

BARROW, HANLEY MEWHINNEY & STRAUSS
ESTIMATES PENSION FUNDED STATUS 83.3% AT 2Q17

Pension Funded Status Varies Significantly by Industry

Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), one of the nation's leading value-oriented investment managers, has estimated that corporate pension plan funded ratio rose to 83.3% as of June 30, 2017, from 81.3% as of year-end 2016. We estimate that pension assets had a 6.9% return for the first half of the year while liabilities were only up 3.3%, resulting in improved funded ratios.

Industry Differences

Moreover, funded status varies significantly by industry. Although people tend to focus on the headline average, funded ratios have good reason to be different from one industry to the next.

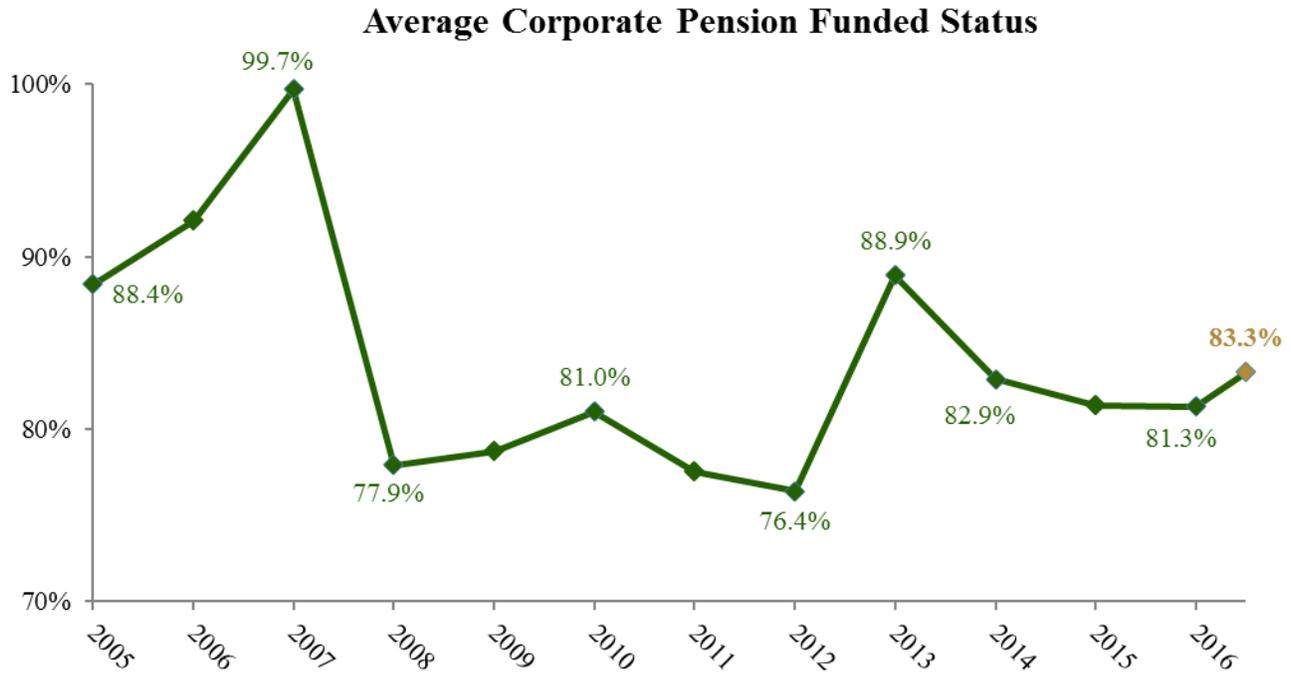
For example, solvency rules require banks to reduce their reported capital by the amount that pensions are underfunded. It is natural then that plans sponsored by Banks were among the best funded with an average funded status of 100.6%. By contrast, Airlines, have more lenient funding rules than other corporate pension sponsors and not surprisingly they also have the lowest average funded status with an average funded ratio of just 67.0%.

Average funded status by business sector is shown below. Banks and Airlines are industry classifications within the Financials and Industrials sectors, respectively. Detail for each industry is available at www.barrowhanley.com.

BHMS Pension Funded Status Analysis	
Business Sector/ <i>Industry</i>	June 30, 2017
Overall	83.3%
Financials	92.8%
<i>Banks</i>	100.6%
Industrials	83.1%
<i>Airlines</i>	67.0%
Consumer Discretionary	82.1%
Information Technology	81.3%
Materials	81.1%
Consumer Staples	81.1%
Utilities	80.3%
Health Care	80.1%
Telecommunications	80.1%
Energy	79.5%

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Barrow Hanley has estimated the funded status of corporate pension plans sponsored by companies in the Russell 3000 using information disclosed in SEC Form 10-K and returns for asset class indices for each year-end since 2005. At June 30, 2017, the average funded status had continued the climb that began at year-end 2016 but was still below the recent high of 88.9% at year-end 2013.



Asset allocation averages and the index returns used are shown in the table below.

Asset Class	Index	Allocation
US Equity	Russell 3000	30%
Long Bonds	Barclays Long Government/Credit	30%
International Equity	MSCI EAFE USD	16%
Core Bonds	Barclays Aggregate	10%
Hedge Funds	HFRI Fund Weighted Composite	5%
Private Equity	S&P Listed Private Equity Index	4%
REITS	FTSE NAREIT Equity	3%
Commodities	Dow Jones UBS Commodity Index	2%

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Average Asset Allocation and YTD Returns			
Asset Class	Index	Allocation	YTD Return
Equities		43%	9.3%
	<i>65% Russell 3000</i>		<i>8.9%</i>
	<i>35% MSCI EAFE</i>		<i>10.1%</i>
Bonds		38%	5.1%
	<i>75% Barclays Long Gov/Credit</i>		<i>6.0%</i>
	<i>25% Barclays Aggregate</i>		<i>2.3%</i>
Real Estate	<i>FTSE NAREIT Equity</i>	2%	4.9%
Other (Alternatives)		14%	6.4%
	<i>45% HFRI Fund Weighted Composite</i>		<i>3.3%</i>
	<i>35% S&P Listed Private Equity Index</i>		<i>17.2%</i>
	<i>20% Dow Jones UBS Commodity Index</i>		<i>-5.3%</i>
Cash		3%	0.0%
Total			6.9%

About Barrow, Hanley, Mewhinney & Strauss

Founded in 1979 in Dallas, Texas, Barrow Hanley is a Delaware limited liability company and SEC-registered investment adviser. Barrow Hanley is considered one of the most respected value-oriented asset managers in the country, providing investment strategies to institutional investors, mutual funds, and family offices. Barrow Hanley has been managing long duration bond portfolios for corporate pensions for more than 26 years. As of March 31, 2017, the firm had \$91 billion in assets under management. To learn more, visit www.barrowhanley.com.

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Scott is the Co-head of Fixed Income at Barrow Hanley (BHMS) and the lead Portfolio Manager responsible for Long Duration strategies. He joined BHMS in 1995. He is also a generalist in investment grade fixed income credit research. He is a member of the CFA Institute and the CFA Society of Dallas-Fort Worth.

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Bloomberg Barclays Long Gov/Credit Bond Index is an index of bonds with maturities greater than 10 years and is comprised of U.S. Treasury, U.S. Corporate and Non-Corporate Credit bonds that are dollar-denominated. It is maintained by Bloomberg LP.

Bloomberg Barclays Capital Aggregate Bond Index is a broad-based index and is often used to represent the universe of investment grade bonds being traded in United States. It is maintained by Bloomberg LP.

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