Capital Markets Review

Q2 2016

Reviewing the quarter ended March 31, 2016

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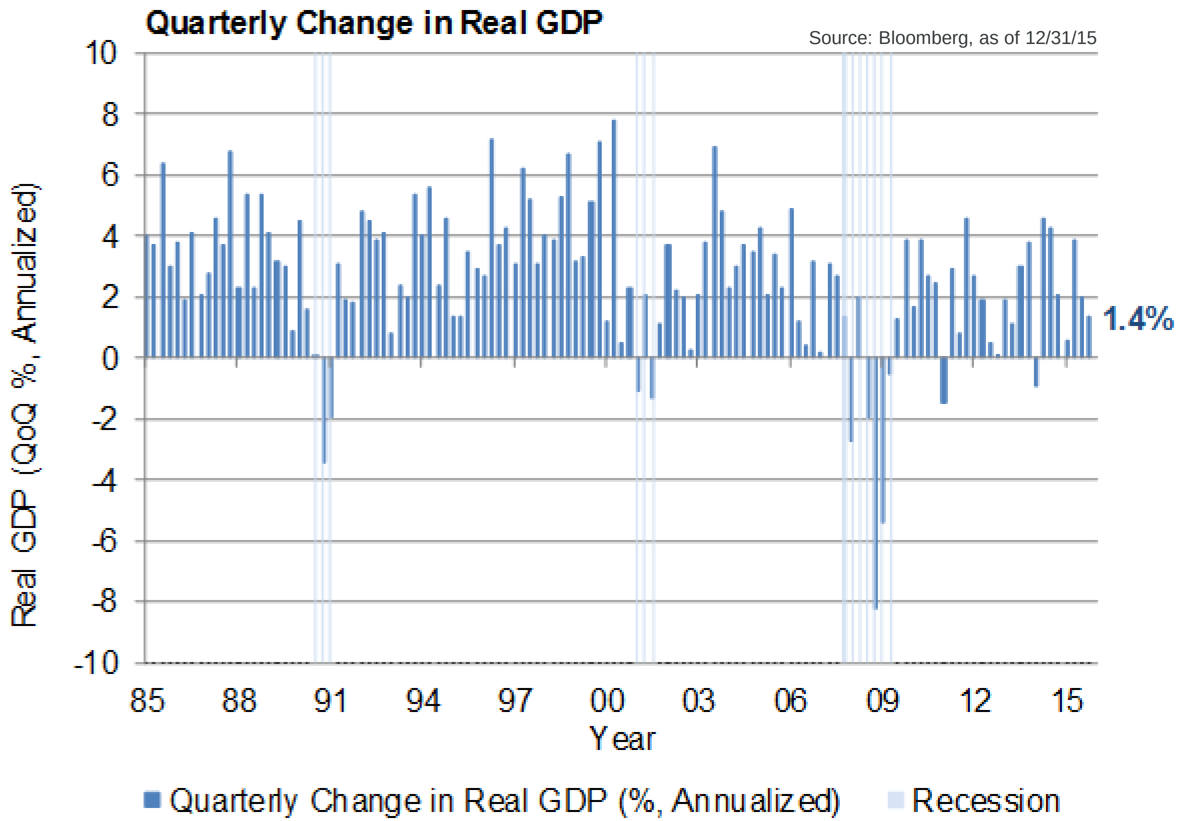
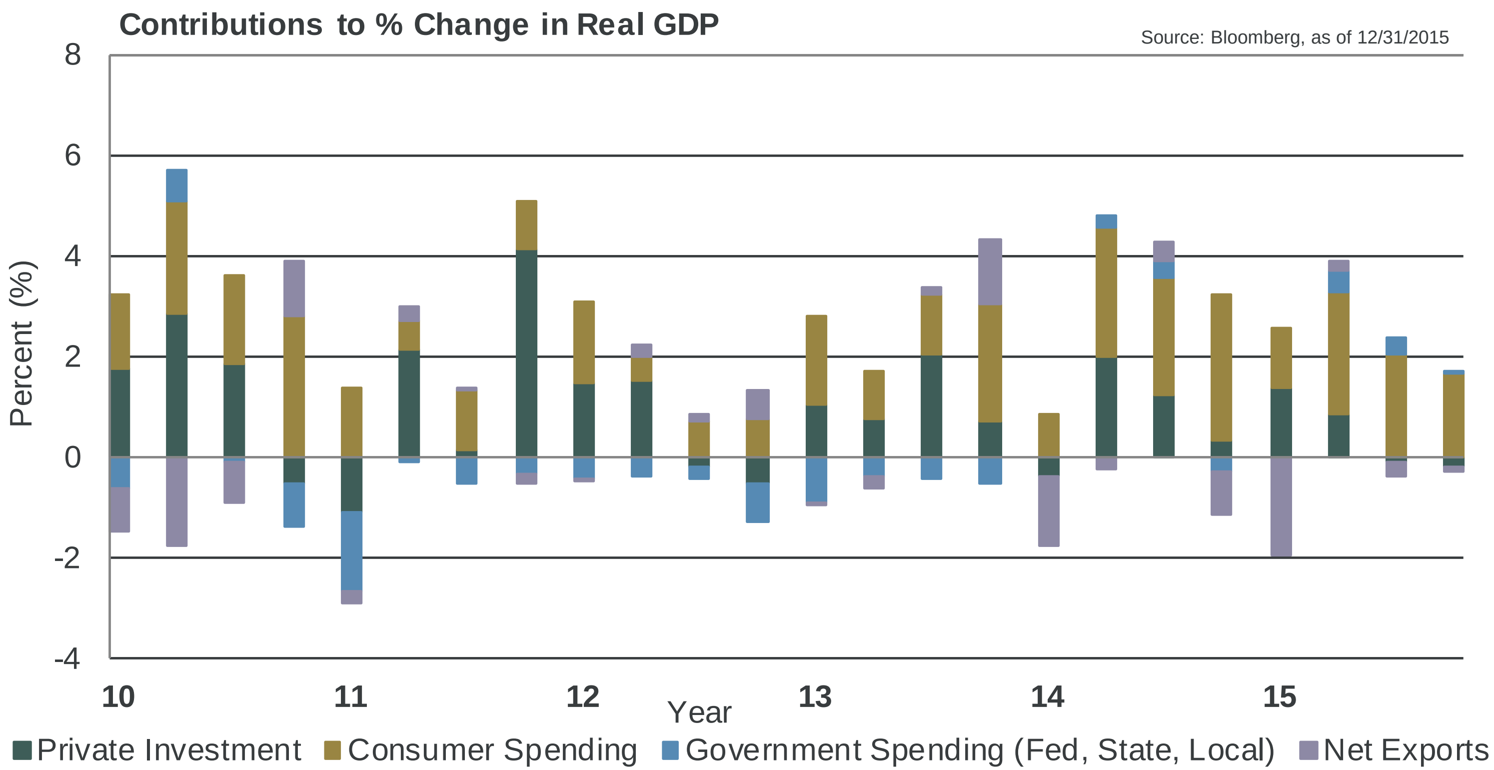
GROSS DOMESTIC PRODUCT

Real gross domestic product increased at an annual rate of 1.4 percent in the fourth quarter of 2015, falling from 2.0 percent in the previous quarter.

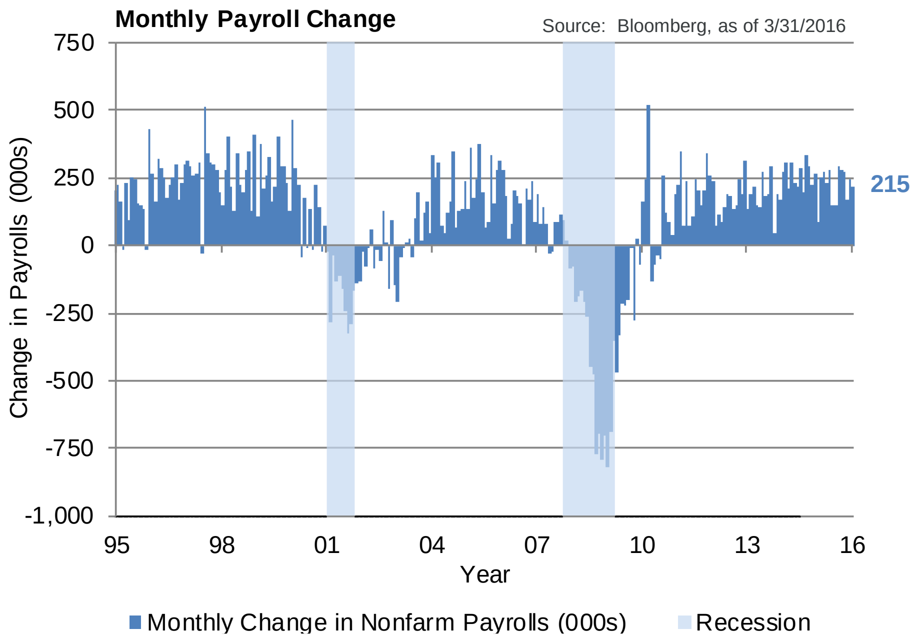


CONTRIBUTIONS TO % CHANGE IN REAL GDP

The deceleration in real GDP primarily reflected downturns in nonresidential fixed investment, state and local government spending, and a downturn in net exports. Increases did occur in federal government spending.

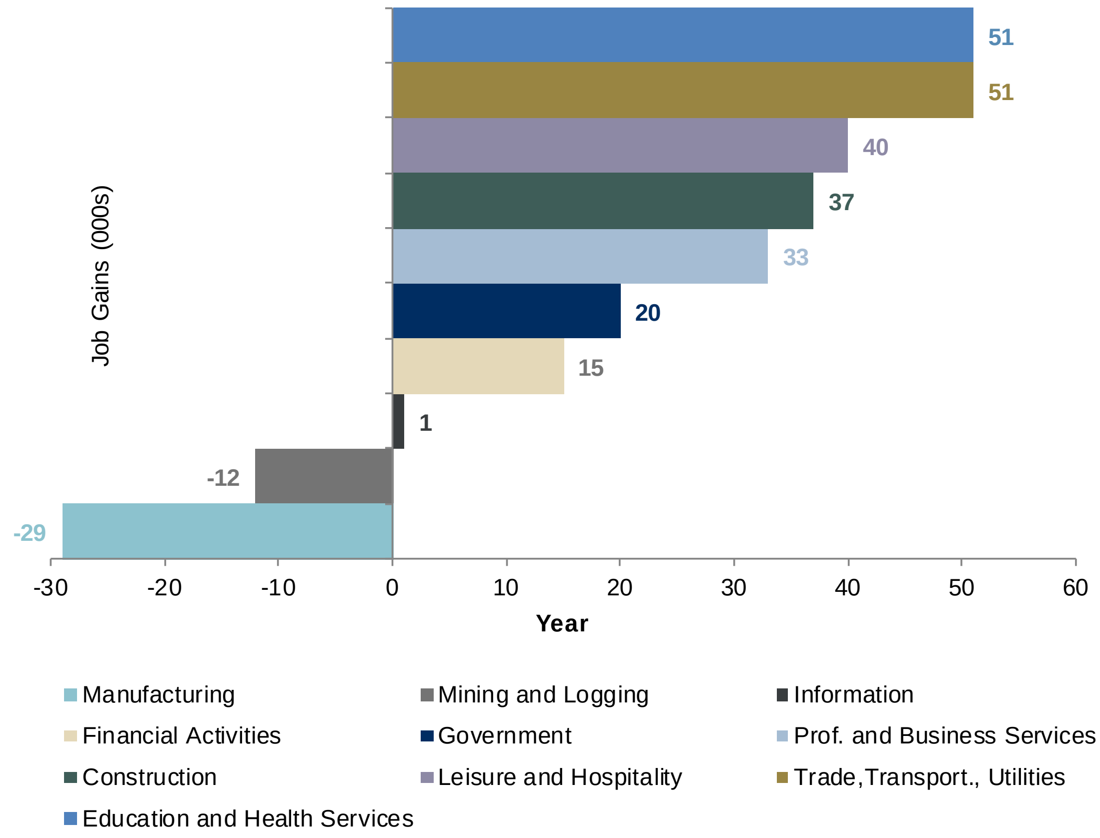


Total nonfarm payroll employment rose by 215,000 in March, and the unemployment rate was unchanged at 5.0%. Over the past three months, job gains have averaged 209,000 per month.



MAJOR INDUSTRY CONTRIBUTIONS TO JOB GROWTH

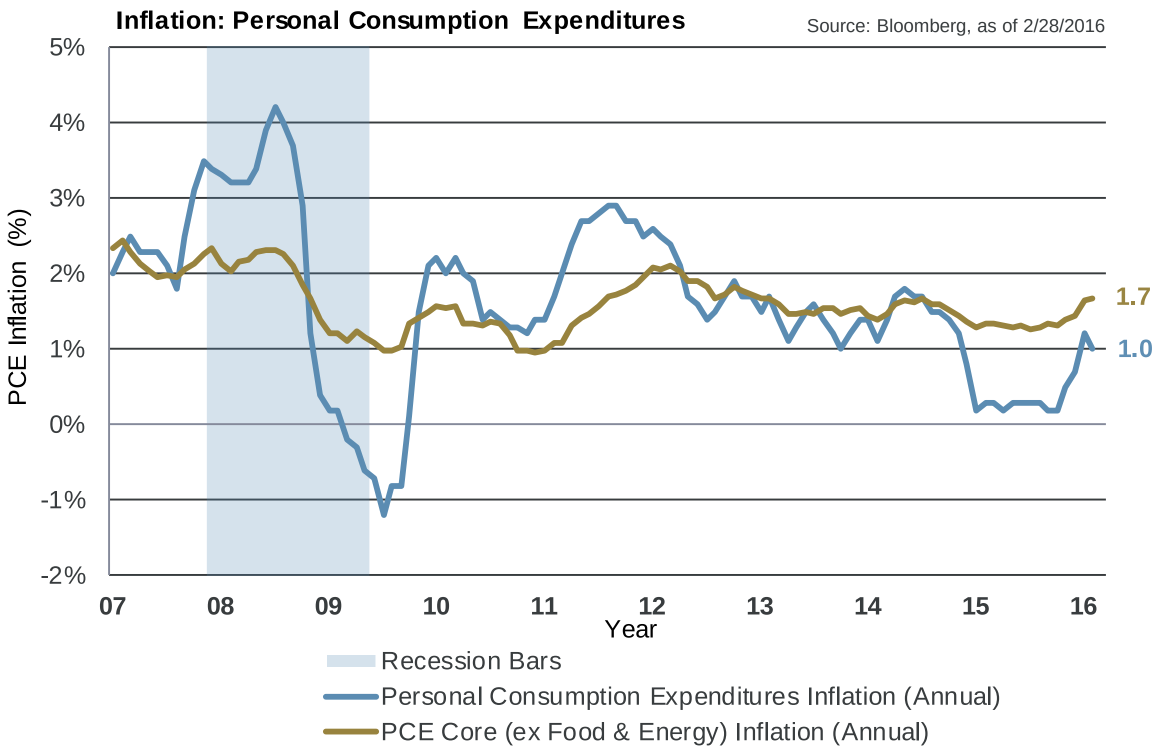
Employment increased in retail trade, construction, and health care. Job losses occurred in manufacturing and mining. Since reaching a peak in September 2014, employment in mining has decreased by 185,000.



Source: Bureau of Labor Statistics, as of 3/31/2016. A preliminary estimate of the net number of jobs in the various industries in the latest month.

INFLATION

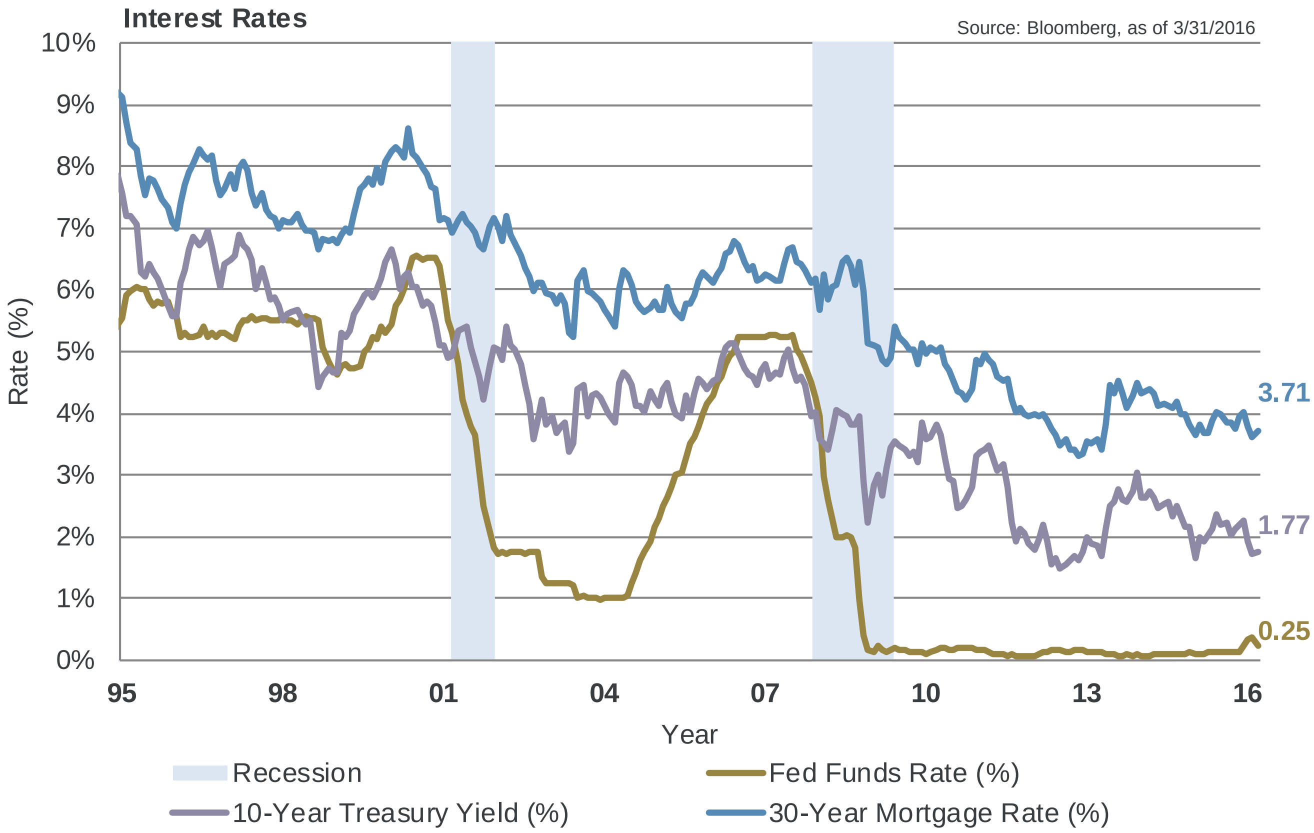
The February PCE price index increased 1.0 percent from February a year ago. The core index, excluding food and energy, increased 1.7 percent over this period. While inflation is expected to normalize in the long run, Fed Chair Janet Yellen pointed out in a March press conference "earlier declines in energy prices and appreciation of the dollar could well continue to weigh on overall consumer prices."



*Personal Consumption Expenditure (PCE) is the preferred measure of inflation by the Bureau of Economic Analysis.

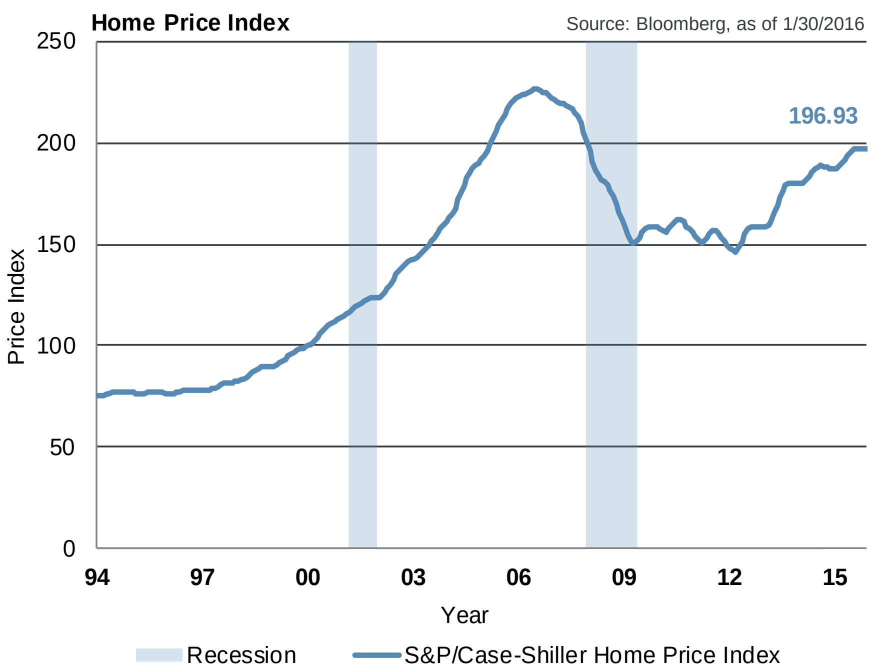
KEY INTEREST RATES

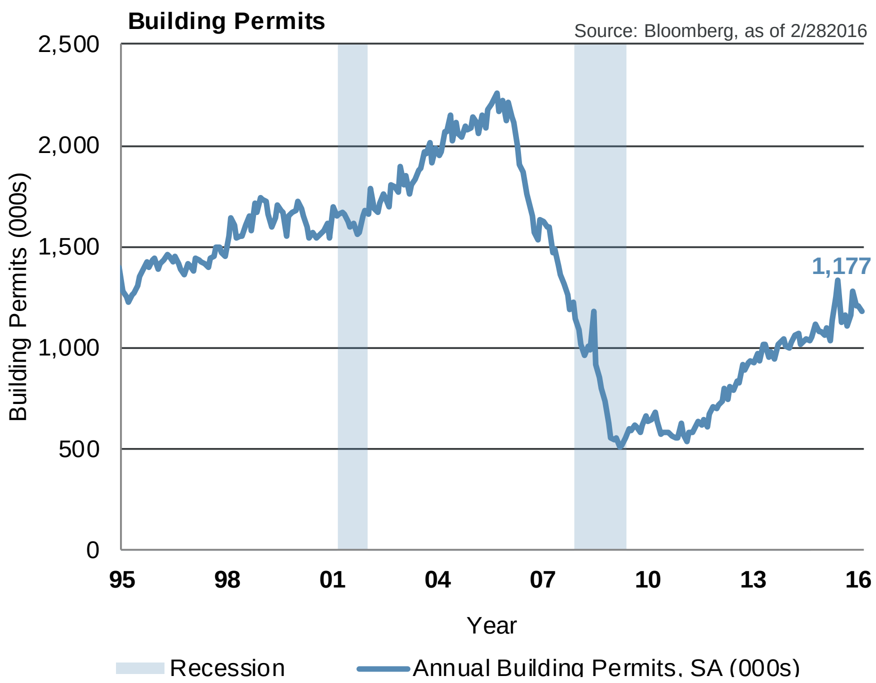
Many central banks around the world are currently experimenting with negative interest rate policies, in which they allow their short-term lending rates to fall below zero. Thus, the U.S. remains a relatively attractive, and safe option for foreign fixed income investors. As long as this dichotomy exists, U.S. rates should remain low along the yield curve.



HOUSING MARKET

Housing prices continued to rise in January, illustrating a steady trend of price improvement since early 2012. Housing is relatively expensive for first time homebuyers, leading to increases in rents which are expected to continue.

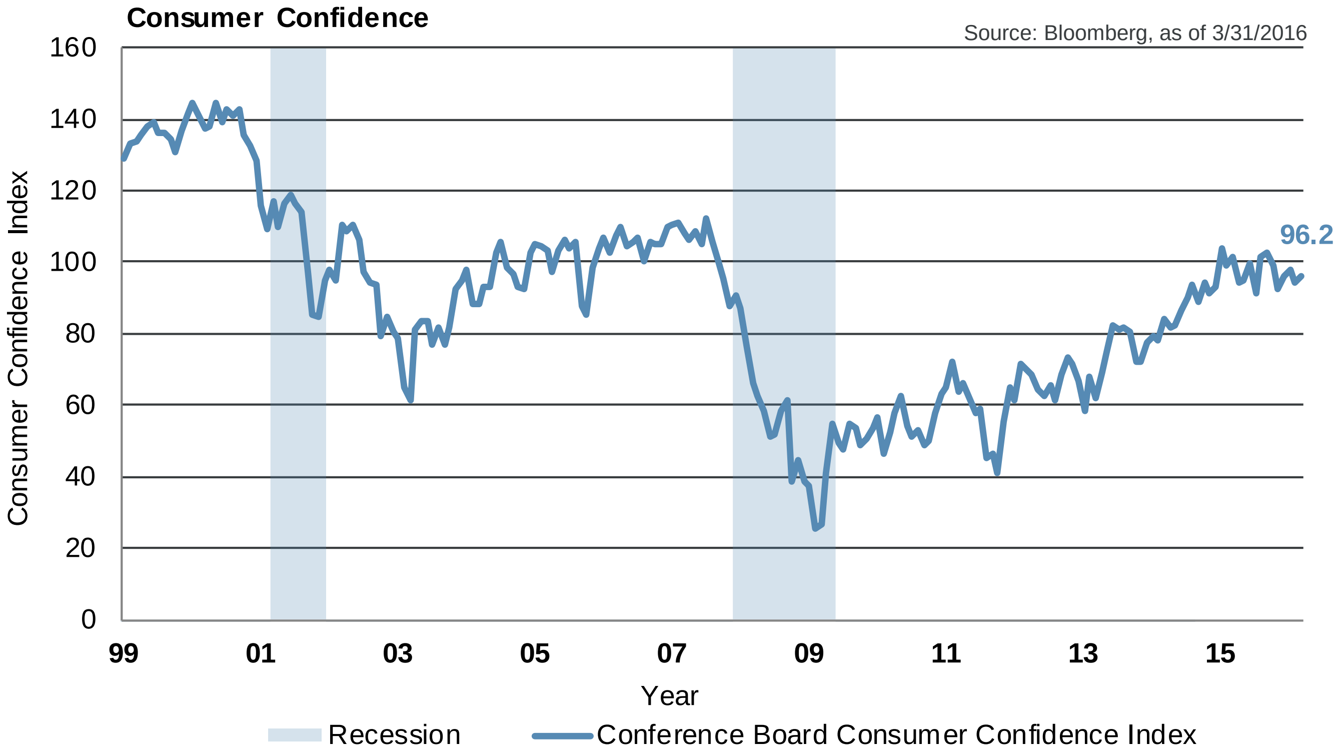




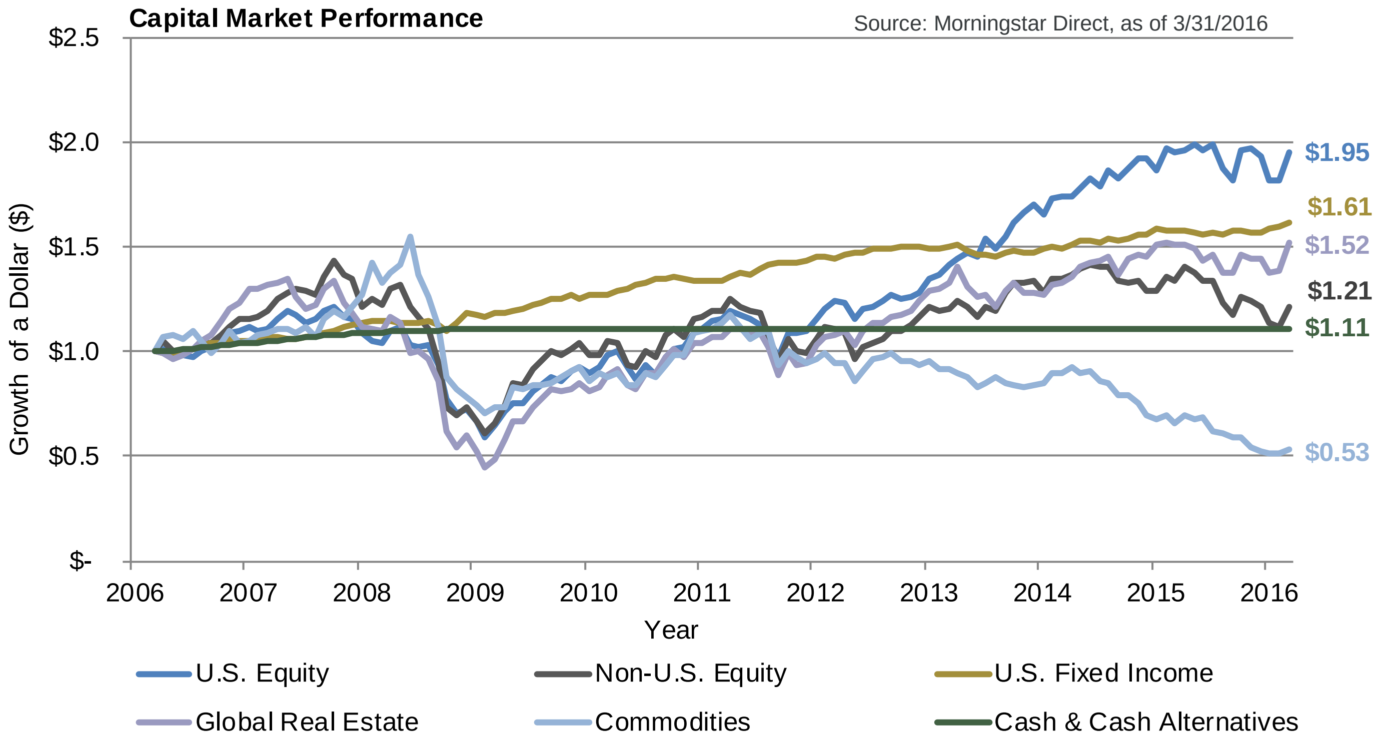
CONSUMER CONFIDENCE

Consumer confidence increased in March, after declining in February. "Consumers' assessment of current conditions posted a moderate decline, while expectations regarding the short-term turned more favorable as last month's turmoil in the financial markets appears to have abated. On balance, consumers do not foresee the economy gaining any significant momentum in the near term, nor do they see it worsening."

- *Lynn Franco, Director of Economic Indicators at The Conference Board*



INDEX RETURNS: GROWTH OF A DOLLAR



	QTD	1-Year	3-Year	5-Year	10-Year
U.S. Equity	0.97%	-0.34%	11.15%	11.01%	6.90%
Non-U.S. Equity	-0.38%	-9.19%	0.32%	0.31%	1.94%
U.S. Fixed Income	3.03%	1.96%	2.50%	3.78%	4.90%
Global Real Estate (REITs)	4.89%	-0.21%	4.30%	6.74%	4.27%
Commodities	0.42%	-19.56%	-16.87%	-14.15%	-6.16%
Cash & Cash Alternatives	0.05%	0.08%	0.05%	0.06%	1.07%

Investors cannot invest directly in an index. Past performance is not indicative of future results. **See asset class benchmarks in disclosure section.**

ANNUAL ASSET CLASS TOTAL RETURNS

Capital Markets

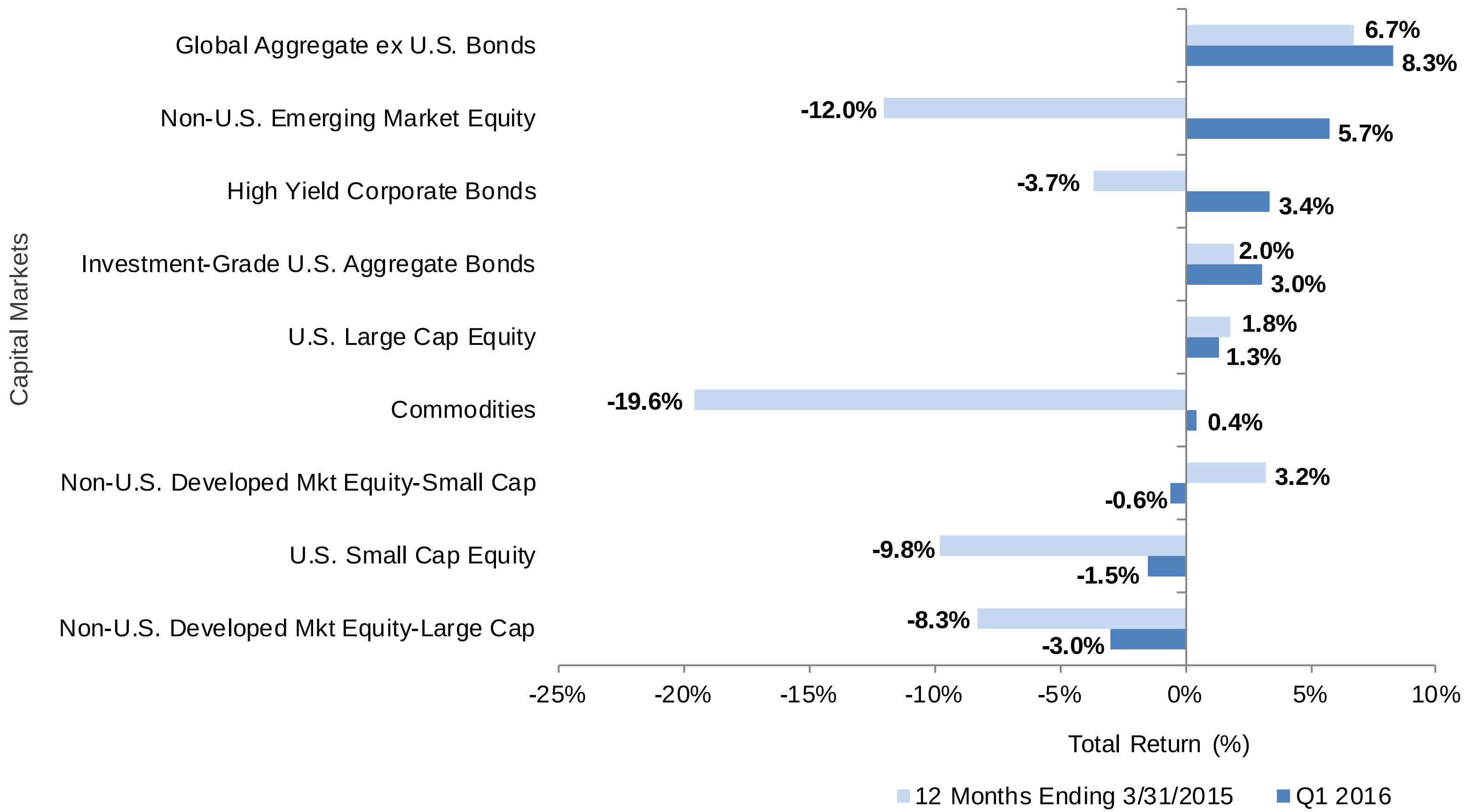
2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016	
Non-U.S. Equity 16.7%	Fixed Income 5.2%	Non-U.S. Equity 41.5%	Real Estate 19.3%	Fixed Income 7.8%	Real Estate 29.0%	U.S. Equity 33.6%	Real Estate 13.9%	Fixed Income 0.6%	Real Estate 4.9%	Best
Commodities 16.2%	Cash & Cash Alternatives 1.8%	Real Estate 40.2%	U.S. Equity 16.9%	Blended Portfolio 2.1%	Non-U.S. Equity 16.8%	Non-U.S. Equity 15.3%	U.S. Equity 12.6%	U.S. Equity 0.5%	Fixed Income 3.0%	
Blended Portfolio 7.8%	Blended Portfolio -21.7%	U.S. Equity 28.3%	Commodities 16.8%	U.S. Equity 1.0%	U.S. Equity 16.4%	Blended Portfolio 13.9%	Blended Portfolio 7.1%	Cash & Cash Alternatives 0.0%	Blended Portfolio 1.8%	
Fixed Income 7.0%	Commodities -35.7%	Blended Portfolio 20.2%	Blended Portfolio 11.9%	Cash & Cash Alternatives 0.1%	Blended Portfolio 11.0%	Real Estate 1.6%	Fixed Income 6.0%	Blended Portfolio -0.2%	U.S Equity 1.0%	
U.S. Equity 5.1%	U.S. Equity -37.3%	Commodities 18.9%	Non-U.S. Equity 11.2%	Real Estate -8.7%	Fixed Income 4.2%	Cash & Cash Alternatives 0.1%	Cash & Cash Alternatives 0.0%	Real Estate -1.2%	Commodities 0.4%	
Cash & Cash Alternatives 4.7%	Non-U.S. Equity -45.5%	Fixed Income 5.9%	Fixed Income 6.5%	Commodities -13.3%	Cash & Cash Alternatives 0.1%	Fixed Income -2.0%	Non-U.S. Equity -3.9%	Non-U.S. Equity -5.7%	Cash & Cash Alternatives 0.1%	
Real Estate -5.0%	Real Estate -50.2%	Cash & Cash Alternatives 0.2%	Cash & Cash Alternatives 0.1%	Non-U.S. Equity -13.7%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Non-U.S. Equity -0.4%	Worse

Blended Portfolio Allocation: 45% U.S. Equity / 15% Non-U.S. Equity / 40% Fixed Income

Past performance is not indicative of future results.

ASSET CLASS RETURNS

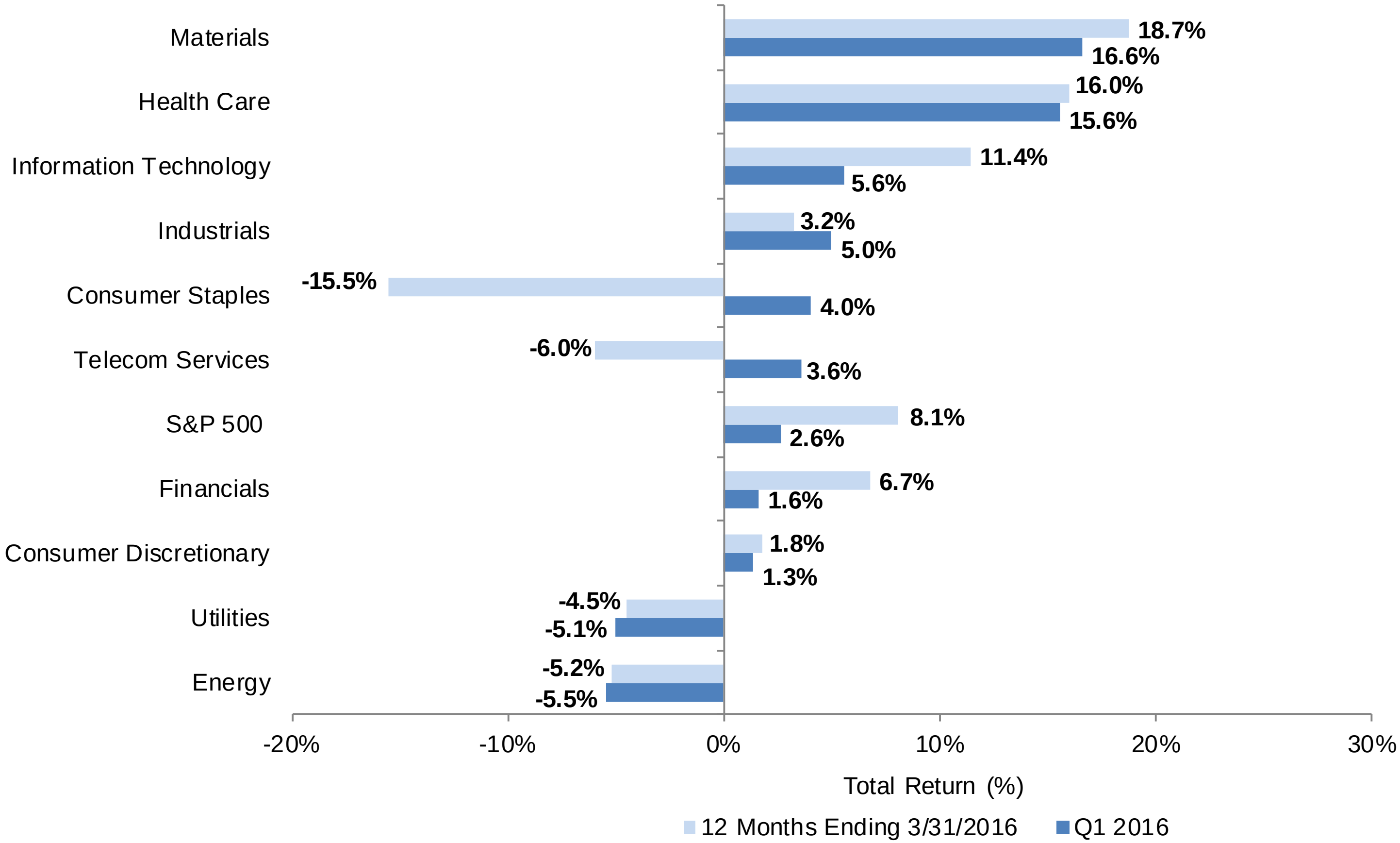
Major fixed income benchmarks were positive in the first quarter, with non-U.S. fixed income up the most (8.3%). Emerging market equity recovered 5.7% but is still down double-digits over the last 12 months.



Source: Morningstar Direct, as of March 31, 2016
Past performance is not indicative of future results. Please see slide 31-33 for index definitions.

S&P 500 SECTOR RETURNS

Materials remain the top performing sector for the second quarter in a row, returning 16.6% as of the end of March.



Source: Morningstar Direct, as of March 31, 2016

Returns are based on the GICS Classification model. Returns are cumulative total return for stated period, including reinvestment of dividends. Past performance is not indicative of future results. Please see slide 31-33 for index definitions.

EQUITY STYLES

Value-oriented strategies made a comeback versus growth-oriented strategies, especially within the small-cap space this past quarter.

Q1 2016 Total Return

	Value	Blend	Growth
Large	1.6%	1.2%	0.7%
Mid	3.9%	2.2%	0.6%
Small	1.7%	-1.5%	-4.7%

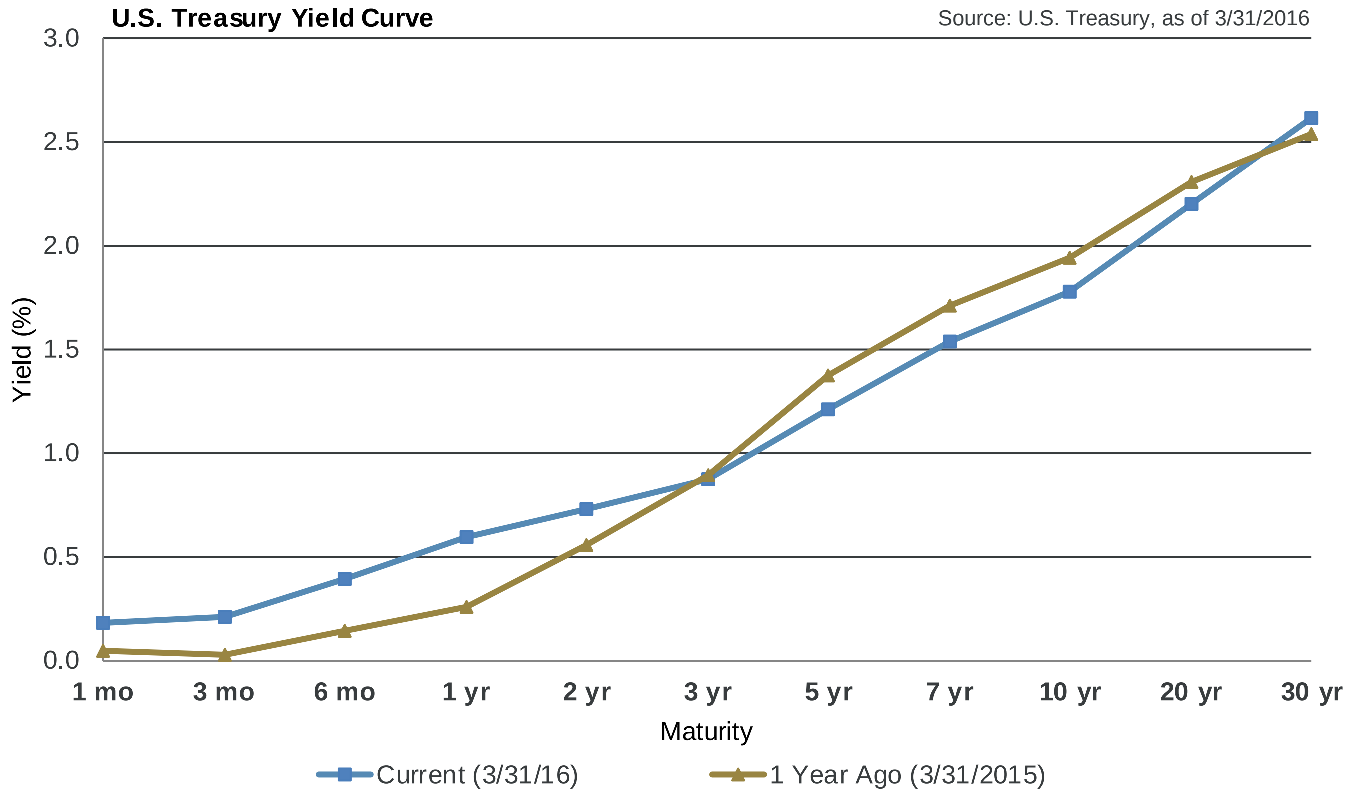
12-Month Total Return

	Value	Blend	Growth
Large	-1.5%	0.5%	2.5%
Mid	-3.4%	-4.0%	-4.7%
Small	-7.7%	-9.8%	-11.8%

Source: Morningstar Direct, as of March 31, 2016
Style box returns based on the GICS Classification model. All values are cumulative total return for stated period including reinvestment of dividends. The Indices used from left to right, top to bottom are: Russell 1000 Value Index, Russell 1000 Index, Russell 1000 Growth Index, Russell Mid-cap Value Index, Russell Mid-cap Blend Index, Russell Mid-cap Growth Index, Russell 2000 Value Index, Russell 2000 Index and Russell 2000 Growth Index. Past performance is not indicative of future results. Please see slide 31-33 for index definitions.

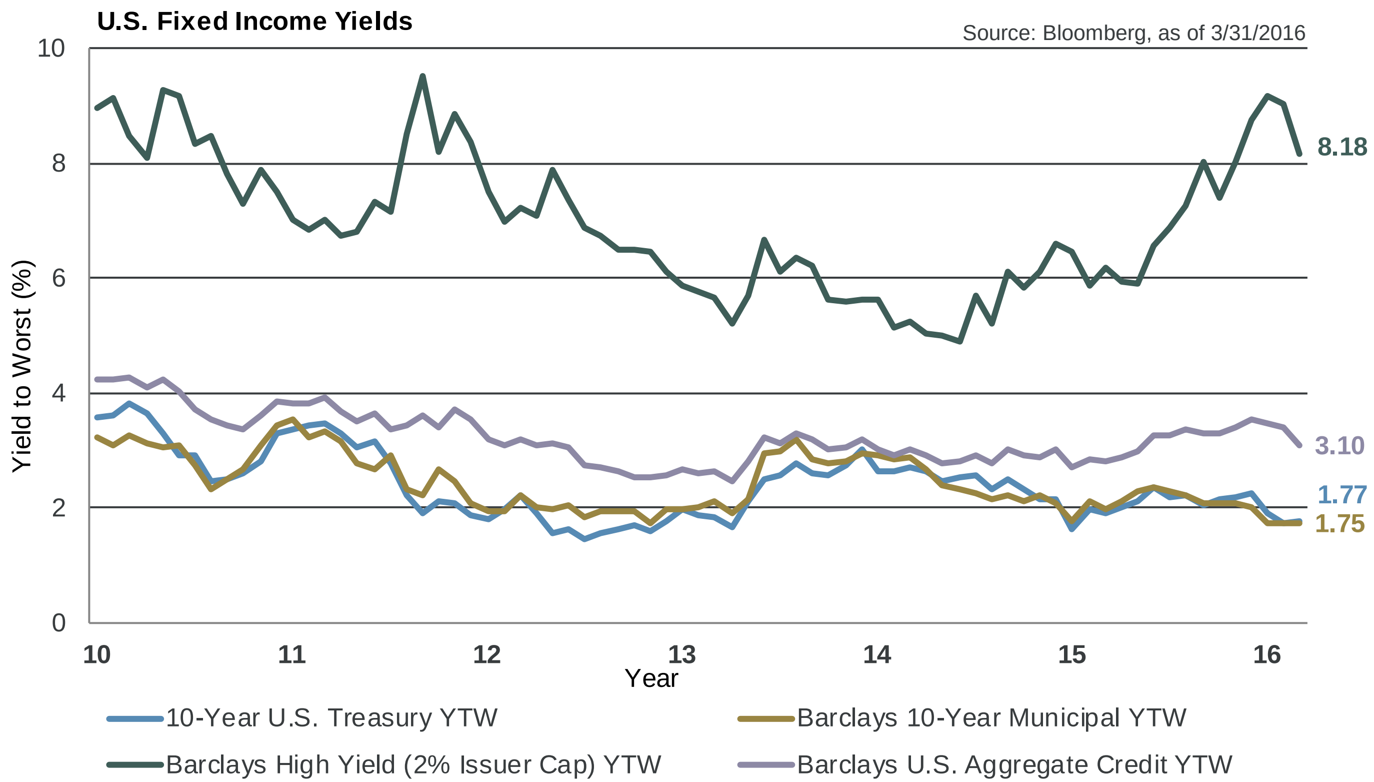
U.S. Treasury Yield Curve

The FOMC's baseline outlook has not changed as of mid-March, despite slowing global growth and increased market volatility. One reason is that market expectations for the path of policy interest rates have moved down, and the accompanying decline in longer-term interest rates should help cushion any possible adverse effects on domestic economic activity.



FIXED INCOME YIELDS

High-yield corporate bonds have steadily widened out to more normalized levels since mid-2014. Still, supply concerns and potential oil-related defaults may continue to challenge investors in the coming months.



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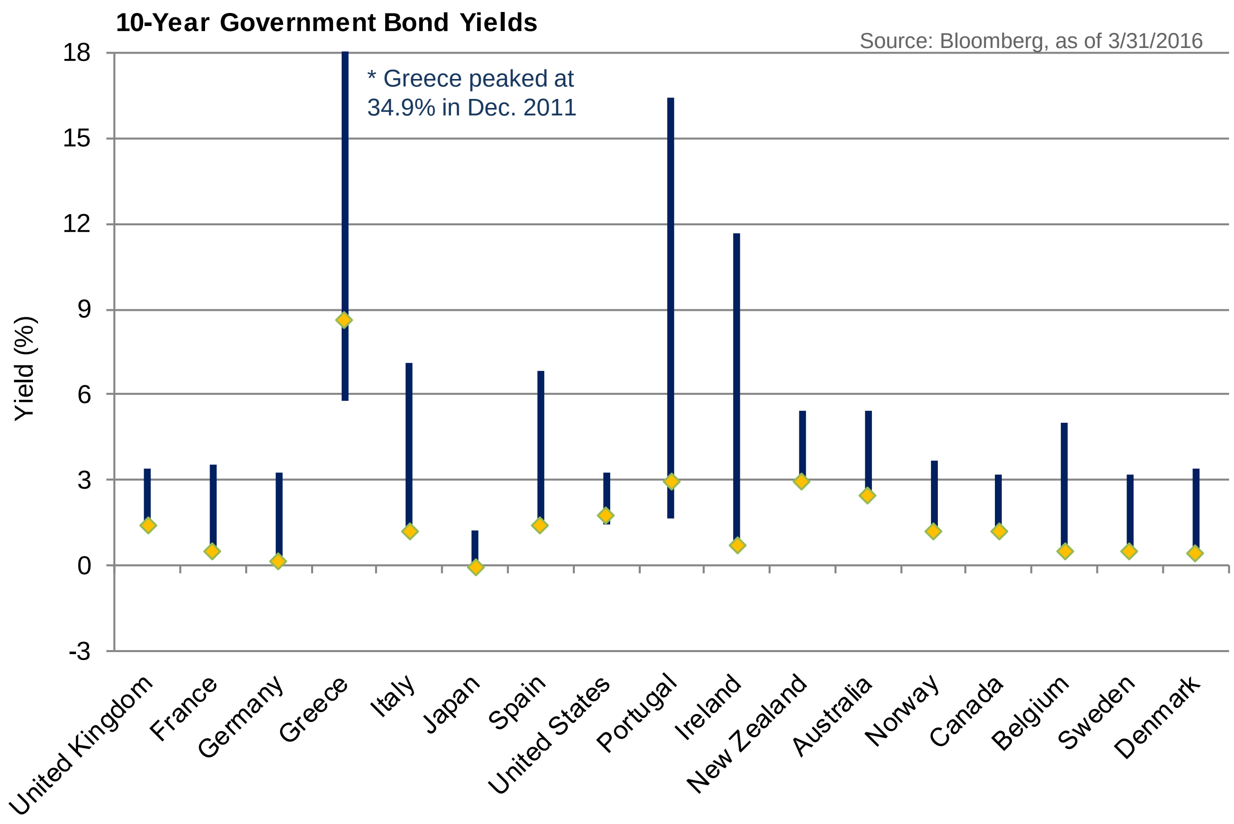
GLOBAL SOVEREIGN DEBT YIELDS

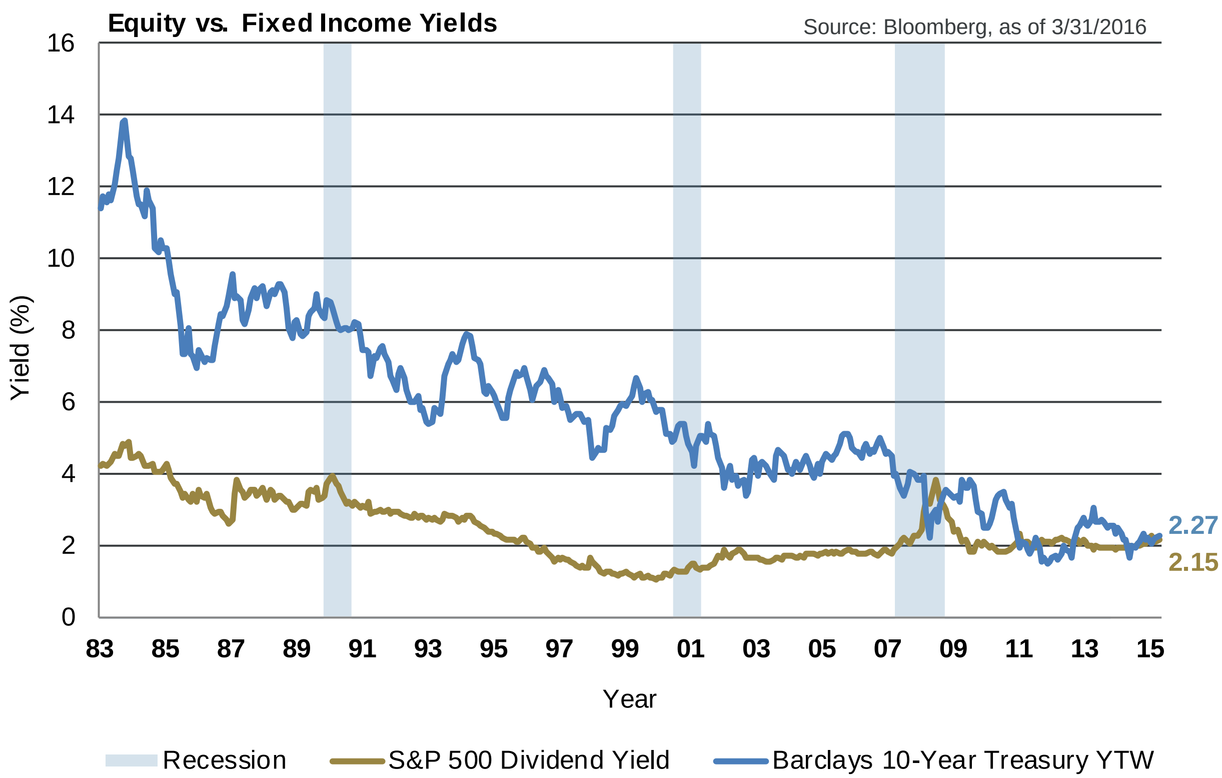
Global bond yields are near five-year lows for most countries with the U.S. looking attractive relative to most other developed markets.



This chart illustrates the highest and lowest monthly yields over the past 5 years as well as the current yield, represented by ♦.

S&P 500 YIELDS VS. TREASURY YIELD

Bonds have offered substantially higher yields than equities up until the last seven years. This surprising phenomenon has now become the norm, at least for the near term.



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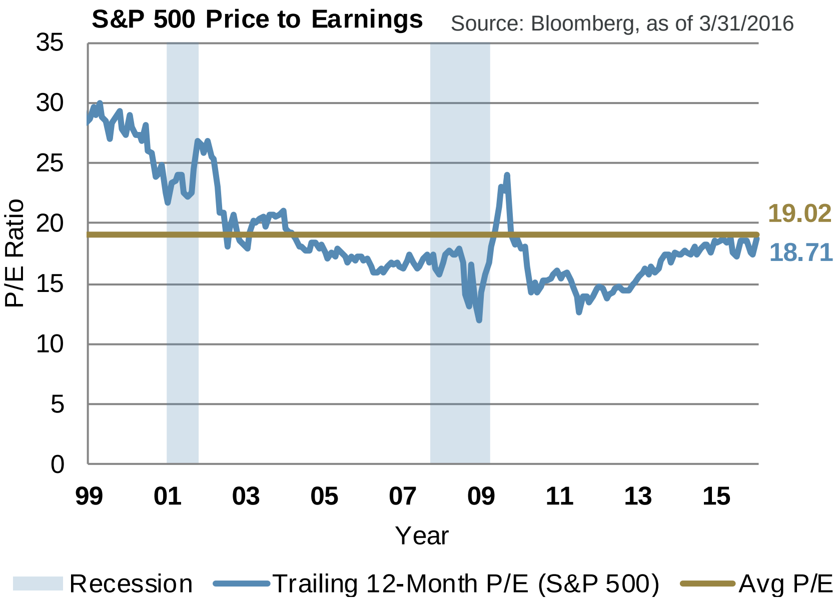
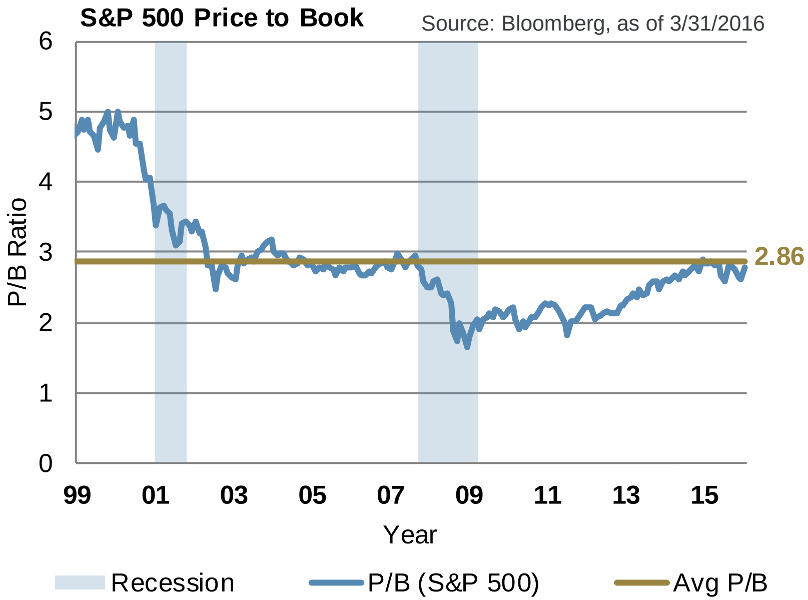
PRICE-EARNINGS RATIO AND PRICE-BOOK RATIOS

Valuations continue to hover beneath their long-term averages.





The price-earnings ratio, or P/E, is a common measure of the value of stocks. It shows the relationship between a stock's price and the underlying company's earnings (or profits) per share of stock. In essence, it calculates how many dollars you pay for each dollar of a company's earnings. In very general terms, the higher the P/E ratio, the more likely the stock is to be overpriced.

Price-to-book is a relative measure based on most recent price/accounting (book) value (quarterly, semiannual or annual data). Both price-to-earnings and price-to-book are accounting-based relative value measures.

Past performance may not be indicative of future results. Please see slide 31-33 for index definitions.

FOREIGN EXCHANGE RATES

The dollar retreated from its January highs, suggesting a possible turning point in the currency's steep growth trajectory.

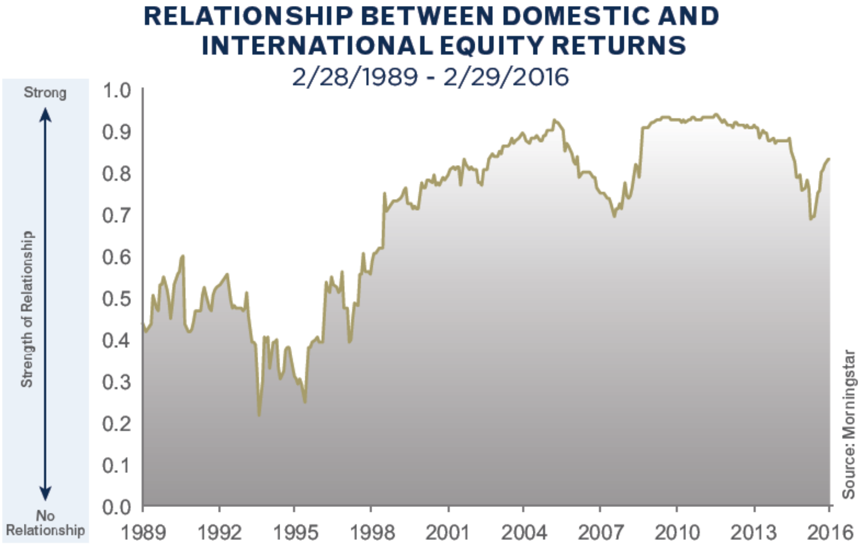
Source: Bloomberg	3/31/2016	3/31/2015
U.S. Dollar ($) / Japanese Yen (¥)	112.5700	120.1300
Euro (€) / U.S. Dollar ($)	1.1380	1.0731
British Pound (£) / U.S. Dollar ($)	1.4360	1.4818

COMMODITY PRICES

Oil prices returned a positive 3.5% this past quarter, following a major selloff that started in mid-2014. Corrections in supply are beginning to come to fruition, potentially aiding in the return to more sustainable price levels.

ASSET ALLOCATION: PART ART, PART SCIENCE

There is more to asset allocation than simply owning stocks and bonds; it also involves owning equities that are not perfectly correlated with each other, such as U.S. and non-U.S. stocks.



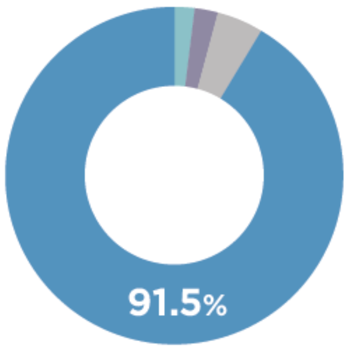
This chart plots correlation data between the S&P 500 Index and the MSCI EAFE Index on the rolling 36-month basis.

For full theme articles, ask for a copy of the April 2016 Investment Strategy Quarterly.
Asset allocation does not guarantee a profit nor protect against loss. Past performance may not be indicative of future results.

ASSET ALLOCATION: PART ART, PART SCIENCE

Asset allocation decisions are among the most important factors affecting total portfolio volatility.

VOLATILITY OF PORTFOLIO RETURNS



FACTORS AFFECTING PORTFOLIO VOLATILITY	
Asset Allocation Decisions	91.5%
Market Timing	4.6%
Stock Selection	2.1%
Other	1.8%
Total	100.0%

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THE FED'S DILEMMA: NORMALIZATION WITHOUT THE MARKETS' PERMISSION?

*"In a speech at Bernard M. Baruch College about the 2015 economic outlook, New York Fed President Dudley stated, "with respect to how fast the normalization process will proceed, that depends on two factors – how the economy evolves, and how financial market conditions respond to movements in the federal funds rate target." –James Camp, managing director of fixed income, Eagle Asset Management**

"Normalization, however gradual, is overdue. Capital markets should be more productive for asset allocation and security selection going forward. The Fed wants out of the market manipulation game. As long as it has permission."

PERIODS OF QE HAVE GENERALLY RESULTED IN RISING INFLATION AND RISING EQUITY PRICES

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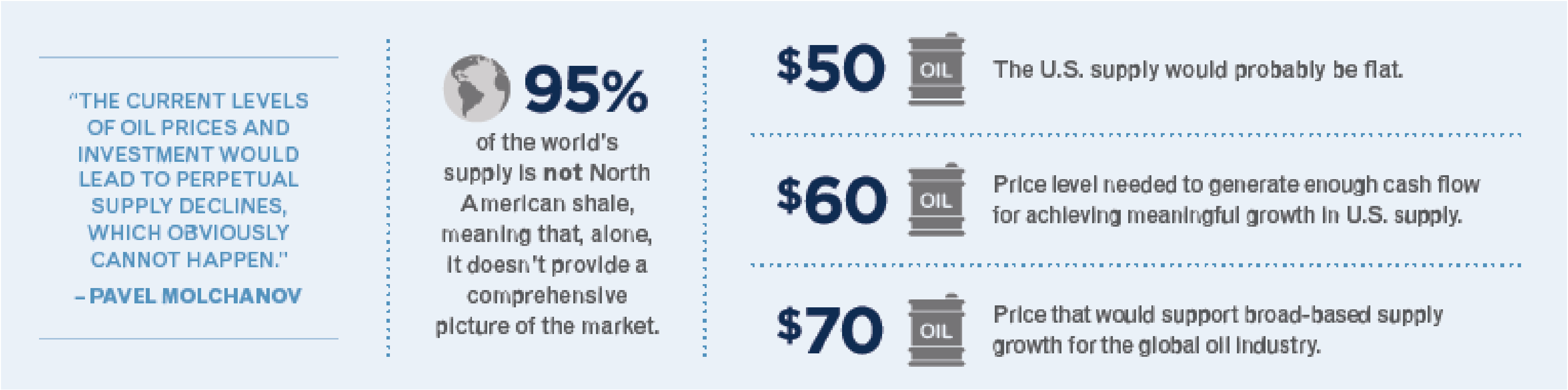
Why Are Oil Prices Poised for an Upswing by Year-End 2016?

Demand is growing in almost all geographies, even places like the Mid-East with oil-levered economies.

It will also take a supply response to rebalance the oil market and ultimately push prices higher. It's taken about a year to materialize, but the signs of such a response are unmistakable.

It is true that oil and equities have been closely correlated, but that does not mean that one is directly causing the other.



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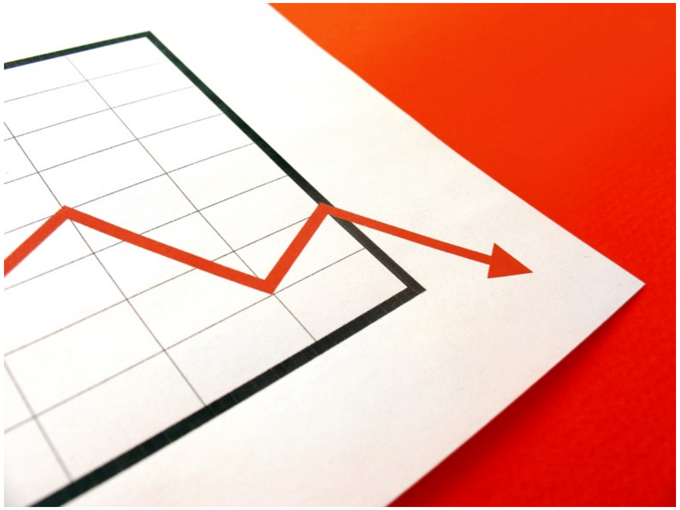
Investing involves risk including the possible loss of capital. Investing in the energy sector involves risks, including the possible loss of capital, and is not suitable for all investors. Investing in international securities involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

What are negative interest rates?

Many central banks have effectively run out of ideas in their endless quest to spur inflation and economic growth.



"Unless the economic environment in the U.S. changes dramatically we are unlikely to see ***negative rates****. For the time being, negative interest rates will remain an overseas experiment that the rest of the world will watch closely."*
– Benjamin Streed, Strategist

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What Does All the Talk About China Devaluing Really Mean?

Currencies have a tendency to overshoot.
That is, directional moves in the foreign exchange market often go a little too far.

At some point, emerging economies are going to look more attractive,
but getting the timing right is likely to prove challenging.

*"**China** is currently not expected to devalue the yuan simply to boost exports. Rather, natural forces have been acting to weaken the currency and Chinese investors have anticipated that a further devaluation is coming."*
– Scott Brown, Ph.D., Chief Economist

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Is Brexit going to happen?

There's nothing like ongoing passionate political debate to help take policy makers' eyes off developing and changing the regional economy for the better.

*"The **UK and European Union's relationship** is likely to be maintained but it feels like the start of another stage in a long-standing debate. The real travesty in Europe remains too much talk and not enough (economic growth) action."*
*– Chris Bailey, European Strategist**

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DISCLOSURE

Data provided by Morningstar, Bloomberg.

This material is for informational purposes only and should not be used or construed as a recommendation regarding any security outside of a managed account.

There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. It should not be assumed that any investment recommendation or decisions made in the future will be profitable or will equal any investment performance discussed herein.

Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product that attempts to mimic the performance of an index will incur expenses that would reduce returns. Past performance is not indicative of future results. The performance noted in this presentation does not include fees and costs, which would reduce an investor's returns.

Fixed Income: subject to credit risk and interest rate risk. An issuer's credit rating may impact their ability to pay the promised income and return of principal upon maturity. Generally, when interest rates rise, bond prices fall, and vice versa. Specific-sector investing can be subject to different and greater risks than more diversified investments.
Consumer Price Index (CPI): a common measure of inflation which examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. Changes in CPI are used to assess price changes associated with the cost of living.
Gross Domestic Product (GDP): a broad measurement of a nation's overall economic activity. It is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, including all private and public consumption, government outlays, investments and net exports that occur within a defined territory.
Price-to-Earnings Ratio (P/E): a ratio for valuing a company that measures its current share price relative to its per-share earnings.
Price-to-Book Ratio (P/B): A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.
Small-cap and Mid-Cap Equity: generally involve greater risks, and may not be appropriate for every investor. International investing also involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.
High-Yield Fixed Income: not suitable for all investors. Risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.
Commodities: trading is generally considered speculative because of the significant potential for investment loss.
U.S. Government Fixed Income: guaranteed timely payment of principal and interest by the federal government. U.S. Treasury Bills: A short-term debt obligation backed by the U.S. government with a maturity of less than one year.
Fixed Income Sectors: Returns based on the four sectors of Barclays Global Sector Classification Scheme: Securitized (consisting of U.S. MBS Index, the ERISA-Eligible CMBS Index and the fixed-rate ABS Index), Government Related (consisting of U.S. Agencies and non-corporate debts with four sub sectors: Agencies, Local Authorities, Sovereign and Supranational), Corporate (dollar-denominated debt from U.S. and non-U.S. industrial, utility, and financial institutions issuers), and Treasuries (includes public obligations of the U.S. Treasury that have remaining maturities of one year or more).

Asset allocation and diversification does not guarantee a profit nor protect against loss. Dividends are not guaranteed and will fluctuate.

Past performance may not be indicative of future results. Investing in international securities involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

The values of real estate investments may be adversely affected by several factors, including supply and demand, rising interest rates, property taxes, and changes in the national, state and local economic climate. Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector including limited diversification.

INDEX DESCRIPTIONS

Asset class and reference benchmarks:

ASSET CLASS	BENCHMARK
U.S. Equity	Russell 3000 TR
Non-U.S. Equity	MSCI ACWI ex US NR
U.S. Fixed Income	Barclays U.S. Aggregate Bond TR
Global Real Estate (prior to 2008)	NASDAQ Global Real Estate NR
Global Real Estate (2008-present)	FTSE EPRA/NAREIT Global Real Estate NR
Commodities	Bloomberg Commodity TR USD
Cash & Cash Alternatives	Citi Treasury Bill 3 Mon USD

Bloomberg Commodity Total Return Index: Formerly the Dow Jones-UBS Commodity Index TR (DJUBSTR),is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 3 Month U.S. Treasury Bills.

Barclays 10-Year Municipal: A rules-based, market-value weighted index engineered for the long-term tax-exempt bond market. This index is the 10 year (8-12) component of the Municipal Bond Index.

Barclays 10-Year U.S. Treasuries: Measures the performance of U.S. Treasury securities that have a remaining maturity of 10 years.

Barclays U.S. Aggregate Index: Represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Barclays Global Aggregate ex-U.S. Dollar Bond Index: Tracks an international basket of bonds that currently contains 65% government, 14% corporate, 13% agency and 8% mortgage-related bonds.

Barclays High Yield: Covers the universe of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures and 144-As are also included.

Barclays U.S. Corporate High Yield: Composed of fixed-rate, publicly issued, non-investment grade debt.

Citi 3-Month Treasury-Bill Index: This is an unmanaged index of three-month Treasury bills.

INDEX DESCRIPTIONS (continued)

FTSE EPRA/NAREIT Global Real Estate Index : Designed to represent general trends in eligible listed real estate stocks worldwide. Relevant real estate activities are defined as the ownership, trading and development of income producing real estate.

MSCI All Country World Index Ex-U.S Index.: A market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. It includes both developed and emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East): A free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States and Canada. The EAFE consists of the country indices of 21 developed nations.

MSCI EAFE Growth Index: Represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the growth style.

MSCI EAFE Small-Cap Index: An unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada.

MSCI EAFE Value: Represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the value style.

MSCI Emerging Markets Index: Designed to measure equity market performance in 25 emerging market indexes. The three largest industries are materials, energy and banks.

MSCI Local Currency Index: A special currency perspective that approximates the return of an index as if there were no currency valuation changes from one day to the next.

NASDAQ Global Real Estate Index: The index measures the performance of real estate stocks which listed on an Index Eligible Global Stock Exchange. The index is market-capitalization weighted.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investible U.S. equity market.

Russell 1000 Value Index: Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index: Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index: Measures the performance of the 800 smallest companies of the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Russell Mid-cap Value Index: Measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid-Cap Growth Index: Measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Value Index: Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index: Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index: measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

INDEX DESCRIPTIONS (continued)

Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market.

S&P 500 Consumer Discretionary: Comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

S&P 500 Consumer Staples: Comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

S&P 500 Energy: Comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

S&P 500 Financials: Comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector

S&P 500 Health Care: Comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

S&P 500 Industrials: Comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

S&P 500 Information Technology: Comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

S&P 500 Materials: Comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

S&P 500 Telecom Services: Comprises those companies included in the S&P 500 that are classified as members of the GICS® telecommunication services sector.

S&P 500 Utilities: Comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.