➢ *Fed Raises Rates Amid Lower Inflation and Mixed Economic Data*

- The Federal Reserve Bank raised the Fed Funds rate another 25 basis points for the second time this year, although inflation data fell short of their 2% target. A general view of an improving economy prompted an announcement to unwind their substantial holdings in Treasuries and mortgage-backed securities (accumulated under Quantitative Easing programs post-2008), which in their words, should begin "relatively soon."
- The disparity between soft (outlook survey) data and hard (reflecting actual performance) economic data continued, although some surveys have peaked. Consumer Confidence beat estimates over the quarter, and the ISM Manufacturing and Non-Manufacturing indices rose at the end of the quarter, near to post-election levels. The Philadelphia Fed Business Outlook Survey continued to hold at the highest levels since 2014, while the NFIB Small Business Optimism Index, while still in elevated territory, declined. Meanwhile some hard economic data points trended marginally lower over the quarter, including Retail Sales, New and Existing Home Sales, Construction Spending, and Building Permits.
- Overall, most economists view the softening of economic data to be temporary. The combination of elevated levels of employment, consumer sentiment and business optimism, coupled with low interest rates, low inflation, and lower energy prices suggested growth could remain in line with the moderate levels seen in the last two years.
- Second quarter GDP rose 2.6% (annualized, first estimate). Gains in non-residential fixed investment and consumer spending, as well as growth in net exports, signaled a reversion from the slowdown seen in the first quarter. Business investment was exceptionally noteworthy, reflecting the optimism shown in confidence surveys, while residential investment was particularly weak.
- Financial markets remained hopeful for corporate tax reform before the end of the year. Several fiscal issues, including the problems with reforming healthcare, did not dampen market enthusiasm. Even equity valuation did not halt price appreciation. Markets and most analysts lowered expectations for substantive regulatory reform or infrastructure spending in 2017, without inflicting major damage to equity prices.
- Financial markets also looked past controversies; issues around the Trump administration's interaction with the FBI and potentially Russia, concerns about the Fed either tightening too much or not enough, and geopolitical events such as North Korea missile testing had fleeting impact on equity prices, although some effect on flattening the yield curve. Asset price volatility remained low throughout the quarter.
- Domestic equity prices rose, with the S&P 500 once again posting new high's in June, to return 3.09% on the quarter and 9.34% on the year. Large-cap equity and growth stocks outperformed small-cap and more value-oriented companies because they benefited from the weaker dollar and better opportunities for export growth. Bond prices reflected a flattening yield curve, as credit spreads narrowed following the Fed rate hike. The Bloomberg Barclay's Aggregate was up 1.45% over the second quarter.
- Renewed concern about valuations (near cycle highs) and the extended length of the economic recovery (now over 8 years) emerged at the end of the quarter, although many economists and analysts do not see a recession or extended market correction in the immediate outlook. However, either monetary or fiscal policy could be a catalyst for future market volatility, as well as a change in the outlook.

➢ *Converging Global Growth as Political Uncertainty Fades*

- Two key events calmed the global, geopolitical outlook during the quarter. The election of French Prime Minister, Emmanuel Macron, subdued European fears of growing nationalistic politics, and strengthened the ties between that centrist government and the EU parliament. The surprising results of the U.K. snap election in June cost the Conservative party the majority in parliament and reinforced the position of those in favor of a "soft Brexit". Both events were greeted positively by markets. However, within each country there remains geographic and demographic divisions.
- Politics aside, economic data in the EU continued to improve; industrial production rose in the first two months of the quarter, with output particularly strong in France, Spain, and Germany. Retail sales also improved in April and May, while unemployment held at 9.3%.
- The outlook for Eurozone economies was also generally positive. PMI survey data was reported above 50, a level signaling broad, favorable economic growth that was spreading even to Italy, Spain, and Greece.
- The European Central Bank (ECB) did not make any changes to interest rates and kept the QE asset purchases constant. ECB President Mario Draghi was generally optimistic about the economic outlook, although he expressed some caution about wages and below-target inflation. Policy changes were not expected until data is assessed in September, but analysts think the ECB will begin tapering and normalizing rates in early 2018.
- Likewise, other global economic growth data was positive. In China, industrial production grew at annual rate of 7.6%, and retail sales increased at an annual rate of 11% at the end of the quarter. The PMI Manufacturing survey showed an increase in output in June after a contraction in May, while second quarter GDP was steady at 6.9%. In India, PMI data eased in the second quarter, but still held above 50, as did the level in Japan. In that country, consumer spending, retail sales, and GDP growth improved year-to-date.
- Oil producing countries agreed to extend production cuts until March of 2018. U.S. shale production continued to be a factor, holding prices around $50/BBL. Looking forward, analysts project supply will outpace demand, keeping a cap on prices.

➢ *Outlook for the Balance of 2017*

- Analysts are forecasting a better second half, but caveat projections with concerns about future U.S. fiscal policy that could drive inflation higher.

Forecast for U.S. Economic Outlook

	Third Quarter, 2017	Fourth Quarter, 2017	Year End, 2017
U.S. GDP	2.6%	2.4%	2.4%
Unemployment	-	4.3%	4.3%
CPI	-	1.8%	1.8%
Fed Funds	1.00-1.25%	-	1.25-1.50%

Source: The Wall Street Journal, July 1, 2017; survey average of 76 economists

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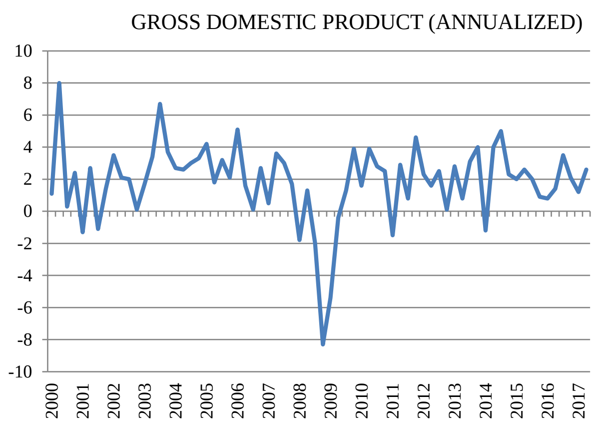
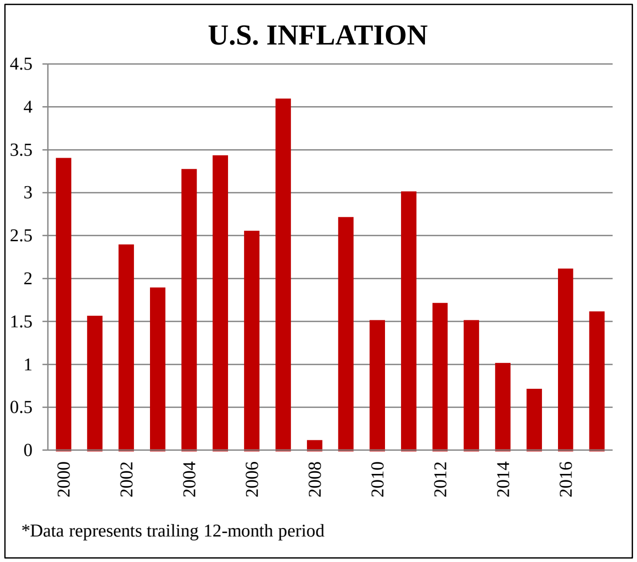
2Q2017
ECONOMIC REVIEW
ECONOMIC REVIEW AND MARKET COMMENTARY

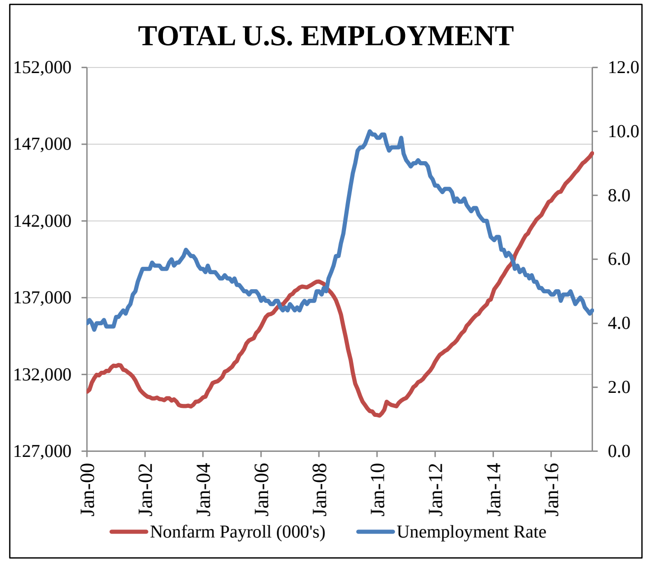
Seasonally Adjusted Rate: Percent Changed from Preceding Period	Annual			Trailing Four Quarters			
	2014	2015	2016	3Q16	4Q16	1Q17	2Q17
GDP	2.4	2.6	1.6	3.5	1.9	1.4	2.6



Source: Bureau of Economic Affairs



Source: United States Department of Labor



Source: United States Department of Labor

Economic Growth

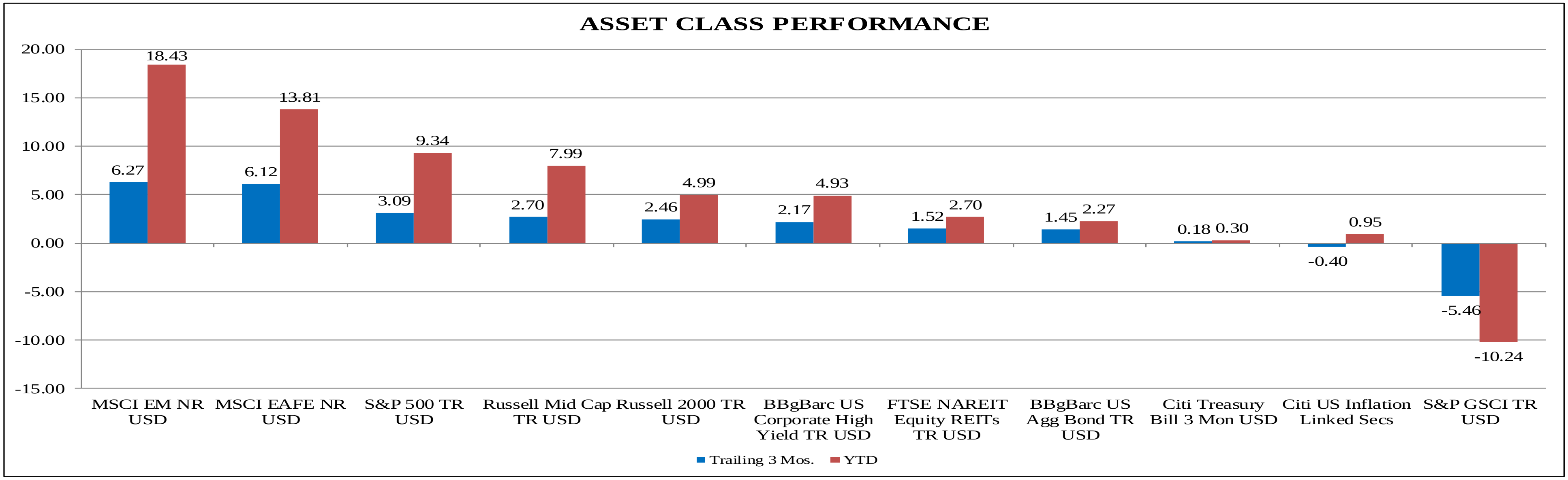
Job gains continued to improve over the quarter as nonfarm payrolls added about 194,000 per month. Average hourly wages rose 2.5% for the year that ended in June. Industrial production data appeared to flatten, and manufacturing output and orders were near their lowest 2017 level. Although still elevated, consumer sentiment ended the quarter at its lowest level for the year, and retail sales dropped in both May and June (department store sales were particularly weak, although autos, electronics and appliances were also down). Home sales were weaker than expected; higher prices and low supply continue to have an impact on first time buyers. More optimistically, the outlook for the service sector improved, as the June Service PMI came in at its highest level since January. Consumers were helped by lower inflation, running at an annual rate of 1.6% at the end of June. Second quarter GDP was 2.6% (annualized); positive contributors were business investment, net exports, and consumer spending, partially offset by weak residential investment.

Policy

The Federal Reserve Bank increased the Fed Funds rate by 25 basis points, to a range of 1.00-1.25%, although reported inflation was below their 2% target. Their projections included another rate hike before the end of 2017 and 2-3 increases in 2018. The Fed also provided details about reducing Treasuries and mortgage backed securities on their balance sheet, which is anticipated before the end of 2017. The process will start slowly to limit market disruptions; a $10 billion reduction per month will increase $10 billion per quarter over a 12-month period. The Fed expects to reduce the balance sheet from $4.5 trillion to $2.0-$2.5 trillion.

Markets

Global equity markets continued to appreciate over the second quarter. International equities, especially emerging markets, outperformed U.S. equities, due to better economic data from China and the EU, and a recalibration of political risk following the French election. U.S. equity prices were caught between ongoing enthusiasm for what might be (tax reform) and what is (failure of substantive regulatory and healthcare reform). The S&P 500 and Russell indices returned about half that of the MSCI EM and EAFE for the quarter. Fixed income markets managed some gains in the face of rising short term interest rates. A flattening yield curve and narrower credit spreads benefited corporate and high yield markets. Oil prices continued to slide although oil producers, including OPEC, agreed to extend their production limits into 2018.



Factors Impacting Market Performance in the Second Quarter of 2017:

- Tighter Fed policy and a general shift up in the yield curve had some impact on consumer spending, but overall, economic growth remained moderate.
- Ongoing difficulties with passing healthcare reform, Trump administration controversies, and doubts about tax-cutting legislation had a fleeting impact on financial markets.
- Domestic equity markets appreciated due to continued improvement in quarterly earnings, but ignored concerns about valuation.
- Oil prices stabilized around $45/BBL, despite oil production agreements. Shale producers and energy service companies have adjusted their cost structures to lower prices.
- A new, centrist government in France and the surprise, “soft Brexit” sentiment of the U.K. snap election improved the political outlook for the EU. Economic growth data from the region also was positive.
- China’s second quarter GDP, manufacturing, retail sales, and consumer spending exceeded expectations, while the debt to GDP ratio continued to rise.

International Risk Assets Outperformed:

- *International**; emerging markets*** continued to be the best quarterly performing sector, supported by China’s economic data and more attractive valuation, although lower oil prices and political issues impacted Brazil and Russia.
- ***Developed international market*** indices reflected a better political/economic outlook and improving corporate earnings in the EU.
- ***Domestic large cap*** stocks were driven higher by earnings data, the lower dollar, improving global economies, and the lack of substantive protectionist measures. Sector performance varied, with healthcare and technology being the best performers, while energy and telecom services were the worst. Mid/Small Cap companies, with less direct exposure to the benefits of global growth and a weaker U.S. dollar, marginally lagged.
- ***High yield*** spreads narrowed as low fixed income volatility encouraged risk taking. Corporate and Treasury bond performance was in line with the flattening yield curve.
- Lower long-term treasury rates over the quarter supported ***REITs***, as did the view that the Fed will have to move slower with future rate hikes given lower levels of inflation.
- ***Commodity*** indices were weighed down by lower oil prices, and the lack of inflation sank ***TIPS***.

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2Q2017

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of June 30, 2017

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	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%	Russell 2000 21.31%	S&P 500 9.61%	Russell Mid Cap 14.72%	Russell Mid Cap 7.67%
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%	BarCap US High Yield 17.13%	NAREIT - Equity REIT 8.36%	S&P 500 14.63%	BarCap US High Yield 7.67%
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 13.80%	Russell Mid Cap 7.69%	Russell 2000 13.70%	S&P 500 7.18%
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%	S&P 500 11.96%	Russell 2000 7.36%	NAREIT - Equity REIT 9.52%	Russell 2000 6.92%
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%	S&P GSCI Commodity 11.37%	BarCap US High Yield 4.48%	MSCI EAFE 8.69%	NAREIT - Equity REIT 6.00%
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 Emerging Markets 11.19%	BarCap Aggregate 2.48%	BarCap US High Yield 6.89%	BarCap Aggregate 4.48%
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%	NAREIT - Equity REIT 8.52%	MSCI EAFE 1.15%	MSCI Emerging Markets 3.96%	Citi US Inflation-Linked 4.35%
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 US Inflation-Linked 4.82	MSCI Emerging Markets 1.07%	BarCap Aggregate 2.21%	MSCI Emerging Markets 1.91%
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%	BarCap Aggregate 2.65%	Citi US Inflation-Linked 0.71%	Citi US Inflation-Linked 0.26%	MSCI EAFE 1.03%
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 EAFE 1.00%	Citi 3 Month T-Bill 0.20%	Citi 3 Month T-Bill 0.15%	Citi 3 Month T-Bill 0.51%
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%	Citi 3 Month T-Bill 0.27%	S&P GSCI Commodity -24.82%	S&P GSCI Commodity -13.70%	S&P GSCI Commodity -9.67%

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

2Q2017
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	3.95	9.35	22.12	11.01	13.45	7.57
	S&P 500	3.09	9.34	17.90	9.61	14.63	7.18
	NASDAQ Composite	4.16	14.71	28.30	13.02	17.36	10.15
	Wilshire 5000 Total Market	2.95	8.73	18.54	9.34	14.61	7.29
Large Cap	Russell 1000	3.06	9.27	18.03	9.26	14.67	7.29
	Russell 1000 Growth	4.67	13.99	20.42	11.11	15.30	8.91
	Russell 1000 Value	1.34	4.66	15.53	7.36	13.94	5.57
Mid Cap	Russell Mid Cap	2.70	7.99	16.48	7.69	14.72	7.67
	Russell Mid Cap Growth	4.21	11.40	17.05	7.83	14.19	7.87
	Russell Mid Cap Value	1.37	5.18	15.93	7.46	15.14	7.23
Small Cap	Russell 2000	2.46	4.99	24.60	7.36	13.70	6.92
	Russell 2000 Growth	4.39	9.97	24.40	7.64	13.98	7.82
	Russell 2000 Value	0.67	0.54	24.86	7.02	13.39	5.92

Source: Morningstar

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Developed	MSCI AC World	4.27	11.48	18.78	4.82	10.54	3.71
	MSCI AC World Ex US	5.78	14.10	20.45	0.80	7.22	1.13
	MSCI EAFE	6.12	13.81	20.27	1.15	8.69	1.03
	MSCI EAFE Growth	7.52	16.68	15.70	2.81	9.19	2.06
	MSCI EAFE Value	4.78	11.12	25.01	-0.59	8.12	-0.08
	MSCI EAFE Small Cap	8.10	16.72	23.18	5.60	12.94	3.41
	MSCI Europe	7.37	15.36	21.11	-0.24	8.82	0.62
	MSCI Europe Ex UK	8.40	17.53	24.37	0.90	10.52	0.72
	MSCI Pacific Free	3.92	11.11	19.26	3.99	8.54	2.01
	MSCI Pacific Free Ex Japan	1.54	13.48	19.43	1.25	6.72	3.58
	MSCI Japan	5.19	9.92	19.18	5.54	9.56	1.21
Emerging	MSCI Emerging Markets	6.27	18.43	23.75	1.07	3.96	1.91
	MSCI BRIC	4.70	16.82	25.37	1.70	3.92	0.95
	MSCI EM Latin America	-1.74	10.12	15.01	-6.62	-3.76	-1.15
	MSCI EM Europe	2.38	3.80	18.61	-8.15	-2.84	-5.02
	MSCI EM Asia	8.64	23.18	27.86	5.00	7.75	3.83

Source: Morningstar

FIXED INCOME

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	1.45	2.27	-0.31	2.48	2.21	4.48
BarCap US Government	1.17	1.86	-2.18	1.99	1.30	3.93
BarCap US Credit	2.35	3.68	1.84	3.40	3.68	5.61
BarCap Intermediate Govt/Credit	0.94	1.73	-0.21	1.92	1.77	3.87
BarCap Long Govt/Credit	4.39	6.03	-1.07	5.28	4.26	7.58
Citi US Inflation-Linked	-0.40	0.95	-0.74	0.71	0.26	4.35
BarCap Emerging Markets Bond	1.77	5.11	5.57	4.49	5.32	7.14
BarCap ABS	0.60	1.14	0.63	1.66	1.49	2.98
BarCap MBS	0.87	1.35	-0.06	2.17	2.00	4.31
Citigroup US 3-Month T-Bill	0.18	0.30	0.46	0.20	0.15	0.51
BofA ML 1-3 Year Treasury	0.17	0.43	-0.11	0.69	0.63	1.95
BarCap US Corp Aaa	3.57	4.44	-0.15	3.97	2.80	4.54
BarCap US Corp A	2.44	3.46	1.15	3.63	3.68	5.24
BarCap US Corp Baa	2.73	4.25	3.76	3.61	4.53	6.59
BarCap US High Yield	2.17	4.93	12.70	4.48	6.89	7.67
BarCap US High Yield Caa	1.85	6.59	20.77	4.80	8.46	6.85

Source: Morningstar

STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Median Taxable Money Market Fund	0.10	0.14	0.16	0.06	0.04	0.45
Median Stable Value Fund	0.48	0.92	1.84	1.78	1.82	2.62
Consumer Price Index	0.34	1.32	1.50	0.87	1.29	1.62

Source: PEI

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
NAREIT - Equity REIT	1.52	2.70	-1.70	8.36	9.52	6.00
Bloomberg Commodity	-3.00	-5.26	-6.50	-14.81	-9.25	-6.49
S&P GSCI Commodity	-5.46	-10.24	-9.01	-24.82	-13.70	-9.67

Source: Morningstar

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2Q2017

DOMESTIC EQUITY MARKET PERFORMANCE
ECONOMIC REVIEW AND MARKET COMMENTARY

Trailing performance as of: June 30, 2017
(As exhibited by the Russell 1000, MidCap, and 2000 stylized indices)

3 Month

	Value	Blend	Growth
Large	**1.34**	3.06	**4.67**
Mid	**1.37**	2.70	**4.21**
Small	**0.67**	2.46	**4.39**

1 Year

	Value	Blend	Growth
Large	**15.53**	18.03	20.42
Mid	**15.93**	**16.48**	17.05
Small	**24.86**	**24.60**	**24.40**

3 Year

	Value	Blend	Growth
Large	**7.36**	**9.26**	**11.11**
Mid	7.46	7.69	**7.83**
Small	**7.02**	**7.36**	7.64

5 Year

	Value	Blend	Growth
Large	**13.94**	14.67	**15.30**
Mid	**15.14**	**14.72**	14.19
Small	**13.39**	**13.70**	13.98

10 Year

	Value	Blend	Growth
Large	**5.57**	7.29	**8.91**
Mid	7.23	7.67	**7.87**
Small	**5.92**	**6.92**	**7.82**

15 Year

	Value	Blend	Growth
Large	**8.09**	**8.62**	9.03
Mid	**10.45**	**10.50**	**10.34**
Small	**8.75**	9.19	9.55

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	
	Russell 1000 V	Russell 1000 G
2000	**7.01**	-22.42
2001	**-5.59**	-20.42
2002	**-15.52**	-27.88
2003	**30.03**	29.75
2004	**16.49**	6.30
2005	**7.05**	5.26
2006	**22.25**	9.07
2007	-0.17	**11.81**
2008	**-36.85**	-38.44
2009	19.69	**37.21**
2010	15.51	**16.71**
2011	0.39	**2.64**
2012	**17.51**	15.26
2013	32.53	**33.48**
2014	**13.45**	13.05
2015	-3.83	**5.67**
2016	**17.34**	7.08

	MID CAP	
	Russell MCV	Russell MCG
2000	**19.18**	-11.75
2001	**2.33**	-20.15
2002	**-9.64**	-27.41
2003	38.07	**42.71**
2004	**23.71**	15.48
2005	**12.65**	12.10
2006	**20.22**	10.66
2007	-1.42	**11.43**
2008	**-38.44**	-44.32
2009	34.21	**46.29**
2010	24.75	**26.38**
2011	**-1.38**	-1.65
2012	**18.51**	15.81
2013	33.46	**35.74**
2014	**14.75**	11.90
2015	-4.78	**-0.20**
2016	**20.00**	7.33

	SMALL CAP	
	Russell 2000 V	Russell 2000 G
2000	**22.83**	-22.43
2001	**14.02**	-9.23
2002	**-11.43**	-30.26
2003	46.03	**48.54**
2004	**22.25**	14.31
2005	**4.71**	4.15
2006	**23.48**	13.35
2007	-9.78	**7.05**
2008	**-28.92**	-38.54
2009	20.58	**34.47**
2010	24.50	**29.09**
2011	-5.50	**-2.91**
2012	**18.05**	14.59
2013	34.52	**43.40**
2014	4.22	**5.60**
2015	-7.47	**-1.38**
2016	**31.74**	11.32

	LARGE	MID	SMALL
	Russell 1000	Russell MC	Russell 2000
2000	-7.79	**8.25**	-3.02
2001	-12.45	-5.62	**2.49**
2002	-21.65	**-16.19**	-20.48
2003	29.89	40.06	**47.25**
2004	11.40	**20.22**	18.33
2005	6.27	**12.65**	4.55
2006	15.46	15.26	**18.37**
2007	**5.77**	5.60	-1.57
2008	-37.60	-41.46	**-33.79**
2009	28.43	**40.48**	27.17
2010	16.10	25.48	**26.85**
2011	**1.50**	-1.55	-4.18
2012	16.42	**17.28**	16.35
2013	33.11	34.76	**38.82**
2014	**13.24**	13.22	4.89
2015	**0.92**	-2.44	-4.41
2016	12.05	13.80	**21.31**

Source: Morningstar

PEI Portfolio Evaluations, Inc.
THE BENCHMARK IN INVESTMENT CONSULTING

2Q2017

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, 2017

	3 Month				YTD		
	Value	Blend	Growth		Value	Blend	Growth
Large	1.34	3.06	4.67	Large	4.66	9.27	13.99
Mid	1.37	2.70	4.21	Mid	5.18	7.99	11.40
Small	0.67	2.46	4.39	Small	0.54	4.99	9.97

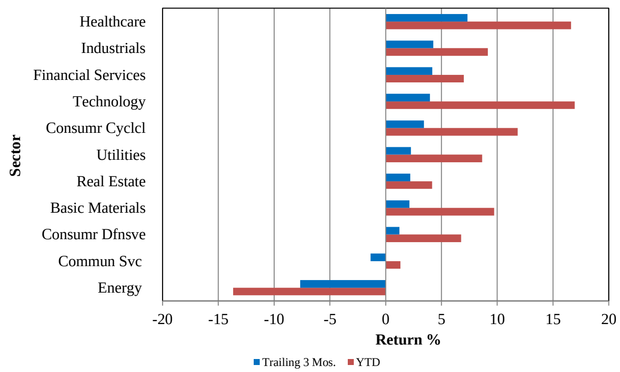
Top 3 Performers | Bottom 3 Performers

INTERNATIONAL EQUITY
Trailing performance as of June 30, 2017

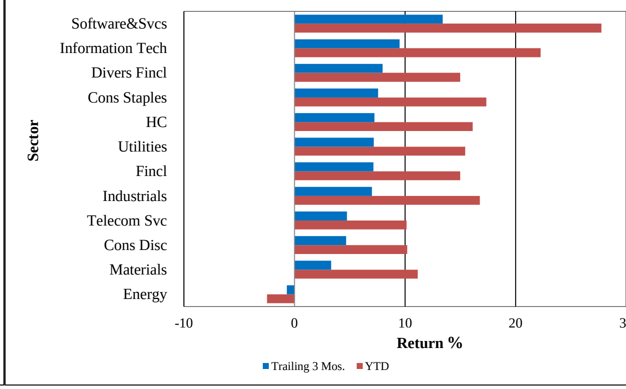
	3 Month				YTD		
	Value	Blend	Growth		Value	Blend	Growth
EAFE	4.78	6.12	7.52	EAFE	11.12	13.81	16.68
EAFE Small	7.31	8.10	8.94	EAFE Small	15.20	16.72	18.34
EM	3.17	6.27	9.44	EM	13.65	18.43	23.45

Top 3 Performers | Bottom 3 Performers

S&P 500 INDEX SECTOR PERFORMANCE



MSCI EAFE SECTOR PERFORMANCE



Source: Morningstar

Domestic Equity

U.S. stocks continued their climb higher during the second quarter with the S&P 500 Index achieving a new record high. Domestic equities were propelled higher by a combination of solid earnings growth, a steady economy, and a favorable interest rate environment. Investor confidence in the overall health of the U.S. economy continued to grow, supported by a higher revision to first quarter GDP growth to a final reading of 1.4%. In a continuation from the first quarter, larger cap growth stocks outperformed their smaller cap value counterparts as investors favored stocks with limited yield potential. The strongest performing sector during the quarter was technology, lifted by a 4% return. Energy continued to suffer, dropping another 6%, driven by concerns over the supply and demand balance of the oil market. Year-to-date, the energy sector has fallen approximately 12.6%. On a valuation basis, the forward price-to-earnings ratio of the S&P 500 Index remained steady at 17.5x, which is above the 16.0x of the index's long-term average, indicating the market continues to be slightly overvalued.

International Equity

The second quarter of 2017 largely resembled the first quarter as international equity markets continued their upward trajectory spurred by improved global growth prospects, low inflation, better corporate fundamentals and accommodative monetary policies. During the quarter, developed and emerging markets both showed strength, with the MSCI EAFE Index gaining 6.1% and the MSCI Emerging Markets Index up 6.3%. Emerging market gains were driven by strong consumer growth, rebounding global trade, U.S. dollar weakness and declining commodity prices. However, corruption headlines plagued Brazilian equity prices and the crude oil price drop was a headwind for Russian equities. In the Eurozone, equity prices were supported by easy monetary policy, consumer strength, improved labor market conditions, better corporate fundamentals and reduced political risks. Japanese equities moved higher during the quarter benefiting from an uptick in global growth, a weaker yen and encouraging data on the state of the domestic economy. In China, the strength of the consumer economy drove solid equity gains. UK equities experienced mixed returns over the quarter as uncertainty on the political front and the outlook for monetary policy loomed large. Overall, from an international perspective, growth stocks outperformed their value counterparts for the quarter, with small-cap stocks boasting a lead over large- and mid-cap stocks. From a sector perspective, across international markets, the top performing sectors were technology and consumer staples. The energy sector continued its decline during the quarter.

Portfolio Evaluations, Inc.

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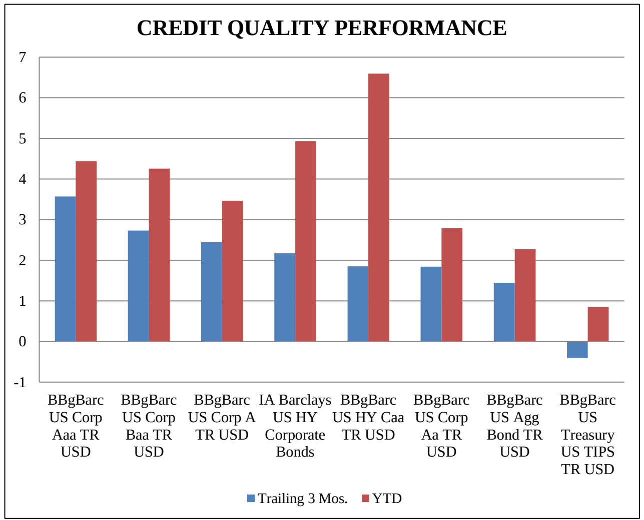
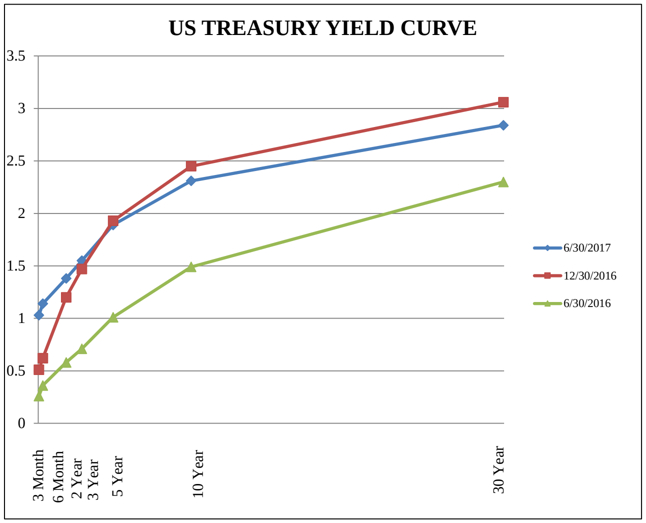
2Q2017

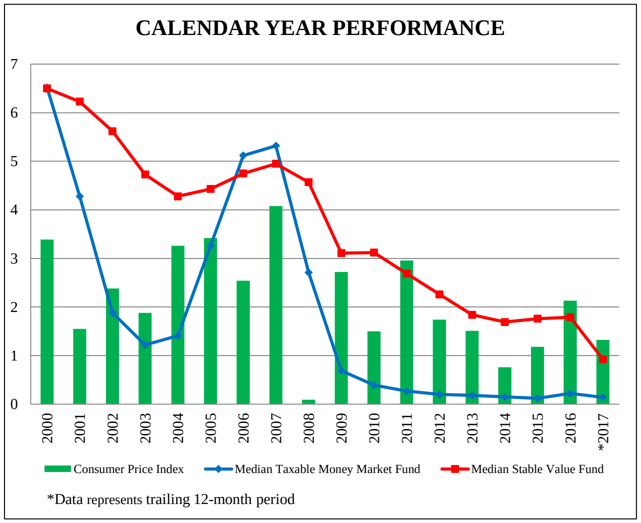
FIXED INCOME, MONEY MARKET, AND STABLE VALUE
ECONOMIC REVIEW AND MARKET COMMENTARY



Source: Morningstar



Source: The Federal Reserve



Source: PEI

<u>Fixed Income</u>

Bonds had modestly positive returns in the second quarter of 2017 as investors were focused on the Federal Reserve. The Bloomberg Barclays Aggregate Index, a broad gauge of bond market performance, returned 1.5% during the quarter. The Fed continued to normalize policy by raising the target federal funds rate another 25 basis points in June. The rate hike pressured short term rates higher, while softer than expected inflation readings and falling oil prices pushed longer term rates lower, resulting in a considerable flattening of the yield curve. Lower breakeven inflation rates on TIPS reflected the reduced market inflation expectations, and TIPS returns were slightly negative. The fundamental backdrop remained largely unchanged, however, and risk assets were well supported. Positive corporate earnings news and investor demand for yield helped investment grade corporate bonds outperform the broader fixed income market with a return of 2.5% as spreads tightened. Longer duration corporates led performance, aided by declines at the long end of the US yield curve. Improving corporate profits and healthy risk appetite led to modestly tighter credit spreads for high yield corporate issuers as well. As a result, high yield bonds outperformed the overall bond market with a positive 2.2% return for the Bloomberg Barclays US Corporate High Yield Index. Among securitized issues, non-agency MBS had a very strong quarter, benefitting from considerable price appreciation. In contrast, agency MBS was the only broad fixed income sector to post negative excess returns, lagging duration matched Treasuries by 4 bps, weighed down by the expectation that the Fed will begin balance sheet reductions. Emerging markets debt posted a 2.93% return in the quarter, reflecting solid gains of 3.62% and 2.24% for local currency debt and hard currency debt respectively. Returns in the second quarter, while positive, were not as strong as the first quarter as declines in commodity prices began to weigh on asset performance.