2Q2016

SUMMARY OF ECONOMIC REVIEW AND MARKET COMMENTARY

➢ *Brexit, the Fed, and Oil*

- Three key drivers dominated financial markets in the second quarter: the unprecedented vote by citizens in the U.K. to Brexit the European Union, the Federal Reserve's stance on monetary policy, and oil prices.
- Throughout the quarter, oil prices steadily rose from the lows seen in the first quarter to end at $50.50/barrel (WTI). A combination of production cutbacks, both potential (OPEC) and involuntary (Nigeria uprising), and a reduction in U.S. stock piles contributed to the price increase. Higher oil prices supported sectors within emerging markets, including exporters such as Russia and Brazil (which also benefited from reforms proposed by a new, interim government). Additionally, it did not appear to have a negative impact on importers such as China (where government stimulus appears to be taking hold) and India (whose economy grew at 7.9% in the first quarter).
- While the Fed altered their stance to a "lower for longer" interest rate policy (with possibly only two interest rate hikes by the end of 2016) at the end of the first quarter, the futures market anticipated one rate hike this year. Additional economic data reinforced this gradual approach, which also lent support to the U.S. dollar. Following the Brexit vote, comments by Fed officials implied one hike this year, if at all. To the benefit of long term bond holders, the flattening of the yield curve was quite dramatic. At the same time, yields on newly issued 10-year German Bunds moved into negative territory.
- A flight to quality followed the U.K. vote due to the lack of economic clarity for the future. At the same time, the U.K. will need to renegotiate trade and immigration treaties as well as cross border financial regulations with the remaining members of the E.U. The process is expected to last into 2019, and the amount of leverage either side has in the negotiations remains to be seen.
- The first estimate of second quarter GDP was reported at 1.2%. A slowdown in business and residential investment were large contributors to the weaker-than-expected report. Data going back to 2013 was restated, pointing to larger slowdown in the second half of 2015 than previously thought.

➢ *A Note on Brexit*

- Financial markets were taken aback by the U.K. vote in favor of leaving the European Union. Stock and bond prices moved dramatically over the few days following the June 23, 2016 referendum. By the end of the quarter, most markets recouped losses, with "safer" assets retaining the most value.
- The U.K. has a new prime minister. Following David Cameron's resignation, Theresa May became leader of the country and the Conservative party. An experienced politician and negotiator, she quickly announced her new cabinet but stated that an orderly departure from the E.U. would take time. She vowed that the U.K. would maintain a strong trading and economic partnership with members of the E.U.
- The initial assessment for the global economic outlook is restrained. The European Central Bank (ECB) is forecasting slower European economic growth by possibly 0.5% per year over the next three years. While some economists are forecasting a recession in the U.K., the International Monetary Fund (IMF) has lowered the 2017 outlook for U.K. economic growth from 2.2% to 1.3% and global economic growth from 3.5% to 3.4%. The IMF left 2017 U.S. economic growth unchanged at 2.5% and reduced E.U. projections for 2017 by 0.2% to 1.4%.
- So what is the next move by the world's central banks? After calming financial markets by announcing additional liquidity stands in the wings, the ECB and the Bank of England have taken a wait-and-see approach before expanding current support mechanisms. Uncharacteristically, Mario Draghi was vague about implementation during his first ECB press conference following the Brexit vote. Prior to the vote, Janet Yellen said that the Fed did not project a U.S. recession following a U.K. exit from the European Union. She expressed concern over financial market instability and a higher dollar, although the Fed kept monetary policy unchanged for the time being.

➢ *Looking Forward: The Path is Less Clear Today*

- Certainly Brexit adds another dimension to the uncertainty surrounding the global macro outlook. The influence on business and consumer confidence, investment, and spending is unprecedented and unclear. While the impact will be felt most readily in the U.K. and the E.U., the initial assessment is that its scope is limited beyond that region.
- Most economists are quick to point out that more monetary stimulus will probably be needed, but with limited options available to central banks, fiscal policy and government regulatory reform will have to pick up the slack. Until then, central banks are anticipated to keep liquidity in the system and interest rates lower for a longer period than projected prior to the vote.
- The Brexit vote serves to remind us that economics and geopolitical factors are having an influence on people's view of the world and their desire to initiate a change. Furthermore, financial markets can and do feel the effect of their concerns.
- As oil prices have increased, so too have oil rig counts. Baker Hughes, Inc. reports that the number of U.S. active drilling rigs has been increasing, although still off their highs of 2014. Stable oil prices at the current levels could be positive for energy and energy service companies in the second half of the year, as well as for the prices of their related stocks and high yield bonds. However, one concern is higher energy prices will be reflected in future inflation.
- Leaving Brexit aside, U.S. economic data picked up in the second quarter, which prompted economists to project higher growth for the balance of 2016. In particular, employment and housing data continued on an upward trend as did consumer sentiment and spending while an increase in wages and the renewed upward pressure on oil prices have yet to translate into higher expected inflation.

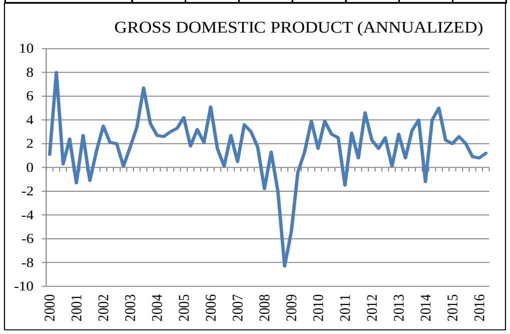
Forecast for U.S. Economic Outlook

	Second Quarter, 2016	Third Quarter, 2016	Year End 2016
U.S. GDP	2.5%	2.3%	2.3%
Unemployment	-	-	4.7%
CPI	1.2%	-	1.8%
Fed Funds	-	-	0.50-.75%

Source: The Wall Street Journal, July 1, 2016; survey average of 77 economists

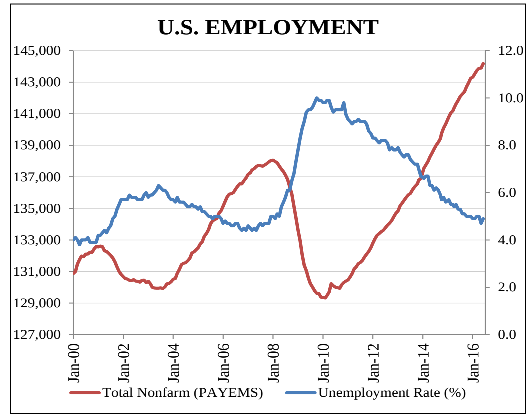
ECONOMIC REVIEW AND MARKET COMMENTARY

Seasonally Adjusted Rate: Percent Changed from Preceding Period	Annual			Trailing Four Quarters			
	2013	2014	2015	3Q15	4Q15	1Q16	2Q16
GDP	1.7	2.4	2.6	2.0	0.9	0.8	1.2



Source: Bureau of Economic Affairs

Source: United States Department of Labor



Source: United States Department of Labor

Economic Growth

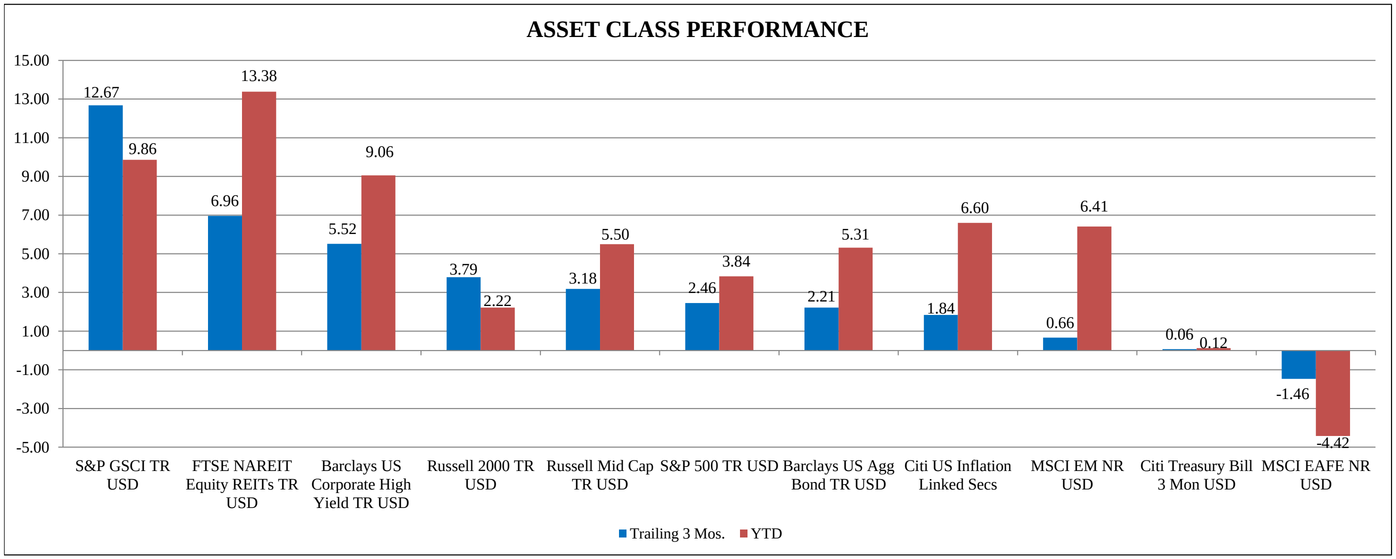
Following an unusually weak employment report in May, nonfarm payrolls increased by 287,000 in June even though the unemployment rate rose to 4.9%. Job openings reached their highest post-recession levels. However, manufacturing continues to trudge along. As of the end of June, the PMI Manufacturing Index was a modest 51.3, industrial production was down 0.7% year-over-year (although it increased 0.6% during June), and capacity as well as factory sector utilization were below 2014 highs. The dollar's increased value following the Brexit vote could cause additional trouble for the sector. Inflation remains below the Federal Reserve Bank's 2.0% target level. At the end of the quarter, CPI was up 1.0% year-over-year, while higher energy prices were offset by lower goods and auto prices. Core PCE was posted in May at 1.6% growth year-over-year. Average hourly earnings rose 2.6% year-over-year, which is the highest rate of increase since 2009. Finally, the consumer continues to drive the economy. Retail sales exceeded 2015 levels and were up 2.7% year-over-year at the end of the quarter. The Consumer Confidence Index jumped to 98 at the end of June. The National Association of Home Builders Housing Market Index (which reflects current and prospective buyers of new homes both now and in the next six months) broke above trend for 2016. Sales of existing homes continued at their highest pace since the start of the recovery. Consumer spending rose 0.4% in May after a month-over-month 1.0% increase in April. The first estimate of second quarter GDP was 1.2%. While the figure increased from last quarter, it was still lower than expected. The unexpectedly low figure for the quarter was due to negative contributions from private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending. Exports and PCE contributions offset these figures.

Policy

It was not a surprise that the Federal Reserve Bank held interest rates steady at their FOMC meeting in June. Comments by Committee members signaled a dovish approach in light of the weak May jobs report and their assessment of global economic conditions, as they projected at most two rate increases this year. Following the Brexit vote at the end of June, most analysts believe one interest rate hike, and even the possibility of none, will occur by the end of 2016. The Fed also revised down interest rate projections for 2017 and 2018, continuing the "lower for longer" policy implied last quarter. Globally, Brexit could extend easy monetary policy for the foreseeable future.

Markets

Despite high volatility, especially following the Brexit vote, most financial markets ended the quarter in positive territory. Financial markets assessed the implications for the U.K. leaving the E.U., concluding that the majority of the impact would be contained in that region. Investors chose the safety of Treasury bonds and U.S. equities. Domestic equity recovered from post-Brexit lows to end higher on the quarter (S&P 500: + 2.5%, Russell 2000: + 3.8%). The ten year Treasury yield declined 33 basis points during the quarter to end at 1.5%. The prospects for an extended low interest rate policy supported high yield bonds and REITs as investors searched for yield. Emerging markets posted nominal gains for the quarter, but developed international markets did not recoup all of their losses (MSCI EAFE: - 1.5%). WTI oil prices rose to their highs for the year ($51/bbl.) because of favorable supply statistics. Gold rose to its highest levels of the year following a Brexit flight to quality; it closed the second quarter over $1300 an ounce, which is up about 25% on the year.



Source: Morningstar

- From the short-term perspective of most financial markets, Brexit concerns were quickly calmed. The assessment for the time being was that negative economic ramifications resulting from the two year process would most likely be contained to the U.K. and the E.U. However, a flight to quality favored gold, U.S. Treasuries and U.S. equities. WTI crude prices also benefited from favorable supply/demand dynamics.
- The S&P GSCI was the top performer for the quarter as WTI oil prices rose 26% over the three months. Contributing factors included a drop in U.S. crude oil stockpiles and an attack by Nigerian rebels on that country's oil industry.
- Given the anticipation of lower interest rates in light of ongoing economic uncertainty, REITs and high yield bond indices benefited from increased flows to yield seeking assets. Higher oil prices also supported high yield bonds in the energy sector.
- Equity markets rebounded from their lows on anticipation that additional monetary stimulus would be forthcoming, in light of renewed economic uncertainty stemming from Brexit.
- Small-cap stocks (aided in part by the stronger dollar), followed by mid-cap stocks (aided by energy and mining sectors), outperformed large-cap stocks. Stocks in the energy and materials sectors performed well on the back of higher commodity prices while higher yielding dividend/utility sector stocks also outperformed. However, high valuations and sluggish corporate earnings limited gains.
- Fears of a post-Brexit economic contraction and extended monetary easing drove interest rates lower, supporting fixed income indices. The U.S. yield curve flattened, credit spreads narrowed and inflation expectations fell. Global investors continued to find U.S. yields attractive, especially when ten year yields in both Germany and Japan moved negative during the quarter.
- A higher U.S. dollar weighed on emerging market performance, which offset some of the benefits of higher oil prices and the expectation of lower interest rates.
- Non-U.S. developed markets were the worst performers for the second quarter. The MSCI EAFE was down, as European stock prices (Euro STOXX 50: -4.7% on the quarter) dropped following the Brexit vote. However, the FTSE 100 rallied two days after the vote to erase losses and finished the quarter +5.3%. This was in part helped by oil prices and the positive impact on energy sector stocks. Japanese stocks were down as economic growth has been slow to materialize.

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2Q2016

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of June 30, 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%	NAREIT - Equity REIT 13.58%	NAREIT - Equity REIT 12.60%	Russell Mid Cap 8.07%
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%	S&P 500 11.66%	S&P 500 12.10%	BarCap US High Yield 7.56%
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 10.80%	Russell Mid Cap 10.90%	NAREIT - Equity REIT 7.45%
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 7.09%	Russell 2000 8.35%	S&P 500 7.42%
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 US High Yield 4.18%	BarCap US High Yield 5.84%	Russell 2000 6.20%
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%	BarCap Aggregate 4.06%	BarCap Aggregate 3.76%	BarCap Aggregate 5.13%
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%	Citi US Inflation-Linked 2.51%	Citi US Inflation-Linked 2.78%	Citi US Inflation-Linked 4.84%
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%	MSCI EAFE 2.06%	MSCI EAFE 1.68%	MSCI Emerging Markets 3.54%
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 3 Month T-Bill 0.07%	Citi 3 Month T-Bill 0.06%	MSCI EAFE 1.58%
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 -1.56%	MSCI Emerging Markets -3.78%	Citi 3 Month T-Bill 0.96%
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 -19.81%	S&P GSCI Commodity -14.03%	S&P GSCI Commodity -10.18%

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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2Q2016

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	2.07	4.31	4.50	8.99	10.41	7.66
	S&P 500	2.46	3.84	3.99	11.66	12.10	7.42
	NASDAQ Composite	-0.23	-2.66	-1.68	13.85	13.18	9.48
	Wilshire 5000 Total Market	2.78	3.98	2.96	11.26	11.64	7.46
Large Cap	Russell 1000	2.54	3.74	2.93	11.48	11.88	7.51
	Russell 1000 Growth	0.61	1.36	3.02	13.07	12.35	8.78
	Russell 1000 Value	4.58	6.30	2.86	9.87	11.35	6.13
Mid Cap	Russell Mid Cap	3.18	5.50	0.56	10.80	10.90	8.07
	Russell Mid Cap Growth	1.56	2.15	-2.14	10.52	9.98	8.12
	Russell Mid Cap Value	4.77	8.87	3.25	11.00	11.70	7.79
Small Cap	Russell 2000	3.79	2.22	-6.73	7.09	8.35	6.20
	Russell 2000 Growth	3.24	-1.59	-10.75	7.74	8.51	7.14
	Russell 2000 Value	4.31	6.08	-2.58	6.36	8.15	5.15

Source: Morningstar

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Developed	MSCI AC World	0.99	1.23	-3.73	6.03	5.38	4.26
	MSCI AC World Ex US	-0.64	-1.02	-10.24	1.16	0.10	1.87
	MSCI EAFE	-1.46	-4.42	-10.16	2.06	1.68	1.58
	MSCI EAFE Growth	-0.15	-2.22	-4.80	4.17	3.24	2.88
	MSCI EAFE Value	-2.79	-6.65	-15.43	-0.10	0.05	0.21
	MSCI EAFE Small Cap	-2.60	-3.18	-3.67	7.26	4.84	3.57
	MSCI Europe	-2.69	-5.13	-11.22	1.96	1.02	1.52
	MSCI Europe Ex UK	-3.53	-6.02	-10.80	2.58	0.66	1.56
	MSCI Pacific Free	0.87	-2.95	-8.19	2.16	2.98	1.72
	MSCI Pacific Free Ex Japan	0.65	2.47	-6.75	1.08	0.86	5.43
	MSCI Japan	1.01	-5.58	-8.94	2.71	4.21	0.14
Emerging	MSCI Emerging Markets	0.66	6.41	-12.06	-1.56	-3.78	3.54
	MSCI BRIC	3.09	4.47	-16.50	-1.02	-5.56	2.86
	MSCI EM Latin America	5.31	25.47	-7.57	-8.28	-10.13	2.31
	MSCI EM Europe	-3.90	9.84	-11.87	-10.89	-11.26	-4.29
	MSCI EM Asia	0.30	2.25	-12.21	1.84	-0.61	5.26

Source: Morningstar

FIXED INCOME

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	2.21	5.31	6.00	4.06	3.76	5.13
BarCap US Government	2.04	5.22	6.04	3.45	3.38	4.73
BarCap US Credit	3.48	7.54	7.55	5.26	5.20	6.11
BarCap Intermediate Govt/Credit	1.59	4.07	4.33	2.95	2.90	4.48
BarCap Long Govt/Credit	6.55	14.33	15.72	9.33	9.18	8.42
Citi US Inflation-Linked	1.84	6.60	4.66	2.51	2.78	4.84
BarCap Emerging Markets Bond	4.67	9.40	7.83	5.99	5.99	7.74
BarCap ABS	1.17	2.54	2.72	2.05	2.34	3.48
BarCap MBS	1.11	3.10	4.34	3.76	3.01	4.96
Citigroup US 3-Month T-Bill	0.06	0.12	0.14	0.07	0.06	0.96
BofA ML 1-3 Year Treasury	0.53	1.43	1.31	0.98	0.81	2.46
BarCap US Corp Aaa	3.32	8.14	11.29	5.99	5.32	5.20
BarCap US Corp A	3.04	7.04	8.57	5.52	5.36	5.78
BarCap US Corp Baa	4.25	8.55	7.25	5.45	5.77	6.94
BarCap US High Yield	5.52	9.06	1.62	4.18	5.84	7.56
BarCap US High Yield Caa	11.83	16.03	-0.51	2.92	5.38	6.46

Source: Morningstar

STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Median Taxable Money Market Fund	0.00	0.01	0.01	0.01	0.01	0.90
Median Stable Value Fund	0.44	0.88	1.76	1.74	1.95	2.92
Consumer Price Index	0.17	0.85	-0.04	0.71	1.11	1.63

Source: PEI

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
NAREIT - Equity REIT	6.96	13.38	24.04	13.58	12.60	7.45
Bloomberg Commodity	12.78	13.25	-13.32	-10.55	-10.82	-5.59
S&P GSCI Commodity	12.67	9.86	-26.08	-19.81	-14.03	-10.18

Source: Morningstar

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2Q2016

DOMESTIC EQUITY MARKET PERFORMANCE
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing performance as of: June 30, 2016

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

3 Month

	Value	Blend	Growth
Large	**4.58**	**2.54**	**0.61**
Mid	**4.77**	3.18	**1.56**
Small	**4.31**	3.79	3.24

1 Year

	Value	Blend	Growth
Large	2.86	**2.93**	**3.02**
Mid	**3.25**	0.56	-2.14
Small	**-2.58**	**-6.73**	**-10.75**

3 Year

	Value	Blend	Growth
Large	9.87	**11.48**	**13.07**
Mid	**11.00**	10.80	10.52
Small	**6.36**	**7.09**	**7.74**

5 Year

	Value	Blend	Growth
Large	11.35	**11.88**	**12.35**
Mid	**11.70**	10.90	9.98
Small	**8.15**	**8.35**	**8.51**

10 Year

	Value	Blend	Growth
Large	**6.13**	7.51	**8.78**
Mid	7.79	**8.07**	**8.12**
Small	**5.15**	**6.20**	7.14

15 Year

	Value	Blend	Growth
Large	6.38	**6.02**	**5.50**
Mid	**9.50**	**8.68**	6.99
Small	**7.73**	6.96	**5.91**

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

Portfolio Evaluations, Inc.
THE BENCHMARK IN INVESTMENT CONSULTING

2Q2016

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, 2016

3 Month

	Value	Blend	Growth
Large	4.58	2.54	0.61
Mid	4.77	3.18	1.56
Small	4.31	3.79	3.24

YTD

	Value	Blend	Growth
Large	6.30	3.74	1.36
Mid	8.87	5.50	2.15
Small	6.08	2.22	-1.59

Top 3 Performers   Bottom 3 Performers

INTERNATIONAL EQUITY
Trailing performance as of June 30, 2016

3 Month

	Value	Blend	Growth
EAFE	-2.79	-1.46	-0.15
EAFE Small	-3.07	-2.60	-2.13
EM	-0.35	0.66	1.71

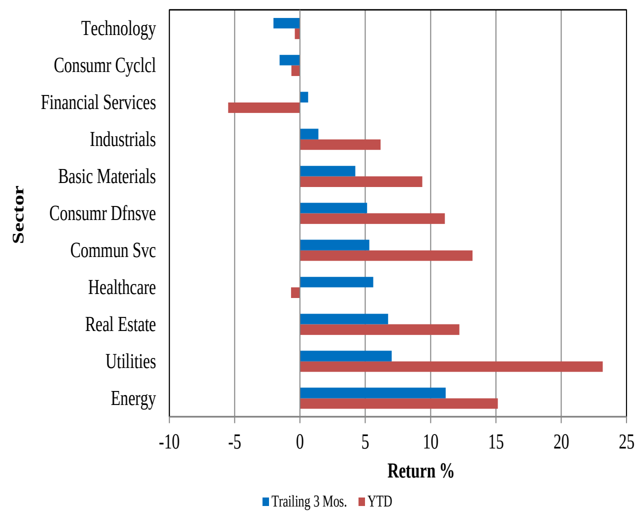
YTD

	Value	Blend	Growth
EAFE	-6.65	-4.42	-2.22
EAFE Small	-3.21	-3.18	-3.15
EM	7.41	6.41	5.43

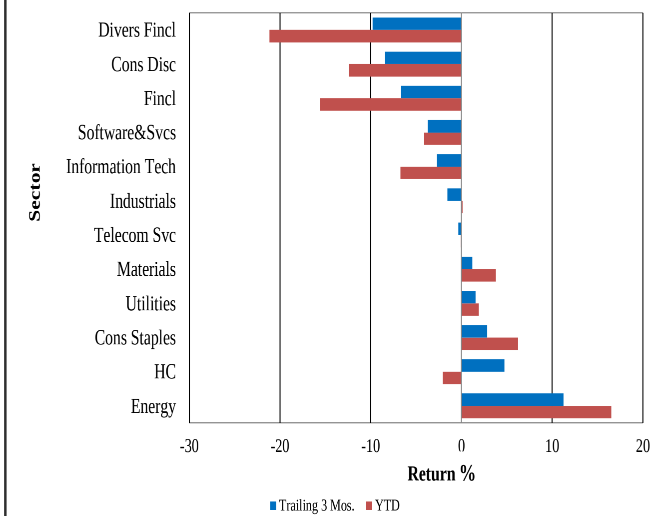
Top 3 Performers   Bottom 3 Performers

Source: Morningstar

S&P 500 INDEX SECTOR PERFORMANCE



MSCI EAFE SECTOR PERFORMANCE



Domestic Equity

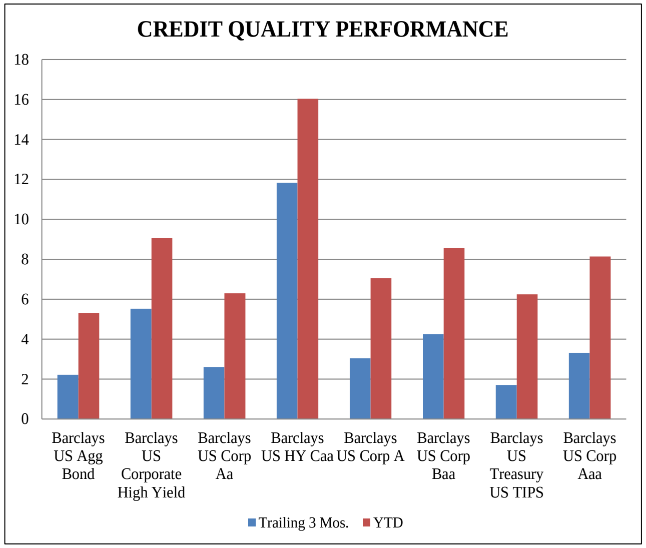
U.S. stocks were up modestly during the quarter, with the S&P 500 Index posting a 2.5% return. Small-cap equities outperformed large-cap equities, reflected by the 3.8% return of the Russell 2000 Index. Value stocks continued to outperform growth during the second quarter. Rising oil prices boosted returns of energy stocks, and the sector led the overall market by producing double-digit returns for the quarter. As the Fed continued to keep interest rates low, investors flocked to the yield-heavy utilities and real estate sectors, which both posted strong gains. In contrast, the technology sector declined and was the worst performer, followed by the consumer cyclical sector which also posted a loss. On a valuation basis, the 16.6 forward price-to-earnings ratio of the S&P 500 Index is above the index's long-term average price-to-earnings ratio of 15.9, indicating the market continues to be slightly overvalued.

International Equity

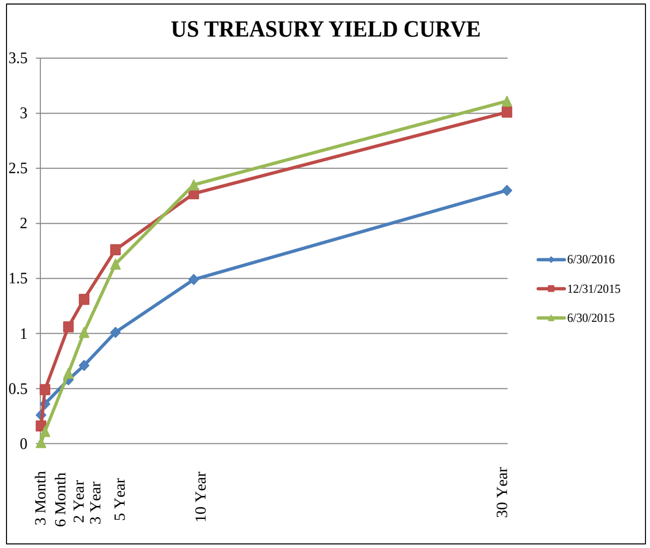
Global markets had a solid start to the quarter as concerns about a slowdown in China eased, aggressive monetary policies remained prevalent and the price of oil moved higher. The energy and healthcare sectors fared best for the quarter, while growth stocks outperformed their value counterparts. While viewed positively, these developments were largely overshadowed by anticipation of the Brexit vote. Ultimately, the U.K. voted to leave the EU, sending global markets reeling at the end of the quarter. Against this backdrop, international markets lagged domestic markets. Emerging markets outperformed non-U.S. developed markets. Turbulence plagued Eurozone equities as weak economic data followed by the Brexit vote pushed equity prices lower. U.K. equities also remained volatile for the quarter, as investors grappled with the pros and cons of the Brexit vote. Japanese equities were hindered during the period as a marked appreciation in the Yen, combined with renewed concerns about the effectiveness of Abenomics, negatively impacted the market. Investors in China saw growth concerns diminish during the quarter, supported by a reduction in capital outflows and continued stimulus measures by the government. Brazilian equities rallied during the quarter as political concerns eased. India's markets also rallied, as the country reported a 2015 7.6% GDP growth rate at the end of May.

2Q2016

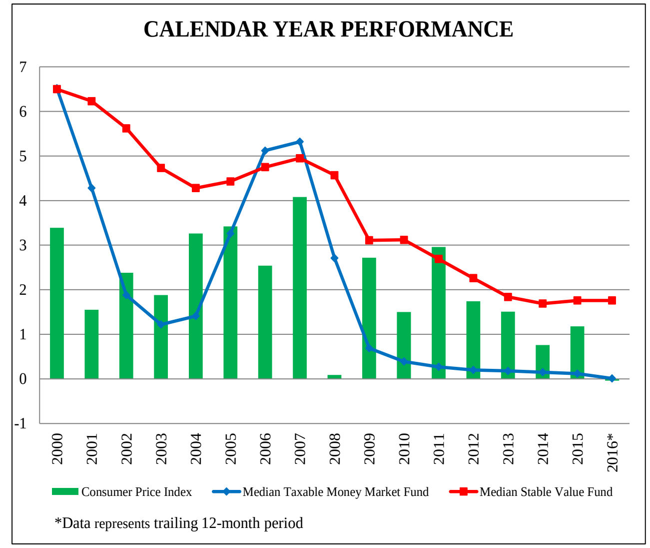
FIXED INCOME, MONEY MARKET, AND STABLE VALUE ECONOMIC REVIEW AND MARKET COMMENTARY



Source: Morningstar



Source: The Federal Reserve



Source: PEI

Fixed Income

U.S. yields fell across the curve over the quarter due to a more dovish tone from the Fed and the unexpected result of the U.K. Brexit referendum. As Treasury yields fell, the yield curve flattened with intermediate and long term yields falling more than short term rates. The decline in Treasury yields boosted returns across all fixed income sectors; longer maturities and lower credit quality categories led, with some categories registering double digit returns year to date. High yield corporates outperformed all other sectors, but investment grade corporates posted strong absolute and excess returns. Irrespective of some spread widening post Brexit, spreads were tighter for the quarter supporting credit related returns. With respect to structured products, the high quality CMBS sector outperformed Treasuries, although agency MBS lagged as prepay concerns continued to weigh on the MBS market. Emerging market debt spreads also tightened over the quarter, and the sector generated solid excess returns over Treasuries. Returns were driven in part by the continued improvement in commodity prices, which has supported emerging market nations that export those materials. TIPS participated in the Treasury market rally, but they underperformed nominal Treasuries against a muted inflation backdrop.

Money Market and Stable Value

Money managers may put an end to waiving fees, as yields are rising high enough to cover expenses while providing a positive return. With the implementation date for the SEC Money Market Reform requirements coming in October, almost all money market providers have announced plans for their fund lineups. Most fund mergers and government conversions have taken place already, with a few slated to be completed just before the October deadline. Prime fund managers continue to keep weighted average maturities short to build liquidity in anticipation of outflows. Government funds, on average, are investing further out on the yield curve with higher weighted average maturities than prime funds as inflows continue to occur. Stable value funds have experienced inflows during the quarter. Managers feel that stable value should continue to do well in this interest rate environment as rates rise slowly and steadily. 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%.