



Investment Performance Review

Capital Markets Review
Performance as of September 30, 2015

This page was intentionally left blank.

The U.S. Economy Continues to Improve Although the Recovery Continues to Appear Fragile

- Q2 GDP growth bounced back after a weak first quarter; 2nd quarter GDP grew at a 3.9% rate
- Unemployment continues to improve with civilian unemployment rate at 5.1% in September
- Wage growth continues to be modest with September wage growth at 1.9% versus 4.3% annually over the past 50 years
- Corporate profit margins have pulled back from all-time highs as the strong dollar has hurt earnings and the energy sector continues to struggle with low oil prices

Global Economic Fears Pushed Stocks Into the Red for the Year

- Macroeconomic worries pushed volatility higher while correlations among stocks increased
- Worries about the Chinese economy triggered by the devaluation of the yuan caused a sell-off in stocks
- U.S. stocks in the energy and materials sector were the most impacted, losing 17.41% and 16.90%, respectively for the quarter
- Utilities held up the best as interest rates remained low, gaining 5.40% for the quarter
- The sell-off in stocks has kept valuations in check; the forward P/E for the S&P 500 Index is at 15.1x versus a 25-year average of 15.8x

Defying Expectations, the Fed Held Rates Steady in September

- Concerned about a fragile recovery and global economic weakness, the Fed held short-term rates steady in their September meeting
- While postponing a rate increase in September, 13 of the 17 Federal Open Market Committee members expected rates to rise in 2015
- The yield on 10-Year U.S. Treasury Bonds declined 0.29% during the quarter to 2.06%
- Widening spreads hurt credit sectors; high yield bonds declined 4.86% during the quarter and floating rate debt declined 2.28%

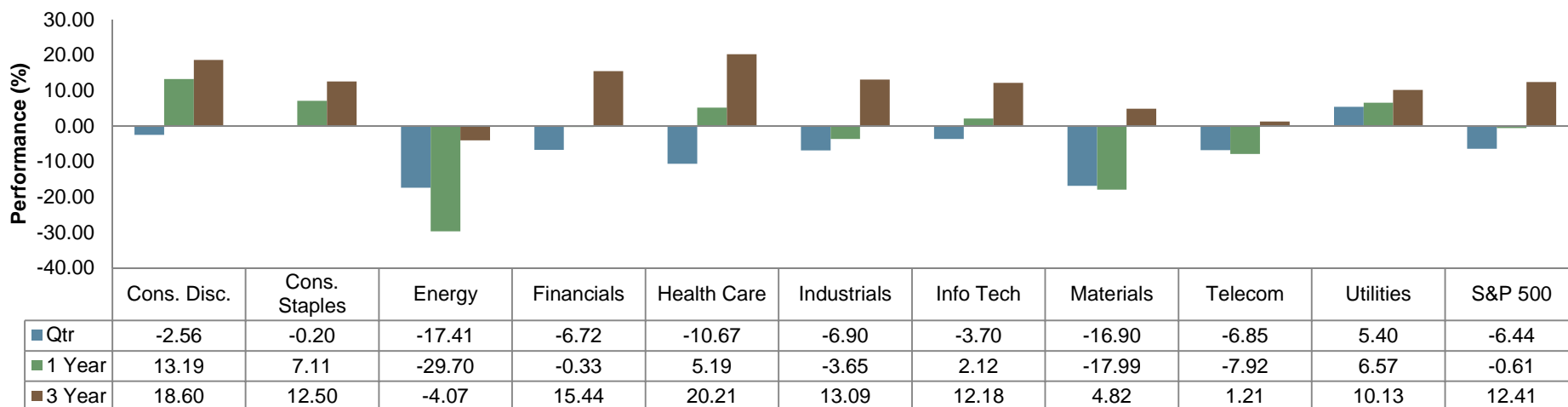
International Equities Participated in a Global Sell-Off

- Japanese equities declined 11.70% during the quarter
- European equities struggled for the quarter, continuing its underperformance relative to the U.S. market
- Emerging market stocks posted the worst losses of the quarter, declining 17.78%
- Brazil lost 33.56% during the quarter, with a weakening currency compounding local market equity declines
- The Chinese government's intervention into their equity markets couldn't prevent losses of 22.67% during the quarter

Real Assets Continue to Suffer from Modest Inflation and Weak Global Growth

- Inflation remains below target; Headline CPI was 0.3% in August while Core CPI was 1.8%
- REITs were the lone bright spot for the quarter; the FTSE NAREIT All Equity REITs Index gained 0.76% during the 3rd quarter, outperforming equities but maintaining a loss of 4.52% year-to-date
- Commodities continued to struggle as a result of weakening global demand from China and low energy prices; the Bloomberg Commodity Index has lost 15.80% year-to-date

Returns by Sector



Returns by Style

	Last Quarter		
	Value	Blend	Growth
Large	-8.39	-6.83	-5.29
Mid	-8.04	-8.01	-7.99
Small	-10.73	-11.92	-13.06

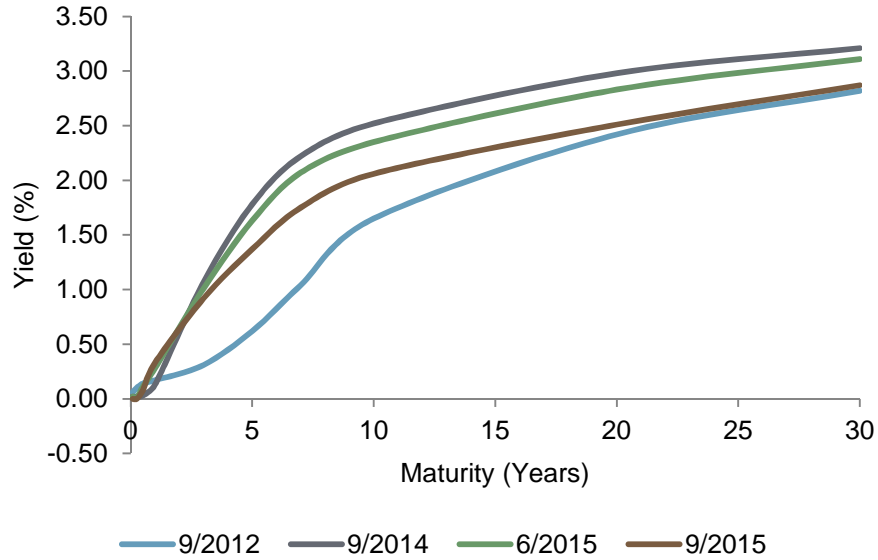
	Last Year		
	Value	Blend	Growth
Large	-4.43	-0.61	3.18
Mid	-2.07	-0.25	1.45
Small	-1.60	1.25	4.05

	Last 3 Years		
	Value	Blend	Growth
Large	11.60	12.67	13.62
Mid	13.70	13.92	13.99
Small	9.19	11.03	12.86

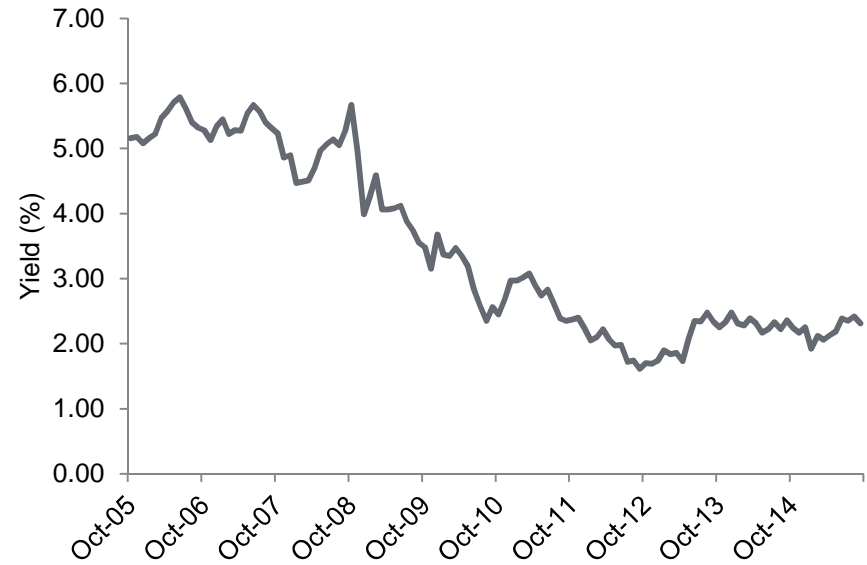
	Last 5 Years		
	Value	Blend	Growth
Large	12.29	13.42	14.48
Mid	13.16	13.41	13.59
Small	10.17	11.74	13.27

Source: Morningstar Direct, Sector returns are for the S&P 500 Index Sector Indices. Style returns are for the Russell 1000, Mid Cap and 2000 indices as well as the related Value and Growth indices.

U.S. Treasury Yield Curve



Barclays US Aggregate Yield



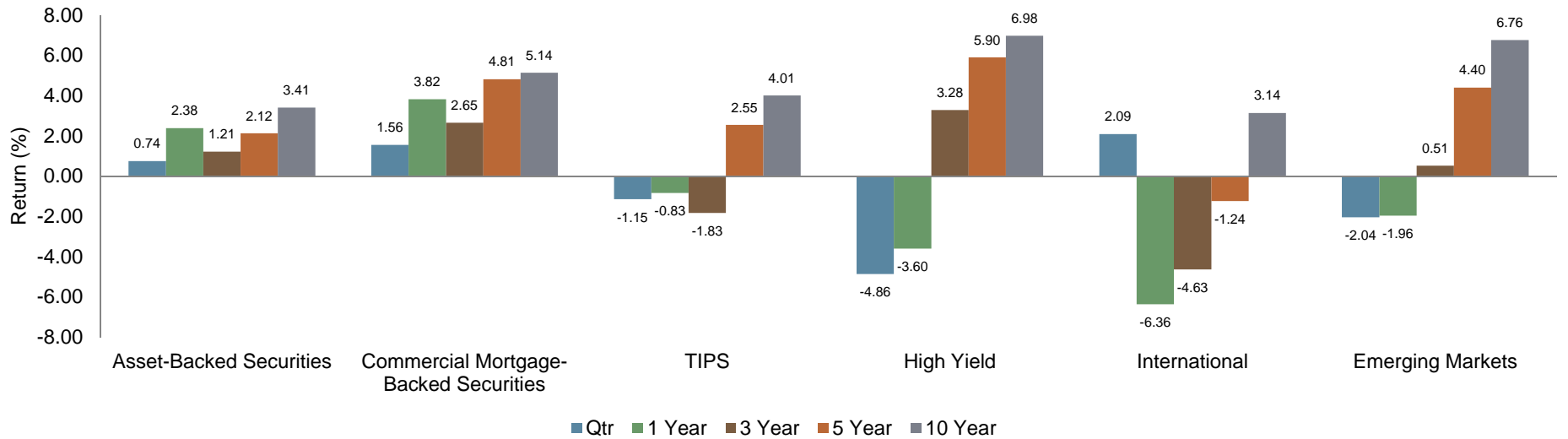
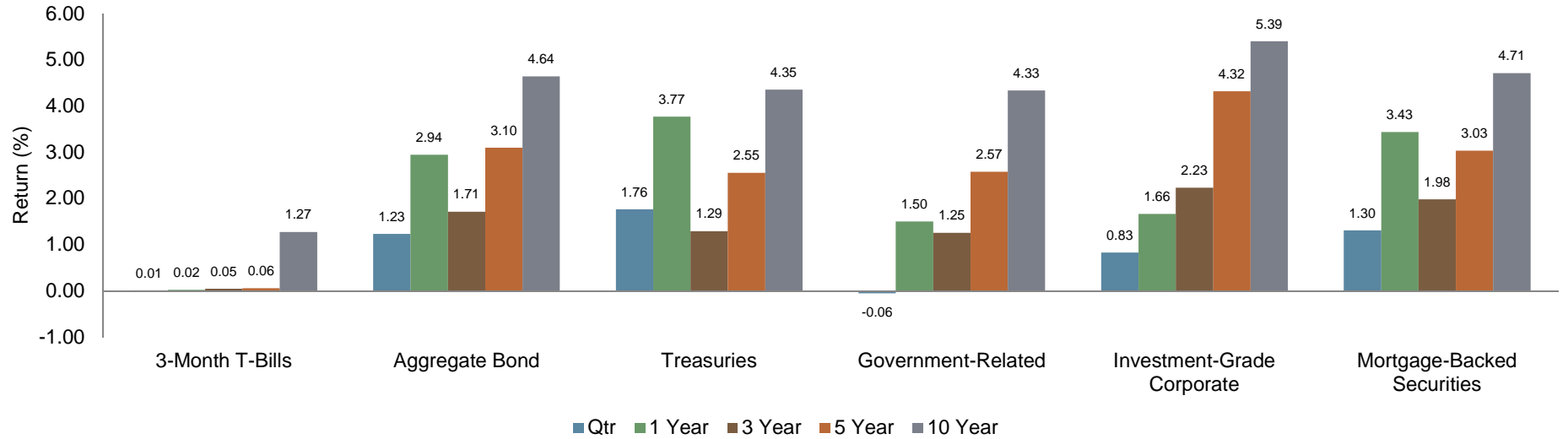
10 Year Treasury Yield



Source: Morningstar Direct

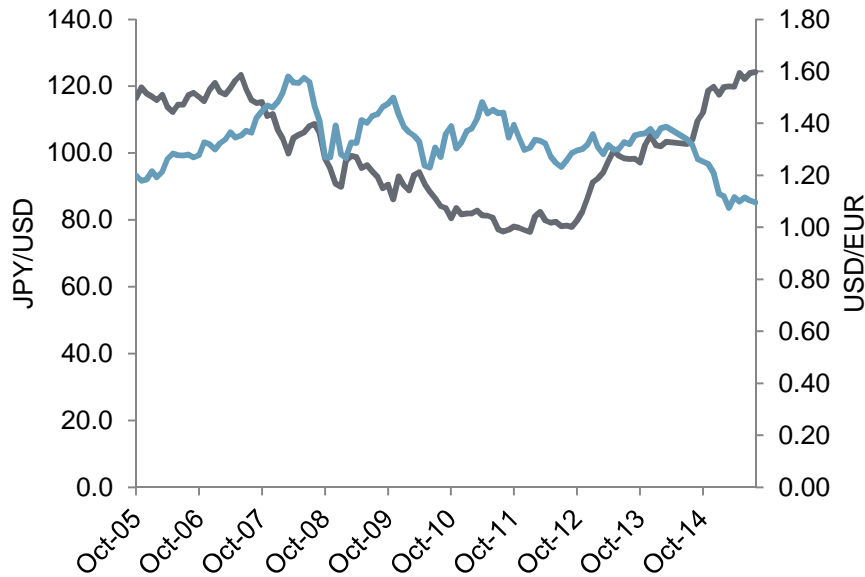
As of September 30, 2015

Fixed Income Returns



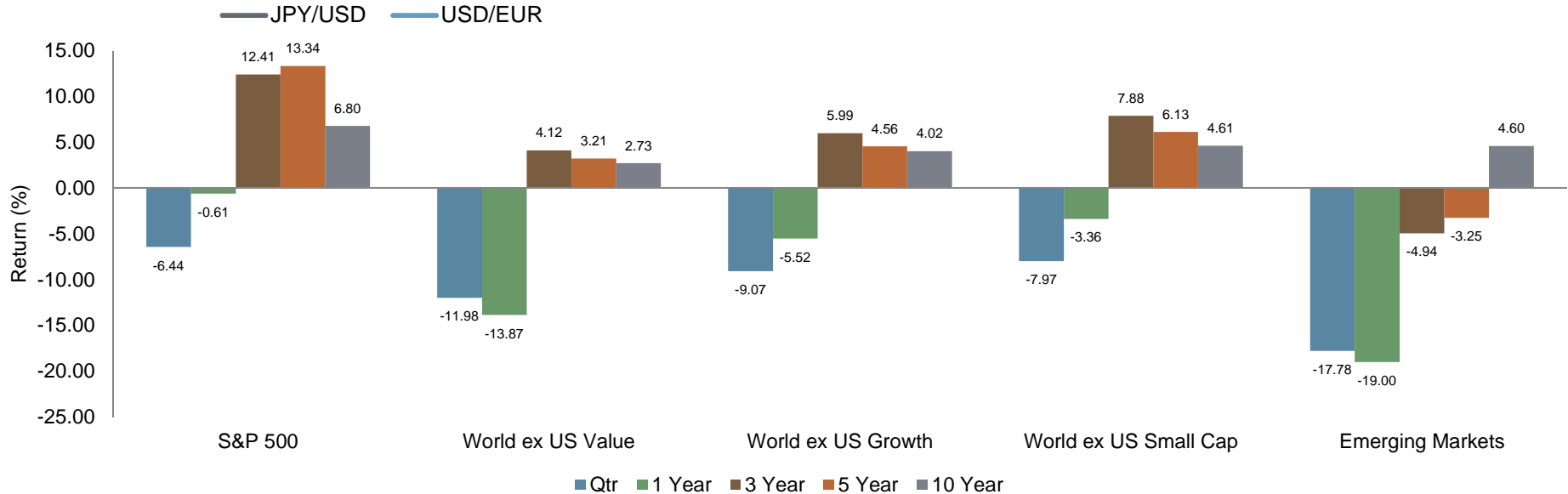
Source: Morningstar Direct. Performance is annualized for periods greater than 12 months. The returns shown above are represented by the following indices: 3-Month T-Bills - USTREAS T-Bill Auction Ave 3 Mon; Aggregate Bond - Barclays US Agg Bond TR USD; Treasuries - Barclays US Treasury TR USD; Government-Related - Barclays US Agg Govt Reltd TR USD; Investment-Grade Corporate - Barclays US Corp IG TR USD; Mortgage-Backed Securities - Barclays US MBS TR USD; Asset-Backed Securities - Barclays ABS TR USD; Commercial Mortgage-Backed Securities - Barclays CMBS IG TR USD; TIPS - Barclays US Treasury US TIPS TR USD; High Yield - Barclays US HY Interm TR USD; International - JPM GBI Global Ex US TR USD; and Emerging Markets - JPM EMBI Global TR USD

U.S. Dollar Exchange Rates



Regional Returns (Local Currency vs. U.S. Dollar)

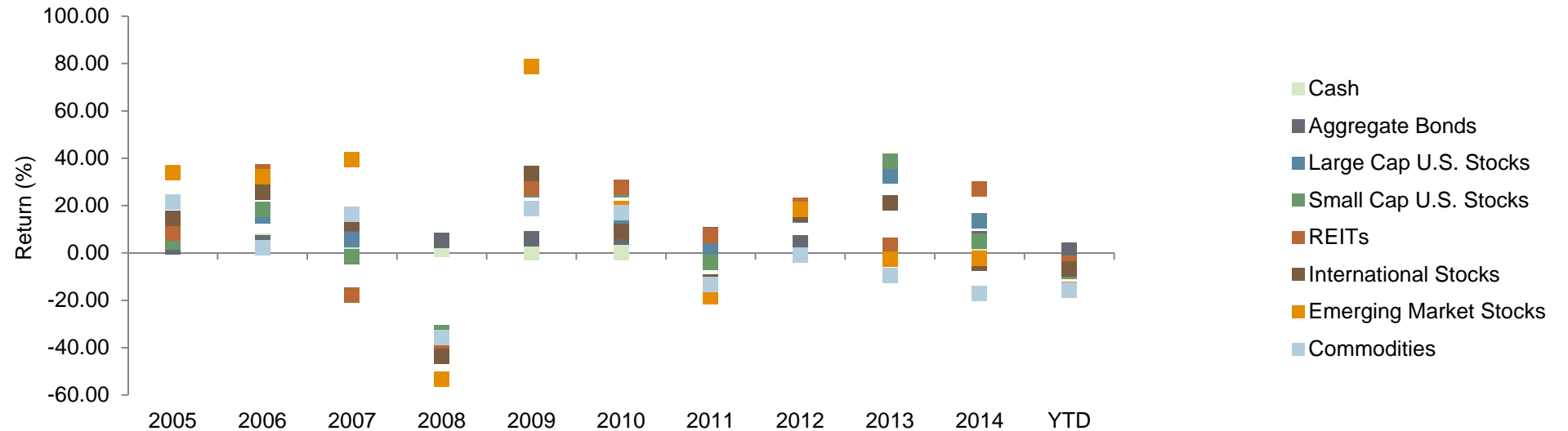
Region	Qtr		1 Year	
	Local	USD	Local	USD
USA	n/a	-6.44	n/a	-0.61
Europe ex-U.K	-7.14	-8.05	3.19	-7.34
France	-6.58	-6.41	5.51	-6.77
Germany	-11.05	-10.89	3.33	-8.70
United Kingdom	-6.57	-10.01	-5.90	-12.08
Pacific ex-Japan	-10.71	-15.94	-3.56	-16.67
Japan	-13.57	-11.70	7.08	-1.93
Emerging Markets	-11.97	-17.78	-6.79	-19.00
Brazil	-14.84	-33.56	-15.88	-48.27
China	-22.70	-22.67	-5.02	-4.84
India	-3.87	-6.74	0.01	-5.90
Russia	-2.61	-14.39	10.45	-26.49



Source: Morningstar Direct. Regional returns are shown for the respective MSCI gross return indices for local and USD returns. Style returns are shown for the S&P 500 Index, MSCI World ex USA Value GR USD, MSCI World ex USA Growth GR USD, MSCI World ex USA Small Cap GR USD, and the MSCI Emerging Markets GR USD indices.

Unpredictability of Asset Class Returns

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	YTD	
Best	34.00	34.35	39.42	5.24	78.51	27.58	7.84	20.14	38.82	27.15	1.13	Cash
	21.36	32.14	16.23	1.51	33.67	26.85	7.28	18.22	32.39	13.69	0.02	Aggregate Bonds
	14.47	25.71	12.44	-33.79	27.45	18.88	2.11	16.41	21.02	5.97	-4.52	Large Cap U.S. Stocks
	8.29	18.37	6.97	-35.65	27.17	16.83	0.06	16.35	3.21	4.89	-5.29	Small Cap U.S. Stocks
	4.91	15.79	5.49	-37.00	26.46	15.06	-4.18	16.00	0.06	0.03	-6.69	REITs
	4.55	5.06	4.77	-37.34	18.91	8.95	-12.21	4.21	-2.02	-2.19	-7.73	International Stocks
	3.34	4.33	-1.57	-43.56	5.93	6.54	-13.32	0.09	-2.60	-4.32	-15.47	Emerging Market Stocks
	2.43	2.07	-17.83	-53.33	0.16	0.14	-18.42	-1.06	-9.52	-17.01	-15.80	Commodities
Worst												



Source: Morningstar Direct

As of September 30, 2015