CITY OF MERIDEN

Pension Fund Update, March 12, 2013

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Meriden Retirement Board

Tuesday – March 12, 2013

Overview

A favorable turn in unemployment last week provided new evidence that the Federal Reserve may start backing away from persistent intervention. Interest rates inched higher, weighing down bond prices, as equities advanced. Four years after scraping the bottom, investors have driven stock prices back to pre-crisis levels, pushing the Dow Jones Industrials to historic highs and pulling the S&P 500 toward our 1600 target ahead of schedule. Sequestration has forced the issue, cracking the partisan deadlock over the growth of federal budgets and national debt, and providing new urgency to the discussion.

Even without resolution, markets celebrated the consensus acknowledgement that rising national debt cannot be ignored. The spending restraints imposed March 1st did not collapse the economy as some feared, but riveted attention on the need to negotiate a balanced plan to reduce the growth in entitlement spending while addressing tax preferences and loopholes long considered untouchable. Investors have returned their focus to corporate fundamentals and improving economic data, indicating a belief that government policy is unlikely to derail a recovering market economy.

Meriden Retirement Funds

The composite Meriden pension funds have gained more than 8.3% for the current fiscal year, advancing nearly 2.8% since December. The importance of maintaining a balanced portfolio is demonstrated by the quarterly returns this fiscal year. Foreign equities remain the best performers FYTD, with an 18% gain. The alternative strategies (including managed futures, private equity, and real estate) show a 14% gain during the period, while domestic equities have gained over 11%. Fixed income has returned just 1.3% during the fiscal year, although generally flat since October. And the actively-managed gold accounts are down 10% FYTD. After a spectacular 21% opening fiscal quarter, gold shares gave back 11% in the second quarter and over 16% thus far in the third – volatile, but not unusual activity within an historical record that's provided 13.6% annual returns over the past ten years. Allocation adjustments matter.

The Carlyle Equity Opportunity Fund has reported significant progress following the acquisition of the former Sunoco refineries in Philadelphia, where 26% of East Coast gasoline is produced. Earnings at the facility far exceeded expectations during the first five months of operation. Carlyle also reports expanded investments in the student travel company World Strides, as well as acquisitions at Dynamic Precision Group to expand its role in the manufacturing of aircraft components.

Large cap growth manager Navellier recently met with the Investment Sub-Committee to provide a portfolio update. On March 26th, the Committee will hear from John Hummel, the president of AIS managed futures, and on April 23rd, from Greg Orrell, CIO of OCM Capital Management.

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