1Q2018

ECONOMIC REVIEW

ECONOMIC REVIEW AND MARKET COMMENTARY

➢ *An Unexpected Quarter*

- Driven by a strong jobs report and the highest level of hourly earnings since June 2009, inflation expectations surged. January year-over-year average hourly earnings rose 2.9%. The S&P 500 fell about 9.6% in the week that followed, and the U.S. 10-year Treasury reached a four year high of 2.95% at the end of February. A downward earnings revision and subsequent data forced reconsideration, but other factors continued to adversely impact financial markets for the rest of the quarter.
- On February 8, Congress approved and the President signed a budget agreement that would raise the U.S. debt ceiling and increase government spending by $300 billion. This expansion of government spending fueled concerns about higher U.S. debt at a time when the Fed is raising rates and selling holdings from their balance sheet. The CBO projected debt will rise to 100% of GDP by 2028, when 2017 tax cuts were also factored into their analysis.
- This information resulted in a broad consensus that the Fed would have to accelerate the timing of interest rate increases to accommodate these expansionary policies. The 25-basis point increase in the Fed Funds rate in March was expected. However, financial markets took note that the FOMC did not alter their projections for a total of three interest rate increases in 2018 but raised forecasts for economic growth and added a third, projected rate hike in 2019.
- Adding to financial market volatility during the quarter, the Trump administration levied a 25% tariff on steel from select countries, to force new trade pacts. The administration also imposed up to $60 billion in annual tariffs on Chinese imports, particularly in technology, to address trade practices. In response, China suggested imposing a retaliatory $3 billion in tariffs.
- Facebook and other tech companies that collect user data came under intense scrutiny following a revelation this data was sold for political purposes during both the U.S. presidential election and the Brexit vote. Adding to tech industries woes, a fatal crash involving a self-driving car and the President's comments about Amazon's tax policy led to concerns about increased government regulation over technology companies.
- Given the barrage of news and volatility in the stock market, consumer spending was lower and resulted in a first quarter GDP (+2.3%) that was off from the previous three quarters. However, inventory building and business/service sector spending were positive contributors to the quarter's growth.

➢ *Looking Past Economic Data, Financial Markets had the Worst Quarter since 2015*

- First quarter economic data, both in the U.S. and abroad, was supportive of continuing global economic growth:
  - Manufacturing and service sector data showed that output and new orders were still robust, as was industrial production (especially mining).
  - Hiring remained firm as non-farm payroll additions averaged about 200,000 a month (although distributed unevenly in the quarter).
  - Unemployment held at 4.1%, and inflation remained subdued (core CPI was 2.1% year over year in March).
  - Small business optimism was still elevated at highest levels since the recession.
  - Consumer sentiment in March reached a 14-year high, but consumer spending and retail sales declined during the quarter.
  - Broad measures of EU business activity remained elevated, although marginally lower than the previous quarter. Industrial production was surprisingly weak and possibly weather-related. In Japan, business activity was good, but retail sales and household spending deteriorated.
  - China GDP held at 6.8% for the third quarter in a row, due to high consumer spending and strong export data.
- Geopolitical risk lessened as North Korea proposed discussions with both the U.S. and South Korea. Brexit negotiations are slowly moving forward. In March an agreement was reached to smooth the transitioning process post-March 2019.
- Production caps (OPEC and other oil producing nations) supported WTI crude oil prices, which ended the quarter about 8.0% higher (around $65/barrel). As a result, the S&P GSCI index was the best performing asset class over the first quarter (+2.19%), followed by emerging markets (especially Russia and Brazil).
- Most domestic and developed international equity markets were negative over the quarter; stock prices of global companies were adversely impacted by the trade disagreements, tariffs, and fears of rising inflation. The S&P 500 index was down 0.76%, and the MSCI EAFE was down 1.53% over the quarter.

- Regardless of concerns in the tech industry, the Technology sector was the strongest for the quarter, followed by Consumer Cyclicals. Interest rate sensitive sectors, such as Utilities and Real Estate suffered losses.
- Anxiety about central bank monetary policy and inflation in a resource constrained world drove U.S. interest rates higher and flattened the yield curve. Fixed income markets were all negative due to the general trend in interest rates.

➢ *Outlook and Expectations for 2018 and Beyond*

- Although first quarter GDP was below levels seen for most of 2017, most analysts expect economic activity to pick up in the near term. Some of the drivers include:
  - Business and individual tax cuts continue to support business investment and consumer spending, although some of the benefits will flow to savings.
  - Fed policy is still accommodative and the pace of rate increases is expected to be measured. The Fed has projected two additional increases this year.
  - Global growth is favorable, and in conjunction with tax cuts, corporate earnings and profits are expected to grow through 2018.
  - Global monetary policy is still supporting economic growth. The IMF forecasts global GDP to be 3.9% in 2018, with U.S. GDP about 2.9%. Contributing factors are robust growth from emerging markets, especially commodity exporters, and continued economic improvements in the EU.
- Beyond 2018, the increase in government spending and the rising budget deficit that will result from the Budget Act of 2018 will push the U.S. Debt/GDP ratio close to 100% by 2028, according to the Congressional Budget Office (CBO). This analysis included the 2017 Tax Act that reduced corporate and personal income taxes. While GDP is forecasted to be 3.3% for 2018, the impact of higher interest rates and potential price and wage inflation (due to further reductions in unemployment) could drive annual GDP to around 1.8% in 2020 according to the CBO.
- The Federal Reserve also forecast long term GDP to be 1.8-2.0% beyond 2020, due to concerns about the outlook under expansionary fiscal policies, a tighter labor/resource market, and higher inflation.

Forecast for U.S. Economic Outlook

	First Quarter, 2018	Second Quarter, 2018	Year End, 2018
U.S. GDP	2.1%	3.2%	2.8%
Unemployment	-	4.0%	3.8%
CPI	-	2.6%	2.3%
Fed Funds	1.50-1.75%	-	2.00-2.25%

Source: The Wall Street Journal, April 1, 2018; survey average of 76 economists

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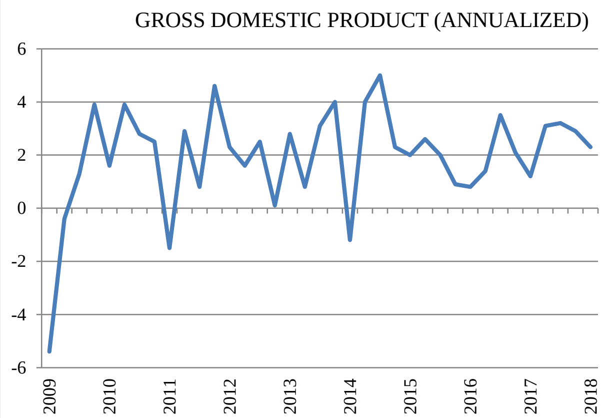
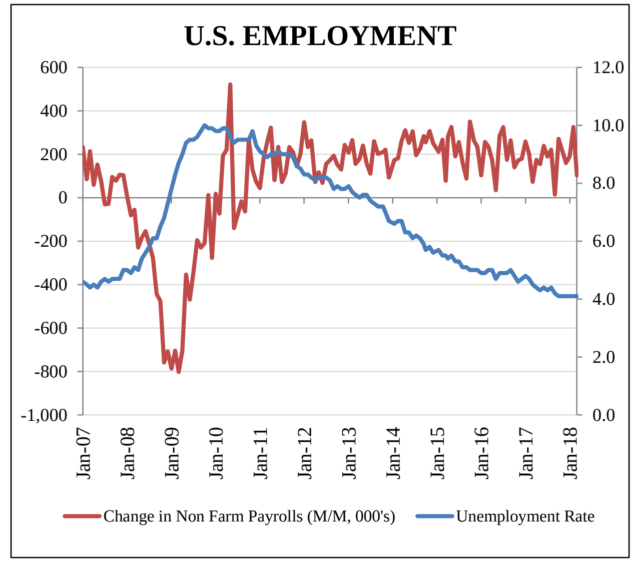
Seasonally Adjusted Rate: Percent Changed from Preceding Period	Annual			Trailing Four Quarters			
	2015	2016	2017	2Q17	3Q17	4Q17	1Q18
GDP	2.6	1.5	2.3	3.1	3.2	2.9	2.3



Source: Bureau of Economic Affairs

Source: United States Department of Labor



Source: United States Department of Labor

Economic Growth

Economic growth remained steady in the first quarter. January's stronger than expected +0.5% increase in CPI was offset in the following months, where inflation ended the quarter at a +2.4% annualized rate. Steel prices, rising ahead of impending tariffs, also contributed to a modest increase in core inflation. During the quarter, average hourly earnings rose about 2.7% year over year, which is expected to contribute to inflation over the balance of the year, but in a controlled manner. Business activity in manufacturing and service sectors exceeded levels seen in the 4th quarter, although business spending slowed marginally. Housing construction was particularly strong at the end of the quarter, as housing sales also showed renewed strength. Consumer confidence and sentiment remained high due to tax cuts and higher take home pay, and the unemployment rate held at 4.1%. However, retail sales were softer on the quarter, as was consumer spending, which factored into the preliminary estimate for first quarter GDP (2.3%).

Policy

The FOMC, under new Chairman Jerome Powell, raised the Fed Funds target range to 1.50-1.75% in March, referencing continued improvement in the labor market and a stronger economic outlook in light of expansion in fiscal policy. The Fed's projections indicated three rate hikes in 2018, but increased expectations of an additional hike in 2019. They also increased projections for economic growth (2.7% in 2018) but left their forecast for core inflation at 1.9% for 2018. The Fed projected core inflation rising to their 2.0% target in 2019.

Markets

Equity markets continued to perform well (S&P 500 +6.6%), as the Tax Cuts and Jobs Act (TCJA) was passed in December. Expectations of increased capital investment and benefits derived from repatriated earnings supported expectations for earnings growth. Emerging markets were the best performing equity asset classes during the quarter (MSCI EM +7.4%), due in part to stable China growth, improved relations between North and South Korea, and the weaker dollar. Developed international equities rose 4.2% (MSCI EAFE) during the quarter because of better reported consumer confidence and economic performance (especially manufacturing output across most regions), despite the lack of progress with Brexit negotiations. Commodity indices were also one of the better performing asset classes as oil prices rose about 17% due to growing demand derived from higher global growth (which also supported industrial metals) and the extension of OPEC/Russia production cuts through the end of 2018. Corporate bonds were the best performing fixed income sector, as higher short-term rates were offset by tighter credit spreads and a flattening yield curve.

1Q2018

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

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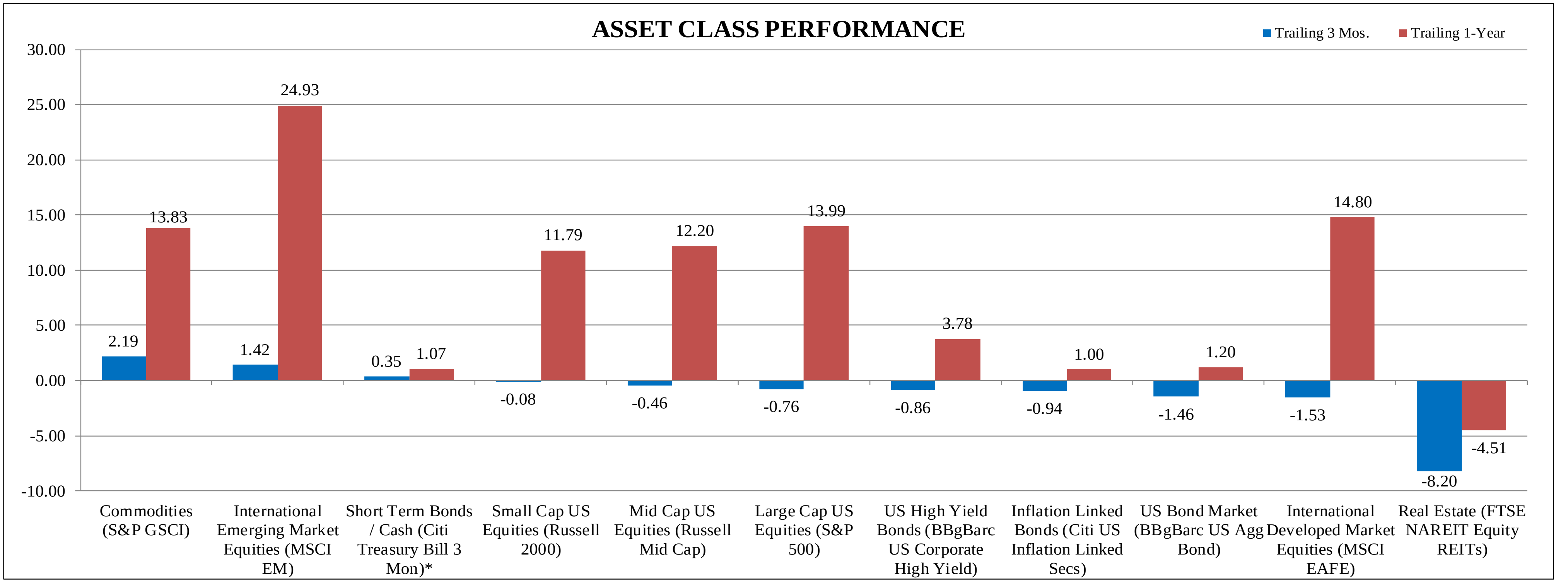

Factors Impacting Market Performance in the First Quarter, 2018:

- Higher oil prices from increasing global demand and production caps caused the S&P GSCI index to be the best performing asset class over the first quarter.
- Emerging markets also held onto gains as higher oil prices supported Russian equities and favorable political news boosted Brazil's share prices.
- Domestic equity markets were negative over the quarter. Global, large cap stocks took the biggest hit as trade tariffs and the combined fears of a trade war, rising inflation, and growing U.S. debt factored into performance. The S&P 500 index has its first quarterly loss in almost three years.
- Most equity sectors declined; only technology (although vulnerable late in the quarter) and consumer discretionary sectors had a positive return. Growth shares outperformed value due to tech stock performance.
- Fears of retaliatory global trade wars also weighed on developed international markets, even with better economic data.
- Higher interest rates caused all fixed income market indices to close lower on the quarter, including TIPS, which reflected the reversal in inflation concerns at the end of the quarter.
- Future rate expectations and slowing real estate transactions contributed to a large decline in the FTSE NAREIT equity index.
- The big winner; long VIX contracts, as equity volatility jumped to levels not seen since early 2016.

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MARKET DATA

ECONOMIC REVIEW AND MARKET COMMENTARY

DOMESTIC EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Broad Market	DJ Industrial Average	-1.96	-1.96	19.39	13.48	13.32	9.86
	S&P 500	-0.76	-0.76	13.99	10.78	13.31	9.49
	NASDAQ Composite	2.59	2.59	20.76	14.27	18.07	13.23
	Wilshire 5000 Total Market	-0.76	-0.76	13.69	10.48	13.13	9.65
Large Cap	Russell 1000	-0.69	-0.69	13.98	10.39	13.17	9.61
	Russell 1000 Growth	1.42	1.42	21.25	12.90	15.53	11.34
	Russell 1000 Value	-2.83	-2.83	6.95	7.88	10.78	7.78
Mid Cap	Russell Mid Cap	-0.46	-0.46	12.20	8.01	12.09	10.21
	Russell Mid Cap Growth	2.17	2.17	19.74	9.17	13.31	10.61
	Russell Mid Cap Value	-2.50	-2.50	6.50	7.23	11.11	9.81
Small Cap	Russell 2000	-0.08	-0.08	11.79	8.39	11.47	9.84
	Russell 2000 Growth	2.30	2.30	18.63	8.77	12.90	10.95
	Russell 2000 Value	-2.64	-2.64	5.13	7.87	9.96	8.61

Source: Morningstar

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Developed	MSCI ACWI	-0.96	-0.96	14.85	8.12	9.20	5.57
	MSCI ACWI Ex USA	-1.18	-1.18	16.53	6.18	5.89	2.70
	MSCI EAFE	-1.53	-1.53	14.80	5.55	6.50	2.74
	MSCI EAFE Growth	-1.04	-1.04	17.51	6.73	7.14	3.44
	MSCI EAFE Value	-2.03	-2.03	12.19	4.30	5.78	1.97
	MSCI EAFE Small Cap	0.24	0.24	23.49	12.25	11.10	6.48
	MSCI Europe	-1.98	-1.98	14.49	4.79	6.37	2.06
	MSCI Europe Ex UK	-1.25	-1.25	15.51	5.46	7.50	1.89
	MSCI Pacific Free	-0.68	-0.68	15.78	7.26	6.84	4.32
	MSCI Pacific Free Ex Japan	-3.73	-3.73	8.43	5.07	3.25	4.61
	MSCI Japan	0.83	0.83	19.64	8.36	8.92	4.10
Emerging	MSCI EM	1.42	1.42	24.93	8.81	4.99	3.02
	MSCI BRIC	2.22	2.22	29.87	10.73	6.31	1.82
	MSCI EM Latin America	8.02	8.02	19.29	10.13	-1.87	-0.76
	MSCI EM Europe	2.06	2.06	21.34	8.91	-1.99	-4.00
	MSCI EM Asia	0.84	0.84	27.03	9.43	8.38	5.24

Source: Morningstar

FIXED INCOME

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
BBgBarc US Agg Bond	-1.46	-1.46	1.20	1.20	1.82	3.63
BBgBarc US Government	-1.15	-1.15	0.44	0.48	1.07	2.70
BBgBarc US Credit	-2.13	-2.13	2.59	2.16	2.83	5.15
BBgBarc US Govt/Credit Interm	-0.98	-0.98	0.35	0.94	1.25	2.92
BBgBarc US Govt/Credit Long	-3.58	-3.58	5.09	2.13	4.09	6.79
Citi US Inflation Linked Secs	-0.94	-0.94	1.00	1.28	0.11	3.00
BBgBarc EM USD Aggregate	-1.48	-1.48	3.18	5.05	3.87	6.83
BBgBarc ABS	-0.39	-0.39	0.62	1.18	1.20	3.12
BBgBarc US MBS	-1.19	-1.19	0.77	1.12	1.80	3.46
Citi Treasury Bill 3 Mon	0.35	0.35	1.07	0.49	0.31	0.31
BofAML 1-3Y US Trsy	-0.13	-0.13	0.03	0.40	0.52	1.13
BBgBarc US Corp Aaa	-3.11	-3.11	3.80	2.08	2.76	3.75
BBgBarc US Corp A	-2.57	-2.57	2.21	2.07	2.79	4.85
BBgBarc US Corp Baa	-2.15	-2.15	3.26	2.59	3.38	6.42
BBgBarc US Corporate High Yield	-0.86	-0.86	3.78	5.17	4.99	8.27
BBgBarc US HY Caa	0.30	0.30	5.78	7.83	6.36	8.49

Source: Morningstar

STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Median Taxable Money Market Fund	0.25	0.25	0.68	0.25	0.15	0.21
Median Stable Value Fund	0.52	0.52	2.03	1.86	1.81	2.41
Consumer Price Index	0.77	0.77	1.96	1.73	1.32	1.53

Source: PEI

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REITs	-8.20	-8.20	-4.51	1.08	5.92	6.37
Bloomberg Commodity	-0.40	-0.40	3.71	-3.21	-8.32	-7.71
S&P GSCI	2.19	2.19	13.83	-4.15	-11.88	-10.82

Source: Morningstar

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1Q2018

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of March 31, 2018

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Trailing 3-Year	Trailing 5-Year	Trailing 10-Year
MSCI Emerging Markets 55.82%	NAREIT - Equity REIT 31.58%	MSCI Emerging Markets 34.00%	NAREIT - Equity REIT 35.06%	MSCI Emerging Markets 39.42%	BarCap Aggregate 5.24%	MSCI Emerging Markets 78.51%	NAREIT - Equity REIT 27.96%	Citi US Inflation-Linked 14.01%	MSCI Emerging Markets 18.22%	Russell 2000 38.82%	NAREIT - Equity REIT 30.14%	NAREIT - Equity REIT 3.20%	Russell 2000 21.31%	MSCI Emerging Markets 37.28%	S&P 500 10.78%	S&P 500 13.31%	Russell Mid Cap 10.21%
Russell 2000 47.25%	MSCI Emerging Markets 25.55%	S&P GSCI Commodity 25.55%	MSCI Emerging Markets 32.14%	S&P GSCI Commodity 32.67%	Citi 3 Month T-Bill 1.80%	BarCap US High Yield 58.21%	Russell 2000 26.85%	NAREIT - Equity REIT 8.29%	NAREIT - Equity REIT 18.06%	Russell Mid Cap 34.76%	S&P 500 13.69%	S&P 500 1.38%	BarCap US High Yield 17.13%	MSCI EAFE 25.03%	MSCI Emerging Markets 8.81%	Russell Mid Cap 12.09%	Russell 2000 9.84%
Russell Mid Cap 40.06%	MSCI EAFE 20.25%	MSCI EAFE 13.54%	MSCI EAFE 26.34%	Citi US Inflation-Linked 11.60%	Citi US Inflation-Linked -1.17%	Russell Mid Cap 40.48%	Russell Mid Cap 25.48%	BarCap Aggregate 7.84%	MSCI EAFE 17.32%	S&P 500 32.39%	Russell Mid Cap 13.22%	BarCap Aggregate 0.55%	Russell Mid Cap 13.80%	S&P 500 21.83%	Russell 2000 8.39%	Russell 2000 11.47%	S&P 500 9.49%
MSCI EAFE 38.59%	Russell Mid Cap 20.22%	Russell Mid Cap 12.65%	Russell 2000 18.37%	MSCI EAFE 11.17%	BarCap US High Yield -26.16%	MSCI EAFE 31.78%	MSCI Emerging Markets 18.88%	BarCap US High Yield 4.98%	Russell Mid Cap 17.28%	MSCI EAFE 22.78%	BarCap Aggregate 5.97%	Citi 3 Month T-Bill 0.03%	S&P 500 11.96%	Russell Mid Cap 18.52%	Russell Mid Cap 8.01%	MSCI EAFE 6.50%	BBgBarc US Corporate High Yield 8.27%
NAREIT - Equity REIT 37.13%	Russell 2000 18.33%	NAREIT - Equity REIT 12.16%	S&P 500 15.79%	BarCap Aggregate 6.97%	Russell 2000 -33.79%	NAREIT - Equity REIT 27.99%	BarCap US High Yield 15.12%	S&P 500 2.11%	Russell 2000 16.35%	BarCap US High Yield 7.44%	Russell 2000 4.89%	MSCI EAFE -0.81%	S&P GSCI Commodity 11.37%	Russell 2000 14.65%	MSCI EAFE 5.55%	NAREIT Equity REITs 5.92%	NAREIT Equity REIT 6.37%
BarCap US High Yield 28.97%	S&P GSCI Commodity 17.28%	S&P 500 4.91%	Russell Mid Cap 15.26%	Russell Mid Cap 5.60%	S&P 500 -37.00%	Russell 2000 27.17%	S&P 500 15.06%	Citi 3 Month T-Bill 0.08%	S&P 500 16.00%	NAREIT - Equity REIT 2.47%	Citi US Inflation-Linked 4.55%	Citi US Inflation-Linked -1.73%	MSCI Emerging Markets 11.19%	BarCap US High Yield 7.50%	BBgBarc US Corporate High Yield 5.17%	BBgBarc US Corporate High Yield 4.99%	BBgBarc US Agg Bond 3.63%
S&P 500 28.68%	BarCap US High Yield 11.13%	Russell 2000 4.55%	BarCap US High Yield 11.85%	S&P 500 5.49%	NAREIT - Equity REIT -37.73%	S&P 500 26.46%	S&P GSCI Commodity 9.03%	S&P GSCI Commodity -1.18%	BarCap US High Yield 15.81%	Citi 3 Month T-Bill 0.05%	BarCap US High Yield 2.45%	Russell Mid Cap -2.44%	NAREIT - Equity REIT 8.52%	S&P GSCI Commodity 5.77%	Citi US Inflation Linked Secs 1.28%	MSCI Emerging Markets 4.99%	MSCI Emerging Markets 3.02%
S&P GSCI Commodity 20.72%	S&P 500 10.88%	Citi 3 Month T-Bill 3.00%	Citi 3 Month T-Bill 4.76%	Citi 3 Month T-Bill 4.74%	Russell Mid Cap -41.46%	S&P GSCI Commodity 13.48%	MSCI EAFE 7.75%	Russell Mid Cap -1.55%	Citi US Inflation-Linked 7.18%	S&P GSCI Commodity -1.22%	Citi 3 Month T-Bill 0.03%	Russell 2000 -4.41%	Citi US Inflation-Linked 4.82%	NAREIT - Equity REIT 5.23%	BBgBarc US Agg Bond 1.20%	BBgBarc US Agg Bond 1.82%	Citi US Inflation Linked Secs 3.00%
Citi US Inflation-Linked 8.26%	Citi US Inflation-Linked 8.40%	Citi US Inflation-Linked 2.86%	BarCap Aggregate 4.33%	BarCap US High Yield 1.87%	MSCI EAFE -43.38%	Citi US Inflation-Linked 10.12%	BarCap Aggregate 6.54%	Russell 2000 -4.18%	BarCap Aggregate 4.21%	BarCap Aggregate -2.02%	MSCI Emerging Markets -2.19%	BarCap US High Yield -4.47%	BarCap Aggregate 2.65%	BarCap Aggregate 3.54%	NAREIT Equity REITs 1.08%	Citi Treasury Bill 3 Mon 0.31%	MSCI EAFE 2.74%
BarCap Aggregate 4.10%	BarCap Aggregate 4.34%	BarCap US High Yield 2.74%	Citi US Inflation-Linked 0.40%	Russell 2000 -1.57%	S&P GSCI Commodity -46.49%	BarCap Aggregate 5.93%	Citi US Inflation-Linked 6.46%	MSCI EAFE -12.14%	S&P GSCI Commodity 0.08%	MSCI Emerging Markets -2.60%	MSCI EAFE -4.90%	MSCI Emerging Markets -14.92%	MSCI EAFE 1.00%	Citi US Inflation-Linked 3.34%	Citi Treasury Bill 3 Mon 0.49%	Citi US Inflation Linked Secs 0.11%	Citi Treasury Bill 3 Mon 0.31%
Citi 3 Month T-Bill 1.07%	Citi 3 Month T-Bill 1.24%	BarCap Aggregate 2.43%	S&P GSCI Commodity -15.09%	NAREIT - Equity REIT -15.69%	MSCI Emerging Markets -53.33%	Citi 3 Month T-Bill 0.16%	Citi 3 Month T-Bill 0.13%	MSCI Emerging Markets -18.42%	Citi 3 Month T-Bill 0.07%	Citi US Inflation-Linked -9.37%	S&P GSCI Commodity -33.06%	S&P GSCI Commodity -32.86%	Citi 3 Month T-Bill 0.27%	Citi 3 Month T-Bill 0.84%	S&P GSCI -4.15%	S&P GSCI -11.88%	S&P GSCI -10.82%

Small Cap - Russell 2000 Index; REIT - NAREIT Equity REITs Index; Mid Cap - Russell Mid Cap Index; Large Cap - S&P 500 Index; Commodities - S&P GSCI Commodity Index; High Yield Bonds - BarCap US Corporate High Yield Index; Emerging Markets - MSCI Emerging Markets Index; International Equity - MSCI EAFE (net) Index; Inflation-Linked Securities - Citi US Inflation-Linked Securities; Bonds - Barclays US Aggregate Index; Money Market - Citigroup Treasury 3 Month T-Bill

Source: Morningstar

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DOMESTIC EQUITY MARKET PERFORMANCE
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing performance as of: March 31, 2018
(As exhibited by the Russell 1000, MidCap, and 2000 stylized indices)

3 Month

	Value	Blend	Growth
Large	**-2.83**	-0.69	**1.42**
Mid	**-2.50**	-0.46	**2.17**
Small	**-2.64**	-0.08	**2.30**

1 Year

	Value	Blend	Growth
Large	**6.95**	13.98	**21.25**
Mid	**6.50**	12.20	**19.74**
Small	**5.13**	11.79	**18.63**

3 Year

	Value	Blend	Growth
Large	**7.88**	**10.39**	**12.90**
Mid	**7.23**	8.01	**9.17**
Small	**7.87**	8.39	8.77

5 Year

	Value	Blend	Growth
Large	**10.78**	**13.17**	**15.53**
Mid	**11.11**	12.09	**13.31**
Small	**9.96**	11.47	12.90

10 Year

	Value	Blend	Growth
Large	**7.78**	**9.61**	**11.34**
Mid	9.81	10.21	**10.61**
Small	**8.61**	9.84	**10.95**

15 Year

	Value	Blend	Growth
Large	**9.71**	**10.35**	10.88
Mid	**12.08**	**12.21**	**12.12**
Small	**10.85**	11.50	12.04

Top 3 Performers | **Bottom 3 Performers**

Calendar Year Performance By Style Within Capitalization Category
(As exhibited by the Russell 1000, MidCap, and 2000 stylized indices)

	LARGE CAP		MID CAP		SMALL CAP		LARGE	MID	SMALL
	Russell 1000 V	Russell 1000 G	Russell MCV	Russell MCG	Russell 2000 V	Russell 2000 G	Russell 1000	Russell MC	Russell 2000
2002	**-15.52**	-27.88	**-9.64**	-27.41	**-11.43**	-30.26	-21.65	**-16.19**	-20.48
2003	**30.03**	29.75	38.07	**42.71**	46.03	**48.54**	29.89	40.06	**47.25**
2004	**16.49**	6.30	**23.71**	15.48	**22.25**	14.31	11.40	**20.22**	18.33
2005	**7.05**	5.26	**12.65**	12.10	**4.71**	4.15	6.27	**12.65**	4.55
2006	**22.25**	9.07	**20.22**	10.66	**23.48**	13.35	15.46	15.26	**18.37**
2007	-0.17	**11.81**	-1.42	**11.43**	-9.78	**7.05**	**5.77**	5.60	-1.57
2008	**-36.85**	-38.44	**-38.44**	-44.32	**-28.92**	-38.54	-37.60	-41.46	**-33.79**
2009	19.69	**37.21**	34.21	**46.29**	20.58	**34.47**	28.43	**40.48**	27.17
2010	15.51	**16.71**	24.75	**26.38**	24.50	**29.09**	16.10	25.48	**26.85**
2011	0.39	**2.64**	**-1.38**	-1.65	-5.50	**-2.91**	**1.50**	-1.55	-4.18
2012	**17.51**	15.26	**18.51**	15.81	**18.05**	14.59	16.42	**17.28**	16.35
2013	32.53	**33.48**	33.46	**35.74**	34.52	**43.40**	33.11	34.76	**38.82**
2014	**13.45**	13.05	**14.75**	11.90	4.22	**5.60**	**13.24**	13.22	4.89
2015	-3.83	**5.67**	-4.78	**-0.20**	-7.47	**-1.38**	**0.92**	-2.44	-4.41
2016	**17.34**	7.08	**20.00**	7.33	**31.74**	11.32	12.05	13.80	**21.31**
2017	13.66	**30.21**	13.34	**25.27**	7.84	**22.17**	**21.69**	18.52	14.65

Source: Morningstar

DOMESTIC EQUITY
(As exhibited by the Russell 1000, MidCap, and 2000 stylized indices)
Trailing performance as of March 31, 2018

	3 Month Value	3 Month Blend	3 Month Growth	YTD Value	YTD Blend	YTD Growth
Large	**-2.83**	-0.69	**1.42**	**-2.83**	-0.69	**1.42**
Mid	**-2.50**	-0.46	**2.17**	**-2.50**	-0.46	**2.17**
Small	**-2.64**	-0.08	**2.30**	**-2.64**	-0.08	**2.30**

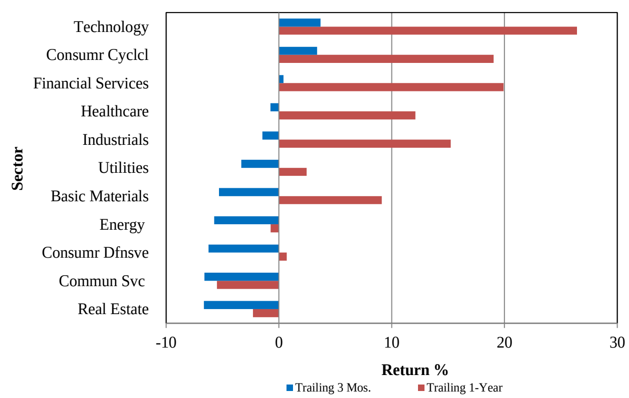
Top 3 Performers **Bottom 3 Performers**

INTERNATIONAL EQUITY
Trailing performance as of March 31, 2018

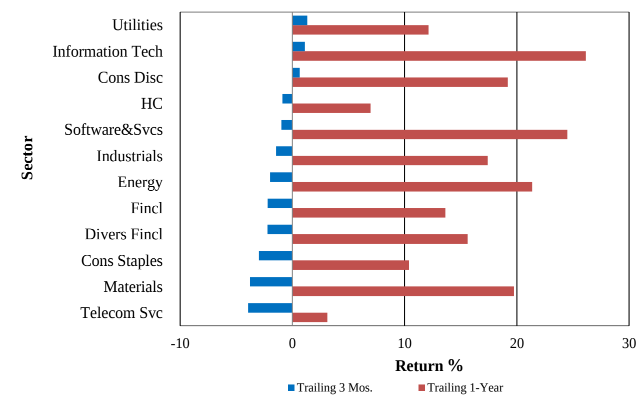
	3 Month Value	3 Month Blend	3 Month Growth	YTD Value	YTD Blend	YTD Growth
EAFE	**-2.03**	**-1.53**	-1.04	**12.19**	**14.80**	**17.51**
EAFE Small	**-1.06**	0.24	**1.55**	20.08	23.49	**27.01**
EM	**1.62**	**1.42**	1.22	18.14	**24.93**	**31.73**

Top 3 Performers **Bottom 3 Performers**

S&P 500 INDEX SECTOR PERFORMANCE



MSCI EAFE SECTOR PERFORMANCE



Source: Morningstar

Domestic Equity

Domestic Equity markets saw a very volatile start to the year. The S&P 500 Index ended the quarter slightly negative at -0.76% and the Russell 1000 Index returning -0.69%. Though many technology names pulled back towards the end of the quarter due to new regulation fears, the technology heavy NASDAQ Composite still ended the quarter higher, returning 2.59%. Despite the Russell 2000 Index returning -0.08%, small cap stocks outperformed their large cap counterparts. Fears of trade wars with China and increased inflation fears were the primary drivers of the volatility seen in the quarter. Momentum names continue to be the best performers, benefiting growthier type stocks, which can be seen in the Russell 1000 Growth returning 1.42% for the quarter compared to the Russell 1000 Value's return of -2.83%.

International Equity

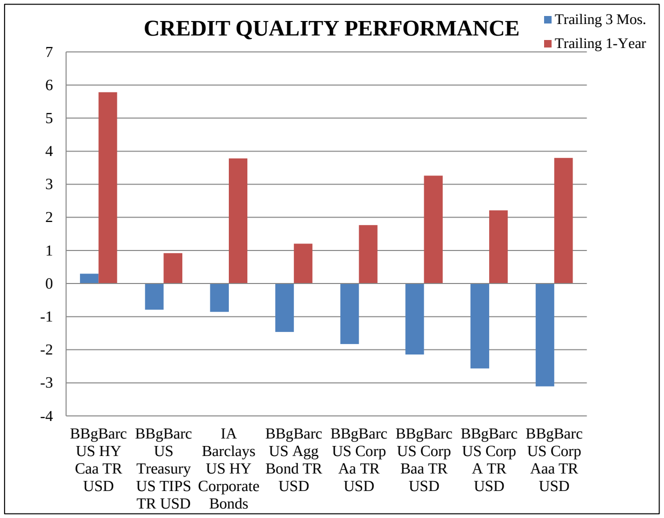
As volatility increased during the first quarter 2018 on worries over potential trade wars and the pace of interest rate increases by the U.S. Federal Reserve, international equities were mixed for the period with emerging markets posting positive returns for the quarter and international developed markets lagging with a negative first quarter return. Specifically, the MSCI EAFE Index posted a loss of 1.53% while the MSCI Emerging Markets Index managed a gain of 1.42% as negative rhetoric often overshadowed solid corporate and economic data points. Within emerging markets, improving economic conditions and solid corporate fundamentals helped buoy stocks. Though volatility reigned amongst Chinese equities, this market posted a positive return for the quarter as macroeconomic data showed signs of stability. Russian and Brazilian equities also gained ground for the period as higher oil prices and central bank policies proved supportive while Indian equities lagged on valuation concerns. Within Europe, equities declined across countries with weakness largely driven by global trade concerns despite improving economic conditions and solid unemployment data. UK equities also showed signs of weakness as political uncertainty and muted economic growth overshadowed markets. In Japan, geopolitical tensions pressured equities which lost ground during the quarter as negative sentiment outweighed positive readings on economic growth. Overall, from an international perspective, small-caps outperformed large-caps in developed markets but underperformed in emerging markets. From a style perspective, growth continued to lead across developed markets, while value outperformed within emerging markets.

PEI Portfolio Evaluations, Inc.

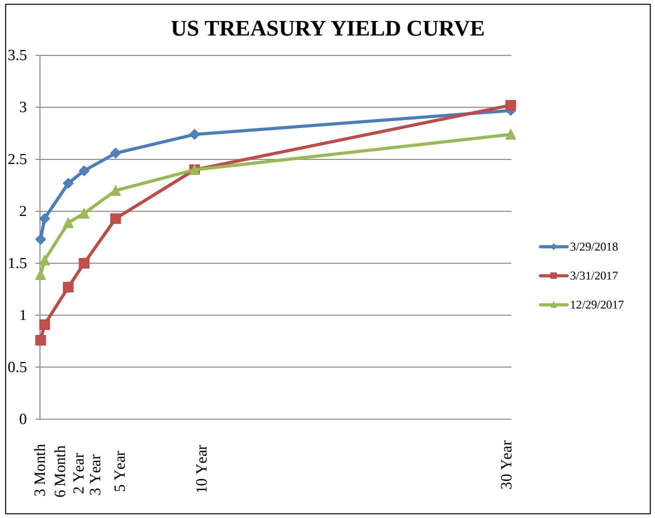
THE BENCHMARK IN INVESTMENT CONSULTING

1Q2018

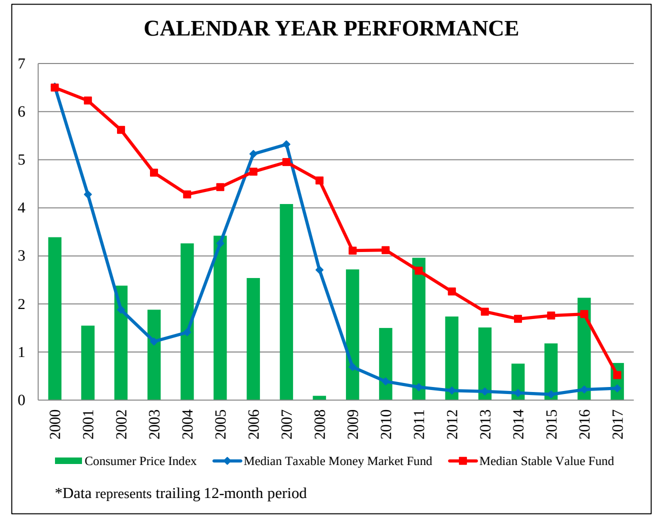
FIXED INCOME, MONEY MARKET, AND STABLE VALUE ECONOMIC REVIEW AND MARKET COMMENTARY



Source: Morningstar



Source: The Federal Reserve



Source: PEI

Fixed Income

Performance in the fixed income markets was generally negative in the first quarter of 2018, as interest rates increased across the entire yield curve and corporate credit spreads widened. The BloombergBarclays US Aggregate Bond Index was down 1.46% in Q1. With respect to treasuries, government bonds fell as the negative impact of rising rates on bond prices overwhelmed the yield carry for the quarter. The yield on the 5-year Treasury note rose 36 basis points (bps), ending at 2.56%. The yield on the 10-year Treasury note increased 34 bps to 2.74%. The 30-year Treasury bond yield rose 23 bps to finish at 2.97%. The yield curve continued its flattening trend as longer term yields rose less than shorter term yields. In terms of performance shorter term debt outperformed longer term debt. The 10-year breakeven rate climbed 8 bps for the quarter, given increased inflation expectations. Although Treasury inflation protected securities (TIPS) declined 79 bps, rising breakeven rates helped TIPS outperform nominal treasuries and the broad bond market. Corporate spreads widened and yields rose in the first quarter of 2018, as worries about inflation, rising rates, and higher levels of volatility weighed on the market. As a result of higher interest rates and wider spreads, both total and excess returns in investment grade credit were negative, at -2.32% and -66 basis points respectively. High yield fell only 86 bps, and trailed duration matched Treasuries by approximately 20 basis points, as credit spreads held up better and the higher yield carry offset much of the impact of higher rates. Structured products sold off to end the first quarter between 5 to 10 bps wider due in part to a general risk off sentiment and more new issue supply given Fed tapering. Agency MBS returned -1.19% and underperformed like duration Treasuries by 39 bps. Non-agency MBS was generally positive for the quarter, outperforming like duration Treasuries, with the continuing themes of a favorable technical environment and improving fundamentals both helping to boost returns. Emerging markets posted a negative total return in Q1 given weakness across higher risk investment categories on the back of a spike in Treasury yields and uncertainty surrounding the direction of US trade policy. The JPM Emerging Markets Bond Index returned -1.78% for the quarter.

Money Market and Stable Value

Jerome Powell has been appointed as the new Federal Reserve Chairman. Although he is believed to have the same philosophy as Yellen, money market managers are watching to see if there will be any signs of deregulation or any hawkish movements. Managers continue to allocate to floaters due to the Feds increasing rates. Prime assets continue to increase as plan participants continue to become more comfortable with prime money market funds post reform. Current yield spreads between prime and government funds are 24 bps. Within Stable Value, the wrap environment is strong due to excess wrap capacity (19 providers, 3 banks and 16 insurance companies). Market to books have dropped below 100% due to the continued interest rate hikes, this has caused many stable value providers to implement their 12 month put. However, due to recent equity market volatility, stable value managers are beginning to see participant cash inflow within their stable value funds.