The Return of (Moderate) U.S. Economic Growth

- U.S. economic indicators recovered in the second quarter. Severe weather and the West Coast port strikes contributed to weaker economic growth, consumption, and productivity in the first quarter, as did the declining dollar, but much of the impact appeared to be subsiding. Improvements in employment data boosted financial markets, and several housing indicators (new home sales, housing starts, permits) trended higher. Existing home sales (a good indicator for future home prices) for June were at the highest level in eight years (+5.5 million units, annualized). Consumer demand, especially for trucks and autos, continued to climb, as average hourly earnings were 2.0% higher than they were at the same time last year. As of the end of the quarter, job openings were up and the unemployment rate declined to 5.3%.
- Industrial production, manufacturing, and capacity utilization were the drag on economic growth. Slack demand for exports, due to the strong dollar and weak economic growth abroad, offset encouraging data. Positive second quarter earnings announcements were running slightly ahead of negative announcements as of a week into the second quarter announcement period.
- For the second quarter, the real GDP was 2.3% (first estimate). Contributions from personal consumption expenditures, exports, state and local government spending, and residential fixed investment assisted with the increase in real GDP. Federal government spending, private inventory investment, and nonresidential fixed investment negatively impacted real GDP.
- The oil price dividend may be paying off. Although oil prices rose to over $60 per barrel during the quarter, higher gasoline prices did not deter consumer spending and retail sales, which rose sharply in May. Inflation, measured by the core Personal Consumption Expenditure (PCE) and CPI measures, was still contained. Consumer sentiment and expectations indicators rose throughout the quarter, reflecting optimism about the prospect for jobs and higher wages.
- By the end of the quarter, good economic news was overshadowed by global events and concerns about the uncertainty of Fed policy. Domestic equity markets provided investors with nominal quarterly returns.

Global Markets Focus on Greece and China

- The debt crisis in Greece dominated global financial markets at the end of the quarter. With a series of payments coming due soon in addition to a missed payment to the IMF at the end of June, Prime Minister Alex Tsipras called a national referendum. His strategy was to receive backing to reject the latest round of EU/IMF proposals that required pension and tax reform in exchange for monetary support. In the meantime, capital controls and bank closures in that country contributed to global investor uncertainty across global markets.
- The ECB maintained their E60 B per month Quantitative Easing program, as core inflation slowly moved higher and EU unemployment remained around 11.0%. Production, manufacturing and household consumption indices suggested an improving outlook, as the weaker Euro helped competitiveness. In Japan, business conditions and exports slowly improved, although manufacturing indicators were mixed. Overall, broad developed equity indices were nominally positive.
- China's economic news continued to be mixed. Manufacturing PMI contracted as employers made cuts to their payroll and the rate of service sector growth slowed, while industrial production and retail sales rose at the end of the quarter. Second quarter and year-to-date GDP was 7.0%, surprising to the upside but suggesting the interest rate cuts and other policy measures may be stabilizing the economy. Weakness in the property and construction sectors partnered with relaxed trading rules drove investment to equity markets pushed the domestic market to a peak in early June. A severe retraction at the end of the quarter (and into July) resulted in a loss of over 30.0% of the value of the Shanghai Stock Exchange Composite from its peak. However, the index returned about 12.0% on a quarter-to-quarter basis.

➢ *Looking Forward*

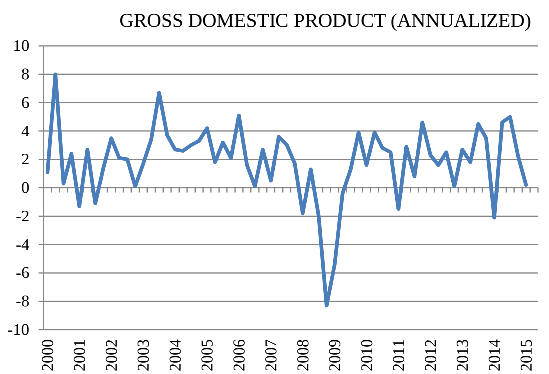
- Greek voters rejected EU/IMF proposals in early July, only to have Prime Minister Tsipras and the parliament accept a new, yet equally stringent proposal from their creditors in order to stave off the country's exit from the EU and the Euro. As of this writing, Greece continues to negotiate the terms of their support and banks have reopened, albeit with withdrawal restrictions in place. The latest EU data suggests the turmoil has dealt a blow to consumer confidence, which was down 7.1%. However, most analysts expect the overall upward trend in EU economic growth to continue. The IMF maintains their projection of EU growth at 1.5% for 2015.
- Following the exceptionally weak first quarter U.S. GDP, most analysts revised down their estimates for the year. Economic data released after the end of the quarter suggests that job growth is stronger than anticipated, as initial jobless claims declined dramatically to a forty-two year low. Core inflation as measured by the CPI less food and energy was up 1.8% in June, which is a move closer to the Fed's preferred 2.0% target. For a Fed that still is taking a cautious approach to interest rate policy, improvements in employment and inflation may push them in favor of increasing interest rates in September.
- Financial markets are waiting on Fed policy. Pricing in the fixed income markets still point to a lower, more drawn out increase in interest rates when compared to the FOMC's own projections. U.S. equity market valuation, as measured by forward P/E ratios, are at their highest since 2008 (although below levels in 2000-2002), potentially making stocks (and volatility) more vulnerable to news and data releases.

Forecast for U.S. Economic Outlook

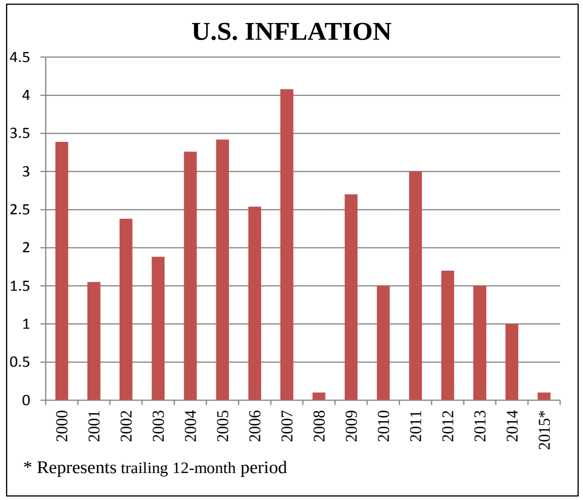
	Second Quarter, 2015	Third Quarter, 2015	2015
U.S. GDP	2.7%	3.1%	2.2%
Unemployment	-	-	5.1%
CPI	-	-	1.3%
Fed Funds	Unchanged	0-0.25%	0.25-0.75%

Source: The Wall Street Journal, July 1, 2015; survey average of 72 economists

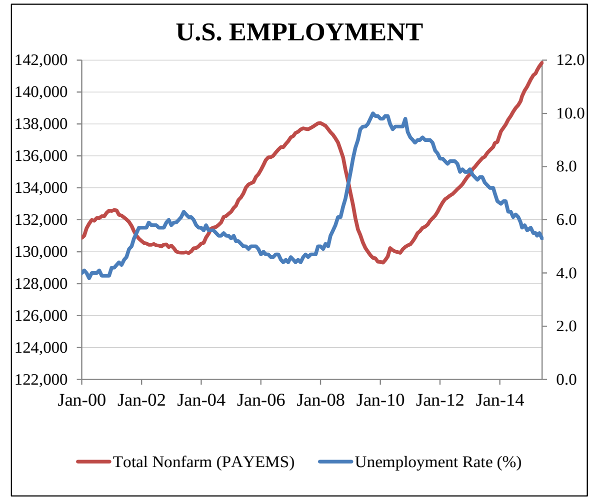
Seasonally Adjusted Rate: Percent Changed from Preceding Period	Annual			Trailing Four Quarters			
	2012	2013	2014	3Q14	4Q14	1Q15	2Q15
GDP	2.2	1.5	2.4	4.3	2.1	0.6	2.3



Source: Bureau of Economic Affairs



Source: United States Department of Labor



Source: United States Department of Labor

Economic Growth

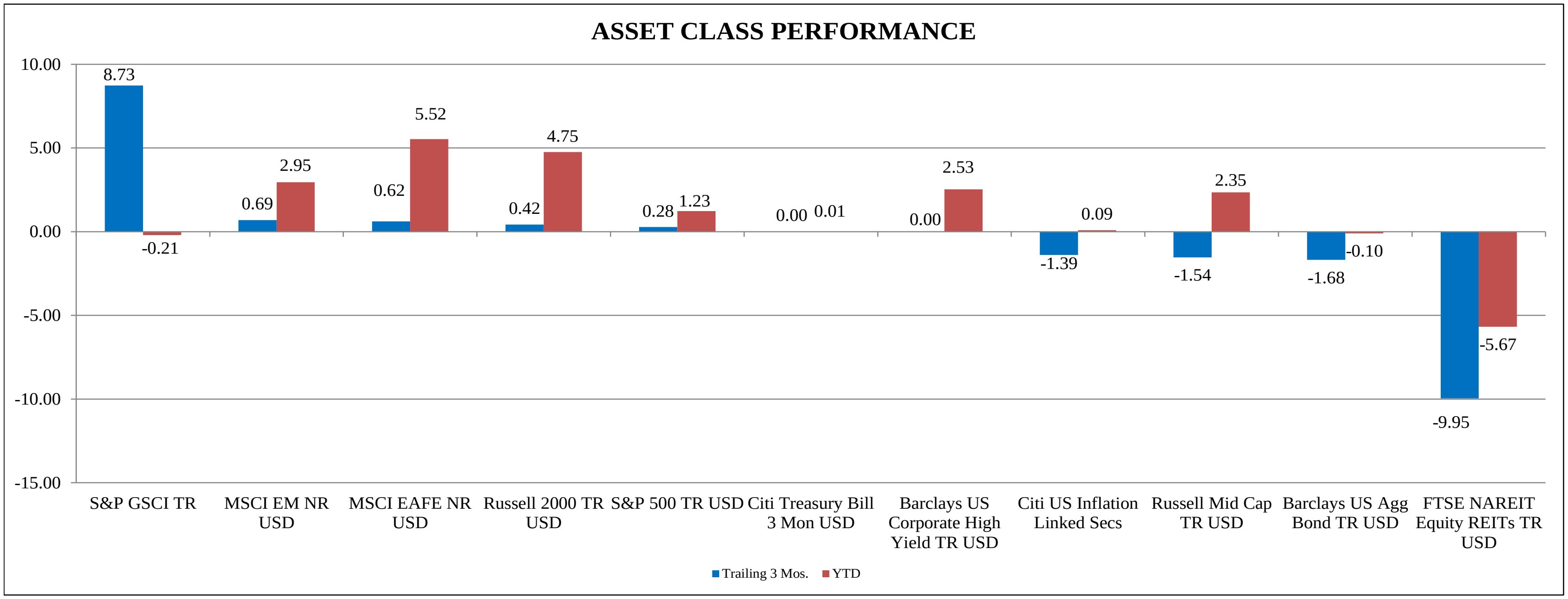
Signs of healthier economic growth emerged in the second quarter. Improving weather and the end of the West Coast port strike contributed to better employment and housing data. May non-farm employment numbers were the biggest positive surprise, initially posting a gain of 280,000 but revised down to 254,000, followed by a June growth rate of 223,000. The unemployment rate fell to 5.3%. Existing home sales increased 9.2% compared to the previous year, which was the strongest growth rate in two years. Pending home sales grew 0.9% during May and annual growth in the South increased 13.0% compared to the previous year. The University of Michigan Consumer Confidence Survey and the Consumer Sentiment indices also rose sharply at the end of the second quarter, reflecting renewed confidence on the outlook for income and employment. Personal income and consumer spending rose 0.5% and 0.9%, respectively, in May, while the closely watched Core Personal Consumption Expenditures (PCE) Price Index rose 1.2% compared to the previous year. This suggests that the increases in spending and wages are not yet inflationary. Meanwhile, manufacturing still looks soft; the ISM manufacturing index remains at a fairly modest level of 52.8 as of May.

Policy

The June FOMC meeting minutes indicated that the committee will remain data dependent, carefully watching domestic economic numbers and global events. While U.S. data continues to indicate economic growth is back on trend with wages and inflation increasing as well as oil prices stabilizing, the events in Greece and the economic news from China are more concerning. Fed members have commented that they are cautiously watching the potential impact on European banks and broader economic growth. The latest commentary from Chairperson Yellen suggests the first interest rate increase will occur in 2015, but the pace of increases will be slow and steady.

Markets

Financial markets looked beyond concerns about rising interest rates during the second quarter, although market performance and volatility were driven by anxieties about Greece's membership in the EU and the Euro. Earnings reports on a whole beat previously reduced expectations. Broad U.S. equity market indices managed small gains while waiting for Fed news. Ten year Treasury rates rose about 40 basis points to end the quarter at 2.4%. Oil prices stabilized around $60 per barrel. China's weakening economic data did not quite hit home by the end of the quarter, with that stock market giving back only a modest amount of its significant year-to-date gains.



Source: Morningstar

Higher oil prices drove the exceptional second quarter GSCI performance and also helped Russian and Brazilian equities support broader emerging market performance. Easier monetary policy out of Russia and China, as well as budget cuts in Brazil, contributed to modest MSCI EM index performance in the second quarter. Dissipating enthusiasm for India's reforms led to profit taking and lower share prices within emerging market indices.

Developed market indices were hit by concerns about contagion from Greece's debt default, their prospect for remaining in the EU, and the call for a referendum vote about proposed EU/IMF austerity measures. German growth slowed, while the impact of mostly favorable U.S. economic indicators was tempered by the prospect of the Fed's first rate hike.

Small cap stocks continued to outperform large-cap and mid-cap stocks during the second quarter, as they benefited from less exposure to a strong dollar and its negative impact on exports. Healthcare was aided by the Supreme Court's decision to uphold ACA subsidies and M&A activity, which also supported the telecommunication sector. Likewise, healthcare and consumer sectors helped fuel growth stocks while value indices received some support from the financial sector. However, concerns about higher wages and compressed margins in the coming quarters weighed more heavily on value stocks.

The prospect of rising interest rates took its greatest toll on REITS and utilities, as well as dividend paying stocks. Bond prices experienced some late quarter "flight to safety" buying, but higher rates and widening credit spreads overall drove bond prices lower.

PEI Portfolio Evaluations, Inc.

THE BENCHMARK IN INVESTMENT CONSULTING

2Q2015

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of June 30, 2015

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	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 34.00%	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%	Russell Mid Cap 19.26%	Russell Mid Cap 18.23%	Russell Mid Cap 9.40%
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 1.80%	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%	Russell 2000 17.81%	S&P 500 17.34%	Russell 2000 8.40%
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 11.60%	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%	S&P 500 17.31%	Russell 2000 17.08%	MSCI Emerging Markets 8.11%
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%	BarCap Aggregate 5.97%	MSCI EAFE 11.97%	NAREIT - Equity REIT 14.28%	S&P 500 7.89%
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%	Russell 2000 4.89%	NAREIT - Equity REIT 8.93%	MSCI EAFE 9.54%	BarCap US High Yield 7.89%
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 5.60%	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%	BarCap US High Yield 6.81%	BarCap US High Yield 8.61%	NAREIT - Equity REIT 7.01%
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 US High Yield 2.45%	MSCI Emerging Markets 3.71%	MSCI Emerging Markets 3.68%	MSCI EAFE 5.12%
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 3.00%	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%	BarCap Aggregate 1.83%	Citi US Inflation-Linked 3.39%	BarCap Aggregate 4.44%
S&P 500 -9.10%	S&P 500 -11.89%	Russell Mid Cap -16.19%	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%	Citi 3 Month T-Bill 0.05%	BarCap Aggregate 3.35%	Citi US Inflation-Linked 4.18%
MSCI EAFE -14.17%	MSCI EAFE -21.44%	Russell 2000 -20.48%	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%	Citi US Inflation-Linked -0.83%	Citi 3 Month T-Bill 0.06%	Citi 3 Month T-Bill 1.34%
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 -33.06%	S&P GSCI Commodity -10.71%	S&P GSCI Commodity -4.33%	S&P GSCI Commodity -6.25%

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

Portfolio Evaluations, Inc.
THE BENCHMARK IN INVESTMENT CONSULTING

2Q2015
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	-0.29	0.03	7.21	13.77	15.41	8.32
	S&P 500	0.28	1.23	7.42	17.31	17.34	7.89
	NASDAQ Composite	2.03	5.90	14.44	20.86	20.18	10.35
	Wilshire 5000 Total Market	0.06	1.67	7.09	17.45	17.33	8.16
Large Cap	Russell 1000	0.11	1.71	7.37	17.73	17.58	8.13
	Russell 1000 Growth	0.12	3.96	10.56	17.99	18.59	9.10
	Russell 1000 Value	0.11	-0.61	4.13	17.34	16.50	7.05
Mid Cap	Russell Mid Cap	-1.54	2.35	6.63	19.26	18.23	9.40
	Russell Mid Cap Growth	-1.14	4.18	9.45	19.24	18.69	9.69
	Russell Mid Cap Value	-1.97	0.41	3.67	19.13	17.73	8.89
Small Cap	Russell 2000	0.42	4.75	6.49	17.81	17.08	8.40
	Russell 2000 Growth	1.98	8.74	12.34	20.11	19.33	9.86
	Russell 2000 Value	-1.20	0.76	0.78	15.50	14.81	6.87

Source: Morningstar

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Developed	MSCI AC World	0.35	2.66	0.71	13.01	11.93	6.41
	MSCI AC World Ex US	0.53	4.03	-5.26	9.44	7.76	5.54
	MSCI EAFE	0.62	5.52	-4.22	11.97	9.54	5.12
	MSCI EAFE Growth	1.01	6.91	-1.33	12.11	10.09	5.80
	MSCI EAFE Value	0.22	4.11	-7.09	11.80	8.93	4.37
	MSCI EAFE Small Cap	4.34	10.15	-0.77	15.69	12.40	6.59
	MSCI Europe	0.36	3.82	-7.65	12.37	10.02	5.03
	MSCI Europe Ex UK	-0.79	4.67	-7.39	14.13	9.66	5.21
	MSCI Pacific Free	1.14	8.84	2.70	11.22	8.80	5.39
	MSCI Pacific Free Ex Japan	-2.48	0.58	-6.79	7.53	8.70	7.94
	MSCI Japan	3.09	13.62	8.31	13.30	8.80	4.23
Emerging	MSCI Emerging Markets	0.69	2.95	-5.12	3.71	3.68	8.11
	MSCI BRIC	4.57	8.29	0.48	5.01	1.42	9.68
	MSCI EM Latin America	3.51	-6.38	-23.41	-8.08	-4.39	7.45
	MSCI EM Europe	4.28	6.25	-25.87	-6.08	-2.57	1.39
	MSCI EM Asia	-0.15	5.07	3.14	8.96	6.79	9.29

Source: Morningstar

FIXED INCOME

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	-1.68	-0.10	1.86	1.83	3.35	4.44
BarCap US Government	-1.50	0.08	2.27	0.93	2.63	3.99
BarCap US Credit	-2.88	-0.78	0.93	3.03	4.93	5.12
BarCap Intermediate Govt/Credit	-0.62	0.82	1.68	1.60	2.79	4.02
BarCap Long Govt/Credit	-7.57	-4.47	1.94	2.48	6.71	6.14
Citi US Inflation-Linked	-1.39	0.09	-1.67	-0.83	3.39	4.18
BarCap Emerging Markets Bond	0.45	2.76	0.20	4.41	6.82	7.58
BarCap ABS	0.17	1.08	1.64	1.38	2.48	3.32
BarCap MBS	-0.74	0.31	2.28	1.92	2.89	4.56
Citigroup US 3-Month T-Bill	0.00	0.01	0.02	0.05	0.06	1.34
BofA ML 1-3 Year Treasury	0.15	0.67	0.88	0.66	0.82	2.52
BarCap US Corp Aaa	-4.49	-2.41	1.15	1.09	3.60	3.93
BarCap US Corp A	-2.96	-0.81	1.35	2.94	4.83	4.65
BarCap US Corp Baa	-3.47	-1.06	-0.06	3.90	5.85	5.92
BarCap US High Yield	0.00	2.53	-0.40	6.81	8.61	7.89
BarCap US High Yield Caa	0.49	2.50	-4.19	7.70	9.15	7.40

Source: Morningstar

STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Median Taxable Money Market Fund	0.03	0.06	0.12	0.16	0.20	1.67
Median Stable Value Fund	0.44	0.87	1.74	1.83	2.18	3.20
Consumer Price Index	0.46	1.02	-0.48	1.11	1.71	2.01

Source: PEI

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
NAREIT - Equity REIT	-9.95	-5.67	4.33	8.93	14.28	7.01
Bloomberg Commodity	4.66	-1.56	-23.71	-8.76	-3.91	-2.62
S&P GSCI Commodity	8.73	-0.21	-36.81	-10.71	-4.33	-6.25

Source: Morningstar

Portfolio Evaluations, Inc.
THE BENCHMARK IN INVESTMENT CONSULTING

2Q2015

DOMESTIC EQUITY MARKET PERFORMANCE
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing performance as of: June 30, 2015

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

3 Month

	Value	Blend	Growth
Large	0.11	0.11	**0.12**
Mid	**-1.97**	**-1.54**	-1.14
Small	**-1.20**	**0.42**	**1.98**

1 Year

	Value	Blend	Growth
Large	**4.13**	7.37	**10.56**
Mid	**3.67**	6.63	**9.45**
Small	**0.78**	6.49	**12.34**

3 Year

	Value	Blend	Growth
Large	**17.34**	**17.73**	17.99
Mid	19.13	**19.26**	**19.24**
Small	**15.50**	17.81	**20.11**

5 Year

	Value	Blend	Growth
Large	**16.50**	17.58	**18.59**
Mid	17.73	18.23	**18.69**
Small	**14.81**	**17.08**	**19.33**

10 Year

	Value	Blend	Growth
Large	**7.05**	**8.13**	9.10
Mid	8.89	**9.40**	**9.69**
Small	**6.87**	8.40	**9.86**

15 Year

	Value	Blend	Growth
Large	6.88	**4.68**	**2.19**
Mid	**10.84**	**8.71**	**4.47**
Small	**9.87**	7.50	4.84

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
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	**43.40**	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

Source: Morningstar

Portfolio Evaluations, Inc.

THE BENCHMARK IN INVESTMENT CONSULTING

2Q2015

DOMESTIC AND INTERNATIONAL EQUITY ECONOMIC REVIEW AND MARKET COMMENTARY

DOMESTIC EQUITY
(As exhibited by the Russell 1000, MidCap, and 2000 stylized indices)
Trailing performance as of June 30, 2015

3 Month

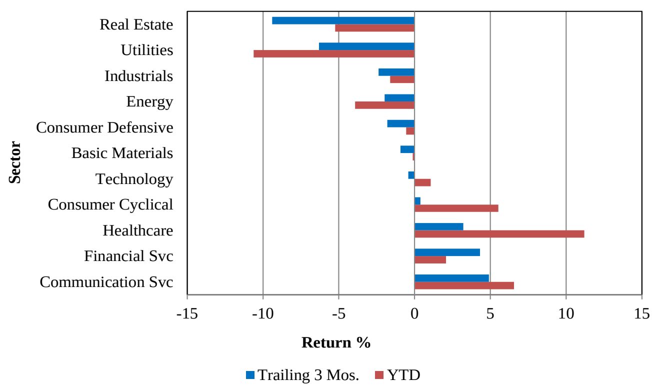
	Value	Blend	Growth
Large	0.11	0.11	**0.12**
Mid	**-1.97**	**-1.54**	-1.14
Small	**-1.20**	**0.42**	**1.98**

YTD

	Value	Blend	Growth
Large	**-0.61**	1.71	3.96
Mid	**0.41**	2.35	**4.18**
Small	**0.76**	**4.75**	**8.74**

Top 3 Performers | **Bottom 3 Performers**

S&P 500 INDEX SECTOR PERFORMANCE



Source: Morningstar

INTERNATIONAL EQUITY
(As exhibited by the MSCI EAFE, EAFE Small, and Emerging Market stylized indices)
Trailing performance as of June 30, 2015

3 Month

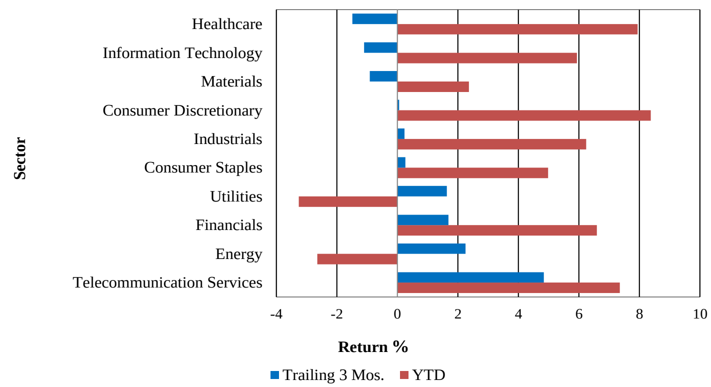
	Value	Blend	Growth
EAFE	**0.22**	**0.62**	1.01
EAFE Small	**3.21**	**4.34**	**5.47**
EM	1.79	0.69	**-0.29**

YTD

	Value	Blend	Growth
EAFE	4.11	5.52	6.91
EAFE Small	**8.69**	**10.15**	**11.60**
EM	**2.18**	**2.95**	**3.66**

Top 3 Performers | **Bottom 3 Performers**

MSCI EAFE SECTOR PERFORMANCE



Source: Morningstar

Domestic Equity

U.S. stock markets were mostly flat for the second quarter, with the S&P 500 posting a modest 0.3% gain, the Russell 1000 up 0.1%, the Russell 2000 up 0.4%, and the NASDAQ Composite leading the way with a 1.8% gain. Those four major indices reached all-time highs during the quarter, although the Greek default roiled investors during the last few days of June, erasing most of their gains. Growth stocks continued their year-to-date trend and outperformed value stocks. The health care sector, lifted by strong earnings as well as merger and acquisition activity, posted the strongest gains while the yield-oriented utilities and real estate sectors continued to lose ground. On a valuation basis, the 16.4 forward price-to-earnings ratio of the S&P 500 is above the 15.7 of its long-term average, indicating the market remains slightly overvalued.

International Equity

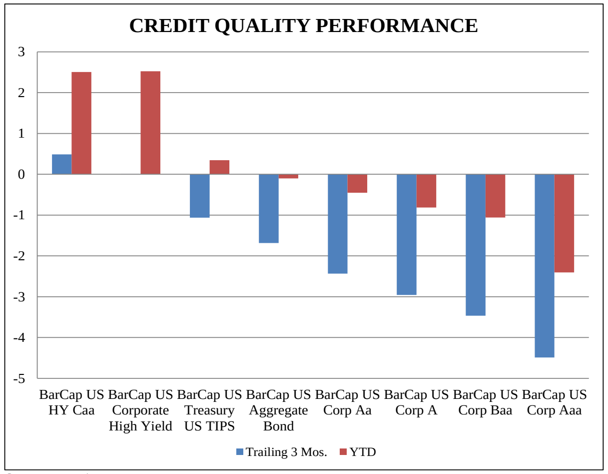
International equity markets modestly advanced during the second quarter against a backdrop muddied by headlines surrounding the ongoing Greek debt crisis. Generally speaking, emerging markets marginally outpaced developed markets with the MSCI EAFE Index returning 0.6% and the MSCI Emerging Markets Index returning 0.7%. Returns varied by regions, with Eurozone equities weak in response to the escalating Greek debt crisis while the Chinese, Japanese, and Russian markets posted strong gains. More specifically, Eurozone equities were pressured as Greek debt negotiations grinded to a halt and concerns swelled about the consequences of a Greek exit from the Eurozone. Chinese and Japanese markets were buoyed by continued stimulus measures and a strong corporate earnings season in Japan. The Russian market rebounded, driven by a strong rally in the price of oil and an appreciating rouble. From an international perspective, growth outpaced value. The telecom, energy, and financials sectors led the way with mediocre single digit returns.

Portfolio Evaluations, Inc.

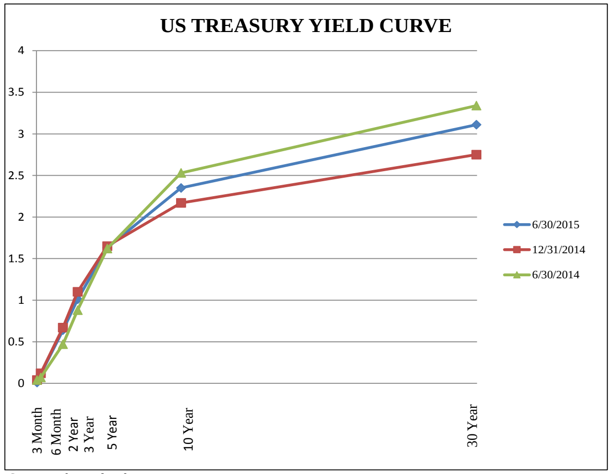
THE BENCHMARK IN INVESTMENT CONSULTING

2Q2015

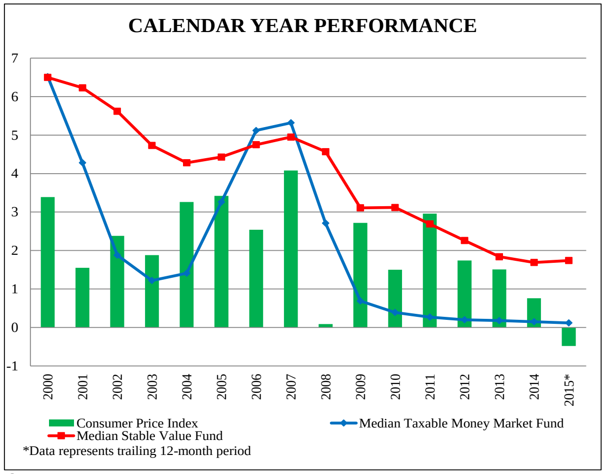
FIXED INCOME, MONEY MARKET, AND STABLE VALUE ECONOMIC REVIEW AND MARKET COMMENTARY



Source: Morningstar



Source: The Federal Reserve



Source: PEI

Fixed Income

Despite a late quarter rally fueled by the demand for safe haven assets amid the Greek debt crisis, bonds declined in the second quarter as rates rose and credit spreads widened. The Barclays US Aggregate Bond Index posted a -1.7% return. Bond yields rose in the second quarter, ahead of expectations for an initial fed funds increase later in 2015 amid a series of stronger economic releases. The rise in US yields was also driven by higher global government bond yields as deflationary concerns in Europe subsided. The 10-year and 30-year Treasury yields rose by 43 and 58 basis points, respectively, which negatively impacted long duration bonds. The Barclays Long US Government/Credit Index lost 7.6%. The yield curve steepened significantly as longer term yields rose more than shorter term yields. The 30-year Treasury rose more than 50 basis points, while 2-year yields rose only 7 bps. Treasury Inflation Protected Securities (TIPS) posted losses as rates rose. TIPS outperformed nominal treasuries, as oil bounced back and inflation data surprised to the upside. Investment grade credit was the weakest performer among the main sectors, amid record corporate issuance and heightened volatility surrounding Greece bailout discussions. The Barclays US Credit Index returned -2.9% during the quarter. High yield bonds were flat due in part to rebounding energy prices following the lows in the first quarter. Spreads on agency MBS and asset-backed securities held relatively steady in the quarter, as the lower durations and higher quality bias helped insulate the sectors from market volatility. Emerging market US dollar denominated debt lost some ground in the second quarter. Local bonds also fell overall. Hard currency emerging market debt continued its outperformance versus local currency.

Money Market and Stable Value

Money market funds continue to reduce their weighted average maturity (WAM) in anticipation of an interest rate hike in either September or December. Typical WAM is running now slightly below forty days, as funds look forward to increasing yields. Other considerations impacting fund management include global events and the SEC money market reforms. Most high quality, prime money market funds do not have exposure to Greece, including through global banks, and do not anticipate their portfolios will be impacted on the outcome of debt/austerity negotiations. Prime fund managers are building liquidity in anticipation of some outflows due to the reforms, especially to Government/Treasury funds that will not be required to float the NAV or put redemption gates and liquidity fees in place. There has been some discussion in Europe regarding the creation of similar money market reforms for offshore funds. Stable value managers indicate that outflows have stabilized from the elevated levels seen during the first quarter. Their cash positions are also slightly elevated to provide flexibility as interest rates rise.