Quarterly Investment Summary

MARCH 2016

Performance Summary (as of 3/31/2016)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	1.96%	1.96%	0.51%	1.16%	2.90%
Conservative	25%/75%	2.13%	2.13%	0.22%	3.00%	4.17%
Balanced	50%/50%	1.92%	1.92%	-0.40%	4.47%	5.13%
Growth	75%/25%	1.73%	1.73%	-0.92%	6.02%	6.13%
Equity	100%/0%	1.55%	1.55%	-0.71%	7.90%	7.33%

Market Commentary

- Headline GDP data for 2015 continued a trend of modest growth. Consumer spending continues to propel the economy forward with the U.S. consumer benefitting from a better employment picture, a stronger housing market, and lower energy prices. Despite the relatively solid footing of the consumer, cyclically-exposed corporations are facing headwinds. As we head into first quarter earnings reports, corporate profits have fallen for two straight quarters. The primary culprits of the weak profit picture are low oil prices for energy-dependent firms as well as a strong dollar, which acts as a headwind for U.S. multinational companies. International economies continue to cloud the U.S. economic outlook. A lack of growth plagues developed foreign markets, with Europe's central bank in a continuing state of quantitative easing, while the Bank of Japan is experimenting with negative interest rates. China's trend of decelerating growth continues, as that nation's most recently reported 6.9% growth rate expected to fall closer to 6.0% over the next two years. Early readings on the first quarter of 2016 are mixed. Consumer spending is showing signs of slower growth as personal savings rates have moved higher. More encouragingly, manufacturing increased in March for the first time in seven months, helping push the ISM Manufacturing Index back into expansionary territory.

- Major U.S. stock market averages began 2016 on a sour note, with the Dow, S&P 500, and NASDAQ all dropping by 5% to 8% in January. Markets were largely unchanged in February before rebounding sharply in March, allowing the S&P 500 to close just 3% below its all-time high. The dramatic mood swing of the market can be illustrated by the nearly 14% gain from the intra-quarter low the S&P 500 reached in early February through the end of the quarter. The first quarter did see some signs of a shift in leadership as growth stocks, which were by far the best performing style in 2015, lagged their value counterparts. Similarly, emerging market indices rebounded with a gain in the quarter, after lagging badly in 2015. Small-cap stocks continued to lag and foreign stocks located in developed countries were weaker during the quarter.

- Yields on U.S. Treasury securities of various maturities fell sharply during the quarter. The 10-year Treasury dipped below 1.7% in early February due to a flight to quality coupled with plummeting global bond yields, before ending the quarter 50 basis points lower than where it started. Lower bond yields of course mean gains for fixed income investors. Government, corporate, and even high-yield bonds posted gains during the first quarter. Despite the Fed's initial guidance of up to four additional hikes throughout 2016, modest growth experienced so far makes it more likely that any further rate increases will be conducted at a more measured pace. Recent comments from Fed officials indicate that any increase is also unlikely in April, pushing speculation out to the June FOMC meeting as to when the next rate hike may occur.