1Q2014

SUMMARY OF ECONOMIC REVIEW AND MARKET COMMENTARY

➢ *Severe winter conditions dominate U.S. economic activity and financial markets during the quarter*

- Economic data for the first quarter pointed to a contraction in manufacturing, housing, and consumer spending. An extremely cold and prolonged winter kept consumers home and businesses from hiring. Although viewed as temporary, when combined with changes in Fed communication policy, the impact on financial markets was important.
- Manufacturing and construction data reflected the effect of weather conditions. Many indicators, such as retail sales, were volatile as late-quarter data snapped back from weak January numbers. Job growth improvement was gradual, while wages continued to be suppressed. Throughout all of this, consumer confidence was steady on the back of strong financial market gains in 2013.
- Housing data was particularly concerning. While weather circumstances negatively impacted home sales, there was additional anxiety that higher mortgage rates and home prices, and stubborn unemployment were eroding previous progress.
- Financial markets experienced increased volatility. Major equity market indices finished modestly higher and fixed income markets also benefited from lower interest rates as defensive market activity dominated trading during the quarter.
- New Fed Chairman Janet Yellen acknowledged the impact weather had on economic activity and noted Fed stimulus will continue while economic conditions and employment remain subpar. The Fed dropped their explicit 6.5% unemployment rate as a basis for the end of quantitative easing, increasing monetary flexibility. The Fed remains committed to the 2.0% inflation target.

➢ *Global issues were also a concern*

- International markets, especially emerging markets, were adversely impacted as Russian military forces moved into the Ukrainian peninsula of Crimea, leading to its annexation to Russia. It remains unclear the impact economic and diplomatic sanctions will have on the ultimate outcome, but capital flight drove financial assets prices lower and volatility higher.
- Economic indicators from China showed slowing economic activity during the quarter. Factory orders and domestic demand continued to soften. GDP data suggested the annual growth rate for 2014 could be 7.0%, which is 0.5% less than the government's GDP growth target.
- Meanwhile, Eurozone economic activity continued its slow rebound; manufacturing and employment data improved while unemployment still remains high. There continued to be divergence in the path to economic normalization among various member countries.

➢ *Early indicators for the second quarter appear promising*

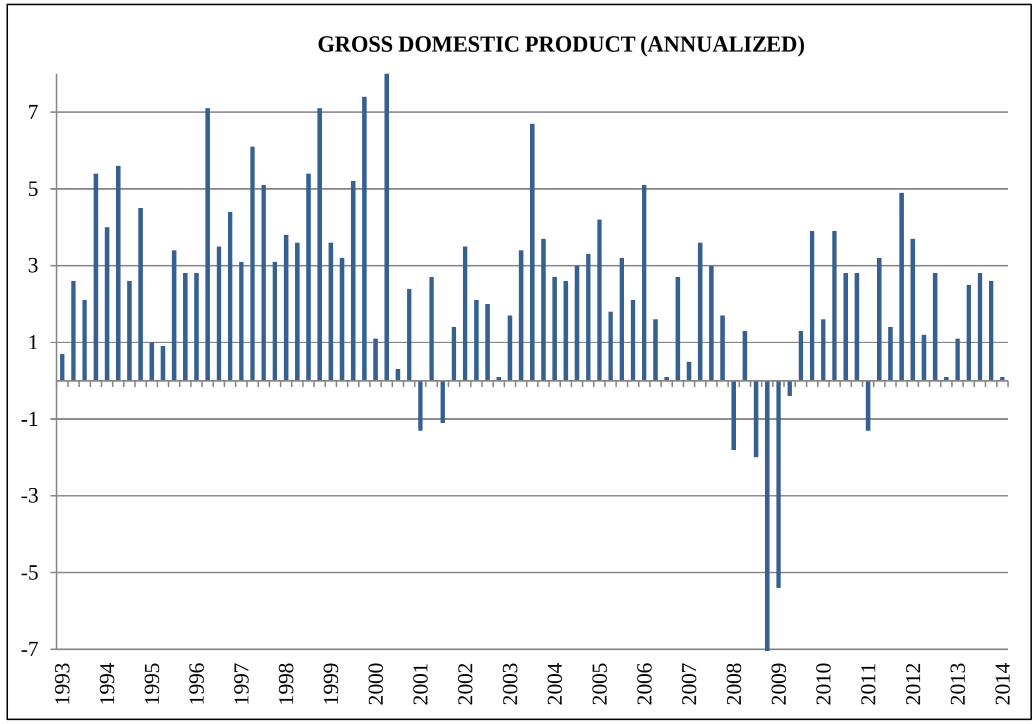
- Following the initial estimate for first quarter U.S. GDP of 0.1%, general consensus is that economic activity could rebound dramatically as the weather normalizes. This "weather payback" has already shown benefits; manufacturing output, factory orders and durable goods orders for April all exceeded expectations, and non-farm payroll surpassed estimates as 288,000 jobs were added in April. Softening the news, the decline in unemployment to 6.3% was predominantly driven from a drop in the labor force participation rate.
- The Federal Reserve is continuing on their path to end quantitative easing. It is expected that tapering will be completed in fourth quarter of 2014, with the first, gradual interest rate increase coming during the second or third quarter of 2015.
- At the end of March, outlook surveys continued to point to a gradually improving U.S. economy. Second quarter data was revised upward to reflect the unusually suppressed economic activity in the first quarter.

Forecast for U.S. Economic Outlook

	First Quarter, 2014	Second Quarter, 2014	2014
U.S. GDP	1.5	3.0	2.7
Unemployment	-	6.5	6.2
CPI	-	1.7	1.9
Fed Funds	Unchanged	Unchanged	Unchanged

Source: The Wall Street Journal, April 1, 2014; survey average of 50 economists

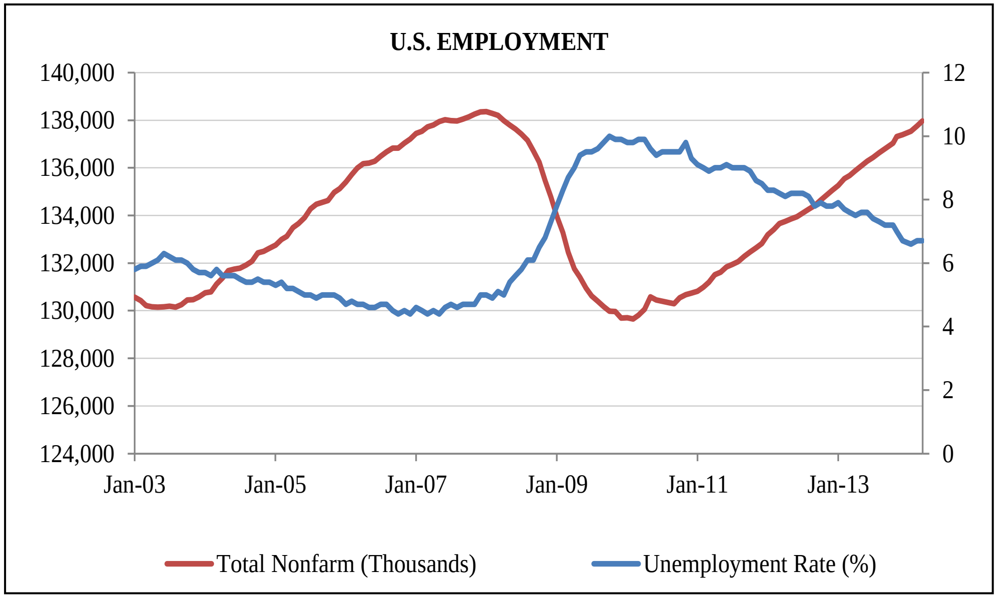
% Change From Preceding Period	2012				2013				2014
Seasonally Adjusted Annual Rates	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP	3.7	1.2	2.8	0.1	1.1	2.5	4.1	2.6	0.1
PCE	2.9	1.9	1.7	1.7	2.3	1.8	2.0	3.3	3.0
Durable Goods	9.8	2.9	8.3	10.5	5.8	6.2	7.9	2.8	0.8
Nondurable Goods	2.2	1.8	1.6	0.6	2.7	1.6	2.9	2.9	0.1
Services	2.1	1.7	0.7	0.6	1.5	1.2	0.7	3.5	4.4
GPDI	10.5	(1.6)	6.5	(2.4)	4.7	9.2	17.2	2.5	(6.1)
Fixed Investment	8.6	4.7	2.7	11.6	(1.5)	6.5	5.9	2.8	(2.8)
Nonresidential	5.8	4.5	0.3	9.8	(4.6)	4.7	4.8	5.7	(2.1)
Structures	7.0	6.9	5.9	17.6	(25.7)	17.6	13.4	(1.8)	0.2
Equip	8.3	5.3	(3.9)	8.9	1.6	3.3	0.2	10.9	(5.5)
Residential	23.0	5.7	14.1	19.8	12.5	14.2	10.3	(7.9)	(5.7)
Exports	4.2	3.8	0.4	1.1	(1.3)	8.0	3.9	9.5	(7.6)
Goods	1.8	5.2	1.6	(3.0)	(2.8)	9.4	5.6	11.8	(12.0)
Services	10.0	0.8	(2.6)	11.3	2.2	4.8	0.1	4.2	3.0
Imports	0.7	2.5	0.5	(3.1)	0.6	6.9	2.4	1.5	(1.4)
Goods	0.9	2.5	0.4	(3.5)	(0.2)	7.5	2.4	1.3	(1.6)
Services	(0.1)	2.3	1.0	(1.0)	5.0	4.0	2.5	2.2	(0.9)
Government	(1.4)	0.3	3.5	(6.5)	(4.2)	(0.4)	0.4	(5.2)	(0.5)
Federal	(2.5)	(0.2)	8.9	(13.9)	(8.4)	(1.6)	(1.5)	(12.8)	0.7
State and Local	(0.6)	0.6	(0.2)	(1.0)	(1.3)	0.4	1.7	0.0	(1.3)

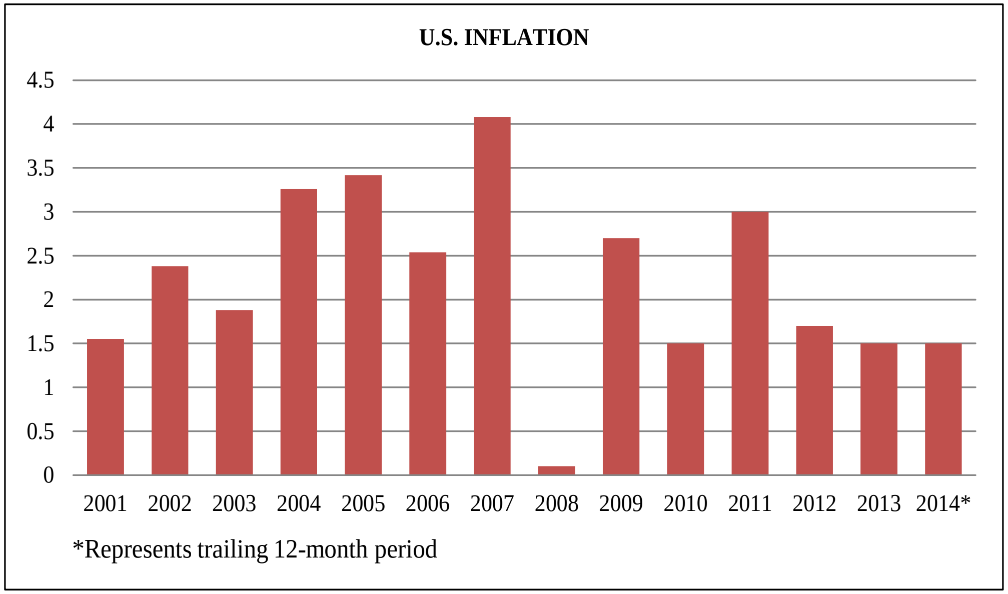


Financial markets were resilient during the quarter, pushing through several setbacks including a harsh winter weather season, economic issues in developing regions, and an escalating Russia/Ukraine conflict, even as the pace of returns appeared to moderate during the quarter.

While it is likely much of the negative impact from the harsh winter weather will reverse come spring, the housing market certainly bore the brunt of the cold weather during the quarter as the housing recovery appeared to stall.

During the quarter, data supported continued growth in global manufacturing output with the U.S. leading the way. The March U.S. ISM manufacturing number, while coming in slightly below expectations, rose for the second consecutive month. While the Eurozone recovery continued over the period, the recovery has been less than inspiring, as was the outlook for a slowing Chinese economy. Concern about the Japanese economy was prevalent ahead of the upcoming consumption tax hike and its impact on business conditions.





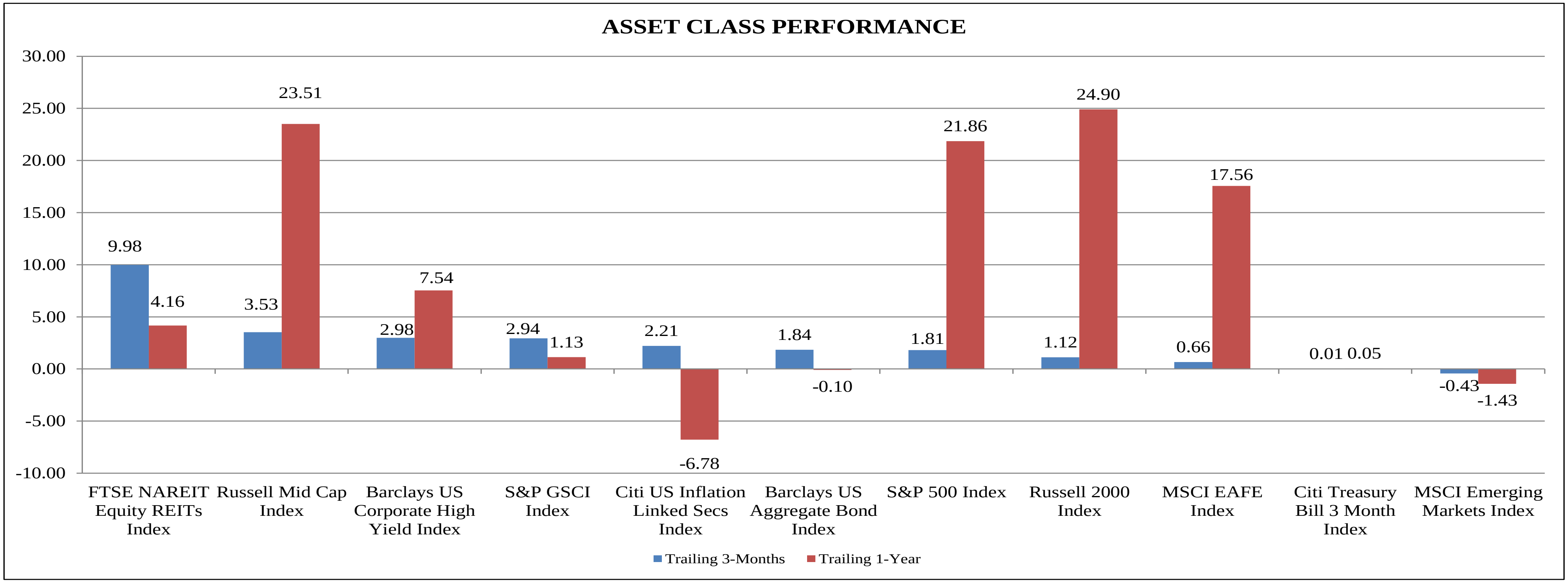
During the first quarter, the U.S. added a monthly average of 178,000 jobs, which fell short of the 194,000 average in 2013. Unemployment remained at 6.5%, the Fed target as a potential threshold for raising short-term interest rates. At the March meeting, the Fed's monetary policy committee said any interest rate decision will be based on a variety of economic data and will move slowly when quantitative easing ends. Most committee members expect the Fed's near-zero target rate to increase to 1% by the end of 2015.

The markets remained keenly focused on new Fed Chair Janet Yellen's commentary to gauge if accommodative policies are truly in the past. Inflation remained on the distant horizon as there was little evidence of any significant inflationary pressures.

As the quarter came to a close, the U.S. Conference Board's measure of consumer confidence reached a six-year high.

The first quarter U.S Real GDP indicated the economy grew at only 0.1%. This data could most likely be subject to substantial revisions, and most economists expect a reversal in the second quarter as the economy bounces back from the severe winter weather.

While the economy appears to be "stop & go" at times, it is important for investors to look through the day-to-day noise and focus on the long-term fundamentals which remain solid.



- *Despite domestic equity indices rising to, or near, record levels, the combination of geopolitical events and global economic and monetary uncertainty kept markets capped and hovering on the brink of a correction. Defensive rotation drove much of the equity market action during the quarter.*

- *Equity market performance varied given economic uncertainty; the U.S. mid cap sector outperformed, driven in part by defensive healthcare stocks. Large cap stocks were driven lower on mixed results from large consumer names, although utilities were supported by the severe winter weather. Growth stocks saw a correction as value stocks were reinforced by strong performance in the defensive pharmaceutical sector.*

- *Real estate stock indices benefited from attractive valuation and improving real estate fundamentals, as the long-term view of the market and the U.S. economy remain promising.*

- *The extremely cold and prolonged winter suppressed economic activity, pushing interest rates lower during the quarter. Treasury securities benefited from a temporary flight to quality as economic uncertainty and global issues dominated financial markets. Tightening credit spreads benefited corporate bonds.*

- *International markets, in particular emerging markets, were the hardest hit following signs of continuing economic weakness in China and the Russian annexation of Crimea.*

- *Weather conditions favorably impacted agricultural commodity and energy prices during the quarter.*

PEI Portfolio Evaluations, Inc.

THE BENCHMARK IN INVESTMENT CONSULTING

1Q2014

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of March 31, 2014

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Trailing 3-Year	Trailing 5-Year	Trailing 10-Year
S&P GSCI Commodity 49.74%	NAREIT - Equity REIT 13.93%	S&P GSCI Commodity 32.07%	MSCI Emerging Markets 55.82%	NAREIT - Equity REIT 31.58%	MSCI Emerging Markets 34.0%	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%	S&P 500 14.66%	NAREIT - Equity REIT 28.20%	MSCI Emerging Markets 10.11%
NAREIT - Equity REIT 26.37%	BarCap Aggregate 8.44%	Citi US Inflation-Linked 16.71%	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 1.8%	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%	Russell Mid Cap 14.39%	Russell Mid Cap 25.55%	Russell Mid Cap 10.05%
Citi US Inflation-Linked 13.1%	Citi US Inflation-Linked 7.92%	BarCap Aggregate 10.26%	Russell Mid Cap 40.06%	MSCI EAFE 20.25%	MSCI EAFE 13.54%	MSCI EAFE 26.34%	Citi US Inflation-Linked 11.6%	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 2000 13.18%	Russell 2000 24.31%	BarCap US High Yield 8.68%
BarCap Aggregate 11.63%	BarCap US High Yield 5.28%	NAREIT - Equity REIT 3.82%	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%	NAREIT - Equity REIT 10.65%	S&P 500 21.16%	Russell 2000 8.53%
Russell Mid Cap 8.25%	Citi 3 Month T-Bill 4.09%	Citi 3 Month T-Bill 1.70%	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%	BarCap US High Yield 9.00%	BarCap US High Yield 18.25%	NAREIT - Equity REIT 8.23%
Citi 3 Month T-Bill 5.96%	Russell 2000 2.49%	BarCap US High Yield -1.41%	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 5.6%	S&P 500 -37.0%	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%	MSCI EAFE 7.21%	MSCI EAFE 16.02%	S&P 500 7.42%
Russell 2000 -3.02%	MSCI Emerging Markets -2.62%	MSCI Emerging Markets -6.17%	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 Aggregate 3.75%	MSCI Emerging Markets 14.48%	MSCI EAFE 6.53%
BarCap US High Yield -5.86%	Russell Mid Cap -5.62%	MSCI EAFE -15.94%	S&P GSCI Commodity 20.72%	S&P 500 10.88%	Citi 3 Month T-Bill 3.0%	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 US Inflation-Linked 3.52%	S&P GSCI Commodity 6.85%	Citi US Inflation-Linked 4.54%
S&P 500 -9.1%	S&P 500 -11.89%	Russell Mid Cap -16.19%	Citi US Inflation-Linked 8.26%	Citi US Inflation-Linked 8.4%	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%	Citi 3 Month T-Bill 0.06%	Citi US Inflation-Linked 4.94%	BarCap Aggregate 4.46%
MSCI EAFE -14.17%	MSCI EAFE -21.44%	Russell 2000 -20.48%	BarCap Aggregate 4.1%	BarCap Aggregate 4.34%	BarCap US High Yield 2.74%	Citi US Inflation-Linked 0.4%	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 Emerging Markets -2.86%	BarCap Aggregate 4.80%	Citi 3 Month T-Bill 1.56%
MSCI Emerging Markets -30.83%	S&P GSCI Commodity -31.93%	S&P 500 -22.1%	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 -3.40%	Citi 3 Month T-Bill 0.09%	S&P GSCI Commodity 0.04%

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

Portfolio Evaluations, Inc.
THE BENCHMARK IN INVESTMENT CONSULTING

1Q2014

DOMESTIC EQUITY MARKET PERFORMANCE
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing Performance as of: March 2013

(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

1 Year

	Value	Blend	Growth
Large	**21.57**	**22.41**	23.22
Mid	22.95	23.51	**24.22**
Small	**22.65**	**24.90**	**27.19**

3 Year

	Value	Blend	Growth
Large	**14.80**	**14.75**	14.62
Mid	**15.17**	14.39	**13.52**
Small	**12.74**	**13.18**	13.61

5 Year

	Value	Blend	Growth
Large	**21.75**	**21.73**	**21.68**
Mid	**26.35**	**25.55**	24.73
Small	23.33	24.31	**25.24**

10 Year

	Value	Blend	Growth
Large	**7.58**	**7.80**	**7.86**
Mid	**10.24**	**10.05**	**9.47**
Small	8.07	8.53	8.87

15 Year

	Value	Blend	Growth
Large	**6.34**	**4.94**	**2.98**
Mid	**10.35**	**9.50**	7.02
Small	**10.70**	8.91	6.63

20 Year

	Value	Blend	Growth
Large	10.07	9.71	**8.82**
Mid	**12.09**	**11.55**	9.87
Small	**10.81**	**9.48**	**7.65**

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
1984	**10.10**	-0.95	-	-	**2.27**	-15.83	**4.75**	1.43	-7.30
1985	31.52	**32.85**	-	-	**31.01**	30.97	**32.26**	32.01	31.05
1986	**19.98**	15.36	**17.87**	17.55	**7.41**	3.58	17.87	**18.20**	5.68
1987	0.50	**5.31**	-2.19	**2.76**	**-7.11**	-10.48	**2.93**	0.23	-8.80
1988	**23.16**	11.27	**24.61**	12.92	**29.47**	20.37	17.26	19.80	**25.02**
1989	25.19	**35.92**	22.70	**31.48**	12.43	**20.17**	**30.43**	26.27	16.26
1990	-8.08	**-0.26**	-16.08	**-5.13**	-21.77	**-17.41**	**-4.21**	-11.50	-19.48
1991	24.55	**41.27**	37.92	**47.03**	41.70	**51.19**	33.04	41.51	**46.04**
1992	**13.58**	4.99	**21.68**	8.71	**29.14**	7.77	8.93	16.34	**18.41**
1993	**18.07**	2.87	**15.62**	11.19	**23.77**	13.37	10.18	14.30	**18.88**
1994	-1.98	**2.62**	**-2.13**	-2.16	**-1.54**	-2.43	**0.39**	-2.09	-1.82
1995	**38.36**	37.18	**34.93**	33.98	25.75	**31.04**	**37.77**	34.46	28.45
1996	21.64	**23.12**	**20.26**	17.48	**21.37**	11.26	**22.45**	19.00	16.49
1997	**35.18**	30.49	**34.37**	22.54	**31.78**	12.95	**32.85**	29.01	22.36
1998	15.63	**38.71**	5.08	**17.86**	-6.45	**1.23**	**27.02**	10.09	-2.55
1999	7.35	**33.16**	-0.11	**51.29**	-1.49	**43.09**	20.91	18.23	**21.26**
2000	**7.01**	-22.42	**19.18**	-11.75	**22.83**	-22.43	-7.79	**8.25**	-3.02
2001	**-5.59**	-20.42	**2.33**	-20.15	**14.02**	-9.23	-12.45	-5.62	**2.49**
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	**43.30**	33.11	34.76	**38.82**
2014 (YTD)	**3.02**	1.12	**5.22**	2.04	**1.78**	0.48	2.05	**3.53**	1.12

Trailing Performance as of: March 2013

(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

Trailing 3 Month

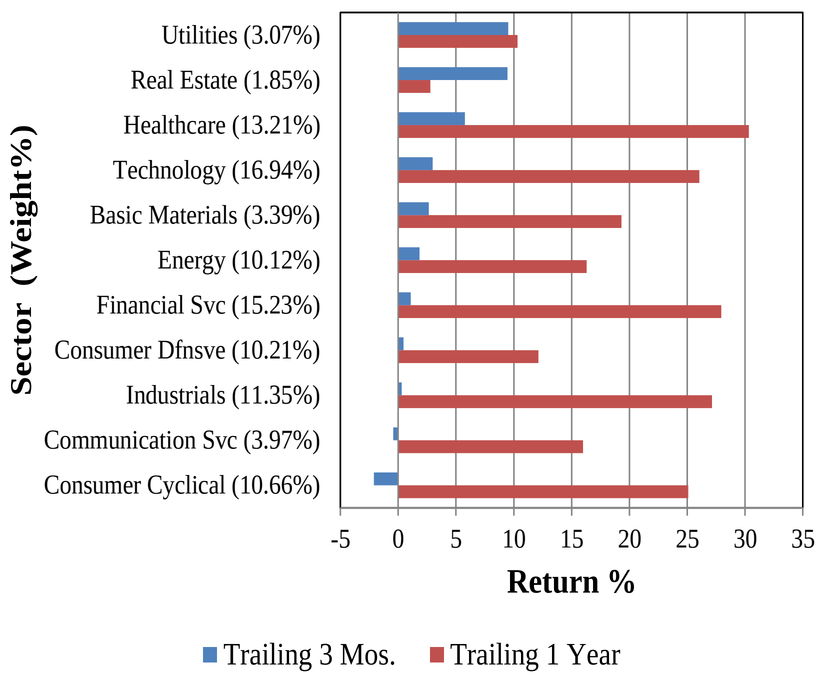
	Value	Blend	Growth
Large	**3.02**	2.05	**1.12**
Mid	**5.22**	**3.53**	2.04
Small	1.78	**1.12**	**0.48**

Trailing 1 Year

	Value	Blend	Growth
Large	**21.57**	**22.41**	23.22
Mid	22.95	23.51	**24.22**
Small	**22.65**	**24.90**	**27.19**

Top 3 Performers **Bottom 3 Performers**

S&P 500 INDEX SECTOR PERFORMANCE



After five quarters of solid returns, the domestic equity market had a volatile quarter and ended the period with modest gains due to concerns about moderating US employment growth and the Fed's possible move to a less aggressive monetary stimulus. The global purchasing manager index for manufacturing slowed in the extreme winter weather but still showed signs of growth.

The S&P 500 Index finished the quarter at 1.8%. Most of the gains were made in the last trading day following Fed Chairwomen Janet Yellen's comments that short-term interest rates would not increase earlier than expected. Earnings multiples increased, driven by continued cost cutting, productivity increases and stock buybacks instead of revenue increases given weaker consumer spending.

As expectations for interest rate increases built during the quarter, small caps, especially the fast growing names and non-earners (such as biotech), were hit hard during March. As a result, small cap stocks lost the most for the quarter, ending at 1.1%. Mid caps delivered the best results (3.5%) and large caps came in second to mid caps (1.8%).

By investment style, value led among all market caps, as growth was hit hard in March due to low returns by Technology, Healthcare, and Consumer Discretionary. REITs, Financials, and Utilities did better which led to a reversal in the year-to-end trend bringing value ahead of growth among all market caps.

There was also a reversal at the sector level in March. Healthcare declined the most due to biotech but still was one of the best performing sectors for the quarter and year.

Low quality, such as non-earners, fast growers, and high beta names outperformed for the quarter despite a sharp reversal in March.

At the end of the quarter, the S&P 500's forward price-to-earnings ratio was 15.2x, still above the 15-year average of 16x. Although US stocks are not cheap, they are still within historically normal ranges. Given a modest pace in the economy growth and high cash levels as measured by M2 money supply, equities should continue to deliver better returns relative to cash and fixed income in the intermediate term.

1Q2014

INTERNATIONAL EQUITY
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing Performance as of: March 2014

(As exhibited by the MSCI EAFE, EAFE Small, and Emerging Market stylized indices)

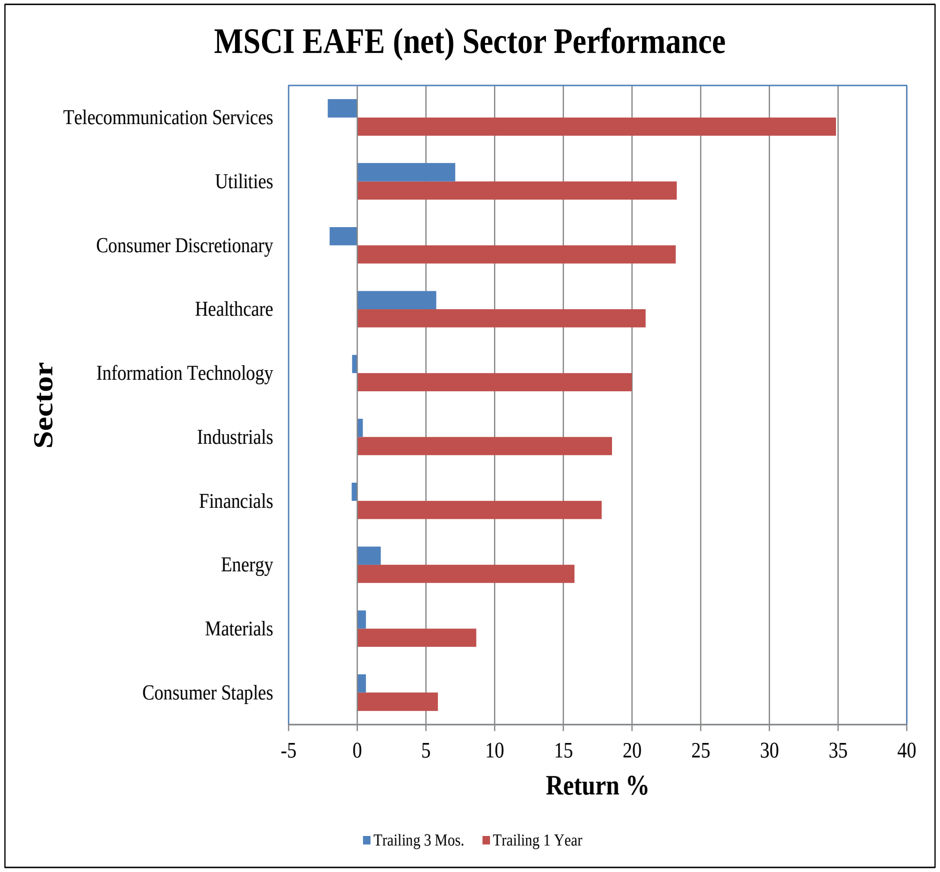
Trailing 3 Month

	Value	Blend	Growth
EAFE	1.22	0.66	0.10
EAFE Small	**4.14**	**3.36**	**2.57**
EM	**-0.83**	**-0.43**	**-0.05**

Trailing 1 Year

	Value	Blend	Growth
EAFE	20.25	17.56	14.92
EAFE Small	**25.38**	**23.26**	**21.15**
EM	**-3.60**	**-1.43**	**0.66**

Top 3 Performers **Bottom 3 Performers**



Throughout the first quarter of 2014, renewed fears of a hard landing in China, geopolitical issues between Russia and Ukraine, and fears the U.S. Federal Reserve was signaling a rise in rates sooner than had been anticipated all combined to add volatility to international markets.

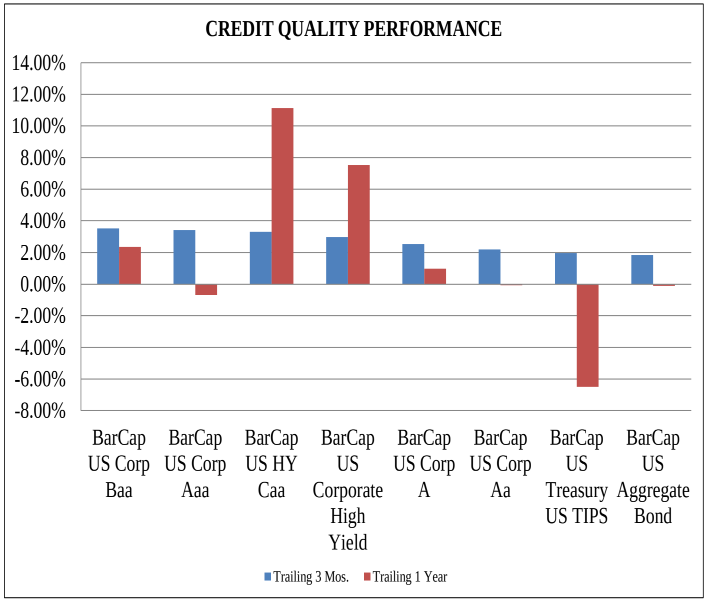
Concerns grew regarding slowing economic growth in China. Chinese equities were down for the quarter, as worsening economic data was highlighted by China's PMI number for February hitting an eight month low. Other economic data released throughout the quarter appears to be supportive of slowing GDP growth.

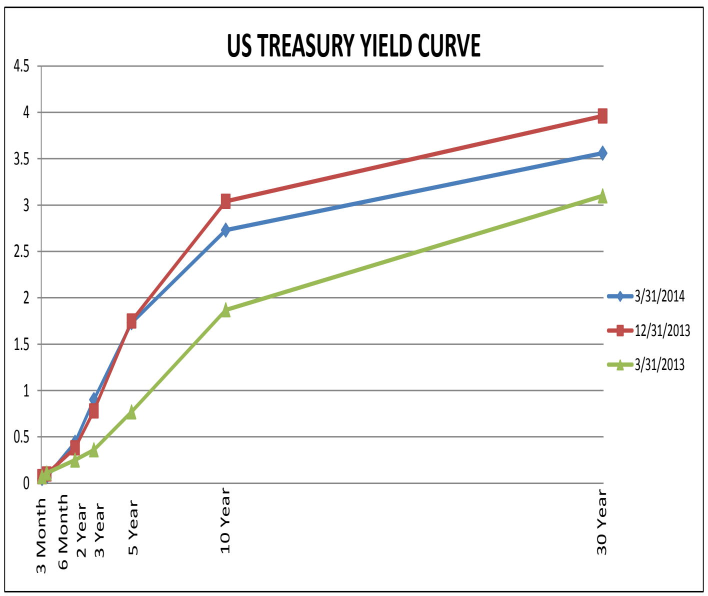
The recovery in Russia was called into question as data suggested a drop off in growth. The negative implications from the Ukraine crisis and associated economic sanctions also weighed on the outlook for the Russian economy.

The Eurozone recovery has been less than inspiring. The pick up in growth evidenced late last year continued into 2014 with data still signaling expansion. However, new data released late in the quarter suggested a slowdown in the pace of this expansion.

Concerns about the outlook for the Japanese economy remained prevalent given the upcoming consumption tax hike and its impact on business conditions. Enthusiasm for "Abenomics" and its "three-arrowed" approach to reform appeared to wane during the period.

In developed regions, market volatility and economic issues have been present since the first rumor of central bank tapering. The first quarter provided another setback to these regions as the manufacturing recovery stalled. On the whole, emerging markets underperformed their developed market peers, due to a downturn in the BRIC economies. Brazil continued to face sluggish growth and stubborn inflation while Mexican economic data released during the quarter undermined expectations of a recovery in this country.





Bonds demonstrated solid performance in the first quarter of 2014, as slower than expected economic growth, uncertainty in emerging markets and growing comfort with the Fed's decision to taper its quantitative easing policy all contributed to increased demand for bonds. Fixed income market segments across the board generated positive quarterly returns. Bond markets returned 1.84% for the quarter, as measured by the Barclays US Aggregate Bond Index.

The Treasury market performed well as a whole. The Barclays Treasury Index delivered a 1.34% return, as weather related economic weakness, weakness in China, and the conflict between Russia and the Ukraine led to a general flight to quality. In March, more hawkish than expected monetary policy language from FOMC Chair Janet Yellen caused Treasuries to give back some of their gains. The yield on the 10-year Treasury fell 31 basis points during the quarter to 2.72% and the yield curve flattened. The 30-year Treasury (+8.11%) was the top performing asset for the quarter.

Treasury Inflation Protected Securities (TIPS) returned 1.95% in the first quarter, underperforming nominal Treasuries. Despite expectations for higher inflation as the economy improves, core inflation remains at historically low levels.

Municipal bonds demonstrated solid performance, outpacing the broader bond market and reversing underperformance in 2013. Positive technicals aided the market given the lack of new issue supply. Moreover, the sector was supported by Puerto Rico's successful issuance of general obligation bonds in March, following a downgrading by all three major ratings agencies.

MBS underperformed similar duration Treasuries amidst expectations of a less accommodative Fed and increased issuance, although MBS had the highest total return (+1.59%) in the securitized sector

The investment grade credit market returned 2.91% during the quarter, outperforming like duration Treasuries as spreads tightened amid improving growth and sustained easy monetary policy. High yield was amongst the top performing fixed income sectors, continuing to be supported by solid fundamentals and continued appetite for risk.

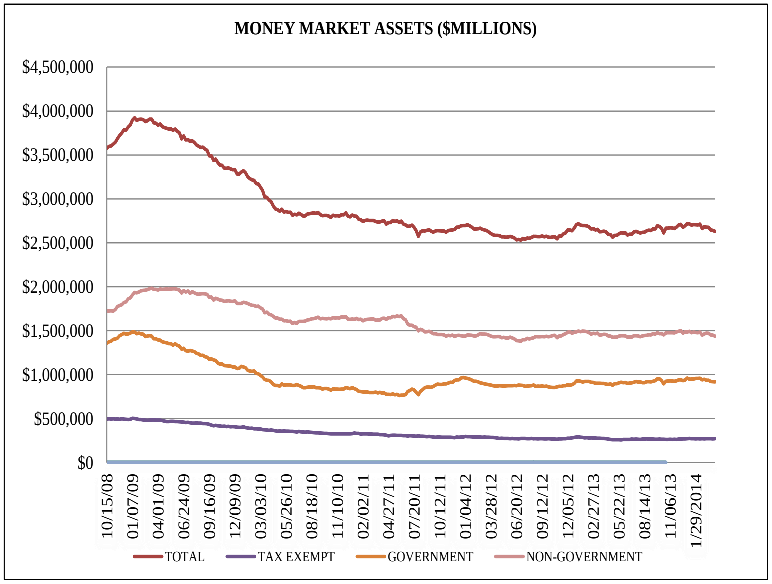
Emerging market debt finished the quarter in positive territory, as a volatile January was offset by solid February and March. Although several emerging markets currencies sold off sharply at the beginning of the year, countries including Turkey, India, and Brazil raised interest rates, thus stabilizing currencies and advancing investor confidence.

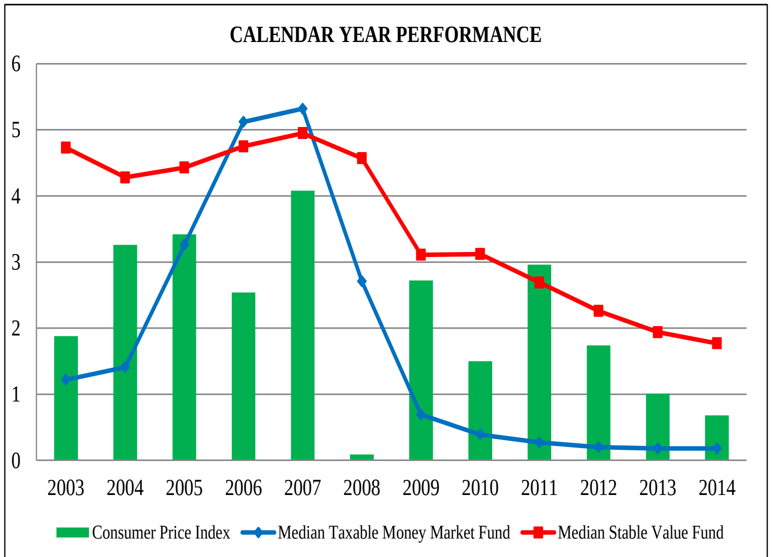
PEI Portfolio Evaluations, Inc.

THE BENCHMARK IN INVESTMENT CONSULTING

1Q2014

MONEY MARKET AND STABLE VALUE ECONOMIC REVIEW AND MARKET COMMENTARY





Note: 2014 reflects trailing 1-year rates

Money Market:

The February 7th debt ceiling deadline passed as Congress extended the ceiling to 2015. Short term Treasuries did not see the anticipated yield spike that some investment managers took advantage of last year.

The Fed's Reverse Repo program picked up steam and put a floor in its repurchase agreements at 5 basis points. They also allowed up to $7B per money market fund to use this program. However, this government repurchase program is only open for a brief period of time each day in the afternoon. Funds that want to buy repurchase agreements in the early morning or later hours of the day cannot be accommodated. This program has been extended through 2014.

The Fed began selling money market fund-eligible floating rate Treasury notes. The two-year variable rate notes were issued in January and have been trading with a rich premium; the yield was around 5 basis points versus the fixed rate two-year alternative trading at 30 basis points.

Regarding the money market reform proposal, the SEC is expected to make its recommendations about floating the net asset value or imposing rates/redemption fees in times of market distress before the summer of 2014, at the soonest.

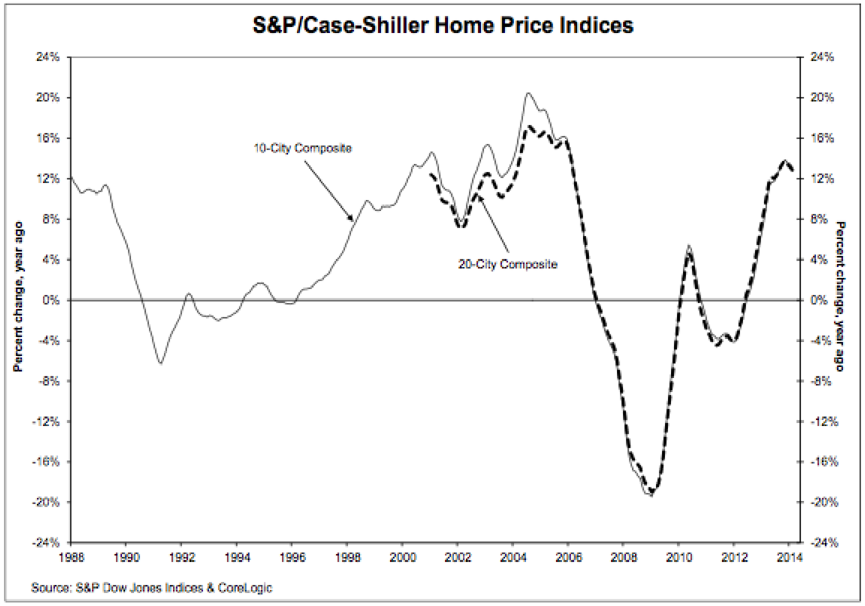
Stable Value:

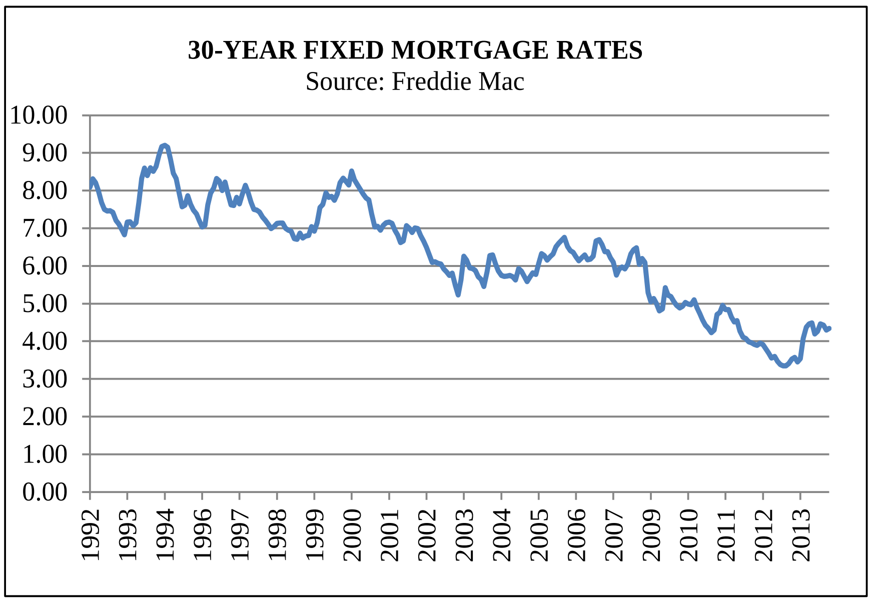
The Dodd Frank proposal committee that addressed the status of stable value contracts has pushed back the date for a decision indefinitely. The final ruling by regulators will be forward-looking; wrap contracts previously executed will not be considered swaps for purposes of Dodd-Frank enforcement. However, obtaining new wrap coverage could be more difficult if subject to swap treatment.

As stable value funds continue to have market value fall to their book values, they have become more inclined to open up their funds to new investment. This year Putnam Stable Value open to new investors and T. Rowe Price also announced that they would be opening up their product in the middle of the year.

Investment managers now see interest rate risk as being a greater threat than credit risk. As a result, some managers are seeking more BBB-rated investments in lieu of extending duration to drive yield. Managers have become wary of investing in MBS pass-through securities and have pared back exposure. When interest rates rise, a borrower is less likely to prepay their loan and the duration of MBS products increases.

Despite rising interest rate concerns, stable value funds should continue to outperform money market funds. Losses that impact the product's market value are amortized over duration. Also, new/maturing money is reinvested at a higher rate.





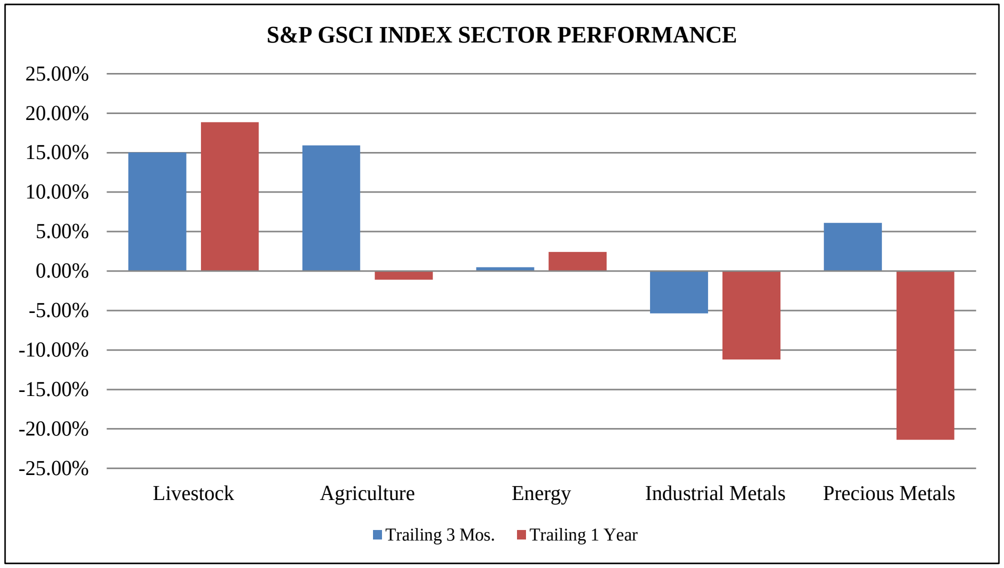
REIT indices gained over 9% during the quarter while the domestic equity market remained relatively flat. REITs managed to produce a fifth straight year of positive total returns in 2013, but their annual 2.5% gain versus 32.4% for the S&P 500 Index was the widest margin of underperformance in 15 years.

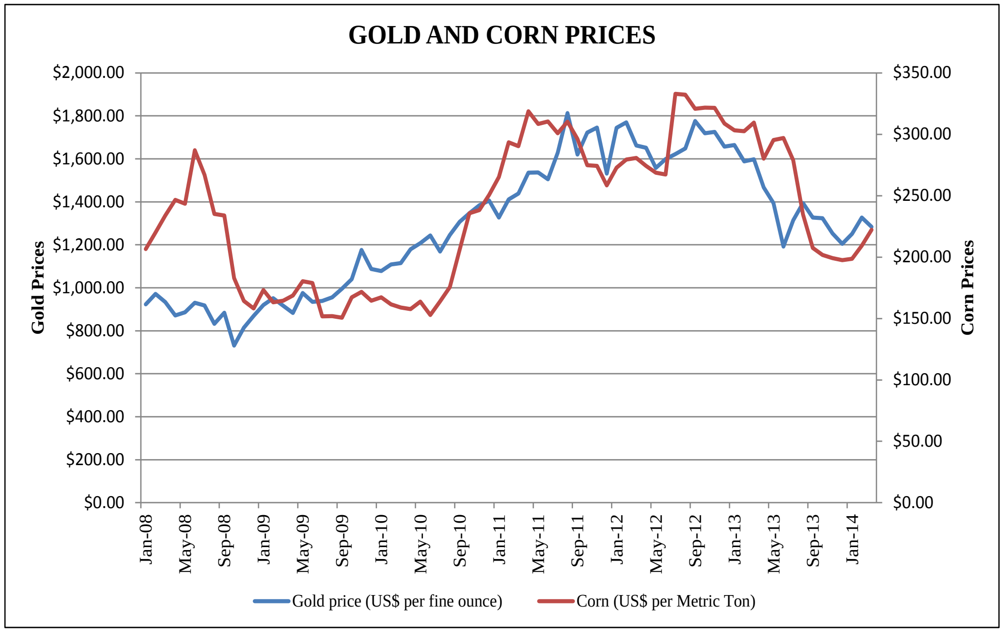
Because of the lag in REIT returns versus the U.S. equity market, the valuation attracted investors in the first quarter of 2014, which led to this exceptional REIT performance. Economic growth is expected to contribute to future returns, which could help offset the negative effects from rising interest rates.

Fundamentals for commercial real estate remained solid, as reflected in company earnings reports that generally met or exceeded expectations. Most investment managers see opportunities in the self-storage and office space sectors. Hotels also remain a viable option and help to reduce the effects of rising interest rates because of their ability to raise room rates on a daily basis.

Over the past year, the share of homes selling under distressed conditions has fallen close to a six-year low. However, some housing statistics are showing signs of weakness. New and existing home sales have been slowing, as higher mortgage rates have impacted buyers. In addition, difficult winter weather adversely impacted sales.

The S&P/Case-Shiller Home Price Indices, the leading measure of U.S. home prices, showed in its release of February 2014 data that the 10-City and 20-City Composites rose 13.1% and 12.9% year-over-year. However, thirteen cities in the 20-City Composite saw their annual rates slow, led by a decline in prices in Las Vegas.





Commodity performance during the first quarter of 2014 was mixed as unusual weather conditions and increased support for precious metals drove certain commodity prices higher while concern about the slowing economic growth in China pressured other commodity prices.

Agricultural commodities rallied as supply constraints and weather related issues pushed prices higher. Brazil, the world's largest coffee producer and a top producer of cane sugar, experienced a serious drought during the period. Brazil's coffee and sugar cane growing regions received only a fraction of the typical rainfall for this time of year, pushing coffee and sugar prices higher. Corn and wheat prices were also higher during this period.

Precious metals registered solid gains as rising geopolitical tensions drove investors to safe-haven purchases. Meanwhile, industrial metals and commodities linked to the global business cycle lagged for the period. Cyclically sensitive commodities such as copper and iron ore came under pressure due to concerns about the lack of demand, particularly from emerging regions.

During the quarter, natural gas price movements remained very much aligned with weather while rising tensions between Russia and Ukraine played a role in oil price volatility.

Going forward, commodity prices will most likely continue to be influenced by global growth forecasts, constraints on both supply and demand, and looming geopolitical tensions.

Data as of: 3/31/14

DOMESTIC EQUITY

	Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
Broad Market	DJ Industrial Average	-0.15	-0.15	15.66	13.05	19.85	7.47
	S&P 500	1.81	1.81	21.86	14.66	21.16	7.42
	NASDAQ Composite	0.83	0.83	30.18	16.14	23.76	-
	Wilshire 5000 Total Market	2.04	2.04	22.42	14.43	21.74	7.91
Large Cap	Russell 1000	2.05	2.05	22.41	14.75	21.73	7.80
	Russell 1000 Growth	1.12	1.12	23.22	14.62	21.68	7.86
	Russell 1000 Value	3.02	3.02	21.57	14.80	21.75	7.58
Mid Cap	Russell Mid Cap	3.53	3.53	23.51	14.39	25.55	10.05
	Russell Mid Cap Growth	2.04	2.04	24.22	13.52	24.73	9.47
	Russell Mid Cap Value	5.22	5.22	22.95	15.17	26.35	10.24
Small Cap	Russell 2000	1.12	1.12	24.90	13.18	24.31	8.53
	Russell 2000 Growth	0.48	0.48	27.19	13.61	25.24	8.87
	Russell 2000 Value	1.78	1.78	22.65	12.74	23.33	8.07

INTERNATIONAL EQUITY ($)

	Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
Developed	MSCI AC World	1.08	1.08	16.55	8.55	17.80	6.97
	MSCI AC World Ex US	0.51	0.51	12.31	4.15	15.52	7.12
	MSCI EAFE	0.66	0.66	17.56	7.21	16.02	6.53
	MSCI EAFE Growth	0.10	0.10	14.92	7.22	15.88	6.57
	MSCI EAFE Value	1.22	1.22	20.25	7.16	16.11	6.41
	MSCI EAFE Small Cap	3.36	3.36	23.26	9.40	21.70	8.56
	MSCI Europe	2.10	2.10	24.50	8.37	17.47	7.41
	MSCI Europe Ex UK	3.49	3.49	28.47	7.99	16.90	7.73
	MSCI Pacific Free	-2.51	-2.51	5.06	5.12	13.43	4.76
	MSCI Pacific Free Ex Japan	2.96	2.96	1.49	4.72	19.51	10.88
	MSCI Japan	-5.61	-5.61	7.53	5.38	10.35	2.19
Emerging	MSCI Emerging Markets	-0.43	-0.43	-1.43	-2.86	14.48	10.11
	MSCI BRIC	-2.91	-2.91	-3.46	-7.10	10.80	11.15
	MSCI EM Latin America	0.33	0.33	-13.83	-8.94	11.15	13.78
	MSCI EM Europe	-6.52	-6.52	-8.29	-8.82	14.45	5.64
	MSCI EM Asia	-0.31	-0.31	3.06	-0.04	15.59	9.51

Data as of: 3/31/14

FIXED INCOME

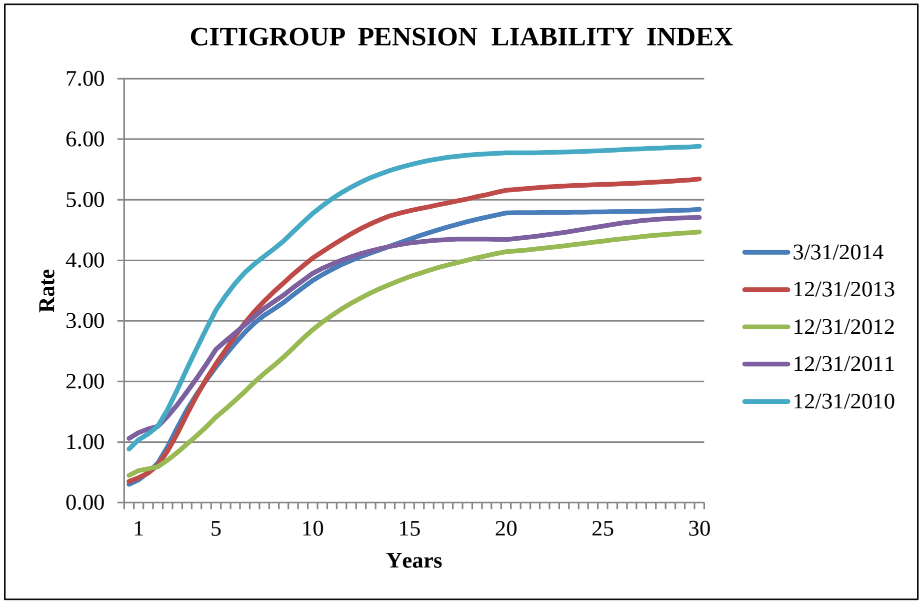
Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
BarCap Aggregate	1.84	1.84	-0.10	3.75	4.80	4.46
BarCap US Government	1.31	1.31	-1.17	3.18	2.73	3.98
BarCap US Credit	2.91	2.91	1.02	5.80	8.90	5.20
BarCap Intermediate Govt/Credit	1.00	1.00	-0.13	3.13	4.18	3.94
BarCap Long Govt/Credit	6.55	6.55	-0.88	8.99	9.14	6.50
Citi US Inflation-Linked	2.21	2.21	-6.78	3.52	4.94	4.54
BarCap Emerging Markets Bond	2.82	2.82	0.04	6.98	12.45	8.48
BarCap ABS	0.54	0.54	0.21	2.78	6.05	3.31
BarCap Mortgage	1.59	1.59	0.20	2.76	3.57	4.58
Citigroup US 3-Month T-Bill	0.01	0.01	0.05	0.06	0.09	1.56
BofA ML 1-3 Year Treasury	0.14	0.14	0.39	0.82	1.10	2.48
BarCap US Corp Aaa	3.42	3.42	-0.67	4.62	5.42	3.98
BarCap US Corp A	2.54	2.54	0.98	5.62	9.02	4.75
BarCap US Corp Baa	3.52	3.52	2.36	7.05	11.68	6.06
BarCap US High Yield	2.98	2.98	7.54	9.00	18.25	8.68
BarCap US High Yield Caa	3.31	3.31	11.14	10.31	24.43	8.86

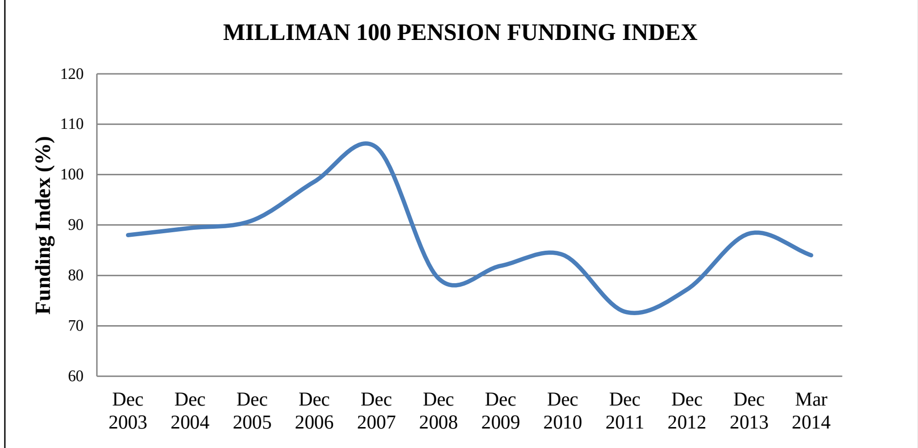
STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
Median Taxable Money Market Fund	0.04	0.04	0.18	0.20	0.31	1.91
Median Stable Value Fund	0.41	0.41	1.77	2.17	2.52	3.53
Consumer Price Index	0.56	0.56	0.68	1.60	1.96	2.26

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
NAREIT - Equity REIT	9.98	9.98	4.16	10.65	28.20	8.23
DJ UBS Commodity	6.99	6.99	-2.10	-7.37	4.24	0.43
S&P GSCI Commodity	2.94	2.94	1.13	-3.40	6.85	0.04





Source: From Milliman, Inc. survey of 100 largest corporate defined benefit plans

Funded status for the 100 largest corporate pension plans decreased over the quarter. The Milliman 100 Pension Funding Index, a survey of 100 of the largest corporate pensions, fell to 84% from about 89% at the end of 2013. A combination of asset underperformance and an interest rate decline in the corporate interest rate curve contributed to the lower funded status over the first quarter.

In addition, lower plan sponsor contributions in 2013 (most likely driven from MAP-21 reporting standards) also contributed to the lower than previously forecasted funded status. Given the expectation that contributions will remain lower than original actuarial assumptions, plans are now not expected to reach full funded status until sometime in 2016.

J.P. Morgan Asset Management estimated that about 10% of U.S. corporate pension plans were overfunded as of the end of the first quarter of 2014, which is about double the number of plans at the end of 2012. They also estimate that about half of the plans are 80-100% funded**.

The improvement in plan funded status has continued to drive the discussion about the implementation of a glide path investment strategy. Following the increase in interest rates during the last 18 months, there is less discussion and concern about the impact of higher rates on the asset side of the plan balance sheet.

The hike in both flat rate and variable rate PBGC premiums, and possible changes in actuarial mortality tables continue to drive discussions about long-term plan status.

**The Milliman Pension Funding Index is based on actual pension plan accounting information for the 100 largest defined benefit pension plans sponsored by U.S. public companies. The index is based on a ratio of the market value of assets compared to the projected benefit obligation (PBO), as a measure of the pension liabilities.*

***J.P. Morgan, Pension Pulse, Spring 2014.*