



Investment Performance Review

Capital Markets Review Performance
as of March 31, 2015

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The Economy Continues to Recover Although Cracks Are Beginning to Appear

- 4th Quarter 2014 Real GDP growth came in at 2.4%
- Strong job growth pushed down the unemployment rate to 5.5% at the end of February
- Improving employment numbers have not translated to increased wage growth
- Home prices continue to rise, aided by continuing low interest rates and an improving economy
- Lower energy costs are benefitting consumers, especially those at the lower end of the income spectrum that spend a larger portion of their income on gas and oil
- Corporate earnings appear to have peaked as tightening margins caused shrinking earnings from the prior year

Equity Volatility Increased at the Beginning of the Year But U.S. Stocks Were Able to Post a Modest Gain

- Market valuations continued to expand with the S&P 500 Index's Price to Earnings ratio increasing to 16.9; above the 25 year average of 15.7
- Following strong performance in 2014, utilities stocks gave back some of their gains with a loss of 5.17% for the quarter
- Energy stocks continued to disappoint as the sector lost 2.85% during the first quarter
- Small cap stocks outperformed large cap as the Russell 2000 Index was up 4.32% versus 0.95% for the S&P 500 Index
- Underweights to financials, energy, and utilities led growth indices to outperform their value counterparts

Fixed Income Markets Continue to Confuse as Investors Prepare for Eventual Fed Rate Hikes

- The Fed continues to signal that it may start raising interest rates for the first time in almost a decade, beginning this summer
- While Fed forecasts and implied market rates signal increases in the Fed Funds rate beginning this year, the yield curve has flattened with intermediate to long term Treasury rates lower than at the end of 2014
- The benchmark 10 Year Treasury Rate declined 23 bps to 1.94% at the end of the first quarter
- Investment-grade corporate and high yield bonds outperformed mortgages and government-related debt during the quarter

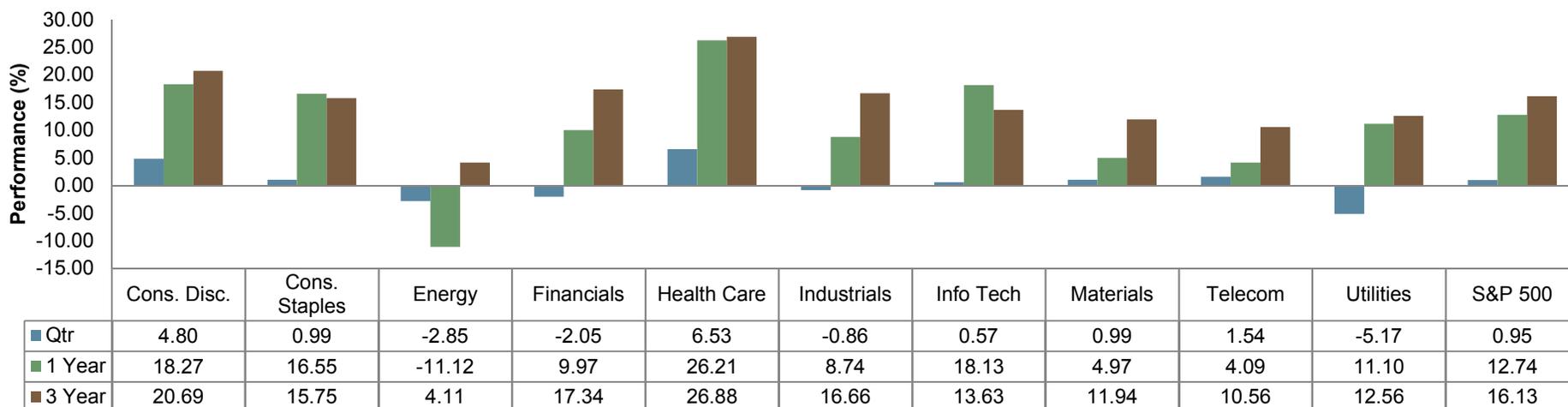
Stimulative Monetary Policy in Europe and Japan Aided Equity Markets

- The European Central Bank's quantitative easing program stimulated equity markets, but caused a significant decline in the price of the euro relative to the U.S. dollar
- The MSCI Europe ex U.K. Index gained 15.43% in local currency for the quarter, but the declining value of the euro tempered those returns for U.S. investors with the dollar-denominated index gaining 5.69%
- Japanese equities posted strong returns that were not affected by weakening currency as the MSCI Japan Index gained 10.34% in dollar-terms
- Emerging markets lagged developed markets for the quarter, but posted modest gains of 2.28%
- Russia equities recovered slightly from a terrible 2014, while Brazilian stocks underperformed significantly relative to the other large emerging market economies

Real Assets Continued to Underperform as Inflation Remains Non Existent

- Core CPI was 1.7% in February 2015, while Headline CPI (less energy and food) was -0.1%
- Commodities continued to struggle, hurt by falling agricultural and energy prices
- TIPS underperformed the broader Barclays Aggregate Bond Index for the quarter
- REITs were up 4.05% for the quarter as investors continue to seek out attractive relative yields

Returns by Sector



Returns by Style

Last Quarter

	Value	Blend	Growth
Large	-0.72	1.59	3.84
Mid	2.42	3.95	5.38
Small	1.98	4.32	6.63

Last Year

	Value	Blend	Growth
Large	9.34	12.74	16.10
Mid	11.71	13.69	15.57
Small	4.43	8.22	12.07

Last 3 Year

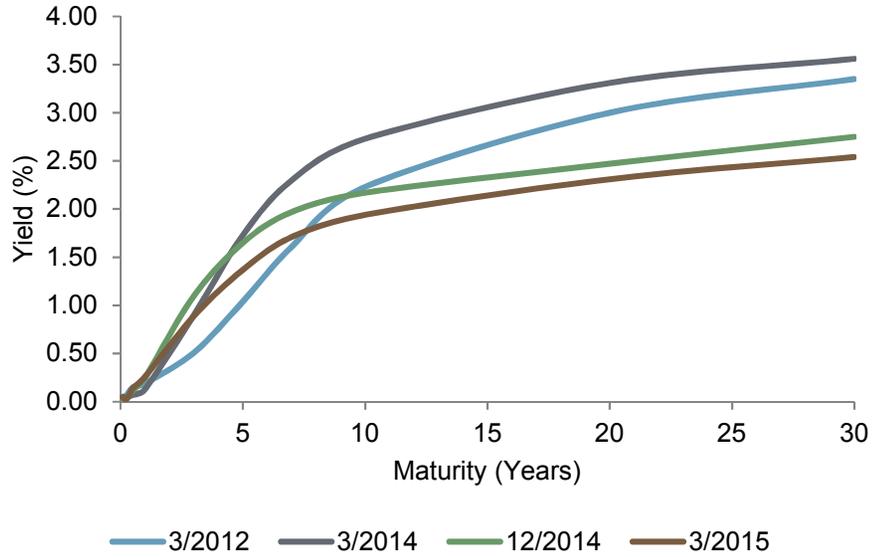
	Value	Blend	Growth
Large	16.45	16.46	16.35
Mid	18.62	18.11	17.43
Small	14.80	16.28	17.76

Last 5 Years

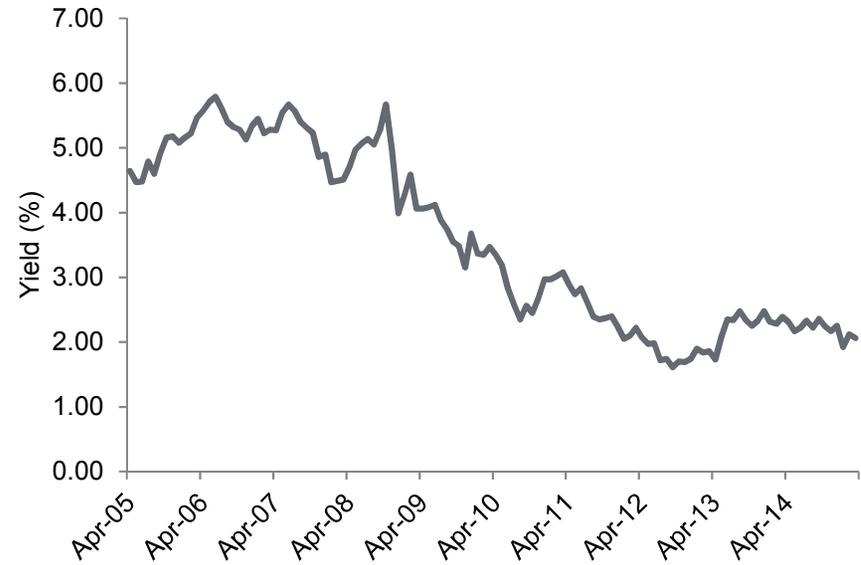
	Value	Blend	Growth
Large	13.76	14.73	15.64
Mid	15.85	16.16	16.44
Small	12.54	14.57	16.58

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



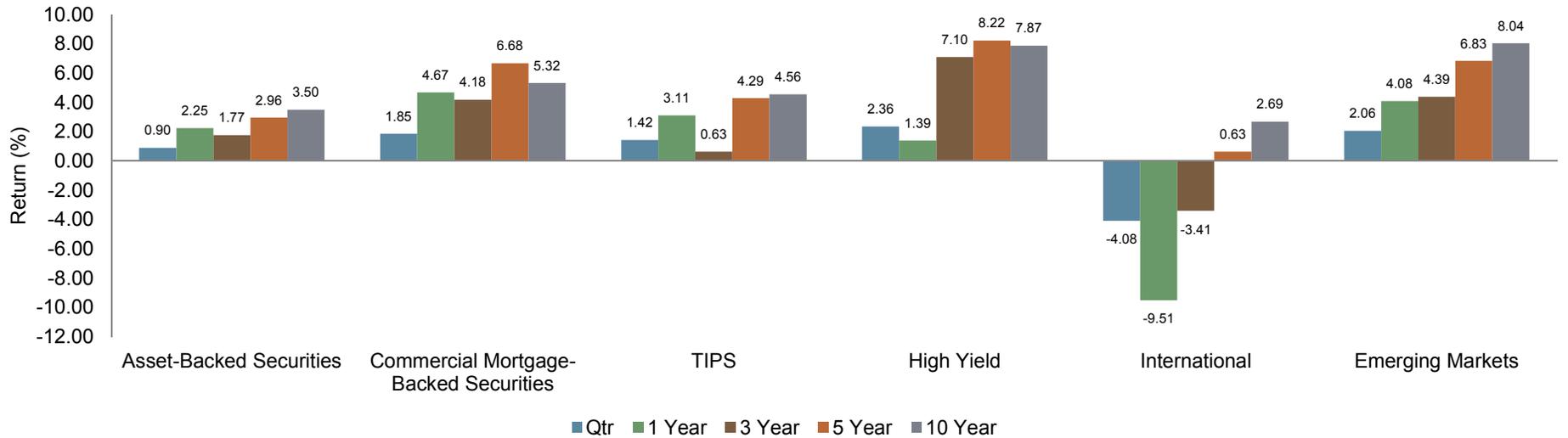
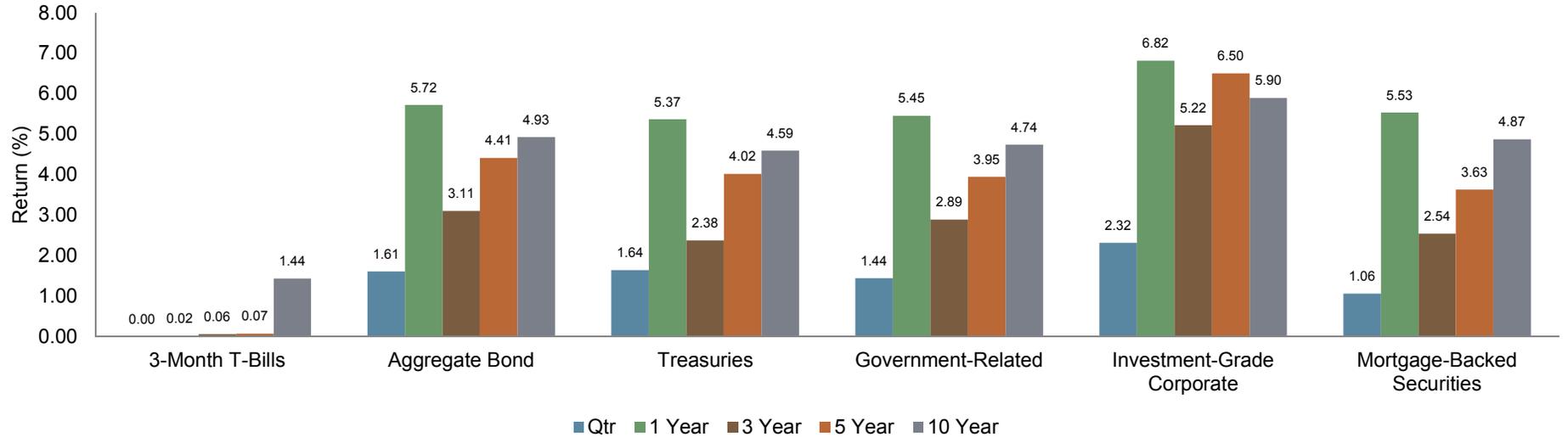
10 Year Treasury Yield



Source: Morningstar Direct

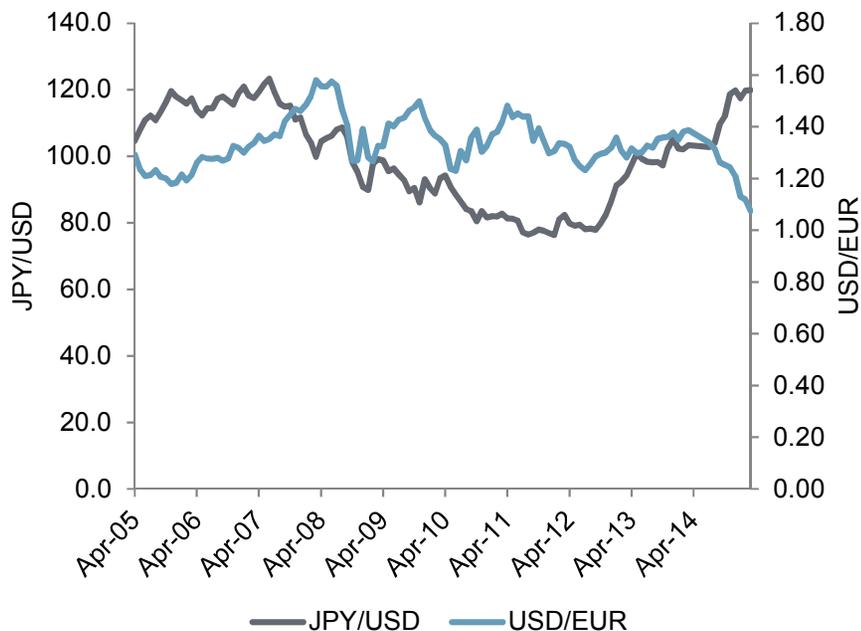
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Fixed Income Returns



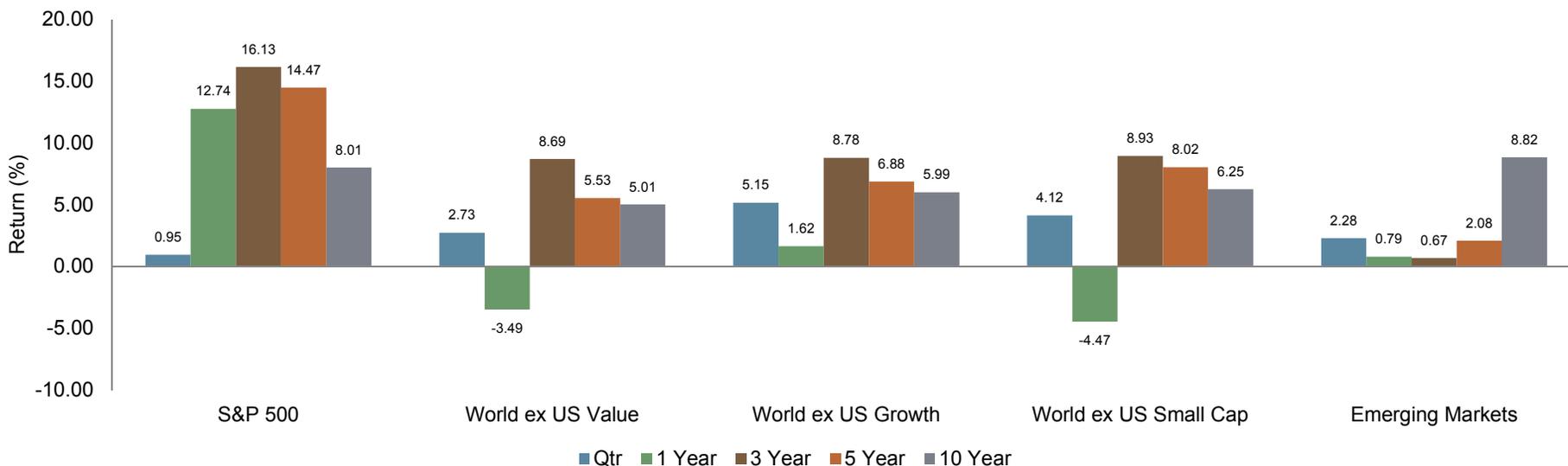
Source: Morningstar Direct. Performance is annualized for periods greater than 12 months. The returns shown above are represented by the following indices: 3-Month T-Bills - USTREAS T-Bill Auction Ave 3 Mon; Aggregate Bond - Barclays US Agg Bond TR USD; Treasuries - Barclays US Treasury TR USD; Government-Related - 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)

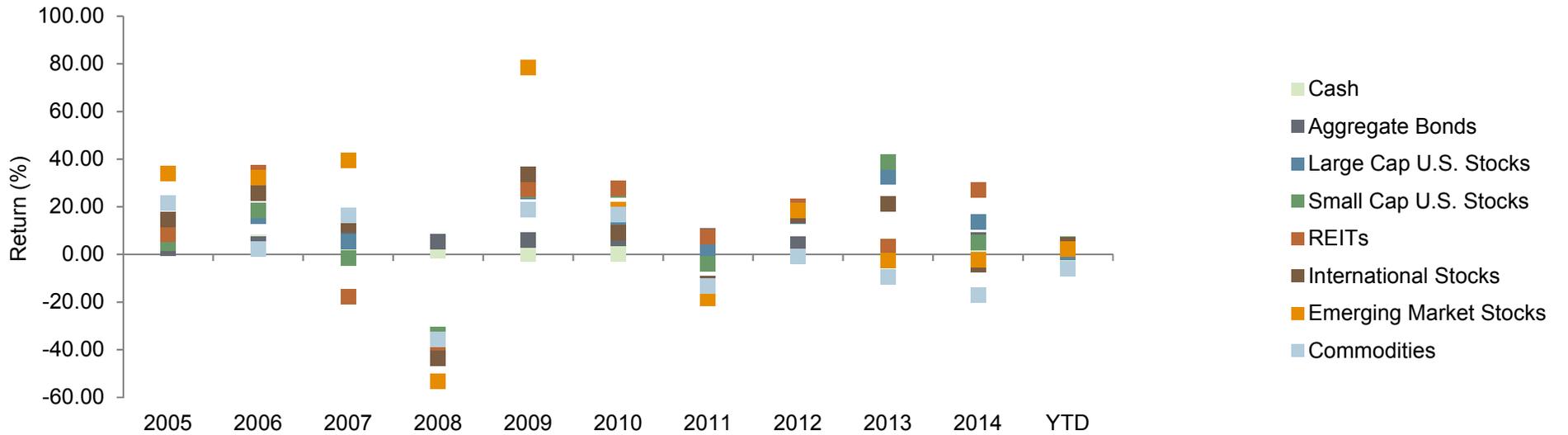
Region	Qtr		1 Year	
	Local	USD	Local	USD
USA	n/a	0.95	n/a	12.74
Europe ex-U.K	15.43	5.69	19.78	-4.00
France	18.03	4.76	18.85	-7.40
Germany	22.09	8.36	25.84	-1.96
United Kingdom	4.04	-0.95	6.16	-5.47
Pacific ex-Japan	8.00	3.16	13.67	-0.17
Japan	10.37	10.34	30.90	12.39
Emerging Markets	4.94	2.28	11.32	0.79
Brazil	2.71	-14.57	1.47	-28.38
China	8.09	8.12	24.30	24.36
India	4.49	5.40	26.50	20.72
Russia	15.71	18.61	12.62	-24.95



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	4.32	Cash
	21.36	32.14	16.23	1.51	33.67	26.85	7.28	18.22	32.39	13.69	4.05	Aggregate Bonds
	14.47	25.71	12.44	-33.79	27.45	18.88	2.11	16.41	21.02	5.97	3.83	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	2.24	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	1.61	REITs
	4.55	5.06	4.77	-37.34	18.91	8.95	-12.21	4.21	-2.02	-2.19	0.95	International Stocks
	3.34	4.33	-1.57	-43.56	5.93	6.54	-13.32	0.09	-2.60	-4.32	0.00	Emerging Market Stocks
	2.43	2.07	-17.83	-53.33	0.16	0.14	-18.42	-1.06	-9.52	-17.01	-5.94	Commodities
Worst												



Source: Morningstar Direct

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