



Numbers in Context

U.S. Equity

The U.S. stock market was up 2.0% for the first quarter, posting its seventh consecutive quarterly gain. Investors experienced highs and lows during the quarter, with a loss during January followed by a strong February and moderate gain in March. A global move towards safety effected most asset classes in January but investors became more comfortable with economic data as the quarter proceeded.

Large capitalization stocks trailed smaller shares during the quarter while growth stocks trailed value. Most economic sectors showed gains during the quarter, as Utilities and Health Care led other groups higher. Consumer Discretionary, after a monster 2013, trailed all other sectors and produced the quarter's only negative return, down -2.1%.

After five straight quarters where the U.S. Treasury yield curve pushed higher, yields fell during the first quarter of 2014. The biggest move occurred in January when a flight to safety was triggered by concerns of global weakness, spurred by a manufacturing slowdown in China and increased volatility in emerging market currencies. Of equal note, the curve flattened as the spread between the five and 30 year Treasury fell to its lowest level since late-2009.

Non-U.S. Equity

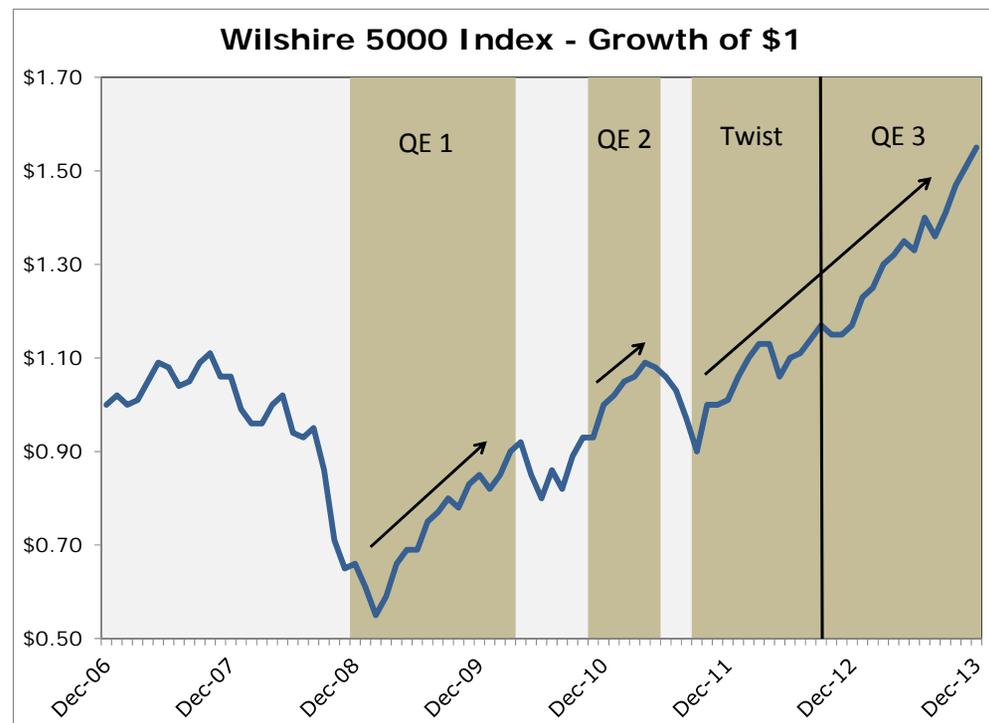
Global stock markets dealt with lingering concerns over economic and political uncertainty, especially in emerging market economies as the turmoil between Russia and Ukraine exacerbated tensions and drove some investors into safe haven trades. However, developed markets managed meager gains overall; European stocks exhibited stronger performance than Asia-Pacific equities, as stronger economic growth and attractive fundamentals brought buyers back into the fold. Emerging market stocks ended the quarter with slight losses, despite gains in March.

Fixed Income

Global economic uncertainties and geopolitical events drove many investors to seek safety in U.S. Treasuries, driving yields lower in maturities past five years. The bellwether 10-year U.S. Treasury ended the quarter at 2.73%, 31 basis points lower than its level on December 31, 2013. In contrast, most short-maturity yields rose during the quarter, flattening the yield curve and leading to exceptionally strong performance by long-dated Treasury paper. Credit yield spreads tightened during the quarter as well, buoying performance for investment-grade and high-yield corporate bonds.

Federal Reserve Begins Tapering

- Federal Reserve will reduce its asset purchasing program by \$10b starting in January 2014 (moving from \$85b in purchases per month to \$75b)
- First purchase of \$75b will be divided between Treasuries (\$40b) and mortgage bonds (\$35b)
- At current trends, interest rates are likely to remain low even after the unemployment rate falls below the Fed's guidepost of 6.5%
- Growth in the monetary base has been supportive of equity prices



2014 Asset Class Assumptions



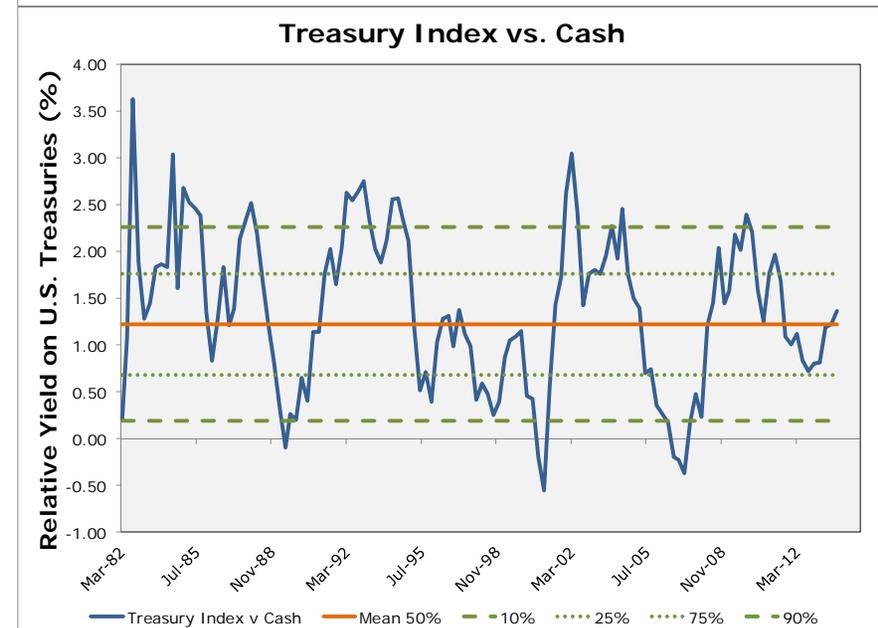
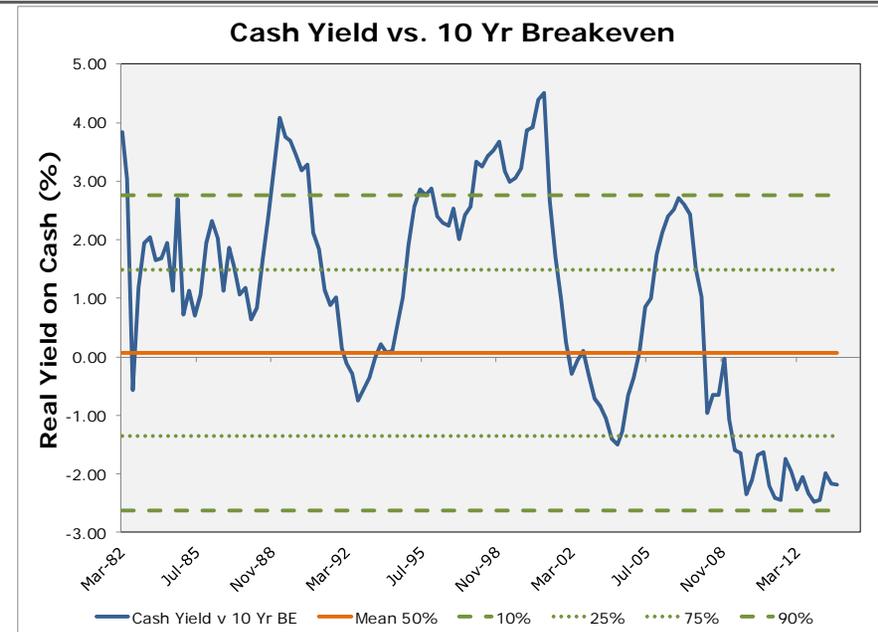
	Total Return (%)			Risk (%)
	2013 ACA	2014 ACA	Change vs 2013	2014 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.75	7.25	(0.50)	17.00
Dev ex-U.S. Stocks	7.75	7.25	(0.50)	18.00
Emerging Mkt Stocks	7.75	7.25	(0.50)	26.00
Global Stocks	8.00	7.45	(0.55)	17.20
Private Markets	10.75	10.40	(0.35)	27.50
Cash Equivalents	1.55	1.55	-	1.25
Core Bonds	3.25	4.10	0.85	5.00
LT Core Bonds	3.10	4.70	1.60	10.00
TIPS	2.60	4.00	1.40	6.00
High Yield Bonds	5.15	5.15	-	10.00
Non-U.S. Bonds (Hdg)	2.90	2.70	(0.20)	3.50
U.S. RE Securities	5.30	5.20	(0.10)	15.00
Private Real Estate	6.05	5.95	(0.10)	12.25
Commodities	4.55	4.25	(0.30)	13.00
Real Asset Basket	6.35	6.55	0.20	7.75
Inflation:	2.55	2.25	(0.30)	1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.20	5.00	(0.20)	
U.S. Bonds	0.70	1.85	1.15	
Cash Equivalents	(1.00)	(0.70)	0.30	
<u>Stocks minus Bonds:</u>	4.50	3.15	(1.35)	
<u>Bonds minus Cash:</u>	1.70	2.55	0.85	

Cash and Treasury Environment



- Real yield on cash is currently quite depressed
 - Negative versus long-term inflation forecast
 - At the 14%-percentile, this outcome only occurs 14% of the time under a normal distribution

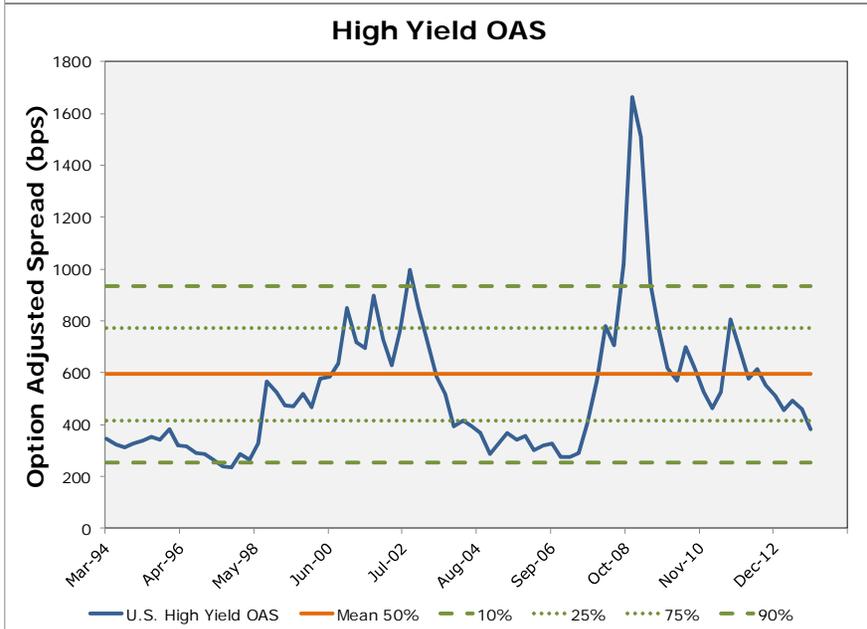
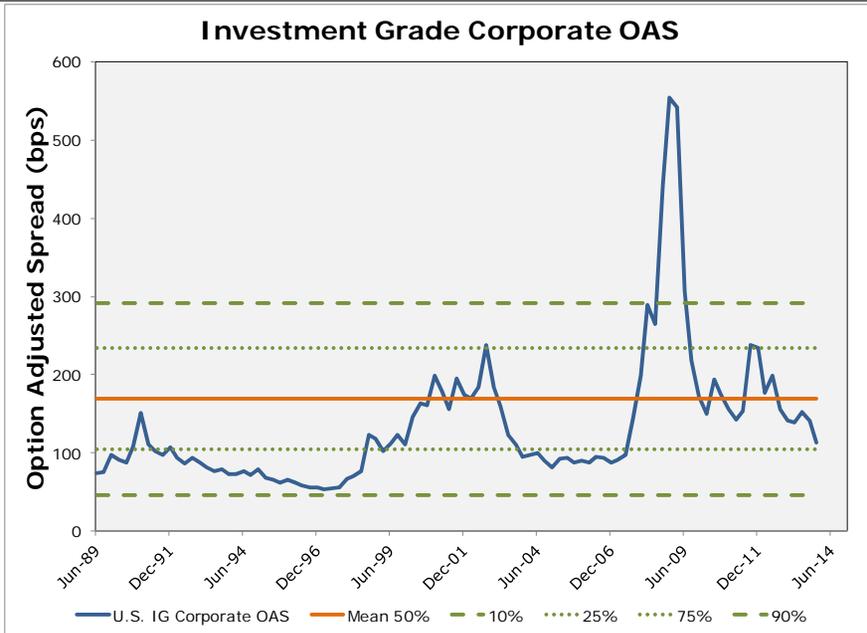
- Spread between the broad Treasury market and cash is near the 15-year average



Relative Fixed Income Yields



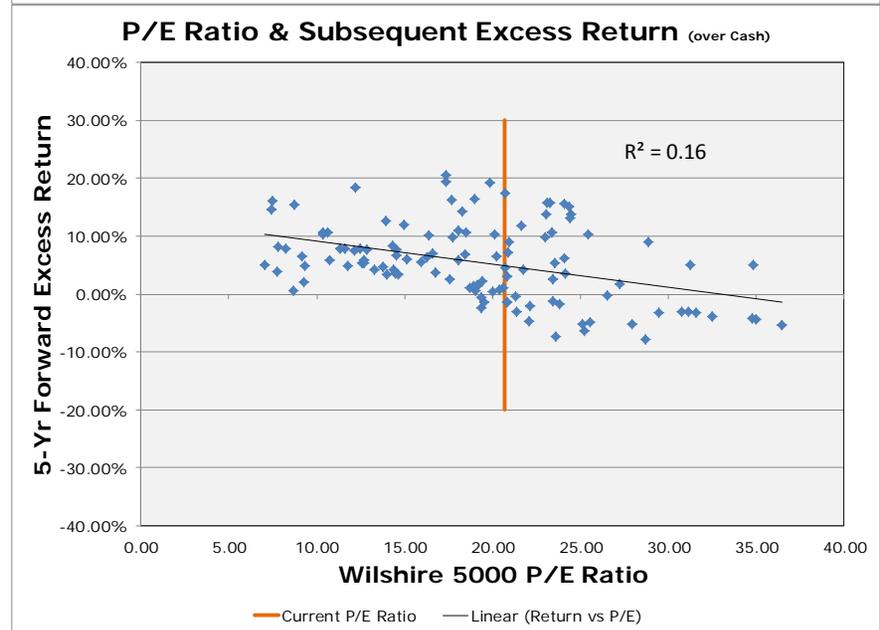
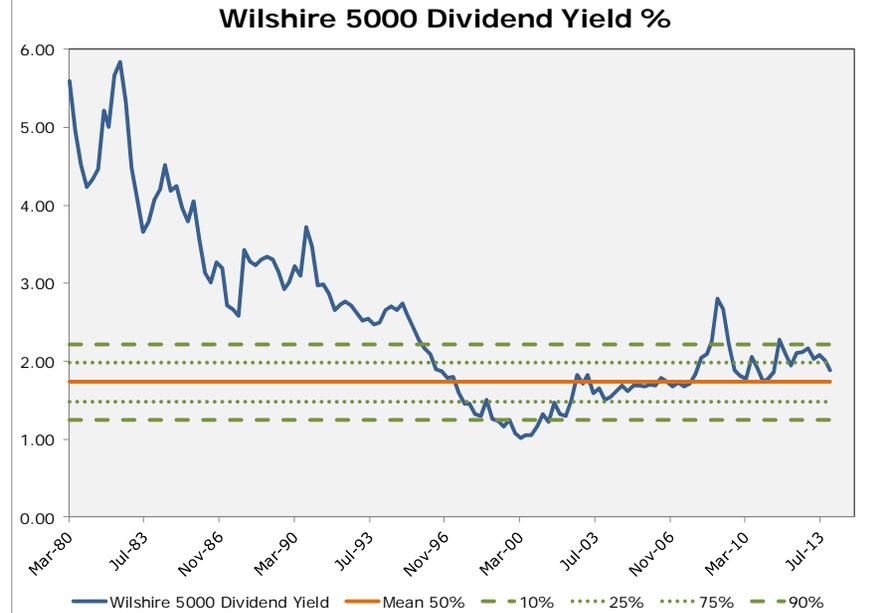
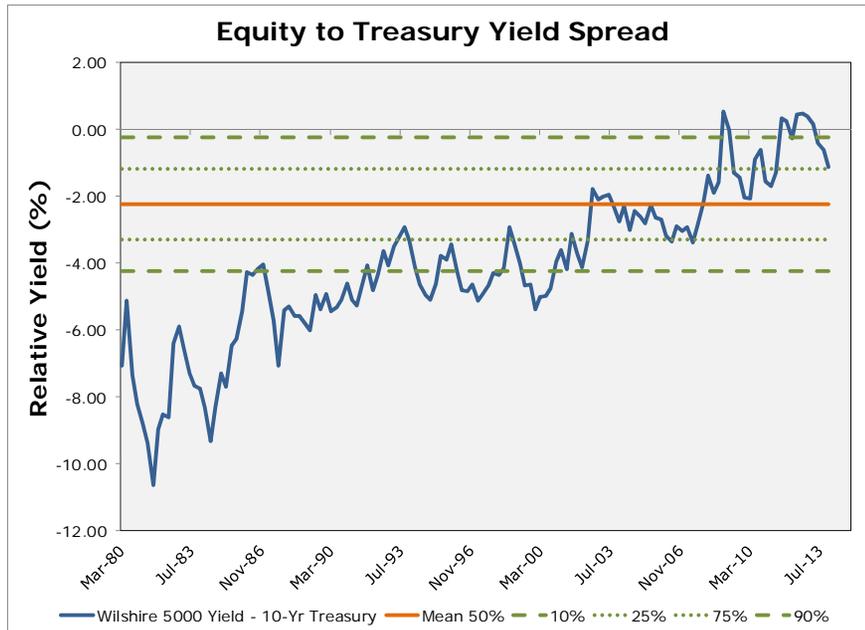
- Spread versus Treasuries on the investment grade index is below its 15 year historical average
- Spreads on high yield bonds also are lower than the historical average and are, in fact, at the 21%-percentile outcome



U.S. Equity Valuations



- Dividend yield above the 15-year average but below the 75%-percentile outcome
- Spread (discount) between the dividend yield and Treasuries has decreased as yields have fallen through the years

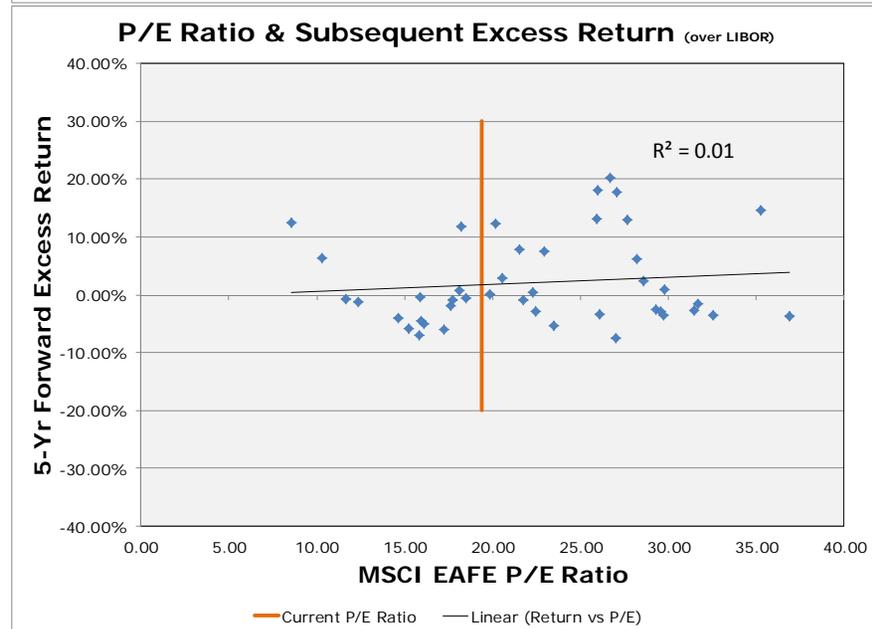
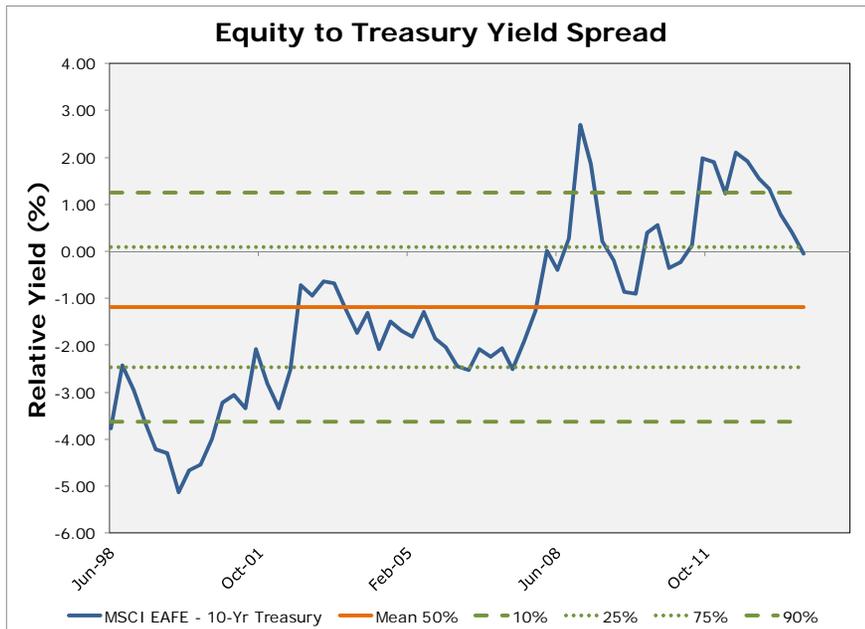
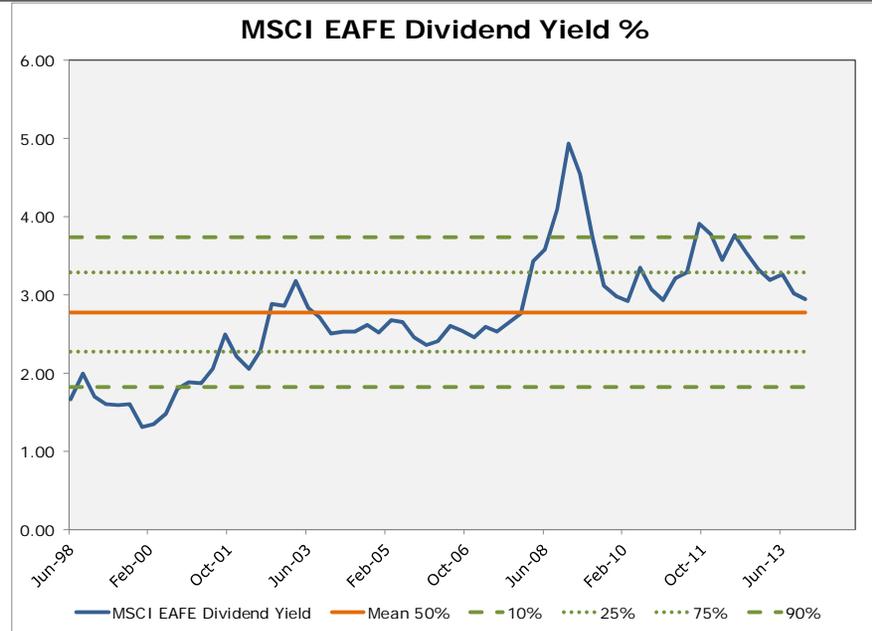


Source: Wilshire Compass, Wilshire Atlas, Barclays Capital

Developed Market Equity Valuations



- Dividend yield nearing the 15-year average
- Spread between Developed Equity and the 10-Year Treasury has been narrowing



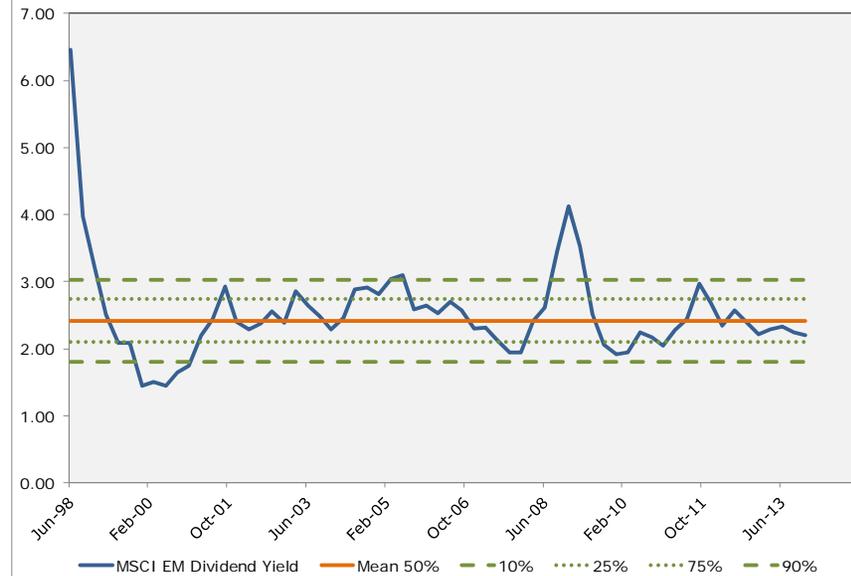
Source: Wilshire Compass, Wilshire Atlas, Barclays Capital

Emerging Market Equity Valuations

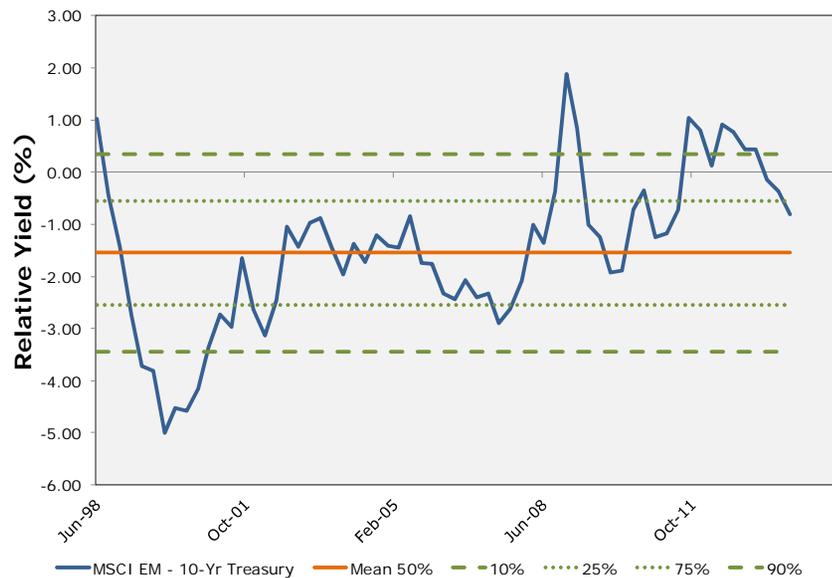


- Current dividend yield below its 15-year average
- Spread between Emerging Market Equity and the 10-Year Treasury has been narrowing

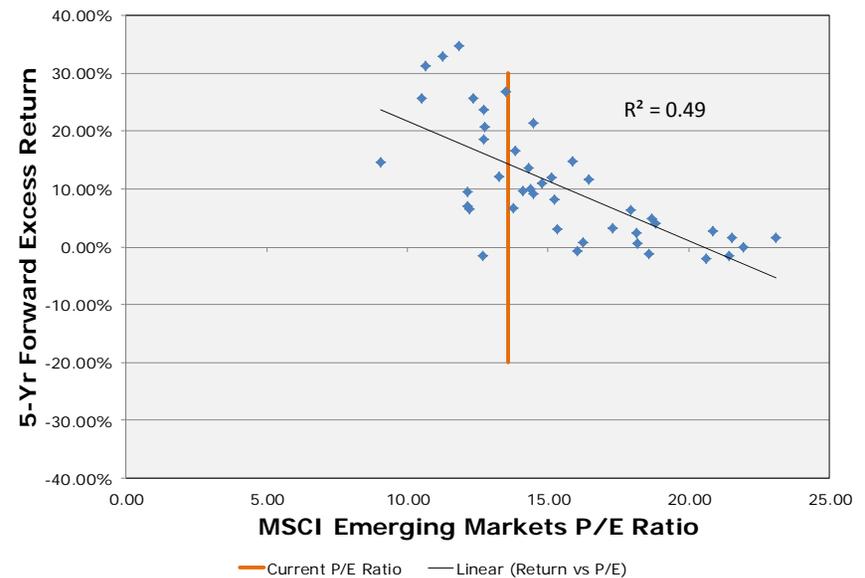
MSCI Emrg Mrkts Dividend Yield %



Equity to Treasury Yield Spread



P/E Ratio & Subsequent Excess Return (over LIBOR)

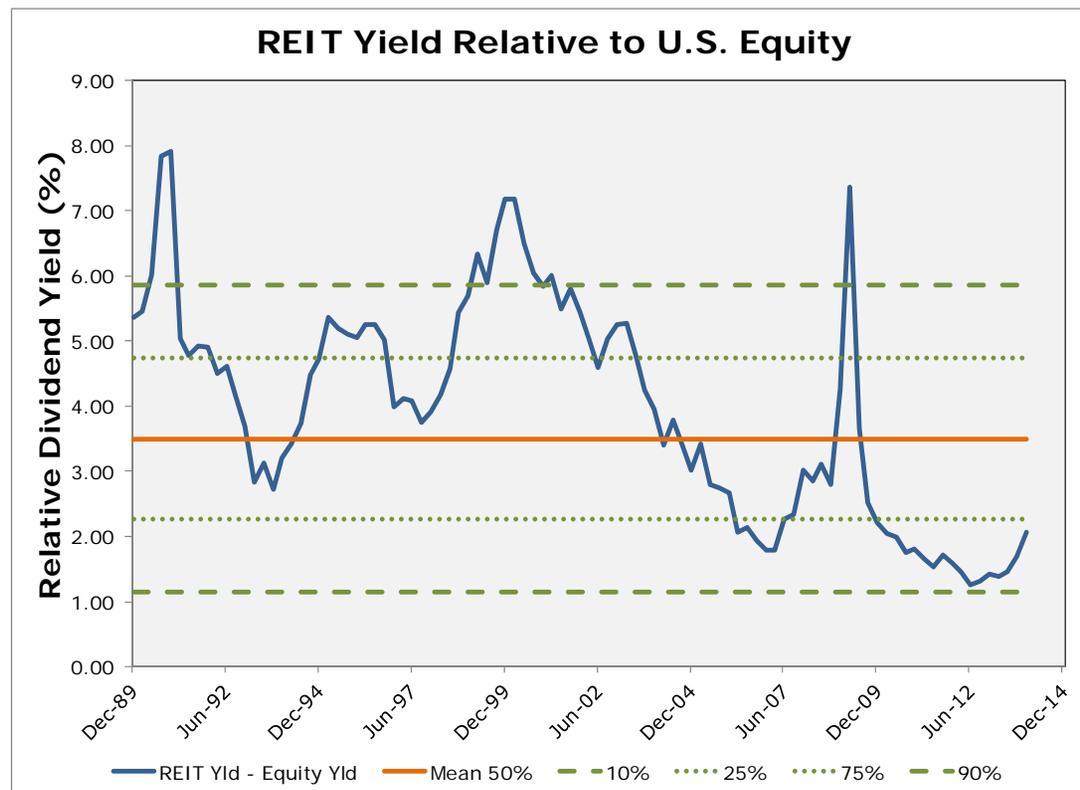


Source: Wilshire Compass, Wilshire Atlas, Barclays Capital

Relative REIT Yield



- REIT yields typically run higher than the earnings yield for the broad equity market
- Current relative yield at the 22%-percentile outcome



Summary: Cross-Asset Class Valuation



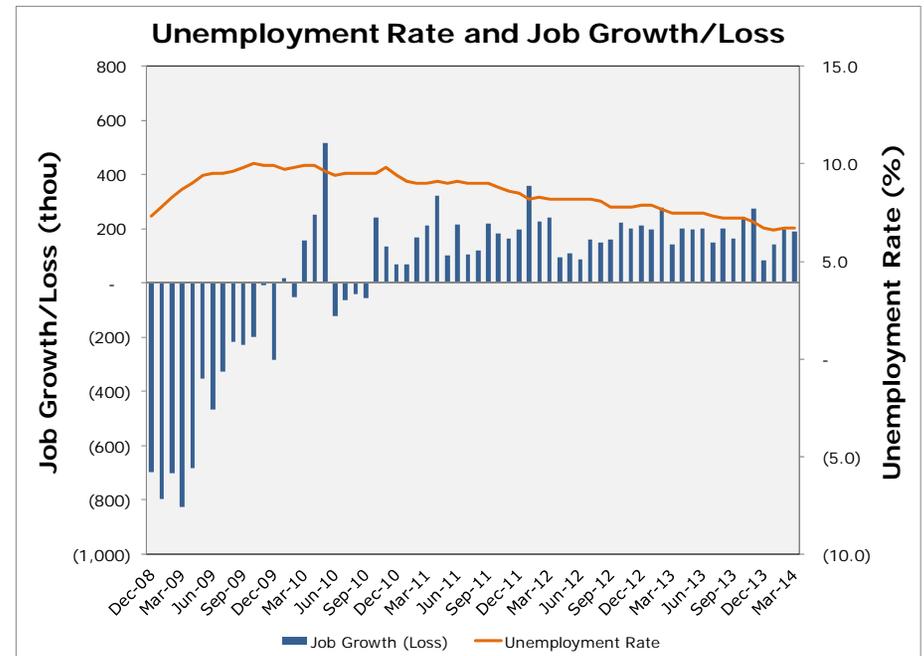
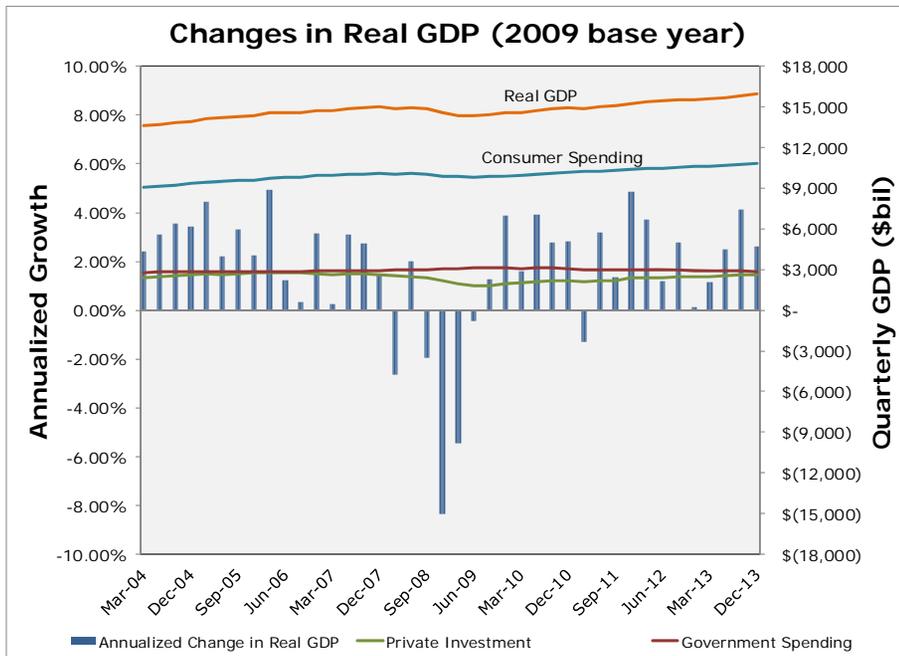
- Methodology: matrix below summarizes relative relationships among asset classes
 - 15 years of yield data is used for each AC
 - The difference in yield is calculated and the resulting percentile of each outcome is included in the matrix, for example:
 - Current cash to HY spread is -5.6% versus an average of -7.6%
 - Spread is tighter than normal (with 73% probability) meaning that cash is getting “cheap” relative to high yield
- Equity yield versus high yield bonds are attractive, albeit at a higher risk
- However, most of the difference comes from equity yields versus cash

December 31, 2013	Inflation	Asset Class relationship relative to each of the following:							
		Cash	Treasuries	Core Bonds	High Yield	REITs	U.S. Stocks	Dev. ex- U.S. Stocks	Emrg Mrkt Stocks
Cash	14%		43%	45%	73%	36%	17%	20%	21%
Treasuries	11%	57%		51%	77%	35%	15%	18%	18%
Core Bonds	10%	55%	49%		80%	32%	13%	16%	16%
High Yield	10%	27%	23%	20%		7%	8%	8%	9%
REITs	23%	64%	65%	68%	93%		22%	24%	27%
U.S. Stocks	48%	83%	85%	87%	92%	78%		48%	83%
Dev. ex-U.S. Stocks	49%	80%	82%	84%	92%	76%	52%		75%
Emrg Mrkt Stocks	29%	79%	82%	84%	91%	73%	17%	25%	

March 31, 2014		Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change		
	Mar-14	0.2	3-Month	0.4	
	Feb-14	0.1	12-Month	1.5	
	Jan-14	0.1	10-Yr Annual	2.3	
Breakeven Inflation	10-Year	2.2			
Consumer Sentiment Unv. of Michigan Survey	Mar-14	80.0			
	Feb-14	81.6			
	1-Yr Ago	78.6	10-Yr Avg	77.7	
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Mar-14	53.7	Change in Manufacturing Sector		
	Feb-14	53.2	>50	Expansion	
	1-Yr Avg	53.9	<50	Contraction	

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

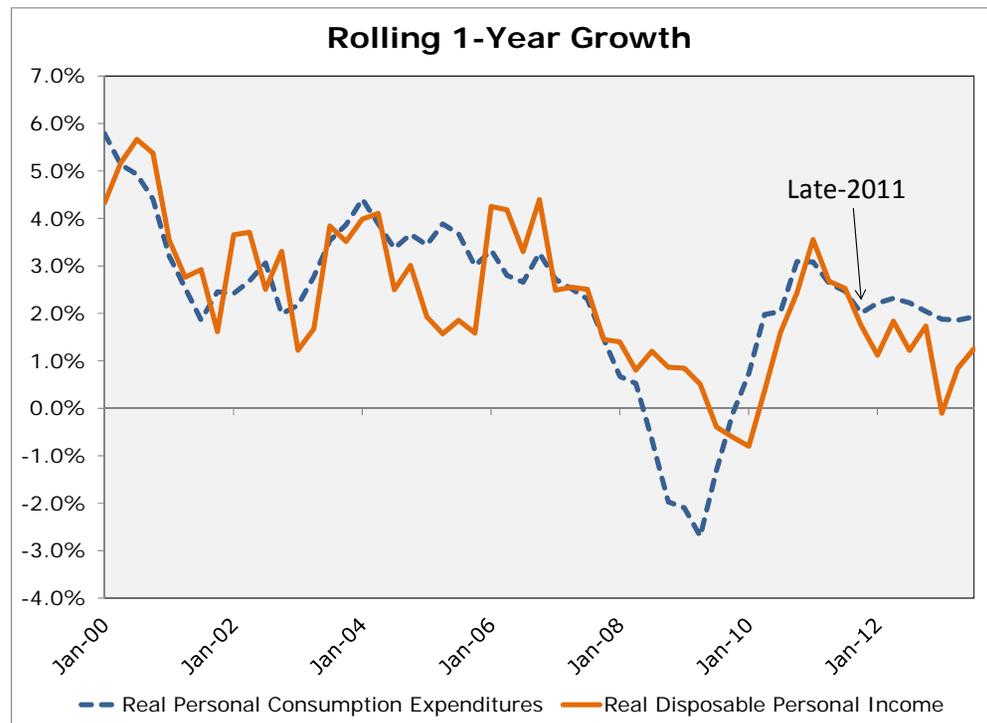
Mar/2014 CPI is based on Federal Reserve of Philadelphia Survey of Professional Forecasters



Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

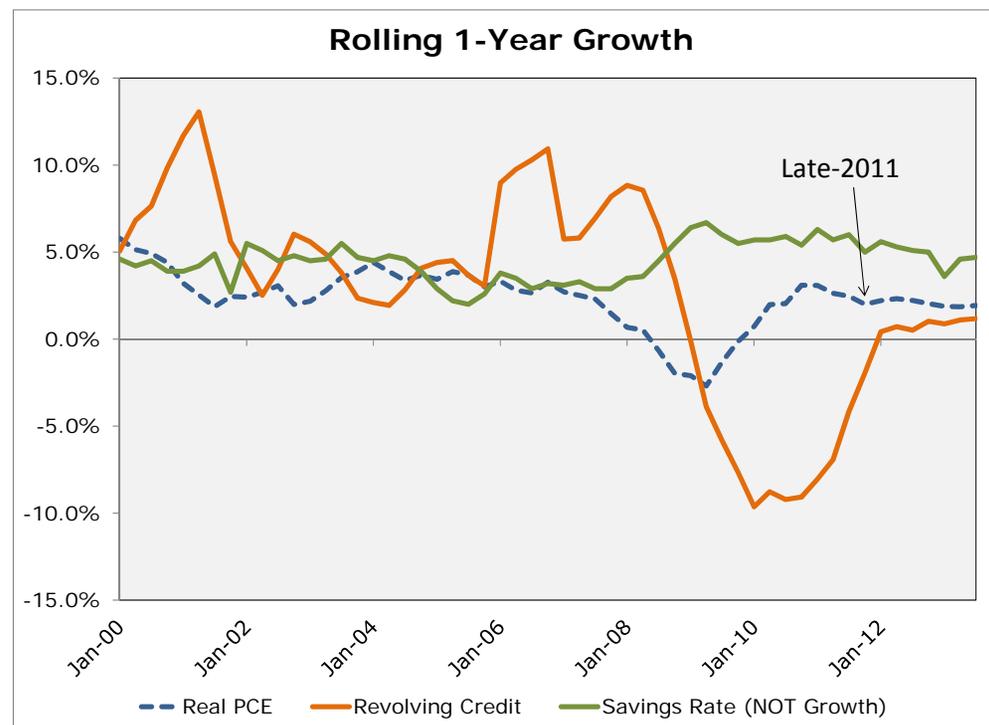
Consumption and Economic Growth

- Personal consumption (PCE) is a major component of GDP, accounting for two-thirds of total economic activity
- Growth in consumption often mirrors growth in disposable personal income (DPI)
- Real DPI growth has been moderate – but trending downward recently
- Real PCE growth also has been moderate, averaging a little more than 2%, since mid-2010, although is fortunately positive



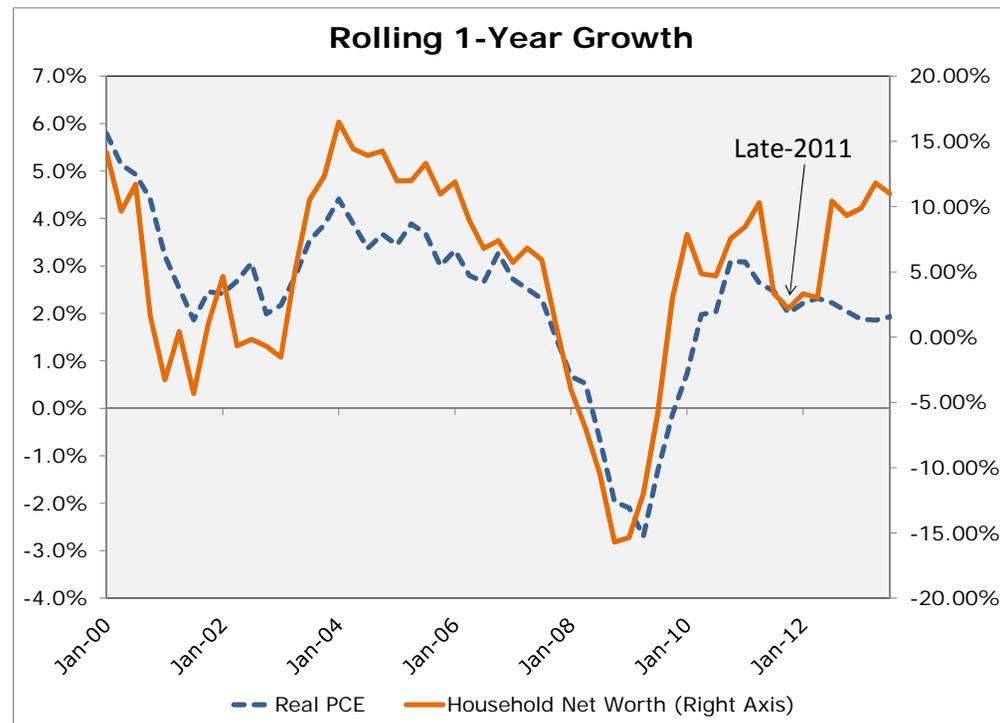
Consumption and Economic Growth

- By accessing savings or credit, the aggregate consumer can quickly adjust its behavior in order to maintain spending – if they so choose
- After a massive reduction of revolving credit (mostly credit cards) following the recession, consumers are again using (very) small amounts of debt
- Savings habits also have changed (modestly) with a savings rate below 5% in 2013, the first time being below that level since mid-2008



Consumption and Economic Growth

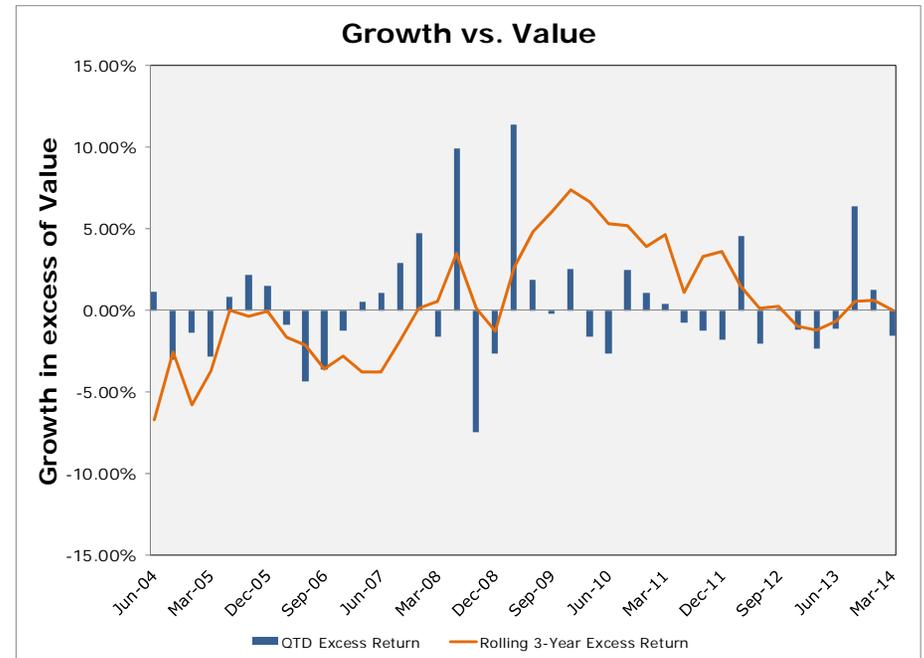
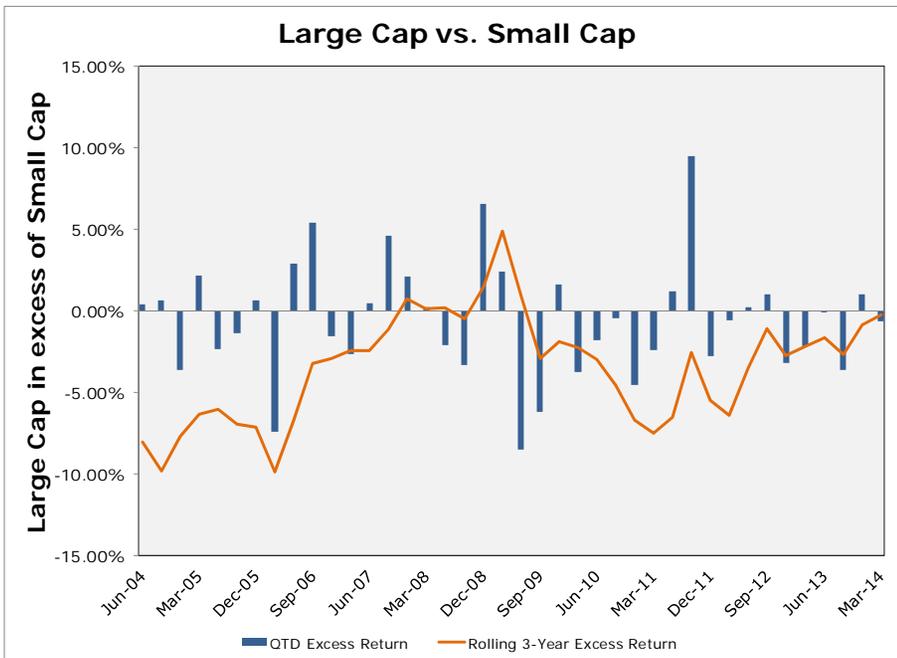
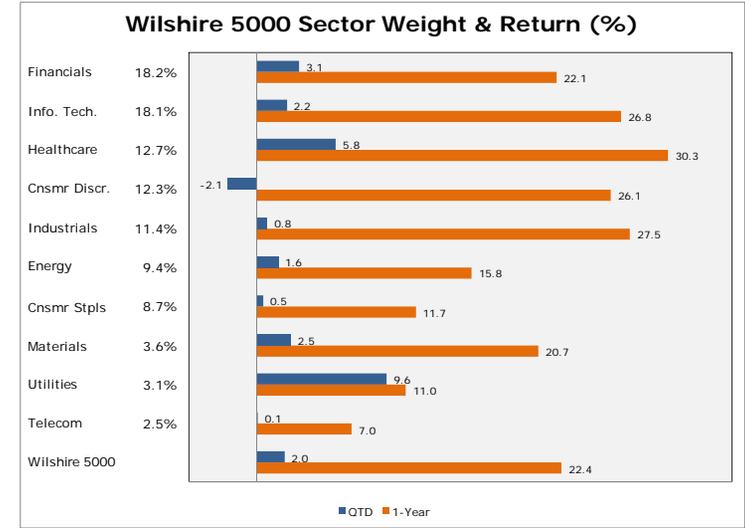
- Household wealth can also have an effect on spending
- Recently, however, wealth has been increasing dramatically without much of an impact on spending
- Is quantitative easing simply supporting asset prices rather than meaningfully driving economic growth? (i.e. Is the wealth effect diminishing?)



U.S. Equity Market



March 31, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	2.0	2.0	22.4	14.4	21.7	7.9
Wilshire U.S. Large Cap	2.0	2.0	21.9	14.4	21.0	7.7
Wilshire U.S. Small Cap	2.6	2.6	26.1	14.7	27.8	10.3
Wilshire U.S. Large Growth	1.0	1.0	25.0	14.3	21.4	8.1
Wilshire U.S. Large Value	2.7	2.7	19.4	14.5	20.7	7.2
Wilshire U.S. Small Growth	2.2	2.2	30.7	15.3	28.8	11.1
Wilshire U.S. Small Value	2.9	2.9	22.0	14.0	26.8	9.6
Wilshire REIT Index	10.1	10.1	4.4	10.5	29.2	8.2
MSCI USA Minimum Volatility Index	1.9	1.9	11.9	14.4	19.0	7.3
FTSE RAFI U.S. 1000 Index	2.5	2.5	23.2	15.4	31.3	n.a.

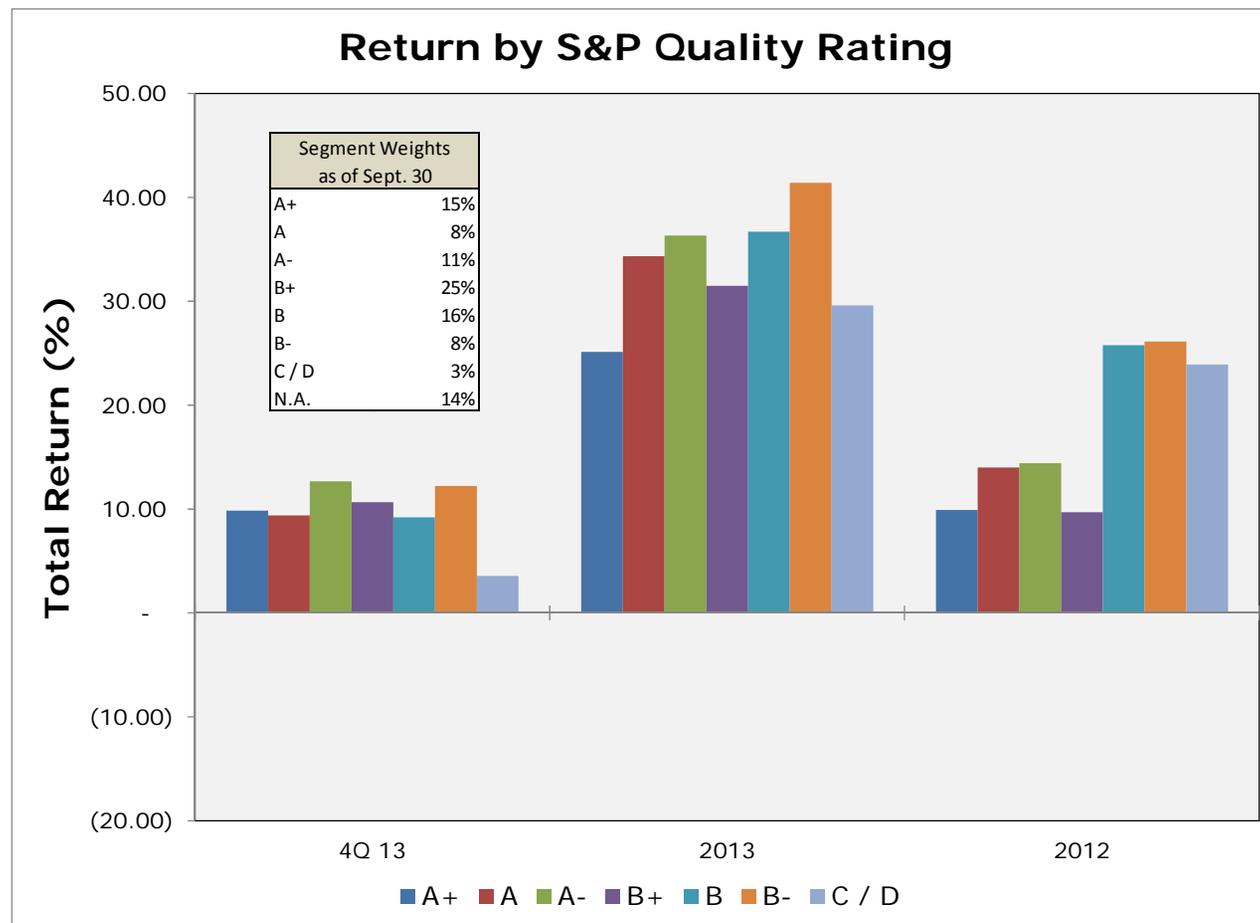


Data sources: Wilshire Compass, Wilshire Atlas

Returns by Quality Segment



Broad based gains across the quality spectrum during 2013, unlike 2012 when lower quality names outperformed

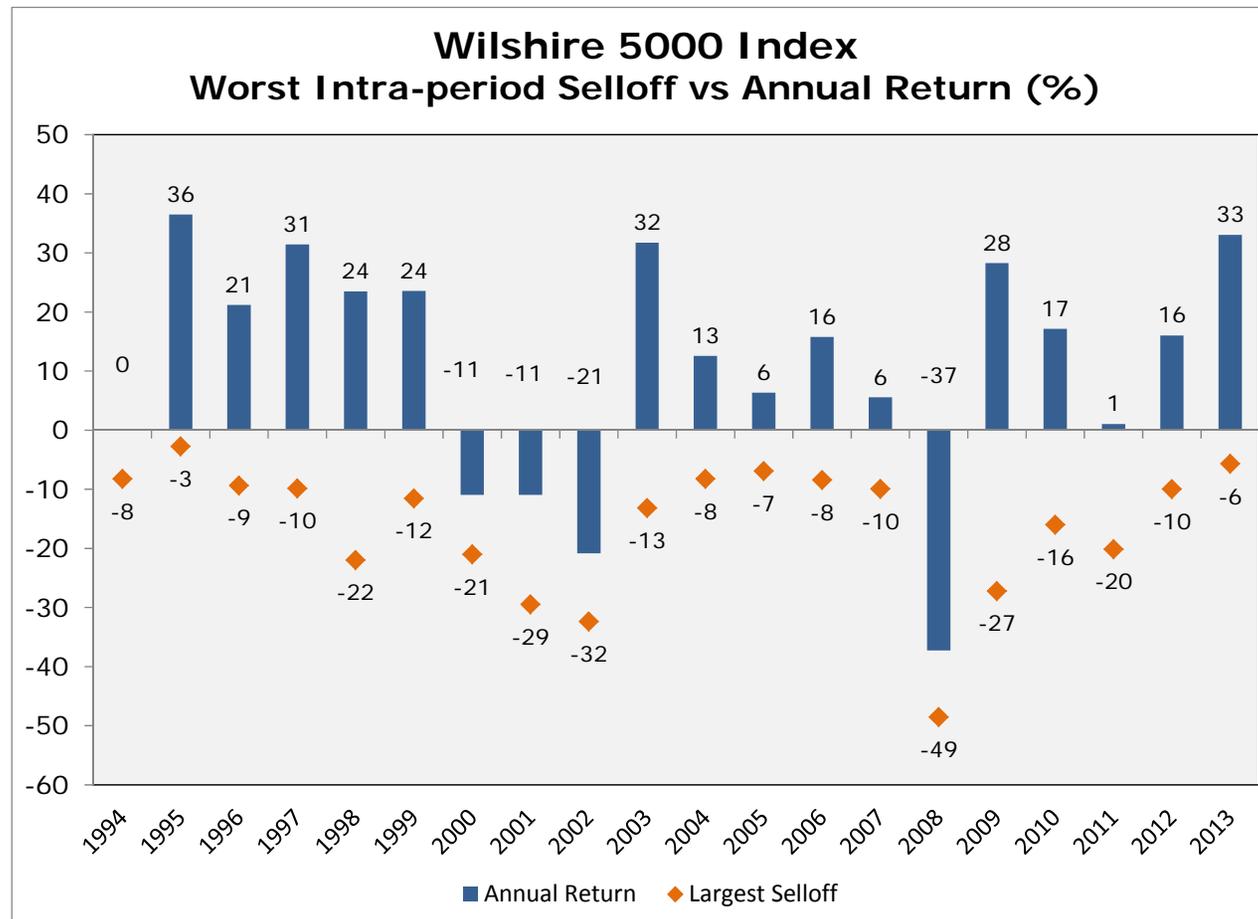


Data sources: Wilshire Atlas

Annual Equity Returns



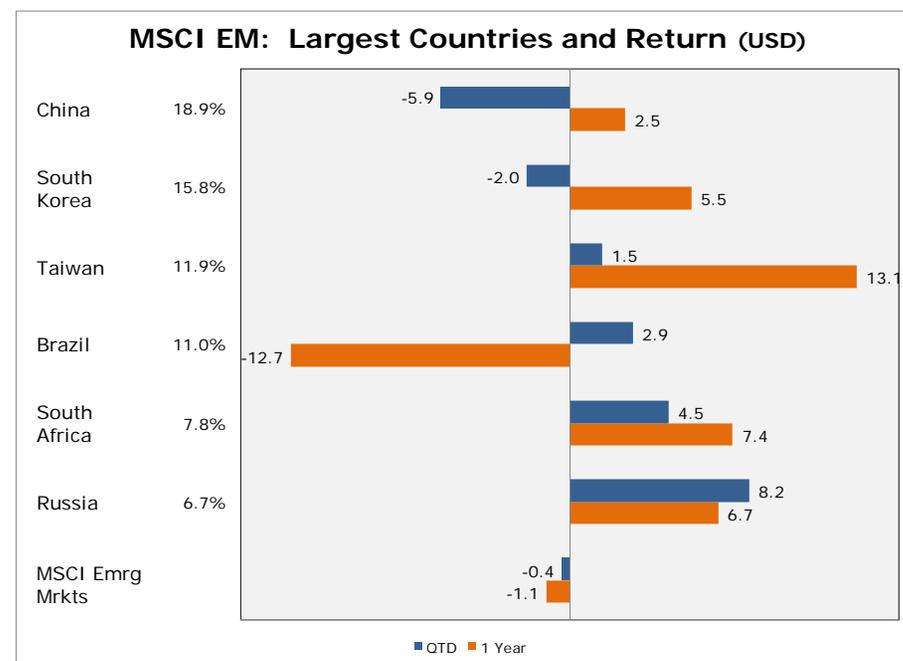
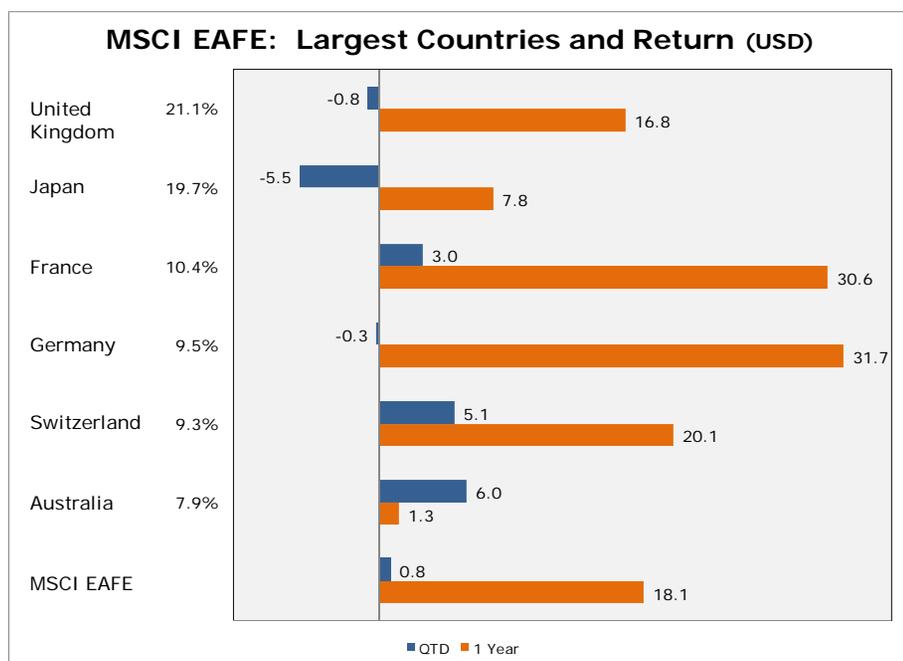
- U.S. Equity has now produced 5 straight years of positive returns since the credit crisis
- Sell-offs during each year have diminished in magnitude, -27% and -16% in 2009 and 2010 to just a -6% sell-off in 2013



Non-U.S. Equity Market



March 31, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	0.5	0.5	12.7	4.6	16.0	7.6
MSCI EAFE (\$g)	0.8	0.8	18.1	7.7	16.6	7.0
MSCI Emerging Markets (\$g)	-0.4	-0.4	-1.1	-2.5	14.8	10.5
MSCI Frontier Markets (\$g)	7.5	7.5	25.5	8.6	16.0	8.2
MSCI ACWI ex-US Growth (\$g)	0.4	0.4	11.2	4.6	15.6	7.3
MSCI ACWI ex-US Value (\$g)	0.8	0.8	14.4	4.6	16.5	7.9
MSCI ACWI ex-US Small (\$g)	3.6	3.6	16.7	5.9	21.7	9.7
MSCI EAFE Minimum Volatility Idx	2.6	2.6	8.7	9.7	15.3	9.2
FTSE RAFI Developed ex-US Index	1.7	1.7	24.0	6.4	18.2	n.a.
MSCI EAFE LC (g)	-0.2	-0.2	15.9	9.4	14.2	6.0
MSCI Emerging Markets LC (g)	-0.5	-0.5	3.8	1.8	13.7	10.5

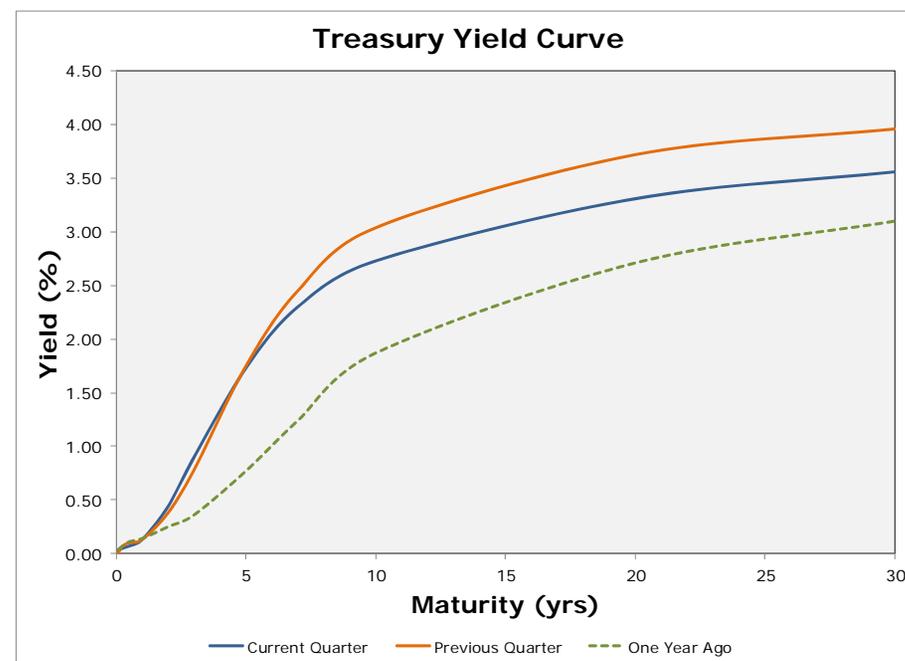
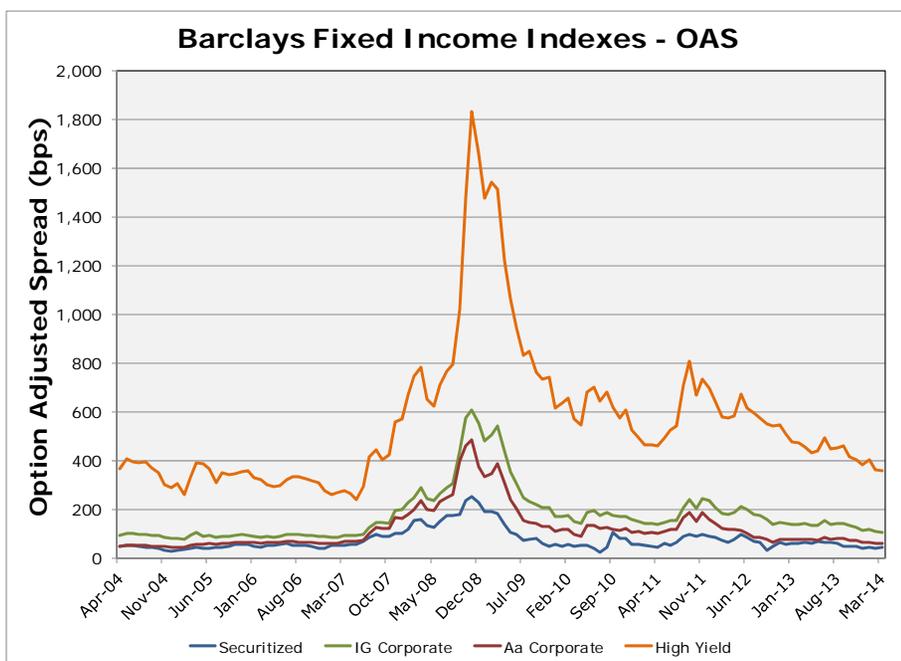


Data sources: Wilshire Compass, MSCI Barra

U.S. Fixed Income Market



March 31, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	1.8	1.8	-0.1	3.7	4.8	4.5
Barclays Treasury Index	1.3	1.3	-1.3	3.4	2.7	4.1
Barclays Govt-Related Index	2.1	2.1	-0.5	3.4	3.7	4.2
Barclays Securitized Index	1.6	1.6	0.2	2.9	4.3	4.5
Barclays Corporate IG Index	2.9	2.9	1.5	6.1	9.7	5.3
Barclays LT Govt/Credit Index	6.6	6.6	-0.9	9.0	9.1	6.5
Barclays LT Treasury Index	7.1	7.1	-4.2	8.3	4.8	6.1
Barclays LT Govt-Related Index	6.7	6.7	-2.4	8.8	8.3	6.9
Barclays LT Corporate IG Index	6.2	6.2	2.0	9.2	13.3	6.5
Barclays U.S. TIPS Index	2.0	2.0	-6.5	3.5	4.9	4.5
Barclays High Yield Index	3.0	3.0	7.5	9.0	18.2	8.7
Treasury Bills	0.0	0.0	0.1	0.1	0.1	1.6



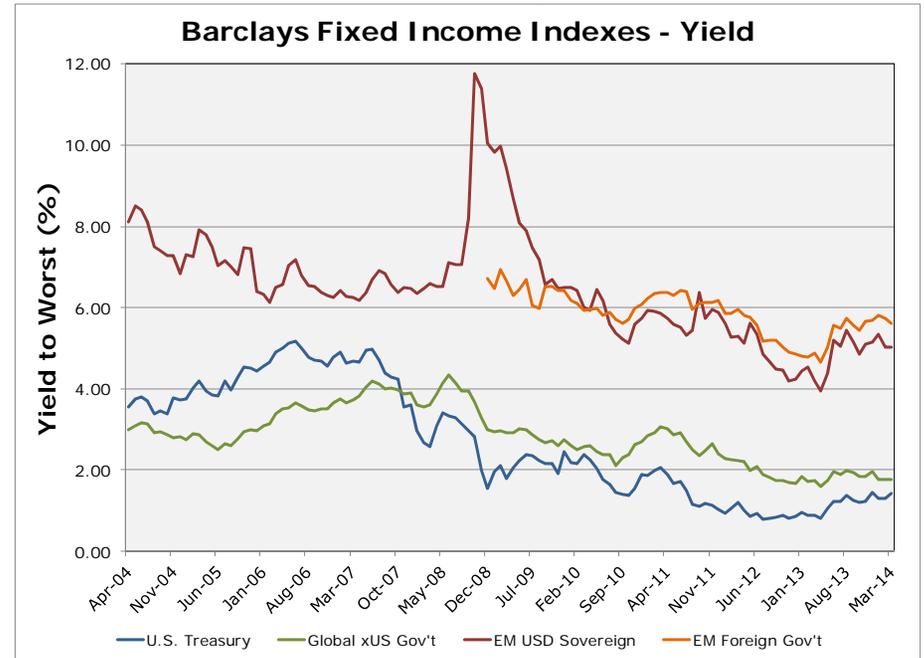
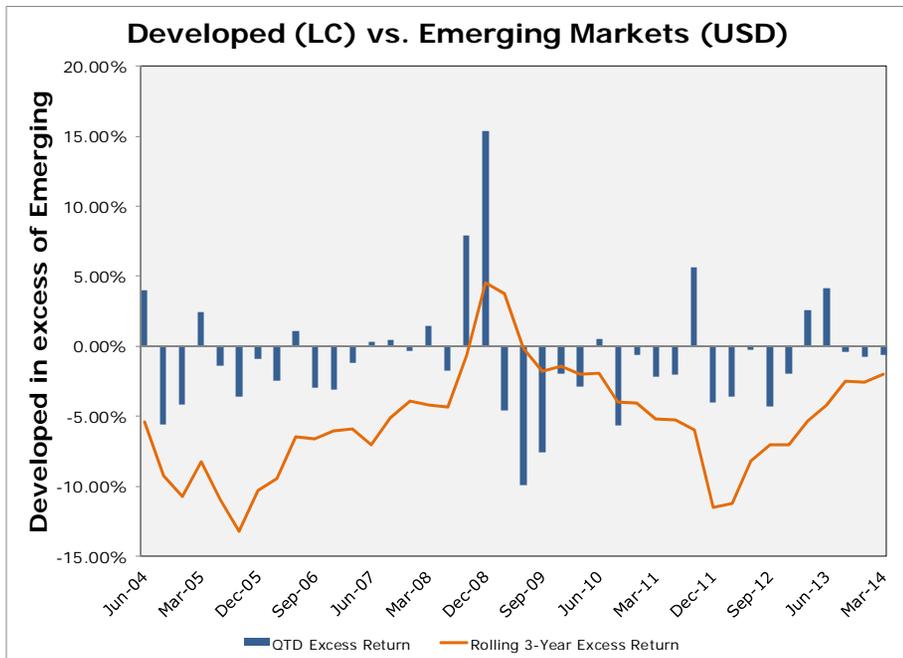
Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

Non-U.S. Fixed Income Market



March 31, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
<i>Developed Markets</i>						
Barclays Global Aggregate xUS	2.8	2.8	3.2	2.1	5.2	4.5
Barclays Global Aggregate xUS *	2.2	2.2	2.3	4.8	4.3	4.4
Barclays Wrld Govt xUS IL Bond	3.0	3.0	3.2	4.3	7.6	5.5
Barclays Wrld Govt xUS IL Bond *	2.7	2.7	-3.1	4.8	5.6	4.9
<i>Emerging Mkts (Hard Currency)</i>						
Barclays EM USD Aggregate	2.8	2.8	0.0	7.0	12.5	8.5
<i>Emerging Mkts (Foreign Currency)</i>						
Barclays EM Local Currency Govt	1.6	1.6	-3.0	2.9	9.7	n.a.
Barclays EM Local Currency Govt *	0.7	0.7	-2.7	3.3	3.9	n.a.
Euro vs. Dollar	0.0	0.0	7.3	-1.0	0.7	1.1
Yen vs. Dollar	2.1	2.1	-8.7	-7.0	-0.8	0.1
Pound vs. Dollar	0.7	0.7	9.8	1.3	3.1	-1.0

* Returns are reported in terms of local market investors, which removes currency effects.

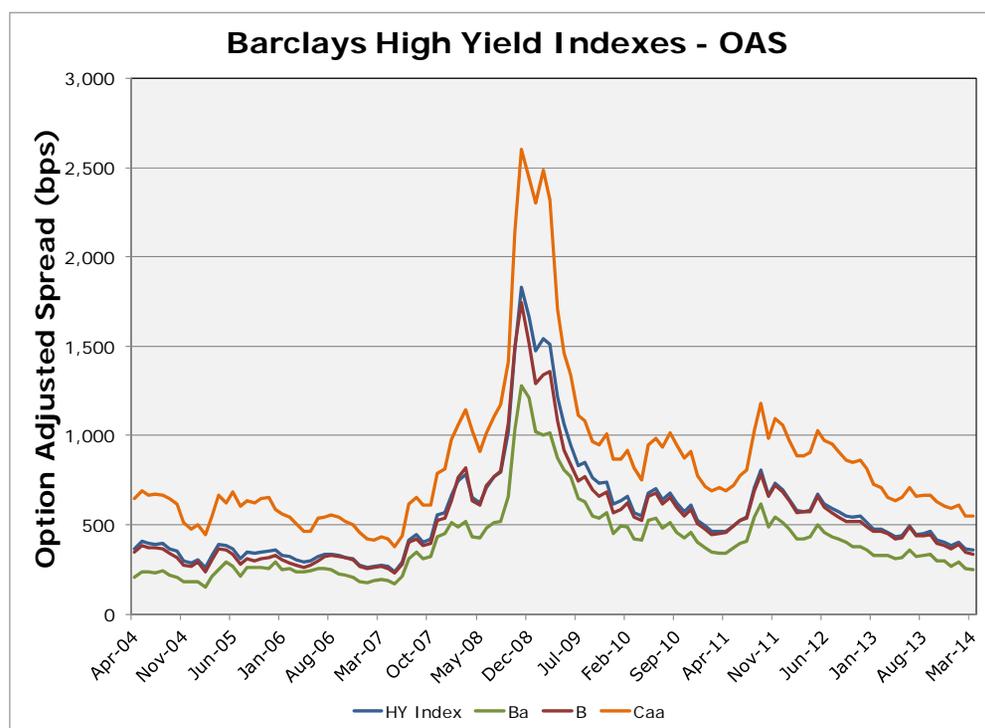


Data sources: Wilshire Compass, Barclays Capital

High Yield Bond Market



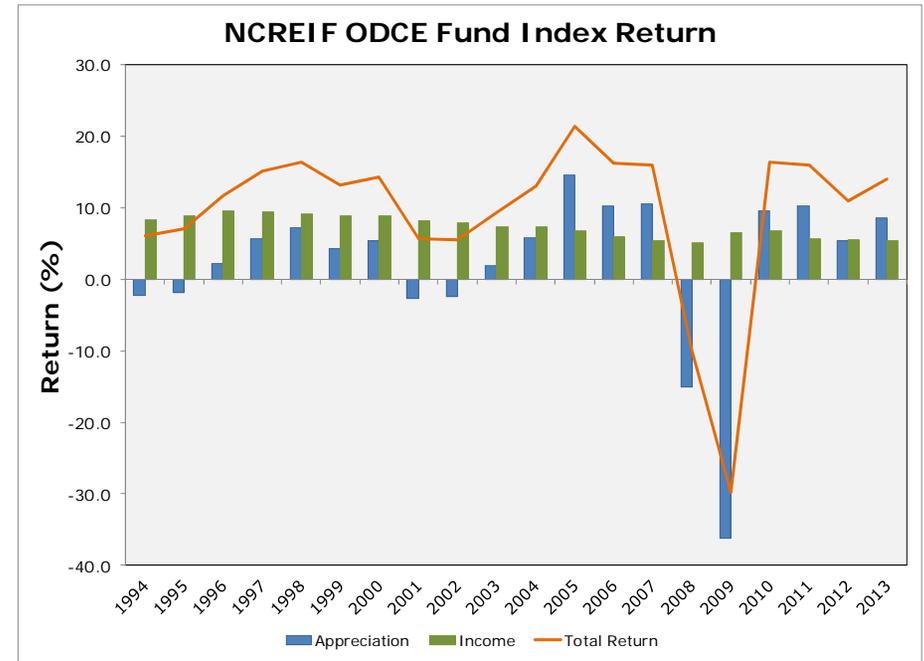
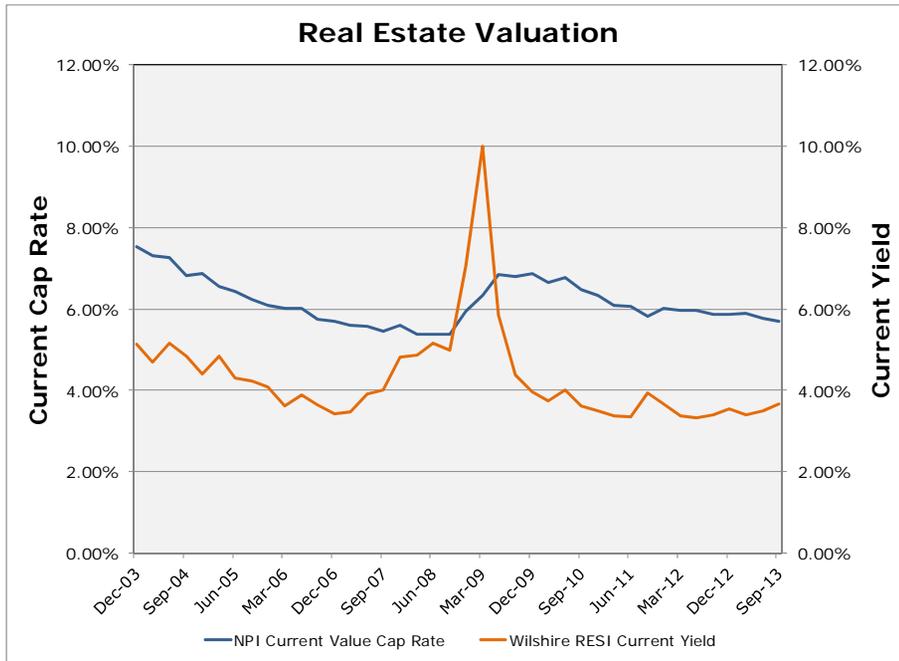
March 31, 2014	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	3.0	3.0	7.5	9.0
Quality Distribution					
Ba U.S. High Yield	40.9%	3.1	3.1	6.2	8.6
B U.S. High Yield	40.6%	2.8	2.8	7.3	9.0
Caa U.S. High Yield	17.8%	3.3	3.3	11.1	10.3
Ca to D U.S. High Yield	0.6%	-1.7	-1.7	4.5	3.0
Non-Rated U.S. High Yield	0.2%	6.5	6.5	11.0	12.9



Data sources: Barclays Capital

December 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	-2.0	-8.6	-8.6	3.6	5.6	4.8
Dow Jones UBS Commodity Index	-1.1	-9.5	-9.5	-8.1	1.5	0.9
Global Public Real Estate*	-0.6	2.2	2.2	9.2	16.8	8.9
NCREIF ODCE Fund Index	3.2	14.0	14.0	13.6	3.7	7.2
NCREIF Timberland Index	5.9	9.7	9.7	6.3	2.7	8.4
Alerian MLP Index (Oil & Gas)	5.3	27.6	27.6	15.0	29.5	15.0

* Wilshire Global Real Estate Securities from December 2003 to December 2004. Wilshire Global REITs from 2004 to present.

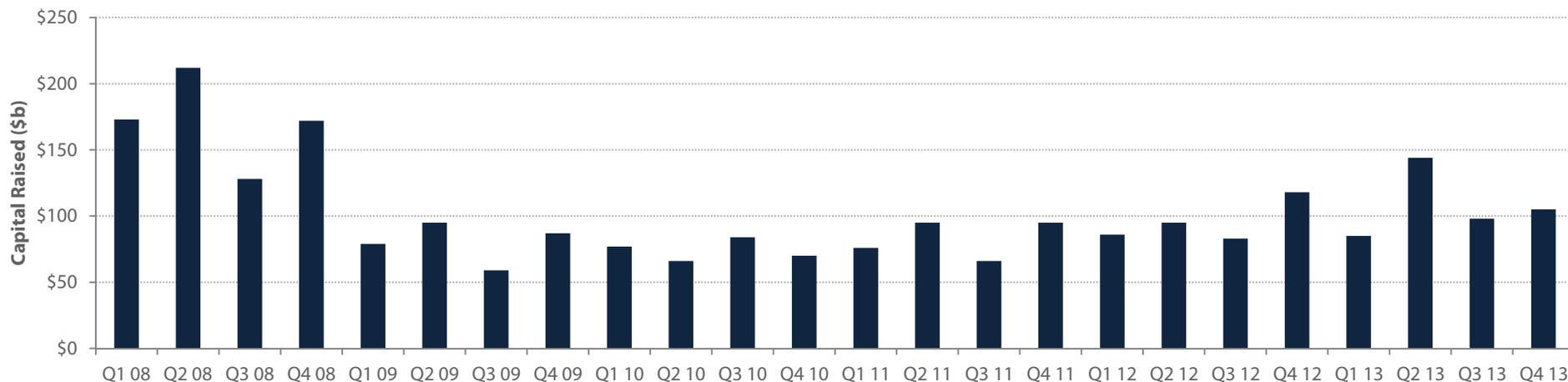


Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

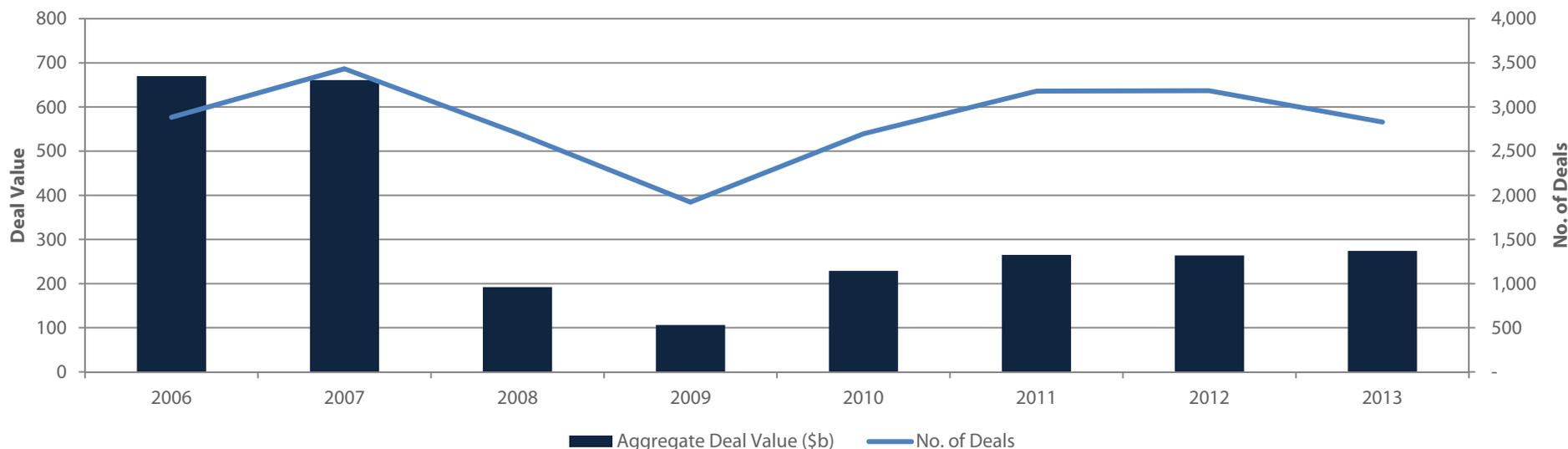
Private Equity Environment – Fundraising & Investment Activity



Global Private Equity Fundraising (Q1 2008 – Q4 2013)



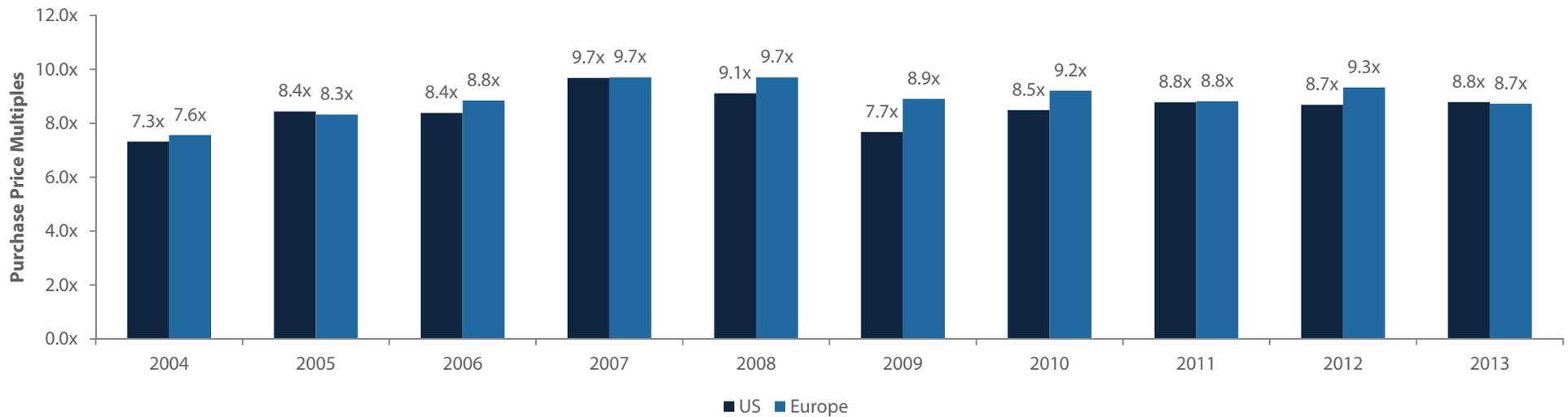
Global Private Equity-Backed Buyout Activity (2006 – 2013)



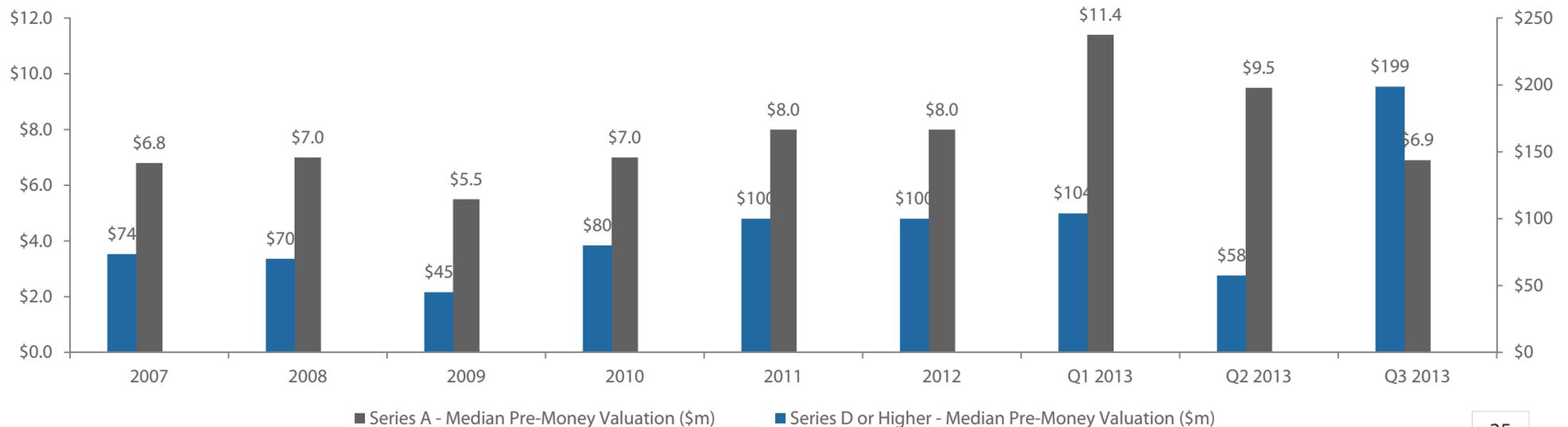
Private Equity Environment – Pricing



Global LBO Multiples (2004 – 2013)



Venture Capital Valuations (2007 – Q3 2013)

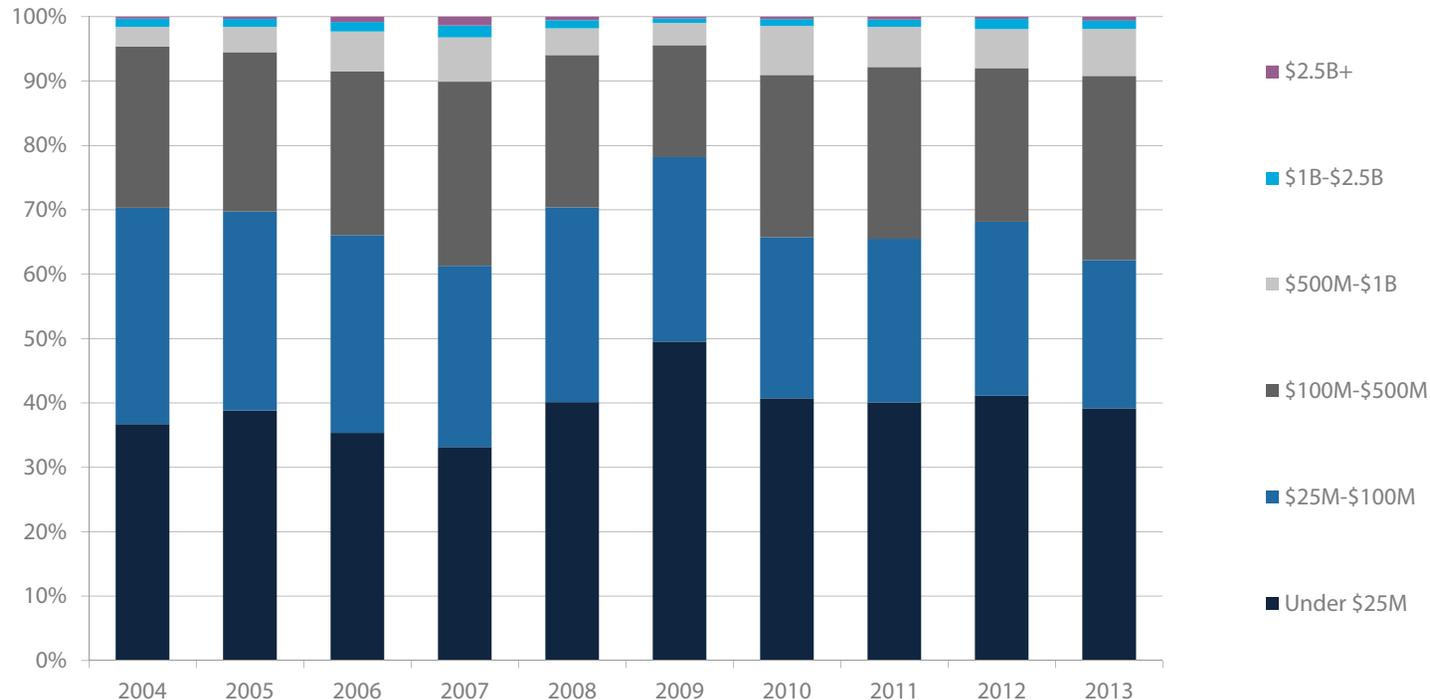


Source: S&P LCD; Cooley Venture Financing Report.

U.S. Investment Activity by Deal Size



Percentage of Deal Volume (count) by Deal Size

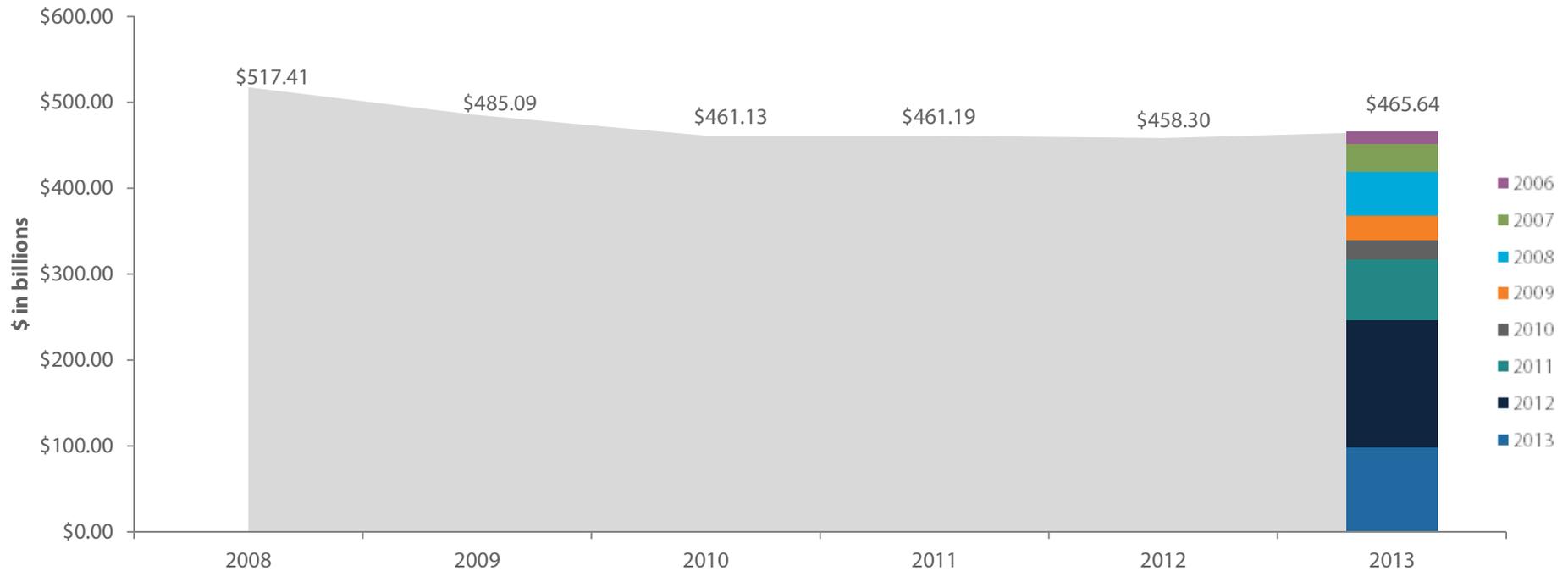


- Smaller deals continue to dominant deal activity by count
- However, deals under \$25 million dropped under the 40% threshold for the first time since 2007

North American Private Equity Overhang

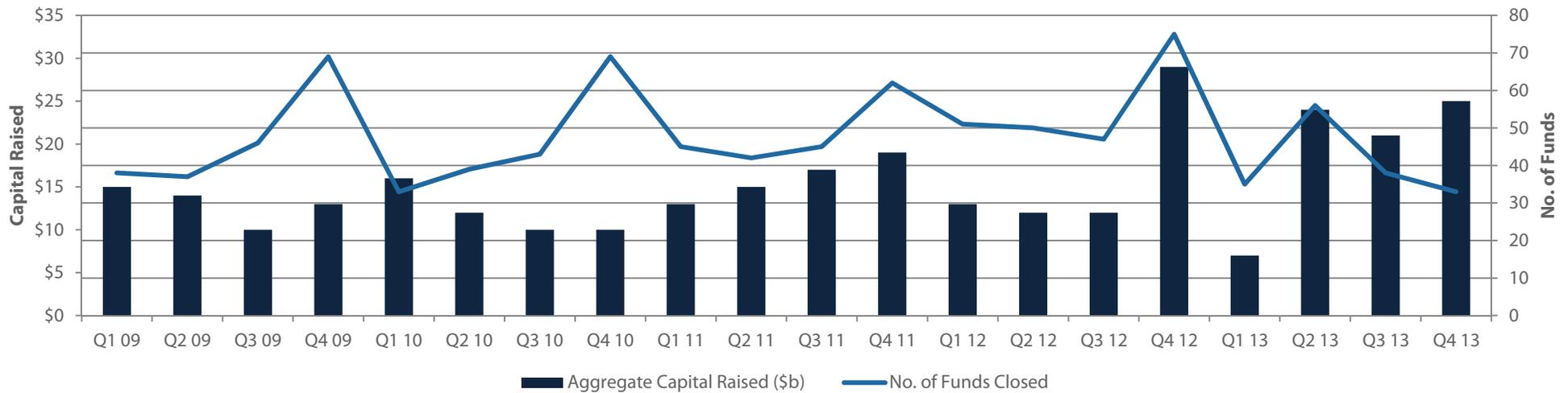


Cumulative Vintage Year Overhang

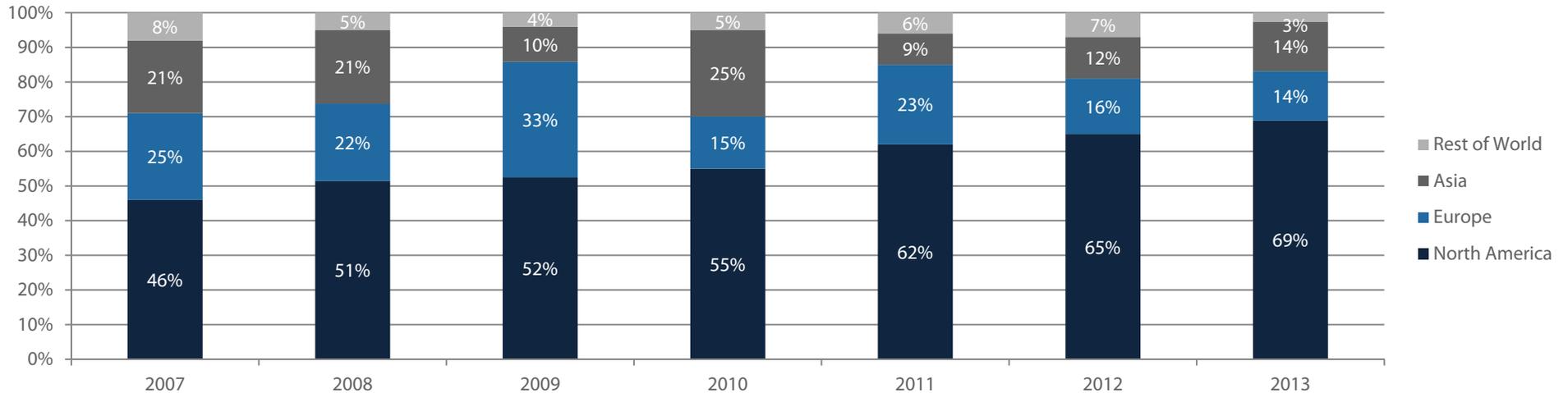


- Total private equity overhang significantly grew to over \$517 billion during the run-up to the financial crisis
- While the overhang has slightly decreased since 2008, it remains relatively high at approximately \$466 billion

Quarterly Closed-End Private Real Estate Fundraising (Q1 2009 – Q4 2013)

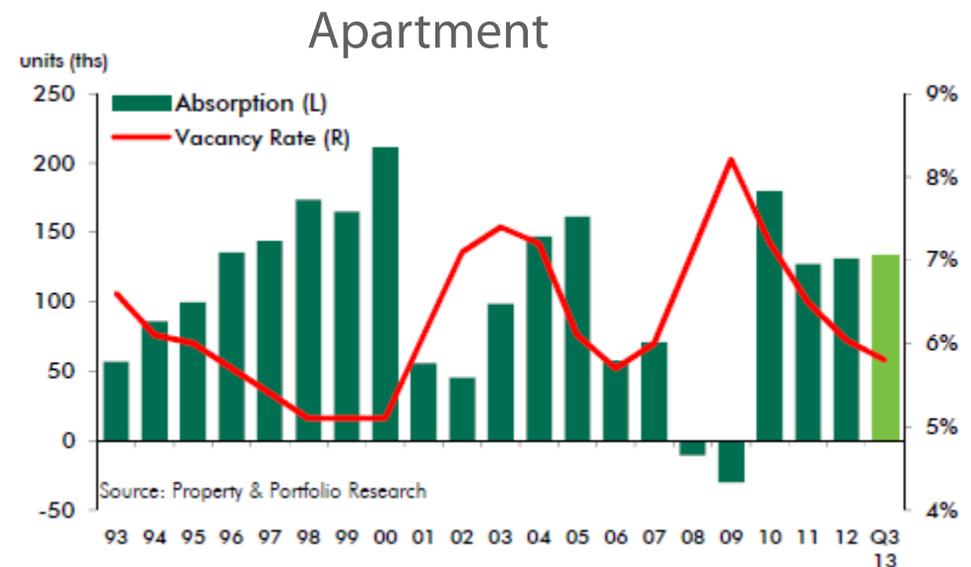
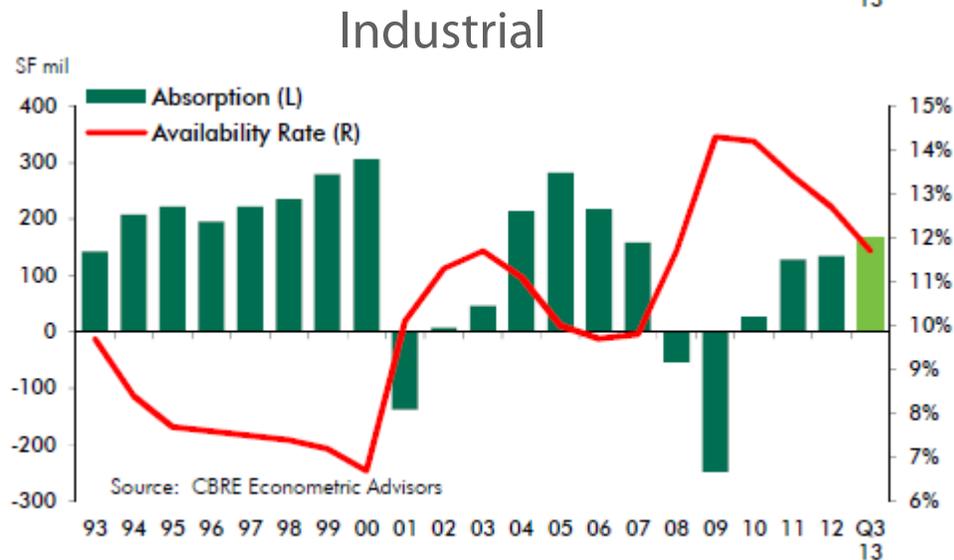
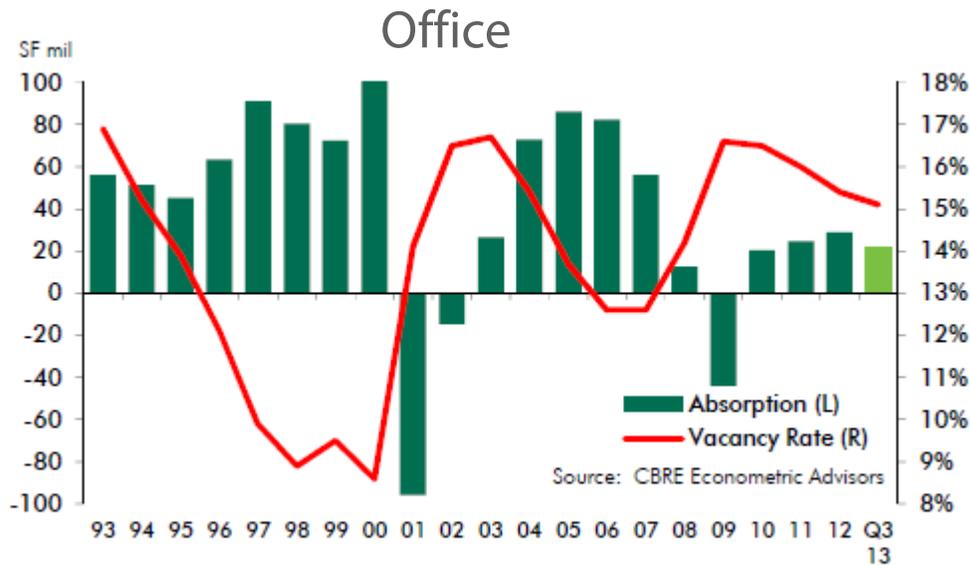


Proportion of Aggregate Capital Raised by Closed-End Private Real Estate Funds by Fund Geographic Focus (2007 – 2013)



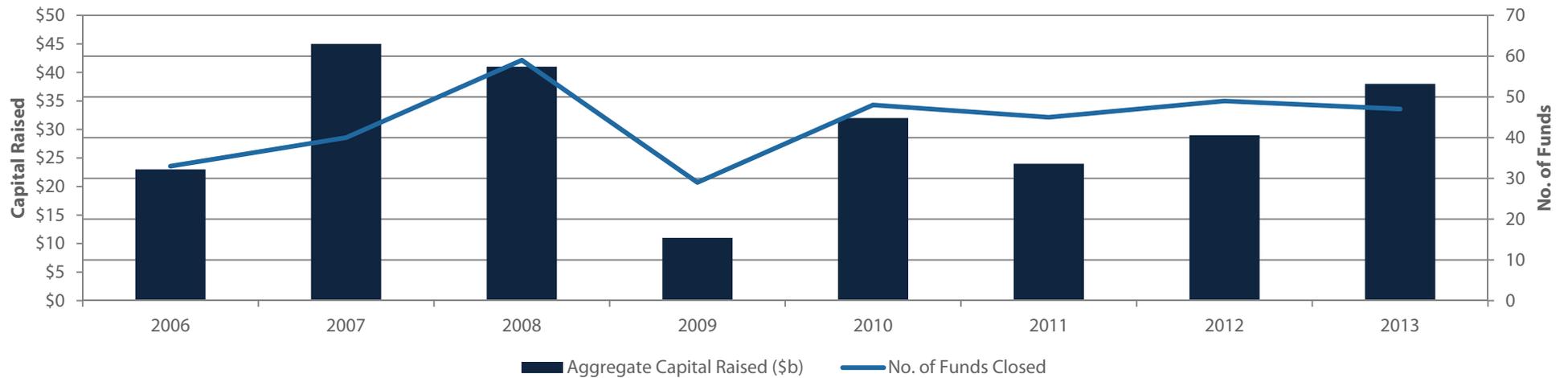
Source: Preqin.

Commercial Property (as of 3Q 2013)

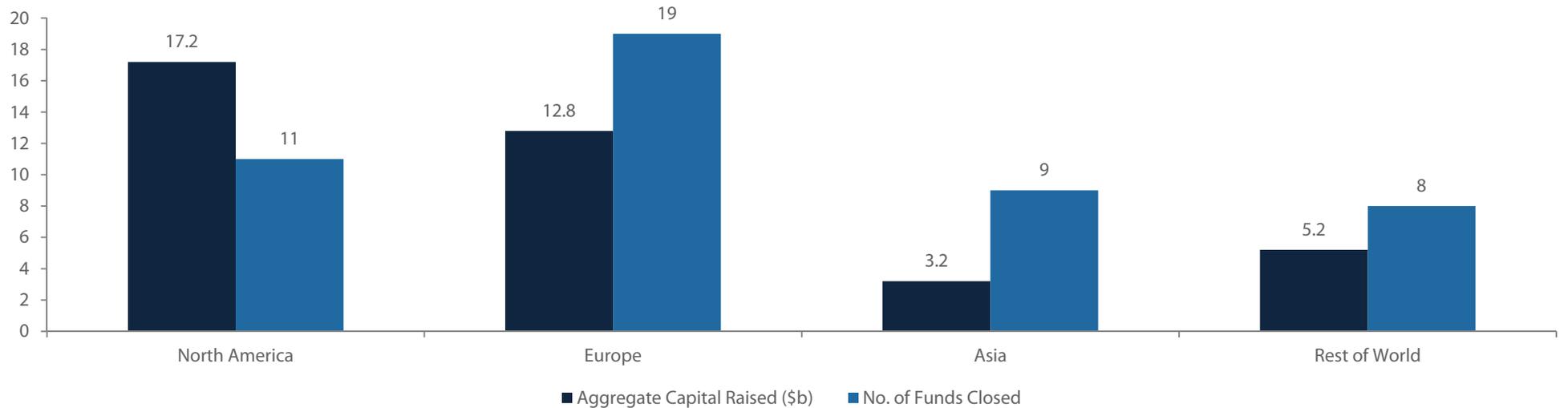


Source: CB Richard Ellis

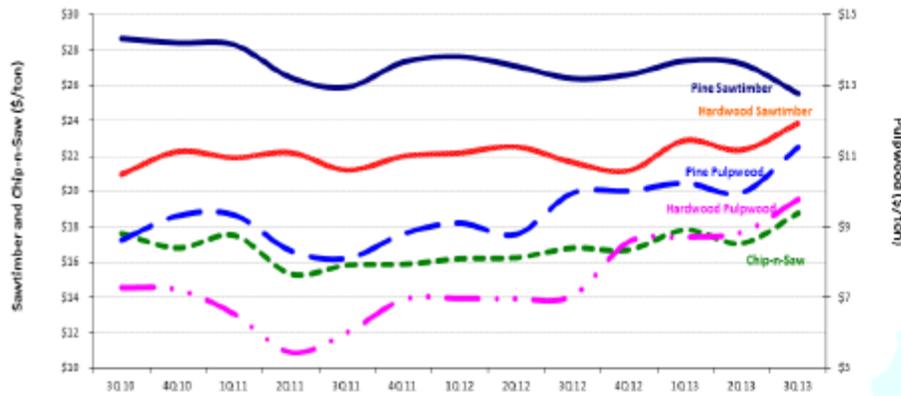
Unlisted Infrastructure Fundraising (2006 – 2013)



Unlisted Infrastructure Fundraising by Primary Geographic Focus (2013)

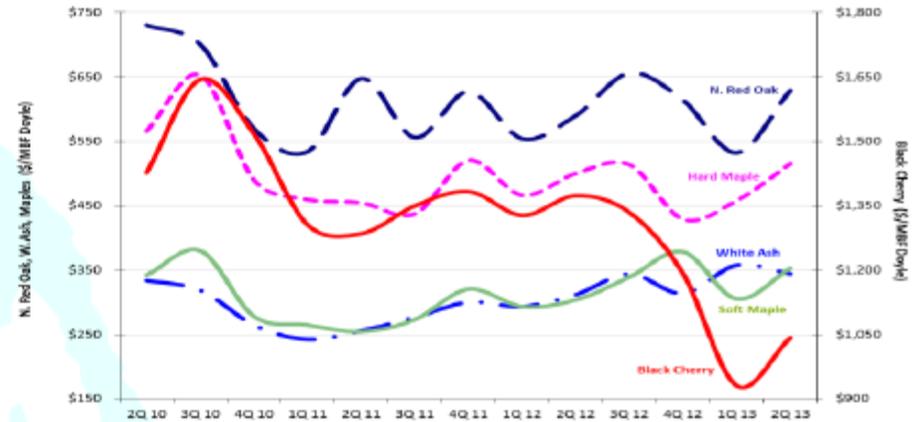


Southeastern Timber Prices



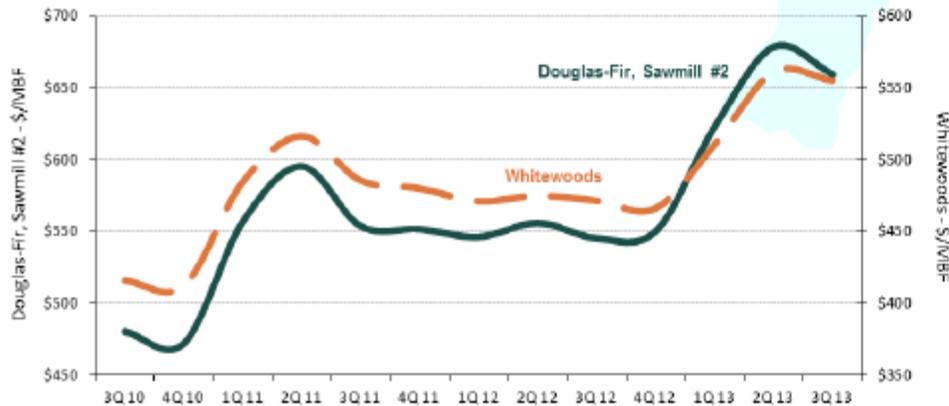
Source: Forest2Market®

Northeastern Hardwood Timber Prices



Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



Source: Log Lines®

Inflation (CPI)

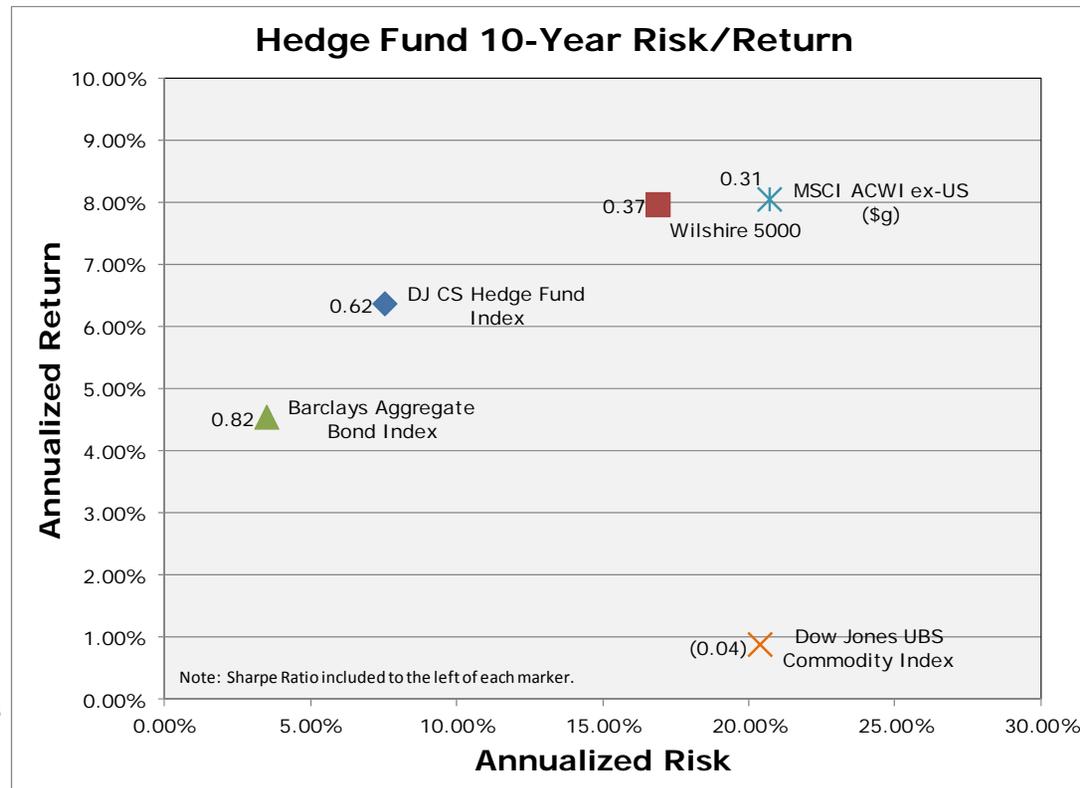


Source: <http://www.bls.gov/cpi/home.htm>

Hedge Fund Performance



December 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	4.2	9.7	9.7	4.8	8.7	6.4
Event Driven Index	4.8	15.5	15.5	5.1	9.5	7.8
Global Macro Index	2.8	4.3	4.3	5.1	8.0	8.3
Long/Short Equity Index	6.3	17.7	17.7	5.7	9.0	7.0
Multi-Strategy Index	4.3	11.2	11.2	8.0	11.4	6.7
Wilshire 5000	10.1	33.1	33.1	16.0	18.6	8.0
MSCI ACWI ex-US (\$g)	4.8	15.8	15.8	5.6	13.3	8.0
Barclays Aggregate Bond Index	-0.1	-2.0	-2.0	3.3	4.4	4.5
Dow Jones UBS Commodity Index	-1.1	-9.5	-9.5	-8.1	1.5	0.9



Data sources: Wilshire Compass

Asset Class Performance



Annual Asset Class Returns - Best to Worst

2009	2010	2011	2012	2013	YTD 2014
Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%	Emrg Mrkts 18.6%	U.S. Equity 33.1%	REITs 10.1%
High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%	Developed 17.9%	Developed 23.3%	Commodities 7.0%
Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%	REITs 17.6%	High Yield 7.4%	High Yield 3.0%
REITs 28.6%	Commodities 16.8%	High Yield 5.0%	U.S. Equity 16.1%	REITs 1.9%	U.S. Equity 2.0%
U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%	High Yield 15.8%	T-Bills 0.1%	U.S. TIPS 2.0%
Commodities 18.9%	Developed 8.2%	T-Bills 0.1%	U.S. TIPS 7.0%	Core Bond -2.0%	Core Bond 1.8%
U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%	Core Bond 4.2%	Emrg Mrkts -2.3%	Developed 0.8%
Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%	T-Bills 0.1%	U.S. TIPS -8.6%	T-Bills 0.0%
T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%	Commodities -1.0%	Commodities -9.5%	Emrg Mrkts -0.4%

Annualized 5-Year as of Mar. '14

REITs 29.2%
U.S. Equity 21.7%
High Yield 18.2%
Developed 16.6%
Emrg Mrkts 14.8%
U.S. TIPS 4.9%
Core Bond 4.8%
Commodities 4.2%
T-Bills 0.1%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.