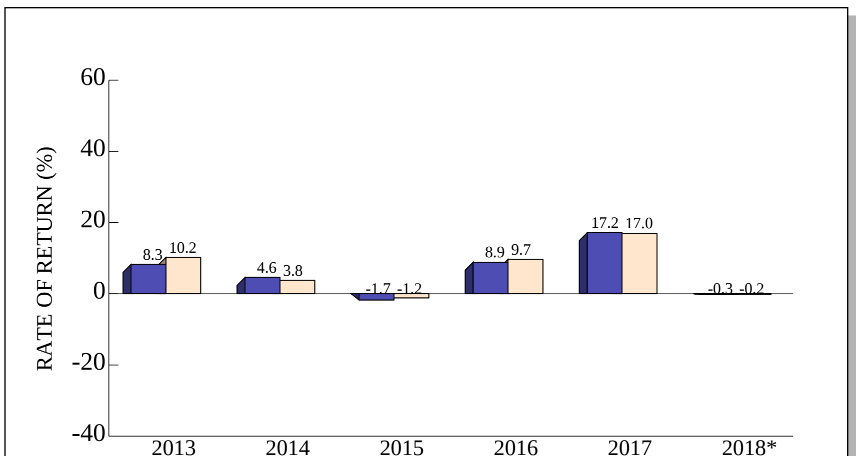
TOTAL RETURN COMPARISONS





Public Fund Universe

■	———	PORTFOLIO
□	-·-·-	POLICY INDEX



* Partial year

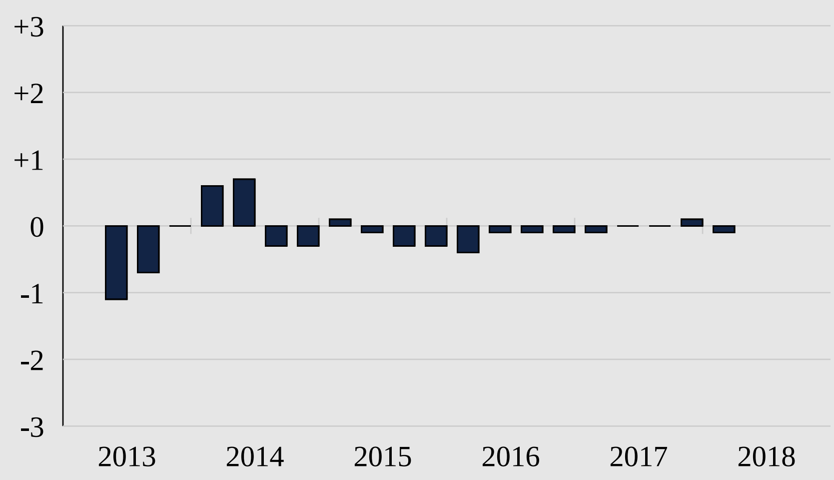
	QTR	2 QTRS	3 QTRS	YEAR	------ANNUALIZED------ 3 YRS	5 YRS
RETURN	-0.3	4.2	8.3	11.5	7.0	6.5
(RANK)	(47)	(15)	(15)	(20)	(24)	(89)
5TH %ILE	0.7	4.8	8.9	12.7	8.0	9.3
25TH %ILE	0.0	3.9	7.7	11.2	7.0	8.5
MEDIAN	-0.3	3.3	6.9	10.2	6.3	7.8
75TH %ILE	-0.7	2.8	6.1	9.0	5.8	7.1
95TH %ILE	-1.4	0.8	3.4	5.6	3.8	5.4
Policy	***-0.2***	***4.1***	***8.2***	***11.5***	***7.5***	***7.0***

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY - 5 YEARS

COMPARATIVE BENCHMARK: BURLINGTON POLICY INDEX

VARIATION FROM BENCHMARK



Total Quarters Observed	**20**
Quarters At or Above the Benchmark	**7**
Quarters Below the Benchmark	**13**
Batting Average	**.350**

RATES OF RETURN

				---------Cumulative----------		
Date	Portfolio	Bench	Diff	Portfolio	Bench	Diff
6/13	-2.3	-1.2	-1.1	-2.3	-1.2	-1.1
9/13	3.7	4.4	-0.7	1.4	3.2	-1.8
12/13	3.5	3.5	0.0	4.9	6.8	-1.9
3/14	2.5	1.9	0.6	7.5	8.8	-1.3
6/14	4.0	3.3	0.7	11.9	12.3	-0.4
9/14	-2.2	-1.9	-0.3	9.4	10.2	-0.8
12/14	0.3	0.6	-0.3	9.7	10.8	-1.1
3/15	1.9	1.8	0.1	11.9	12.8	-0.9
6/15	0.1	0.2	-0.1	12.0	13.1	-1.1
9/15	-5.0	-4.7	-0.3	6.4	7.8	-1.4
12/15	1.3	1.6	-0.3	7.8	9.5	-1.7
3/16	1.1	1.5	-0.4	9.0	11.2	-2.2
6/16	1.8	1.9	-0.1	11.0	13.3	-2.3
9/16	4.1	4.2	-0.1	15.5	18.1	-2.6
12/16	1.6	1.7	-0.1	17.4	20.1	-2.7
3/17	4.7	4.8	-0.1	23.0	25.9	-2.9
6/17	3.0	3.0	0.0	26.7	29.6	-2.9
9/17	3.9	3.9	0.0	31.6	34.7	-3.1
12/17	4.5	4.4	0.1	37.5	40.6	-3.1
3/18	-0.3	-0.2	-0.1	37.2	40.3	-3.1

Private Equity Investor Report
Hamilton Lane Secondary Fund II LP

IRR Since Inception		**14.46%**	Annualized, Net of Fees		
Market Value	**$**	**344,457**	Last Statement Date:	3/31/2018	
Capital Commitment	$	3,400,000	100.00%		
Paid In Capital	$	2,982,695	87.73%		
Remaining Commitment	$	417,305	12.27%		

Date		Contributions	% of Commitment		Recallable Distributions	% of Commitment		Distributions
Year 2009	$	518,361	15.25%	$	(151,904)	-4.47%	$	-
Year 2010	$	1,109,828	32.64%	$	-	-	$	(87,992)
Year 2011	$	607,254	17.86%	$	(115,109)	-3.39%	$	(361,234)
Year 2012	$	934,221	27.48%	$	-	-	$	(836,516)
Year 2013	$	97,310	2.86%	$	(17,266)	-0.51%	$	(731,867)
Year 2014	$	-	-	$	-	-	$	(1,140,848)
Year 2015	$	-	-	$	-	-	$	(533,140)
1/28/2016	$	-	-	$	-	-	$	(38,549)
5/20/2016	$	-	-	$	-	-	$	(81,887)
8/19/2016	$	-	-	$	-	-	$	(46,080)
12/28/2016	$	-	-	$	-	-	$	(31,257)
6/1/2017	$	-	-	$	-	-	$	(44,158)
11/20/2017	$	-	-	$	-	-	$	(45,061)
1/29/2018	$	-	-	$	-	-	$	(38,733)
Total	**$**	**3,266,974**	**96.09%**	**$**	**(284,279)**	**-8.36%**	**$**	**(4,017,322)**

Private Equity Investor Report
Hamilton Lane Private Equity Fund VII LP Series A Offshore

IRR Since Inception		**11.31%**	Annualized, Net of Fees	
Market Value	**$**	**916,855**	Last Statement Date:	3/31/2018
Capital Commitment	$	1,500,000	100.00%	
Paid In Capital	$	1,304,825	86.99%	
Remaining Commitment	$	195,175	13.01%	

Date		**Contributions**	**% of Commitment**		**Recallable Distributions**	**% of Commitment**		**Distributions**
7/27/2011	$	172,500	11.50%	$	-	-	$	-
9/27/2011	$	52,500	3.50%	$	-	-	$	-
11/15/2011	$	52,500	3.50%	$	-	-	$	-
12/30/2011	$	67,947	4.53%	$	-	-	$	-
4/24/2012	$	83,394	5.56%	$	-	-	$	(32,311)
6/24/2012	$	52,500	3.50%	$	-	-	$	-
8/23/2012	$	45,000	3.00%	$	-	-	$	(3,692)
10/15/2012	$	67,500	4.50%	$	-	-	$	(23,932)
11/21/2012	$	80,250	5.35%	$	-	-	$	-
3/12/2013	$	48,750	3.25%	$	-	-	$	(27,930)
2/14/2014	$	61,500	4.10%	$	-	-	$	-
5/20/2014	$	187,500	12.50%	$	-	-	$	(151,650)
7/14/2014	$	50,522	3.37%	$	-	-	$	(19,283)
1/6/2015	$	145,117	9.67%	$	-	-	$	(88,738)
12/8/2015	$	28,179	1.88%	$	-	-	$	(51,519)
7/22/2016	$	75,000	5.00%	$	-	-	$	(53,805)
1/25/2017	$	34,166	2.28%	$	-	-	$	(216,102)
6/22/2017	$	-	-	$	-	-	$	(96,706)
8/16/2017	$	-	-	$	-	-	$	(31,846)
9/28/2017	$	-	-	$	-	-	$	(6,487)
11/15/2017	$	-	-	$	-	-	$	(80,964)
3/29/2018	$	-	-	$	-	-	$	(138,746)
Total	**$**	**1,304,825**	**86.99%**	**$**	**-**	**0.00%**	**$**	**(1,023,711)**

Valuations of non-public securities are provided by Hamilton Lane, based on current market and company conditions.

Private Equity Investor Report
Hamilton Lane Private Equity Fund VII LP Series B Offshore

IRR Since Inception		**6.46%**	Annualized, Net of Fees		
Market Value	**$**	**640,520**	Last Statement Date:	3/31/2018	
Capital Commitment	$	1,000,000	100.00%		
Paid In Capital	$	825,225	82.52%		
Remaining Commitment	$	174,775	17.48%		

Date		**Contributions**	**% of Commitment**		**Recallable Distributions**	**% of Commitment**		**Distributions**
7/27/2011	$	160,000	16.00%	$	-	-	$	-
9/27/2011	$	35,000	3.50%	$	-	-	$	-
12/28/2011	$	50,723	5.07%	$	-	-	$	-
4/24/2012	$	56,445	5.64%	$	-	-	$	(22,962)
6/24/2012	$	50,000	5.00%	$	-	-	$	-
8/23/2012	$	50,000	5.00%	$	-	-	$	(2,909)
11/21/2012	$	30,000	3.00%	$	-	-	$	(16,671)
1/3/2013	$	40,000	4.00%	$	-	-	$	-
8/12/2013	$	100,000	10.00%	$	-	-	$	(35,860)
2/14/2014	$	44,000	4.40%	$	-	-	$	-
5/20/2014	$	80,000	8.00%	$	-	-	$	(49,323)
7/14/2014	$	45,512	4.55%	$	-	-	$	(3,495)
12/8/2014	$	16,254	1.63%	$	-	-	$	(29,570)
1/20/2015	$	65,791	6.58%	$	-	-	$	(11,610)
8/3/2015	$	-	-	$	-	-	$	(9,735)
3/23/2016	$	-	-	$	-	-	$	(67,664)
7/18/2016	$	-	-	$	-	-	$	(10,836)
1/27/2017	$	1,500	0.15%	$	-	-	$	(64,973)
6/23/2017	$	-	-	$	-	-	$	(43,902)
8/17/2017	$	-	-	$	-	-	$	(15,753)
9/27/2017	$	-	-	$	-	-	$	(5,960)
12/8/2017	$	-	-	$	-	-	$	(20,240)
3/30/2018	$	-	-	$	-	-	$	(18,393)
Total	**$**	**825,225**	**82.52%**	**$**	**-**	**0.00%**	**$**	**(429,856)**

Valuations of non-public securities are provided by Hamilton Lane, based on current market and company conditions.

Timber Investor Report
Molpus Sustainable Woodlands Fund II, LP

IRR Since Inception	**1.95%**	Annualized, Net of Fees			
Market Value	**$ 2,924,215**	Last Statement Date:	12/31/2017		
Capital Commitment	$ 3,400,000	100.00%			
Paid In Capital	$ 3,400,000	100.00%			
Remaining Commitment	$ -	0.00%			

Date	**Contributions**	**% of Commitment**	**Recallable Distributions**	**% of Commitment**	**Distributions**
2/28/2009	$ 510,000	15.00%	$ -	-	$ -
9/30/2009	$ 2,890,000	85.00%	$ -	-	$ -
4/30/2010	$ -	-	$ -	-	$ (19,365)
6/30/2010	$ -	-	$ -	-	$ (67,116)
12/31/2010	$ -	-	$ -	-	$ (28,663)
6/30/2011	$ -	-	$ -	-	$ (19,109)
12/31/2011	$ -	-	$ -	-	$ (38,218)
12/31/2012	$ -	-	$ -	-	$ (47,772)
6/25/2013	$ -	-	$ -	-	$ (76,435)
12/31/2013	$ -	-	$ -	-	$ (114,653)
3/31/2014	$ -	-	$ -	-	$ (47,772)
9/30/2014	$ -	-	$ -	-	$ (47,772)
12/31/2014	$ -	-	$ -	-	$ (28,663)
3/31/2015	$ -	-	$ -	-	$ (38,218)
9/30/2015	$ -	-	$ -	-	$ (47,772)
12/31/2015	$ -	-	$ -	-	$ (47,772)
6/30/2016	$ -	-	$ -	-	$ (28,663)
9/30/2016	$ -	-	$ -	-	$ (76,435)
12/31/2016	$ -	-	$ -	-	$ (95,544)
6/30/2017	$ -	-	$ -	-	$ (38,218)
9/29/2017	$ -	-	$ -	-	$ (38,218)
12/29/2017	$ -	-	$ -	-	$ (57,327)
Total	**$ 3,400,000**	**100.00%**	**$ -**	**0.00%**	**$ (1,003,705)**

APPENDIX - MAJOR MARKET INDEX RETURNS

Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	-0.6	10.5	13.8	10.2	13.0
S&P 500	Large Cap Core	-0.8	10.6	14.0	10.8	13.3
Russell 1000	Large Cap Core	-0.7	10.6	14.0	10.4	13.2
Russell 1000 Growth	Large Cap Growth	1.4	15.8	21.3	12.9	15.5
Russell 1000 Value	Large Cap Value	-2.8	5.5	6.9	7.9	10.8
Russell 2000	Small Cap	-0.1	9.1	11.8	8.4	11.5
Russell 2000 Growth	Small Cap Growth	2.3	13.6	18.6	8.7	12.9
Russell 2000 Value	Small Cap Value	-2.6	4.5	5.2	7.9	10.0
MSCI EAFE	Developed Markets	-1.4	8.4	15.3	6.0	7.0
MSCI EAFE Growth	Developed Markets Growth	-1.0	9.5	17.9	7.1	7.5
MSCI EAFE Value	Developed Markets Value	-1.9	7.4	12.8	4.9	6.4
MSCI Emerging Markets	Emerging Markets	1.5	17.8	25.4	9.2	5.4
MSCI All Country World	Global Equity	-0.8	10.5	15.4	8.7	9.8
MSCI All Country World Ex US	Global Equity (ex. US)	-1.1	10.4	17.1	6.7	6.4

Fixed Income	Style	QTR	FYTD	1 Year	3 years	5 Years
Bloomberg Barclays Aggregate Index	Core Fixed Income	-1.5	-0.2	1.2	1.2	1.8
Bloomberg Barclays Gov/Credit	Gov/Credit	-1.6	-0.3	1.4	1.2	1.8
Bloomberg Barclays Capital Gov’t Bond	Treasuries	-1.2	-0.7	0.4	0.5	1.1
Bloomberg Barclays Capital Credit Bond	Corporate Bonds	-2.1	0.2	2.6	2.2	2.8
Intermediate Aggregate	Core Intermediate	-1.1	-0.4	0.5	1.0	1.5
Intermediate Gov/Credit	Gov / Credit Intermediate	-1.0	-0.6	0.4	0.9	1.2
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.1	-0.1	0.0	0.4	0.5
Bloomberg Barclays Capital High Yield	High Yield Bonds	-0.9	1.6	3.8	5.2	5.0
Bloomberg Barclays Global Treasury Ex US	International Treasuries	4.5	8.2	11.2	4.8	1.3
Bloomberg Barclays Global Government Bond	International Fixed Income	2.7	5.6	8.2	3.5	1.1
Bloomberg Barclays Global Aggregate	International Fixed Income	1.4	4.3	7.0	3.1	1.5
Bloomberg Barclays Global Aggregate Ex US	International Fixed Income	3.6	7.9	11.7	4.6	1.2

Alternative Assets	Style	QTR	FYTD	1 Year	3 years	5 Years
MSCI US REIT Index	REITs	-8.1	-5.9	-4.4	0.9	5.9
NCREIF NFI-ODCE Index	Real Estate	2.2	6.3	8.1	10.0	11.4
NCREIF Timber Index	Timber	0.9	3.1	3.8	3.4	6.1
Bloomberg Commodity Index	Commodities	-0.4	6.9	3.7	-3.2	-8.3
HFRI FOF Composite	Hedge Funds	0.6	5.0	5.9	1.9	3.4

APPENDIX - DISCLOSURES

* The Burlington Policy Index was constructed as follows:

  For periods since June 30, 2016:

30% S&P 500	18% Russell 2500	10% MSCI EAFE
10% MSCI EM	20% BC Intermediate Gov/Cred	
2% S&P Completion Index	2% NCREIF Timberland	8% NCREIF ODCE

  For periods from December 31, 2015 through June 30, 2016:

30% S&P 500	18% Russell 2500	10% MSCI EAFE
10% MSCI EM	28% BC Intermediate Gov/Cred	
2% S&P Completion Index	2% NCREIF Timberland	

  For periods through December 31, 2015, this index uses the returns of the Manager Shadow Index.

* The Burlington Manager Shadow index is the weighted average of each manager portfolio's beginning value multiplied by its current quarter benchmark return.

* The Real Assets Blended Index is comprised of equal parts:

NCREIF ODCE	NCREIF Timber	Bloomberg Commodities (Formerly known as Dow Jones UBS Commodities)

* All values for the Pooled Cash account since June 2012 are subject to change. Audited statements are not provided for this account.

* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.

* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.

* All returns for periods greater than one year are annualized.

* Dahab Associates uses the modified duration measure to present average duration.

* All values are in US dollars.

Investing and the Economy

City of Burlington

Barry Bryant, CFA

May 10th, 2018

DAHAB ASSOCIATES

New York Massachusetts Pennsylvania Texas Florida

Overview

- Will increasing debt reduce economic growth? Can useful investment insights be gleaned from that relationship?

- What investments have done well in past recessions?

- Where is the economy now? What indicators might answer that question and yield useful investment insights?

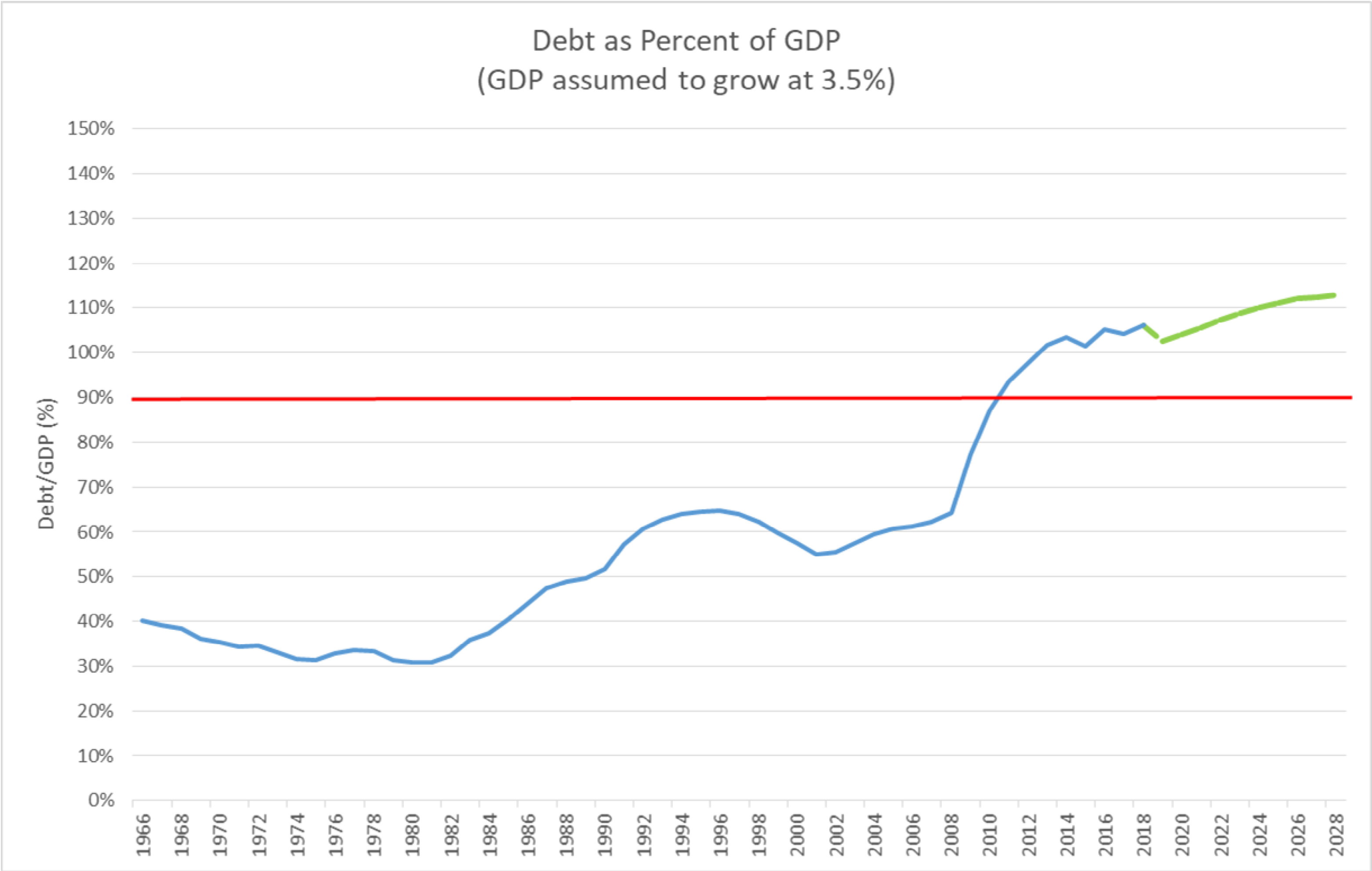
Debt

- The United States has an increasing deficit financed with debt.
- Interest payments on debt will account for ~7.4% of our 2018 budget, rising to 12.2% by 2028 if nothing changes.
- Some economists believe debt can slow economic growth.

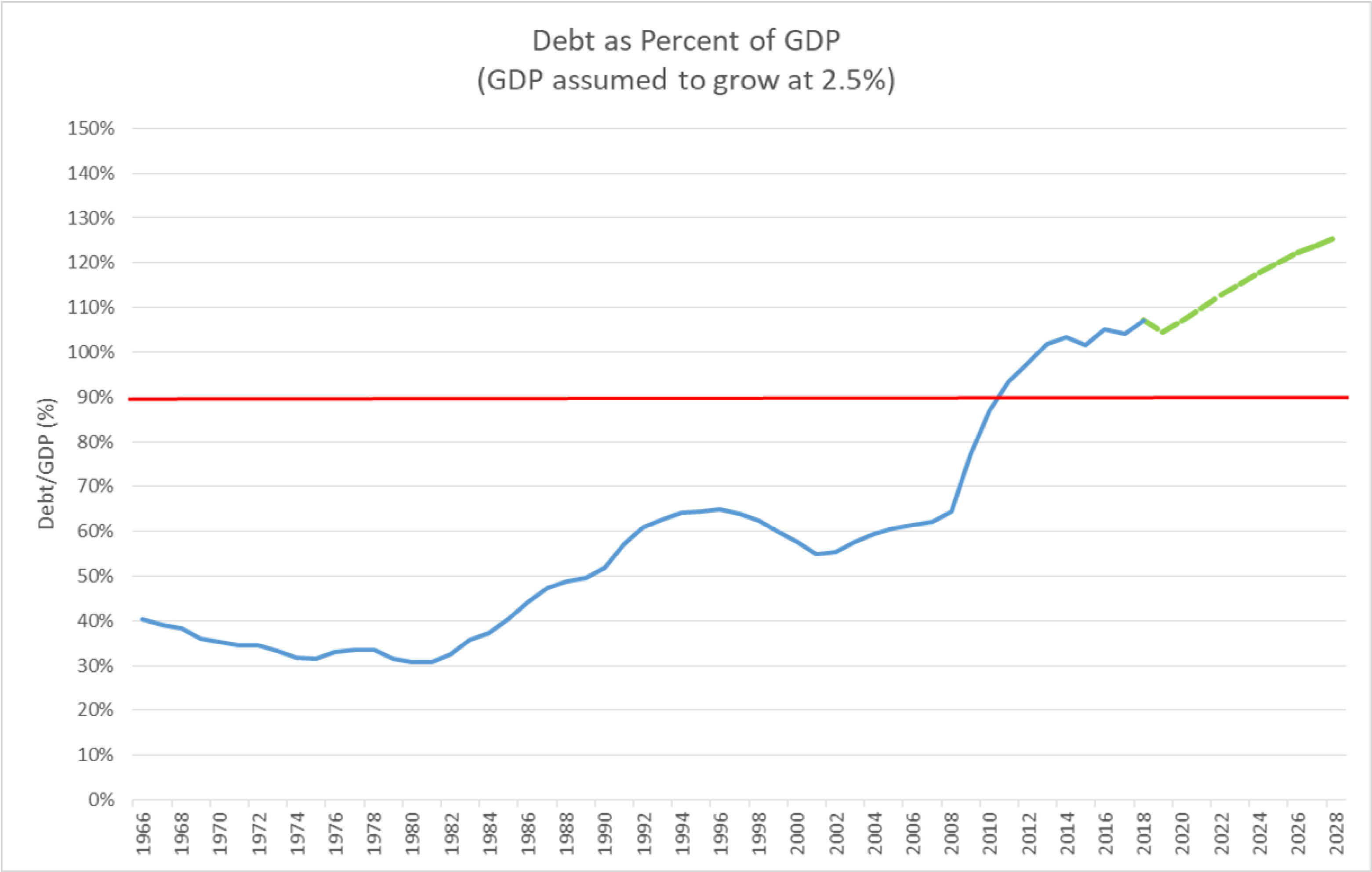
Economic Consequences of Debt

- Some economists believe rising debt/GDP reduces economic growth
- Reinhart and Rogoff (R&R) did a comprehensive study of worldwide economies going back decades
  - Original work showed *negative* economic growth with debt/GDP > 90%
  - Modifications suggest growth *slows* to 2.2% when debt/GDP exceeds 90%
- Debt added faster under Obama than any president since 1966
  - Debt/GDP crossed 90% in 2011
  - GDP growth under Obama was sub 3%, slowest in any economic recovery
  - R&R, combined with Simpson Bowles, used to criticize federal spending
  - Debt/GDP will reach 110%-140% in 10 years depending on growth

Debt/GDP – 3.5% GDP Growth



Debt/GDP – 2.5% GDP Growth



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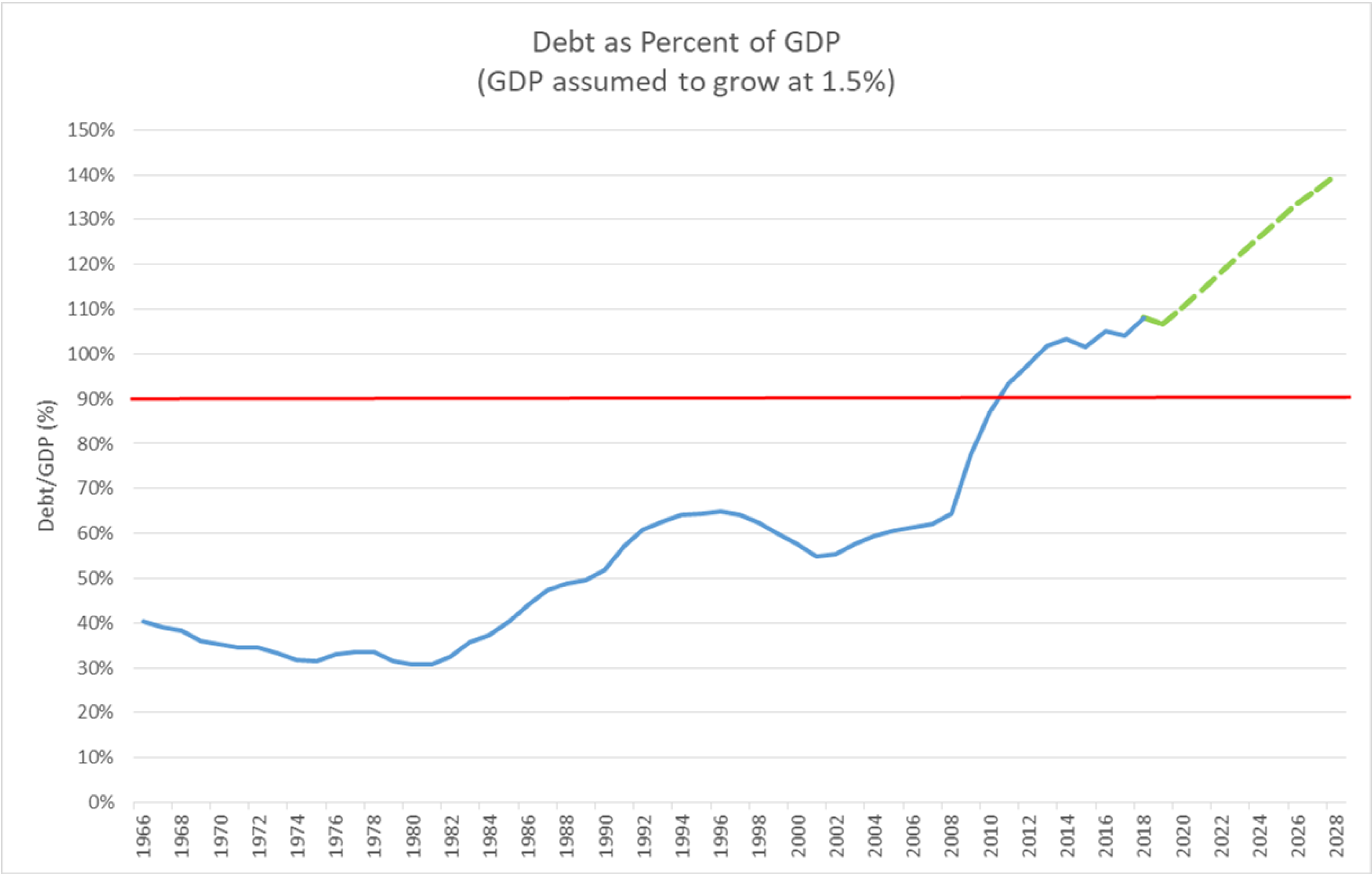
Debt/GDP – 1.5% GDP Growth



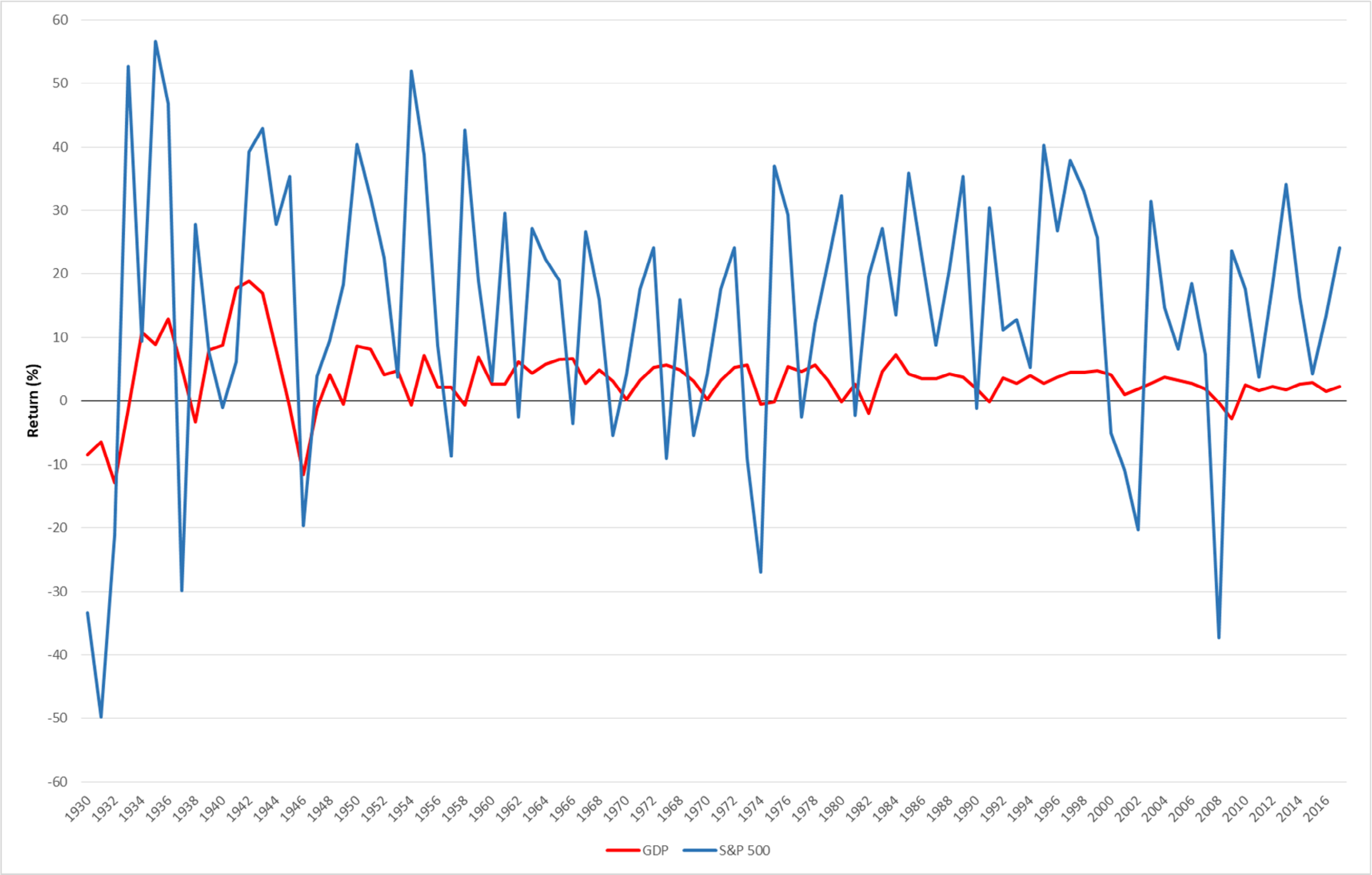
Relationship between S&P 500 and GDP

Year	GDP	S&P 500
1930	-8.5	-24.9
1931	-6.4	-43.3
1932	-12.9	-8.2
1933	-1.3	54.0
1934	10.8	-1.4
1935	8.9	47.7
1936	12.9	33.9
1937	5.1	-35.0
1938	-3.3	31.1
1939	8.0	-0.4
1940	8.8	-9.8
1941	17.7	-11.6
1942	18.9	20.3
1943	17.0	25.9
1944	8.0	19.8
1945	-1.0	36.4
1946	-11.6	-8.1
1947	-1.1	5.0
1948	4.1	5.5
1949	-0.5	18.8
1950	8.7	31.7
1951	8.1	24.0
1952	4.1	18.4
1953	4.7	-1.0
1954	-0.6	52.6
1955	7.1	31.6
1956	2.1	6.6
1957	2.1	-10.8
1958	-0.7	43.4
1959	6.9	12.0
1960	2.6	0.5

Year	GDP	S&P 500
1961	2.6	26.9
1962	6.1	-8.7
1963	4.4	22.8
1964	5.8	16.5
1965	6.5	12.5
1966	6.6	-10.1
1967	2.7	24.0
1968	4.9	11.1
1969	3.1	-8.5
1970	0.2	3.9
1971	3.3	14.3
1972	5.2	19.0
1973	5.6	-14.7
1968	4.9	11.1
1969	3.1	-8.5
1970	0.2	3.9
1971	3.3	14.3
1972	5.2	19.0
1973	5.6	-14.7
1974	-0.5	-26.5
1975	-0.2	37.2
1976	5.4	23.9
1977	4.6	-7.2
1978	5.6	6.6
1979	3.2	18.6
1980	-0.2	32.5
1981	2.6	-4.9
1982	-1.9	21.5
1983	4.6	22.6
1984	7.3	6.3
1985	4.2	31.7
1986	3.5	18.7

Year	GDP	S&P 500
1987	3.5	5.3
1988	4.2	16.6
1989	3.7	31.7
1990	1.9	-3.1
1991	-0.1	30.5
1992	3.6	7.6
1993	2.7	10.1
1994	4.0	1.3
1995	2.7	37.6
1996	3.8	23.0
1997	4.5	33.4
1998	4.5	28.6
1999	4.7	21.0
2000	4.1	-9.1
2001	1.0	-11.9
2002	1.8	-22.1
2003	2.8	28.7
2004	3.8	10.9
2005	3.3	4.9
2006	2.7	15.8
2007	1.8	5.5
2008	-0.3	-37.0
2009	-2.8	26.5
2010	2.5	15.1
2011	1.6	2.1
2012	2.2	16.0
2013	1.7	32.4
2014	2.6	13.7
2015	2.9	1.4
2016	1.5	12.0
2017	2.3	21.8

Relationship between S&P 500 and GDP



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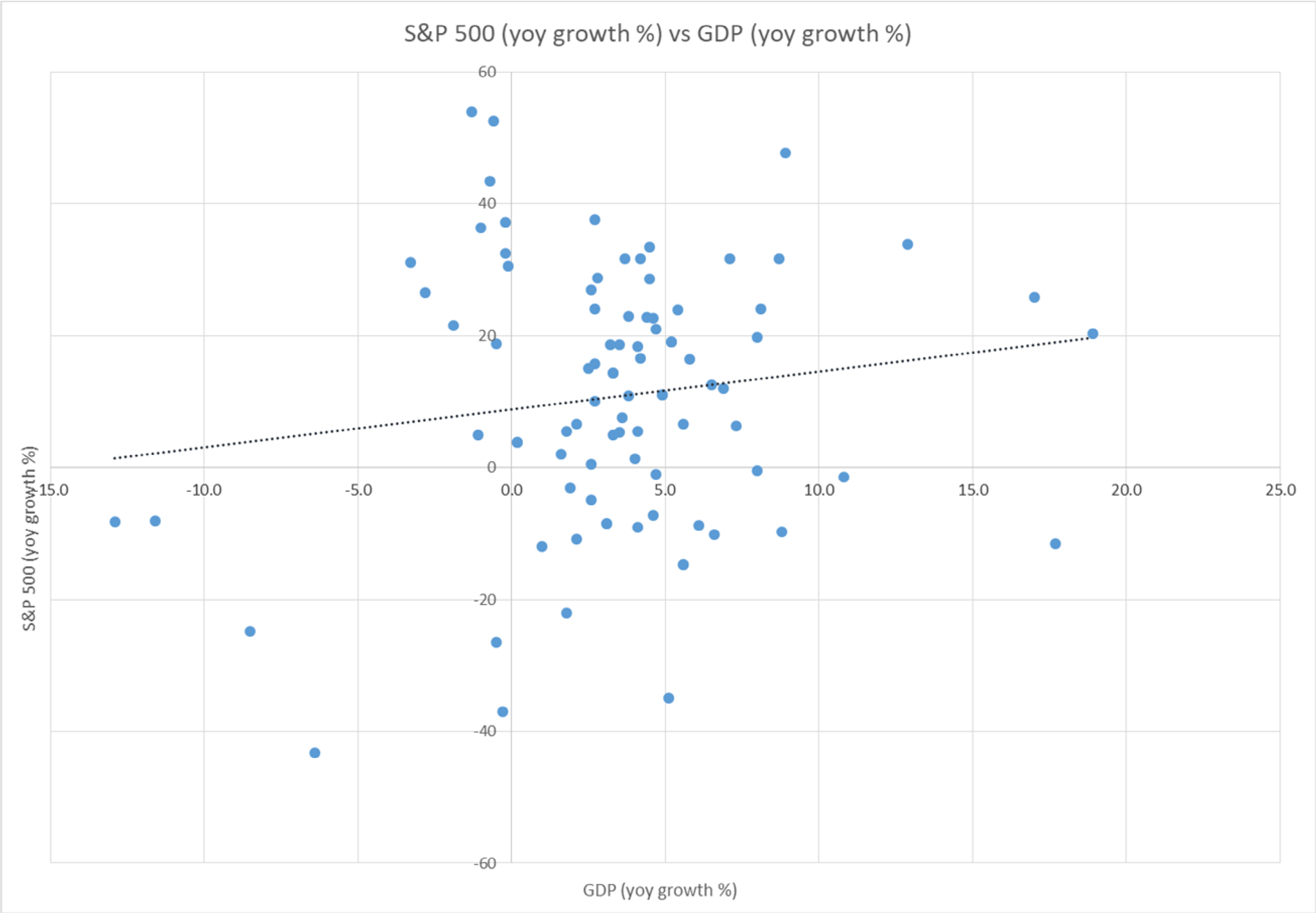
Relationship between S&P 500 and GDP



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Recession Investment

- Each of the last 4 recessions had a different origin
- No single asset class provided safety in all four
- When interest rates decline…bonds
- When economic growth lies ahead…stocks
- When recession is a real melt down…gold

Recessions' Unique Characteristics

Recession Year	Best Investment?	Reason for Recession
1981	Domestic Fixed Income	Reagan/Volker, interest rate decline drove bonds up
1990	Domestic Equity	Classic mild recession (Bush) follwed by expansion (Clinton)
2001	Gold	Techology bubble burst, 9/11
2007	Gold	Housing collapse destroyed financial institutions

Year	1 Year Forward	3 Years Forward	5 Years Forward
1981	Domestic Fixed Income	Domestic Fixed Income	Foreign Developed Equity
1990	Domestic Large Cap Equity	Domestic Small Cap Equity	Domestic Large Cap Equity
2001	Gold	Gold	Gold
2007	Domestic Fixed Income	Gold	Gold

1981 Recession

Recession Began
July 1981

Characteristics

The Iranian Revolution sharply increased the price of oil around the world in 1979, causing the 1979 energy crisis. This was caused by the new regime in power in Iran, which exported oil at inconsistent intervals and at a lower volume, forcing prices up. Tight monetary policy in the United States to control inflation led to another recession. The changes were made largely because of inflation carried over from the previous decade because of the 1973 oil crisis and the 1979 energy crisis.

	1 Year Forward	3 Year Forward	5 Year Forward
Domestic Large Cap Equity	-11.55 (4)	10.76 (4)	19.32 (3)
Domestic Small Cap Equity	-18.85 (6)	16.25 (2)	20.35 (2)
Foreign Developed Equity	-12.17 (5)	6.75 (6)	40.42 (1)
Real Estate	13.01 (3)	12.06 (3)	11.06 (5)
Gold	-25.91 (7)	-15.74 (7)	-11.28 (7)
Domestic Fixed Income	20.54 (1)	16.89 (1)	19.18 (4)
Cash	13.92 (2)	10.76 (5)	9.64 (6)

1990 Recession

Recession Began

July 1990

Characteristics

After the lengthy peacetime expansion of the 1980s, inflation began to increase and the Federal Reserve responded by raising interest rates from 1986 to 1989. This weakened but did not stop growth, but some combination of the subsequent 1990 oil price shock, the debt accumulation of the 1980s, and growing consumer pessimism combined with the weakened economy to produce a brief recession.

	1 Year Forward	3 Year Forward	5 Year Forward
Large Cap Equities	12.76 (1)	11.41 (3)	12.9 (1)
Small Cap Equities	1.17 (4)	13.51 (1)	12.88 (2)
International Equities	-8.16 (7)	2.92 (5)	5.99 (4)
Real Estate	-2.81 (5)	-4.53 (7)	-0.46 (6)
Gold	-7.21 (6)	-1.06 (6)	-3.56 (7)
Domestic Fixed Income	10.7 (2)	11.86 (2)	9.06 (3)
Cash	6.63 (3)	4.68 (4)	4.57 (5)

Early 2000's Recession

Recession Began

March 2001

Characteristics

The 1990s were the longest period of growth in American history. The collapse of the speculative dot-com bubble, a fall in business outlays and investments, and the September 11th attacks, brought the decade of growth to an end. Despite these major shocks, the recession was brief and shallow

	1 Year Forward	3 Year Forward	5 Year Forward
Large Cap Equities	0.24 (6)	0.63 (7)	3.97 (6)
Small Cap Equities	14.07 (2)	10.93 (2)	12.61 (2)
International Equities	-8.22 (7)	3.8 (5)	10.04 (4)
Real Estate	3.81 (4)	6.81 (4)	11.15 (3)
Gold	14.79 (1)	16.18 (1)	14.87 (1)
Domestic Fixed Income	5.35 (3)	7.44 (3)	5.11 (5)
Cash	2.55 (5)	1.65 (6)	2.11 (7)

Great Recession

Recession Began
December 2007

Characteristics

The subprime mortgage crisis led to the collapse of the United States housing bubble. Falling housing-related assets contributed to a global financial crisis, even as oil and food prices soared. The crisis led to the failure or collapse of many of the United States' largest financial institutions: Bear Stearns, Fannie Mae, Freddie Mac, Lehman Brothers, Citi Bank and AIG, as well as a crisis in the automobile industry. The government responded with an unprecedented $700 billion bank bailout and $787 billion fiscal stimulus package. The National Bureau of Economic Research declared the end of this recession over a year after the end date. The Dow finally reached its lowest point on March 9, 2009

	1 Year Forward	3 Year Forward	5 Year Forward
Large Cap Equities	-36.01 (6)	-2.89 (5)	1.64 (4)
Small Cap Equities	-33.79 (5)	2.22 (3)	3.55 (3)
International Equities	-43.06 (7)	-6.55 (6)	-3.21 (7)
Real Estate	-10.01 (4)	-9.71 (7)	-1.09 (6)
Gold	2.36 (2)	17.3 (1)	13.39 (1)
Domestic Fixed Income	5.24 (1)	5.91 (2)	5.96 (2)
Cash	1.28 (3)	0.52 (4)	0.35 (5)

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Economic Indicators

- Leading economic indicators are positive.
- Most show economy growing at an accelerating rate.
- Interest spread suggests market does not believe continuing positive growth.
- Money velocity may turn negative if labor markets tighten.

Economic Indicators - Summary

#	Indicator	Current	Trending
1)	Consumer Spending	Strongly Positive	Positive
2)	Interest Rate Spread	Positive	Negative
3)	Housing Permits	Positive	Positive
4)	Money Supply	Neutral	Negative
5)	Stock Market	Positive	Positive
6)	Manufacturer’s Orders	Strongly Positive	Negative
7)	Unemployment Claims	Strongly Positive	Positive
8)	Average Hours Worked	Mildly Positive	Negative
9)	Vendor Deliveries	Positive	Positive

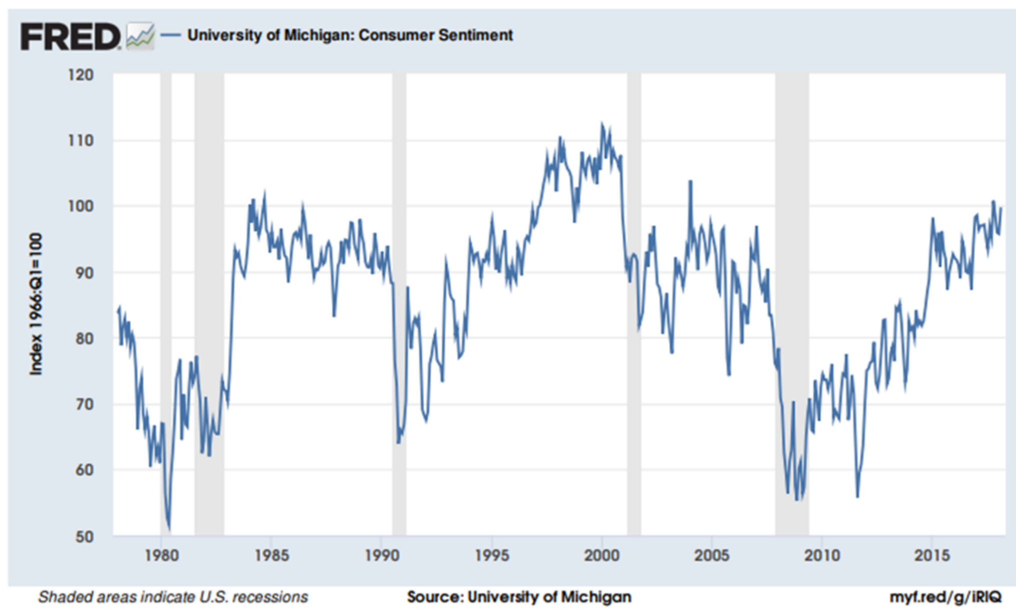
Consumer Sentiment

- Definition: The consumer confidence index is published monthly by the University of Michigan. Each month at least 500 telephone interviews are conducted of a continental United States sample to gauge consumer attitudes and expectations.

- Significance: It assesse consumer attitudes on business climate, personal finance, and spending. Changes in these attitudes have been seen in the index before seeing them in the overall economy. Rising sentiments supports increasing consumer spending.

- Statistics:
  - Current: 99.7
  - Average 85.8
  - Maximum: 112.0
  - Minimum: 51.7

- Current Indication:
  - Strongly Positive, Trending Positive



Stock Market (S&P 500)

- Definition: A broad selection of large common stocks in the United States.

- Significance: The S&P 500 stock index reflects changes for large capitalization companies in the United States. Changes in the stock index can reflect the general feelings of investors about the future of the economy. Actual value of the index is less important as an indication than rapid changes in value.

- Statistics:
  - Current: 2,639
  - Average 2,110
  - Maximum: 2,872
  - Minimum: 1,573

- Current Indication:
  - Positive, Trending Neutral

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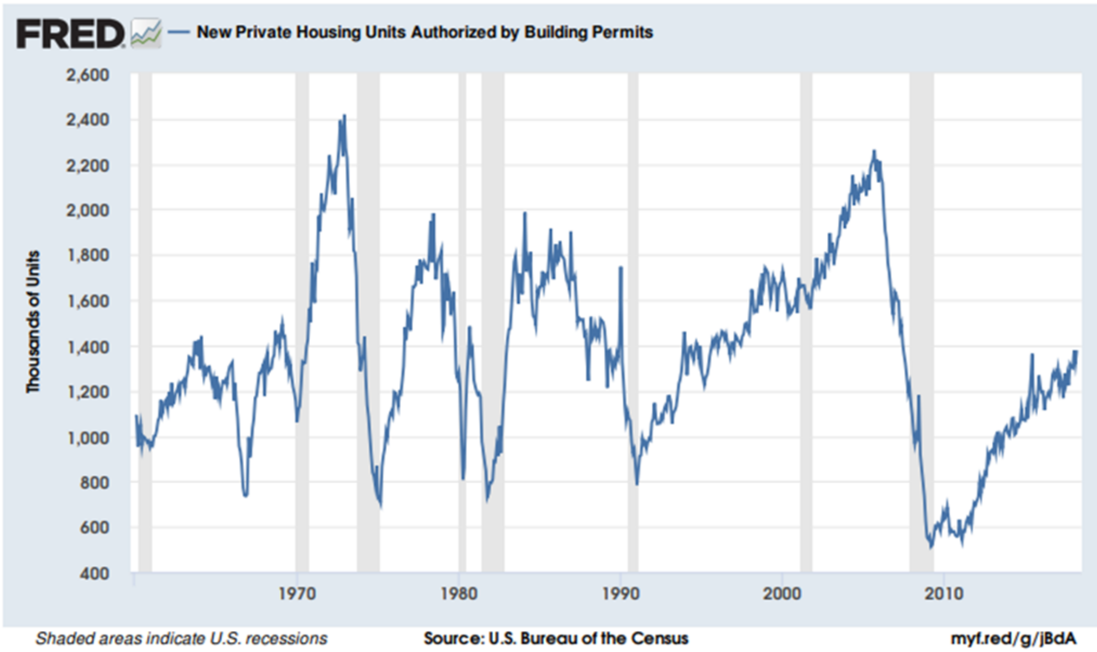
Housing Permits

- Definition: A count of new building permits issued in the United States.

- Significance: When more building permits are issued, construction of houses will go up in the future. Fewer building permits mean fewer houses will be constructed in the future.

- Statistics:
  - Current: 1,379
  - Average 1,356
  - Maximum: 2,419
  - Minimum: 513

- Current Indication:
  - Positive, Trending Positive



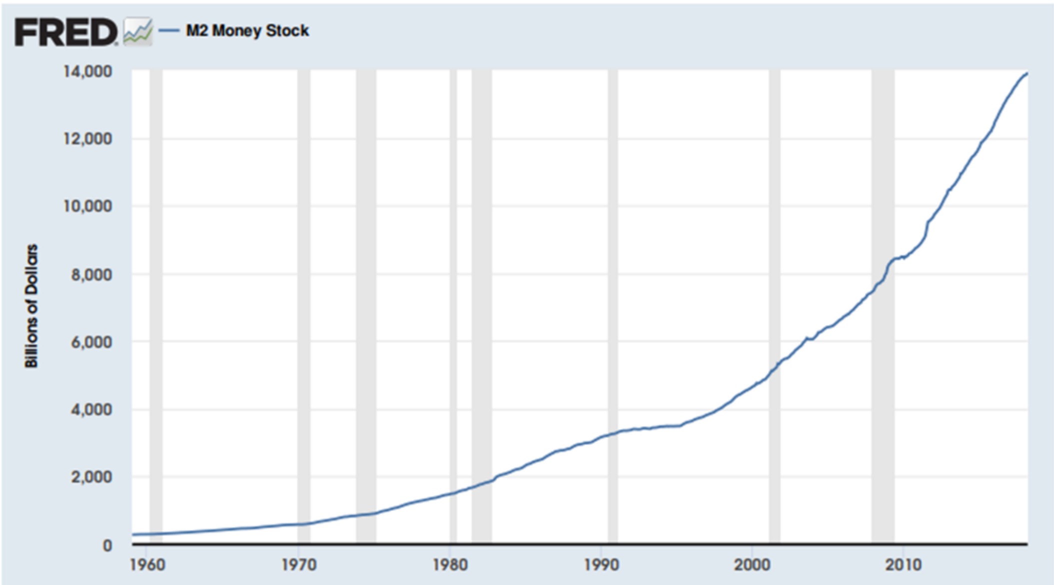
M2 Money Supply

- <u>Definition:</u> M2 is a calculation of money which includes cash, checking deposits, savings deposits, money market securities, mutual funds, and other time deposits.

- <u>Significance:</u> If the money supply is going up too fast relative to inflation, banks lend more and the economy can expand. However, if it does not the economy may contract.

- <u>Statistics</u>:
  - Current: 13,926
  - Average: 3,895
  - Maximum: 13,926
  - Minimum: 286

- <u>Current Indication</u>:
  - Neutral, Trending Negative



Shaded areas indicate U.S. recessions. Source: Board of Governors of the Federal Reserve System (US) myf.red/g/jBeq

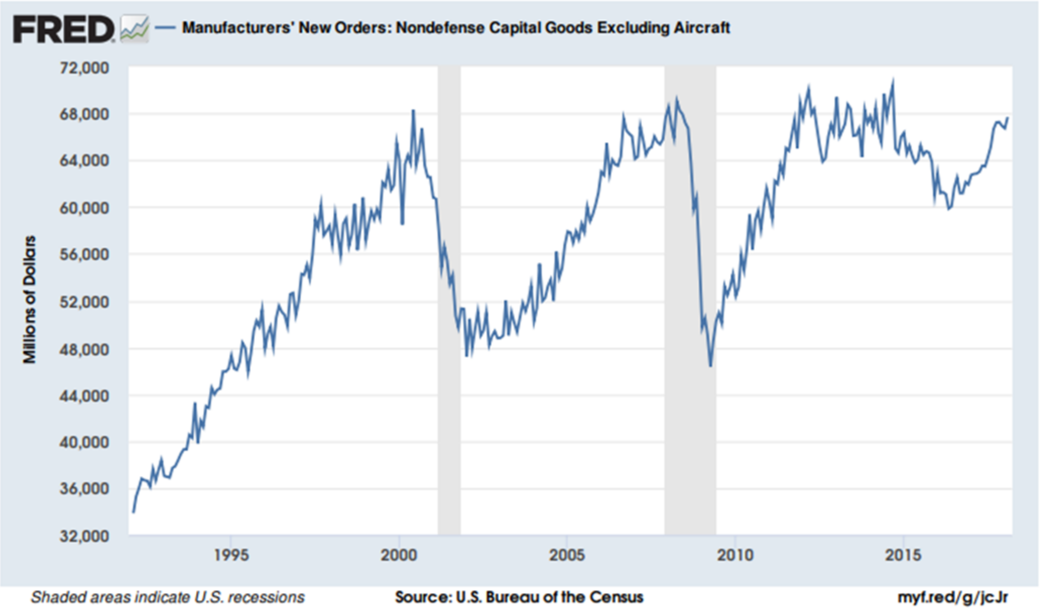
Manufacturer’s Orders

- <u>Definition:</u> The Manufacturers’ Shipments, Inventories, and Orders (M3) survey provides broad-based, monthly statistical data on economic conditions in the domestic manufacturing sector. The survey measures current industrial activity and provides an indication of future business trends.

- <u>Significance:</u> More orders for consumer goods mean that firms will be producing more capital goods in the future. Fewer new orders mean that less capital goods will be produced, indicating that there is a lack of confidence in future prospects.

- <u>Statistics</u>:
  - Current: 67,684
  - Average: 57,136
  - Maximum: 70,343
  - Minimum: 33,857

- <u>Current Indication</u>:
  - Strongly Positive, Trending Positive



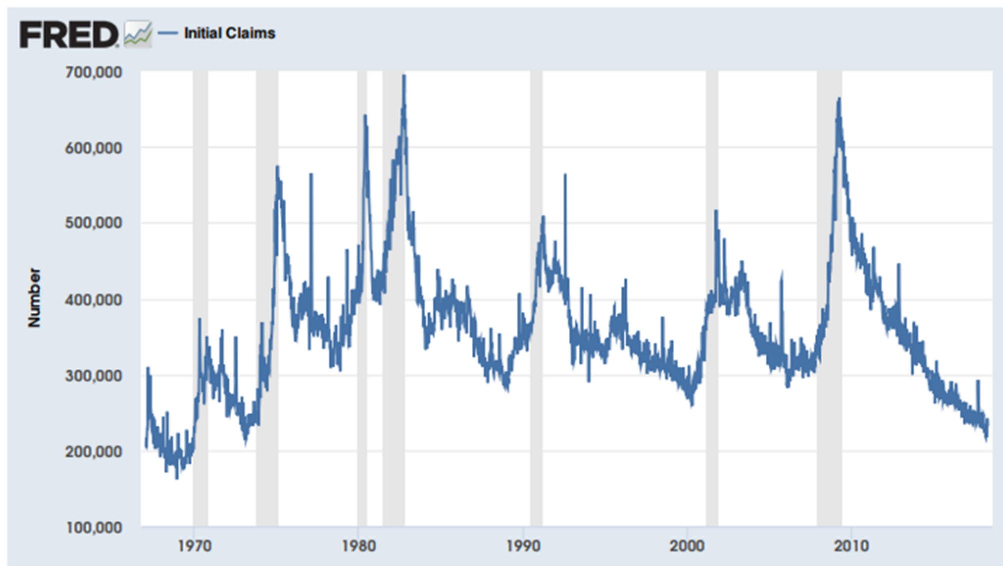
Unemployment Claims

- Definition: The average weekly claims for unemployment insurance.

- Significance: When more workers apply for unemployment compensation for the first time, this signals that there will be more layoffs in the future. When fewer new claims are filed, this signals fewer layoffs in the future.

- Statistics:
  - Current: 232,000
  - Average: 355,312
  - Maximum: 695,000
  - Minimum: 162,000

- Current Indication:
  - Strongly Positive, Trending Positive



Shaded areas indicate U.S. recessions Source: U.S. Employment and Training Administration myf.red/g/jAwR

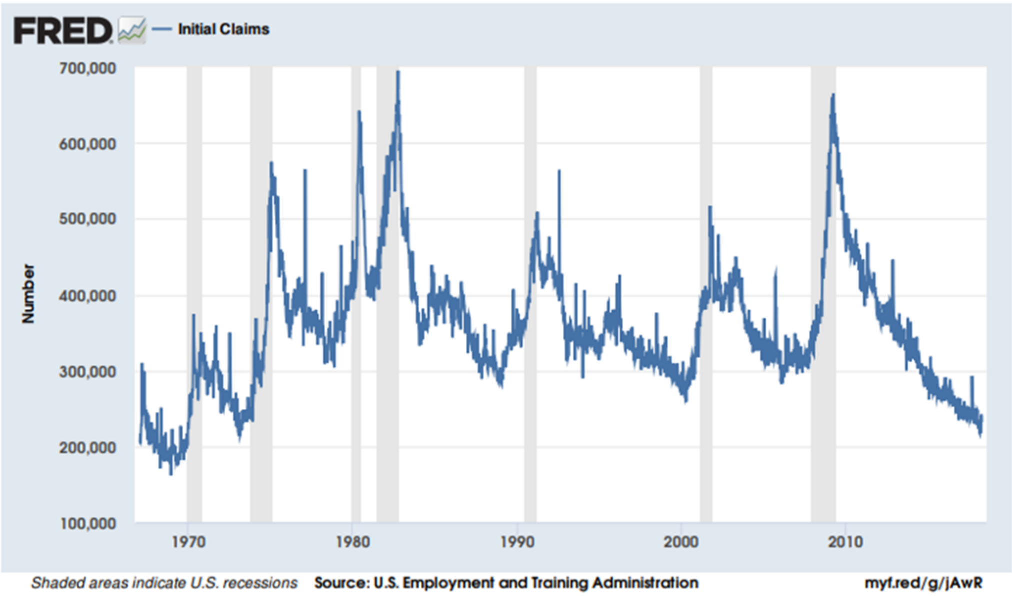
Average Hours Worked

- Definition: The average weekly paid hours per worker. Factors that effect this average are unpaid absenteeism, labor turnover, part-time work, and stoppages cause the average weekly hours to be lower than scheduled hours of work for an establishment.

- Significance: Manufacturing workers are usually hired to work longer hours when their employers plan to hire more workers in the future. On the other hand, they usually work fewer hours when employers plan to lay off workers in the future.

- Statistics:
  - Current: 40.9
  - Average: 40.4
  - Maximum: 41.1
  - Minimum: 38.6

- Current Indication:
  - Mildly Positive, Trending Neutral



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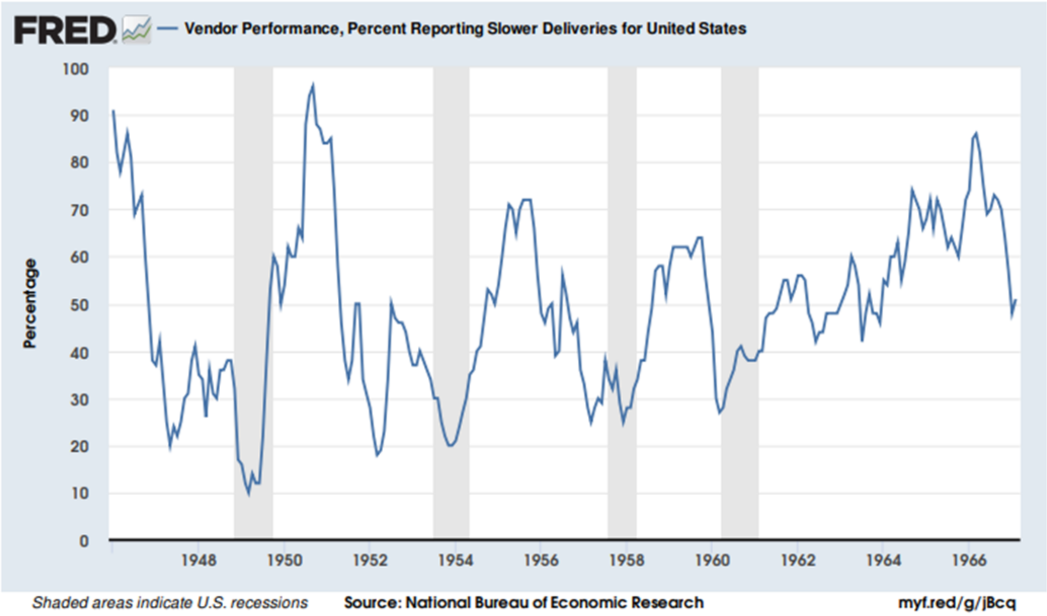
Vendor Performance

- Definition: This component is the percentage of vendors reporting slower deliveries. It measured using a monthly survey from the National Association of Purchasing Managers.

- Significance: This measures the speed at which companies receive materials from their suppliers. Slower deliveries indicate increases in demand for materials. When this index goes up (or down), it signals that production in the economy will go up (or down) in the future.

- Statistics:
  - Current: 51%
  - Average: 49%
  - Maximum: 96%
  - Minimum: 10%

- Current Indication:
  - Positive, Trending Positive



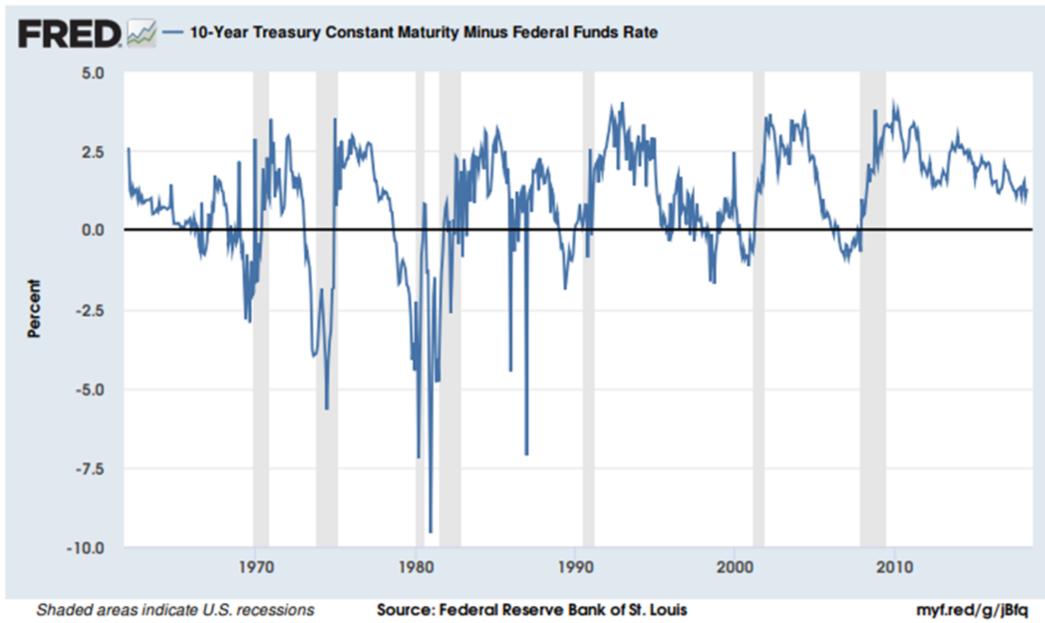
Interest Rate Spread

- Definition: The difference between the yield on the 10-Year Active Treasury bond and the Federal Funds rate. The difference between long-term and short-term investments in fixed income.

- Significance: The Federal Reserve Board has some control over the short-term federal funds rate, and movements in the rate is thought to indicate the intent of monetary policy. It rises when the economy may expand in the future and falls when the economy is may contract in the future. When it has been negative (a downward-sloping curve) it has been a strong indicator of an on-coming recession.

- Statistics:
  - Current: 1.30
  - Average 1.06
  - Maximum: 4.92
  - Minimum: -9.57

- Current Indication:
  - Positive, Trending Negative



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Current Economic Environment

- Consensus estimate 2% growth next 5-10 years.
- Moderate but increasing fiscal drag.
- Negative demographic trends.
- Slow interest rate increases to fight inflation.
- Flattening yield curve.

Actions We Could Take

- Move equity to fixed income
  - Positive: reduce volatility
  - Negative: reduce long-term return, short-term return could be negative
- Move domestic to foreign equity, maybe in a single ACWI strategy
  - Positive: asset subclass is relatively cheap, diversity decreases volatility
  - Positive: changing our type of equity will not help much in a downturn
- Move equity to private real estate
  - Positive: real estate may out perform domestic equity and is less volatile
  - Negative: real estate is semi illiquid and carries high fees
- Move equity to farmland
  - Acts as an inflation hedge; crop prices are currently low
  - Fees are as high as real estate, even higher with incentives

Actions We Could Take

- Move equity to gold
  - Positive: best diversifier 2000 and 2008 recessions, fee 40 bps
  - Negative: will not appreciate in growing economy
- Passive to active fixed income manager
  - Positive: likely to add value
  - Negative: moderately higher fees, 25 bps vs. 5; could trigger higher fees on all BNY/Mellon assets
- Passive to global unconstrained fixed income manager
  - Positive: could have positive returns when domestic bonds negative
  - Fees higher; not rock bottom protection in event of a market meltdown
- One-stop diversifier, PIMCO All-Asset Fund
  - Positive: diversifying assets that may boost performance and lower volatility
  - Fees similar to private real estate

Final Thoughts

- Markets react to surprise information, usually in a few days
- Tactical strategies we have observed fail to add value
- Most alternatives presented violate the principals of low fees and simplicity
- Exceptions: gold, ACWI, active fixed income (depending on how it affects fees overall)

The City of Burlington
Alternative Asset Mix – Historical Analysis

Mix Allocations		
Asset Class	Current Asset Mix	Alternative Mix
Large Cap Equities	30%	30%
SMID Cap Equities	***20%***	***15%***
International Equities	10%	10%
Emerging Market Equities	10%	10%
Core Real Estate	10%	10%
Domestic Fixed Income	20%	20%
Gold	***0%***	***5%***

Indices used as proxy: Large Cap Equities = S&P 500, SMID Cap Equities = Rusell 2500, International Equities = MSCI EAFE, Emerging Market Equities = MSCI Emerging Markets, Core Real Estate = NCREIF ODCE, Domestic Fixed Income = Bloomberg Barclays Capital Aggregate, Gold = S&P GSCI Gold.

Trailing Returns as of 12/31/2017				
	1 Year	3 Year	5 Year	11 Year
Current Asset Mix	17.40%	8.92%	10.61%	7.11%
Alternative Mix	17.16%	8.59%	9.63%	7.01%

Annual Returns		
Year	Current Mix	Alternative Mix
2007	9.97%	11.12%
2008	-28.80%	-26.97%
2009	23.54%	22.96%
2010	15.99%	16.13%
2011	0.42%	1.13%
2012	14.13%	13.55%
2013	19.34%	15.65%
2014	7.37%	6.93%
2015	0.07%	-0.29%
2016	10.00%	9.60%
2017	17.40%	17.16%