



Investment Performance Review

Capital Markets Review
Performance as of December 31, 2014

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The U.S. Economy Continues to Outpace the Rest of the World

- 3rd quarter 2014 GDP growth came in at 5.0%, exceeding the 4.6% growth seen in the 2nd quarter
- Personal consumption (accounting for 68.2% of U.S. GDP) increased 3.2% during the 3rd quarter as consumer sentiment continued to improve
- The employment market continues to improve with the U.S. unemployment rate declining to 5.6% in December
- While job gains and lowering unemployment point to an improving labor market, weak labor force participation and declining wage growth show weakness
- Falling gas prices have benefited consumers by increasing discretionary spending and have helped keep inflation modest

A Strong Close to the Year Pushed U.S. Stocks to All-Time Highs

- The S&P 500 Index gained 4.9% during the 4th Quarter and 13.7% for the year
- Falling oil prices dragged down energy stocks over 10% during the 4th quarter
- Small cap stocks outperformed large caps during the 4th quarter but lagged over the full calendar year

Interest Rates Remained Low Despite the End of Quantitative Easing in the U.S.

- The Fed ended its bond buying program at the end of October
- There is not a consensus in the market when interest rates will eventually rise
- Strong U.S. growth indicates quicker rate increases but weak global growth, the potential for falling energy prices to cause deflation and underlying weakness in the labor markets point to continuing low rates
- The benchmark 10 Year Treasury rate declined 35 bps during the quarter to 2.17%
- During 2014 the yield curve flattened with short term rates rising slightly and long-term rates declining
- The 30-Year Treasury Yield declined 1.2% in 2014
- Declining yields pushed up bond returns during the 4th quarter with Treasuries slightly outperforming mortgages and investment-grade corporate bonds

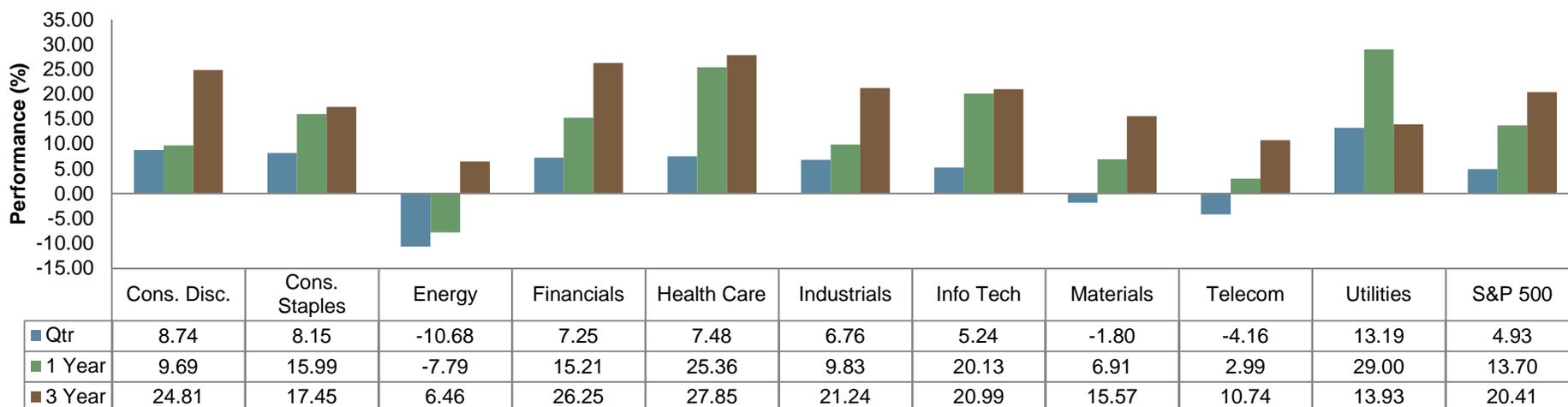
International Markets Continued to Struggle with Weak Growth and a Strengthening Dollar

- A strengthening U.S. dollar hurt international investors during the 4th quarter and for 2014
- For 2014 the MSCI EAFE Index gained 6.4% in local currency but lost 4.5% in U.S. dollar-terms
- Emerging market stocks were down slightly more than developed markets during the quarter, also hurt by U.S. dollar strength
- Russia continues to suffer from declining oil prices and sanctions, posting losses of 32.8% for the 4th quarter and 45.9% for 2014

Real Assets Were a Mixed Bag for the Quarter and Year

- Real estate posted strong gains to end the year with the NAREIT Equity REIT Index gaining 12.3% during the 4th quarter and 28.7% for the year
- Commodities continued to suffer from weak global growth and increased supply within the energy sector
- The Bloomberg Commodity Index lost 12.1% during the 4th quarter and 17% for 2014

Returns by Sector



Returns by Style

Last Quarter

	Value	Blend	Growth
Large	4.98	4.88	4.78
Mid	6.05	5.94	5.84
Small	9.40	9.73	10.06

Last 12 Months

	Value	Blend	Growth
Large	13.46	13.25	13.06
Mid	14.76	13.23	11.91
Small	4.22	4.90	5.61

Last 3 Years

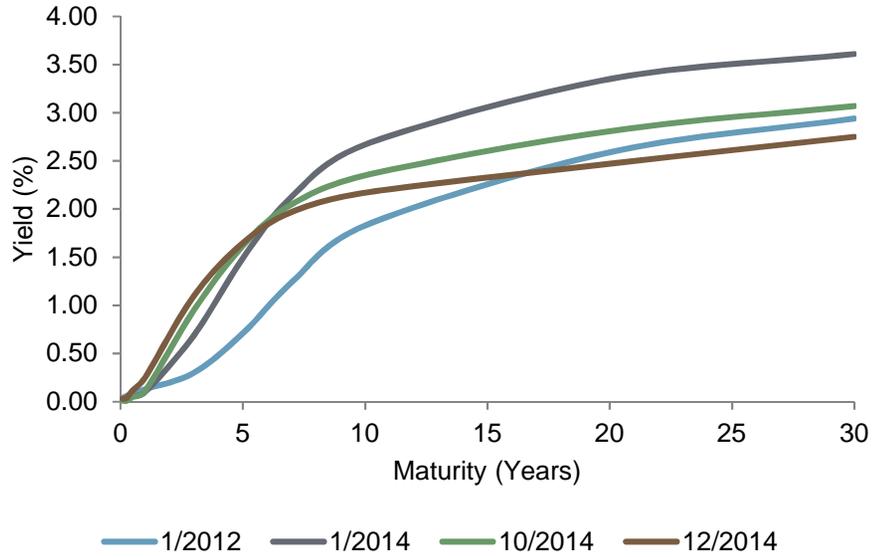
	Value	Blend	Growth
Large	20.89	20.61	20.26
Mid	21.97	21.40	20.71
Small	18.28	19.21	20.14

Last 5 Years

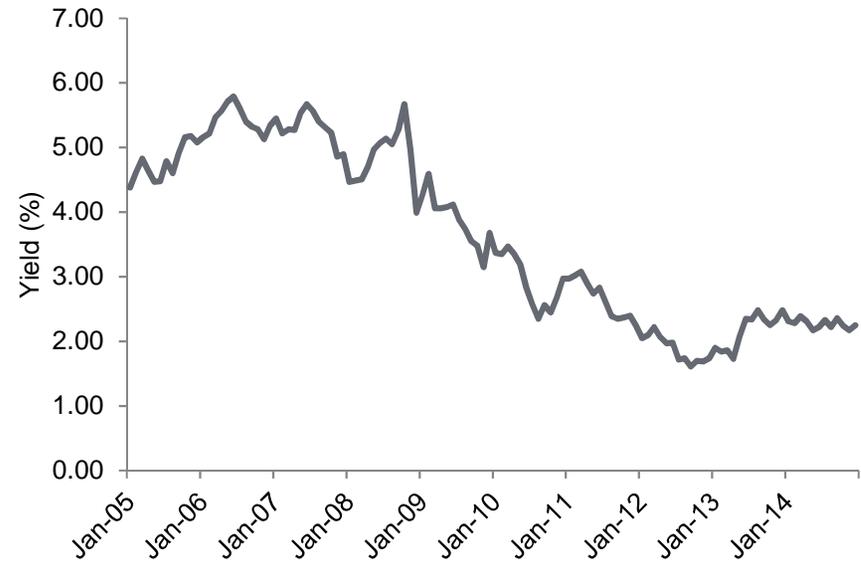
	Value	Blend	Growth
Large	15.43	15.64	15.82
Mid	17.43	17.19	16.94
Small	14.26	15.55	16.80

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



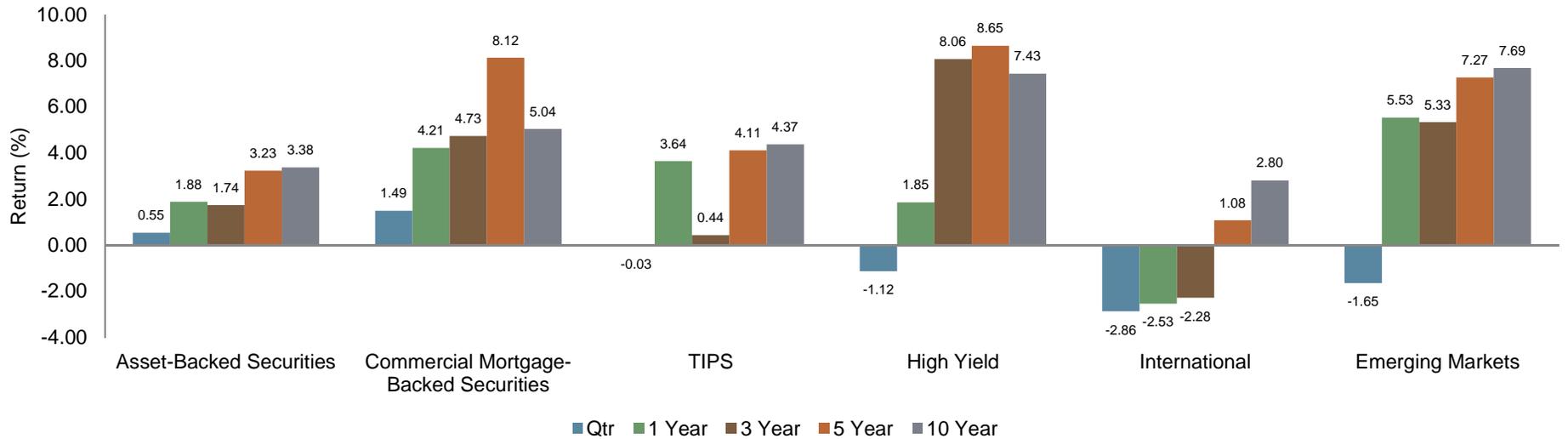
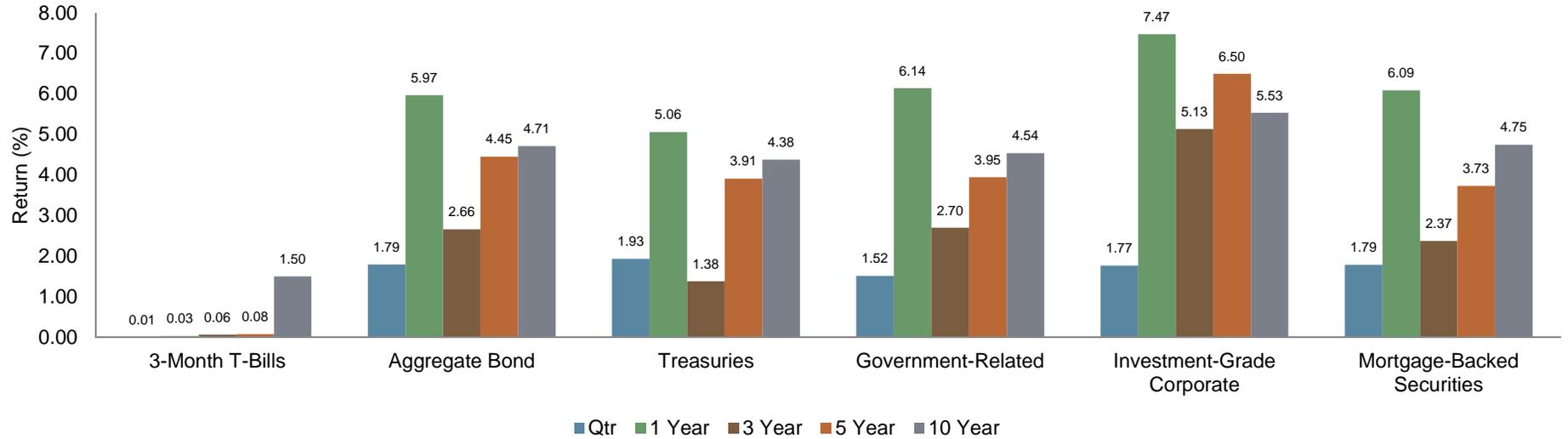
10 Year Treasury Yield



Source: Morningstar Direct

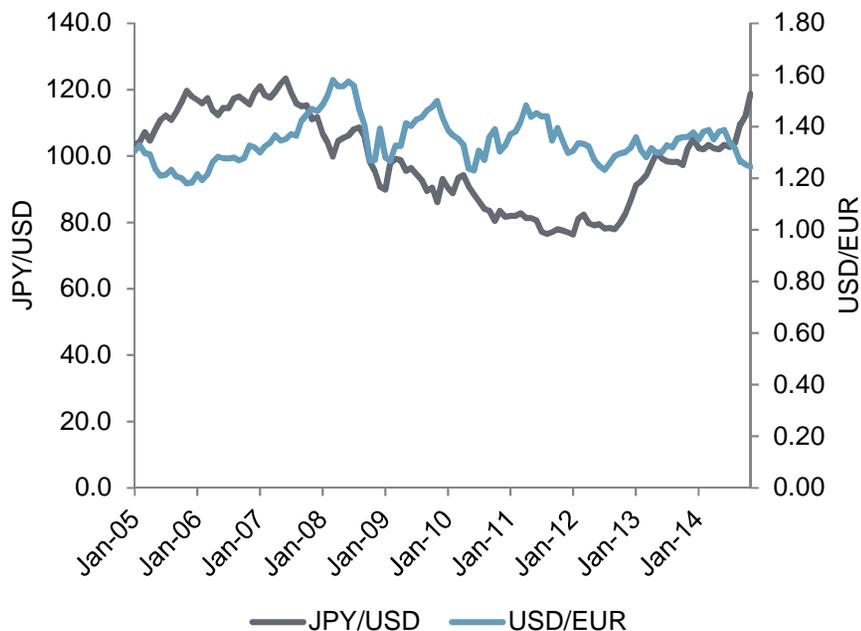
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Fixed Income Returns



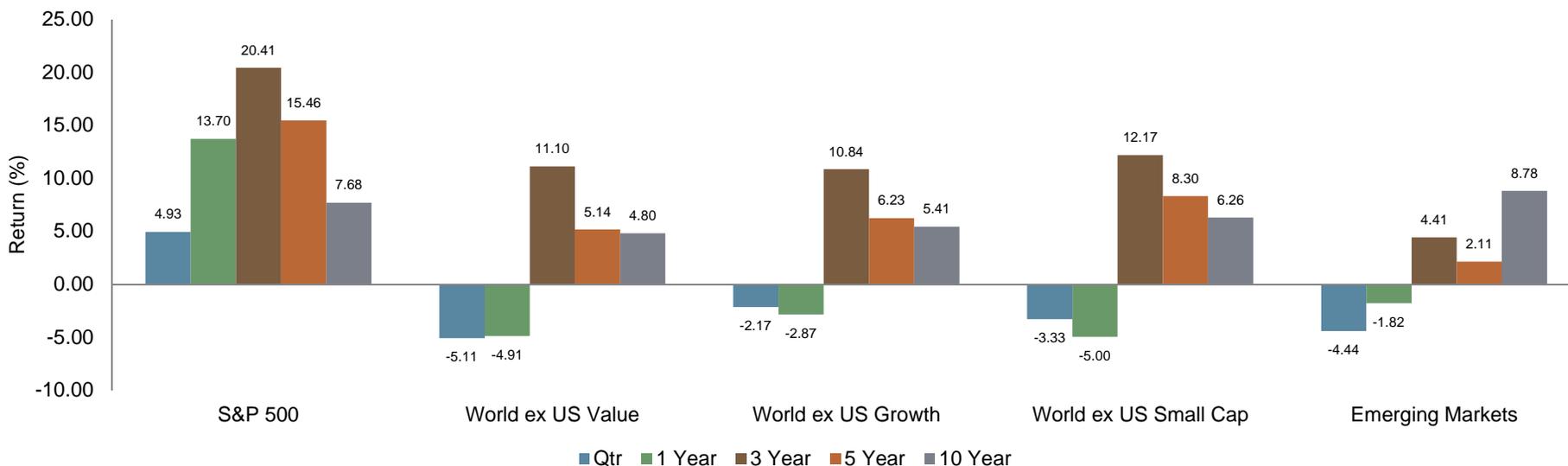
Source: Morningstar Direct. Performance is annualized for periods greater than 12 months. The returns shown above are represented by the following indices: 3-Month T-Bills - USTREAS T-Bill Auction Ave 3 Mon; Aggregate Bond - Barclays US Agg Bond TR USD; Treasuries - Barclays US Treasury TR USD; Government-Related - 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 Intern 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	4.93	n/a	13.70
Europe ex-U.K	0.24	-4.34	7.44	-5.84
France	-1.69	-5.83	3.64	-9.00
Germany	3.99	-0.39	2.76	-9.77
United Kingdom	-0.43	-4.23	0.54	-5.35
Pacific ex-Japan	3.05	-1.49	5.85	-0.34
Japan	6.68	-2.40	9.83	-3.72
Emerging Markets	0.08	-4.44	5.57	-1.82
Brazil	-7.53	-14.79	-2.81	-13.75
China	7.03	7.17	8.28	8.27
India	1.51	-0.68	26.43	23.89
Russia	-5.87	-32.78	-12.10	-45.88

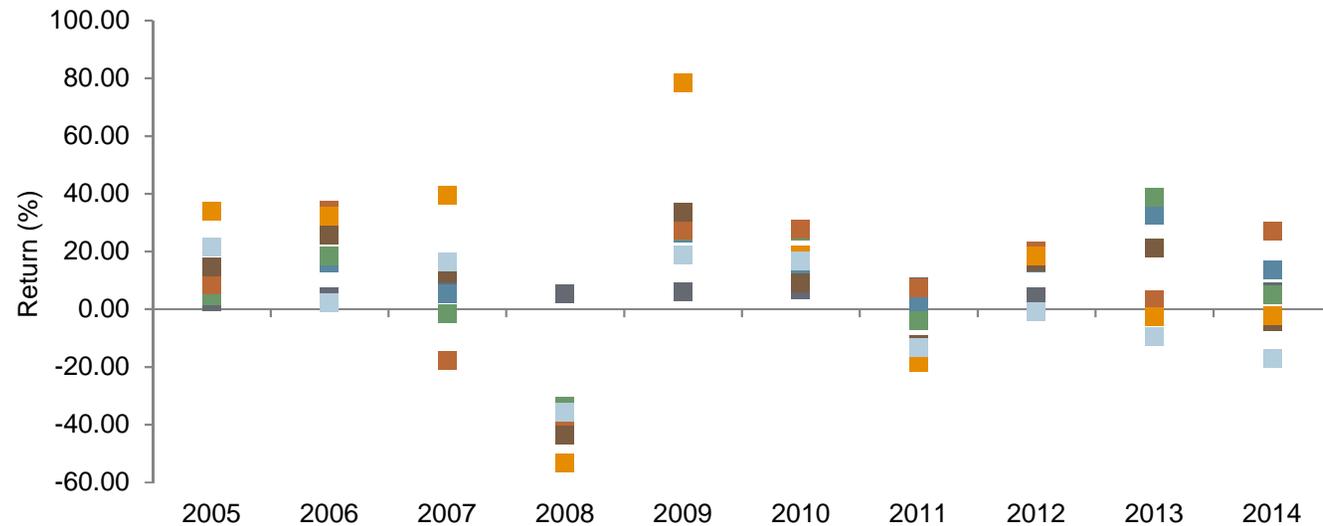


Source: Morningstar Direct. Regional returns are shown for the respective MSCI gross return indices for local and USD returns. Style returns are shown for the S&P 500 Index, MSCI World ex USA Value GR USD, MSCI World ex USA Growth GR USD, MSCI World ex USA Small Cap GR USD, and the MSCI Emerging Markets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

Unpredictability of Asset Class Returns

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Best	34.00	34.35	39.42	5.24	78.51	27.58	7.84	20.14	38.82	27.15
	21.36	32.14	16.23	1.51	33.67	26.85	7.28	18.22	32.39	13.69
	14.47	25.71	12.44	-33.79	27.45	18.88	2.11	16.41	21.02	5.97
	8.29	18.37	6.97	-35.65	27.17	16.83	0.06	16.35	3.21	4.89
	4.91	15.79	5.49	-37.00	26.46	15.06	-4.18	16.00	0.06	0.03
	4.55	5.06	4.77	-37.34	18.91	8.95	-12.21	4.21	-2.02	-2.19
	3.34	4.33	-1.57	-43.56	5.93	6.54	-13.32	0.09	-2.60	-4.32
Worst	2.43	2.07	-17.83	-53.33	0.16	0.14	-18.42	-1.06	-9.52	-17.01

Cash
Aggregate Bond
Large Cap U.S. Stocks
Small Cap U.S. Stocks
Real Estate
Developed International Stocks
Emerging Markets Stocks
Commodities



Source: Morningstar Direct

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