1Q2016

SUMMARY OF ECONOMIC REVIEW AND MARKET COMMENTARY

China, Oil, and the Fed

- A combination of higher interest rates and a pessimistic economic outlook set financial markets into a tailspin at the start of the quarter. Market participants re-evaluated the first Fed interest rate hike in eight years and its effect on asset prices. Emerging markets were especially beaten by the double impact of a continued slowdown in China and lower oil prices. Acerbated by faulty market circuit breakers, China's December PMI (48.2) triggered the global equity price collapse as markets renewed concern that China's economy was vulnerable to a hard landing.
- Negative sentiment was highest in oil, high yield, and emerging markets. High yield spreads, especially in the energy sector, widened as risk aversion overpowered markets. Ten-year Treasury rates declined to 1.7%, the lowest level since April 2013. Developed equity markets, at their lowest levels, were off between 10-15%. The Shanghai Composite was down almost 20% in the first three weeks of the year.
- It took reassuring words from the Fed, decisive policy moves in China, and the anticipation of an oil production agreement to turn markets around. By the end of the quarter, the WTI price rose from $26 to about $42 per barrel on expectations OPEC and Russia would agree to production cuts. The Peoples Bank of China (PBoC) rolled-back market controls that destabilized financial markets and announced additional measures that successfully supported their stock markets and emerging markets more broadly. Most importantly, at the March FOMC meeting the Federal Reserve prioritized the state of the global economy. This caused them to modify projections for the timing and level of interest rate increases.
- Financial markets applauded the "lower for longer" interest rate stance. Domestic equities recovered losses and posted small gains year-to date. Emerging markets rebounded 21% from their lows to return 5.7% on the quarter.
- U.S. economic data turned more supportive at the end of the quarter. The ISM Manufacturing Index for March was 51.8, the highest in eight months, driven by a sharp increase in exports tied to new orders. Non-farm payrolls remained strong, although the unemployment rate rose to 5.0% primarily due to a favorable increase in the labor force participation rate. Consumer sentiment also rebounded, suggesting a better second quarter for consumer spending.
- China's equity market improved due to stronger consumption data, government reforms, and capital controls. European markets were held back in part due to Prime Minister David Cameron's call for a June referendum regarding the U.K government's membership in the European Union. Current polls have the probability of a "Brexit" vote at 46%, with 3% of voters undecided. Geopolitical concerns (security, immigration) reminded markets that deeper socio-economic issues remain.
- The first estimate for first quarter GDP was 0.5%, which was lower than fourth quarter's GDP of 1.4%. This was due to large declines in business and equipment investment as well as exports, some of which could reverse next quarter because of stronger oil prices and the weaker dollar.

Central Banks Step Up Action to Support Financial Markets

- Central banks made a coordinated attempt to calm financial markets. Besides the Fed's change in interest rate projections, the European Central Bank (ECB), Bank of Japan (BOJ), and PBoC took action to expand monetary policy aimed at boosting lending as well as business and household confidence. All of these measures put the brakes on a four-month upswing in the U.S. dollar.
- ECB president Mario Draghi surprised market participants with a number of supportive actions: an additional cut in the deposit rate to -0.4%, an increase in monthly bond purchases, and a new loan program for banks. Forward guidance stated rates would remain low for an extended time.

- After announcing a move to negative interest rates on excess banking reserves in January, the BOJ renewed their pledge to increase the money supply and take necessary steps to hit their 2.0% inflation target. China's officials raised the daily currency fixing rate and cut the reserve requirement ratio in order to stabilize their currency and cut the flow of capital out of that country.

➢ *Looking Forward: More Uncertainty*

- The outlook for improved consumer sentiment and spending suggests second quarter U.S. GDP could be 1.5-2.0%. Employment is expected to continue to improve, while inflation moves closer to the Fed's target. Global economic conditions are seen as improving, raising speculation about the next interest rate increase.
- More broadly, easy monetary policy around the globe will be supportive of economic growth. However, global GDP has been revised down by the IMF to 3.2% from 3.4%. While most areas are expected to see some progress, risks remain. EU unemployment has been stubborn around 10.3%. Uncertainty around the Brexit vote could drive volatility higher, and if voters decide to leave the EU, the ramifications could be significant. Japan's manufacturing and distribution channels may struggle due to the impact of the earthquakes in April. Meanwhile, China has successfully supported their currency and consumer spending, especially in housing. The country possibly averted a hard landing, but the economic path remains rocky as these measures may not be sustainable and have added to the debt levels.
- U.S. equity market support is being scrutinized. Valuations recovered quicker than expected. To date, only slightly more than half of first quarter earnings announcements have beaten the conservative guidance supplied by management. However, posted revenues have declined compared to the previous quarter. Most notable, Apple's first quarter revenue was down 12.8% due to weak sales in China. Experts also continue to warn about rising defaults in the energy sector. Regardless, analysts still believe equity markets will continue to post gains through the remainder of 2016 (helped by ongoing share buyback programs), although profit margins at this stage of the business cycle will continue to be influenced by declining productivity and rising wages.

Forecast for U.S. Economic Outlook

	First Quarter 2016	Second Quarter 2016	Year End 2016
U.S. GDP	1.3%	2.3%	-
Unemployment	-	4.8%	4.7%
CPI	-	1.1%	1.8%
Fed Funds	0.25-0.50%	0.50-0.75%	0.75-1.00%

Source: The Wall Street Journal, April 1, 2016; survey average of 78 economists

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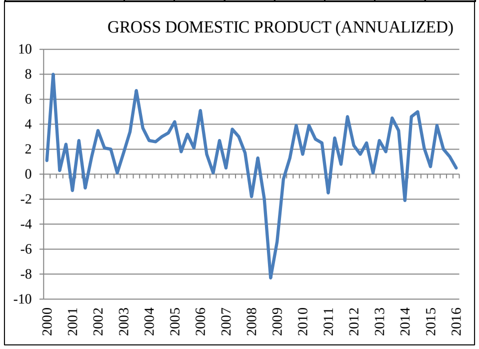
ECONOMIC REVIEW

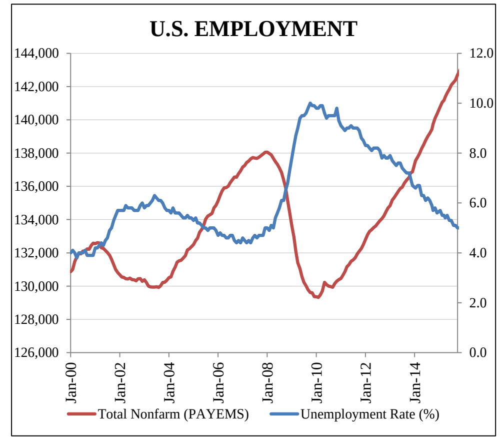
ECONOMIC REVIEW AND MARKET COMMENTARY

Seasonally Adjusted Rate: Percent Changed from Preceding Period	Annual			Trailing Four Quarters			
	2013	2014	2015	2Q15	3Q15	4Q15	1Q16
GDP	1.5	2.4	2.4	3.9	2.0	1.4	0.5



Source: Bureau of Economic Affairs

Source: United States Department of Labor



Source: United States Department of Labor

Economic Growth

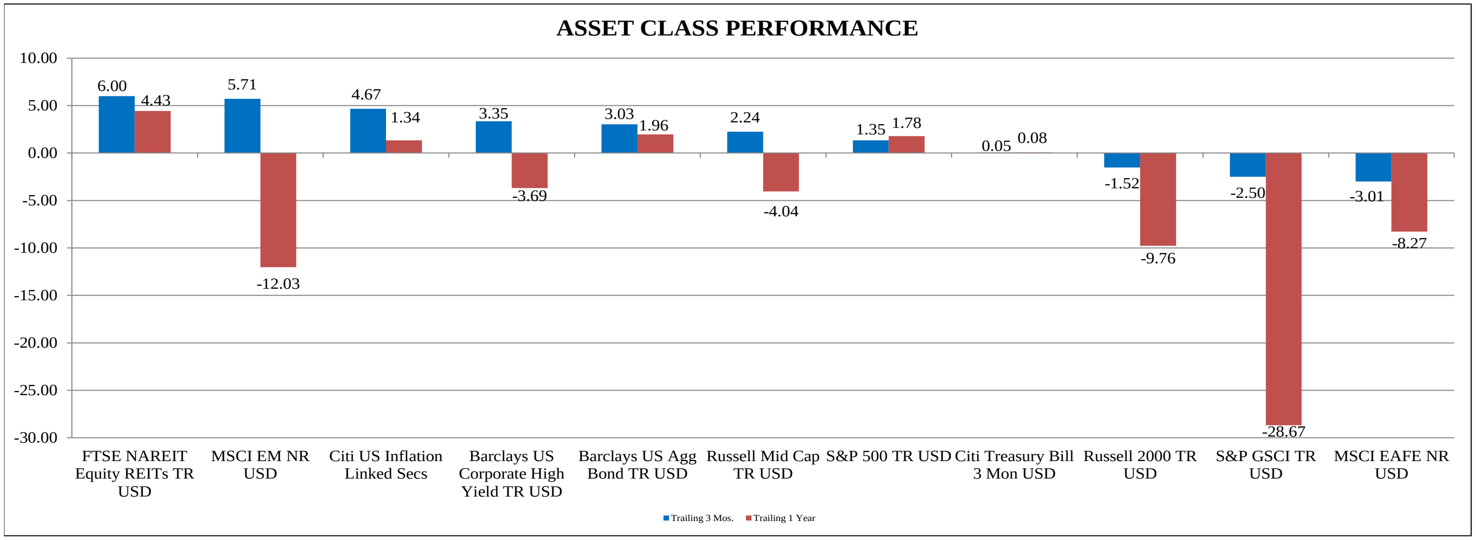
GDP weakened at the end of 2015 and expectations for the first quarter GDP were lowered following the collapse in financial markets at the start of 2016. Economic data reported earlier in the quarter supported this pessimistic outlook. Manufacturing data continued its slide from 2015, while service sector indices also turned lower. Consumer confidence dipped, not only reflecting the distress in financial markets, but also concerns about economic growth and stalled wages. These concerns were reflected in a -0.4% change in retail sales in January and -0.1% change in February. Consumer confidence, manufacturing, and sales data from Europe and China were equally disappointing. However, March data reversed earlier trends. An unexpected increase in global manufacturing data surprised markets. Expectations for new orders and production also turned higher as did the non-manufacturing index, possibly signaling an improvement in second quarter GDP. The domestic labor market remained steady as non-farm payrolls continued to add on average more than 200,000 jobs a month. Although the unemployment rate for March rose to 5.0%, this was attributed to a positive increase in the workforce participation rate. Both consumer confidence and consumer sentiment rebounded in March, and housing data remained solid overall. As expected, the first estimate of first quarter GDP was 0.5%. The slow down for the quarter was due to decreases in PCE, nonresidential fixed investment, federal government spending, private inventory investments, and exports. These factors were partly offset by an upturn in state and local government spending as well as growth in residential fixed investment.

Policy

Influenced by "global economic and financial developments" since the start of 2016, the Federal Reserve modified their path to increasing interest rates, projecting a lower and longer path. They revised down projections for the 2016 Federal funds rate to 0.9% from 1.4%, implying only two interest rate hikes will occur in 2016. Although mid-quarter inflation numbers rose at a faster pace than anticipated, Janet Yellen stated it was too early to determine its sustainability, signaling a priority on economic growth. However, inflation is being watched carefully with critics monitoring wage and employment pressures as well as higher energy prices that could force the Fed back to a more aggressive interest rate policy. By the end of the quarter, the ECB and BOJ announced additional monetary policy easing (and a further move into negative interest rates), which also supported global financial markets.

Markets

Financial markets reacted positively to the Fed's shift in interest rate policy, and most equity markets ended the quarter in positive territory. The market movement in March masked the volatile start to 2016, where domestic equity markets were down by about 12% and global market indices down even more, on concerns of weaker economic growth in China and commodity sensitive emerging markets with ties to oil production. Following talk of production output agreements, oil prices stabilized in a range of $36-$40 per barrel and financial markets recouped losses. Emerging markets rebounded quite dramatically, also due to the U.S. dollar weakness. Furthermore, Brazil also benefited from expectations that a political change was forthcoming. European developed markets did not perform as well, as the banking sector came under renewed pressure and the odds of a Brexit increased. The Brussels attacks also contributed to market concerns. Interest rates remained lower during the quarter, although credit spreads narrowed as risk aversion abated.



Source: Morningstar

Financial markets calmed dramatically over the quarter, as oil prices stabilized and a cautious Fed policy (and the associated weaker U.S. dollar) gave support to most asset classes.

REITs continue to hold the top position, supported by easier Fed policy, more favorable financing, yield-seeking cash flows, and higher rent rates.

Emerging market equities and currencies also benefited from the change in economic drivers and technical short covering by hedge funds. Commodity based countries, such as Russia and Brazil, were primary beneficiaries of prospects that a longer-term oil production agreement between those countries and OPEC would be achieved.

Inflation sensitive, high yield, and corporate bond sectors rebounded. An unexpected increase in core inflation pushed inflation-linked securities higher, while stable oil prices supported narrower credit spreads. Broader interest rate markets benefited from the recalibration of the interest rate outlook and fading fears of a commodity-driven global recession.

Domestic economic fundamentals and more attractive valuations drove broad market indices higher. Utilities, basic materials, and consumer defensive stocks appreciated because of stabilizing oil prices. Pressure was greatest on the health care and financial sector, which in particular was due to issues in the energy-credit sector and its relationship to banks.

U.S. value stocks, especially those backed by free cash flow and higher dividends, were viewed as less risky and outperformed growth stocks. Mid-cap stocks were the best performing market cap weighted sector. Small-cap stocks were unable to recoup all of their losses, especially as risk aversion lingered and the dollar weakened.

Oil finished the quarter around levels where it started. Gold appreciated 16.4% due to lower/negative global interest rates and a weaker dollar. However, natural gas and some agricultural components weighed more heavily on commodity-based indices.

The worse performing asset class was non-U.S. developed markets. Weak consumption and export data, a stalled GDP, and geopolitical risk factors (Brexit, immigration, and the Brussels attacks) had a negative impact on European equity performance.

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TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of March 31, 2016

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	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%	NAREIT - Equity REIT 3.20%	S&P 500 11.82%	NAREIT - Equity REIT 11.89%	Russell Mid Cap 7.45%
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%	S&P 500 1.38%	NAREIT - Equity REIT 10.47%	S&P 500 11.58%	S&P 500 7.01%
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%	BarCap Aggregate 0.55%	Russell Mid Cap 10.45%	Russell Mid Cap 10.30%	BarCap US High Yield 7.01%
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%	Citi 3 Month T-Bill 0.03%	Russell 2000 6.84%	Russell 2000 7.20%	NAREIT - Equity REIT 6.56%
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%	MSCI EAFE -0.81%	BarCap Aggregate 2.50%	BarCap US High Yield 4.93%	Russell 2000 5.26%
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%	Citi US Inflation-Linked -1.73%	MSCI EAFE 2.23%	BarCap Aggregate 3.78%	BarCap Aggregate 4.90%
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%	Russell Mid Cap -2.44%	BarCap US High Yield 1.84%	Citi US Inflation-Linked 3.14%	Citi US Inflation-Linked 4.70%
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%	Russell 2000 -4.41%	Citi 3 Month T-Bill 0.05%	MSCI EAFE 2.29%	MSCI Emerging Markets 3.02%
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%	BarCap US High Yield -4.47%	Citi US Inflation-Linked -0.64%	Citi 3 Month T-Bill 0.06%	MSCI EAFE 1.80%
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%	MSCI Emerging Markets -14.92%	MSCI Emerging Markets -4.50%	MSCI Emerging Markets -4.13%	Citi 3 Month T-Bill 1.07%
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 -32.86%	S&P GSCI Commodity -24.49%	S&P GSCI Commodity -17.43%	S&P GSCI Commodity -10.66%

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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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	2.20	2.20	2.08	9.29	10.27	7.54
	S&P 500	1.35	1.35	1.78	11.82	11.58	7.01
	NASDAQ Composite	-2.43	-2.43	0.55	15.63	13.22	8.71
	Wilshire 5000 Total Market	1.17	1.17	0.23	11.26	11.01	6.95
Large Cap	Russell 1000	1.17	1.17	0.50	11.52	11.35	7.06
	Russell 1000 Growth	0.74	0.74	2.52	13.61	12.38	8.28
	Russell 1000 Value	1.64	1.64	-1.54	9.38	10.25	5.72
Mid Cap	Russell Mid Cap	2.24	2.24	-4.04	10.45	10.30	7.45
	Russell Mid Cap Growth	0.58	0.58	-4.75	10.99	9.99	7.43
	Russell Mid Cap Value	3.92	3.92	-3.39	9.88	10.52	7.23
Small Cap	Russell 2000	-1.52	-1.52	-9.76	6.84	7.20	5.26
	Russell 2000 Growth	-4.68	-4.68	-11.84	7.91	7.70	6.00
	Russell 2000 Value	1.70	1.70	-7.72	5.73	6.67	4.42

Source: Morningstar

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Developed	MSCI AC World	0.24	0.24	-4.34	5.54	5.22	4.08
	MSCI AC World Ex US	-0.38	-0.38	-9.19	0.32	0.31	1.94
	MSCI EAFE	-3.01	-3.01	-8.27	2.23	2.29	1.80
	MSCI EAFE Growth	-2.07	-2.07	-3.70	3.80	3.70	2.92
	MSCI EAFE Value	-3.97	-3.97	-12.82	0.59	0.82	0.60
	MSCI EAFE Small Cap	-0.60	-0.60	3.20	7.29	5.58	3.44
	MSCI Europe	-2.51	-2.51	-8.44	2.71	2.07	2.05
	MSCI Europe Ex UK	-2.59	-2.59	-8.27	3.93	1.94	2.05
	MSCI Pacific Free	-3.79	-3.79	-7.95	1.28	2.81	1.32
	MSCI Pacific Free Ex Japan	1.81	1.81	-9.65	-2.95	0.68	5.60
	MSCI Japan	-6.52	-6.52	-7.06	3.84	4.03	-0.42
Emerging	MSCI Emerging Markets	5.71	5.71	-12.03	-4.50	-4.13	3.02
	MSCI BRIC	1.34	1.34	-15.31	-5.38	-6.79	2.37
	MSCI EM Latin America	19.14	19.14	-9.16	-14.78	-11.52	1.47
	MSCI EM Europe	14.30	14.30	-4.36	-12.53	-11.17	-4.29
	MSCI EM Asia	1.94	1.94	-12.61	-0.09	-0.68	5.01

Source: Morningstar

FIXED INCOME

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	3.03	3.03	1.96	2.50	3.78	4.90
BarCap US Government	3.12	3.12	2.37	2.11	3.42	4.52
BarCap US Credit	3.92	3.92	0.93	2.86	5.00	5.70
BarCap Intermediate Govt/Credit	2.45	2.45	2.06	1.83	3.01	4.34
BarCap Long Govt/Credit	7.30	7.30	0.39	4.81	8.51	7.57
Citi US Inflation-Linked	4.67	4.67	1.34	-0.64	3.14	4.70
BarCap Emerging Markets Bond	4.52	4.52	3.49	2.57	5.72	7.02
BarCap ABS	1.36	1.36	1.71	1.39	2.46	3.40
BarCap MBS	1.98	1.98	2.43	2.70	3.24	4.85
Citigroup US 3-Month T-Bill	0.05	0.05	0.08	0.05	0.06	1.07
BofA ML 1-3 Year Treasury	0.90	0.90	0.92	0.77	0.87	2.48
BarCap US Corp Aaa	4.67	4.67	2.88	3.49	5.02	4.84
BarCap US Corp A	3.89	3.89	2.25	3.34	5.19	5.42
BarCap US Corp Baa	4.13	4.13	-0.69	2.78	5.41	6.44
BarCap US High Yield	3.35	3.35	-3.69	1.84	4.93	7.01
BarCap US High Yield Caa	3.76	3.76	-10.60	-1.00	3.22	5.50

Source: Morningstar

STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Median Taxable Money Market Fund	0.05	0.05	0.14	0.15	0.17	1.38
Median Stable Value Fund	0.43	0.43	1.76	1.75	1.99	3.00
Consumer Price Index	0.21	0.21	0.38	0.61	1.19	1.72

Source: PEI

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
NAREIT - Equity REIT	6.00	6.00	4.43	10.47	11.89	6.56
Bloomberg Commodity	0.42	0.42	-19.56	-16.87	-14.15	-6.16
S&P GSCI Commodity	-2.50	-2.50	-28.67	-24.49	-17.43	-10.66

Source: Morningstar

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DOMESTIC EQUITY MARKET PERFORMANCE
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing performance as of: March 31, 2016
(As exhibited by the Russell 1000, MidCap, and 2000 stylized indices)

3 Month

	Value	Blend	Growth
Large	1.64	1.17	0.74
Mid	**3.92**	**2.24**	**0.58**
Small	**1.70**	**-1.52**	**-4.68**

1 Year

	Value	Blend	Growth
Large	**-1.54**	**0.50**	**2.52**
Mid	-3.39	-4.04	-4.75
Small	**-7.72**	**-9.76**	**-11.84**

3 Year

	Value	Blend	Growth
Large	9.38	**11.52**	**13.61**
Mid	9.88	10.45	**10.99**
Small	**5.73**	**6.84**	**7.91**

5 Year

	Value	Blend	Growth
Large	10.25	**11.35**	**12.38**
Mid	**10.52**	10.30	9.99
Small	**6.67**	**7.20**	**7.70**

10 Year

	Value	Blend	Growth
Large	**5.72**	7.06	**8.28**
Mid	7.23	**7.45**	**7.43**
Small	**4.42**	**5.26**	6.00

15 Year

	Value	Blend	Growth
Large	**6.40**	**6.28**	**6.03**
Mid	**9.66**	**9.11**	7.95
Small	**8.22**	7.65	6.86

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
2015	-3.83	**5.67**	-4.78	**-0.20**	-7.47	**-1.38**	**0.92**	-2.44	-4.41

Source: Morningstar

1Q2016

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 March 31, 2016

	3 Month				Trailing 1 Year		
	Value	Blend	Growth		Value	Blend	Growth
Large	1.64	1.17	0.74	Large	-1.54	0.50	2.52
Mid	3.92	2.24	0.58	Mid	-3.39	-4.04	-4.75
Small	1.70	-1.52	-4.68	Small	-7.72	-9.76	-11.84

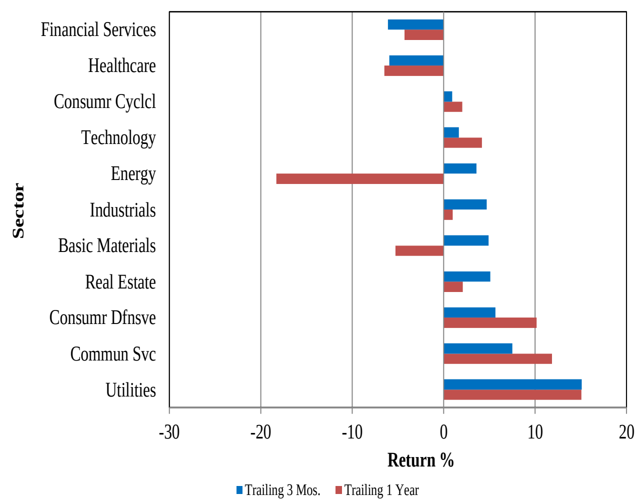
Top 3 Performers | Bottom 3 Performers

INTERNATIONAL EQUITY
Trailing performance as of March 31, 2016

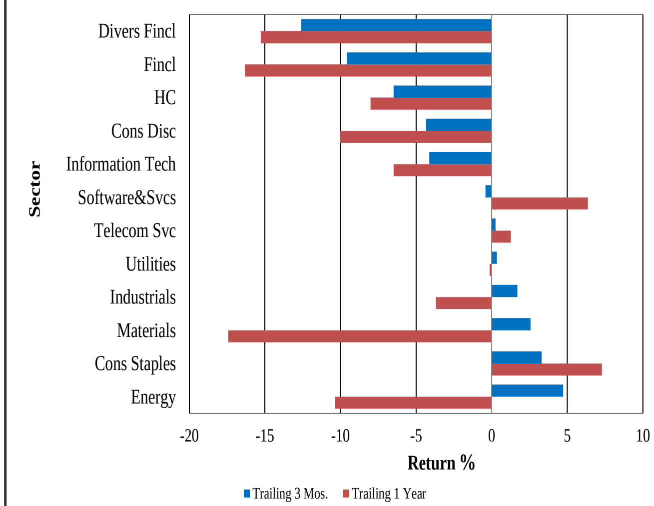
	3 Month				Trailing 1 Year		
	Value	Blend	Growth		Value	Blend	Growth
EAFE	-3.97	-3.01	-2.07	EAFE	-12.82	-8.27	-3.70
EAFE Small	-0.14	-0.60	-1.04	EAFE Small	-0.20	3.20	6.61
EM	7.79	5.71	3.66	EM	-12.56	-12.03	-11.60

Top 3 Performers | Bottom 3 Performers

S&P 500 INDEX SECTOR PERFORMANCE



MSCI EAFE SECTOR PERFORMANCE



Source: Morningstar

Domestic Equity

Investors' fear of a global slowdown caused domestic stock markets to have a volatile start to the year, with the S&P 500 Index reaching a double-digit loss by February 11, 2016. Signals from the Fed of a slowdown in rate hikes helped the market rebound during the second half of the quarter, with the S&P 500 Index ending the quarter up 1.4%. Value stocks edged past growth stocks during the quarter, reversing course from the previous calendar year. Mid-cap stocks outperformed large-cap stocks, which in turn outperformed small-cap stocks. The financials and health care sectors posted losses thus far in 2016, the latter sector hamstrung by significant losses within the biotech industry. The traditionally steady, dividend-paying telecommunications and utilities sectors had the strongest performance, posting double-digit gains for the quarter. On a valuation basis, the 16.2 forward price-to-earnings ratio of the S&P 500 Index is above the index's long-term average price-to-earnings ratio of 15.8, indicating the market continues to be slightly overvalued.

International Equity

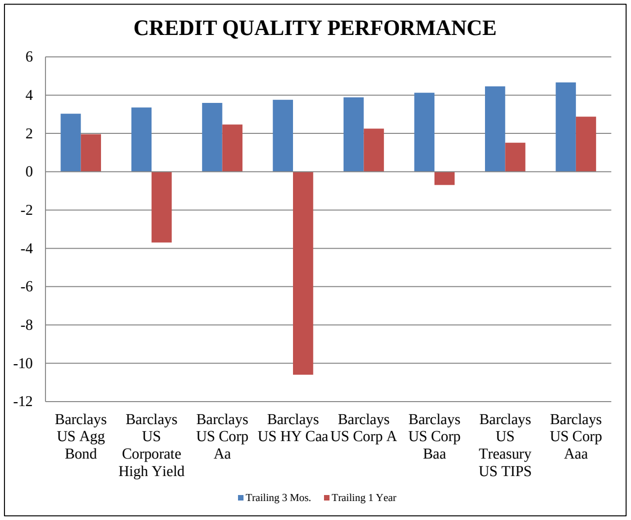
The first half of the quarter was marked by significant declines among international equities as investors remained concerned about a potential hard landing in China, weak commodity prices, a sluggish global economy, and a hawkish U.S. Federal Reserve. By mid-February, international equities had stabilized and were on the rebound due to a more "risk-on" sentiment. Likely drivers of the rebound included a stabilization in commodity prices related to oil production freezes, U.S. dollar pull back which provided a lower cost of capital for emerging economies, and signs of stability in China. Emerging and developed markets switched roles with emerging market equities outperforming their developed market counterparts. Within emerging markets, several Latin American countries were among the top performers supported by expectations of a delay in U.S. rate hikes. In contrast, Chinese equities were held back by weakness linked to currency issues and soft economic growth. Though a turbulent quarter within Europe, signs emerged that the expansion continues at a moderate pace. Japanese equities experienced heightened volatility driven by poor domestic economic data and a decline in exports linked to China's slowdown. Energy and materials sectors fared best for the quarter, while growth stocks outperformed their value counterparts.

PEI Portfolio Evaluations, Inc.

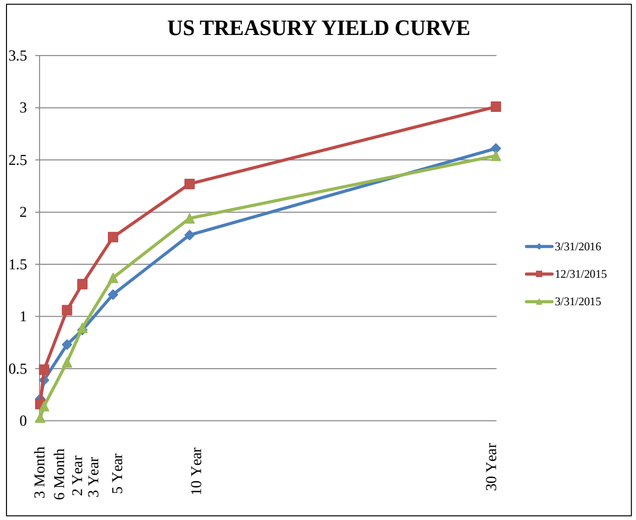
THE BENCHMARK IN INVESTMENT CONSULTING

1Q2016

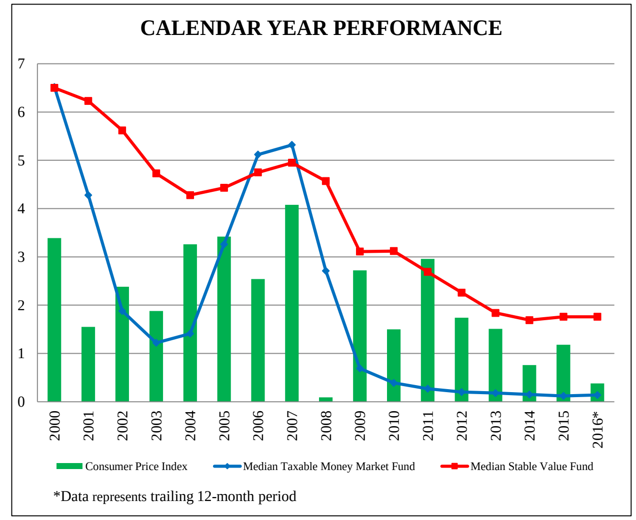
FIXED INCOME, MONEY MARKET, AND STABLE VALUE ECONOMIC REVIEW AND MARKET COMMENTARY



Source: Morningstar



Source: The Federal Reserve



Source: PEI

Fixed Income

U.S. bond market valuations fluctuated widely as the risk off sentiment that dominated the beginning of the quarter completely reversed by quarter end. Depressed oil prices, concerns over weak global economic activity, and uneven U.S. economic indicators contributed to a rally in Treasuries and significant spread widening across the credit markets. Beginning in mid-February, sentiment changed quickly and the market rebounded. Non-treasury assets rallied substantially over the quarter. The broader Barclays Capital U.S. Aggregate Bond Index rose 3.0% during the quarter. U.S. yields fell across the curve given the demand for safe haven assets. The Treasury sector returned a solid 3.2% during the quarter. Investment grade corporate bonds posted a strong 4.0% return. An increase in inflation expectations was a tailwind for Treasury Inflation Protected Securities (TIPS), which had an impressive 4.5% return during the quarter. Although there were substantial intra-quarter fluctuations, investment grade credit spreads finished the quarter close to unchanged as the rally that began in mid- February helped spreads retrace nearly all of the widening from early in the quarter. Financial institutions substantially underperformed other sub-sectors amid escalating concerns over bank profitability. Stresses that were evident in the high yield market towards the end of 2015 carried over into the first half of the quarter, with commodity related credit spreads peaking in February. High yield returns for the quarter ended at a solid 3.4%. International fixed income also had a strong quarter, as emerging markets debt returned 5.2%, hedged foreign returned 4.2%, and unhedged foreign returned 9.1% as it was boosted by a declining U.S. dollar. On the flip side, Agency MBS returned 2.0% during the quarter, underperforming Treasuries as market volatility weighed on performance. Non-agency MBS struggled as well despite favorable technicals and improving fundamentals.

Money Market and Stable Value

Money market fund managers are estimating one or two more rate hikes during 2016. Typical WAM continues to hover around thirty-five days as funds look forward to increasing yields. Money managers may put an end to waiving fees, as yields will likely be high enough to cover expenses while providing a positive return. With the implementation date for the SEC Money Market Reform requirements coming in October, most money market providers have announced plans for their fund lineups. Provider plans for consolidation and mergers into government funds have led to some questions regarding future supply issues for short term government paper. However, with the Fed’s recent decision to remove the cap on its Reverse Repo Program, managers feel it may help to alleviate supply concerns. Prime fund managers continue to build liquidity in anticipation of outflows due to the reforms, especially to Government/Treasury funds that will not be required to have a floating NAV or implement liquidity fees and redemption gates. Stable value funds have experienced inflows during the quarter. Their cash positions have been slightly elevated to provide flexibility as interest rates rise. Wrap capacity is at an all-time high with seventeen issuers in the market. These wrap providers are slowly giving more investment flexibility to managers. On average, wrap fees have been ranging between 0.20%-0.25%.