

BARROW, HANLEY, MEWHINNEY & STRAUSS
ESTIMATES PENSION FUNDED STATUS 89.2% AT 1Q19

Pension Funded Status Increases in Q1

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 89.2% as of March 31, 2019, from 84.2% as of December 31, 2018. Asset gains drove the increase in funded ratio. Several plan sponsors reported making volunteer contributions; these also increased the average funded ratio. Liabilities rose during the quarter, partially offsetting these funded ratio gains.

Industry Differences

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.

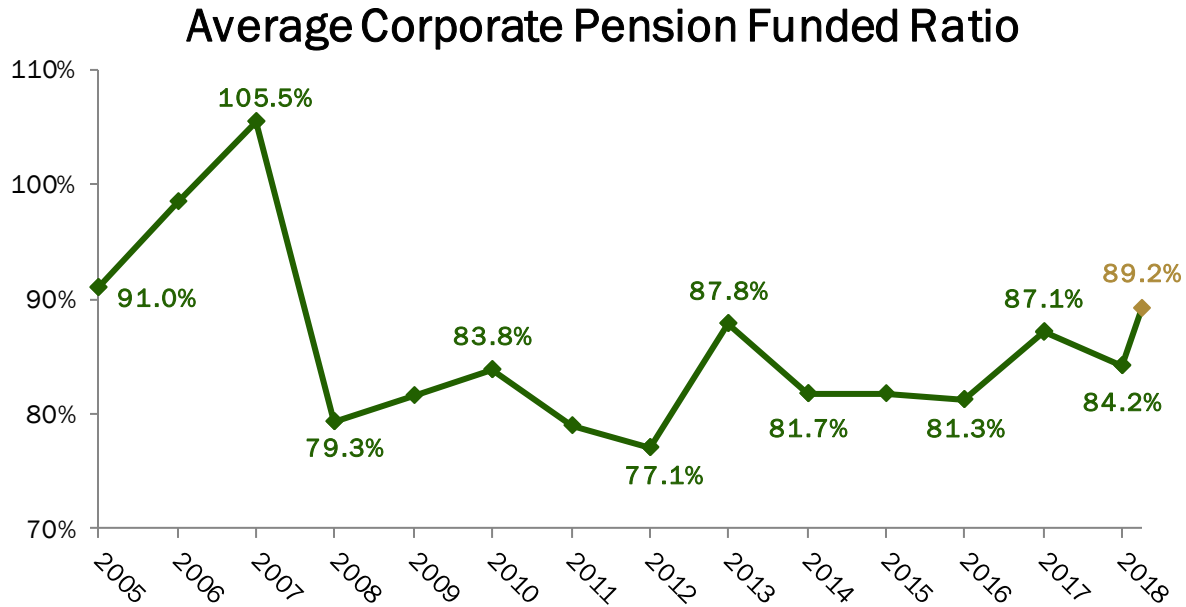
For example, solvency rules require banks to reduce their reported capital by the amount that pensions are underfunded. It is natural then that plans sponsored by Banks were among the best funded with an average funded ratio of 109.2%. By contrast, Airlines, have more lenient funding rules than other corporate pension sponsors and not surprisingly they also have one of the lowest average funded ratios at just 75.7%.

Average funded ratio 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 Ratio Analysis	
Business Sector/ <i>Industry</i>	March 31, 2019
Overall	89.2%
Financials	102.4%
<i>Banks</i>	109.2%
Energy	89.6%
Consumer Discretionary	88.7%
Consumer Staples	87.7%
Real Estate	87.6%
Industrials	87.5%
<i>Airlines</i>	75.7%
Materials	86.6%
Information Technology	86.0%
Utilities	85.6%
Health Care	85.0%
Communication Services	80.8%

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Barrow Hanley has estimated the funded ratios 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 March 31, 2019, the average funded ratio exceeded the recent high achieved at year-end 2013.



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

Asset Class	Index	Allocation
Long Bonds	Barclays Long Government/Credit	29%
US Equity	Russell 3000	28%
International Equity	MSCI EAFE USD	15%
Core Bonds	Barclays Aggregate	10%
Hedge Funds	HFRI Fund Weighted Composite	6%
Private Equity	S&P Listed Private Equity Index	5%
Commodities	Dow Jones UBS Commodity Index	3%
Cash		3%
REITS	FTSE NAREIT Equity	2%

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Average Asset Allocation and 1Q19 Returns			
Asset Class	Index	Allocation	Q1 Return
Equities		43%	12.6%
	65% <i>Russell 3000</i>		14.0%
	35% <i>MSCI EAFE</i>		10.0%
Bonds		38%	5.6%
	75% <i>Barclays Long Gov/Credit</i>		6.5%
	25% <i>Barclays Aggregate</i>		2.9%
Real Estate	<i>FTSE NAREIT Equity</i>	2%	17.2%
Other (Alternatives)		14%	9.3%
	45% <i>HFRI Fund Weighted Composite</i>		4.9%
	35% <i>S&P Listed Private Equity Index</i>		16.5%
	20% <i>Dow Jones UBS Commodity Index</i>		6.3%
Cash		3%	0.6%
Total			9.2%

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 29 years. As of December 31, 2018, the firm had \$71.9 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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Jeff is an investment actuary facilitating Liability Driven Investing (LDI) solutions for the firm's fixed income clients. Jeff joined Barrow Hanley in 2014. He is a member of the CFA Institute and the CFA Society of Dallas-Fort Worth, a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA and the Chair of the Continuing Education Committee of the Investment Section of the Society of Actuaries.

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This has been prepared using commonly available asset class indices. Each of these is the property of their respective owners as disclosed below. None of these organizations is affiliated with Barrow Hanley.

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 Finance LP.

Bloomberg Barclays U.S. 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 Finance LP.

Bloomberg Commodity Index aims to provide broadly diversified representation of commodity markets as an asset class. It is made up of exchange-traded futures on physical commodities, each of which are weighted to account for economic significance and market liquidity. It is maintained by Bloomberg Finance LP.

FTSE Russell NAREIT Equity Index is an index that contains all equity REITs not designated as timber REITs or infrastructure REITs and is a copyright of the London Stock Exchange Group, PLC.

HFRI Fund Weighted Composite Index is an equal-weighted index of over 2,000 single-manager funds that report performance to Hedge Funds Research (HFR). Constituent funds report monthly net of all fees performance and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. It excludes Funds of Hedge Funds. It is a trademark of Hedge Fund Research, Inc.

MSCI EAFE Index is a market capitalization weighted stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is a copyright of MSCI Inc.

FTSE Russell 3000 Index is a capitalization-weighted stock market index that represents the performance of the 3,000 largest (based on market capitalization) publicly held companies incorporated in the U.S. It represents approximately 98% of the U.S. public equity market. It is a copyright of the London Stock Exchange Group, PLC.

S&P Listed Private Equity Index comprises the leading listed private equity companies that meet specific size, liquidity, exposure, and activity requirements. The index is designed to provide tradable exposure to the leading publicly-listed companies that are active in the private equity space. It is a copyright of the S&P Dow Jones Indices LLC, a division of S&P Global Inc.