Quarterly Investment Summary

MARCH 2017

Performance Summary (as of 03/31/2017)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	1.10%	1.10%	2.21%	1.84%	2.31%
Conservative	25%/75%	2.36%	2.36%	5.46%	3.36%	4.36%
Balanced	50%/50%	3.59%	3.59%	8.78%	4.50%	6.18%
Growth	75%/25%	4.83%	4.83%	12.13%	5.75%	8.04%
Equity	100%/0%	6.08%	6.08%	15.58%	7.26%	10.19%

Market Commentary

- Economic data continues to suggest a solid expansionary backdrop. Most economists are projecting a respectable 2.0%-2.5% GDP growth for the second quarter. Consumer trends are strong and improving with March consumer confidence hitting its highest level since December of 2000. The unemployment rate is low and stable at 4.7% and weekly unemployment claims are strikingly low, coming in at 258,000 and just off early-March lows not witnessed in 44 years. By most accounts, the labor market now appears to be reaching levels that most economists would consider to represent "full-employment". Home prices remain firm, despite increasing mortgage rates, with February prices coming in slightly higher than expected. Oil prices appear to have somewhat stabilized after investors witnessed a 45% increase throughout 2016. Nevertheless, volatility remains evident. Oil prices fell significantly in the first few weeks of March, on a surge in global crude stockpiles, before rallying back in the waning days of the month due to strong demand. International economic activity also appears to be firming. German business sentiment hit its highest level in nearly six years in March while Chinese industrial profits rose at their fastest pace in six years. Disrupting nascent signs of European growth could be the upcoming French election that could prove to be the most consequential contest yet between the world's ideological divide between nationalism and globalism.

- The post-election rally ran into resistance in early March, falling to 20,663 at month end. U.S. equities experienced their largest weekly decline since just before the election in the penultimate week of March. Most market watchers attributed the selloff to dampened policy optimism in Washington following the failure of the Congress to repeal and replace the Affordable Care Act. Also weighing on equity returns were talks of a watered-down package of tax cuts coming out of the Trump administration. Both emerging and developed markets reported strong performance to end the month of March. European stocks appear attractive from a valuation standpoint relative to their U.S. counterparts and firming economic conditions in the Eurozone could potentially warrant a market revaluation

- Yields on shorter-term government bonds increased in March, while yields on longer-term government bonds held generally steady. The 10-year Treasury bond finished the first quarter yielding 2.39%, up significantly from pre-election yields.
  The 3-month Treasury bill finished March yielding 0.75%, up from 0.50% to start the year. This flattening of the yield curve resulted in longer-term bonds outperforming their shorter-term counterparts. Corporate bond spreads ground lower throughout much of the quarter resulting in corporate bonds generally besting their government counterparts, especially in the high-yield segment. Nevertheless, credit spreads did widen slightly in March from over-bought levels as the post-election rally faded.