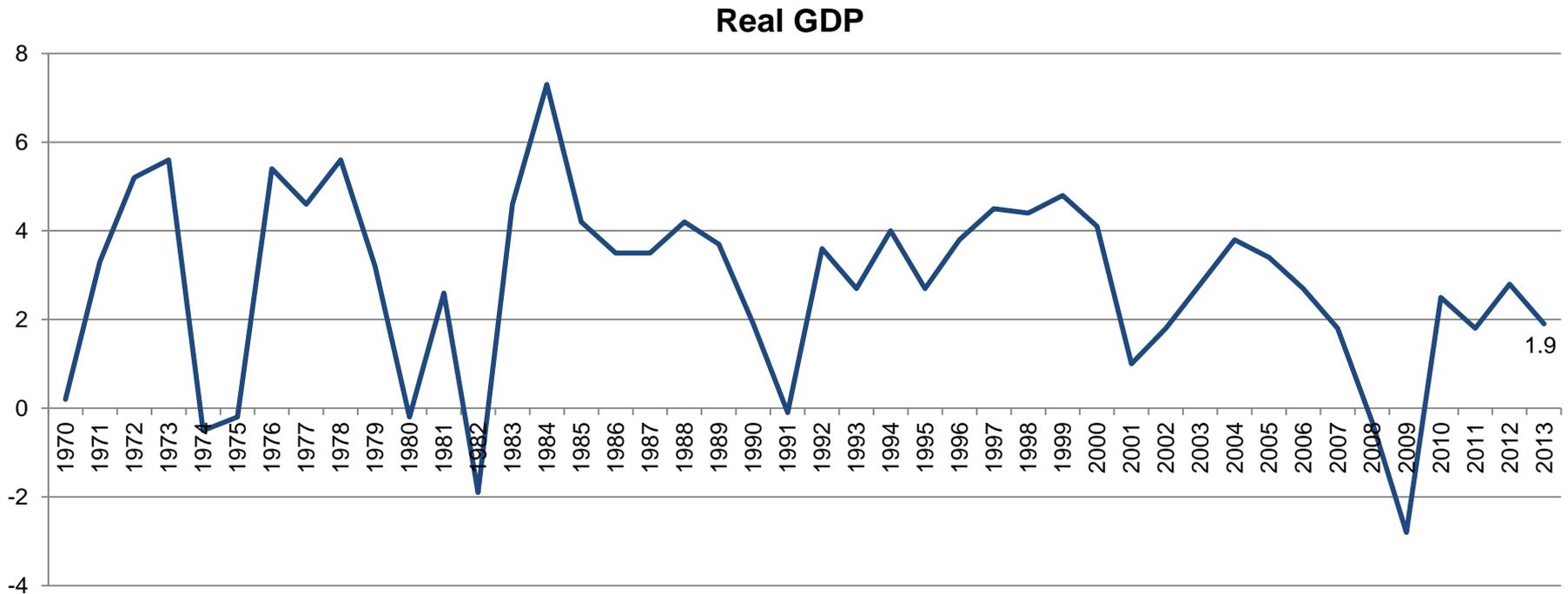


Investment Market Review July 2014



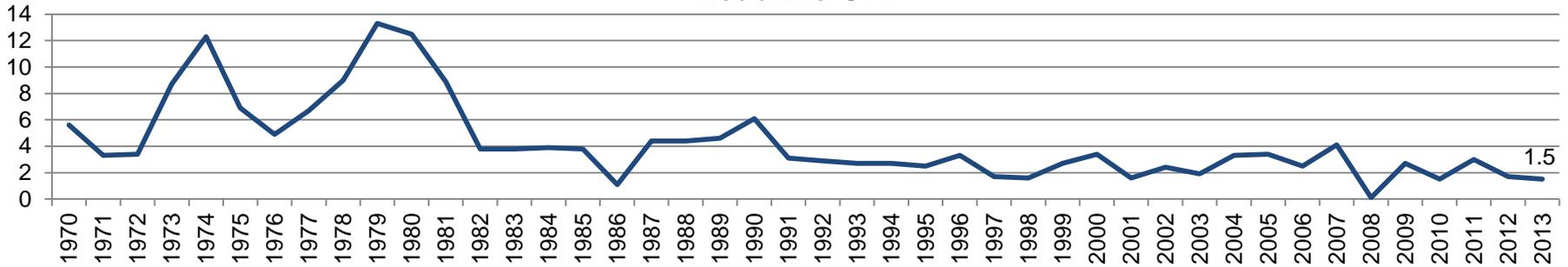
- U.S. stocks produced positive returns during the second quarter with the S&P 500 index up 5.23%. U.S. bonds also produced positive returns during the second quarter with the Barclay's Capital US Aggregate index up 2.04%.
- Returns on emerging markets stocks were positive during the second quarter with the MSCI Emerging Markets index returning 4.09%. Emerging markets debt also posted positive returns during the second quarter with the JP Morgan Emerging Markets Bond index returning 5.43%. Investment managers and plans with emerging markets stock exposure tended to underperform peers with smaller allocations during the most recent quarter and those with emerging markets debt exposure outperformed.
- The Federal Reserve continues to "taper" asset purchases, now at \$45 billion per month, and it is expected to come to an end in October. We believe the Federal Reserve will pay greater attention to total employment figures, the labor force participation rate, and inflation as opposed to hard thresholds for unemployment and inflation. At this time we view short-term interest rate increases as unlikely during the remainder of 2014.

- The U.S. economy continues to grow, albeit slowly. However, annualized GDP growth was -2.9% during the first quarter of 2014. This is down from an increase of 2.6% in the fourth quarter of 2013. Unusually cold weather during the first quarter is responsible for the reduced GDP growth figures. Second quarter estimates point to GDP growth of 2.5%, but higher food and energy prices may hold 2014 GDP around 1.5% for the year. Second quarter GDP numbers have not been released.

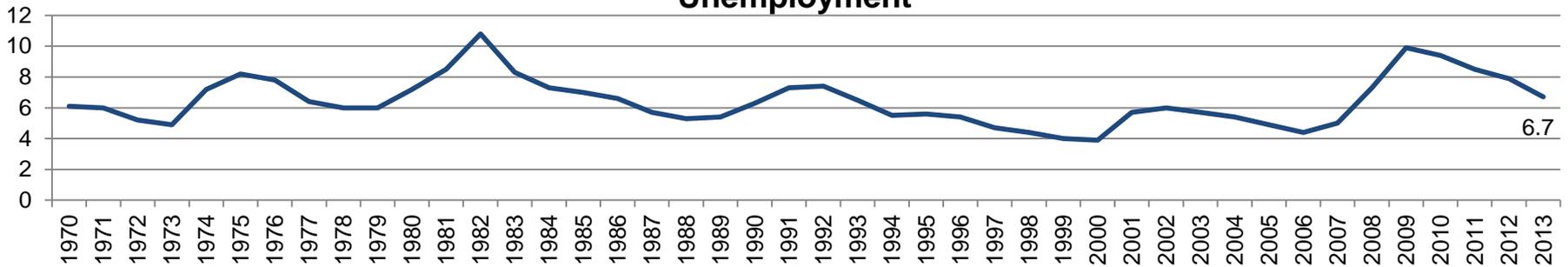


Source: BEA

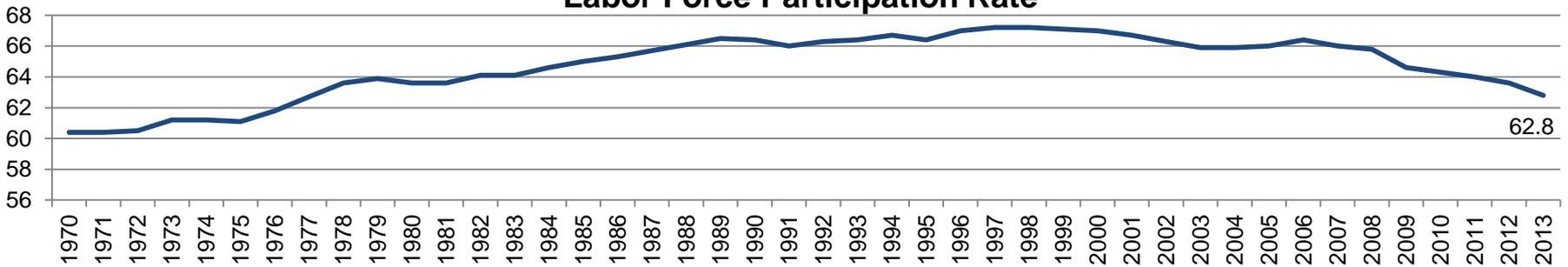
Headline CPI



Unemployment



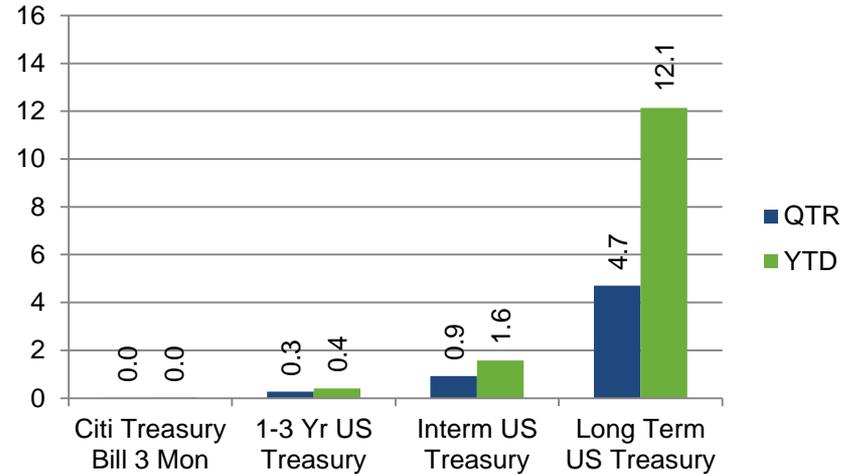
Labor Force Participation Rate



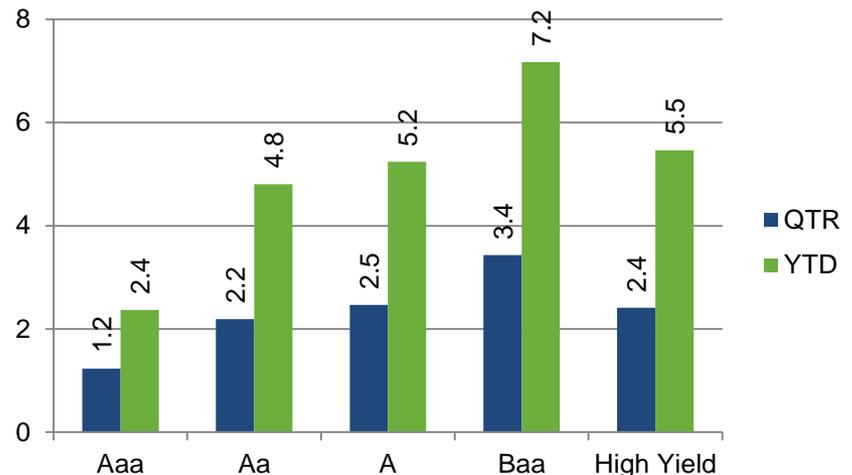
Source: BLS, St. Louis Federal Reserve

- Fed Chair Yellen presided over her first FOMC meeting in March, and no surprises were announced. Tapering of asset purchases continued at a \$10 billion per month pace, and the 6.5% unemployment level was eliminated as a threshold for a higher Fed Funds rate. During the post-meeting press conference, however, the markets were taken aback when Ms. Yellen indicated higher interest rates could happen in mid-2015, sooner than the market had discounted. Later comments from FOMC members downplayed the statement, and no mention of it was made in the meeting minutes that were subsequently released.
- Following the European Central Bank’s (“ECB”) cut in the lending rate to 0.75% in late 2013, there was speculation that a further cut could follow during the recent quarter. This did not materialize, but the ECB felt its influence on suggestive monetary stimulus announcements could be sufficient to alleviate deflationary pressures and an unwanted rise in the euro. A positive market reaction was unsurprisingly short-lived.

Bond Performance by Maturity



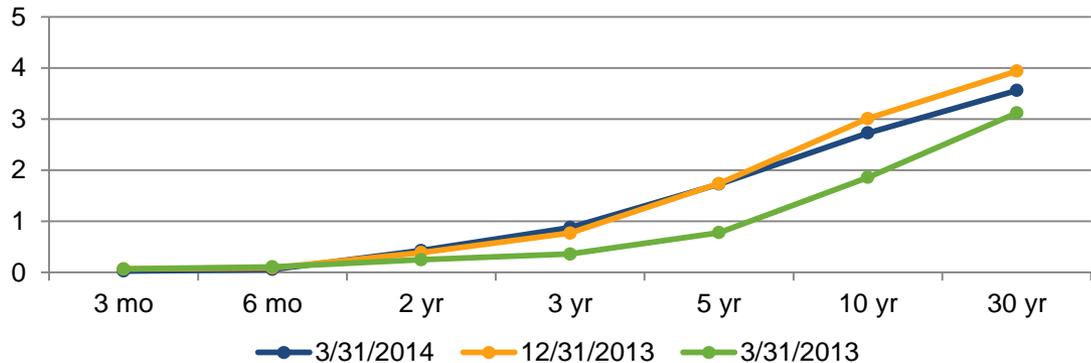
Bond Performance by Quality



Source: Morningstar, Barclays Capital US Credit Indices

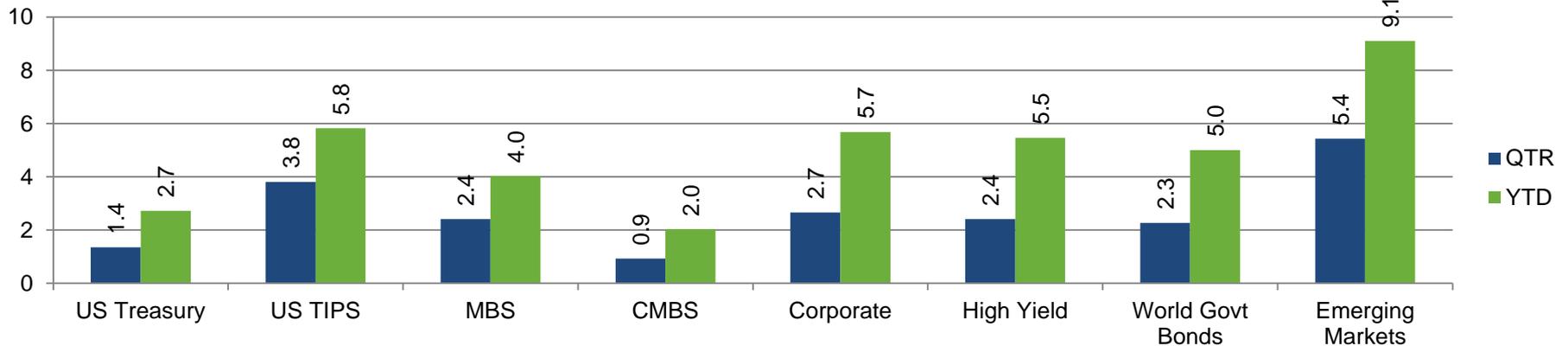
- The **Barclays Aggregate Index** returned 2.04% for the quarter, supported by the falling interest-rate environment. It should be noted that the performance differential between high yield and investment grade credit was minimal, and second quarter performance between the two sectors was separated by 25 basis points.
- Long duration sectors generated the strongest returns, bolstered by lower rates and a flattening yield curve. **Long Gov/Credit** and **Long Treasuries** returned approximately 5% for the quarter.

US Treasury Yield Curve



Source: Barclays

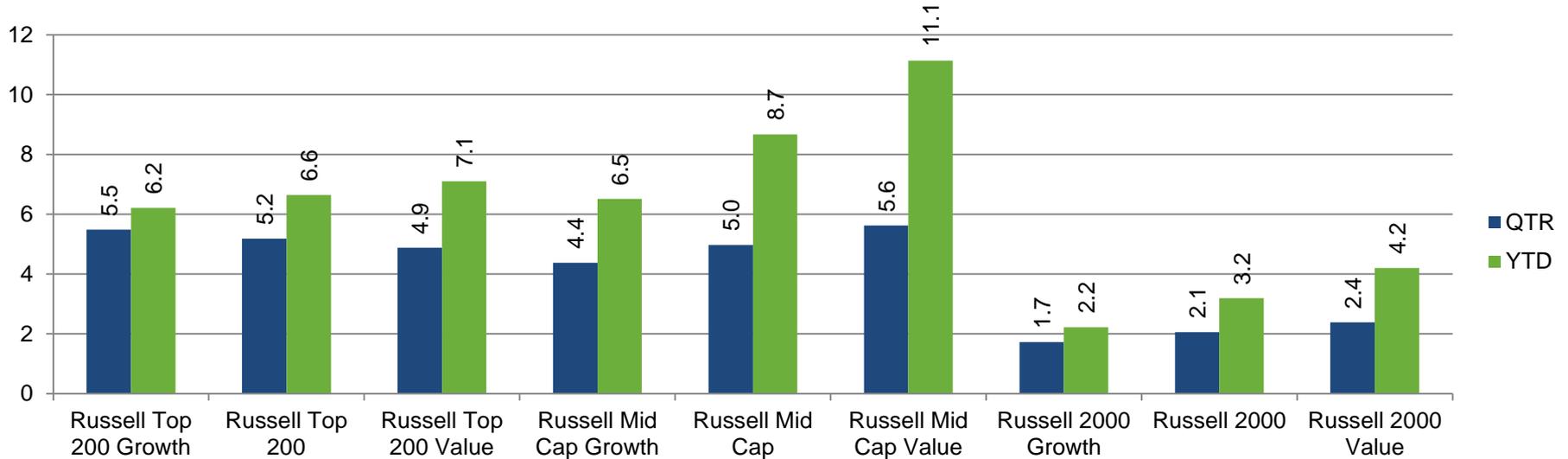
Bond Performance by Sectors



Source: Morningstar

- US Equities were up for the quarter, with the **S&P 500** returning 5.23%.
- In terms of market capitalization, large stocks (**Russell Top 200**) did the best, returning 5.18% for the quarter. In comparison, mid- and small-cap returned 4.97% and 2.05%, respectively, as measured by the **Russell Mid Cap** and the **Russell 2000**.
- The ongoing easy money policies have helped US equities and inflation concerns remain low allowing for continued aggressive monetary policies. Although inflation has increased slightly as of late it remains below the Fed's target rate of 2%.

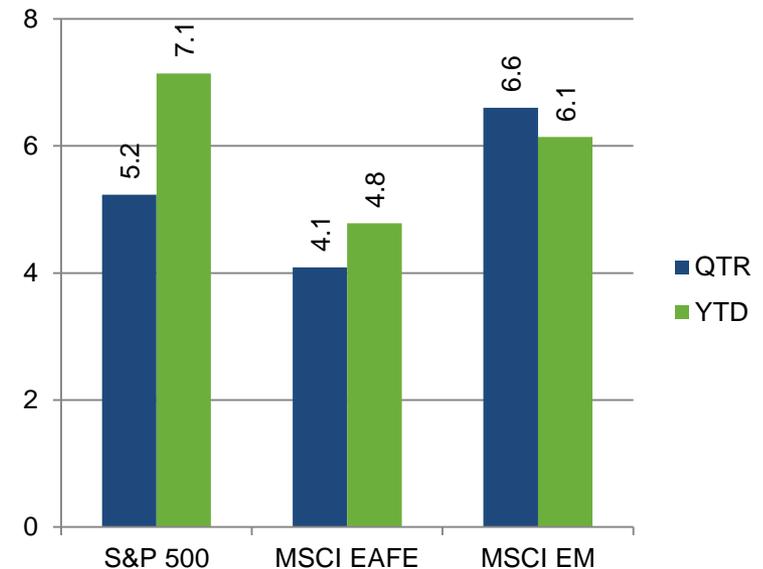
US Stocks by Capitalization/Style



Source: Morningstar

- Returns in **International Equities** were positive over the quarter with developed market equities returning 4.09% for the second quarter. This is much stronger than the first quarter returns of 0.77%.
- **Emerging Market Equities** outperformed their developed counterparts, which has not been the case since the Fed's more concrete talk of tapering QE crystallized in May 2013. The asset class was up 6.60% in the second quarter. A large jump from the first quarters loss of 0.37%
- Investor concerns over slowing growth in China, although not indicative of a hard landing, were exacerbated by the country's first bond default during the first quarter, signaling the risks implicit in the intention of the new administration to squeeze credit and undertake a fundamental adjustment of financial and economic policy.
- The illumination of financial, economic, and political risk in a number of countries was particularly negative for returns from emerging markets as a whole, although greater differentiation between individual markets began to manifest itself.

Global Stocks by Region



Source: Morningstar

Annual Asset Class Returns - Best to Worst

2008	2009	2010	2011	2012	2013	YTD 2014
Core Bond 5.24%	Emrg Mrkts 78.51%	REITs 26.97%	U.S. TIPS 13.56%	Emrg Mrkts 18.22%	U.S. Equity 33.55%	REITs 17.00%
T-Bills 1.80%	High Yield 58.21%	Emrg Mrkts 18.88%	Core Bond 7.84%	Developed 17.32%	Developed 22.78%	U.S. Equity 6.94%
U.S. TIPS -2.35%	Developed 31.78%	U.S. Equity 16.93%	REITs 7.48%	REITs 16.47%	High Yield 7.44%	Emrg Mrkts 6.14%
High Yield -26.16%	U.S. Equity 28.34%	High Yield 15.12%	High Yield 4.98%	U.S. Equity 16.43%	REITs 1.26%	U.S. TIPS 5.83%
U.S. Equity -37.31%	REITs 26.27%	Developed 7.75%	U.S. Equity 1.03%	High Yield 15.81%	T-Bills 0.05%	High Yield 5.46%
REITs -39.05%	U.S. TIPS 11.41%	Core Bond 6.54%	T-Bills 0.08%	U.S. TIPS 6.98%	Core Bond -2.02%	Developed 4.78%
Developed -43.38%	Core Bond 5.93%	U.S. TIPS 6.31%	Developed -12.14%	Core Bond 4.21%	Emrg Mrkts -2.60%	Core Bond 3.93%
Emrg Mrkts -53.33%	T-Bills 0.16%	T-Bills 0.13%	Emrg Mrkts -18.42%	T-Bills 0.07%	U.S. TIPS -8.61%	T-Bills 0.02%

Source: Morningstar

Annual Bond Returns - Best to Worst

2008	2009	2010	2011	2012	2013	YTD 2014
Treasuries 13.74%	Corp High Yield 58.21%	CMBS 19.27%	TIPS 13.56%	Emerg Mkt Debt 18.54%	Corp High Yield 7.44%	Emerg Mkt Debt 9.10%
Global Govt 10.89%	Emerg Mkt Debt 28.18%	Corp High Yield 15.12%	Treasuries 9.81%	Corp High Yield 15.81%	T-Bills 0.05%	TIPS 5.83%
MBS 8.34%	CMBS 26.10%	Emerg Mkt Debt 12.04%	Emerg Mkt Debt 8.46%	Corp Inv Grade 9.82%	CMBS -0.11%	Corp Inv Grade 5.68%
T-Bills 1.80%	Corp Inv Grade 18.68%	Corp Inv Grade 9.00%	Corp Inv Grade 8.15%	CMBS 9.06%	MBS -1.41%	Corp High Yield 5.46%
TIPS -2.35%	TIPS 11.41%	TIPS 6.31%	CMBS 6.68%	TIPS 6.98%	Corp Inv Grade -1.53%	Global Govt 5.00%
Corp Inv Grade -4.94%	MBS 5.89%	Treasuries 5.87%	Global Govt 6.35%	MBS 2.59%	Treasuries -2.75%	MBS 4.03%
Emerg Mkt Debt -10.91%	Global Govt 2.55%	MBS 5.37%	MBS 6.23%	Treasuries 1.99%	Global Govt -4.00%	Treasuries 2.72%
CMBS -17.01%	T-Bills 0.16%	Global Govt 5.17%	Corp High Yield 4.98%	Global Govt 1.65%	Emerg Mkt Debt -6.58%	CMBS 2.03%
Corp High Yield -26.16%	Treasuries -3.57%	T-Bills 0.13%	T-Bills 0.08%	T-Bills 0.07%	TIPS -8.61%	T-Bills 0.02%

Source: Morningstar

Annual Equity Returns - Best to Worst

2008	2009	2010	2011	2012	2013	YTD 2014
Russell 2500 Value -31.99%	MSCI EM Small 113.79%	Russell 2500 Growth 28.86%	S&P 500 Growth 4.65%	MSCI EM Small 22.22%	Russell 2500 Growth 40.65%	MSCI Frontier EM 18.61%
S&P 500 Growth -34.92%	MSCI EM Large 75.92%	MSCI Frontier EM 28.65%	S&P 500 2.11%	MSCI Frontier EM 20.87%	Russell 2500 36.80%	MSCI EM Small 8.98%
Russell 2500 -36.79%	MSCI EAFE Small 46.78%	MSCI EM Small 27.17%	S&P 500 Value -0.48%	MSCI EAFE Small 20.00%	Russell 2500 Value 33.32%	Russell 2500 Value 7.87%
S&P 500 -37.00%	Russell 2500 Growth 41.66%	Russell 2500 26.71%	Russell 2500 Growth -1.57%	Russell 2500 Value 19.21%	S&P 500 Growth 32.75%	S&P 500 Growth 7.29%
S&P 500 Value -39.22%	Russell 2500 34.39%	Russell 2500 Value 24.82%	Russell 2500 -2.51%	Russell 2500 17.88%	S&P 500 32.39%	S&P 500 7.14%
Russell 2500 Growth -41.50%	S&P 500 Growth 31.57%	MSCI EAFE Small 22.04%	Russell 2500 Value -3.36%	MSCI EM Large 17.79%	S&P 500 Value 31.99%	S&P 500 Value 6.96%
MSCI EAFE Large -43.10%	MSCI EAFE Large 31.36%	MSCI EM Large 18.34%	MSCI EAFE Large -11.75%	S&P 500 Value 17.68%	MSCI EAFE Small 29.30%	MSCI EM Large 6.09%
MSCI EAFE Small -47.01%	Russell 2500 Value 27.68%	S&P 500 Value 15.10%	MSCI EAFE Small -15.94%	MSCI EAFE Large 17.17%	MSCI EAFE Large 22.44%	Russell 2500 5.95%
MSCI EM Large -52.75%	S&P 500 26.46%	S&P 500 15.06%	MSCI Frontier EM -17.55%	Russell 2500 Growth 16.13%	MSCI Frontier EM 4.28%	MSCI EAFE Small 5.50%
MSCI Frontier EM -55.72%	MSCI Frontier EM 25.61%	S&P 500 Growth 15.05%	MSCI EM Large -17.65%	S&P 500 16.00%	MSCI EM Small 1.04%	MSCI EAFE Large 4.52%
MSCI EM Small -58.23%	S&P 500 Value 21.18%	MSCI EAFE Large 6.48%	MSCI EM Small -27.18%	S&P 500 Growth 14.61%	MSCI EM Large -2.55%	Russell 2500 Growth 3.97%

Source: Morningstar

For Periods Ended June 30, 2014

	3 Months	6 Months	9 Months	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
	Return	Return	Return	Return	*Return	*Return	*Return	*Return	*Return
S&P 500 Index	5.23	7.14	18.40	24.61	22.59	16.58	19.96	18.83	7.78
NASDAQ	5.31	6.18	17.97	31.17	24.20	18.18	21.66	20.50	8.84
MSCI EAFE Index	4.34	5.14	11.19	24.09	21.59	8.59	13.79	12.27	7.42
MSCI Emerging Markets Index	6.71	6.32	8.30	14.68	8.81	-0.06	6.36	9.58	12.30
MSCI All Country World ex USA	5.25	5.89	10.99	22.27	18.13	6.21	11.77	11.59	8.22
Russell 1000 Index	5.12	7.27	18.24	25.35	23.28	16.63	20.28	19.25	8.19
Russell Midcap Index	4.97	8.67	17.79	26.85	26.13	16.09	21.32	22.07	10.43
Russell 2000 Index	2.05	3.19	12.19	23.64	23.92	14.57	19.89	20.21	8.70
Russell 3000 Index	4.87	6.94	17.75	25.22	23.33	16.46	20.24	19.33	8.23
Russell 1000 Growth Index	5.13	6.31	17.40	26.92	21.89	16.26	20.69	19.24	8.20
Russell 1000 Value Index	5.10	8.28	19.12	23.81	24.56	16.92	19.81	19.23	8.03
Russell Midcap Growth Index	4.37	6.51	15.27	26.04	24.45	14.54	21.12	21.16	9.83
Russell Midcap Value Index	5.62	11.14	20.65	27.76	27.71	17.56	21.53	22.97	10.66
Russell 2000 Growth Index	1.72	2.22	10.57	24.73	24.20	14.49	21.14	20.50	9.04
Russell 2000 Value Index	2.38	4.20	13.89	22.54	23.65	14.65	18.61	19.88	8.24
NAREIT Equity REITs	6.98	17.66	16.82	13.21	11.30	11.84	16.92	23.52	9.61
Barclays Capital Intermediate G/C Bond Index	1.23	2.25	2.23	2.86	1.56	2.83	3.07	4.09	4.33
Barclays Capital Long Term G/C Bond Index	4.93	11.81	11.71	10.77	2.75	9.57	7.94	9.60	7.60
Barclays Capital Aggregate Bond Index	2.04	3.93	3.78	4.37	1.81	3.66	3.72	4.85	4.93
Barclays Capital U.S. TIPS	3.81	5.83	3.71	4.44	-0.27	3.55	4.58	5.55	5.25
Barclays Capital U.S. Government	1.34	2.66	1.95	2.08	0.27	2.88	2.72	3.46	4.43
Barclays Capital U.S. Corporate Inv Grade	2.66	5.68	6.85	7.73	4.49	6.21	6.23	8.10	5.94
Barclays Capital U.S. Corporate High Yield	2.41	5.46	9.24	11.73	10.61	9.48	10.99	13.98	9.05
Citigroup Non-US WGBI USD	2.64	5.95	4.64	8.88	1.32	1.03	4.11	3.59	4.90
JP Morgan EMBI Global Diversified USD	4.76	8.66	10.32	11.63	6.24	7.40	8.39	10.33	9.28
JP Morgan GBI EM Global Diversified USD	4.02	5.99	4.37	3.91	2.61	1.16	5.50	7.42	10.01
Citigroup 90-Day Treasury Bills	0.01	0.02	0.03	0.04	0.06	0.05	0.07	0.08	1.54
Citigroup Pension Liability Index	5.00	14.24	15.15	14.38	2.91	13.28	10.47	12.19	9.35

* Returns greater than one year are annualized.

Annual Returns

	2004 Return	2005 Return	2006 Return	2007 Return	2008 Return	2009 Return	2010 Return	2011 Return	2012 Return	2013 Return
S&P 500 Index	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11	16.00	32.39
NASDAQ	8.59	1.37	9.90	10.55	-40.03	45.32	18.02	-0.83	17.45	40.12
MSCI EAFE Index	20.70	14.02	26.86	11.63	-43.06	32.46	8.21	-11.73	17.90	23.29
MSCI Emerging Markets Index	25.95	34.54	32.55	39.82	-53.18	79.02	19.20	-18.17	18.63	-2.27
MSCI All Country World ex USA	21.36	17.11	27.16	17.12	-45.24	42.14	11.60	-13.33	17.39	15.78
Russell 1000 Index	11.40	6.27	15.46	5.77	-37.60	28.43	16.10	1.50	16.42	33.11
Russell Midcap Index	20.22	12.65	15.26	5.60	-41.46	40.48	25.48	-1.55	17.28	34.76
Russell 2000 Index	18.33	4.55	18.37	-1.57	-33.79	27.17	26.85	-4.18	16.35	38.82
Russell 3000 Index	11.95	6.12	15.72	5.14	-37.31	28.34	16.93	1.03	16.42	33.55
Russell 1000 Growth Index	6.30	5.26	9.07	11.81	-38.44	37.21	16.71	2.64	15.26	33.48
Russell 1000 Value Index	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39	17.51	32.53
Russell Midcap Growth Index	15.48	12.10	10.66	11.43	-44.32	46.29	26.38	-1.65	15.81	35.74
Russell Midcap Value Index	23.71	12.65	20.22	-1.42	-38.44	34.21	24.75	-1.38	18.51	33.46
Russell 2000 Growth Index	14.31	4.15	13.35	7.05	-38.54	34.47	29.09	-2.91	14.59	43.30
Russell 2000 Value Index	22.25	4.71	23.48	-9.78	-28.92	20.58	24.50	-5.50	18.05	34.52
NAREIT Equity REITs	31.58	12.16	35.06	-15.69	-37.73	27.99	27.96	8.29	18.06	2.47
Barclays Capital Intermediate G/C Bond Index	3.04	1.58	4.08	7.39	5.08	5.24	5.89	5.80	3.89	-0.86
Barclays Capital Long Term G/C Bond Index	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78	-8.83
Barclays Capital Aggregate Bond Index	4.34	2.43	4.33	6.97	5.24	5.93	6.54	7.84	4.21	-2.02
Barclays Capital U.S. TIPS	8.46	2.84	0.41	11.64	-2.35	11.41	6.31	13.56	6.98	-8.61
Barclays Capital U.S. Government	3.48	2.65	3.48	8.66	12.39	-2.20	5.52	9.02	2.02	-2.60
Barclays Capital U.S. Corporate Inv Grade	5.39	1.68	4.30	4.56	-4.94	18.68	9.00	8.15	9.82	-1.53
Barclays Capital U.S. Corporate High Yield	11.13	2.74	11.85	1.87	-26.16	58.21	15.12	4.98	15.81	7.44
Citigroup Non-US WGBI USD	12.14	-9.20	6.94	11.45	10.11	4.39	5.21	5.17	1.51	-4.56
JP Morgan EMBI Global Diversified USD	11.62	10.25	9.86	6.16	-12.03	29.82	12.24	7.35	17.44	-5.25
JP Morgan GBI EM Global Diversified USD	22.97	6.27	15.22	18.11	-5.22	21.98	15.68	-1.75	16.76	-8.98
Citigroup 90-Day Treasury Bills	1.24	3.00	4.76	4.74	1.80	0.16	0.13	0.08	0.07	0.05
Citigroup Pension Liability Index	11.65	7.86	0.25	-2.89	17.57	4.61	13.76	28.33	11.66	-10.55