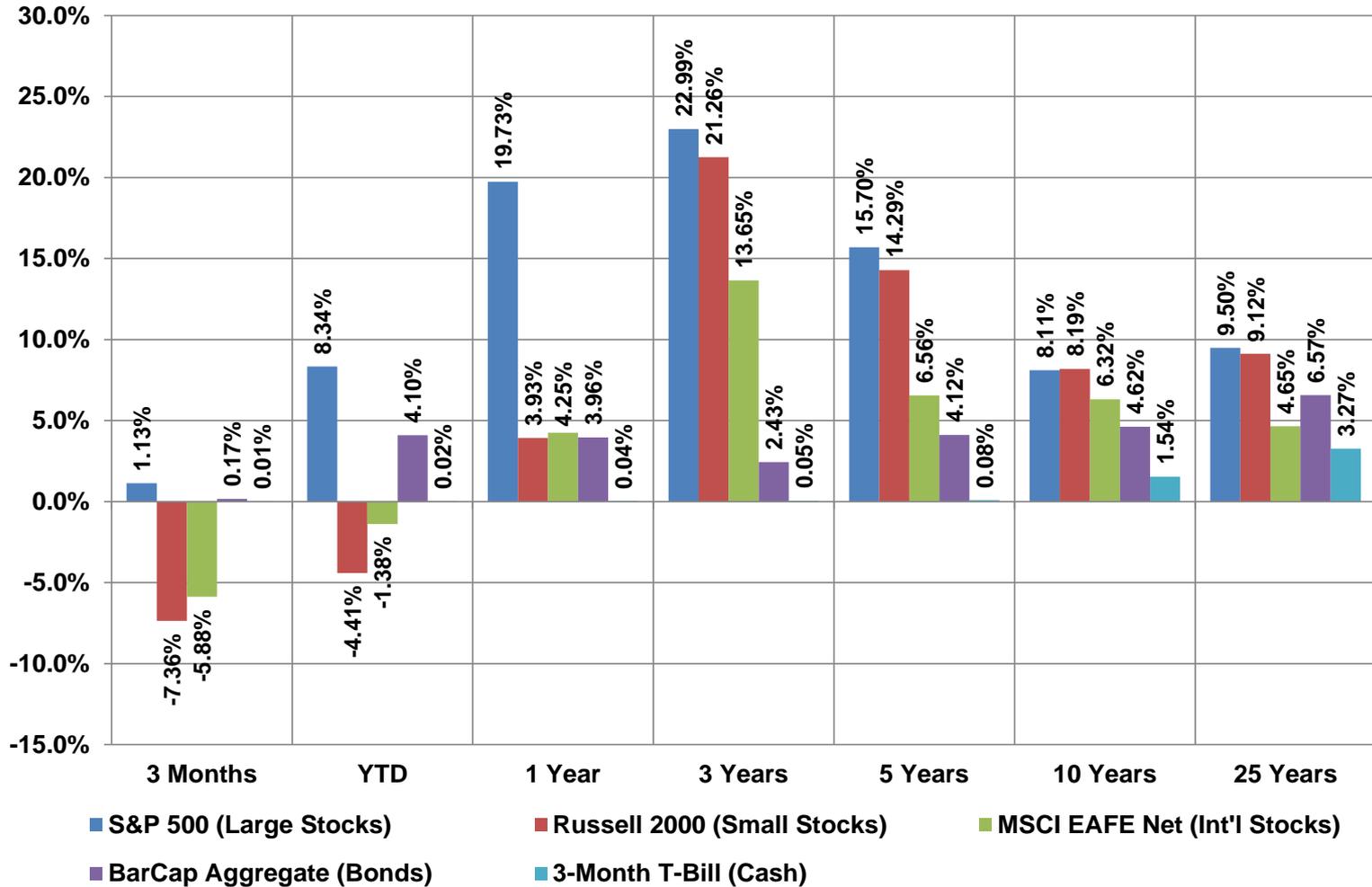


Investment Market Review October 2014



- U.S. stocks produced positive returns during the third quarter with the S&P 500 index up 1.13%. U.S. bonds also produced slightly positive returns during the third quarter with the Barclay's Capital US Aggregate index up 0.17%.
- Returns on emerging markets stocks were negative during the third quarter with the MSCI Emerging Markets index returning -3.49%. Emerging markets debt also posted negative returns during the third quarter with the JP Morgan Emerging Markets Bond index returning -1.65%. Investment managers and plans with emerging markets stock and emerging markets debt exposure tended to underperform peers with smaller allocations during the most recent quarter.
- The Federal Reserve continues to “taper” asset purchases, and it is expected to come to an end in October with a final \$15 billion purchase. Inflation has moved closer to the Fed's threshold and unemployment has steadily been decreasing closer to the natural rate. The consensus view for short-term interest rate increases points to the middle of 2015.

Capital Market Performance as of September 30, 2014



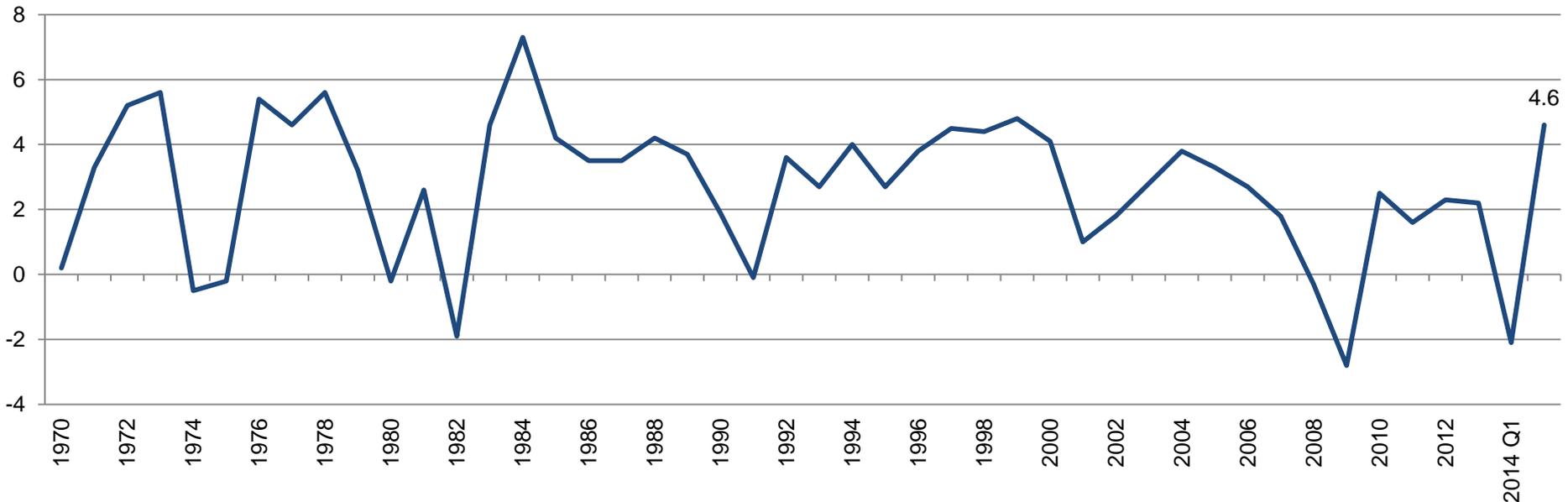
S&P 500 Index at Inflection Points



Source: Standard & Poor's, J.P Morgan Asset Management
Returns based on S&P 500 Index Price Movement

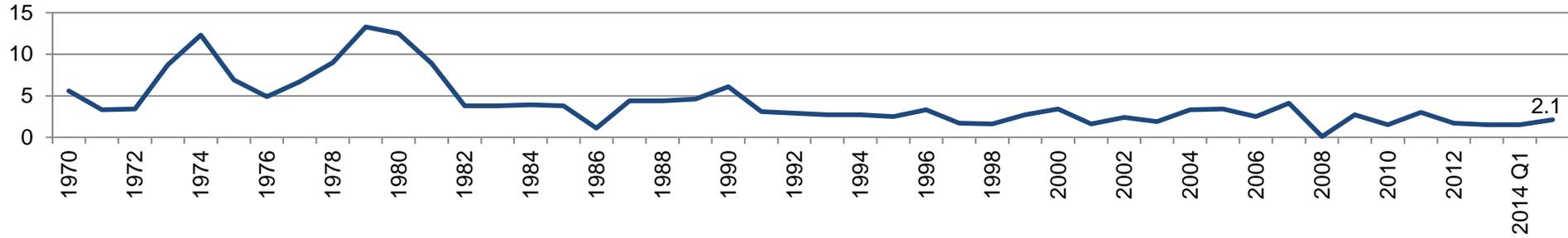
- The U.S. economy continues to grow. Annualized GDP growth was 4.6% during the second quarter of 2014, up from -2.6% in the first quarter. It is interesting to note that quarterly contractions in GDP greater than -1.5% have historically been associated with a recession, though that is contrary to consensus expectations that call for 3% annualized growth for the second half of 2014. While markets initially reacted adversely to the announcement of a first quarter contraction, it was eventually shrugged off as a one-time event resulting from unusually cold weather.
- Third quarter estimates point to GDP growth of 3.0%, down slightly from an earlier forecast of 3.1%. Third quarter GDP numbers have not been released.

Real GDP

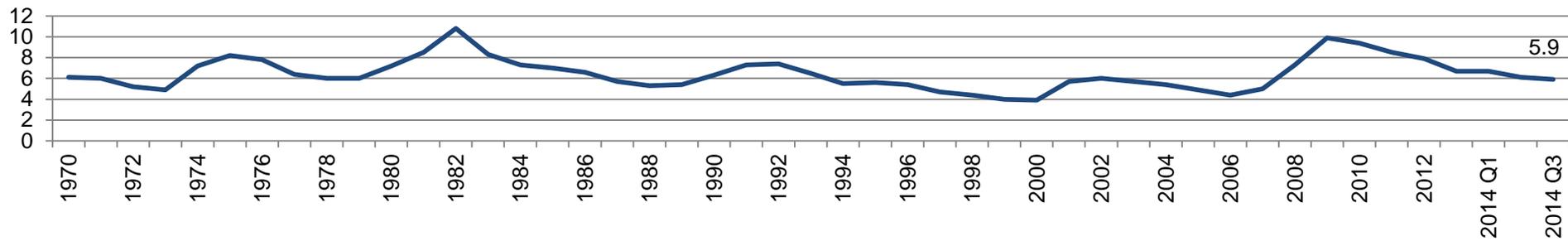


Source: BEA

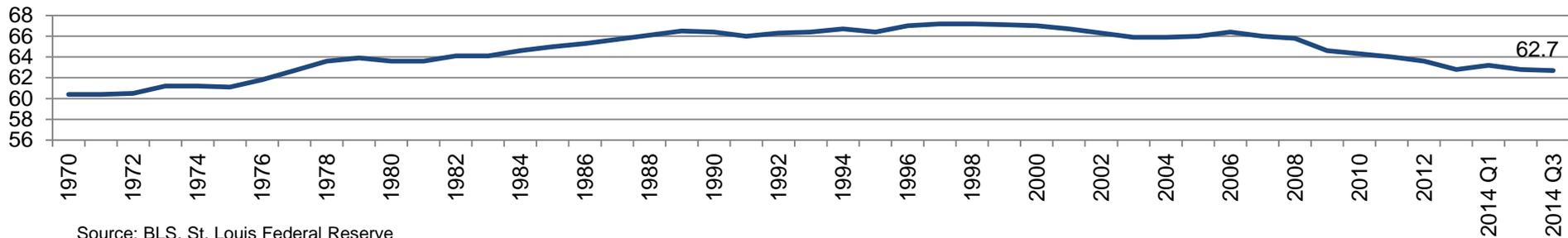
Headline CPI



Unemployment



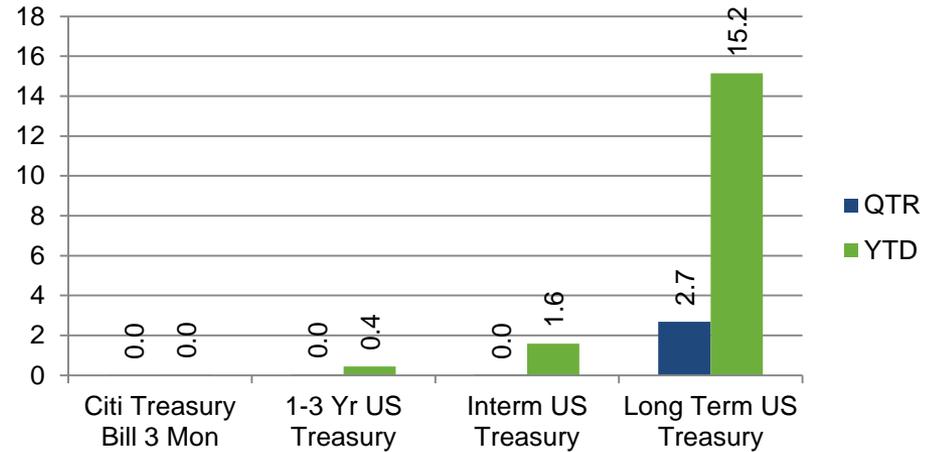
Labor Force Participation Rate



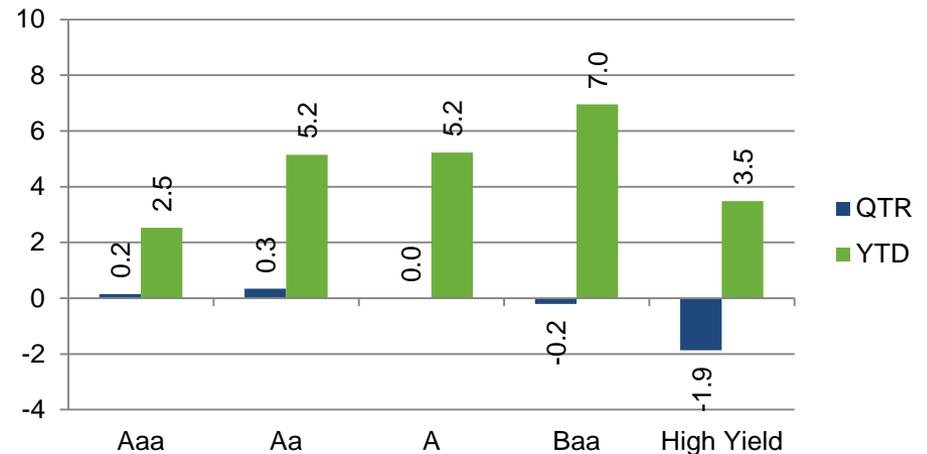
Source: BLS, St. Louis Federal Reserve

- The Federal Reserve Committee continued to taper at the last Federal Reserve meeting. The use of the language “considerable time” was a key focus by analysts in the minutes and this was not removed. Yellen previously indicated that this language could mean six months until short-term rates begin to rise. Current sentiment is that if the language is removed during the October meeting that this would point to a May timeframe.
- **High Yield** dipped in the third quarter, ending its run in the first half of 2014 and most of 2013. The pick up in employment, a slight increase in inflation, and the Fed signals of ending its loose money policies may put pressure on rates.

Bond Performance by Maturity



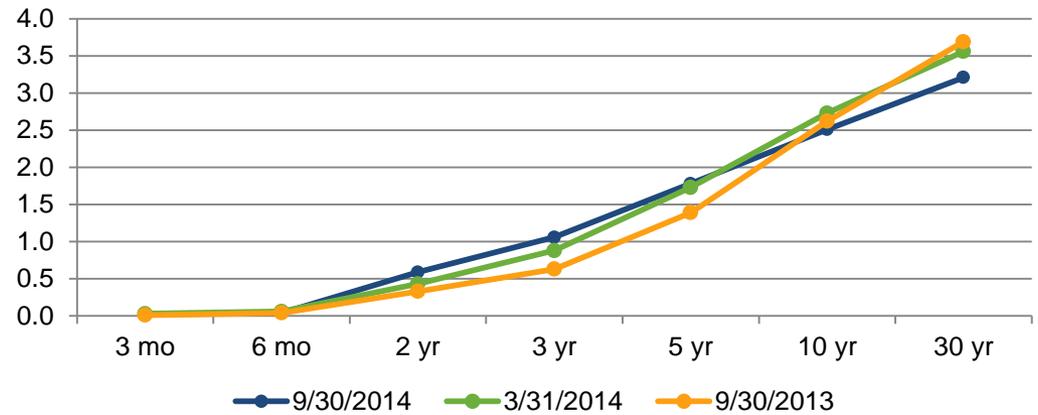
Bond Performance by Quality



Source: Morningstar, Barclays Capital US Credit Indices

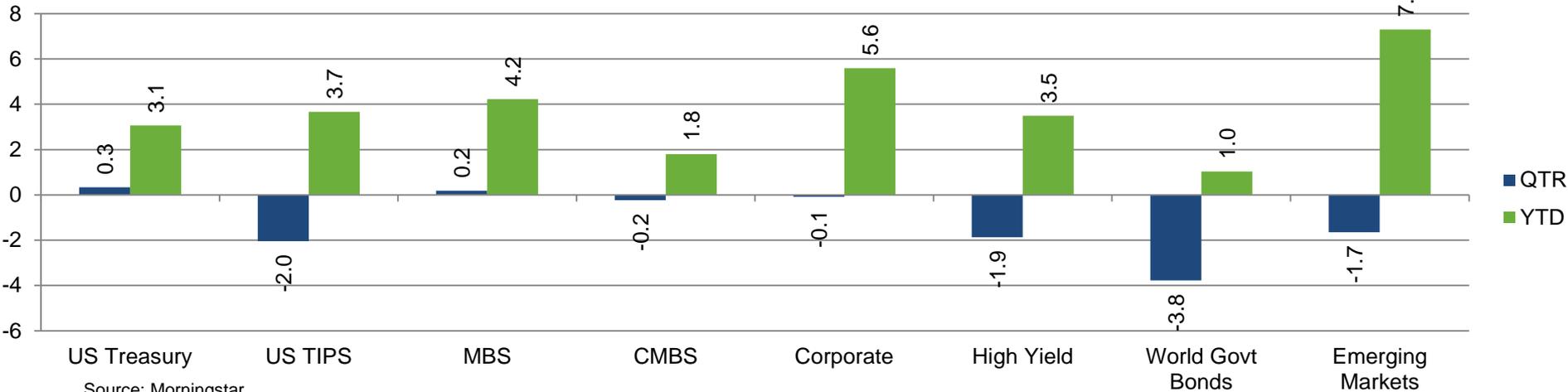
- The **Barclays Aggregate Index** returned 0.17% for the quarter. This is on par with 10 Year Treasuries, as they essentially were flat during the quarter. Treasuries decreased through August, rose briefly in September and then fell back to where they began the quarter.
- Long duration sectors generated the strongest returns, bolstered by lower rates and a flattening yield curve. **Long Gov/Credit** and **Long Treasuries** returned 1.04% and 2.69% for the quarter, respectively.

US Treasury Yield Curve



Source: Barclays

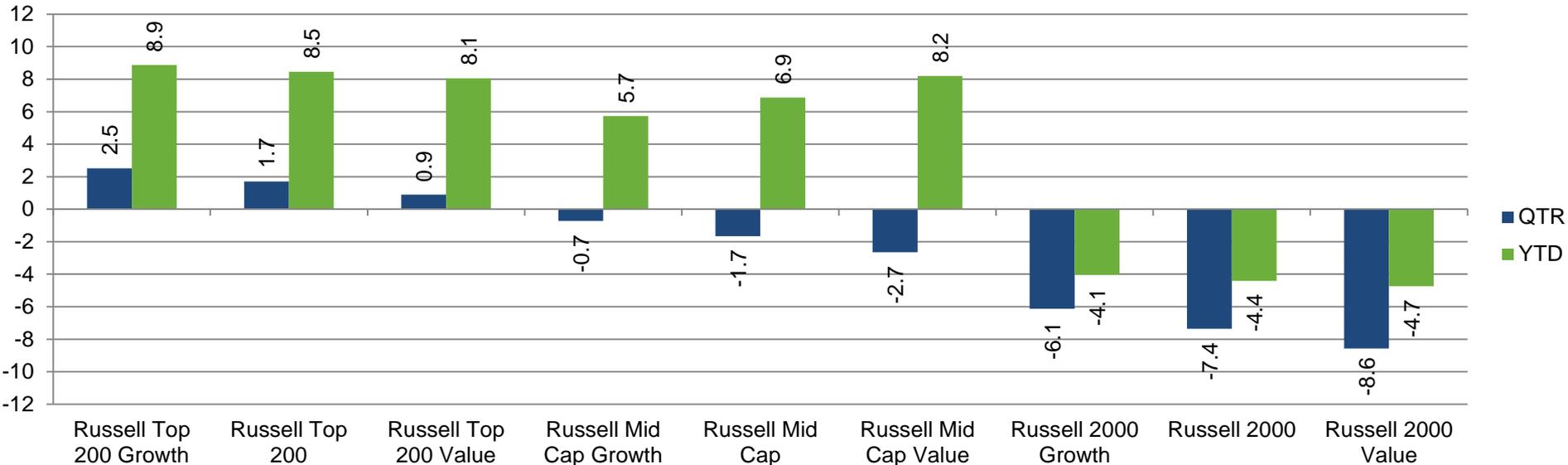
Bond Performance by Sectors



Source: Morningstar

- US Equities were up for the quarter, with the **S&P 500** returning 1.13%.
- In terms of market capitalization, large stocks (**Russell Top 200**) performed the best, returning 1.71% for the quarter. In comparison, mid- and small-cap returned -1.66% and -7.36%, 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 near the Fed’s target rate of 2%. Second quarter inflation came in at 2.1% up from 1.5% in the first quarter.

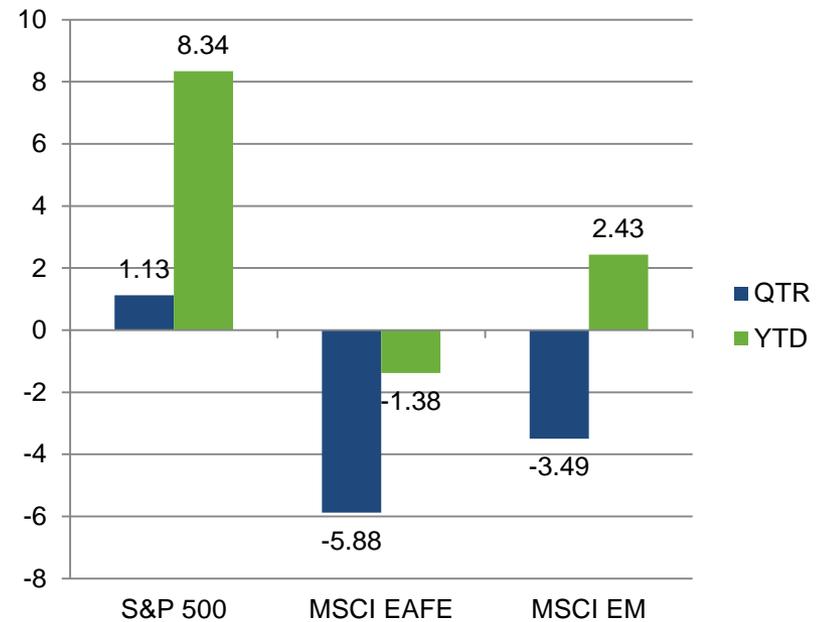
US Stocks by Capitalization/Style



Source: Morningstar

- Returns in **International Equities** were negative over the quarter with developed market equities returning -5.88% for the third quarter. This is much weaker than the second quarter returns of 4.09%.
- **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 down -3.49% in the third quarter. A large drop from the second quarter return of 6.60%.
- China's second quarter GDP growth of 7.5% met its target. Economic indicators also improved in China, further soothing fears of a "hard landing." although financial stresses from shadow banking and the property market continued to be a source of great concern.
- In contrast to the first quarter, **Japan** was among the stronger performing regions over the second quarter. The market returned 7% over the period, as the Bank of Japan opined that economic trends remained on track and concluded that no additional monetary stimulus was required in the short term.
- **European (ex UK) Equities** struggled somewhat as a region and only returned about 3% for the second quarter. The ECB was forced to move to stave off the threat of deflation, though fell short of implementing quantitative easing.

Global Stocks by Region



Source: Morningstar

For Periods Ended September 30, 2014

	3 Months Return	6 Months Return	9 Months Return	1 Year Return	2 Years *Return	3 Years *Return	4 Years *Return	5 Years *Return	10 Years *Return
S&P 500 Index	1.13	6.42	8.34	19.73	19.54	22.99	17.12	15.70	8.11
NASDAQ	2.24	7.67	8.56	20.61	21.69	24.57	18.77	17.51	9.92
MSCI EAFE Index	-5.83	-1.74	-0.99	4.70	14.08	14.16	7.89	7.04	6.80
MSCI Emerging Markets Index	-3.36	3.12	2.75	4.66	2.98	7.56	1.14	4.76	11.03
MSCI All Country World ex USA	-5.19	-0.22	0.39	5.22	10.94	12.29	6.12	6.50	7.54
Russell 1000 Index	0.65	5.80	7.97	19.01	19.95	23.23	17.22	15.90	8.46
Russell Midcap Index	-1.66	3.22	6.87	15.83	21.72	23.79	17.10	17.19	10.34
Russell 2000 Index	-7.36	-5.46	-4.41	3.93	16.26	21.26	14.52	14.29	8.19
Russell 3000 Index	0.01	4.88	6.95	17.76	19.66	23.08	17.01	15.78	8.44
Russell 1000 Growth Index	1.49	6.69	7.89	19.15	19.21	22.45	17.49	16.50	8.94
Russell 1000 Value Index	-0.19	4.90	8.07	18.89	20.58	23.93	16.90	15.26	7.84
Russell Midcap Growth Index	-0.73	3.61	5.73	14.43	20.81	22.74	16.84	17.12	10.24
Russell Midcap Value Index	-2.65	2.83	8.20	17.46	22.50	24.72	17.32	17.24	10.17
Russell 2000 Growth Index	-6.13	-4.51	-4.05	3.79	17.52	21.91	15.69	15.51	9.03
Russell 2000 Value Index	-8.58	-6.40	-4.74	4.13	15.01	20.61	13.32	13.02	7.25
NAREIT Equity REITs	-3.15	3.61	13.96	13.14	9.45	16.68	12.54	15.88	8.40
Barclays Capital Intermediate G/C Bond Index	-0.03	1.20	2.22	2.20	0.84	2.01	2.36	3.42	4.05
Barclays Capital Long Term G/C Bond Index	1.04	6.03	12.97	12.87	1.72	4.75	6.69	8.04	7.01
Barclays Capital Aggregate Bond Index	0.17	2.21	4.10	3.96	1.10	2.43	3.13	4.12	4.62
Barclays Capital U.S. TIPS	-2.04	1.69	3.67	1.59	-2.33	1.34	3.41	4.48	4.63
Barclays Capital U.S. Government	0.32	1.67	3.00	2.28	0.13	1.06	2.17	3.11	4.15
Barclays Capital U.S. Corporate Inv Grade	-0.08	2.58	5.60	6.77	2.51	5.19	4.99	6.41	5.49
Barclays Capital U.S. Corporate High Yield	-1.87	0.49	3.49	7.20	7.17	11.09	8.69	10.57	8.33
Citigroup Non-US WGBI USD	-5.38	-2.88	0.25	-0.99	-3.35	-1.13	0.16	1.01	3.99
JP Morgan EMBI Global Diversified USD	-0.59	4.14	8.02	9.67	2.58	7.95	6.11	8.03	8.32
JP Morgan GBI EM Global Diversified USD	-5.66	-1.87	-0.01	-1.54	-2.65	2.21	0.98	4.43	8.80
Citigroup 90-Day Treasury Bills	0.01	0.02	0.03	0.04	0.05	0.05	0.07	0.08	1.51
Citigroup Pension Liability Index	1.46	6.53	15.90	16.83	1.28	7.23	8.96	9.86	8.32

* 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