➢ *Domestic Growth Not Dampened Despite Hurricanes and Prospects for Fed Tightening*

- Hurricanes Harvey and Irma appear to have had only a short-term economic impact; energy prices rose on supply constraints, retail sales jumped as storm damaged vehicles were replaced, and the payroll numbers were lower as jobs were suspended, either temporarily or permanently in storm-ravaged areas. Yet, despite projections for a reduction in GDP by around 0.5%, third quarter GDP (+3.0%) exceeded expectations due to strong business investment, personal consumption, and net exports. Inventory building was also strong, which could be partially due to early rebuilding efforts.
- During the quarter there were additional signs of economic strength. Labor market conditions continued to tighten as unemployment dropped to 4.2% and jobless claims continued a downward trend following a hurricane-induced spike. Wages also increased at the end of the quarter, running at almost 3% higher year-over-year. Manufacturing indicators such as durable goods, industrial production and PMI bounced back over the quarter. The weaker dollar continued to bode well for U.S. manufacturing and exports. Business confidence was at its highest level in 13 years, and consumer confidence held at its highest levels post-2008.
- Certainly, the southeastern coastal areas and the people of the area will continue to feel the effects for a time to come. However, it is expected that the rebuilding effort in Texas, other parts of the Gulf Coast, and Florida will most likely have a positive impact on fourth quarter GDP. It should be noted that GDP data excludes information from U.S. territories, and does not reflect the hurricane impact in Puerto Rico.
- The Federal Reserve did not raise the Fed Funds rate at their September meeting, but announced the beginning of balance sheet normalization. Beginning with a total reduction of $10 billion per month from combined Treasuries and mortgage-back securities, the level will be increased to $50 billion per month in $10 billion increments each quarter. The current Fed balance sheet is about $4.5 trillion, and the end goal is most likely in the range of $2.0-2.5 Trillion.
- Although inflation (September PCE, including food and energy: +1.6% year-over-year) was still below the Fed's target level, the prospects for higher wage inflation and an increase in personal income has driven the probability of a rate hike in December to over 90%. The September meeting minutes noted that another rate increase this year "was likely to be warranted", providing the Fed's medium-term economic outlook does not change.
- Domestic equity markets hit record levels at the end of the quarter, in part due to continued improvement in corporate earnings and the prospects for corporate tax cuts. By the end of the quarter, investors shook off geopolitical events such as North Korea's missile testing and various elections in the EU. Small cap stocks (+5.7% on the quarter) took the spotlight, while large cap stocks rose about 4.5%, as the weaker U.S. dollar supported manufacturing and exports. Growth stocks outperformed value, as technology, energy, and telecom sectors led in performance. Valuations remained elevated, while volatility was historically low.
- Short-term interest rates rose to the highest levels since 2008, while some demand mid-quarter for safe-haven assets kept longer-term rates capped. Strong corporate earnings, narrowing credit spreads, and a flattening yield curve helped the performance of investment grade and high yield bonds over the quarter, which were also supported by energy prices. Inflation expectations due to higher oil prices impacted TIPS performance.
- The government remained funded, as the debt ceiling limit was extended to December.

- The Trump administration's tax reform proposal was released at the end of the quarter. The plan called for a reduction in the corporate tax rate to 20%, and the elimination and restructuring of some individual tax brackets. The plan will most likely see several revisions before the final vote. Key elements in the negotiations will be the removal of the estate tax and the deduction for state and local taxes, impacting middle class home owners in high tax states such as New Jersey and Connecticut.
- Janet Yellen's term as Chairperson of the Board of Governors of the Federal Reserve System is over in February 2018. President Trump is expected to announce his replacement nominee in November. Speculation about possible candidates centers on their willingness to stay the current course or take a more-hawkish approach to monetary tightening.

➢ *A Convergence of Global Growth as Politics and Policy Take Center Stage*

- The J.P. Morgan Global Composite PMI, a broad measure of global manufacturing, rose to a six year high this quarter. Global consumer data from the same survey also indicated solid growth in September.
- The economic recovery across the Eurozone continued. EU GDP rose 2.5% year-over-year in the third quarter, as unemployment moved lower than anticipated, to 8.9%. Manufacturing activity and business outlook improved to the highest levels in several years. Activity was wide-spread, including in Germany, France, Spain and Italy. Government spending and fixed business investment also increased, and inflation moved toward targeted levels. This prompted the European Central Bank to announce in October the beginning of monetary policy "recalibration", reducing bond purchases from €60 billion to €30 billion per month, starting in 2018. The ECB expects to cautiously withdraw liquidity from the system, monitoring economic conditions, especially below-target inflation. Policy changes were not announced in the UK, as growth expectations were lowered following some Brexit concerns. However, analysts raised the probability for a rate increase in the fourth quarter.
- Japan's retail sales and manufacturing indicators continued to show signs of improvement, while China's economic growth remained stable. At the National People's Congress meetings in October, President Xi Jinping continued to endorse a 6.5% growth rate and reforms that promote consumption and more balanced economic growth.
- Politics came to the forefront in the third quarter, although there was a muted impact on financial markets. A terrorist attack in Barcelona, mid-August, did impact local tourist industries, and the North Korean missile launch over Japan at the end of that month encouraged some safe-haven asset buying. The independence vote to separate Catalonia from the rest of Spain led to social unrest in that country, but the longer-term impact is unknown as Spanish authorities tried to contain the fallout by withdrawing the region's autonomy and charging the regional government with sedition.
- German Chancellor Angela Merkel won a fourth term, but significant seats for a populist party, Alternative for Germany, weakened the mandate of the Merkel's center-right party. It may have also weakened Germany's support for EU-based reforms (budgetary, governance) proposed by France.
- After the end of the quarter, snap elections resulted in a clear majority for Prime Minister Abe, who consolidated support for changes to Japan's defense policy. The National Congress of the Communist Party of China resulted in the possibility of extending President Xi's influence of power beyond the expiration of his term in 2022, and established him as the leading authority when setting party policy.

- Brexit negotiations proceeded slowly. Progress was not reported regarding three key issues; trade and tax policies, U.K. payments for agreed obligations, and the transition process. There were reports that contingency plans were developed in the event negotiations fail.
- Stronger commodity demand and higher prices, healthy earnings, and lower inflation supported emerging market indices. Higher equity prices in China, South Korea, and Brazil (following announced tax and labor reform programs), and a weaker dollar propelled emerging market returns. The MSCI Emerging Markets Index appreciated 7.89% over the quarter.
- Developed international markets also had solid returns. The MSCI EAFE Index rose 5.4% on improving economic growth, consumption, and corporate profits across the Eurozone and Japan. Political uncertainty and the prospect of higher interest rates in the U.K. were detractors from performance.

➢ *Outlook for the Balance of 2017*

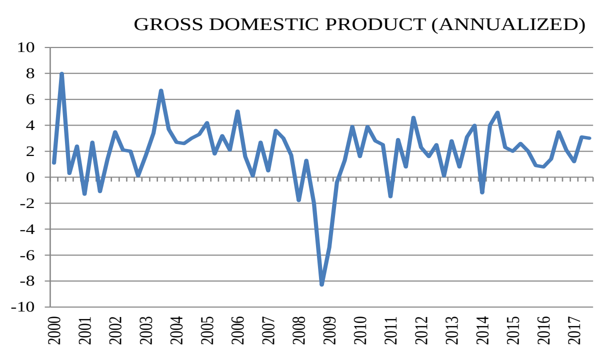
- While improving global economic growth and monetary accommodation are expected to continue, analysts reference a growing list of several risk considerations that could impact the economic outlook for the next few quarters:
    - Geopolitical events, especially North Korean actions and global response
    - Brexit and the populist/nationalist movement in the EU, and shifts in China's leadership
    - Global growth, inflation, higher interest rates, and the impact on policy decisions
    - Rising debt levels in China and for consumers around the globe
    - The U.S. debt ceiling and budget negotiations
    - The timing/level of fiscal stimulus that will compensate as the Fed withdraws monetary stimulus
    - Passage of the U.S. administration's tax proposal, earnings repatriation, and the impact on economic growth
    - U.S. trade agreements (i.e. NAFTA negotiations), protectionism, and immigration
    - The appointment of the Fed Chair, how that person will implement policy, and the ability to be independent from the current administration
    - Equity market valuation coupled with historically low asset price volatility
- Looking beyond these risks, analysts are forecasting moderate fourth quarter economic growth, in part supported by the recovery efforts from hurricanes Harvey and Irma.

Forecasts for U.S. Economic Outlook

	Fourth Quarter, 2017	Year End, 2017
U.S. GDP	2.7%	-
Unemployment	4.2%	4.2%
CPI	1.8%	1.8%
Fed Funds	1.25-1.50%	1.25-1.50%

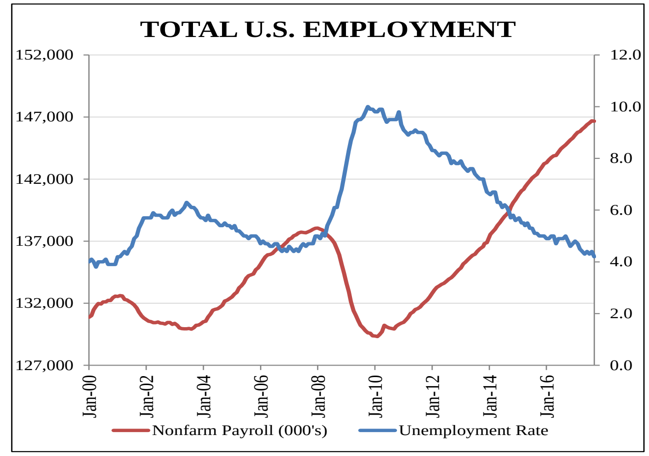
Source: The Wall Street Journal, October 1, 2017; survey average of 60 economists

Seasonally Adjusted Rate: Percent Changed from Preceding Period	Annual			Trailing Four Quarters			
	2014	2015	2016	4Q16	1Q17	2Q17	3Q17
GDP	2.4	2.6	1.6	1.9	1.4	3.1	3.0



Source: Bureau of Economic Affairs

Source: United States Department of Labor



Source: United States Department of Labor

Economic Growth

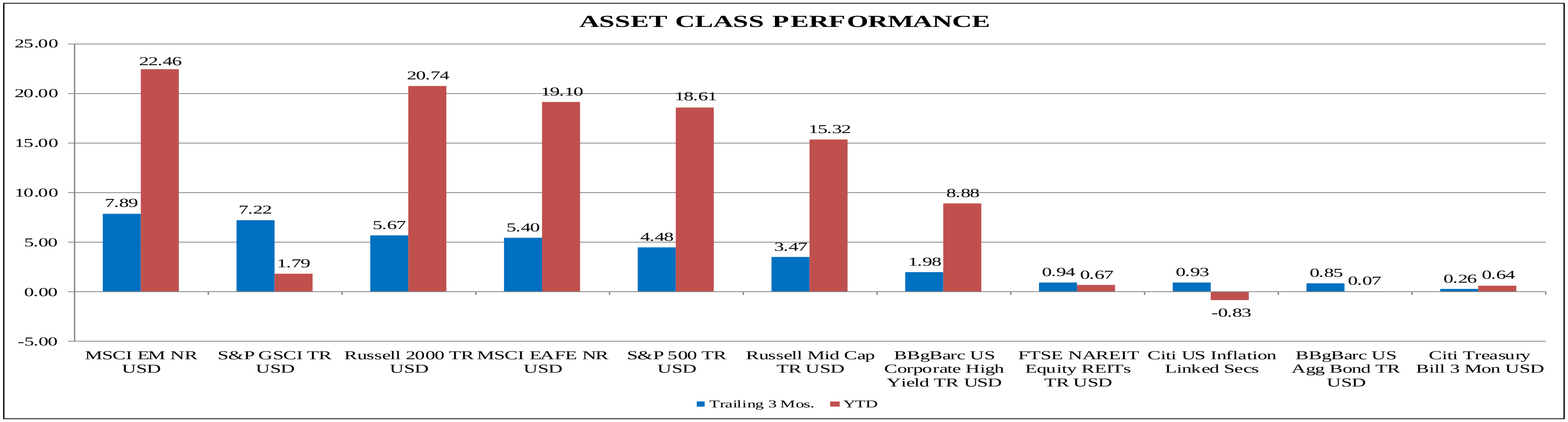
Hurricanes Harvey and Irma impacted employment at the end of the third quarter; September non-farm payrolls were down 33,000, which was the first negative report since 2010. Nevertheless, monthly job gains averaged almost 150,000 for the year, and the September unemployment rate dropped to 4.2%, a post-recession low. Quarter-end average hourly earnings rose 2.9% year-over-year. Analysts had forecast 0.3-0.8% negative impact on annualized 3rd quarter GDP, primarily through a temporary loss of jobs and retail sales, and lost industrial production in the petroleum and downstream industries from the hurricanes. However, an increasingly tighter labor market, elevated consumer and business confidence, and business investment continued to support a positive outlook. Manufacturing activity was also a contributing factor; the ISM Manufacturing Index reached its highest level since 2004 (60.8 in September), driven by weakness in the U.S. dollar and favorable global demand. Inflation (core PCE, one of the Fed's favored metrics) rose 1.7% in September, despite higher wages and oil prices.

Policy

The Federal Reserve Bank left the Fed Funds interest rate unchanged. However, higher wage inflation and continued domestic economic strength point to a probable 25 basis point rate hike in December. In their data release, Fed officials revised down the longer-term path to interest rates, along with a slight downward revision to economic growth over the next 3 years. They did announce the start of their balance sheet unwind: a $10 billion reduction in both Treasuries and mortgage-back securities per month, which will increase $10 billion per quarter to a reduction level of $50 billion per month. The Fed expects to reduce the balance sheet from $4.5 trillion to $2.0-$2.5 trillion over the next few years, but will closely monitor the economy.

Markets

Domestic equity markets reached record levels during the quarter, supported by favorable global economic growth, corporate earnings and a Fed that remained cautious. While hurricanes Harvey and Irma were devastating to communities in Texas, Florida, and Puerto Rico, it did not have a widespread impact on financial markets. Oil prices rose to $52 per barrel by the end of the quarter, as refinery and storage facility closures temporarily removed supply from the market. Domestic equity markets continued to appreciate due to the prospect for corporate tax reform. Emerging market indices advanced because of higher oil prices and a weaker dollar, which supported global exports. North Korea's missile launches, and a narrower margin of victory for Angela Merkel in Germany did not have a major effect on equity markets. Although the Fed announced plans to begin reducing system liquidity, the yield curve flattened, and credit spreads narrowed.



Factors Impacting Market Performance in the Third Quarter, 2017:

- Continued improvement in global economic growth, including the EU and Japan, and improved exports, consumer sentiment, and business outlook influenced markets.
- The Federal Reserve Bank did not increase rates, but announced plans to reduce Treasury and mortgage-backed holdings. Given improved global outlook and firming inflation, other central banks may begin to scale down liquidity programs in 2018.
- Back-to-back hurricanes hitting Texas and Florida temporarily, but unfavorably, impacted oil prices, manufacturing, and employment.
- Corporate earnings reported over the quarter surpassed expectations.
- Geopolitical issues, especially North Korean missile launches and elections/referendums in Germany and Spain, had minimal impact on markets.

Emerging Market Risk Assets Continue to Outperform:

- *International indices* were favorably influenced by improving global growth and exports driven by the weaker U.S. dollar. Higher oil and commodity prices bolstered equity prices in emerging markets (especially Russia, Brazil), which was the best performing sector in the third quarter.
- *Commodity indices* were supported by higher oil prices due to refinery closures/anticipated supply disruptions following hurricanes. Improving global outlook driving demand.
- *Domestic equities* continued to reach record levels. Earnings surpassed expectations during the quarter, and prospects for accelerated economic growth under the Trump tax plan were favorable drivers, especially for small cap stocks. Higher energy prices supported large cap prices; technology, energy and telecom stocks performed especially well.
- Despite forecasts for higher interest rates, rates in the longer end of the yield curve flattened and credit spreads narrowed. *High yield* bonds and investment grade credit were better performing sectors, while inflation-linked and intermediate bonds had marginal gains during the quarter.
- While *REITs* lagged other equity market indices due to rising rate environment/troubles in the retail sector, the flattening yield curve and prospects for improved corporate and industrial growth provided some support, especially for the e-commerce sub-sector.

Portfolio Evaluations, Inc.

THE BENCHMARK IN INVESTMENT CONSULTING

3Q2017

TOTAL RETURN OF ASSET CLASSES
ECONOMIC REVIEW AND MARKET COMMENTARY

As of September 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%	Russell 2000 12.18%	Russell Mid Cap 14.26%	Russell Mid Cap 8.08%
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%	S&P 500 10.81%	S&P 500 14.22%	Russell 2000 7.85%
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%	NAREIT - Equity REIT 9.86%	Russell 2000 13.79%	BarCap US High Yield 7.84%
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 Mid Cap 9.54%	NAREIT - Equity REIT 9.69%	S&P 500 7.44%
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 5.83%	MSCI EAFE 8.38%	NAREIT - Equity REIT 5.83%
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%	MSCI EAFE 5.04%	BarCap US High Yield 6.36%	BarCap Aggregate 4.27%
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 Emerging Markets 4.90%	MSCI Emerging Markets 3.99%	Citi US Inflation-Linked 3.99%
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	BarCap Aggregate 2.71%	BarCap Aggregate 2.06%	MSCI EAFE 1.34%
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 1.71%	Citi 3 Month T-Bill 0.12%	MSCI Emerging Markets 1.32%
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 0.29%	Citi US Inflation-Linked 0.02%	Citi 3 Month T-Bill 0.42%
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 -19.56%	S&P GSCI Commodity -14.38%	S&P GSCI Commodity -10.02%

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

DOMESTIC EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Broad Market	DJ Industrial Average	5.58	15.45	25.45	12.35	13.57	7.72
	S&P 500	4.48	14.24	18.61	10.81	14.22	7.44
	NASDAQ Composite	6.06	21.67	23.68	14.41	17.27	10.38
	Wilshire 5000 Total Market	4.59	13.72	18.89	10.96	14.27	7.61
Large Cap	Russell 1000	4.48	14.17	18.54	10.63	14.27	7.55
	Russell 1000 Growth	5.90	20.72	21.94	12.69	15.26	9.08
	Russell 1000 Value	3.11	7.92	15.12	8.53	13.20	5.92
Mid Cap	Russell Mid Cap	3.47	11.74	15.32	9.54	14.26	8.08
	Russell Mid Cap Growth	5.28	17.29	17.82	9.96	14.18	8.20
	Russell Mid Cap Value	2.14	7.43	13.37	9.19	14.33	7.85
Small Cap	Russell 2000	5.67	10.94	20.74	12.18	13.79	7.85
	Russell 2000 Growth	6.22	16.81	20.98	12.17	14.28	8.47
	Russell 2000 Value	5.11	5.68	20.55	12.12	13.27	7.14

Source: Morningstar

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Developed	MSCI AC World	5.18	17.25	18.65	7.43	10.20	3.88
	MSCI AC World Ex US	6.16	21.13	19.61	4.70	6.97	1.28
	MSCI EAFE	5.40	19.96	19.10	5.04	8.38	1.34
	MSCI EAFE Growth	4.94	22.45	15.68	6.48	8.89	2.12
	MSCI EAFE Value	5.87	17.64	22.55	3.50	7.80	0.49
	MSCI EAFE Small Cap	7.46	25.42	21.84	11.13	12.85	4.63
	MSCI Europe	6.45	22.79	22.30	4.36	8.36	1.08
	MSCI Europe Ex UK	6.94	25.68	25.43	5.88	9.97	1.15
	MSCI Pacific Free	3.87	15.41	14.22	6.62	8.57	2.07
	MSCI Pacific Free Ex Japan	3.66	17.64	14.44	4.57	5.28	2.68
	MSCI Japan	3.97	14.28	14.09	7.75	10.60	1.69
Emerging	MSCI Emerging Markets	7.89	27.78	22.46	4.90	3.99	1.32
	MSCI BRIC	13.81	32.95	27.91	7.36	5.22	0.04
	MSCI EM Latin America	15.07	26.71	25.59	-0.30	-1.92	-0.77
	MSCI EM Europe	10.39	14.58	25.36	-0.77	-2.70	-4.91
	MSCI EM Asia	7.02	31.82	23.82	7.97	7.42	2.75

Source: Morningstar

FIXED INCOME

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	0.85	3.14	0.07	2.71	2.06	4.27
BarCap US Government	0.38	2.25	-1.56	2.01	1.25	3.61
BarCap US Credit	1.35	5.08	1.96	3.87	3.23	5.54
BarCap Intermediate Govt/Credit	0.60	2.34	0.23	2.13	1.61	3.64
BarCap Long Govt/Credit	1.53	7.65	-0.79	5.45	3.94	7.37
Citi US Inflation-Linked	0.93	1.89	-0.83	1.71	0.02	3.99
BarCap Emerging Markets Bond	2.27	7.50	4.70	5.55	4.42	7.16
BarCap ABS	0.42	1.56	0.86	1.80	1.33	2.88
BarCap MBS	0.96	2.32	0.30	2.44	1.96	4.13
Citigroup US 3-Month T-Bill	0.26	0.56	0.64	0.29	0.19	0.42
BofA ML 1-3 Year Treasury	0.24	0.67	0.24	0.76	0.63	1.70
BarCap US Corp Aaa	1.55	6.06	0.86	4.35	2.73	4.42
BarCap US Corp A	1.24	4.74	1.48	4.06	3.17	5.18
BarCap US Corp Baa	1.46	5.77	3.15	4.18	3.95	6.58
BarCap US High Yield	1.98	7.00	8.88	5.83	6.36	7.84
BarCap US High Yield Caa	2.50	9.26	14.40	6.65	7.98	7.34

Source: Morningstar

STABLE VALUE & MONEY MARKET

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Median Taxable Money Market Fund	0.15	0.29	0.31	0.11	0.07	0.35
Median Stable Value Fund	0.51	1.44	1.90	1.81	1.81	2.55
Consumer Price Index	0.08	1.54	1.54	0.99	1.16	1.63

Source: PEI

REAL ASSETS

Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
NAREIT - Equity REIT	0.94	3.67	0.67	9.86	9.69	5.83
Bloomberg Commodity	2.52	-2.87	-0.29	-10.41	-10.47	-6.83
S&P GSCI Commodity	7.22	-3.76	1.79	-19.56	-14.38	-10.02

Source: Morningstar

Trailing performance as of: September 30, 2017

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

3 Month

	Value	Blend	Growth
Large	**3.11**	4.48	**5.90**
Mid	**2.14**	**3.47**	5.28
Small	5.11	**5.67**	**6.22**

1 Year

	Value	Blend	Growth
Large	**15.12**	18.54	**21.94**
Mid	**13.37**	**15.32**	17.82
Small	20.55	**20.74**	**20.98**

3 Year

	Value	Blend	Growth
Large	**8.53**	10.63	**12.69**
Mid	**9.19**	**9.54**	9.96
Small	12.12	**12.18**	**12.17**

5 Year

	Value	Blend	Growth
Large	**13.20**	14.27	**15.26**
Mid	**14.33**	14.26	14.18
Small	**13.27**	**13.79**	**14.28**

10 Year

	Value	Blend	Growth
Large	**5.92**	**7.55**	**9.08**
Mid	7.85	8.08	**8.20**
Small	**7.14**	7.85	**8.47**

15 Year

	Value	Blend	Growth
Large	**9.82**	**10.29**	**10.65**
Mid	**12.07**	**12.20**	**12.12**
Small	10.86	11.37	11.78

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
2016	**17.34**	7.08	**20.00**	7.33	**31.74**	11.32	12.05	13.80	**21.31**

Source: Morningstar

3Q2017

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 September 30, 2017

	3 Month				YTD		
	Value	Blend	Growth		Value	Blend	Growth
Large	3.11	4.48	5.90	Large	7.92	14.17	20.72
Mid	2.14	3.47	5.28	Mid	7.43	11.74	17.29
Small	5.11	5.67	6.22	Small	5.68	10.94	16.81

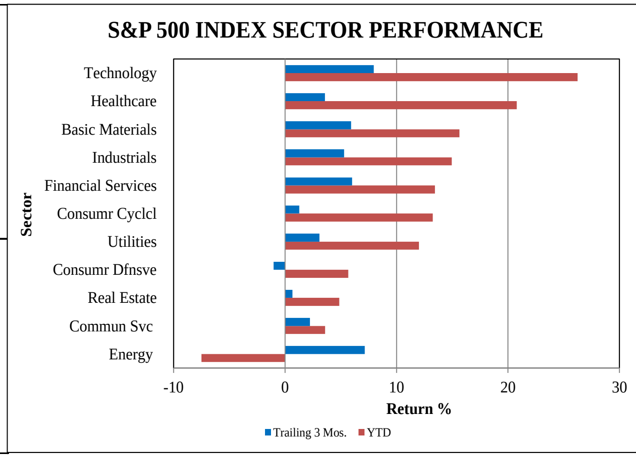
Top 3 Performers | **Bottom 3 Performers**

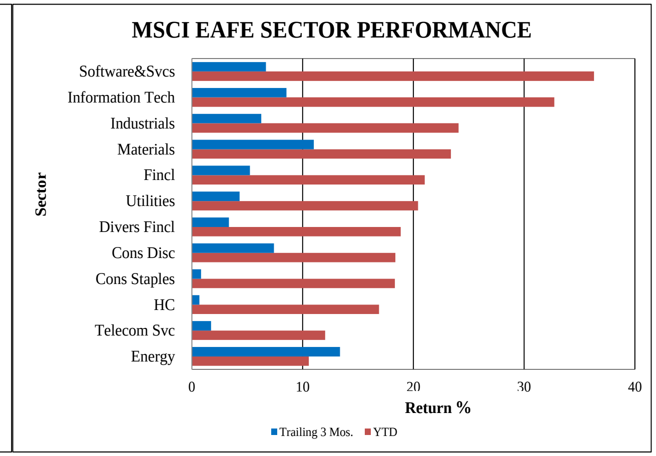
INTERNATIONAL EQUITY
Trailing performance as of September 30, 2017

	3 Month				YTD		
	Value	Blend	Growth		Value	Blend	Growth
EAFE	5.87	5.40	4.94	EAFE	17.64	19.96	22.45
EAFE Small	7.11	7.46	7.79	EAFE Small	23.39	25.42	27.56
EM	5.47	7.89	10.19	EM	19.87	27.78	36.03

Top 3 Performers | **Bottom 3 Performers**

Source: Morningstar





Domestic Equity

Domestic equity markets continued their ascension in Q3 with most major domestic equity indices hitting all-time highs. The S&P 500 Index was up 4.5% in the quarter bringing year-to-date gains to +14.2%. The tech heavy, Nasdaq Composite Index was up 6.1% for the quarter, bringing year-to-date gains to an astounding 21.7%. Small cap stocks, which lagged their larger cap counterparts in July and August, finished the quarter strongly in September, bringing quarter-to-date gains to a solid 5.7% and year-to-date gains to 10.9%. Despite elevated valuation levels, escalating tensions with North Korea, and devastating hurricanes hitting Texas, Florida and Puerto Rico, investors have continued to take the bad news in stride. Business and consumer confidence improved as hawkish comments from Fed Chairwoman Janet Yellen signaling a gradual pace for interest rate hikes and the announcement of Trump's tax reform plan both indicate a continued business friendly environment for US stocks. Growth stocks in this environment led the markets with the Russell 1000 Growth Index up 5.9% for the quarter and 20.7% for the year. By comparison, the Russell 1000 Value index lagged significantly with quarter gains of 3.1% and year-to-date gains of 7.9%.

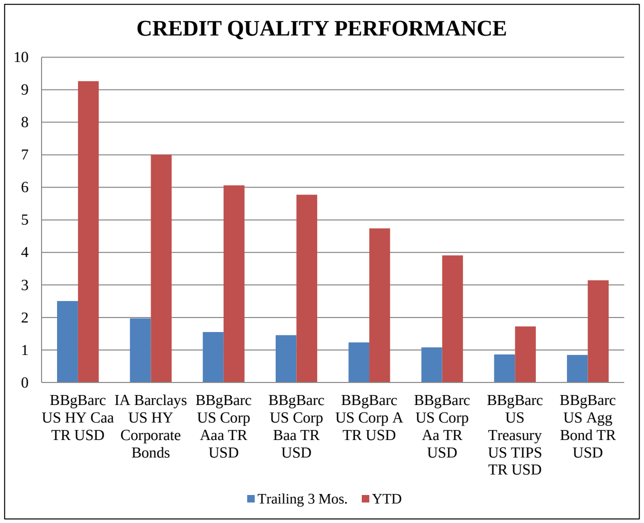
International Equity

Optimism over continued global growth, strong corporate earnings, a benign inflation environment and easy monetary policies combined to create a positive backdrop for international equity markets. During the third quarter, strength was evidenced across developed and emerging markets with the MSCI EAFE Index up 5.4% and the MSCI Emerging Markets Index up 7.9%. A calmer political picture and weaker U.S. dollar supported returns across developed and emerging regions. Within emerging markets, adequate valuation levels along with healthier company fundamentals buoyed stocks. Brazilian equities were particularly strong during the quarter, as the political picture brightened and some progress was made toward reform. Positive economic data out of China also supported stocks as did stronger crude oil prices which pushed Russian equities higher. In the Eurozone, continued economic momentum along with an improved labor market pushed the consumer confidence level to a multi-year high, supporting equities. Equity returns within the U.K. were decent, supported by robust performance from the resources sectors and positive unemployment data as BREXIT talks continued to dominate headlines. Gains were also seen among Japanese equities as the economic outlook brightened with stronger industrial production and export growth, and improved corporate behavior. Overall, from an international perspective, small-caps outperformed large-caps in non-U.S. developed markets for the third quarter, while the reverse was true for emerging markets. From a sector perspective, across international markets, top performing sectors for the quarter included the energy, materials and information technology sectors.

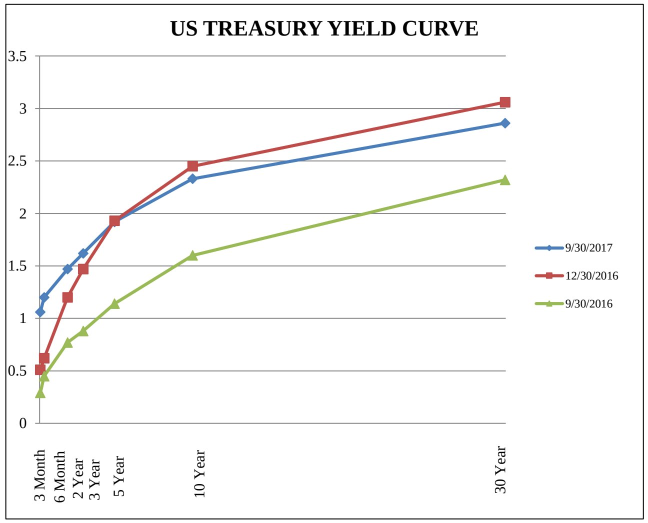
THE BENCHMARK IN INVESTMENT CONSULTING

3Q2017

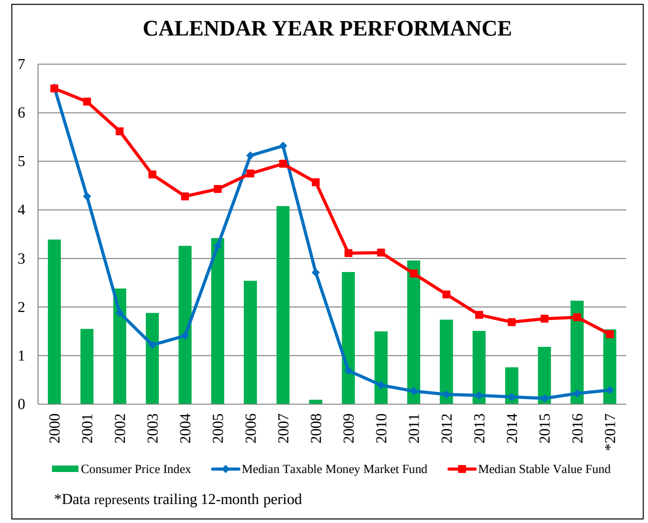
FIXED INCOME, MONEY MARKET, AND STABLE VALUE ECONOMIC REVIEW AND MARKET COMMENTARY



Source: Morningstar



Source: The Federal Reserve



Source: PEI

Fixed Income

Fixed income markets saw moderate gains in the third quarter of 2017. The broader US bond market, as measured by the Bloomberg Barclays US Aggregate Bond Index, returned .85%. In a fairly quiet quarter, yields remained relatively steady. Although geopolitical tensions and mixed readings on the US economy put downward pressure on rates through September, yields saw a rebound late in the quarter following the Fed's decision to move forward with its tapering plan as well as encouraging inflation readings. Ten-year treasury yields ended the quarter at 2.34%. The Treasury yield curve modestly flattened as short-term yields rose more than longer-term yields. Low volatility was a tailwind for risk assets in the third quarter, which continued to perform well amid surprisingly strong global growth and clarification from central banks regarding accommodative policy. US credit markets were supported by stronger growth and corporate earnings in Q3, with investment grade credit gaining 1.35%. High yield credit returned 1.98%. Emerging markets debt continued to post solid returns (2.4%), benefitting from the low volatility environment and investor appetite for riskier assets. Securitized debt outperformed as well, led by the mortgage sector (.96%), which was a reversal from the prior quarter. Credit spreads narrowed slightly in the quarter, making all credit sectors more expensive relative to their own histories. AAA rated securities underperformed the broad benchmark while lower quality credit tiers strongly outperformed.

Money Market and Stable Value

Since money market reform, cash out flows from prime funds to not only government funds but also to other investments such as short-term bonds and bank deposits have been surprising. Money market managers have said depending on the rate hike forecasts for 2017, they could keep some liquidity on hand to deploy cash into floating rate notes at higher yields after additional rate hikes. Participant flows continue to be a headwind for stable value funds as participants reallocate assets from stable value to equity investment options. Bank of Tokyo exited the wrap industry. It is a business decision based on the allocation of capital. Crediting rates experienced little-to-no change, with synthetic GICs generating the largest positive change for two consecutive quarters. The average market-to-book ratio increased to 100.40% (up from 100.25% in Q1 2017).