

# Town of Branford Volunteer Fire Incentive Plan

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## 2Q22 Performance Review

This presentation has been prepared specifically for the Town of Branford for use at a meeting August 29, 2022.

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# Performance Summary

Index Performance as of: 6/30/2022

	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Russell</b>							<b>Other U.S. Equity</b>						
3000 Value	-12.41	-13.15	-7.46	6.82	7.01	10.39	Dow Jones Industrial Avg.	-10.78	-14.44	-9.05	7.24	9.98	11.70
3000	-16.70	-21.10	-13.87	9.77	10.60	12.57	Wilshire 5000 (Full Cap)	-17.30	-21.90	-15.52	9.23	10.25	12.32
3000 Growth	-20.83	-28.15	-19.78	11.84	13.63	14.41	<b>International Equity - Broad Market</b>						
1000 Value	-12.21	-12.86	-6.82	6.87	7.17	10.50	MSCI EAFE	-14.51	-19.57	-17.77	1.07	2.20	5.40
1000	-16.67	-20.94	-13.04	10.17	11.00	12.82	MSCI EM	-11.45	-17.63	-25.28	0.57	2.18	3.06
1000 Growth	-20.92	-28.07	-18.77	12.58	14.29	14.80	MSCI Frontier Markets	-13.77	-20.59	-17.33	0.57	1.65	5.07
Mid Cap Value	-14.68	-16.23	-10.00	6.70	6.27	10.62	MSCI ACWI	-15.66	-20.18	-15.75	6.21	7.00	8.76
Mid Cap	-16.85	-21.57	-17.30	6.59	7.96	11.29	MSCI ACWI Ex USA	-13.73	-18.42	-19.42	1.35	2.50	4.83
Mid Cap Growth	-21.07	-31.00	-29.57	4.25	8.88	11.50	MSCI AC Asia Ex Japan	-9.00	-16.28	-25.03	2.11	3.09	5.50
2000 Value	-15.28	-17.31	-16.28	6.18	4.89	9.05	<b>International Equity - Country</b>						
2000	-17.20	-23.43	-25.20	4.21	5.17	9.35	MSCI Brazil	-24.40	2.75	-23.30	-9.18	0.80	-2.00
2000 Growth	-19.25	-29.45	-33.43	1.40	4.80	9.30	MSCI BRIC	-4.32	-17.02	-30.07	-2.20	2.25	3.08
<b>Standard &amp; Poors</b>							MSCI China	3.41	-11.26	-31.79	-0.57	2.14	5.49
S&P 500	-16.10	-19.96	-10.62	10.60	11.31	12.96	MSCI Europe	-14.49	-20.79	-17.61	1.24	2.16	5.44
Consumer Disc	-26.16	-32.82	-24.20	5.37	9.75	13.52	MSCI India	-13.65	-15.25	-4.80	7.28	7.25	8.14
Consumer Staples	-4.62	-5.58	6.66	10.86	8.79	10.68	MSCI Japan	-14.63	-20.27	-19.93	1.01	1.76	5.59
Energy	-5.17	31.84	39.99	10.15	7.00	4.29	MSCI EM Latin America	-21.87	-0.57	-16.08	-6.35	-0.58	-2.18
Financials	-17.50	-18.73	-12.68	6.73	7.22	12.48	MSCI Russia	0.00	-100.00	-100.00	-98.91	-92.68	-73.51
Health Care	-5.91	-8.33	3.37	13.61	12.16	14.97							
Industrials	-14.78	-16.79	-13.42	6.06	6.77	11.32							
Information Technology	-20.24	-26.91	-13.56	18.71	20.22	18.69							
Materials	-15.90	-17.89	-8.72	10.26	8.74	9.91							
Real Estate	-14.72	-20.02	-5.17	7.01	8.49	9.14							
Telecom Services	-20.71	-30.16	-29.05	5.35	6.15	6.00							
Utilities	-5.09	-0.55	14.30	9.01	9.78	10.47							

Source: Morningstar

# Performance Summary

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	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Fixed Income</b>							<b>Fixed Income-Tax Exempt</b>						
Barclays U.S. Aggregate	-4.69	-10.35	-10.29	-0.93	0.88	1.54	Barclays Municipal	-2.94	-8.98	-8.57	-0.18	1.51	2.38
Barclays US Aggregate 1-3 Yr	-0.64	-3.13	-3.58	0.21	1.02	0.99	Barclays Municipal 3 Yr	0.11	-3.45	-3.46	0.33	0.99	1.11
Barclays US Aggregate 3-5 Yr	-1.87	-6.26	-6.93	-0.31	0.96	1.39	Barclays Municipal 5 Yr	-0.42	-5.50	-5.34	0.15	1.17	1.62
Barclays US Aggregate 5-7 Yr	-3.25	-8.30	-8.71	-0.46	1.08	1.58	Barclays Municipal 7 Yr	-1.18	-6.81	-6.65	0.07	1.41	2.10
BofAML 3-Month T-Bill	0.10	0.14	0.17	0.63	1.11	0.64	Barclays HY Muni	-5.61	-11.77	-10.40	1.15	3.63	4.42
Barclays U.S. Gov't	-3.71	-9.04	-8.82	-0.85	0.76	1.03	<b>Alternative Investments</b>						
Barclays U.S. Credit	-6.90	-13.81	-13.64	-1.00	1.24	2.45	Alerian MLP	-7.38	10.04	4.33	0.07	-0.29	0.74
Barclays High Yield Corp.	-9.83	-14.19	-12.81	0.21	2.10	4.47	Bloomberg Commodity	-5.66	18.44	24.27	14.34	8.39	-0.82
Barclays TIPS	-6.08	-8.92	-5.14	3.04	3.21	1.73	FTSE NAREIT Equity REIT	-17.00	-20.20	-6.27	4.00	5.30	7.39
Barclays Global Aggregate	-11.01	-16.49	-18.78	-5.07	-1.75	-1.06	S&P Global Natural Res.	-15.56	-1.37	2.95	8.57	8.91	4.65
Barclays Gbl Agg Ex USD	-8.26	-13.91	-15.25	-3.22	-0.55	0.11	S&P N. Amer Natural Res.	-10.44	15.87	22.17	10.47	6.77	3.39
JPM EMBI Global Div	-10.55	-18.83	-19.25	-4.33	-1.00	2.05							

Source: Morningstar

# Market review & outlook

## A Rough Start to 2022



- High inflation, an increasingly hawkish Federal Reserve and economic uncertainty have weighed on markets. Global equities reached bear market territory with the MSCI ACWI Index down 20% year-to-date through June.
- The simultaneous decline in bonds has made this year particularly painful for balanced portfolios. The Bloomberg Aggregate Bond Index was down 10% year-to-date through June, leaving a 60/40 portfolio down 16%.
- Longer duration bond portfolios often favored by defined benefit plans are down around 20% year-to-date through June<sup>1</sup>, although the silver lining for defined benefit plans is that funded status has generally held up well as a result of declining liability values.

<sup>1</sup> Source: Bloomberg Long Government/Credit Index

## Outlook - Uncertainty Abounds



- Market behavior this year appears to be a mostly rational response to the increase in longer-term interest rates, along with the rise in economic uncertainty from inflationary pressures, Ukraine-Russia conflict, Chinese lockdowns and policy tightening.
- Our base case view is that the monetary policy response priced by markets should curb inflation with only an economic slowdown or a mild recession. However, the risk of downside scenarios has increased.
- Should Fed tightening prove too much for the heavily-indebted US economy to bear, inflationary fears could give way to fears of a deeper recession. However, interest rates could decline in this scenario, providing some cushion to balanced portfolios.
- A more worrisome outcome is that inflationary pressures stay high even as economic growth slows, requiring the Fed to respond even more forcefully. We expect this would be negative for stocks and bonds.

## Portfolio Actions

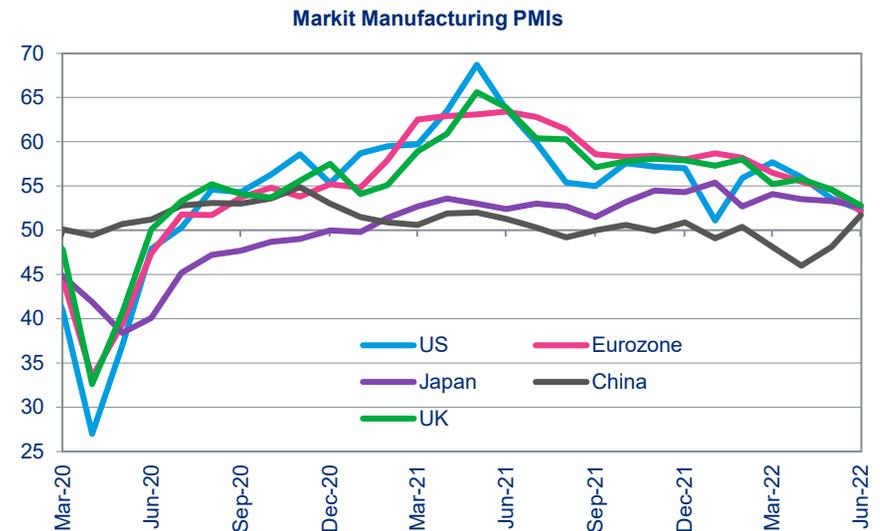


- While we are not excessively bullish, we do believe that the headwind from among other things, tightening monetary policy (in response to elevated inflation), and supply chain disruption are resulting in more attractive valuations.
- We continue to suggest investors follow rebalancing policies. Defined benefit plans on a de-risking glide path should stick with established interest rate hedge ratios and funded policy triggers.
- Clients should assess short-term liquidity needs and consider how best to meet those, should the environment worsen.
- It is our belief that the winds of deglobalization are blowing. This in turn will lead to some interesting investment themes, some of which we will be discussing at the next webinar on 8/10/22.

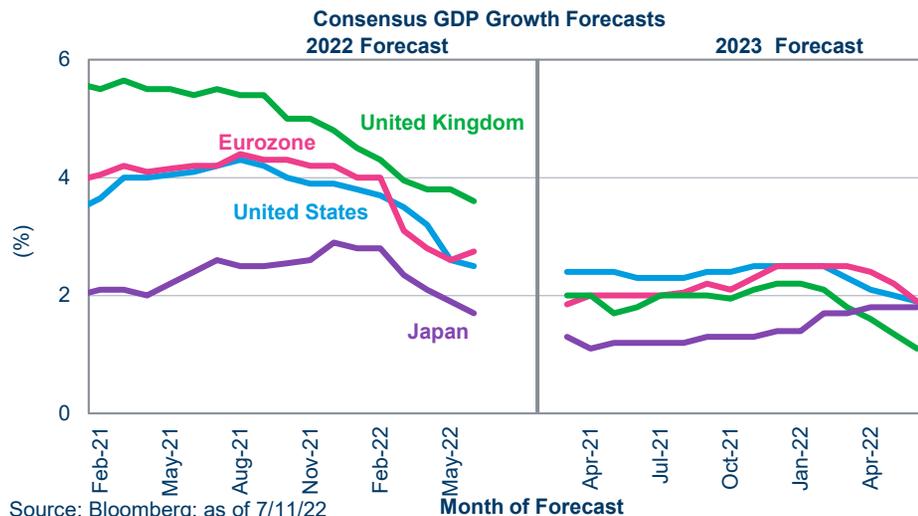
# Economic fundamentals

## Growth outlook increasingly uncertain

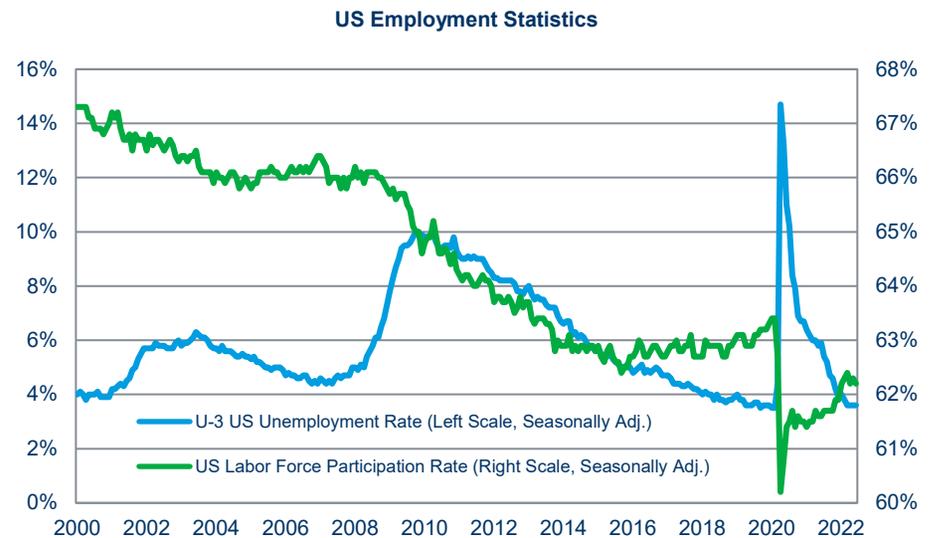
- The growth outlook has become more uncertain as persistent inflation has pushed central banks to tighten more aggressively. Consensus growth forecasts have moved lower for both 2022 and 2023.
- Manufacturing PMIs barely remain in expansionary territory for most developed markets now, having trended downward in 2022. China's PMI has rebounded as COVID restrictions eased in Q2.
- While downside risks have increased, the labor market continues to show strength. The US unemployment rate (U-3)<sup>1</sup> has fallen to 3.6% after peaking at 14.7% in April 2020. The labor force participation rate remains roughly one percentage point below its pre-COVID level.



Source: Bloomberg; as of 6/30/22



Source: Bloomberg; as of 7/11/22



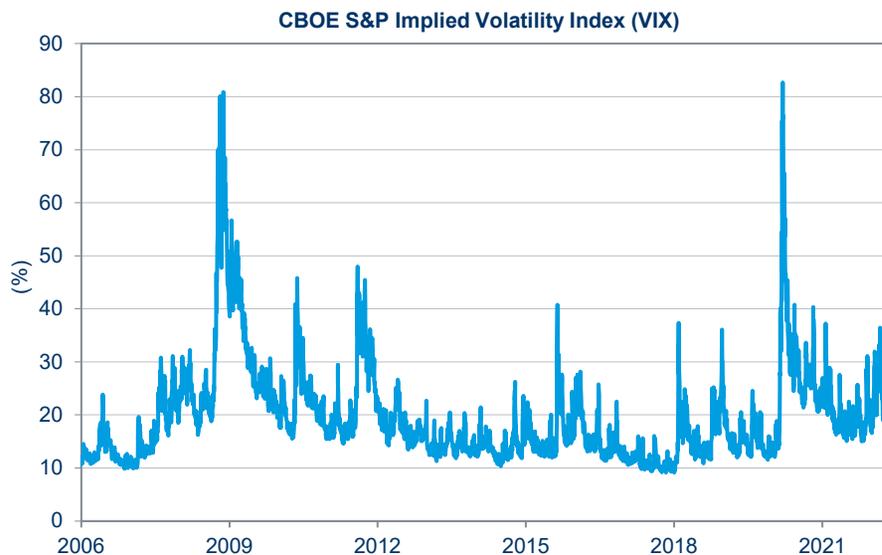
Source: Bureau of Labor Statistics; as of 6/30/22

<sup>1</sup> The U-3 unemployment rate represents the percentage of the civilian labor force that is jobless and actively seeking employment.

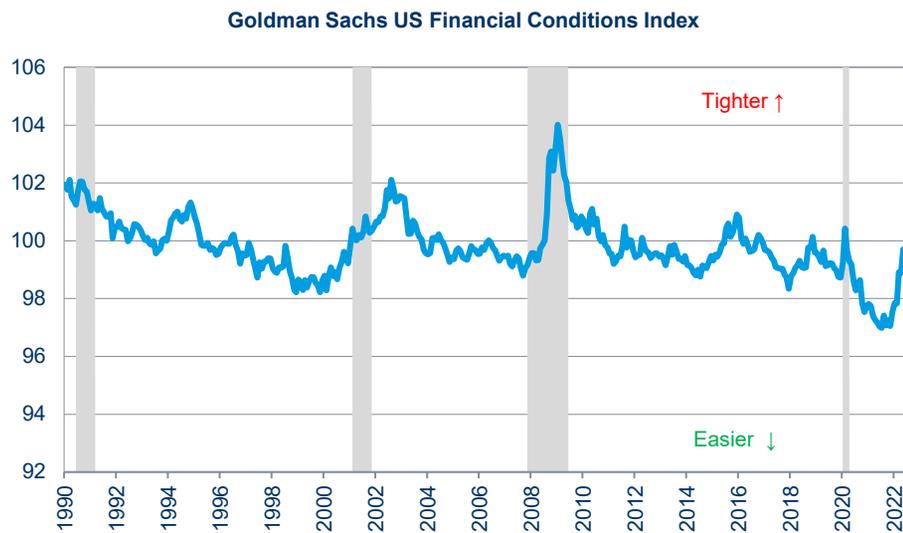
# Risk factors

## US inflation remains high

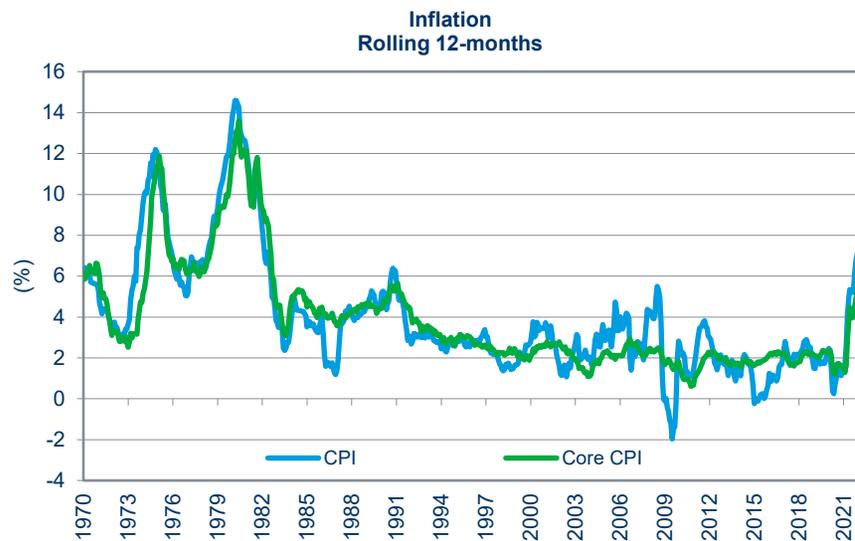
- US inflation continued to move higher in Q2, and the Fed has responded with an accelerated pace of tightening. It remains to be seen whether the Fed's actions can slow inflation without causing a recession.
- The Russian invasion of Ukraine continues to cause commodity supply disruptions and economic uncertainty, adding to the challenges central bankers face.
- The VIX volatility index rose from 21 to 29 during the quarter. It peaked at nearly 35 in mid-June.
- Financial conditions continued to tighten during the quarter as rates rose. The Goldman Sachs US Financial Conditions Index is near its pre-COVID levels.



Source: Bloomberg; as of 6/30/22



Source: Bloomberg; as of 6/30/22



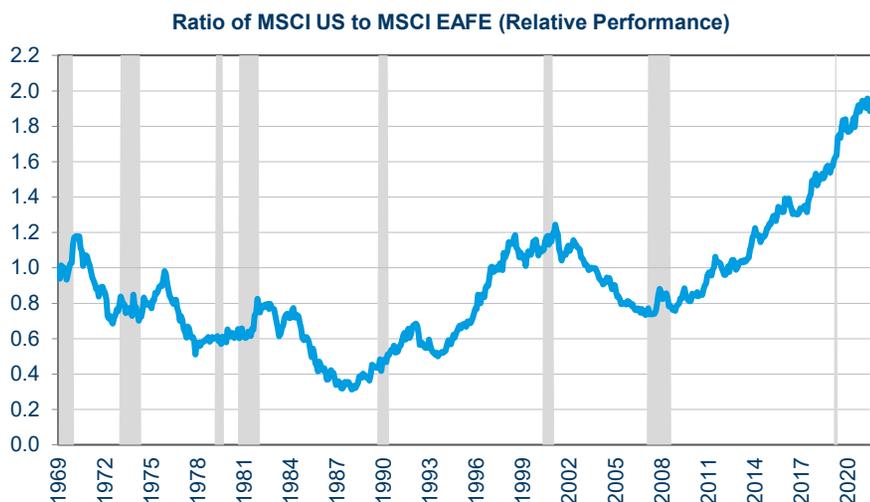
Source: Bloomberg; through 6/30/22

<sup>1</sup> Source: Bloomberg; as of 6/30/22

# Regional equity returns

## Global equities decline amid monetary tightening

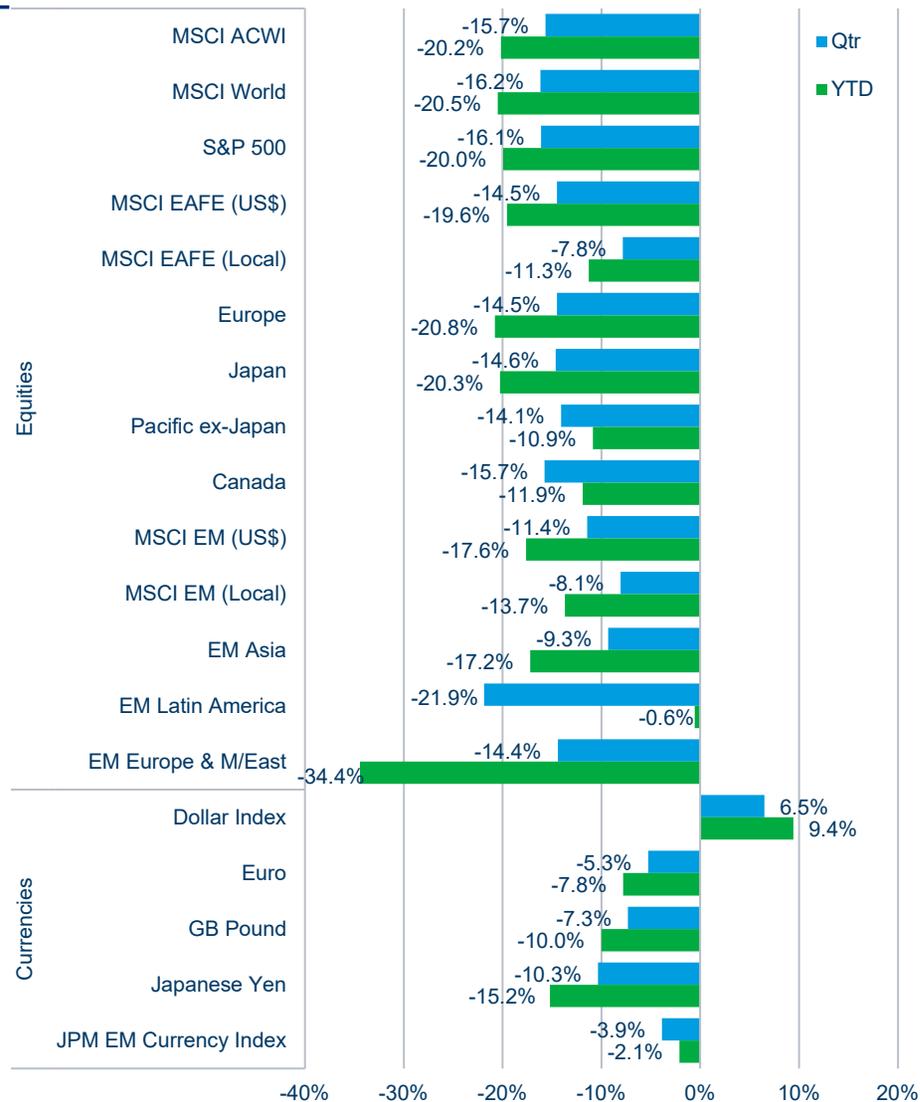
- Global equities posted steep declines in Q2, with the MSCI ACWI index falling 15.7% for the quarter. Year-to-date, the index has declined 20.2%.
- The S&P 500 fell 16.1% during the quarter, and is now down 20.0% year-to-date.
- International developed stocks declined 14.5% in Q2, leaving its year-to-date decline at 19.6%. A stronger dollar detracted 670 bps from US\$ returns during the quarter.
- Emerging market equities fell 11.4% in Q2 and 17.6% year-to-date. Asian emerging markets were the best performing region during the quarter as Chinese equities posted modest gains, while Latin American emerging markets struggled.



Source: Datastream; as of 6/30/22

Past performance is no guarantee of future results

Global Performance

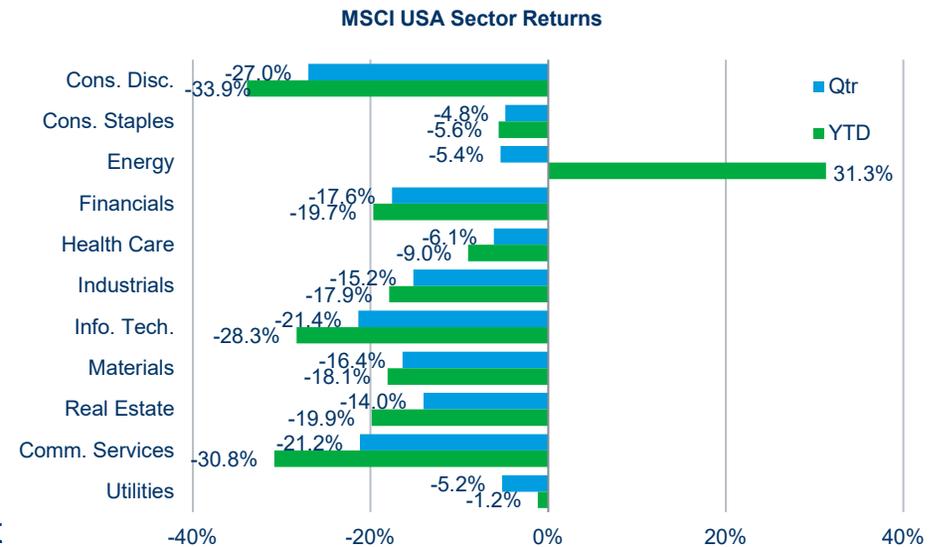


Source: Bloomberg, Datastream; as of 6/30/22

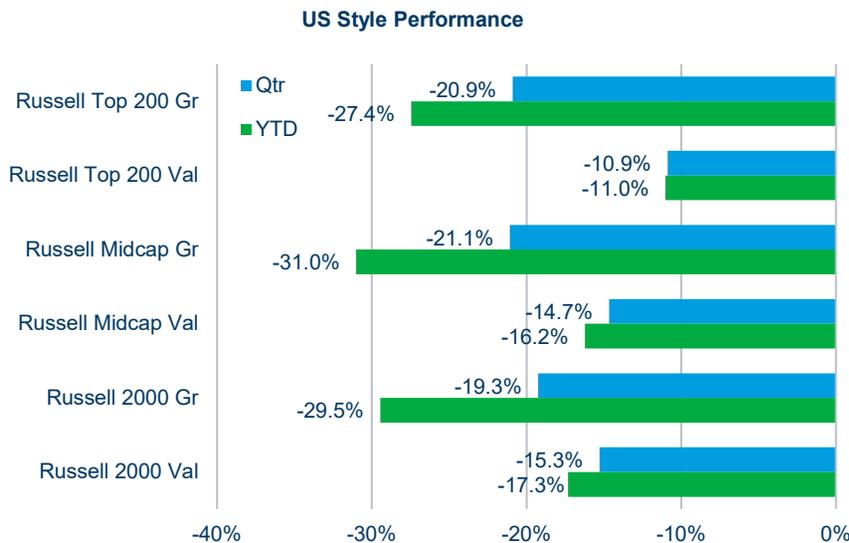
# US equity factor and sector returns

## Large-caps and value stocks outperform

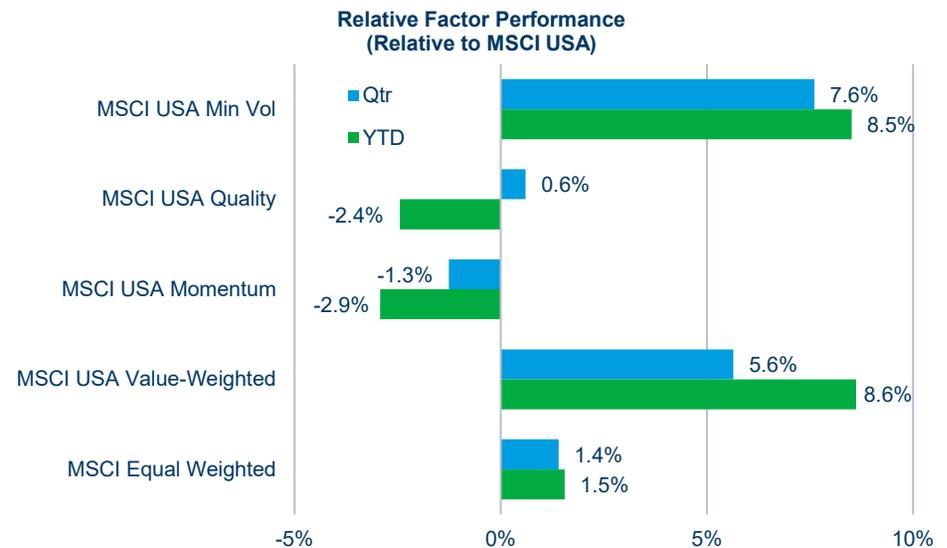
- Large-caps held up slightly better than small-caps during Q2 and year-to-date. For the quarter and year-to-date periods, value outperformed growth, particularly within large-caps.
- The value, minimum volatility, and size factors outperformed during Q2, while the momentum and quality factors generally lagged. The value and minimum volatility factors have performed the best so far in 2022.
- The consumer staples, utilities and energy sectors held up the best during Q2, while consumer discretionary and technology struggled. Energy is the only sector that remains positive year-to-date.



Source: Bloomberg; as of 6/30/22



Source: Datastream; as of 6/30/22

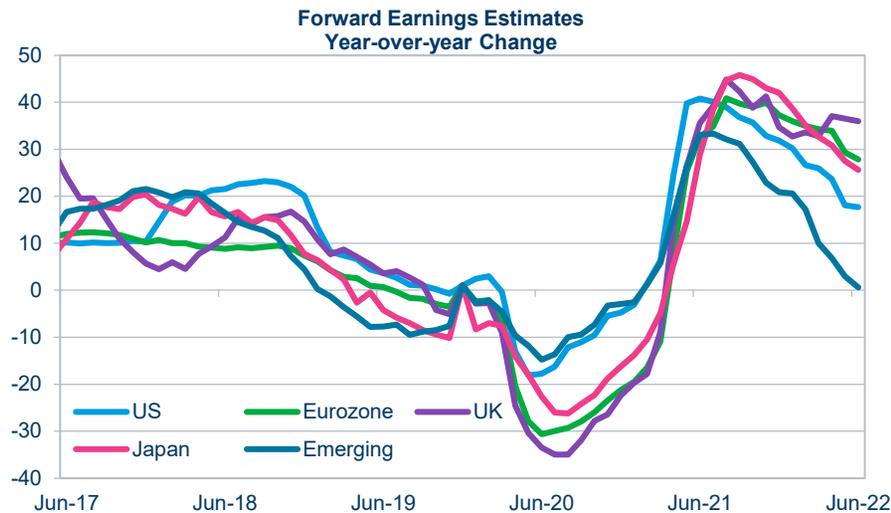


Source: MSCI; as of 6/30/22

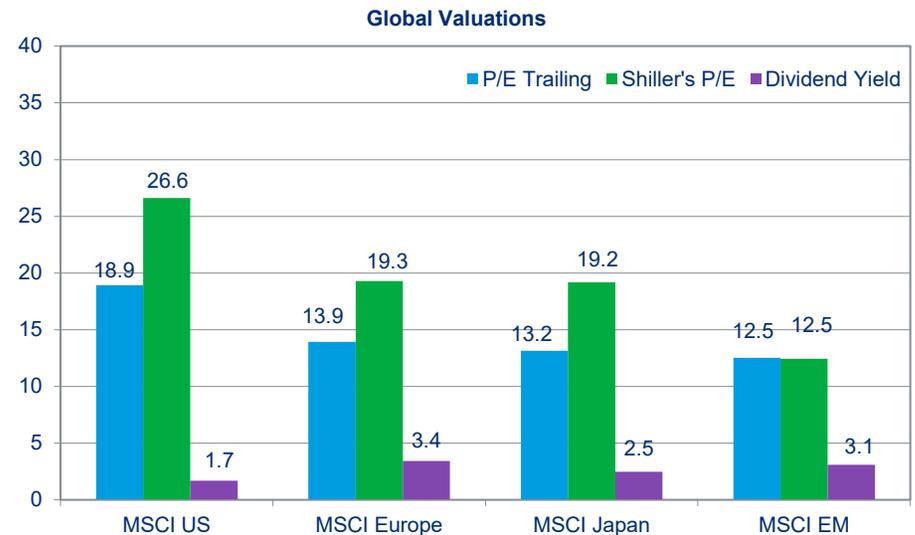
# Equity fundamentals

## Valuations improved during the equity drawdown

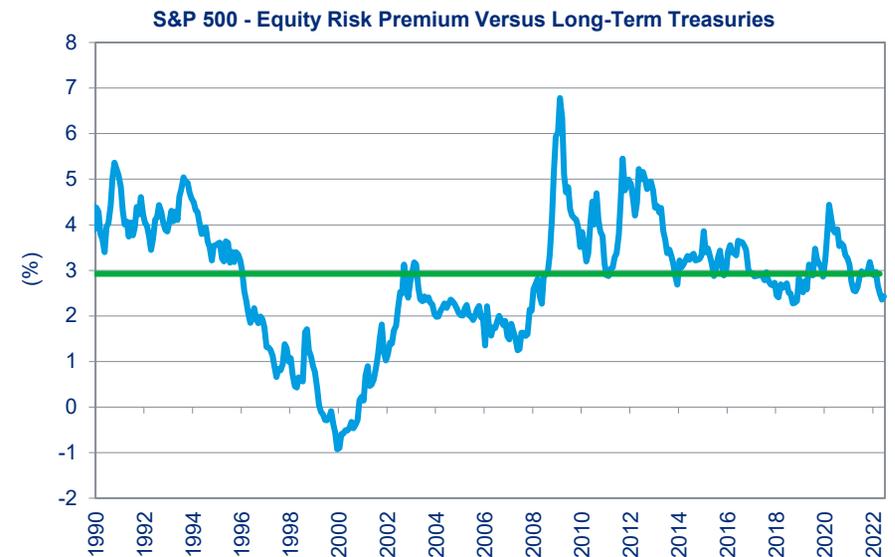
- Valuations improved during the quarter as prices declined. The trailing P/E ratio on the MSCI US Index fell from 23.1 to 18.9<sup>1</sup>. However, we estimate that the equity risk premium over long-term Treasuries fell from 2.7% to 2.4%<sup>2</sup> as the increase in yields outweighed improving valuations.
- International developed stocks remain more reasonably valued than US stocks, although the Russia-Ukraine conflict and its impact on energy and other commodity prices presents risks, particularly for Europe.
- Emerging market valuations remain more attractive than developed markets. Monetary policy remains highly accommodative in China, and reduced COVID restrictions provided a boost to activity in Q2.



Source: Datastream; as of 6/30/22



Source: Bloomberg, Datastream, Mercer; as of 6/30/22



Source: Bloomberg, Datastream, Mercer; as of 6/30/22

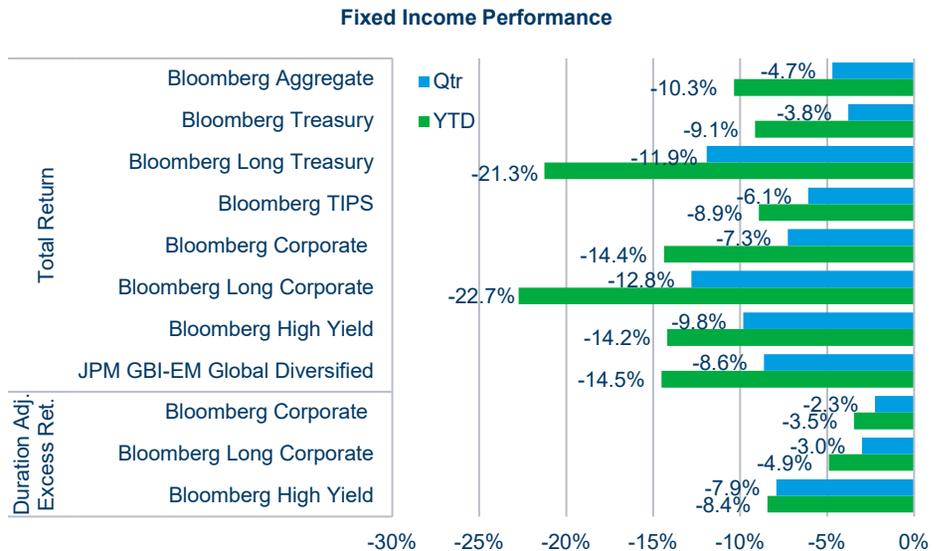
<sup>1</sup> Source: Refinitiv; as of 6/30/22

<sup>2</sup> Source: MSCI, Refinitiv, Mercer; as of 6/30/22

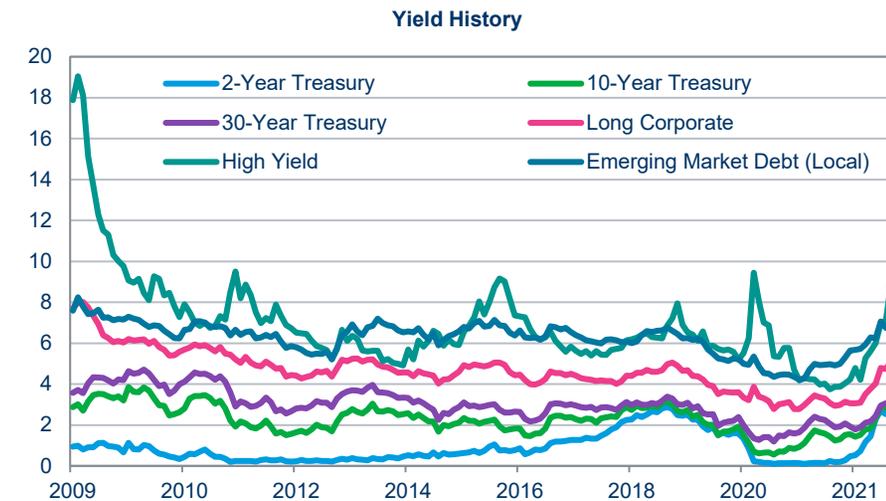
# Interest rates and fixed income

## Rising rates and spreads weigh on fixed income returns

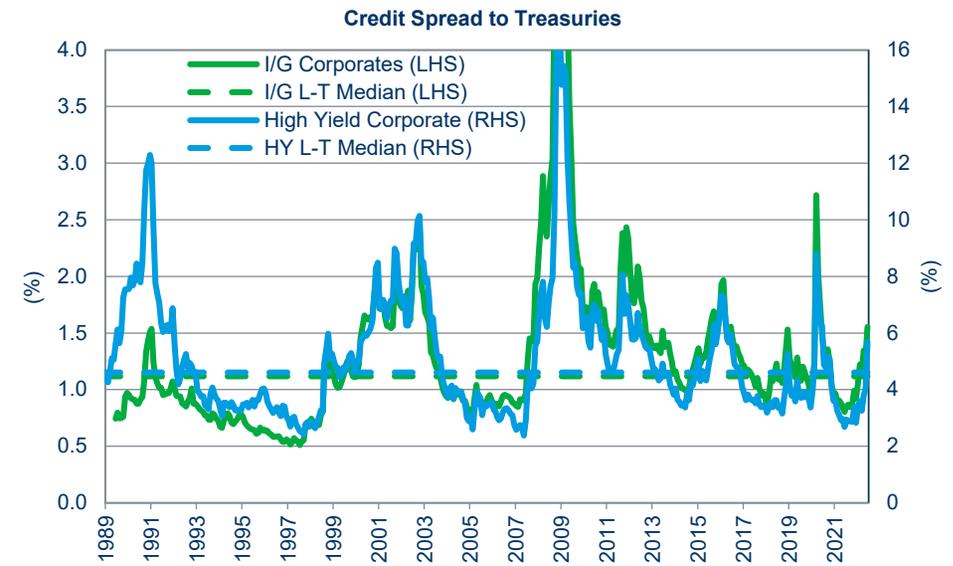
- The Bloomberg Aggregate declined 4.7% during the quarter. Treasuries declined 3.8%, but outperformed corporate bonds, which declined 7.3%. The yield curve shifted higher and flattened, with one-year yields rising 117 bps, while 30-year yields rose by 70 bps<sup>1</sup>.
- Credit spreads on investment-grade corporate bonds rose an average of 40 bps during the quarter to 1.6%, which is roughly 45 bps above the long-term median level<sup>2</sup>.
- High yield bonds declined 9.8% during the quarter, as credit spreads rose 244 bps to 5.7%. High yield spreads are now 107 bps above the long-term median level of 4.6%<sup>2</sup>. Local currency EMD declined 8.6% during Q2.



Source: Bloomberg, Datastream; as of 6/30/22



Source: Bloomberg, Federal Reserve; as of 6/30/22



Source: Bloomberg; as of 6/30/22

<sup>1</sup> Source: Federal Reserve; as of 6/30/22

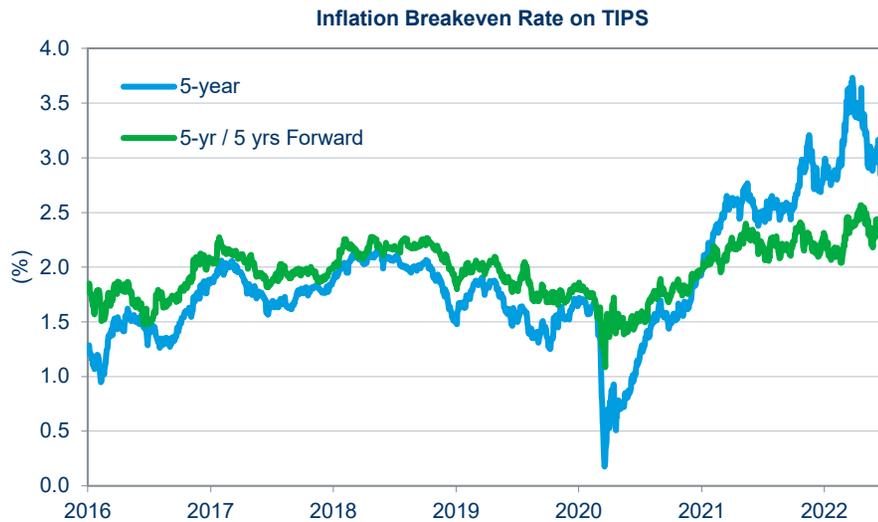
<sup>2</sup> Source: Bloomberg, Mercer; as of 6/30/22

Past performance is no guarantee of future results

# Monetary policy

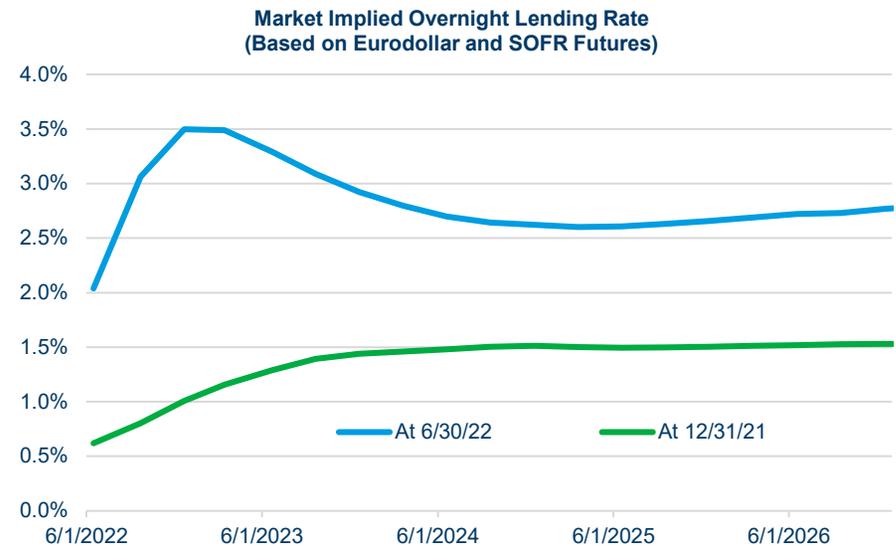
## Central banks accelerate tightening plans

- The Fed raised its target rate 75 basis points in its June meeting amid persistently high inflation. This followed a 25 basis point hike in March and a 50 basis point hike in May. Market pricing suggests another 200 basis points of rate hikes during the second half of 2022.
- US inflation breakeven rates fell during the quarter, with 10-year inflation breakeven rates falling from 2.8% to 2.3%, slightly below the Fed's target of 2% PCE (roughly 2.5% CPI)<sup>1</sup>.
- Overseas, the European Central Bank pre-announced a 25 basis point July rate hike. The Bank of England announced its fifth consecutive 25 basis point rate hike in June. Monetary policy conditions in China and Japan remained loose.

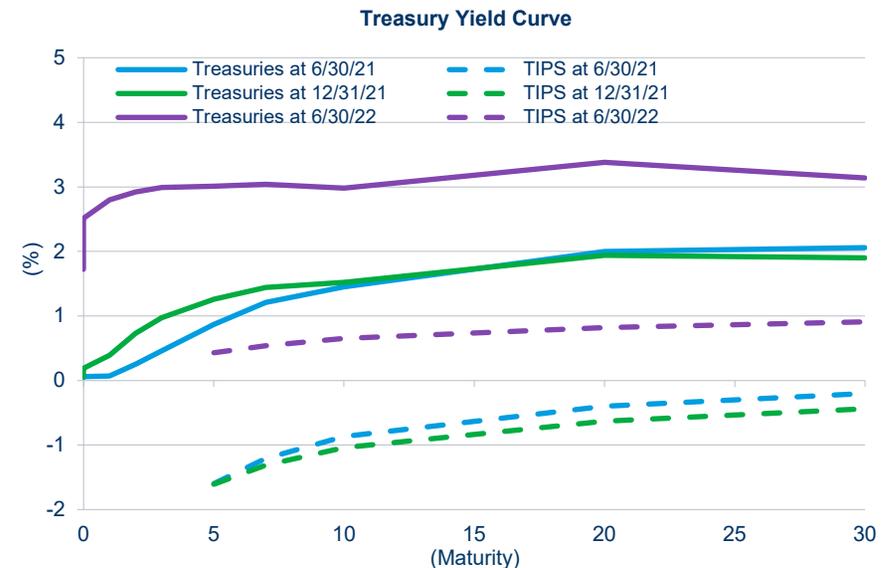


Source: Bloomberg, Mercer; as of 6/30/22

<sup>1</sup> Source: St. Louis Fed; as of 6/30/22



Source: Bloomberg, through 6/30/22



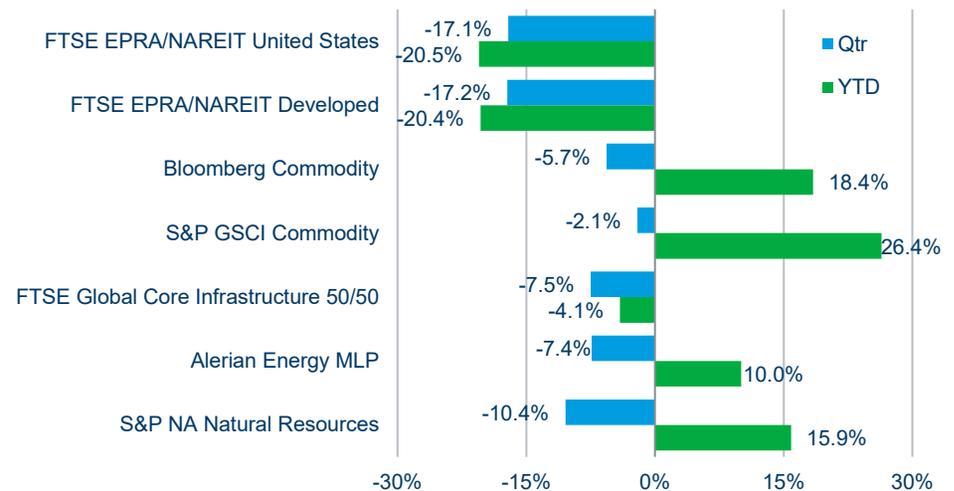
Source: Federal Reserve; as of 6/30/22

# Alternative investment performance

## Commodities and infrastructure outperform broader market

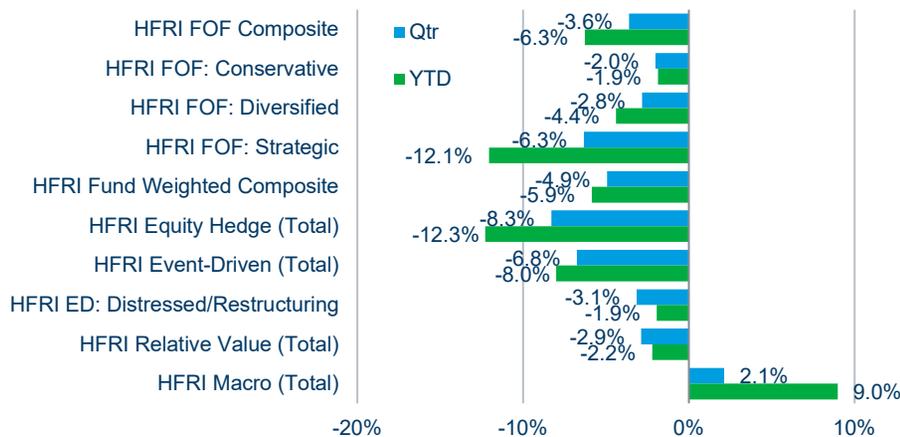
- REITs fell roughly 17% during Q2, in line with the declines in broader equity markets. Infrastructure stocks held up relatively well both in Q2 and 2022 as a whole, down 4% year-to-date.
- Commodities, natural resource stocks and MLPs declined during Q2 on fears that a potential recession could cause a slowdown in demand. However, returns for these assets remain strong year-to-date as supply concerns drove large gains early in the year.
- The HFRI FOF Composite Index declined 3.6% in Q2, leaving it down 6.3% year-to-date<sup>1</sup>. Macro strategies have outperformed in 2022, while equity hedge and event-driven strategies have lagged.
- Global private equity outperformed global developed stocks over the most recent trailing periods<sup>2</sup>.

Real Asset Performance



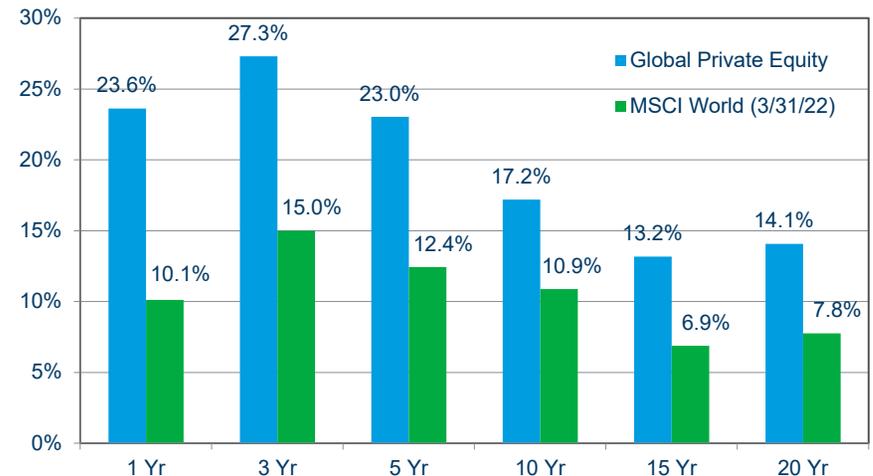
Source: Bloomberg, Datastream; as of 6/30/22

Hedge Fund Performance



Source: Hedge Fund Research; as of 6/30/22

Global Private Equity vs. Global Public Equities



Source: Burgiss, Bloomberg; as of 3/31/22

<sup>1</sup> Source: Hedge Fund Research; as of 6/30/22

<sup>2</sup> Source: Burgiss, Bloomberg; as of 3/31/22

Past performance is no guarantee of future results

# Valuations and yields

Ending June 30, 2022

## Valuations

<b>MSCI USA</b>	<b>6/30/2022</b>	<b>3/31/2022</b>	<b>12/31/2021</b>	<b>9/30/2021</b>
Index Level	16534.2	19866.9	20958.0	19038.4
P/E Ratio (Trailing)	18.9	23.1	32.2	25.9
CAPE Ratio	24.2	33.0	36.2	34.4
Dividend Yield	1.7	1.4	1.5	1.4
P/B	3.8	4.7	4.4	4.7
P/CF	14.1	18.5	20.3	20.1
<b>MSCI EAFE</b>	<b>6/30/2022</b>	<b>3/31/2022</b>	<b>12/31/2021</b>	<b>9/30/2021</b>
Index Level	6189.6	7240.4	7695.5	7493.7
P/E Ratio (Trailing)	13.9	15.5	23.1	18.5
CAPE Ratio	15.6	17.0	17.9	19.2
Dividend Yield	3.4	2.9	2.4	2.5
P/B	1.6	1.8	1.8	1.9
P/CF	6.4	7.9	7.7	7.1
<b>MSCI EM</b>	<b>6/30/2022</b>	<b>3/31/2022</b>	<b>12/31/2021</b>	<b>9/30/2021</b>
Index Level	501.1	565.8	608.3	616.4
P/E Ratio (Trailing)	12.5	14.0	21.7	15.1
CAPE Ratio	12.5	13.7	14.5	15.8
Dividend Yield	3.1	2.5	2.0	2.2
P/B	1.7	1.8	2.0	1.9
P/CF	7.6	8.5	8.3	9.4

Source: Bloomberg, Thomson Reuters Datastream

## Yields

<b>Global Bonds</b>	<b>6/30/2022</b>	<b>3/31/2022</b>	<b>12/31/2021</b>	<b>9/30/2021</b>
Germany – 10Y	1.34	0.55	-0.18	-0.20
France – 10Y	1.92	0.98	0.20	0.16
UK – 10Y	2.23	1.61	0.97	1.02
Switzerland – 10Y	1.07	0.60	-0.14	-0.16
Italy – 10Y	3.26	2.04	1.17	0.86
Spain – 10Y	2.42	1.44	0.57	0.46
Japan – 10Y	0.23	0.22	0.07	0.07
Euro Corporate	3.24	1.55	0.52	0.35
Euro High Yield	8.08	5.18	3.55	3.16
EMD (\$)	8.56	6.42	5.27	5.11
EMD (LCL)	7.06	6.23	5.72	5.30
<b>US Bonds</b>	<b>6/30/2022</b>	<b>3/31/2022</b>	<b>12/31/2021</b>	<b>9/30/2021</b>
3-Month T-Bill	1.72	0.52	0.06	0.04
10Y Treasury	2.98	2.32	1.52	1.52
30Y Treasury	3.14	2.44	1.90	2.08
10Y TIPS	0.65	-0.52	-1.04	-0.85
30Y TIPS	0.91	-0.03	-0.44	-0.19
US Aggregate	3.72	2.92	1.75	1.56
US Treasury	3.09	2.42	1.23	1.01
US Corporate	4.70	3.60	2.33	2.13
US Corporate High Yield	8.89	6.01	4.21	4.04

Source: Bloomberg, Thomson Reuters Datastream

Past performance is no guarantee of future results

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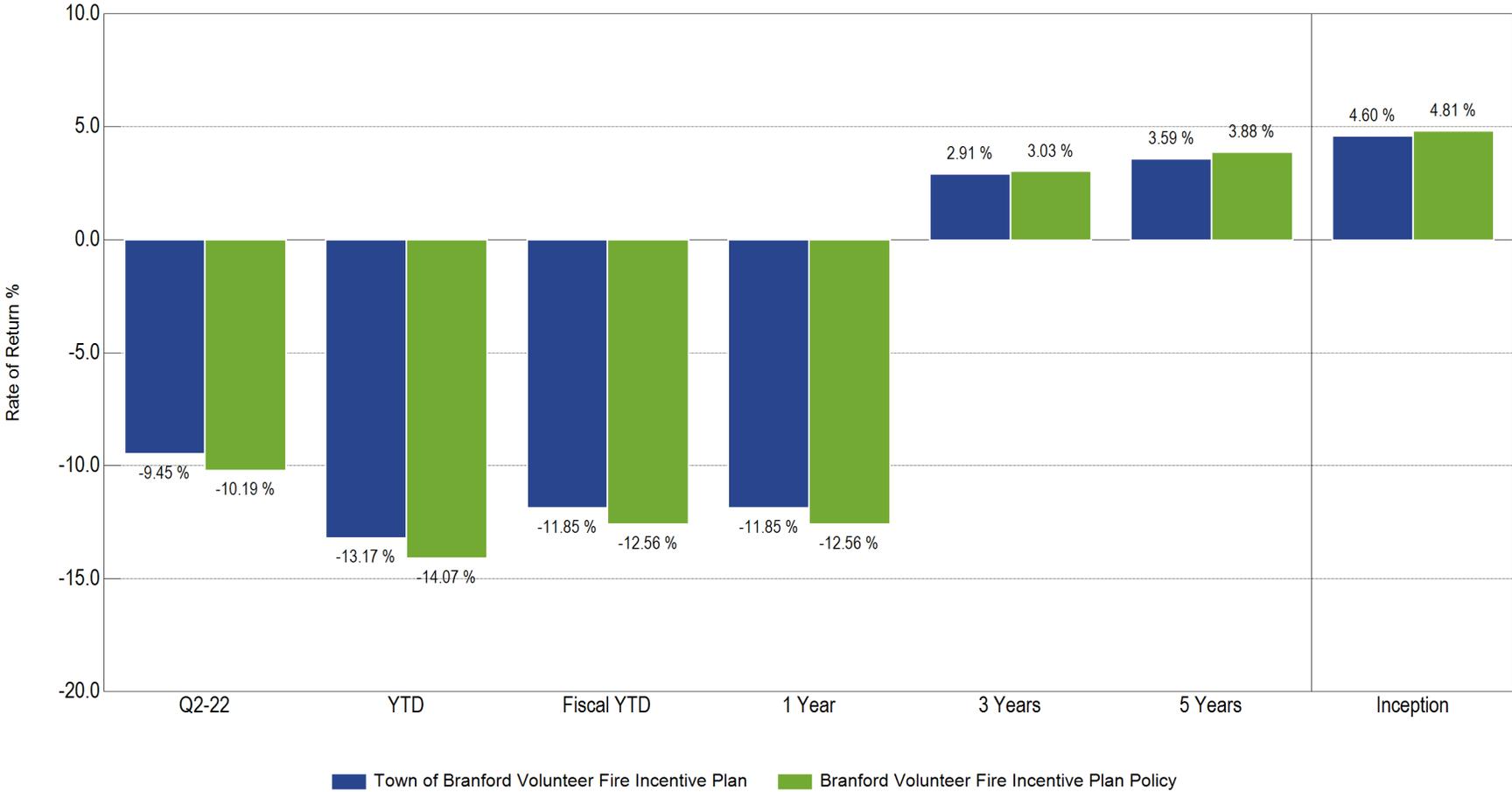
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**CAR20220725MERLV2Q22**

**Return Summary**



For the purposes of investment comparison, the Branford Volunteer Fire Incentive Plan Policy (the "Policy") is utilized. This Policy is a blend of comparative index sub-components based upon the current target asset allocation of the plan and has been adjusted periodically in adherence with the plan's investment policy statement. Details on the composition of the Policy can be found on page 27.

Returns are gross of fees unless otherwise noted. Client returns will be reduced by advisory and other expenses the client may incur. Net performance is shown on page 15.

Town of Branford Volunteer Fire Incentive Plan

Investment Performance Analysis

Composite Performance (Gross)

As of June 30, 2022

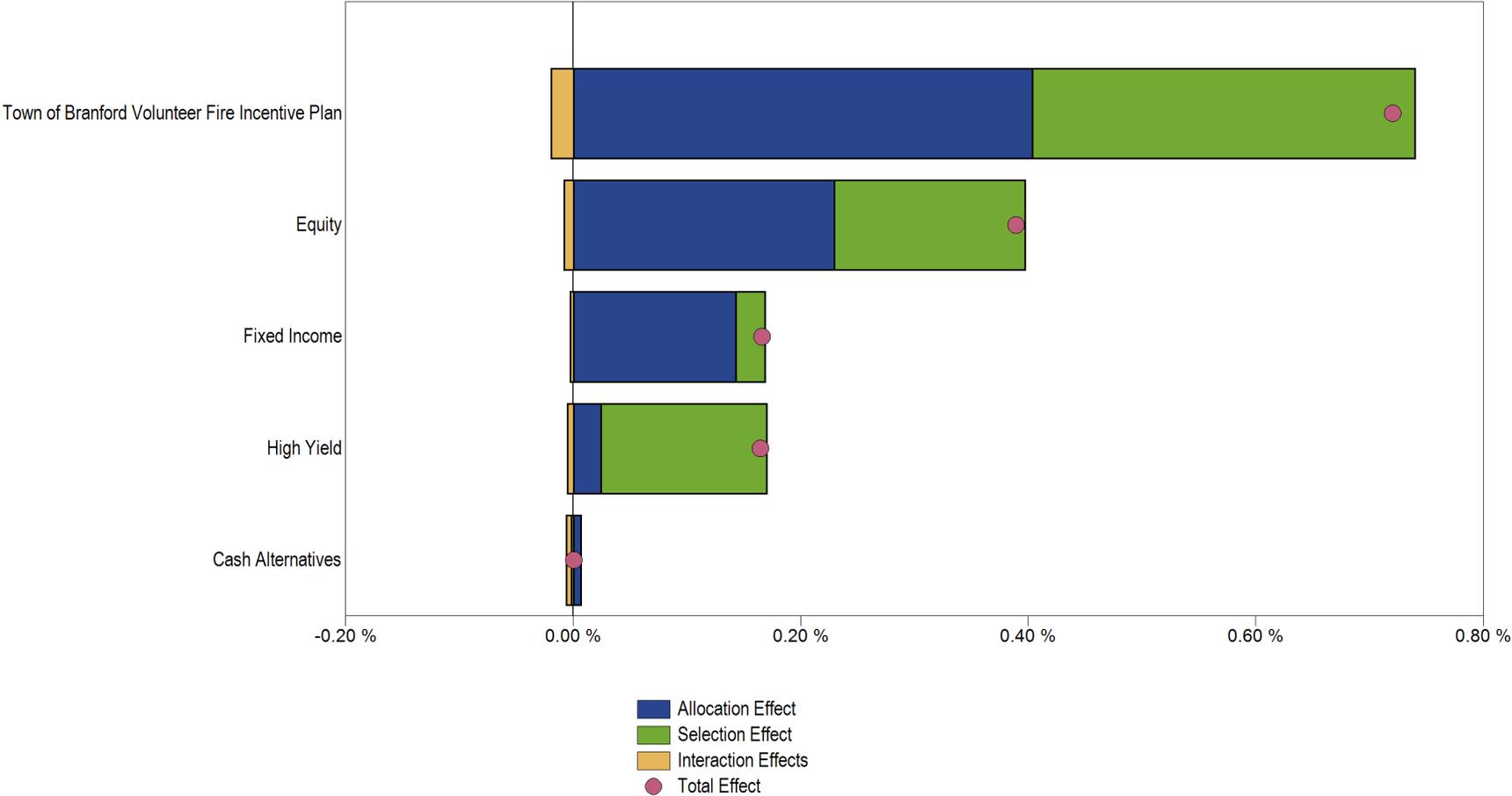
	Market Value (\$)	% of Portfolio	Ending June 30, 2022						Inception (%)	Inception Date
			3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)		
<b>Town of Branford Volunteer Fire Incentive Plan</b>	<b>1,359,529</b>	<b>100.00</b>	<b>-9.45</b>	<b>-13.17</b>	<b>-11.85</b>	<b>-11.85</b>	<b>2.91</b>	<b>3.59</b>	<b>4.60</b>	<b>Dec-15</b>
<i>Branford Volunteer Fire Incentive Plan Policy</i>			-10.19	-14.07	-12.56	-12.56	3.03	3.88	4.81	Dec-15
<b>Equity</b>	<b>687,127</b>	<b>50.54</b>	<b>-13.82</b>	<b>-17.05</b>	<b>-14.83</b>	<b>-14.83</b>	<b>5.22</b>	<b>5.68</b>	<b>7.00</b>	<b>Dec-15</b>
<i>Equity Custom Benchmark</i>			-14.10	-17.11	-14.78	-14.78	5.31	5.83	7.34	Dec-15
<b>Fixed Income</b>	<b>483,183</b>	<b>35.54</b>	<b>-4.62</b>	<b>-10.20</b>	<b>-10.30</b>	<b>-10.30</b>	<b>-0.96</b>	<b>0.80</b>	<b>1.14</b>	<b>Dec-15</b>
<i>Bloomberg US Aggregate TR</i>			-4.69	-10.35	-10.29	-10.29	-0.93	0.88	1.36	Dec-15
<b>High Yield</b>	<b>99,204</b>	<b>7.30</b>	<b>-8.02</b>	<b>-11.36</b>	<b>-9.76</b>	<b>-9.76</b>	<b>0.77</b>	<b>2.08</b>	<b>3.70</b>	<b>Dec-15</b>
<i>High Yield Bond Blended Benchmark</i>			-9.98	-14.03	-12.67	-12.67	-0.07	1.88	4.10	Dec-15
<b>Cash Alternatives</b>	<b>90,015</b>	<b>6.62</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>	<b>0.51</b>	<b>1.03</b>	<b>0.88</b>	<b>Dec-15</b>
<i>FTSE T-Bill 3 Months TR</i>			0.14	0.17	0.19	0.19	0.61	1.09	0.91	Dec-15

Composite Performance (Net)

	Market Value (\$)	% of Portfolio	Ending June 30, 2022						Inception (%)	Inception Date
			3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)		
<b>Town of Branford Volunteer Fire Incentive Plan</b>	<b>1,359,529</b>	<b>100.00</b>	<b>-9.50</b>	<b>-13.26</b>	<b>-12.03</b>	<b>-12.03</b>	<b>2.70</b>	<b>3.30</b>	<b>4.29</b>	<b>Dec-15</b>
<i>Branford Volunteer Fire Incentive Plan Policy</i>			-10.19	-14.07	-12.56	-12.56	3.03	3.88	4.81	Dec-15

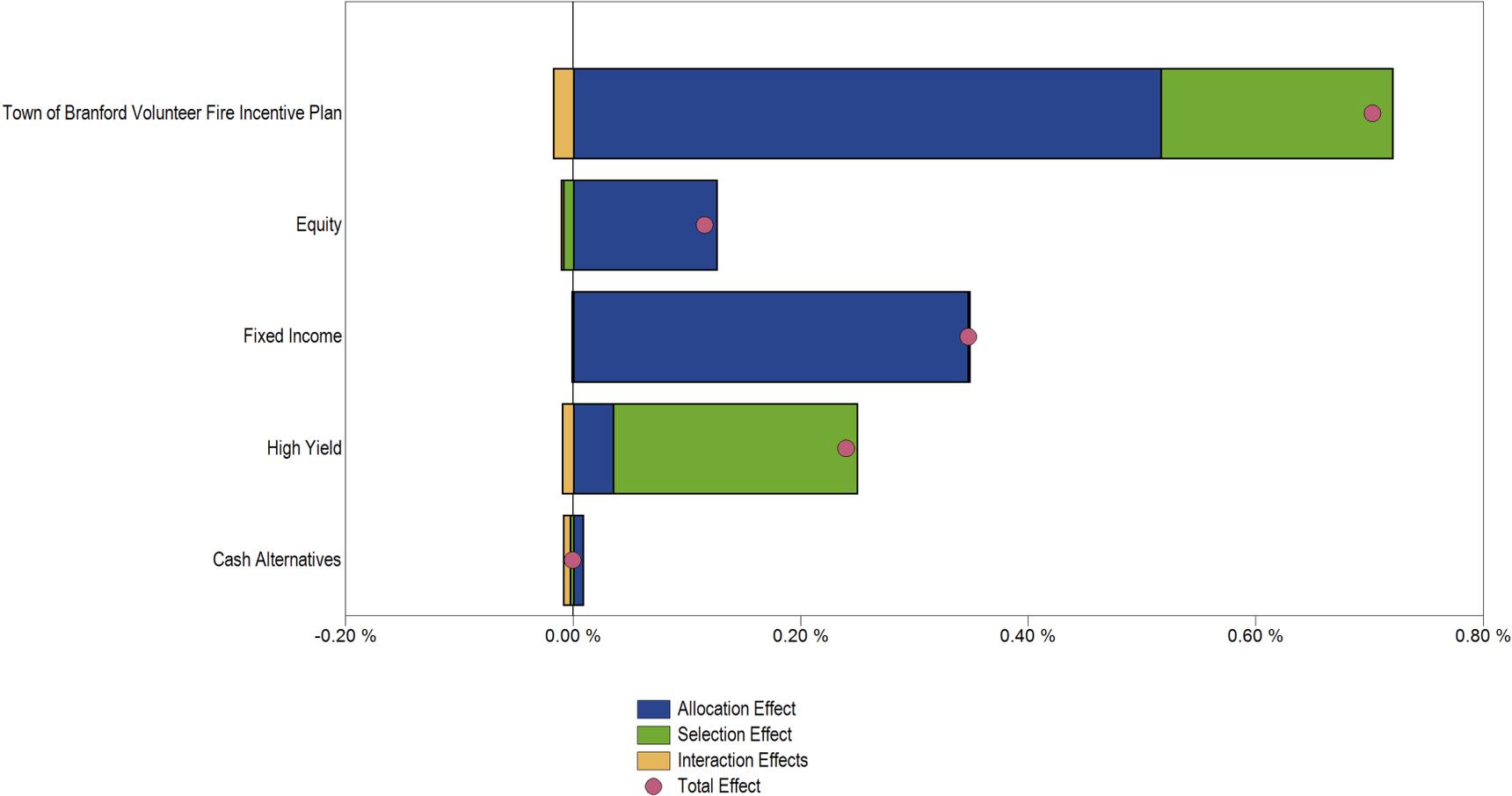
Returns for the Town of Branford Volunteer Fire Incentive Plan(as shown above) are gross of advisory fees. Although our advisory fee is not reflected in the returns reference above, it is important to note that the return streams for registered mutual funds are net of the internal expenses of the Funds. Client returns will be reduced by advisory fees and other expenses the client may incur.

**Attribution Effects**  
**3 Months Ending June 30, 2022**



Returns are gross of advisory fees. Client returns will be reduced by advisory fees and other expenses the client may incur.

**Attribution Effects**  
**1 Year Ending June 30, 2022**



Returns are gross of advisory fees. Client returns will be reduced by advisory fees and other expenses the client may incur.

## Investment Performance Analysis

As of June 30, 2022

**Performance Attribution**  
**Quarter Ending June 30, 2022**

	Last 3 Mo.	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs
Wtd. Actual Return	-9.46%	-13.18%	2.99%	-11.85%	2.99%	3.69%
Wtd. Index Return *	-10.19%	-14.07%	3.03%	-12.56%	3.03%	3.84%
<b>Excess Return</b>	<b>0.72%</b>	<b>0.90%</b>	<b>-0.03%</b>	<b>0.70%</b>	<b>-0.03%</b>	<b>-0.15%</b>
Selection Effect	0.34%	0.29%	-0.02%	0.20%	-0.02%	-0.09%
Allocation Effect	0.40%	0.62%	-0.04%	0.52%	-0.04%	-0.06%
Interaction Effect	-0.02%	-0.02%	0.03%	-0.02%	0.03%	0.01%

\*Calculated from benchmark returns and weightings of each component.

**Attribution Summary**  
**3 Months Ending June 30, 2022**

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity	-13.82%	-14.10%	0.28%	0.17%	0.23%	-0.01%	0.39%
Fixed Income	-4.62%	-4.69%	0.07%	0.02%	0.14%	0.00%	0.17%
High Yield	-8.02%	-9.98%	1.96%	0.15%	0.02%	-0.01%	0.16%
Cash Alternatives	0.06%	0.14%	-0.08%	0.00%	0.01%	0.00%	0.00%
<b>Total</b>	<b>-9.46%</b>	<b>-10.19%</b>	<b>0.72%</b>	<b>0.34%</b>	<b>0.40%</b>	<b>-0.02%</b>	<b>0.72%</b>

Returns are gross of advisory fees. Client returns will be reduced by advisory fees and other expenses the client may incur.

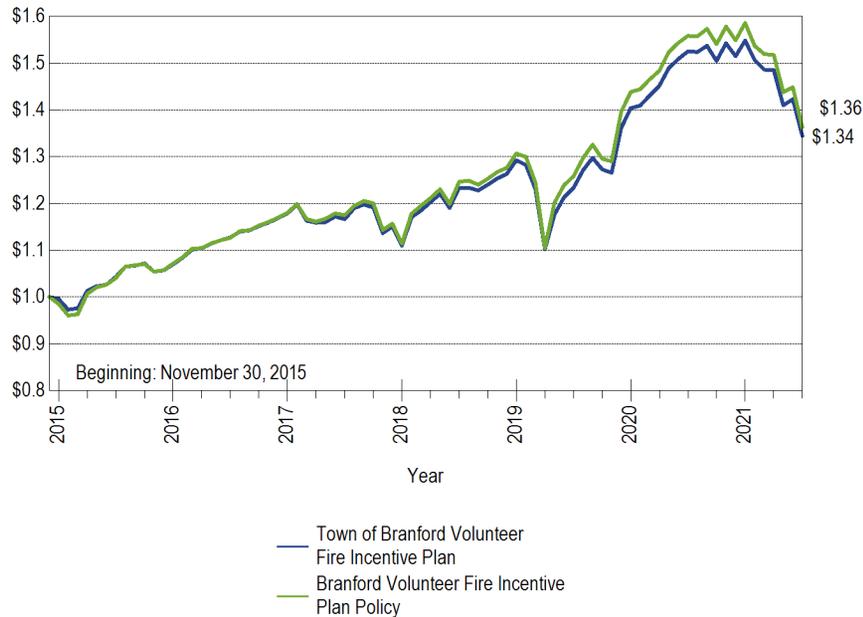
# Town of Branford Volunteer Fire Incentive Plan

## Investment Performance Analysis

Total Plan Information

As of June 30, 2022

**Growth of a Dollar**



### RISK RETURN STATISTICS

Town of Branford Volunteer Fire Incentive Plan

Branford Volunteer Fire Incentive Plan Policy

#### RETURN SUMMARY STATISTICS

Number of Periods	79	79
Maximum Return	7.60	8.79
Minimum Return	-10.48	-11.29
Annualized Return	4.60	4.81
Total Return	34.45	36.27
Annualized Excess Return Over Risk Free	3.69	3.90
Annualized Excess Return	-0.21	0.00

#### RISK SUMMARY STATISTICS

Beta	0.92	1.00
Upside Deviation	5.28	6.04
Downside Deviation	8.20	8.74

#### RISK/RETURN SUMMARY STATISTICS

Annualized Standard Deviation	8.91	9.62
Alpha	0.01	0.00
Sharpe Ratio	0.41	0.41
Excess Return Over Market / Risk	-0.02	0.00
Tracking Error	1.18	0.00
Information Ratio	-0.18	--

#### CORRELATION STATISTICS

R-Squared	0.99	1.00
Correlation	0.99	1.00

The Growth of Dollar graph and the returns presented above are gross of advisory fees. The returns presented herein will be reduced by advisory and other expenses the client may incur. The Summary of Cash Flows is net of all expenses

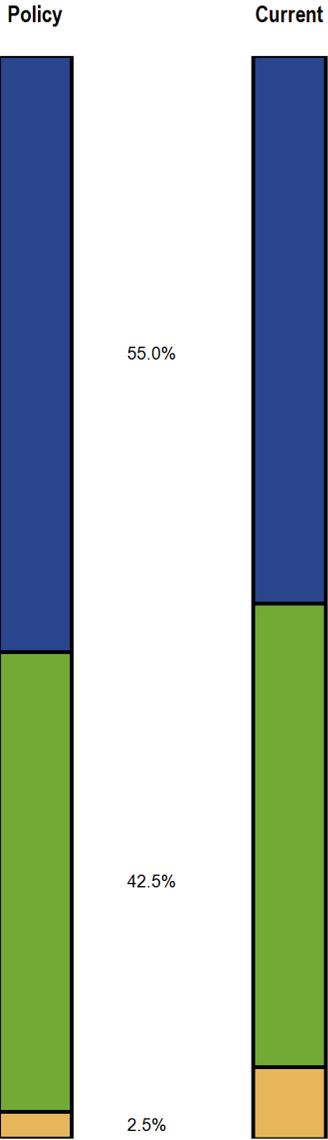
### Summary of Cash Flows

	Last Three Months	Year-To-Date	Fiscal Year-To-Date	One Year	Three Years	Five Years	Inception 12/1/15
Beginning Market Value	\$1,511,020	\$1,585,027	\$1,492,691	\$1,492,691	\$1,111,877	\$936,313	\$55,973
Contributions	\$67,981	\$72,828	\$176,298	\$176,298	\$677,180	\$1,205,553	\$2,987,216
Withdrawals	-\$77,043	-\$90,971	-\$125,911	-\$125,911	-\$532,915	-\$980,660	-\$1,982,672
Net Cash Flow	-\$9,062	-\$18,142	\$50,388	\$50,388	\$144,265	\$224,892	\$1,004,544
Net Investment Change	-\$142,429	-\$207,356	-\$183,549	-\$183,549	\$103,388	\$198,324	\$299,012
Ending Market Value	\$1,359,529	\$1,359,529	\$1,359,529	\$1,359,529	\$1,359,529	\$1,359,529	\$1,359,529

Investment Performance Analysis

Asset Allocation vs. Target Policy

As of June 30, 2022

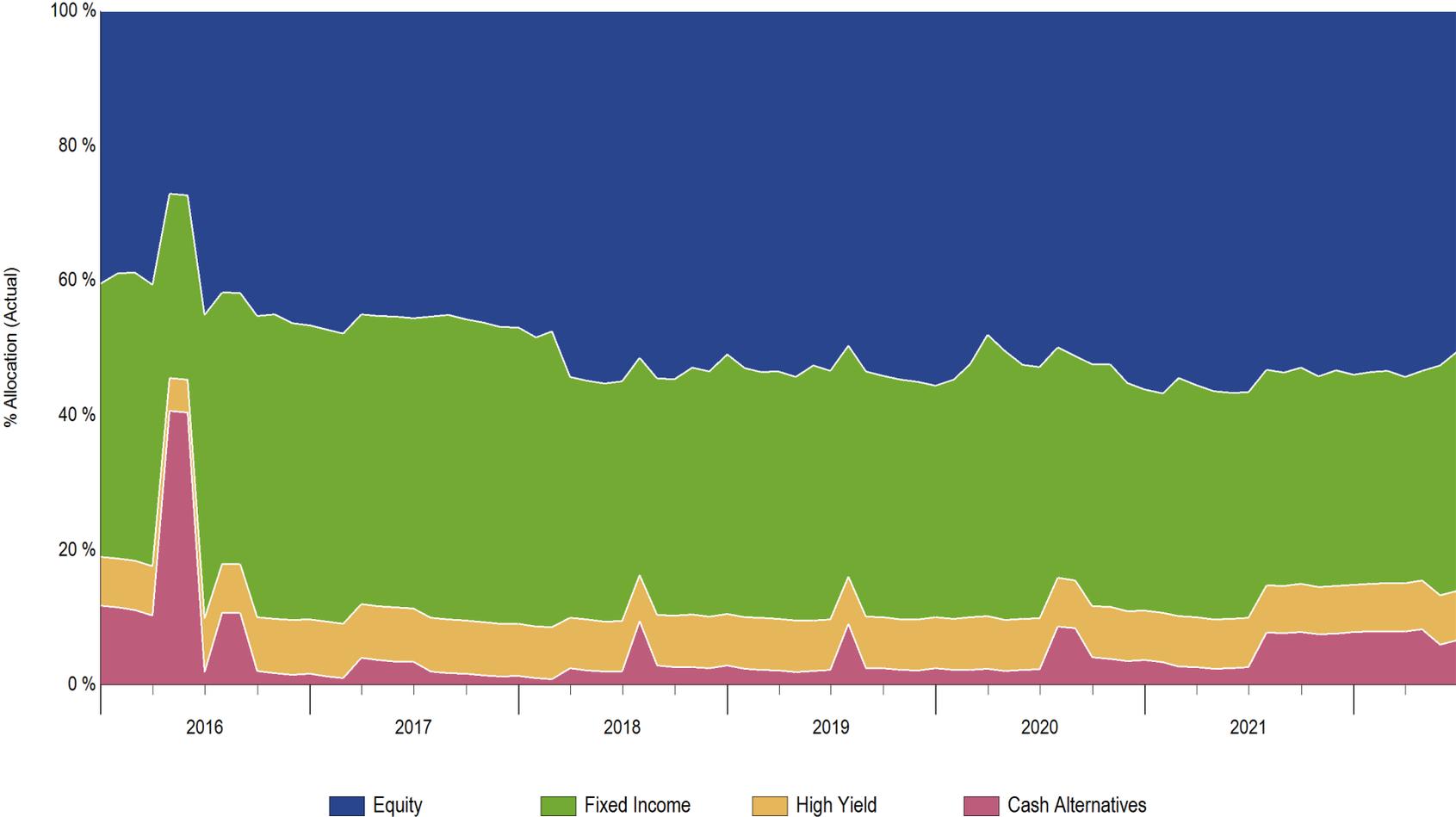


Asset Allocation vs. Target  
As Of June 30, 2022

	Policy Range	Policy	%	Current	%	Difference*	%
US Equity	30.0% - 60.0%	\$747,741	55.0%	\$687,127	50.5%	-\$60,615	-4.5%
US Fixed Income	40.0% - 65.0%	\$577,800	42.5%	\$582,387	42.8%	\$4,587	0.3%
Cash	0.0% - 10.0%	\$33,988	2.5%	\$90,015	6.6%	\$56,027	4.1%
<b>Total</b>		<b>\$1,359,529</b>	<b>100.0%</b>	<b>\$1,359,529</b>	<b>100.0%</b>		

\*Difference between Policy and Current Allocation

Asset Allocation History  
6 Years 6 Months Ending June 30, 2022



# **Investment Analysis**

*Total Plan*

## Investment Performance Analysis

As of June 30, 2022

**Manager Roster**  
As of June 30, 2022

	Account Type	Benchmark	Universe	Market Value	Allocation	Inception
Alerian MLP	Equity	Alerian MLP Index		\$67,453	5.0%	12/1/2015
Cash Alternatives	Cash	FTSE T-Bill 3 Months TR		\$90,015	6.6%	12/1/2015
Fixed Income	US Fixed Income Investment Grade	Bloomberg US Aggregate TR	Intermediate Core Bond MStar MF	\$483,183	35.5%	12/1/2015
High Yield	US Fixed Income High Yield	High Yield Bond Blended Benchmark	High Yield Bond MStar MF	\$99,204	7.3%	12/1/2015
iShares Dow Jones US Real Estate	Equity	iShares U.S. Real Estate Benchmark	Real Estate MStar MF	\$44,242	3.3%	12/1/2015
iShares MSCI EAFE	Equity	MSCI EAFE	Foreign Large Blend MStar MF	\$147,351	10.8%	12/1/2015
iShares MSCI Emerging Mkts	Equity	MSCI Emerging Markets	Diversified Emerging Mkts MStar MF	\$93,994	6.9%	12/1/2015
iShares Russell 2000	Equity	Russell 2000	Small Blend MStar MF	\$61,647	4.5%	12/1/2015
iShares S&P 500	Equity	S&P 500	Large Blend MStar MF	\$200,950	14.8%	12/1/2015
iShares S&P MidCap 400	Equity	S&P 400 MidCap	Mid-Cap Blend MStar MF	\$71,489	5.3%	12/1/2015
<b>Total</b>		<b>Branford Volunteer Fire Incentive Plan Policy</b>		<b>\$1,359,529</b>	<b>100.0%</b>	<b>12/1/2015</b>

**Town of Branford Volunteer Fire Incentive Plan  
Equity Positions  
As of June 30, 2022**

Holding	Market Value	% of Equity Portfolio
Cash & Cash Equivalents	\$90,015.38	11.58%
ISHARES S&P 500	\$200,949.50	25.86%
ISHARES S&P MIDCAP 400	\$71,488.68	9.20%
ISHARES Russell 2000	\$61,647.04	7.93%
ISHARES MSCI EAFE Index Fund	\$147,351.42	18.96%
ISHARES MSCI Emerging Markets	\$93,994.40	12.09%
ISHARES Dow Jones US Real Estate	\$44,242.38	5.69%
Alerian MLP	\$67,453.10	8.68%
	<b>\$777,141.90</b>	<b>100.00%</b>

**Town of Branford Volunteer Fire Incentive Plan**  
**Fixed Income Positions**  
**As of June 30, 2022**

Holding	Market Value	% of Fixed Income Portfolio
ISHARES Core US Aggregate Bond	\$483,183.36	100.00%
	\$483,183.36	100.00%

**Town of Branford Volunteer Fire Incentive Plan  
High Yield Positions  
As of June 30, 2022**

Holding	Market Value	% of High Yield Portfolio
MainStay MacKay High Yield Corp Bd	\$99,204.12	100.00%
	\$99,204.12	100.00%

## Historical Policy

---

12/1/2015 to 3/31/2018	44.90	Barclays Aggregate
	14.10	S&P 500
	8.00	Barclays High Yield Very Liquid
	7.00	Russell 2000
	6.00	MSCI Emerging Market (Net)
	5.00	S&P 400 Mid Cap
	5.00	MSCI EAFE (Net)
	5.00	Alerian MLP Index
	3.00	Dow USA Real Estate
	2.00	Citigroup Treasury Bill-3 Month
	4/1/2018 to 5/31/2019	35.00
14.50		S&P 500
12.50		MSCI EAFE (Net)
8.50		MSCI Emerging Market (Net)
7.50		Barclays High Yield Very Liquid
5.50		Russell 2000
5.50		S&P 400 Mid Cap
5.25		Alerian MLP Index
3.25		Dow USA Real Estate
2.50		Citigroup Treasury Bill-3 Month
6/1/2019 to 1/31/2021		35.00
	14.50	S&P 500
	12.50	MSCI EAFE (Net)
	8.50	MSCI Emerging Market (Net)
	7.50	BofAML US High Yield Constrained
	5.50	Russell 2000
	5.50	S&P 400 Mid Cap
	5.25	Alerian MLP Index
	3.25	Dow USA Real Estate
	2.50	Citigroup Treasury Bill-3 Month
	2/1/2021 to Present	35.00
14.50		S&P 500
12.50		MSCI EAFE (Net)
8.50		MSCI Emerging Market (Net)
7.50		BofAML US High Yield Constrained
5.50		Russell 2000
5.50		S&P 400 Mid Cap
5.25		Alerian MLP Index
3.25		Dow USA Real Estate Capped
2.50		Citigroup Treasury Bill-3 Month

# Definitions

**Accrued** – Usually associated with interest or income, as in accrued interest; interest owed by the issuer but not yet paid.

**Allocation Effect** – In attribution analysis, this examines the gain or loss achieved from over or under weighting a manager versus its targeted allocation.

**Alpha** – Value that is added by the manager, or the non-systematic return; the excess portfolio return compared to the risk-adjusted benchmark. A positive alpha implies the manager has added value to the return over that of the market.

**Alpha-Jensen** – A version of alpha that utilizes risk-adjusted manager returns in its calculation.

**Attribution Analysis** – A tool to separate and examine the different sources of gain or loss from an overall investment policy and targeted asset allocation.

**Batting Average** – Measure of a fund or manager's ability to beat the market consistently. It is calculated by dividing the number of quarters in which the fund or manager outperformed its benchmark by the number of quarters in the analysis.

**Best Quarter** – The largest single quarterly return which occurred during the specified time period.

**Beta** – Measures the systematic risk, or the return that is attributable to market movements. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels.

**Consumer Discretionary** – Sector classification of companies that produce goods that are not necessities, like automobiles, high-end clothing, hotels, and restaurants.

**Consumer Staples** – Sector classification of companies that produce necessities like food/beverage and household products.

**Correlation Coefficient** – Statistical measure of the degree to which the movements of two variables are related. A correlation of 1.0 indicates a perfect positive correlation; 0.0 indicates a random relationship; -1.0 indicates perfect negative correlation.

**Credit Risk** – A measure of the default risk on amounts due from policyholder or creditors.

**Current Yield** – A bond's coupon rate divided by the bond's current price.

**Dividend Yield** – The current dividend per share of a stock divided by its current price per share.

**Dollar/Money Weighted Rate of Return** – Measure of portfolio returns that includes the impact from cash flows.

**Down Market** – A quarter in which the market return is negative.

**Downside Deviation** – Standard deviation of negative returns only.

**Duration** – A measure of a bond's price volatility relative to a change in the general level of interest rates, measured in years. In general, bonds with longer durations have greater sensitivity to interest rates and vice-versa.

**Earnings Per Share (EPS)** – The portion of a company's profit allocated to each outstanding share of common stock.

**Earnings Per Share Growth Rate** – The rate at which the earnings per share grows over various time periods.

**Energy** – Sector classification of companies that relate to producing or supplying energy.

**Excess Return over Market/Risk** – Annualized excess return achieved by the manager divided by annualized standard deviation.

**Financials** – Sector classification of companies that provide banking, investment, and real estate services to commercial and retail customers.

**Health Care** – Sector classification of companies that provide health related services or products.

**Information Ratio** – Measures the consistency of out-performance. Excess return divided by Standard deviation of excess return.

**Information Technology** – Sector classification of companies that are involved in the development, installation, and implementation of computer systems and applications.

**Industrials** – Sector classification of companies that manufacture or distribute goods.

**Manager Effect** – In attribution analysis, this examines the difference between a manager's returns versus his or her respective benchmark.

# Definitions

- Materials** – Sector classification of companies that are involved in the discovery, development, and processing of raw materials.
- Maturity** – Date when the principal or stated value of a fixed income security becomes due and payable in full to the bondholder.
- Policy Allocation** – Targeted allocation across various asset classes and/or managers.
- Price to Book Ratio (P/B)** – The current price of a stock divided by its book value per share.
- Price to Earnings Ratio (P/E)** – The current price of a stock divided by its earnings per share.
- Quality Rating** – Bond issuer's credit quality, or its ability to meet future contractual obligations. (Moody's and S&P's)
- R-Squared** – Measure of how closely related are the variance of a manager's returns to the variance of the benchmark's returns.
- Range** – The difference between the Best Quarter and the Worst Quarter returns.
- Return on Equity (ROE)** – Equity (net worth) at the beginning of an accounting period divided into net income for the period.
- Return/Risk Comparison** – Analysis that exhibits the rate of return in relation to the volatility of those returns as measured by the annualized standard deviation of quarterly returns.
- Risk Free** – The equivalent of an investment with little to no risk of market loss, typically defined as short term Treasury bills.
- Sharpe Ratio** – This measures excess return per unit of risk. A higher ratio means the manager is achieving higher return for the risk.
- Sortino Ratio** – Similar to Sharpe Ratio, this measures excess return per unit of downside risk.
- Standard Deviation** – A statistical measure of portfolio risk, it measures the volatility of a fund's returns compared to the average return of the fund. It reflects the average deviation of the observations from their sample mean.
- Telecommunication Service** – Sector classification of companies that provide communication technology related services or products.
- Time-Weighted Rate of Return** – Minimizes the impact of cash flows on rate of return calculations.
- Total Return** – For bonds, the sum of interest and principal payments as well as any reinvestment income received over a holding or measurement period, plus any capital gain or loss if the bond is sold at the end of the period.
- Tracking Error** – How closely a fund or manager's returns track the returns of a benchmark.; the annualized standard deviation of the differences between the fund or manager's return and the benchmark's return.
- Transportation** – Sector classification of companies that provide transportation related services or products.
- Treynor Ratio** – Risk is measured using Beta, which is an index dependent measure; relates the difference between the fund return and the risk-free rate to the fund beta for a given time period.
- Universe** – A broadly defined group of investment managers. For example, a group of equity investment managers.
- Up Market** – A quarter in which the market return is positive.
- Upside Deviation** – the standard deviation of positive returns only.
- Upside/Downside** – A graphical representation of up market and down market returns, measured as percentages versus benchmark.
- Utilities** – Sector classification of companies that own or operate facilities used in the generation, transmission, or distribution of electric energy.
- Worst Four Quarters** – Smallest return experienced over any four consecutive quarters, may not correspond with calendar years.
- Worst Quarter** – The worst single quarterly return which occurred during the specified time period.
- Yield** – The return to a bondholder who holds a bond until it matures.
- Yield to Maturity** – Internal rate of return on a bond bought at the current price and held to maturity. This assumes that coupon income is reinvested at the yield to maturity.

# Disclosures

**DATA SOURCES:** The information found in this document was derived from one or more of the following sources: InvestorForce, Morningstar, custodial account statements, money managers.

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