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Economic & Capital Market Review

June 30, 2014

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KEY HIGHLIGHTS

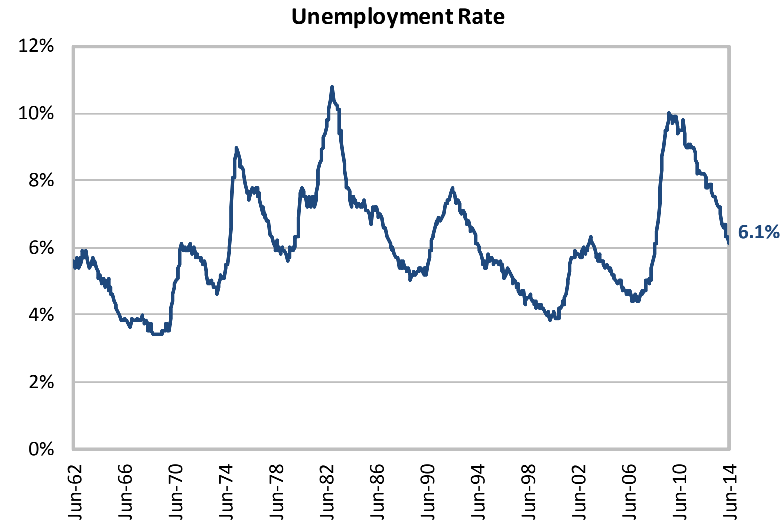
- In Q2 2014:
  - Volatility remained at post-recession lows, and most major asset classes performed well, due in large part to ongoing accommodative central bank policy and improving economies around the world.
- Growth assets were positive:
  - Global equity indices climbed higher, led by emerging market stocks, which rose 6.6% during the quarter. After trailing in 2013, positive sentiment and investor interest returned to emerging markets, which remain undervalued relative to the developed world.
  - Despite increasing valuations, US investors continued to keep risk on the table during the quarter. Small cap stocks, which had been the best-performing sector in 2013, corrected slightly early in the quarter before recovering to end the quarter in positive territory (Russell 2000, +2.0%). Fed Chair Janet Yellen has noted that the FOMC is concerned with valuations of biotech and social media stocks. US large caps (Russell 1000, +5.1%) were among the top-performing equity sectors for the quarter.
  - International equities (MSCI EAFE, +4.1%) were pushed higher by Japan's aggressive monetary policy and the UK, whose equity market reached an all-time high during the quarter.
  - Other growth assets were led by MLPs, which returned 14.2% during the quarter.
- Income assets performed well:
  - To many investors' surprise, interest rates have fallen year-to-date, benefiting fixed income markets.
  - Global bonds (BC Global Agg, +2.5%) were positive for the three months ending June, but continued to trail equities. The yield on the 10-Year US Treasury declined 19 basis points, from 2.72% to 2.53%.
  - Alternatives to traditional fixed income such as private debt, relative value hedge funds, and real estate were also positive, performing roughly in-line with the Barclays Aggregate, which returned 2.0%.
- Diversifying assets were also positive in Q2 2014:
  - Long-term Treasury bonds have been one of the best investments year-to-date. The BC Long Treasury Index has returned 12.1% this year, as the yield on 30-year Treasuries has fallen 61 basis points, from 3.97% to 3.36%.
  - TIPS were also beneficiaries of falling rates, as the Barclays Intermediate TIPS Index returned 4.0% during the quarter.
  - Commodities, managed futures, and global macro hedge funds were mainly unchanged from the previous quarter.

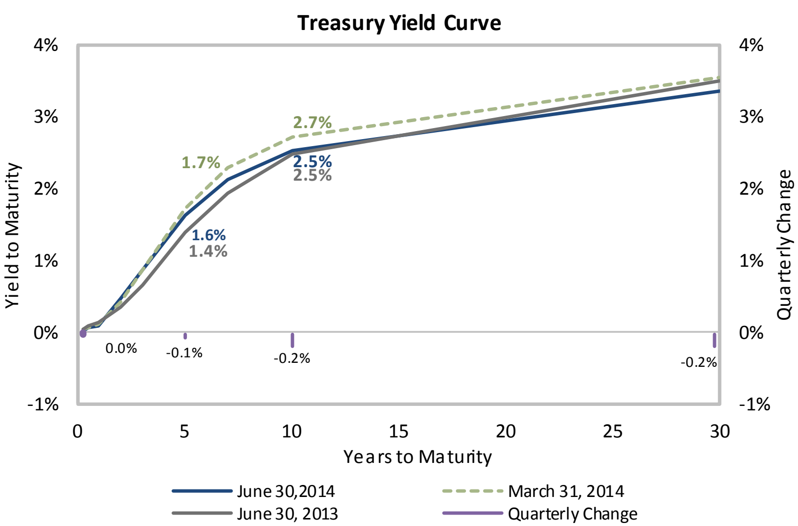
Economy

- The Federal Reserve, citing continued improvements in the labor market and broader economy, continued to taper its asset purchase program, QE3, at its June meeting. Going forward, the Fed will purchase mortgage-backed securities and Treasury bonds at a rate of $35B per month. If the economy continues to grow at its current pace, the FOMC will conclude QE3 at its October meeting.
- The unemployment rate fell to 6.1% in June, down 0.6% from its March 2014 level. The labor market showed significant signs of improvement during the quarter, adding over 200,000 jobs each month; five years later, the economy has reached a point where it has recovered all of the jobs lost during the recession. However, many of the recent hirings have been part-time and the labor force participation rate remains low, as discouraged job seekers have stopped looking for work.
- Real GDP growth (annualized) for Q1 2014 was -2.9%, according to the BEA's final estimate, following previous estimates of 0.1% and -1.0%. The downward revision was due to lower-than-expected healthcare spending, inventories, and exports.
- Consumer prices, as measured by the Consumer Price Index, rose 0.3% in June. Core CPI, which excludes food and energy, increased 0.1%. Consumer prices were up 2.1% for the 12 months ending June, while the core rate increased 1.9%.
- The Producer Price Index rose 0.4% in June. Excluding food and energy, the PPI rose 0.2%. The PPI increased 1.9% year-over-year ending June, while core prices advanced 1.8%.
- Existing home sales increased 2.6% in June, beating economists' expectations; a tailwind for buyers during the month were home prices, which grew at their slowest pace since March 2012. High inventory levels and low interest rates are also playing a key role in increased home purchases.
- US manufacturing continued to expand during the quarter according to the ISM Manufacturing Index. The index ended the quarter at a level of 55.3, rising from 53.7 in March; a figure over 50 implies expansion.
- Retail sales (ex auto and gas) rose 0.4% in June, a sign that increased hiring has made Americans more comfortable spending. Inventories at US wholesalers were up 0.5% in May.

Yield Curve

- Yields fell across the middle and long end of the curve during the quarter. The spread between 2-year and 30-year Treasuries tightened 24 basis points to 290 bps.

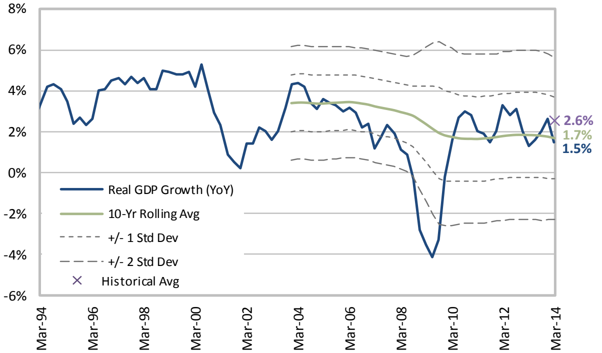




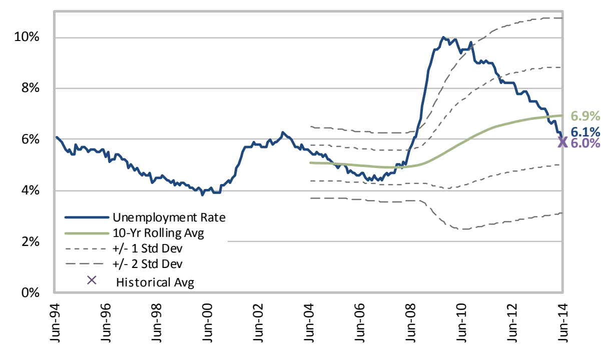
Economic Perspective

June 30, 2014

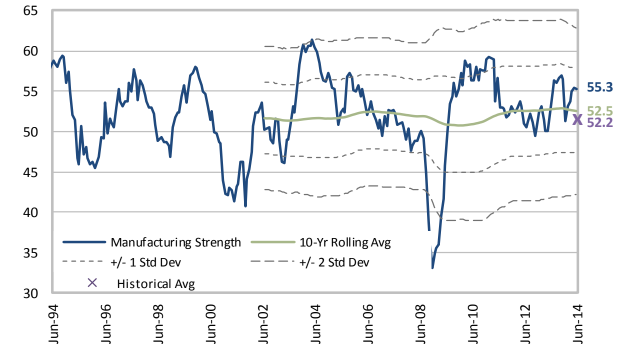
Real GDP Growth (YoY)



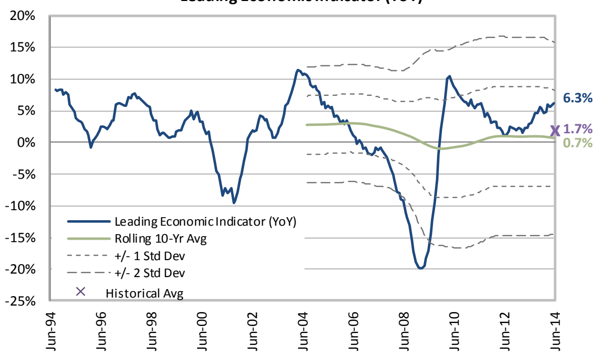
Unemployment Rate



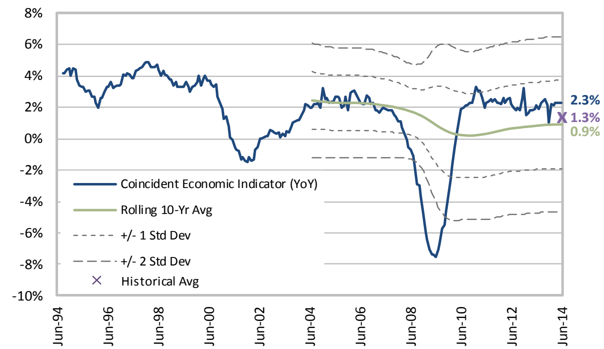
Manufacturing Strength



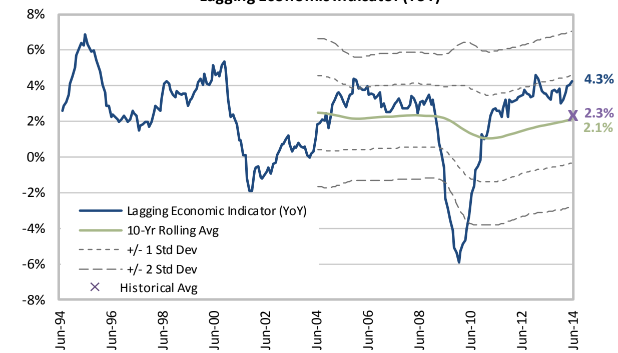
Leading Economic Indicator (YoY)



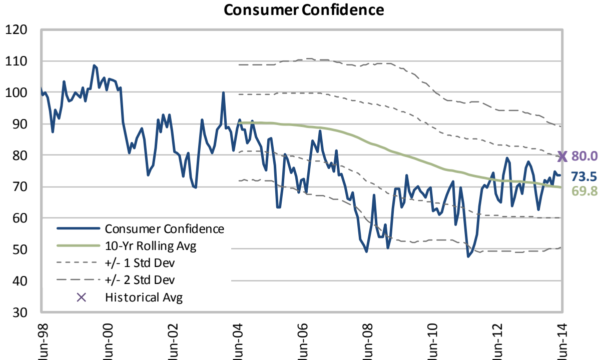
Coincident Economic Indicator (YoY)



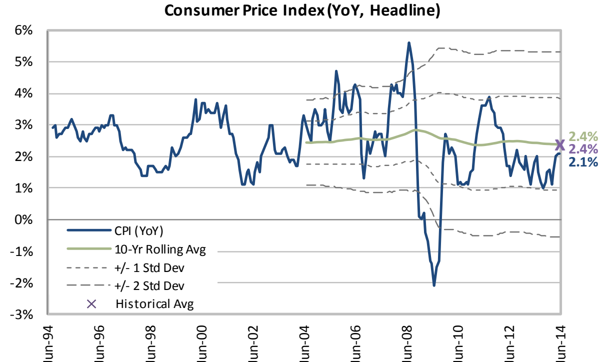
Lagging Economic Indicator (YoY)



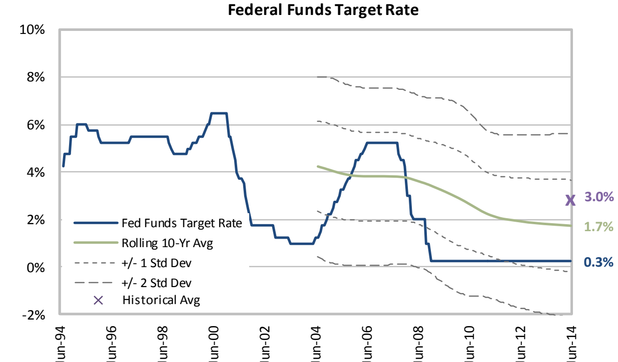
Consumer Confidence

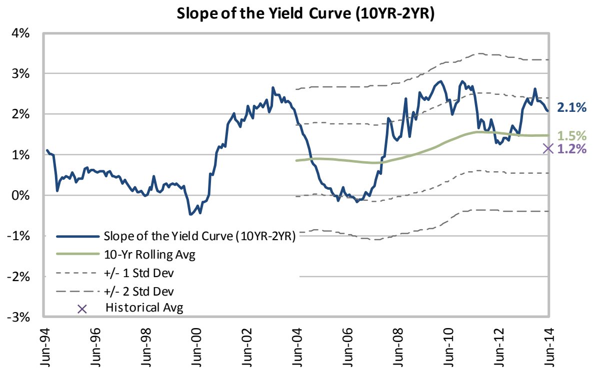


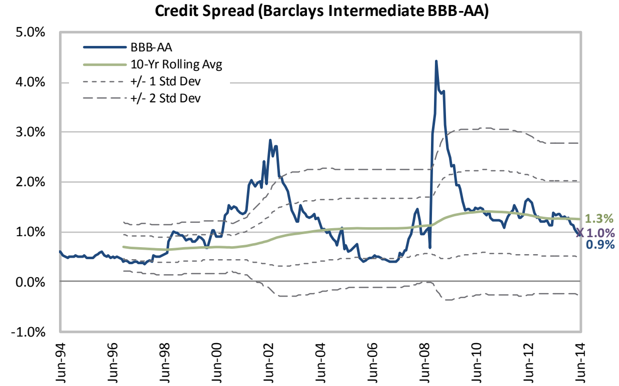
Consumer Price Index (YoY, Headline)

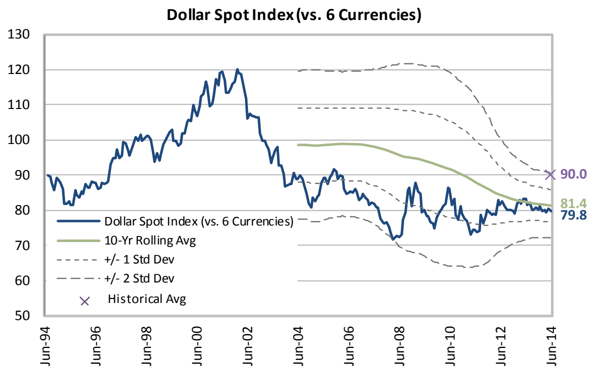


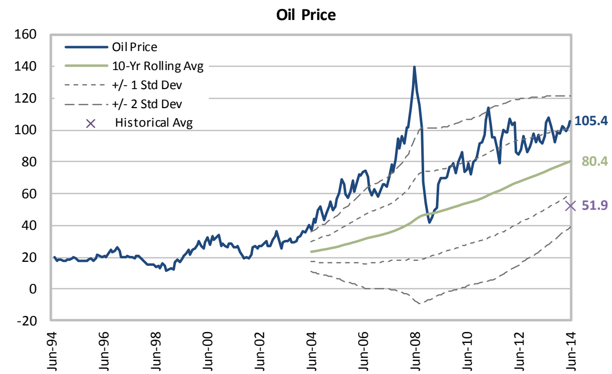
Federal Funds Target Rate

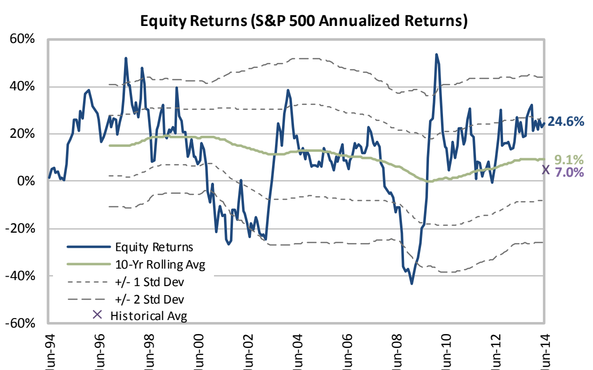


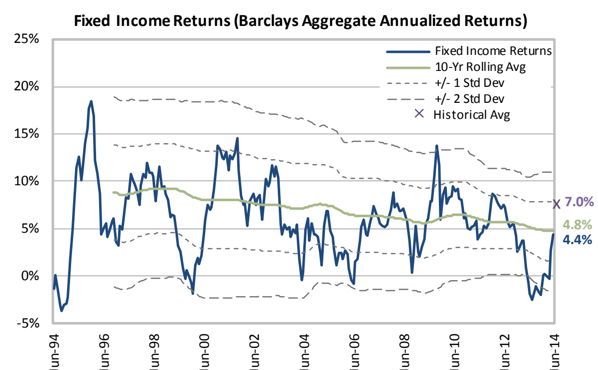

Slope of the Yield Curve (10YR-2YR)
Slope of the Yield Curve (10YR-2YR)
10-Yr Rolling Avg
+/- 1 Std Dev
+/- 2 Std Dev
Historical Avg
2.1%
1.5%
1.2%


Credit Spread (Barclays Intermediate BBB-AA)
BBB-AA
10-Yr Rolling Avg
+/- 1 Std Dev
+/- 2 Std Dev
1.3%
1.0%
0.9%


Dollar Spot Index (vs. 6 Currencies)
Dollar Spot Index (vs. 6 Currencies)
10-Yr Rolling Avg
+/- 1 Std Dev
+/- 2 Std Dev
Historical Avg
90.0
81.4
79.8


Oil Price
Oil Price
10-Yr Rolling Avg
+/- 1 Std Dev
+/- 2 Std Dev
Historical Avg
105.4
80.4
51.9


Equity Returns (S&P 500 Annualized Returns)
Equity Returns
10-Yr Rolling Avg
+/- 1 Std Dev
+/- 2 Std Dev
Historical Avg
24.6%
9.1%
7.0%


Fixed Income Returns (Barclays Aggregate Annualized Returns)
Fixed Income Returns
10-Yr Rolling Avg
+/- 1 Std Dev
+/- 2 Std Dev
Historical Avg
7.0%
4.8%
4.4%

Public Equities

- Domestic equities (S&P 500) outperformed international equities (MSCI EAFE) by 110 bps in the second quarter. Emerging markets were the best equity performers, as the MSCI EM Index rose 6.6% during the quarter.
- Compression of yields continues to be a trend among MLPs. The Alerian MLP Index yield settled at 5.2% at the end of June, which represents a 60 basis point compression during the quarter. General partner MLPs (up 15%) and crude oil pipeline MLPs (up 8%) led advancing segments in June, while downstream-focused MLPs were the only segment to decline (down 2%) during the month.

Public Debt

- High yield bonds earned a return of 2.4% as spreads tightened 25 bps to 335 bps. Historically, high yield spreads have averaged 520 bps.

Private Equity

- Deal value in the 2nd quarter of 2014 is flat compared to the 1st quarter of 2014. The US and rest of the world were down after large first quarters, but Europe's increase almost entirely offset the decline of the US and the rest of the world. Fundraising continued to be very strong, creating record levels of uninvested capital (dry powder). Globally, dry powder increased to $1.2 trillion, up from $950 billion at the end of Q1. Accommodative debt markets and increasing levels of uninvested capital continue to sustain high deal prices and a challenging investment environment, according to managers.

Private Debt

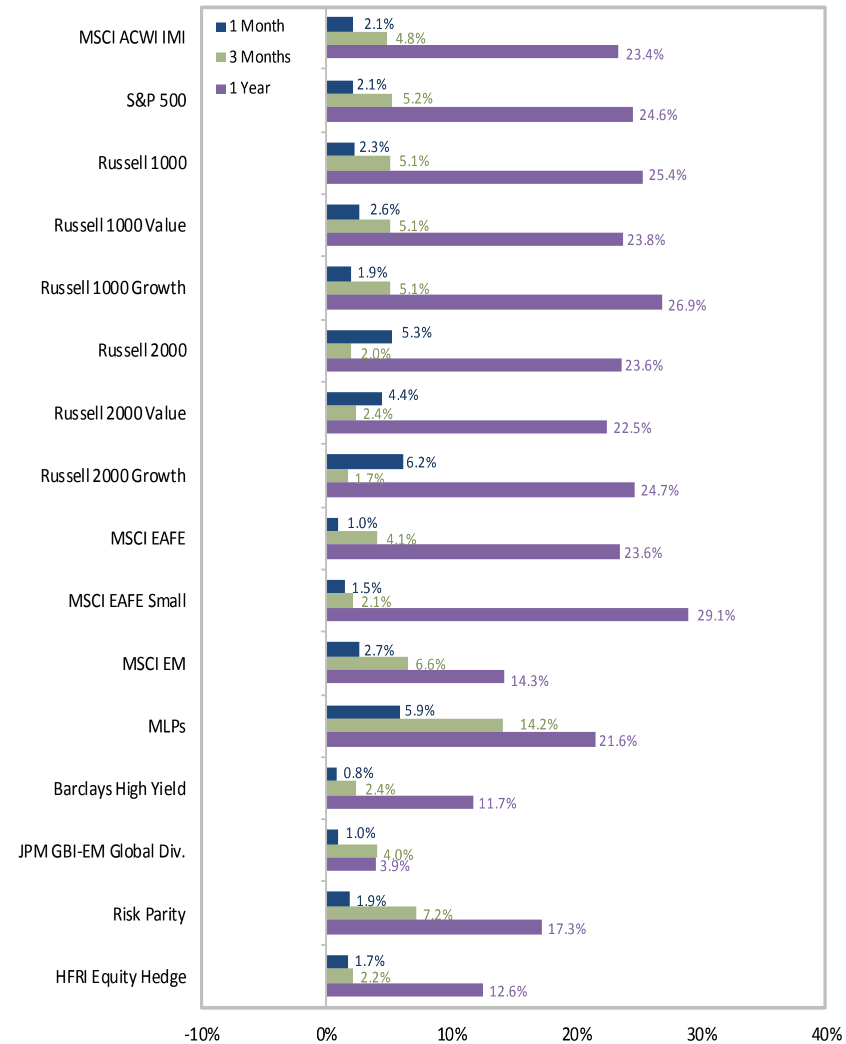
- The availability and aggressive terms from senior lenders has allowed debt levels to increase to a new cycle high of 5.8x EBITDA. This remains lower than the prior cycle high of 6.2x recorded in 2007. The willingness of senior lenders to reach deeper into capital structures and accept higher levels of risk has been particularly challenging for mezzanine providers. According to data from S&P, mezzanine's share of new deal capital structures was 0% in the first and second quarters of 2014. This compares to a typical share of 5-10% over the prior 10 years.

Risk Parity

- Risk parity-based strategies outperformed traditional balanced portfolios for the quarter. Interest rate risk has generated strong YTD performance.

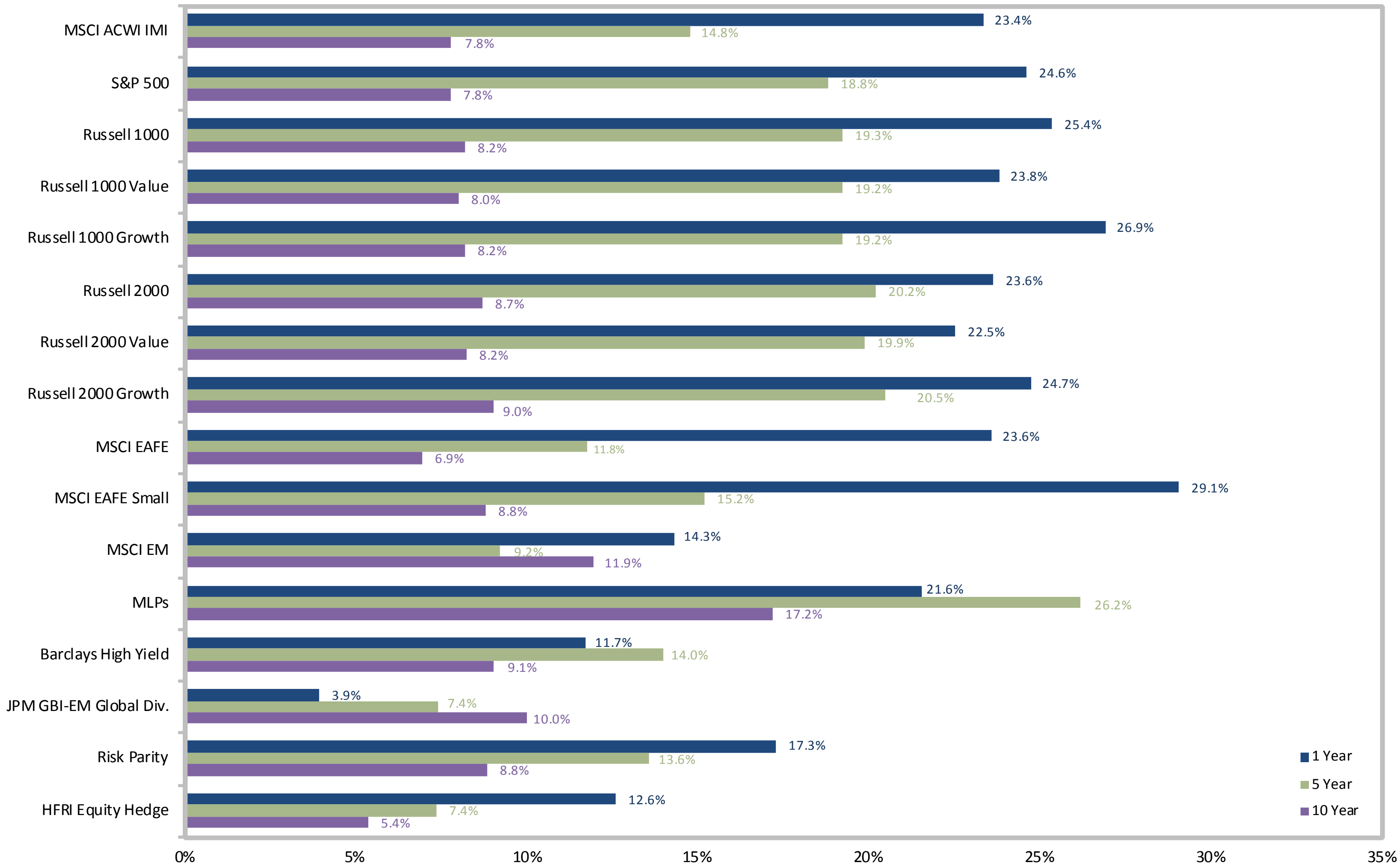
Growth Hedge Funds

- The HFRI Equity Hedge Index posted a gain for the second quarter, despite the volatility that growth and momentum-oriented equities experienced. The HFRI Event-Driven Index generated a gain as well.



Note: Risk Parity returns are based on an internally comprised benchmark.

ANNUALIZED ONE-, FIVE-, AND TEN-YEAR RETURNS



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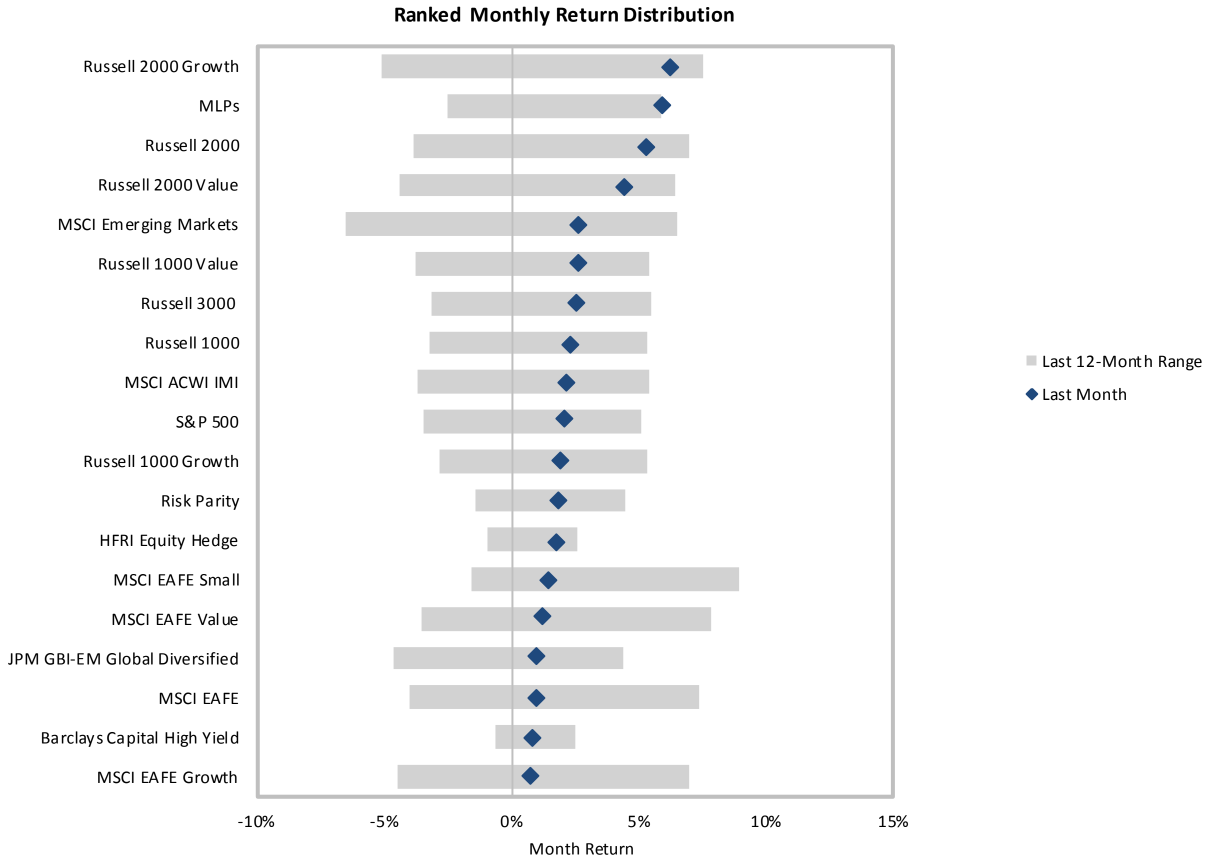
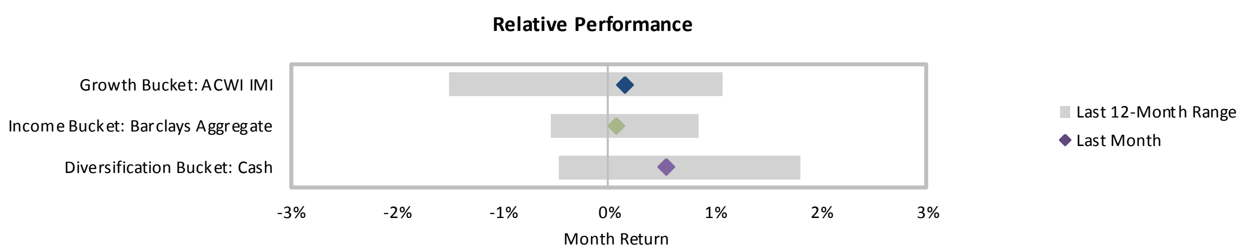
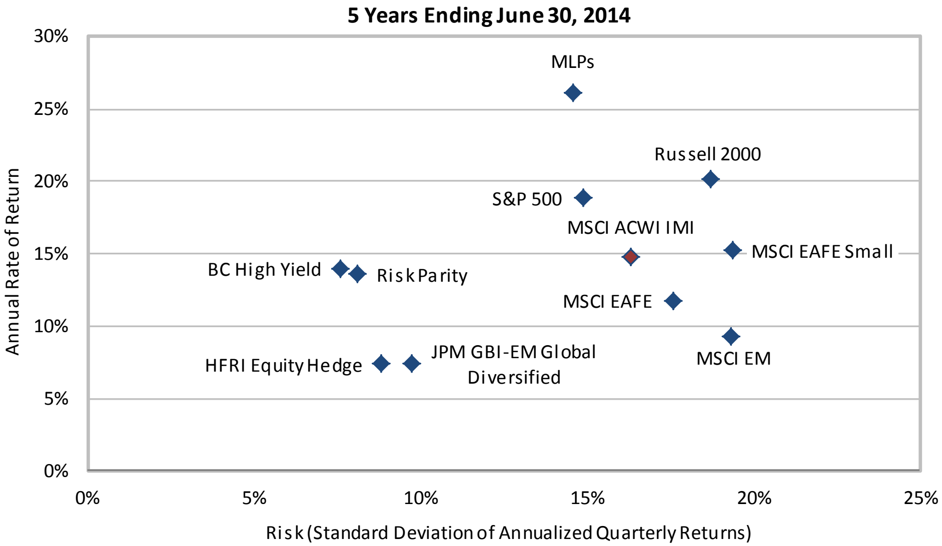
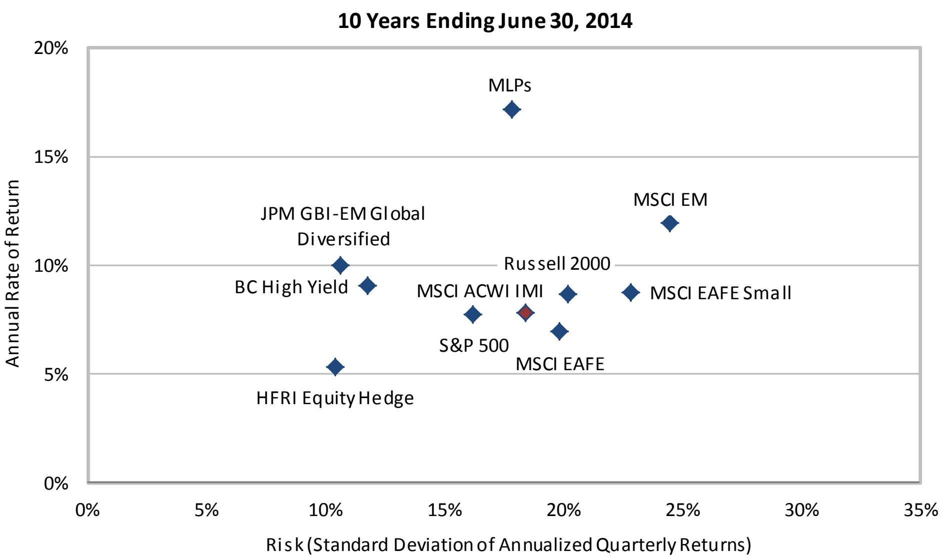
HISTORICAL RELATIVE PERFORMANCE



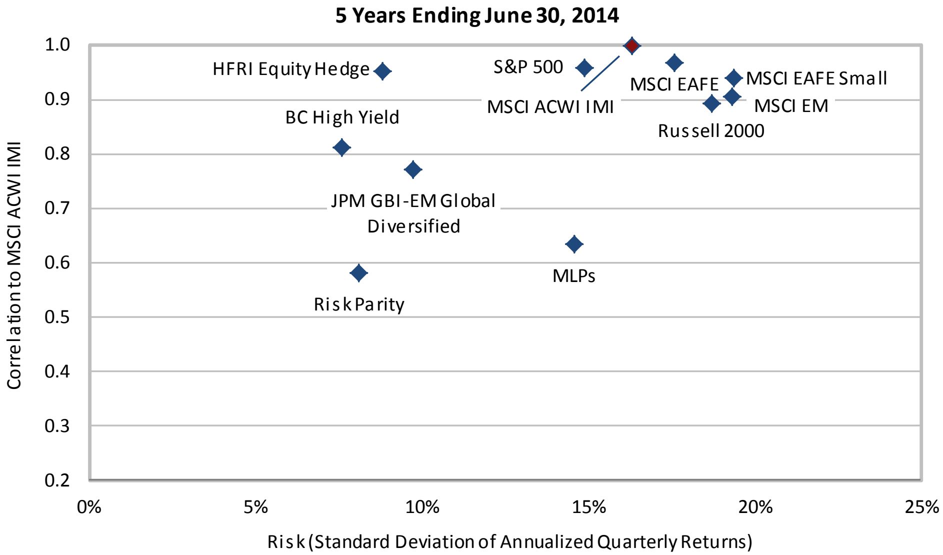


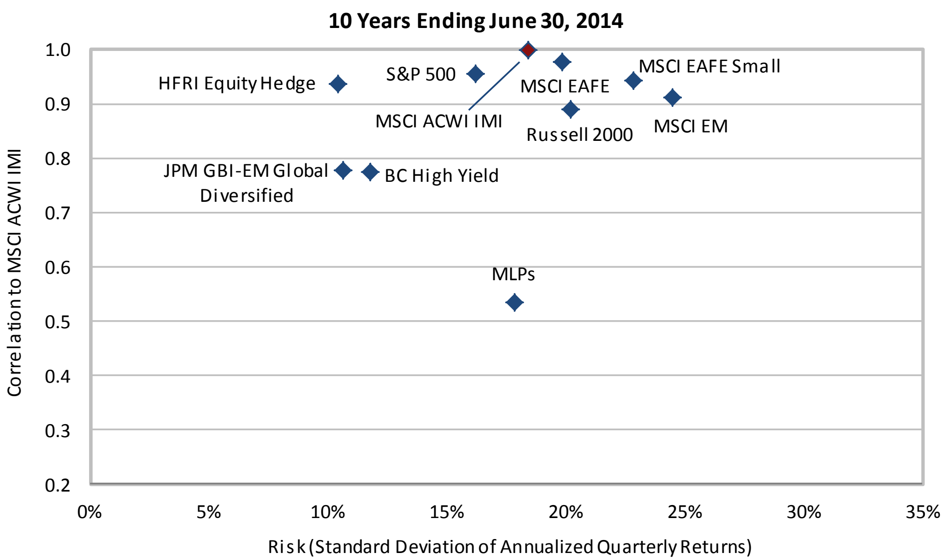
ASSET CLASS RISK/RETURN PERFORMANCE



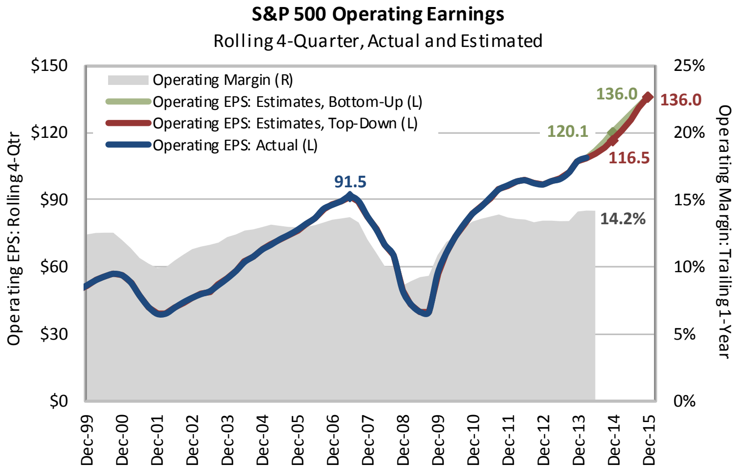


ASSET CLASS CORRELATION TO MSCI ACWI IMI



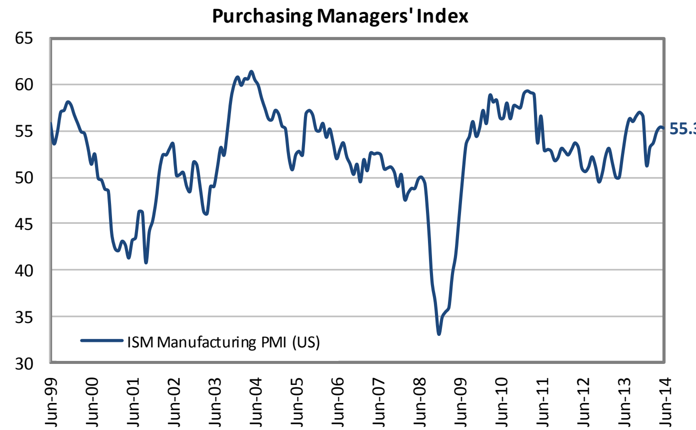


MARKET CHARTS



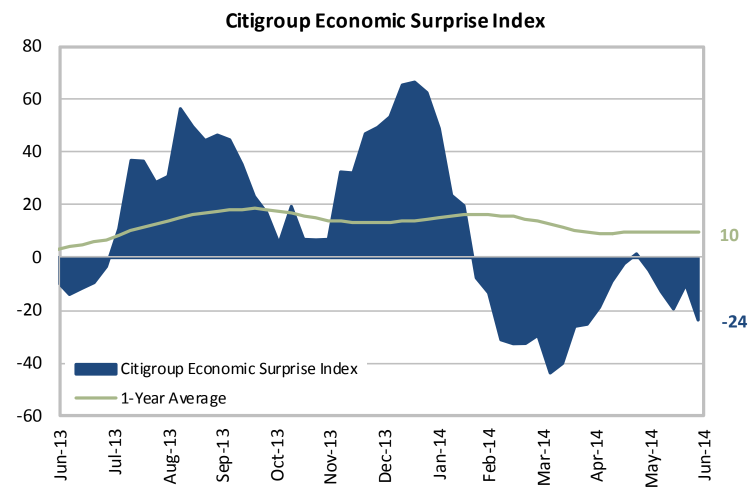
Source: Standard & Poor's

Both earnings growth expectations and operating margins remain high.



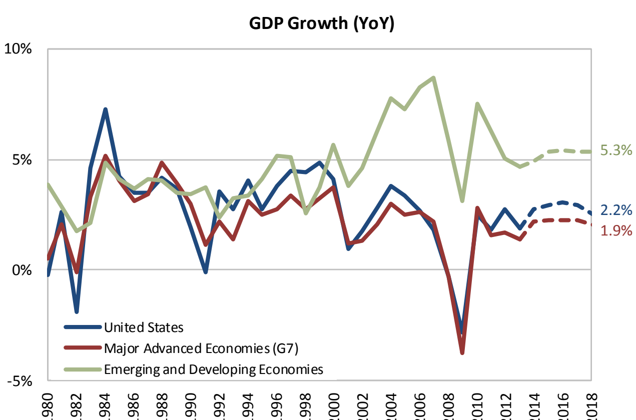
Source: Institute for Supply Management

US manufacturing continues to improve; a reading over 50 implies expansion.



Source: Citigroup

US economic releases have generally come in below expectations year-to-date.



Source: International Monetary Fund

Economic growth expectations remain positive. In the developed world, growth is below long-term averages going forward. In the emerging world, growth is below the averages of the last 10 years.

Public Debt

- The Barclays Capital Aggregate returned 2.0% in the second quarter.
- Government bonds were also up, returning 1.3%.
- Corporate bonds saw returns of 2.7% during the quarter as investment grade spreads tightened 5 bps to 100 bps. Corporate bond spreads have historically averaged 135 bps.
- Mortgage-backed securities returned 2.4% for the quarter as agency MBS spreads tightened 15 bps to 25 bps, well below the historical average of 70 bps.
- International bonds were among the top fixed income performers, as the Barclays Global Agg ex US outperformed the US Aggregate by 70 bps.

Private Debt

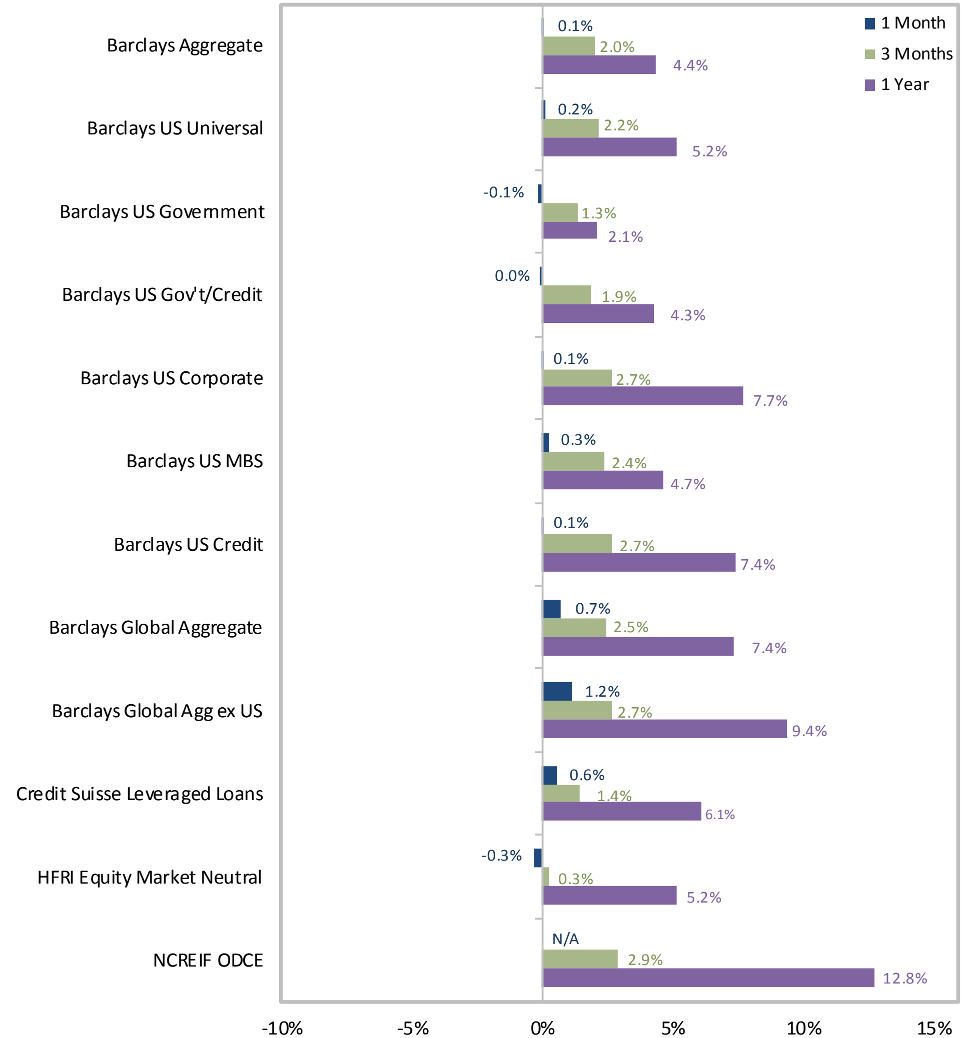
- Leveraged loans returned 1.4% for the quarter and are up 6.1% over the 12 months ending June.

Relative Value Hedge Funds

- The HFRI Equity Market Neutral index was up slightly for the quarter. Other relative value strategies, including mortgage/ABS relative value funds and corporate credit funds, continued to post gains as fixed income strategies benefited from ongoing spread compression.

Core Real Estate

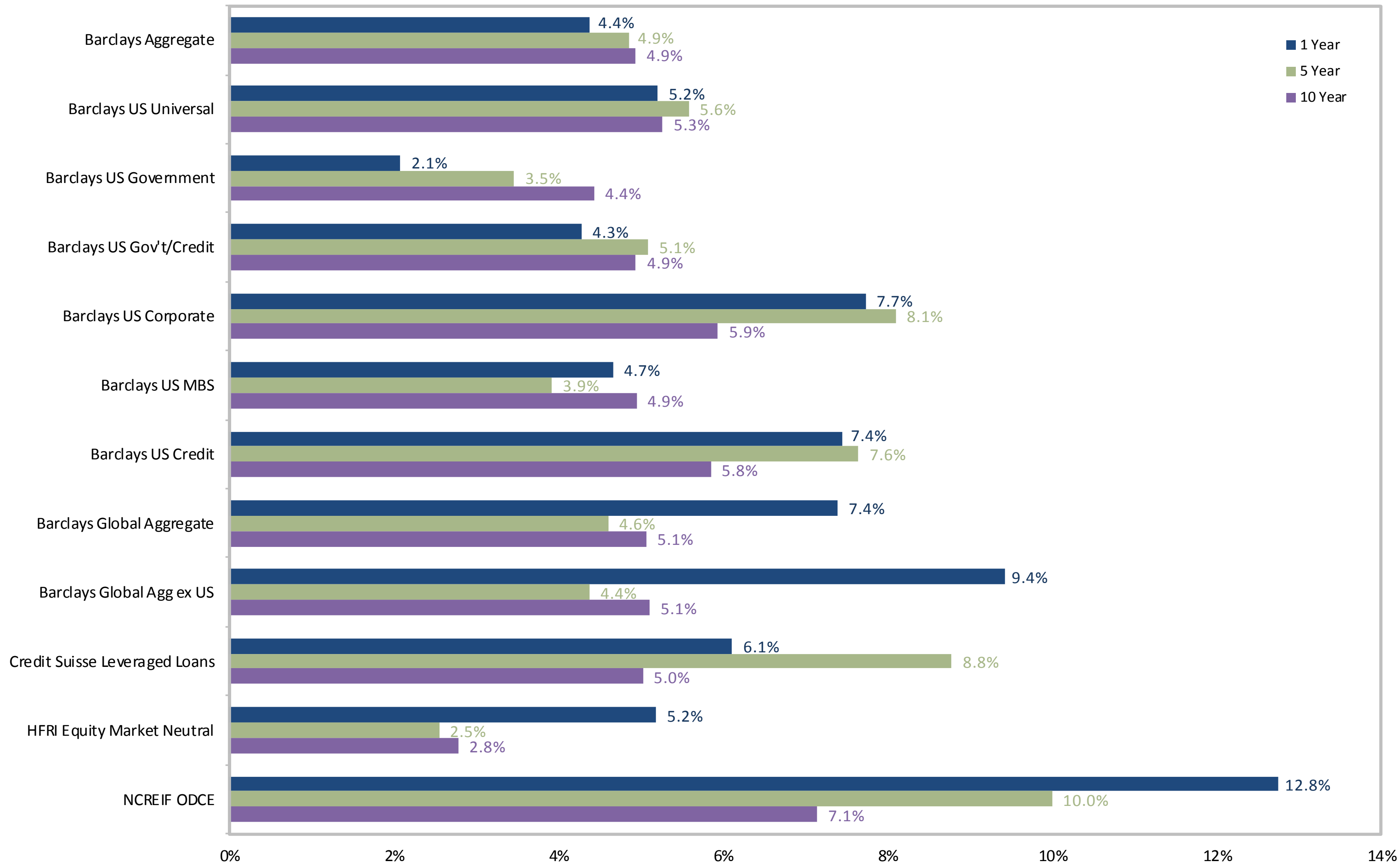
- The preliminary Q2 return for core real estate is 2.9%, a modest improvement from the previous quarter. Through the first half of 2014, core real estate continues to perform well, having generated a 5.5% return for investors. While cap rate compression has been decelerating for most property sectors, net operating income growth has been fueling the recent strong results. Specifically, landlords have exercised their pricing power to push rents higher because of the improving economy and years of below-trend new property supply.



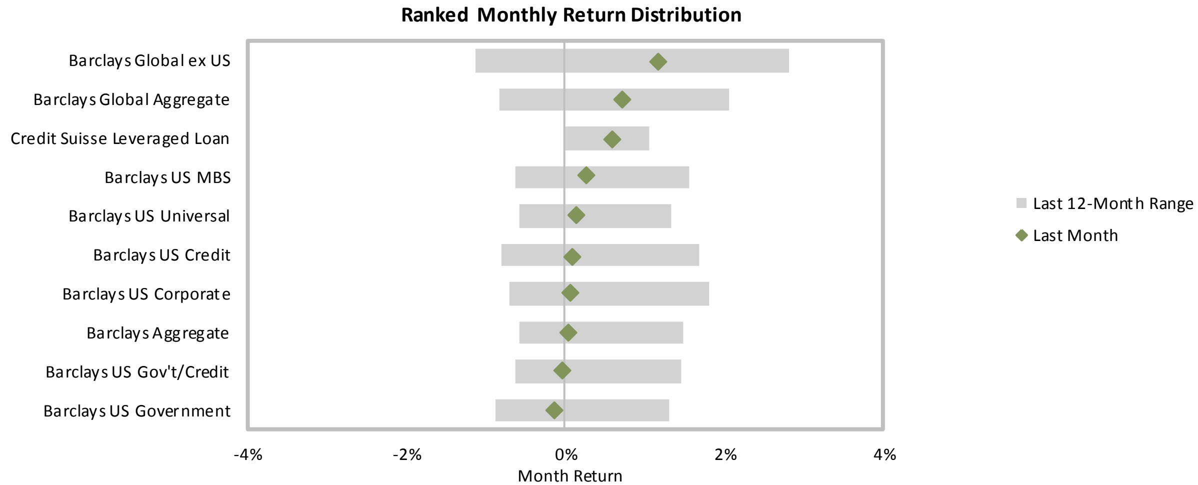
Income Assets

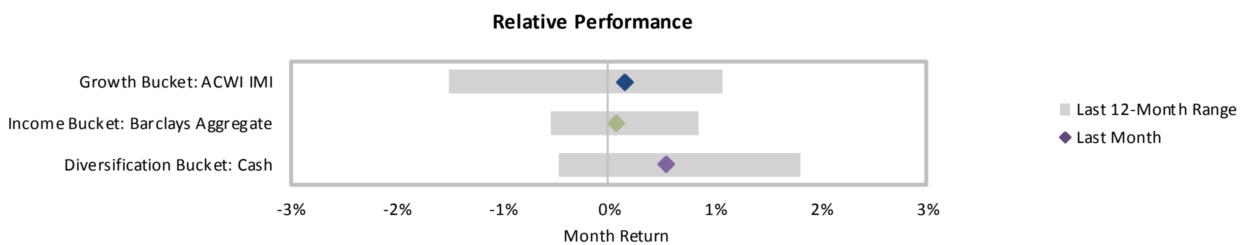
June 30, 2014

ANNUALIZED ONE-, FIVE-, AND TEN-YEAR RETURNS

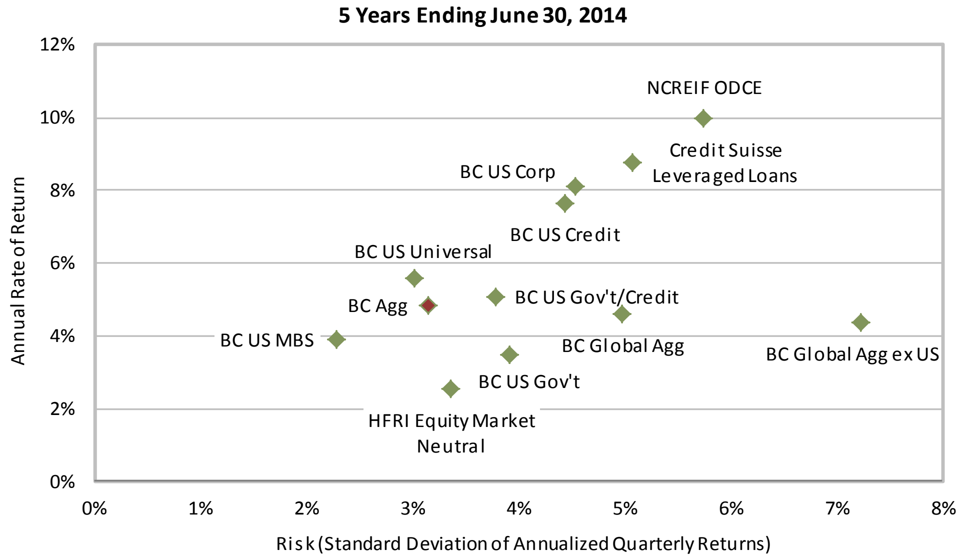


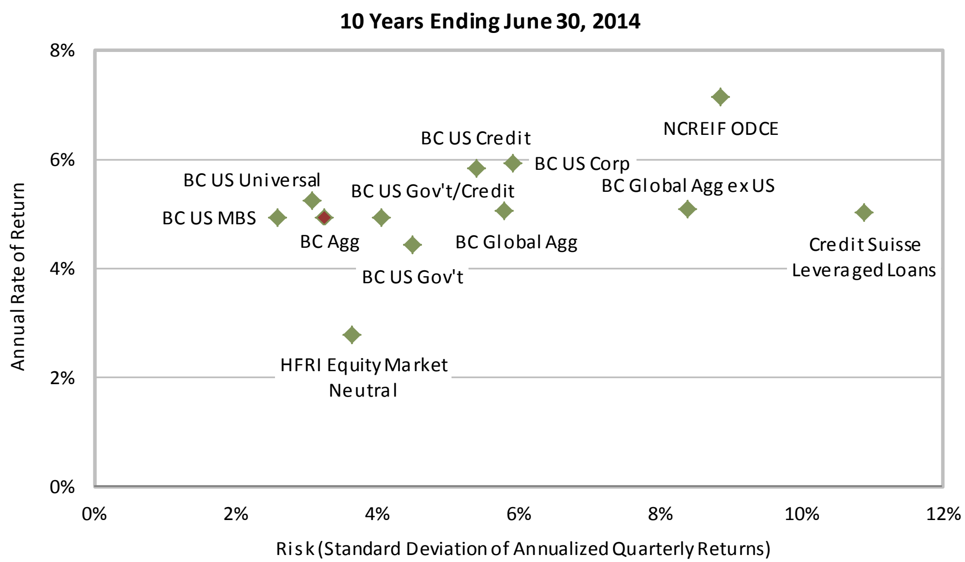
HISTORICAL RELATIVE PERFORMANCE



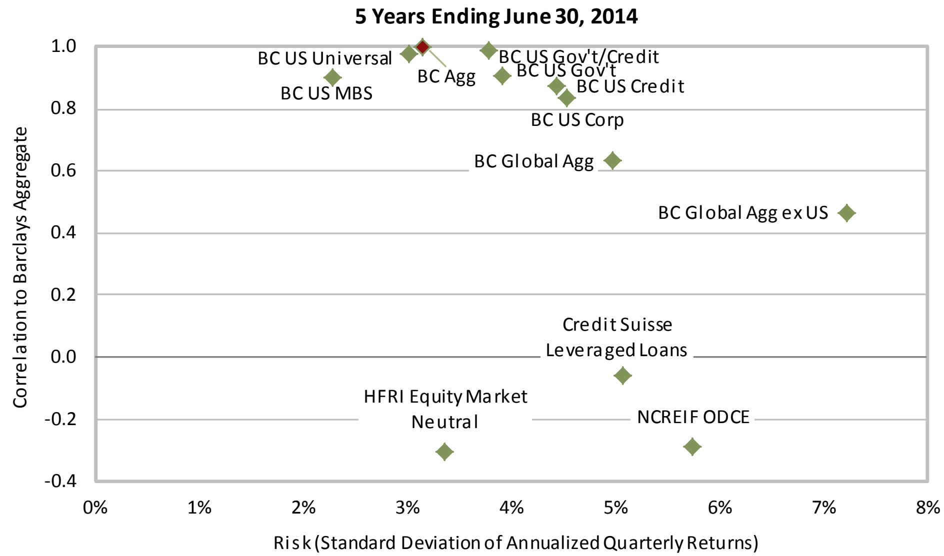


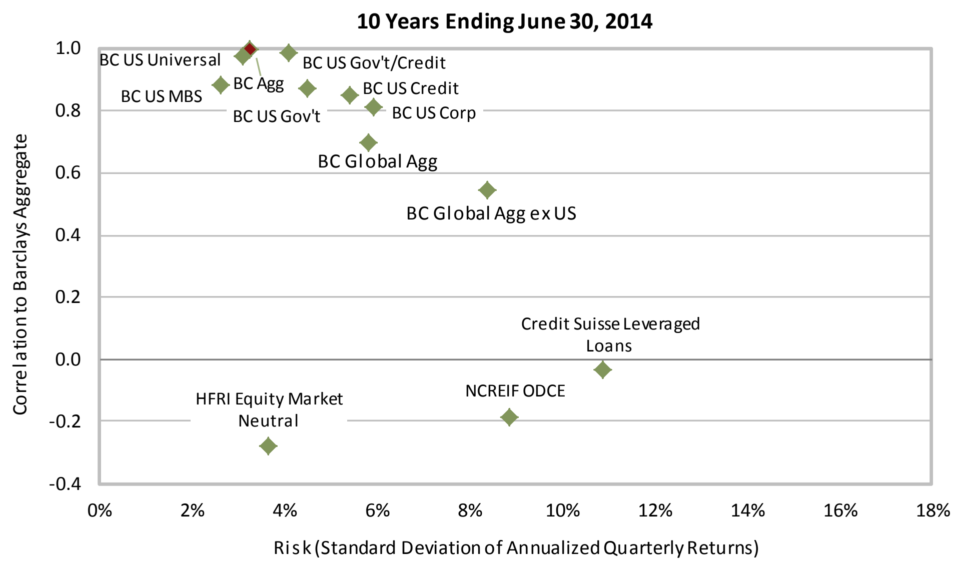
ASSET CLASS RISK/RETURN PERFORMANCE





ASSET CLASS CORRELATION TO BARCLAYS AGGREGATE

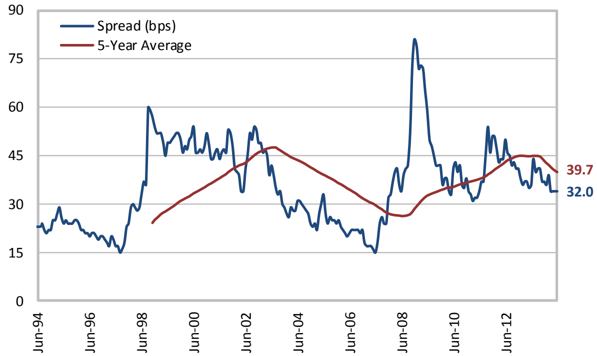




MARKET CHARTS

Spreads continue to compress; core plus offers less of a yield premium over core fixed income.

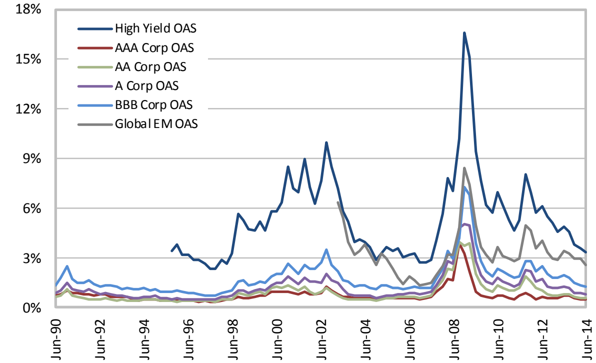
Core Plus vs Core Fixed Income



Source: Barclays

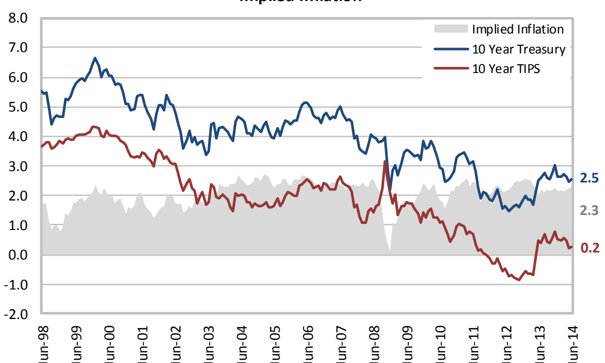
Spreads continue to decline towards pre-crisis levels.

Barclays Capital Option Adjusted Spreads



Source: Barclays

Implied Inflation



Source: Bloomberg

Long-term implied inflation is at its historical average of 2.1%.

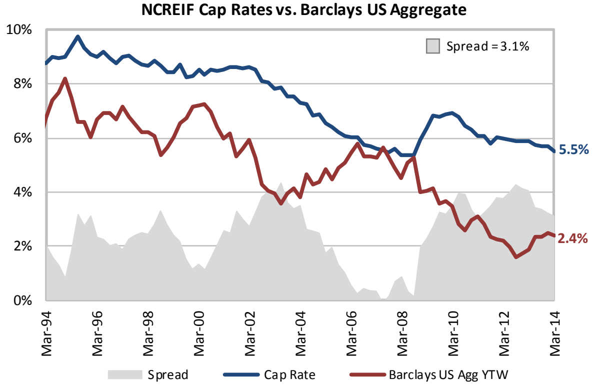
Employment Cost Index YoY % Change

Source: Bureau of Labor Statistics

There has been no substantial upward pressure on wages over the last ten years.

Post-2008, commercial real estate cap rates have remained relatively stable, with spreads to Treasuries remaining elevated relative to historical levels.

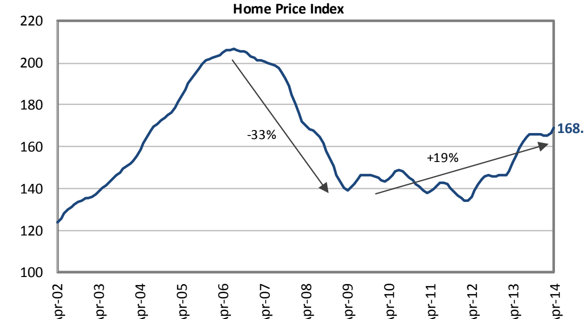
NCREIF Cap Rates vs. Barclays US Aggregate



Source: NCREIF, Barclays

Home prices experienced strong increases in 2013 but remain well below the highs of 2006.

S&P/Case-Shiller Composite 20
Home Price Index



Source: S&P Case-Shiller Composite 20-Home Price Index NSA

Diversification Assets

June 30, 2014

Inflation

- TIPS returned 3.8% in the second quarter. The asset class has gained 4.4% over the 12 months ending June.

Deflation

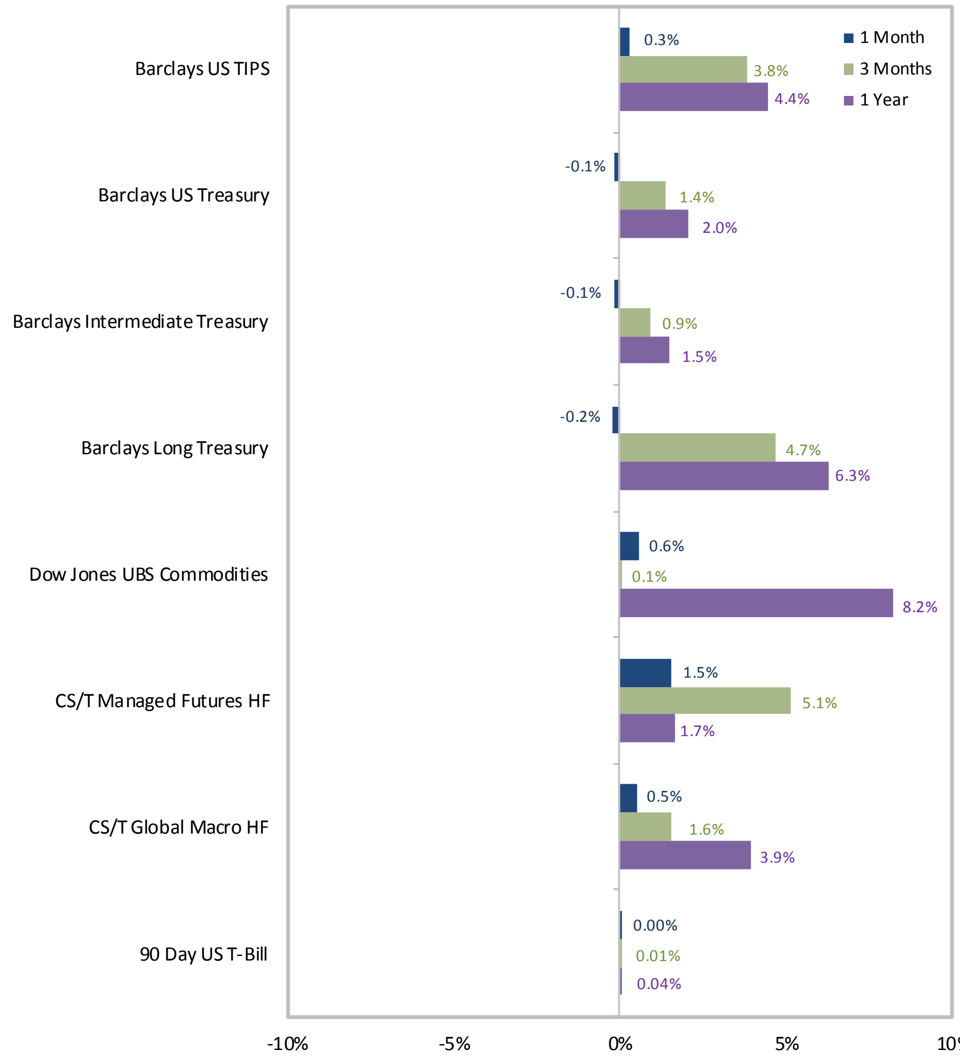
- The Barclays US Treasury Index returned 1.4% during the quarter.
- Intermediate Treasuries returned 0.9% and long duration Treasuries returned 4.7%. Intermediate and long Treasuries have earned 1.5% and 6.3%, respectively, over the past year.
- Cash continues to offer virtually no return, as 90 Day T-Bills have gained just 4 bps over the past year.

Commodities

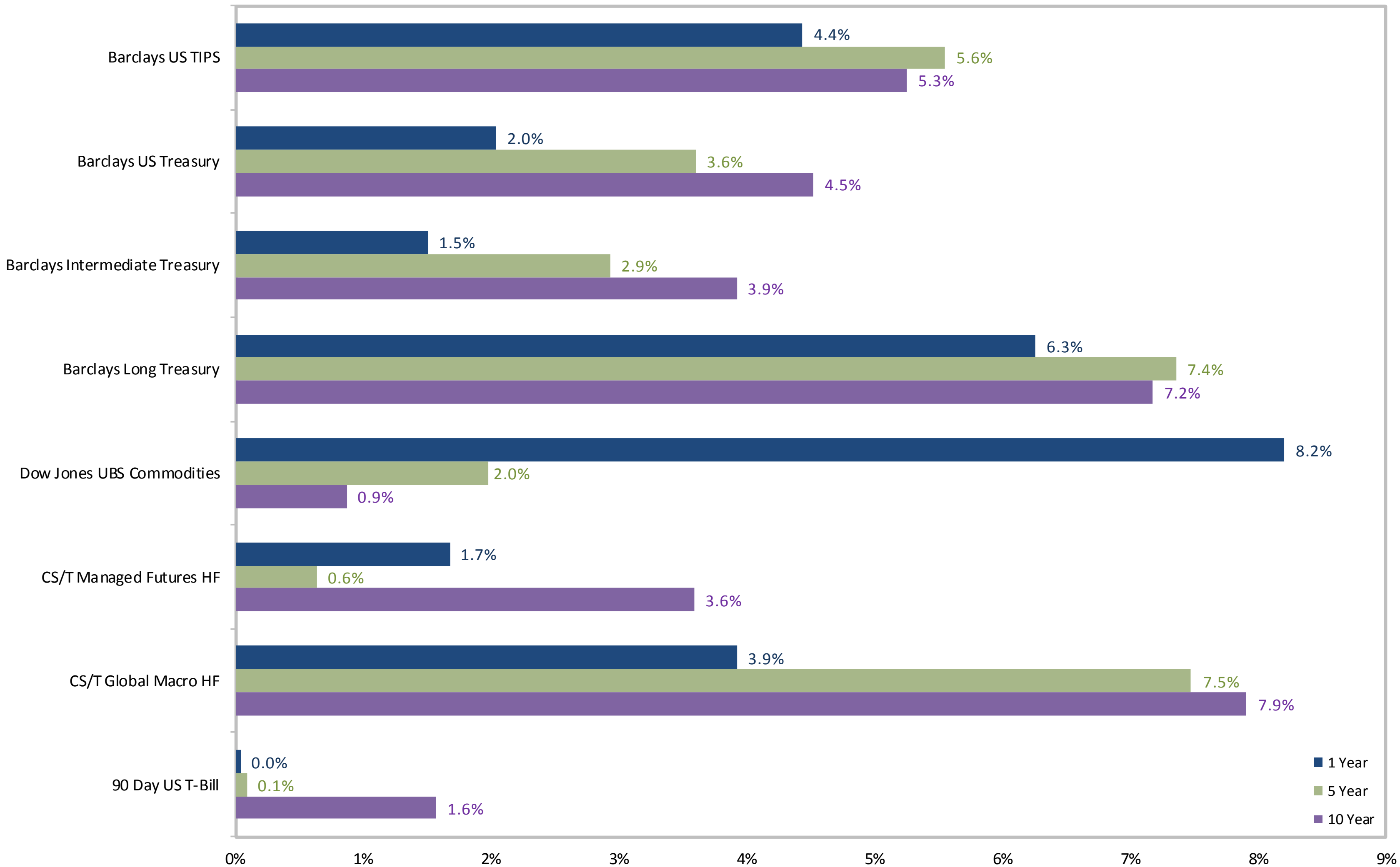
- On July 1 the Dow-Jones UBS Commodity Index was renamed the Bloomberg Commodity Index following its acquisition by Bloomberg in April of this year.
- Nearly all agriculture commodities declined during June, as supply growth outpaced estimates. Both livestock commodities were up, with lean hogs up 17% due to supply constraints caused by the PED virus. Gold (up 6%) and silver (up 12%) advanced in June. Industrial metals broadly advanced due to reduced inventories within zinc and copper markets. Energy commodities were largely flat during the month.

Tactical Trading

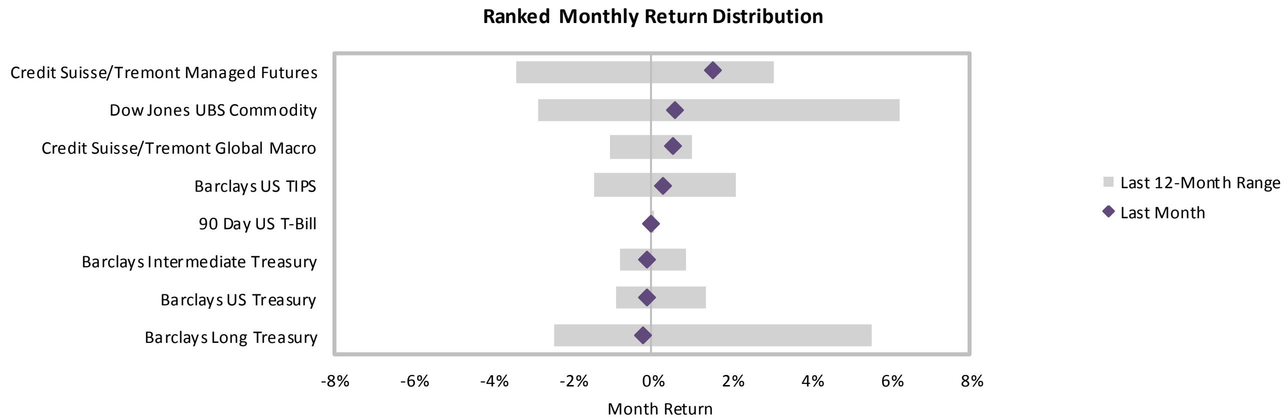
- Trend following was profitable for the second quarter, while discretionary global macro hedge funds generated mixed results.

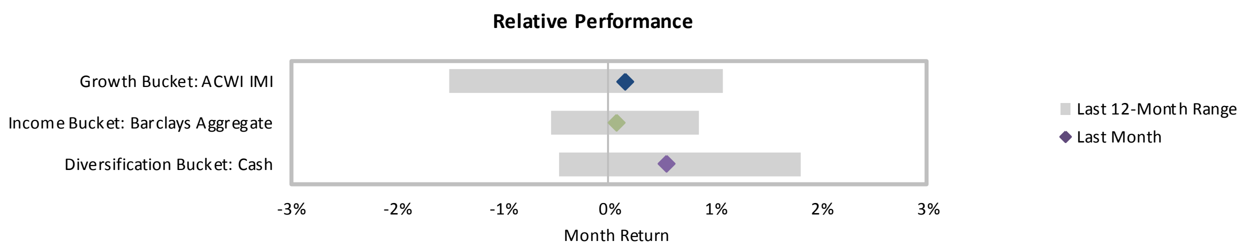


ANNUALIZED ONE-, FIVE-, AND TEN-YEAR RETURNS

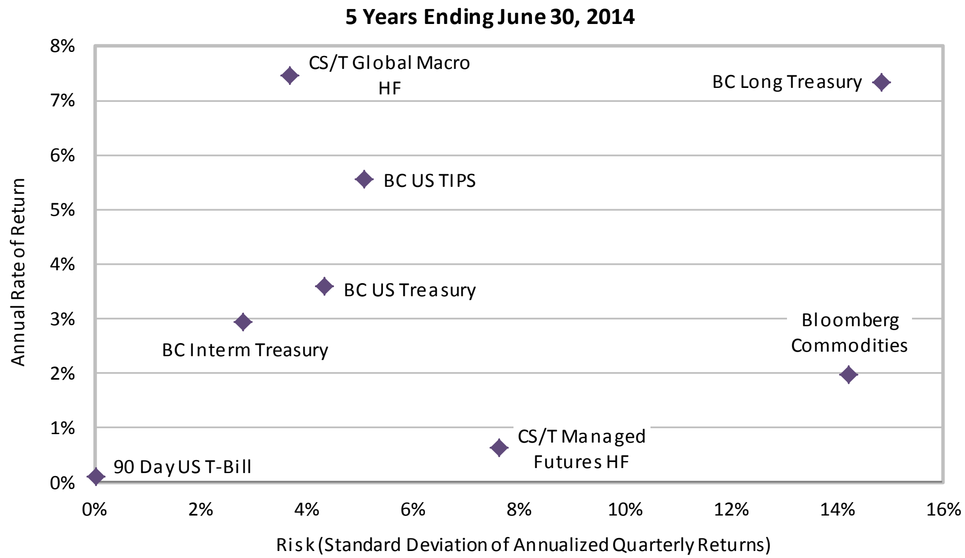


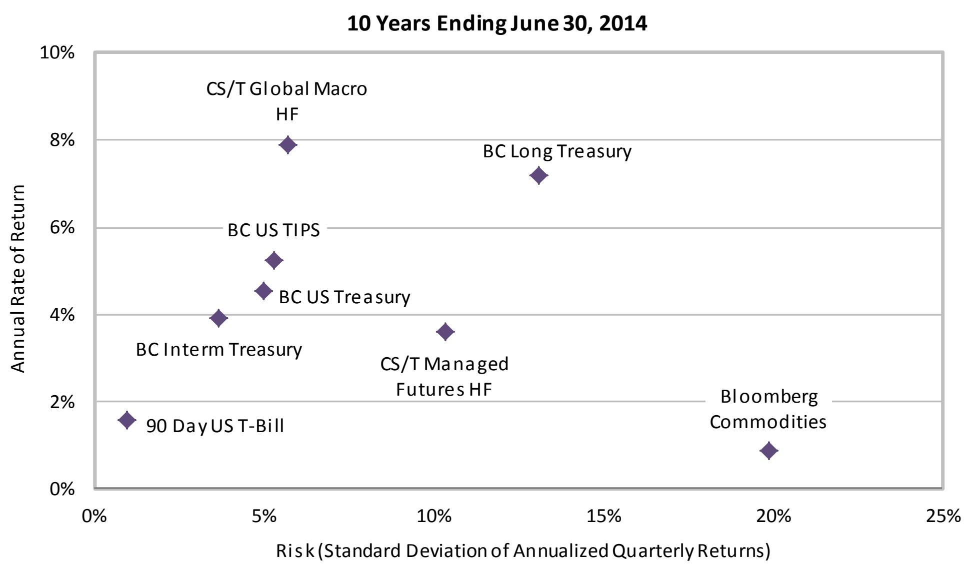
HISTORICAL RELATIVE PERFORMANCE



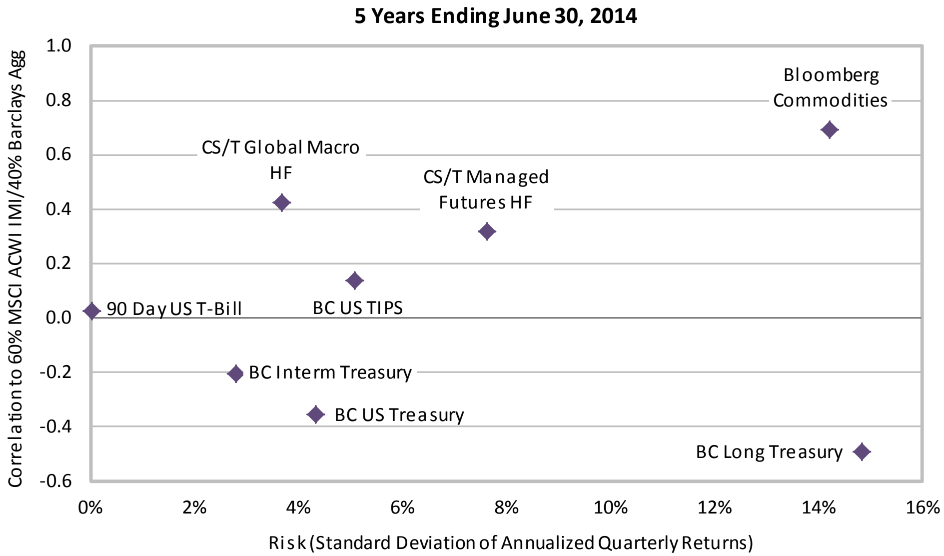


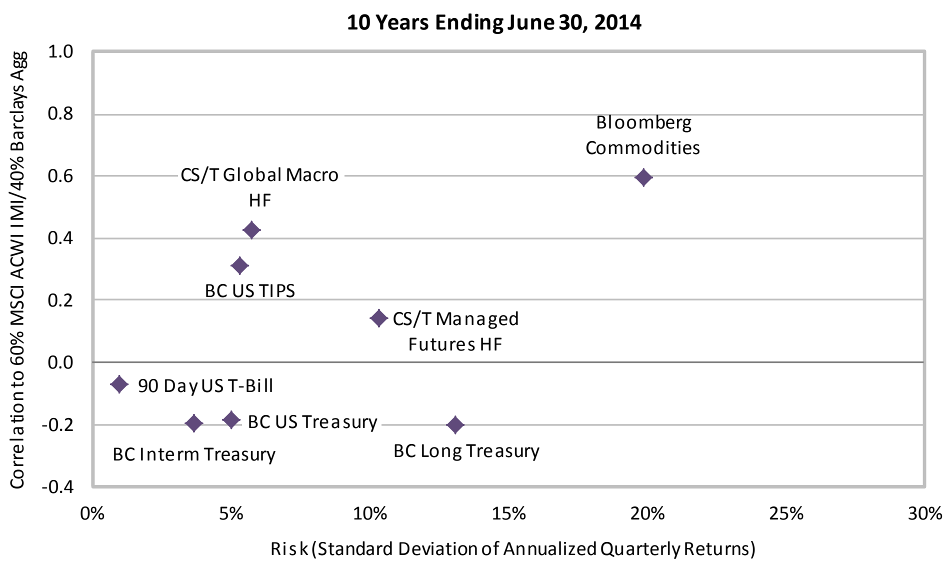
ASSET CLASS RISK/RETURN PERFORMANCE



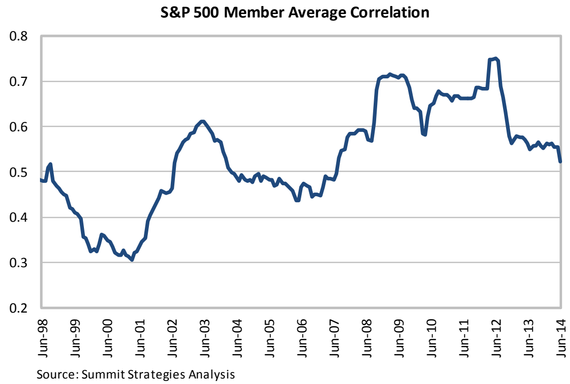


ASSET CLASS CORRELATION TO 60% MSCI ACWI IMI/40% BARCLAYS AGGREGATE

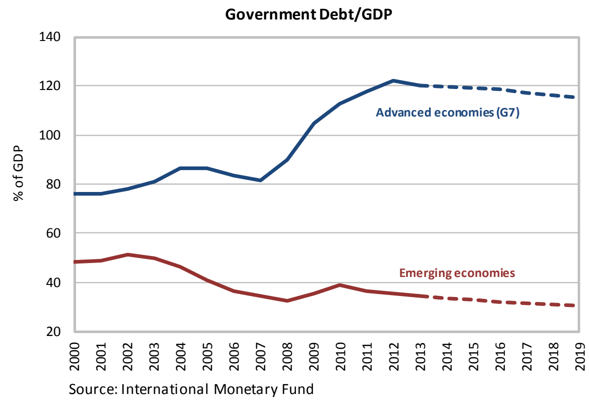




MARKET CHARTS

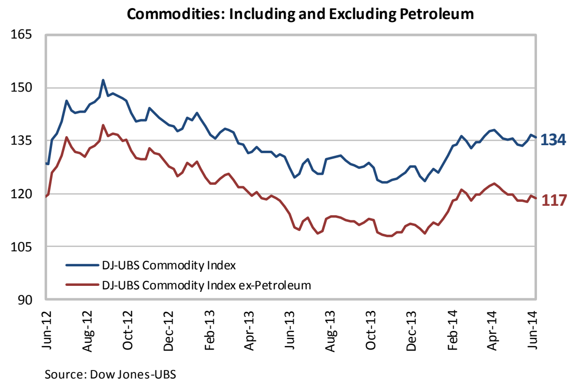


The correlation between individual stocks is slightly down from one year ago.

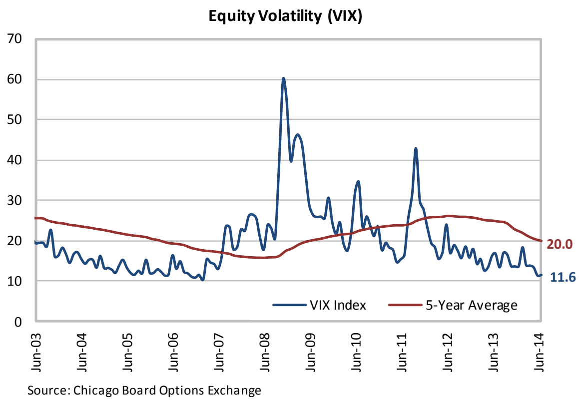


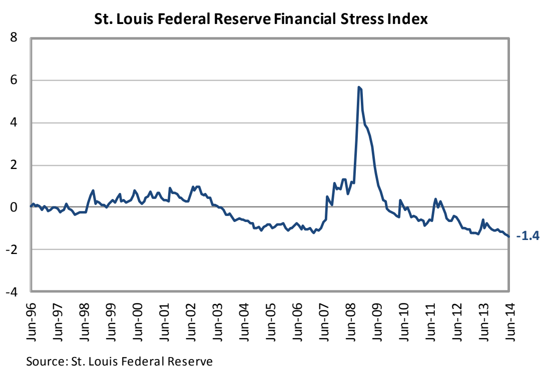
Advanced economies are just now addressing debt burdens (well over 100% of GDP), whereas the emerging economies are more reasonable at about 35% of GDP.

Commodities were mainly flat during the second quarter, but have performed well this year.

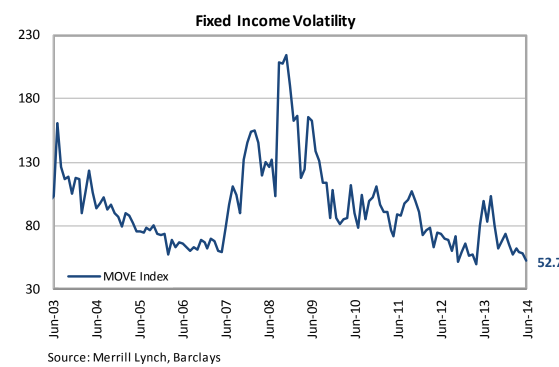


Equity volatility has reached levels similar to 2007; meanwhile, the S&P 500 has returned 25% over the past year.



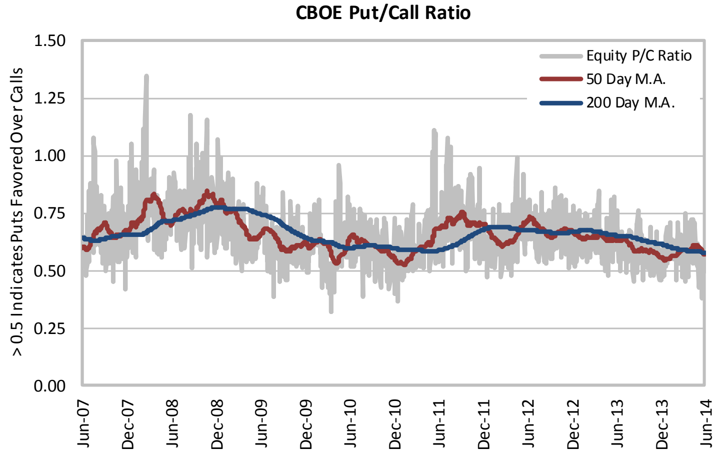


According to the STLFSI, financial market stress is currently below-average; a reading of 0 indicates average market stress.



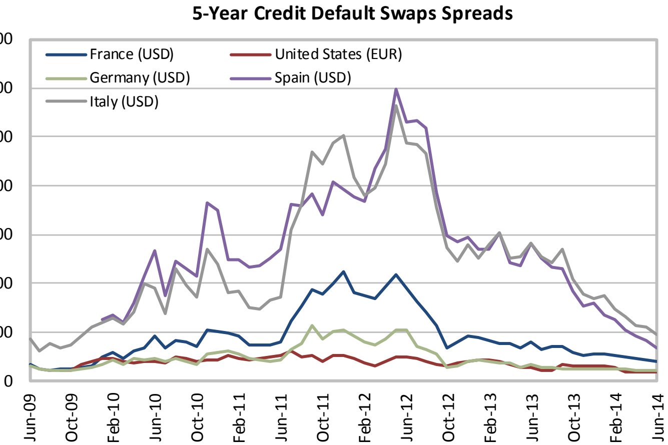
Since the spike following the May 2013 FOMC meeting, volatility in fixed income markets has returned to near pre-crisis lows.

MARKET SKEW



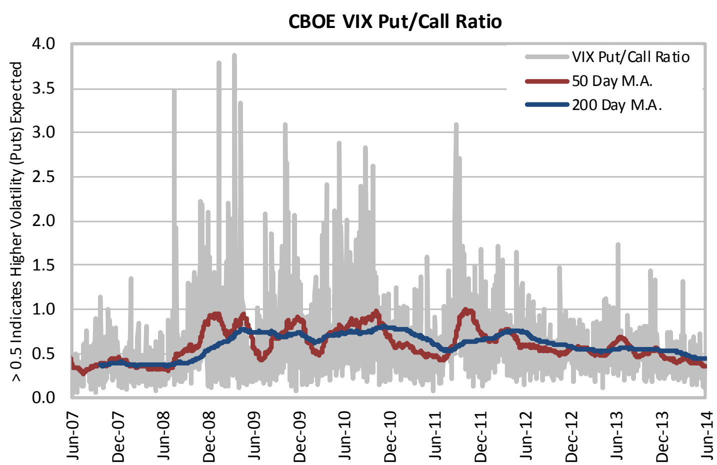
Source: Chicago Board Options Exchange

0.5 is neutral; investors are slightly less inclined to buy downside protection than they were at the beginning of the quarter – the ratio continues to drift lower.



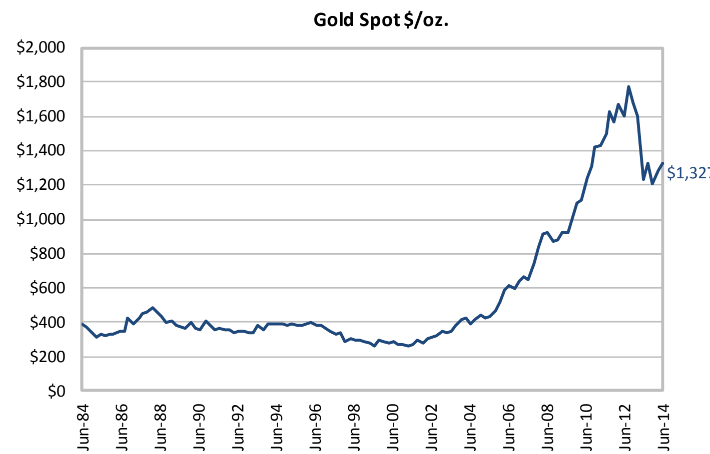
Source: Bloomberg

Sovereign spreads have decreased steadily over the past year.



Source: Chicago Board Options Exchange

0.5 is neutral; investors expect equity volatility to be slightly elevated, as volume for VIX call options has increased relative to put options.



Source: Bloomberg

Although the price decline appears to have reversed, gold remains well off its recent high.

2014 INVESTMENT THEMES: LOOKING FORWARD

What We Believe	*What Investors Should Do*
Growth	
• Muted global growth. — Deleveraging/deflationary pressures continue. — Growth potential continues to decline.	• Conservatively position Growth portfolio. — Move equity allocations near lower end of range. — Decrease return expectations.
• Increasing divergence in global economies. — More varied policy maker responses. — Potential source for market volatility.	• Focus on active management and quality.
• Ongoing central bank interventions.	• Emphasize broad diversification.
• Valuation differences between domestic equities and other growth assets have increased, presenting opportunities.	• Overweight emerging market equities and debt.
Income	
• Muted returns for most fixed income assets. — Yields are low and credit spreads have compressed.	• Selectively overweight spread products relative to Treasuries. • Monitor valuations for potential exit of non-benchmark strategies such as bank loans or real estate.
Diversification	
• The cost of explicit insurance versus non-correlated assets has declined.	• Revisit dedicated tail hedging strategies versus inflation hedging needs.

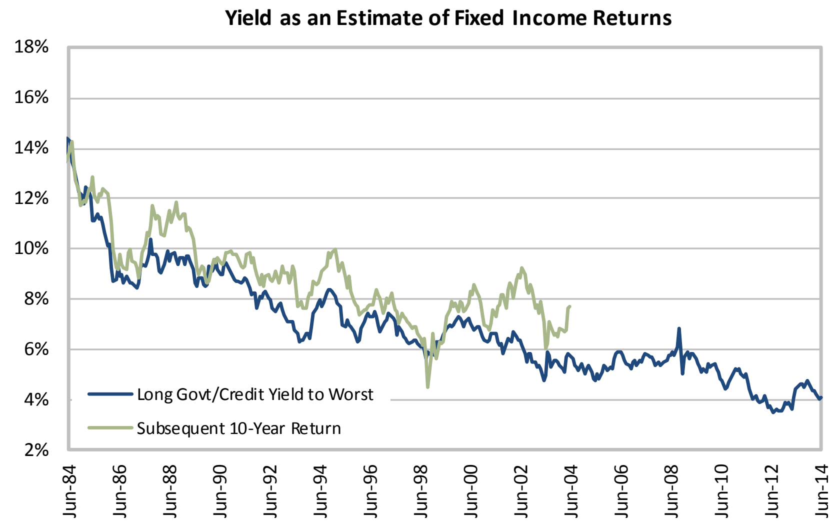
SUMMARY

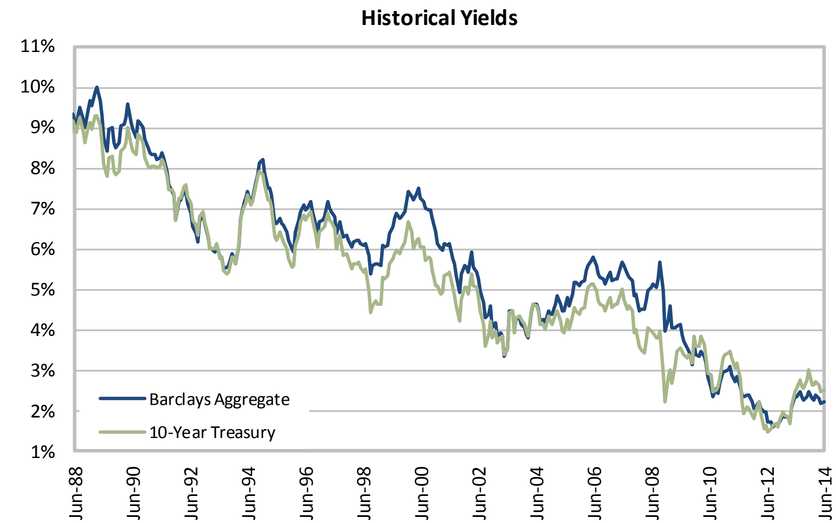
- The capital market assumptions section summarizes changes to Summit's long-term strategic capital market assumptions that have occurred since the beginning of the calendar year (Summit's full assumptions document is updated annually).
- While these assumptions are long-term by definition (one would not expect them to change frequently), there are times throughout the year when market fundamentals move dramatically, thereby altering the long-term expected performance for certain asset classes.
- The pages that follow provide brief supporting documentation for each of the asset classes in the table. For a complete rationale (for all assumptions) please refer to Summit's annual "Capital Market Assumption" publication (available at www.summitstrategies.com).

Asset Class Returns and Standard Deviations

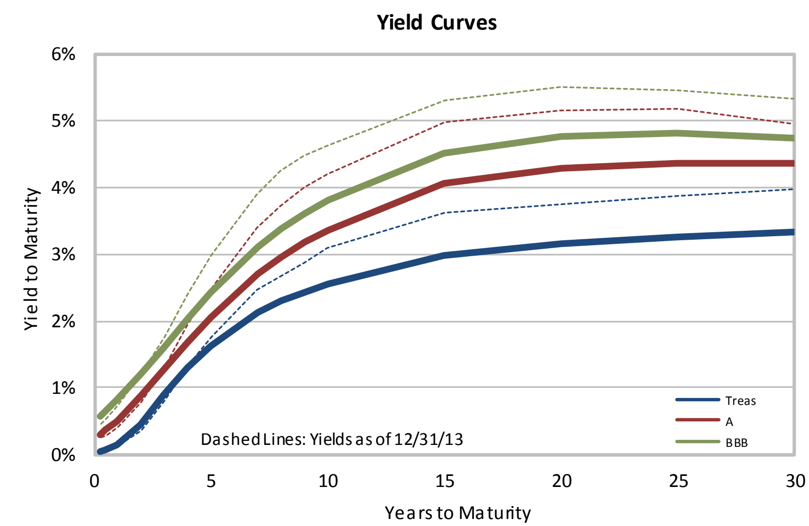
	Current Estimates		Previous Quarter		
Asset Class	Expected Return	Standard Deviation	Expected Return	Standard Deviation	Alpha Assumptions
Inflation (CPI)	2.25%	1.75%	2.25%	1.75%	
GROWTH:					
Large Cap	5.50%	16.75%	5.50%	16.75%	0.50%
Small Cap	5.25%	20.50%	5.25%	20.50%	0.75%
International Large Cap	6.75%	20.00%	6.75%	20.00%	0.75%
International Small Cap	6.75%	23.25%	6.75%	23.25%	1.00%
Emerging Markets	8.50%	25.25%	8.50%	25.25%	1.00%
Master Limited Partnerships (MLP)	**7.50%**	18.00%	8.00%	18.00%	
Private Equity	9.25%	21.00%	9.25%	21.00%	
Growth Hedge Funds	6.25%	10.00%	6.25%	10.00%	
High Yield Bonds	**3.75%**	12.00%	4.00%	12.00%	0.50%
Emerging Market Debt	6.75%	11.00%	6.75%	11.00%	0.75%
Convertibles	4.25%	13.75%	4.25%	13.75%	0.50%
Private Debt	**6.75%**	15.00%	7.00%	15.00%	
Non-Core Real Estate	8.50%	23.00%	8.50%	23.00%	
Public Real Estate (REITs)	**5.50%**	15.00%	5.75%	15.00%	
Risk Parity	7.25%	10.00%	7.25%	10.00%	
INCOME:					
Public Debt					
Governments	2.75%	4.75%	2.75%	4.75%	
Corporates	3.75%	6.25%	3.75%	6.25%	0.50%
Mortgages (Agency)	3.00%	3.25%	3.00%	3.25%	0.25%
Intermediate Fixed Income	3.00%	3.50%	3.00%	3.50%	0.25%
Core Fixed Income	3.25%	3.50%	3.25%	3.50%	0.25%
Core Plus Fixed Income	3.75%	4.00%	3.75%	4.00%	0.50%
Long Gov/Credit Fixed Income	3.75%	9.75%	3.75%	9.75%	0.25%
International Fixed Income	3.25%	8.50%	3.25%	8.50%	0.50%
Public Bank Loans	4.25%	11.00%	4.25%	11.00%	
Private Bank Loans	5.50%	13.00%	5.50%	13.00%	
Relative Value Hedge Funds	5.25%	5.00%	5.25%	5.00%	
Core Real Estate	6.50%	12.00%	6.50%	12.00%	
DIVERSIFICATION:					
Cash	2.75%	1.75%	2.75%	1.75%	
TIPS	3.00%	5.50%	3.00%	5.50%	
Long Treasuries	3.00%	13.25%	3.00%	13.25%	
Commodities	5.00%	20.50%	5.00%	20.50%	
Tactical Trading	6.75%	10.00%	6.75%	10.00%	
Diversified Hedge Funds	5.75%	6.00%	5.75%	6.00%	

FIXED INCOME



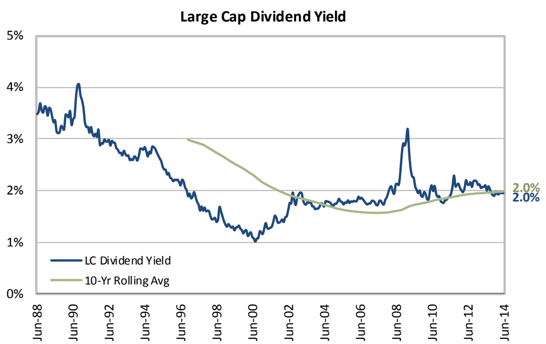


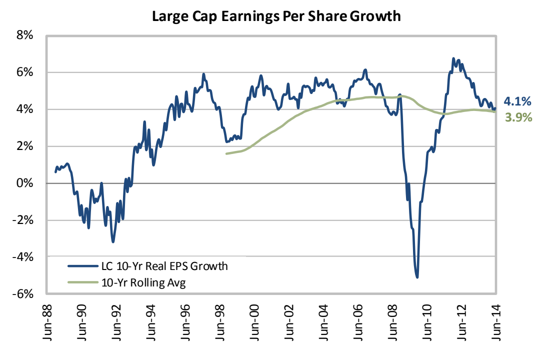
Asset Class	Assumptions: Current	Assumptions: BOY 2014	Option-Adjusted Spread: Current	Option-Adjusted Spread: BOY 2014
CPI	2.25%	2.25%	n/a	n/a
High Yield Bonds	3.75%	4.25%	336	382
Emerging Market Debt	6.75%	6.75%	n/a	n/a
Convertibles	4.25%	4.50%	n/a	n/a
Governments	2.75%	3.00%	2	3
Corporates	3.75%	4.25%	99	114
Mortgages (Agency)	3.00%	3.25%	24	35
Intermediate Fixed Income	3.00%	3.25%	29	35
Core Fixed Income	3.25%	3.50%	38	45
Core Plus Fixed Income	3.75%	4.00%	74	85
Long Gov/Credit Fixed Income	3.75%	4.00%	98	105
International Fixed Income	3.25%	3.50%	36	45
Cash	2.75%	3.00%	n/a	n/a
TIPS	3.00%	3.25%	17	19

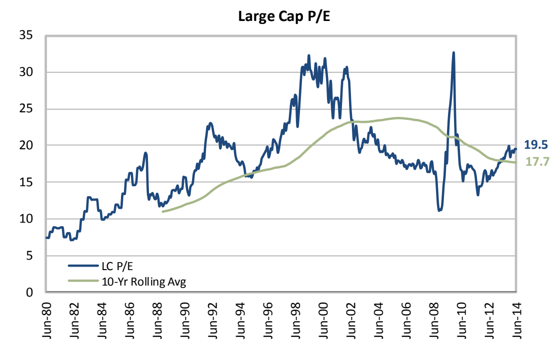


DOMESTIC EQUITY

Large Cap Equity





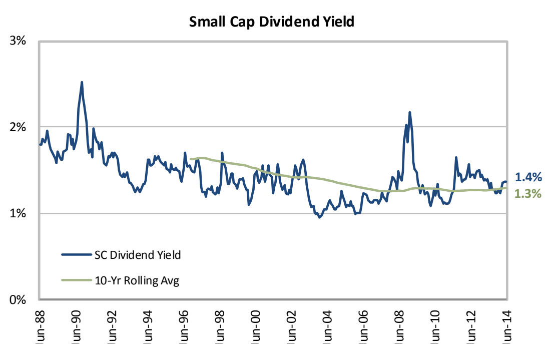


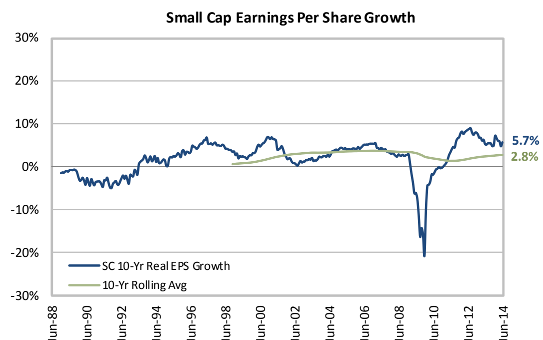
Inflation

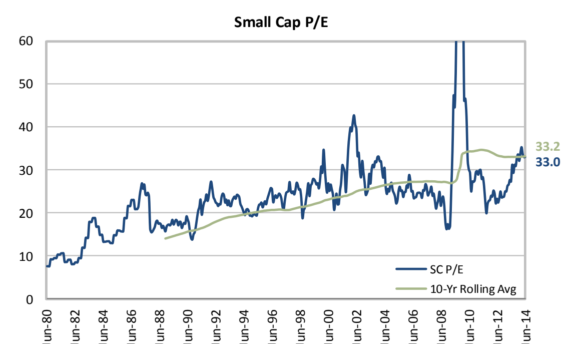
Dividend Yield: 2.00% + EPS Growth: 1.75% + Change in P/E: -0.50% + 2.25%

5.50%

Small Cap Equity







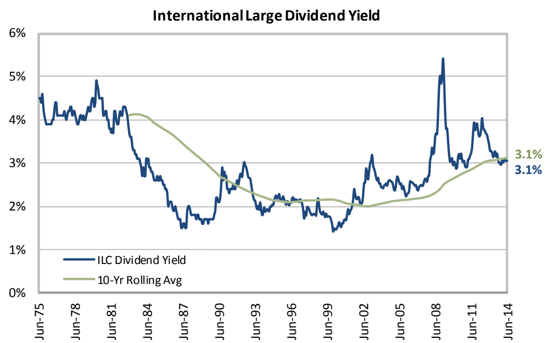
Inflation

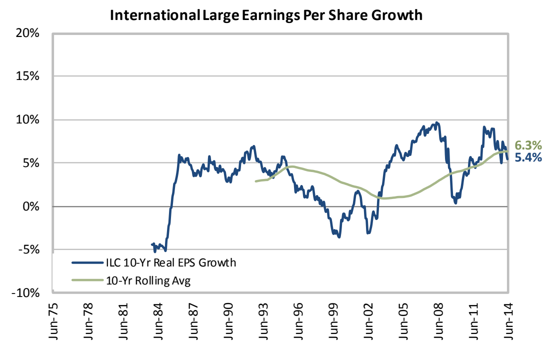
Dividend Yield: 1.25% + EPS Growth: 2.25% + Change in P/E: -0.50% + 2.25%

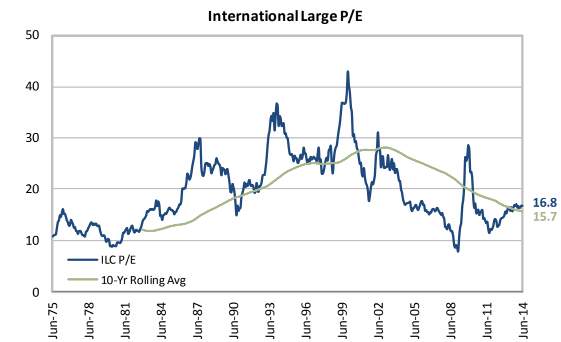
5.25%

INTERNATIONAL DEVELOPED EQUITY

International Large Cap Equity





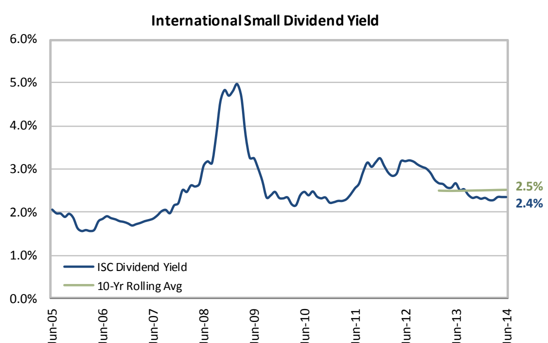


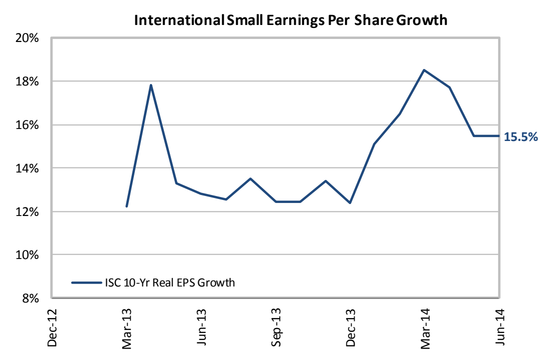
Inflation

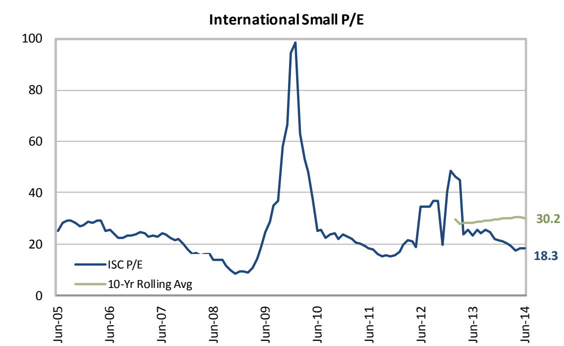
Dividend Yield: 3.00% + **EPS Growth: 1.50%** + **Change in P/E: 0.00%** + **2.25%**

6.75%

International Small Cap Equity







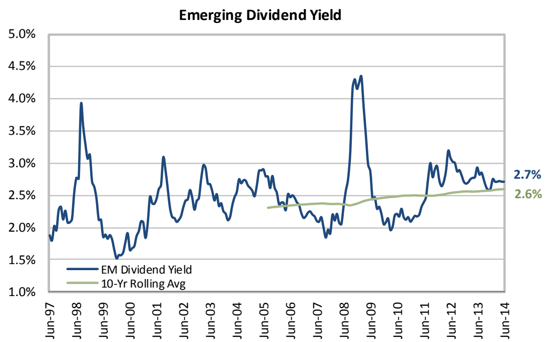
Inflation

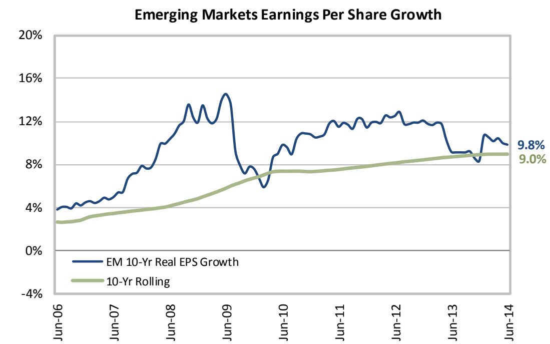
Dividend Yield: 2.50% + **EPS Growth: 2.00%** + **Change in P/E: 0.00%** + **2.25%**

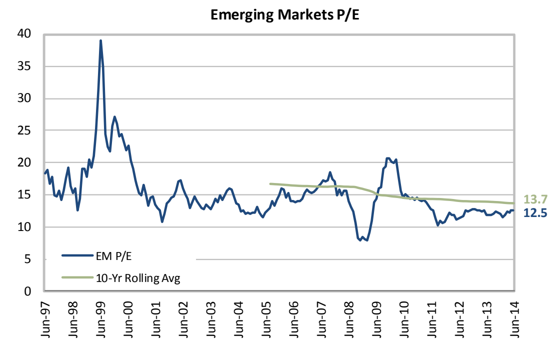
6.75%

INTERNATIONAL EMERGING EQUITY

Emerging Markets Equity







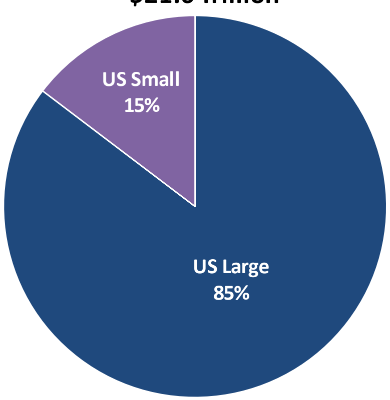
Inflation

Dividend Yield: 2.50% + **EPS Growth: 3.25%** + **Change in P/E: 0.50%** + **2.25%**

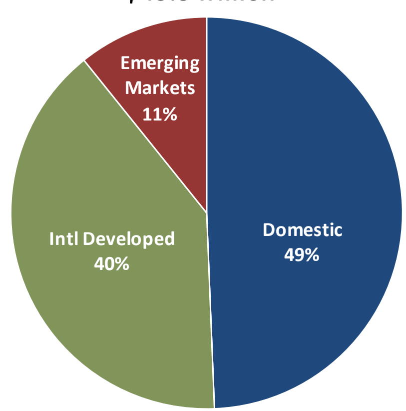
8.50%

Global Market Capitalization

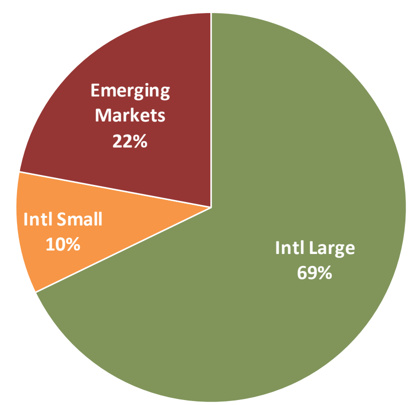
Domestic
$21.6 Trillion



Global
$43.8 Trillion



International
$22.2 Trillion



ALTERNATIVES

GROWTH									
	Small Cap		*Liquidity Premium*		*Leverage Adjustment*		*Net Alpha*		*Expected*
Private Equity	5.25%	+	2.00%	+	1.00%	+	1.00%	=	9.25%
	Expected Sharpe Ratio				*Cash*		*Vol-Adj Excess Returns*		
Growth Hedge Funds	0.35				2.75%	+	3.50%	=	6.25%
			High Yield		*Liquidity Premium*		*Net Alpha*		
Private Debt			3.75%	+	2.00%	+	1.00%	=	6.75%
			Distribution Yield		*Growth*		*Valuation*		
Master Limited Partnerships			5.25%	+	2.25%	+	0.00%	=	7.50%
	Current Cap Rate		*Growth*		*Liquidity Premium*		*Leverage Adjustment*		
Non-Core Real Estate	5.50%	+	1.00%	+	2.00%	+	0.00%	=	8.50%
	Current Yield		*Growth*		*Valuation*		*Leverage Adjustment*		
Public Real Estate (REITS)	3.75%	+	1.00%	+	0.00%	+	0.75%	=	5.50%
	Expected Sharpe Ratio				*Cash*		*Risk-Adj Beta Exposure*		
Risk Parity	0.45				2.75%	+	4.50%	=	7.25%
INCOME									
			Public Bank Loans		*Private Spread*		*Net Alpha*		
Private Bank Loans			4.25%	+	0.75%	+	0.50%	=	5.50%
	Expected Sharpe Ratio				*Cash*		*Vol-Adj Excess Returns*		
Relative Value Hedge Funds	0.50				2.75%	+	2.50%	=	5.25%
	Current Cap Rate		*Growth*		*Valuation*		*Leverage Adjustment*		
Core Real Estate	5.50%	+	1.00%	+	0.00%	+	0.00%	=	6.50%
DIVERSIFICATION									
			Cash		*Inflation*		*Inflation Utility*		
Commodities			2.75%	+	2.25%	+	0.00%	=	5.00%
	Expected Sharpe Ratio				*Cash*		*Vol-Adj Excess Returns*		
Tactical Trading	0.40				2.75%	+	4.00%	=	6.75%
	Expected Sharpe Ratio				*Cash*		*Vol-Adj Excess Returns*		
Diversified Hedge Funds	0.50				2.75%	+	3.00%	=	5.75%

Relative Performance

June 30, 2014

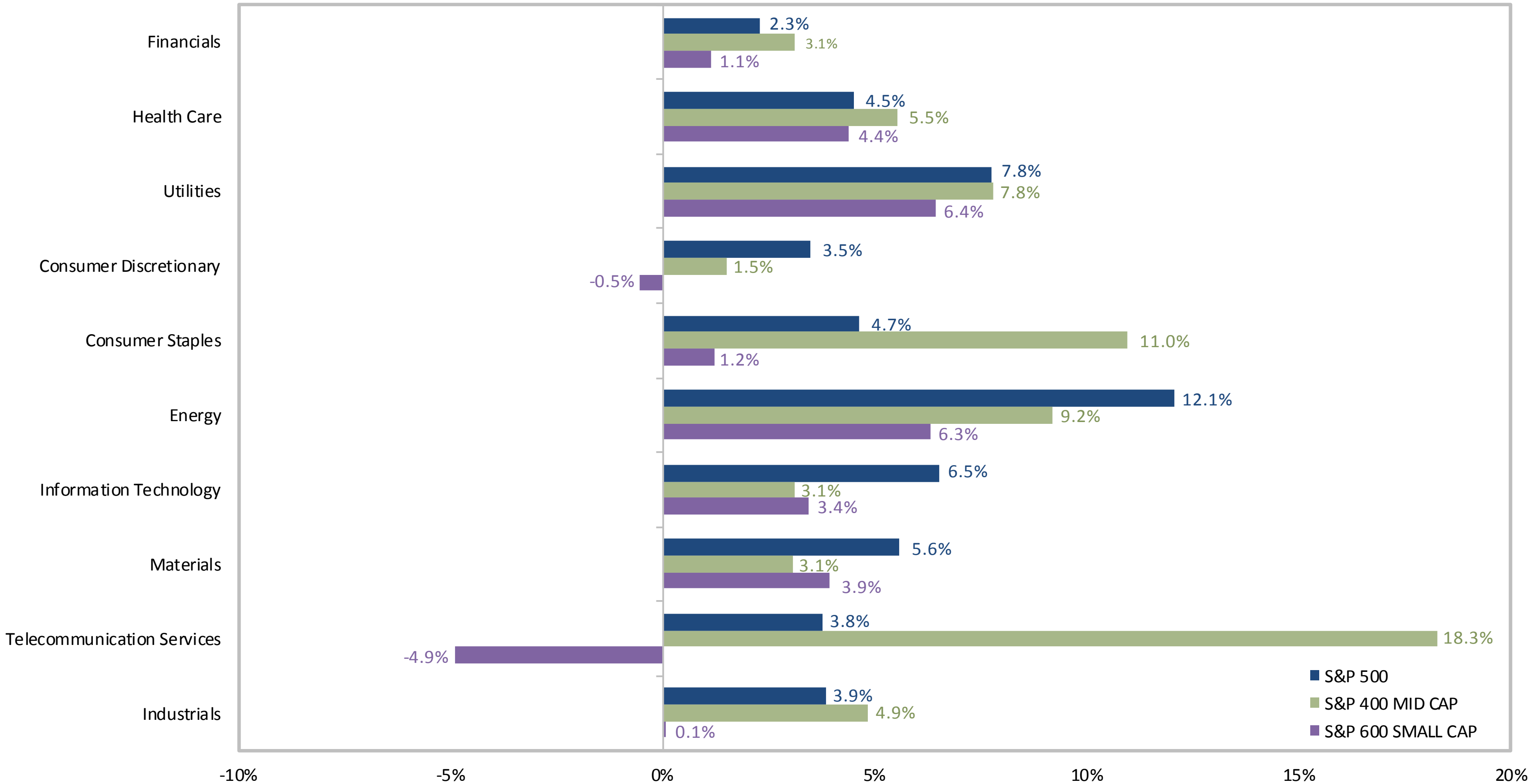
STYLE PERFORMANCE RANKING: ONE-YEAR TIME PERIODS

Best Performing

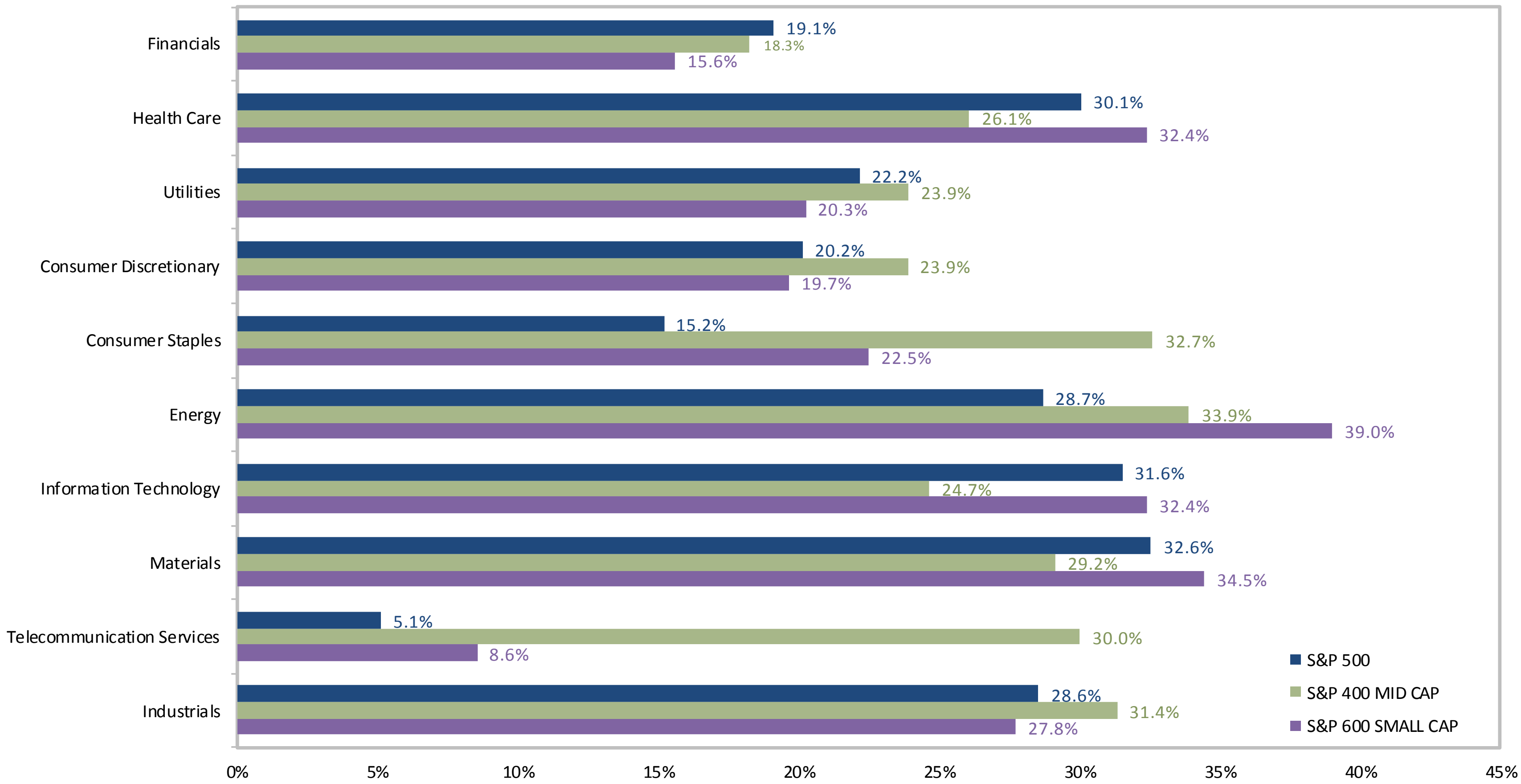
1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Q2 2014	10 Yr ROR	20 Yr ROR
Small Value 29.1%	EM 74.8%	EAFE 8.1%	Large Value 38.4%	Large Growth 23.1%	Large Value 35.2%	Large Growth 38.7%	EM 66.4%	Small Value 22.8%	Small Value 14.0%	Core Bonds 10.3%	EM 55.8%	EM 25.6%	EM 34.1%	EM 32.2%	EM 39.4%	BC Int Treas 11.4%	EM 78.5%	Small Growth 29.1%	Core Bonds 7.8%	EM 18.2%	Small Growth 43.3%	Large Value 8.3%	EM 6.6%	EM 11.9%	Small Value 11.0%
Small Cap 18.4%	EAFE 32.9%	Large Growth 2.7%	S&P 500 37.6%	S&P 500 23.0%	S&P 500 33.4%	S&P 500 28.6%	Small Growth 43.1%	Core Bonds 11.6%	Core Bonds 8.4%	BC Int Treas 9.6%	Small Growth 48.5%	Small Value 22.3%	EAFE 14.0%	EAFE 26.9%	Large Growth 11.8%	Core Bonds 5.2%	HY Bonds 58.2%	Small Cap 26.9%	BC Int Treas 6.6%	Small Value 18.1%	Small Cap 38.8%	S&P 500 7.1%	S&P 500 5.2%	BC HY 9.1%	Large Value 10.3%
HY Bonds 15.8%	Small Value 23.8%	S&P 500 1.3%	Large Growth 37.2%	Large Value 21.6%	Small Value 31.8%	EAFE 20.3%	Large Growth 33.2%	BC Int Treas 10.3%	BC Int Treas 8.2%	HY Bonds -1.4%	Small Cap 47.3%	EAFE 20.7%	Large Value 7.1%	Small Value 23.5%	EAFE 11.6%	HY Bonds -26.2%	Large Growth 37.2%	Small Value 24.5%	HY Bonds 5.0%	Large Value 17.5%	Small Value 34.5%	Large Growth 6.3%	Large Growth 5.1%	Small Growth 9.0%	Small Cap 9.8%
Large Value 13.8%	Small Cap 18.9%	HY Bonds -1.0%	Small Growth 31.0%	Small Value 21.4%	Large Growth 30.5%	Large Value 15.6%	EAFE 27.3%	Large Value 7.0%	HY Bonds 5.3%	EM -6.0%	Small Value 46.0%	Small Cap 18.3%	Large Growth 5.3%	Large Value 22.2%	BC Int Treas 8.8%	Small Value -28.9%	Small Growth 34.5%	EM 18.9%	Large Growth 2.6%	EAFE 17.3%	Large Growth 33.5%	EM 6.1%	Large Value 5.1%	Small Cap 8.7%	S&P 500 9.8%
EM 11.4%	Large Value 18.1%	Small Value -1.5%	Small Cap 28.4%	Small Cap 16.5%	Small Cap 22.4%	Core Bonds 8.7%	Small Cap 21.3%	Small Cap -3.0%	Small Cap 2.5%	Small Value -11.4%	EAFE 39.2%	Large Value 16.5%	S&P 500 4.9%	Small Cap 18.4%	Small Growth 7.1%	Small Cap -33.8%	EAFE 31.9%	Large Growth 16.7%	S&P 500 2.1%	Small Cap 16.3%	Large Value 32.5%	BC HY 5.5%	EAFE 4.1%	Small Value 8.2%	Large Growth 9.2%
Small Growth 7.8%	HY Bonds 17.1%	Small Cap -1.8%	Small Value 25.8%	HY Bonds 11.4%	Small Growth 12.9%	BC Int Treas 8.6%	S&P 500 21.0%	HY Bonds -5.9%	EM -2.4%	Large Value -15.5%	Large Value 30.0%	Small Growth 14.3%	Small Value 4.7%	S&P 500 15.8%	Core Bonds 7.0%	Large Value -36.9%	Small Cap 27.2%	Large Value 15.5%	Large Value 0.4%	S&P 500 16.0%	S&P 500 32.4%	EAFE 4.8%	BC HY 2.4%	Large Growth 8.2%	BC HY 8.2%
S&P 500 7.6%	Small Growth 13.4%	BC Int Treas -1.8%	HY Bonds 19.2%	Small Growth 11.3%	HY Bonds 12.7%	HY Bonds 1.9%	Large Value 7.4%	S&P 500 -9.1%	Large Value -5.6%	EAFE -15.7%	Large Growth 29.8%	HY Bonds 11.1%	Small Cap 4.6%	Small Growth 13.4%	S&P 500 5.5%	S&P 500 -37.0%	S&P 500 26.5%	HY Bonds 15.1%	Small Growth -2.9%	HY Bonds 15.8%	EAFE 22.8%	Small Value 4.2%	Small Value 2.4%	Large Value 8.0%	Small Growth 8.1%
Core Bonds 7.4%	S&P 500 10.1%	Large Value -2.0%	Core Bonds 18.5%	EAFE 6.4%	Core Bonds 9.7%	Small Growth 1.2%	HY Bonds 2.4%	EAFE -14.0%	Small Growth -9.2%	Small Cap -20.5%	HY Bonds 29.0%	S&P 500 10.9%	Small Growth 4.1%	HY Bonds 11.9%	HY Bonds 1.9%	Large Growth -38.4%	Small Value 20.6%	S&P 500 15.1%	Small Cap -4.2%	Large Growth 15.3%	HY Bonds 7.4%	Core Bonds 3.9%	Small Cap 2.0%	S&P 500 7.8%	EM 6.4%
BC Int Treas 7.0%	Core Bonds 9.8%	Small Growth -2.4%	BC Int Treas 14.4%	EM 6.0%	BC Int Treas 7.7%	Small Cap -2.5%	BC Int Treas 0.4%	Large Growth -22.4%	S&P 500 -11.9%	S&P 500 -22.1%	S&P 500 28.7%	Large Growth 6.3%	HY Bonds 2.7%	Large Growth 9.1%	Large Value -0.2%	Small Growth -38.5%	Large Value 19.7%	EAFE 7.8%	Small Value -5.5%	Small Growth 14.6%	BC Int Treas -1.3%	Small Cap 3.2%	Core Bonds 2.0%	EAFE 6.9%	Core Bonds 6.2%
Large Growth 5.0%	BC Int Treas 8.2%	Core Bonds -2.9%	EAFE 11.6%	BC Int Treas 4.0%	EAFE 2.1%	Small Value -6.5%	Core Bonds -0.8%	Small Growth -22.4%	Large Growth -20.4%	Large Growth -27.9%	Core Bonds 4.1%	Core Bonds 4.3%	Core Bonds 2.4%	Core Bonds 4.3%	Small Cap -1.6%	EAFE -43.4%	Core Bonds 5.9%	Core Bonds 6.5%	EAFE -12.1%	Core Bonds 4.2%	Core Bonds -2.0%	Small Growth 2.2%	Small Growth 1.7%	Core Bonds 4.9%	EAFE 5.5%
EAFE -11.8%	Large Growth 2.9%	EM -7.3%	EM -5.2%	Core Bonds 3.6%	EM -11.6%	EM -25.3%	Small Value -1.5%	EM -30.6%	EAFE -21.2%	Small Growth -30.3%	BC Int Treas 2.1%	BC Int Treas 2.0%	BC Int Treas 1.6%	BC Int Treas 3.5%	Small Value -9.8%	EM -53.3%	BC Int Treas -1.4%	BC Int Treas 5.3%	EM -18.4%	BC Int Treas 1.7%	EM -2.6%	BC Int Treas -1.6%	BC Int Treas 0.9%	BC Int Treas 3.9%	BC Int Treas 5.2%

Worst Performing

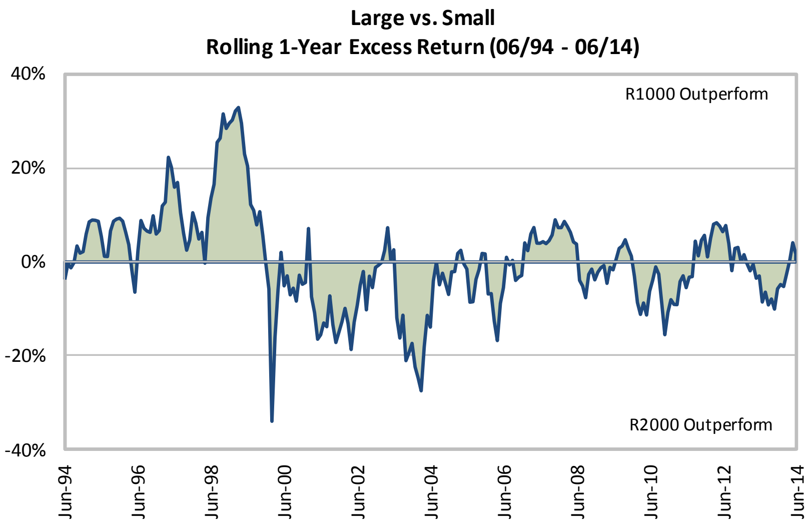
EQUITY STYLE SECTOR PERFORMANCE COMPARISON: CURRENT QUARTER
SMALL, MID, AND LARGE CAP

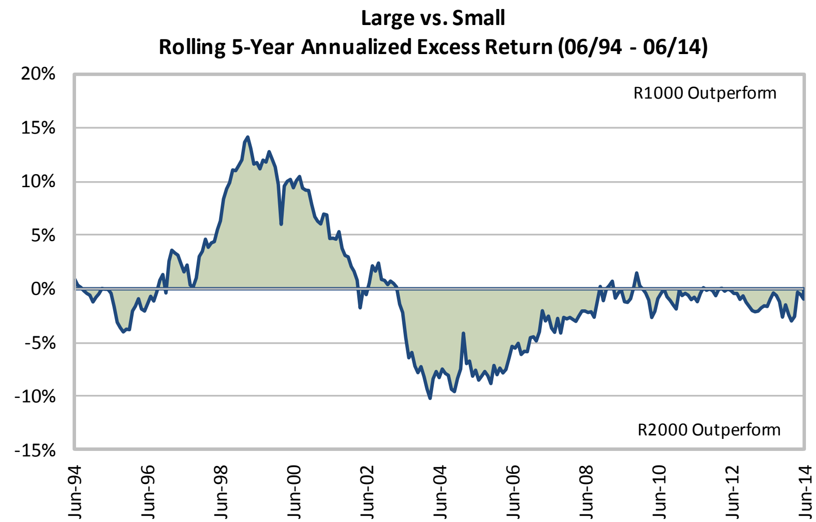


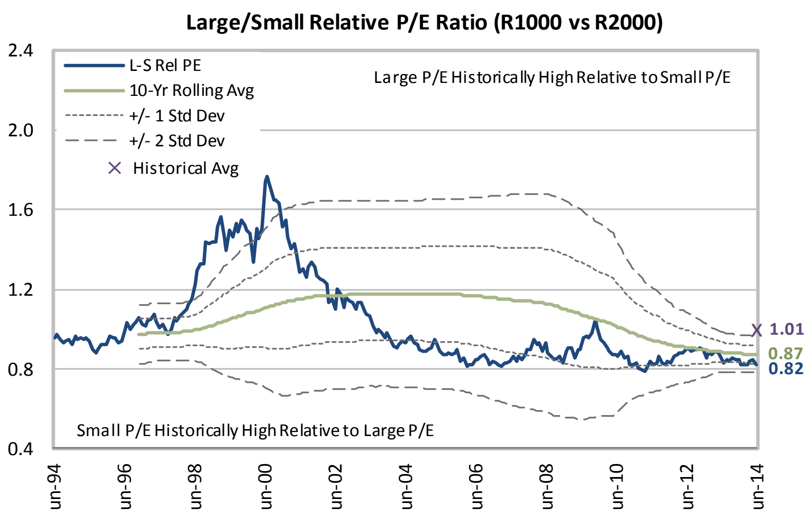
EQUITY STYLE SECTOR PERFORMANCE COMPARISON: 1-YEAR SMALL, MID, AND LARGE CAP

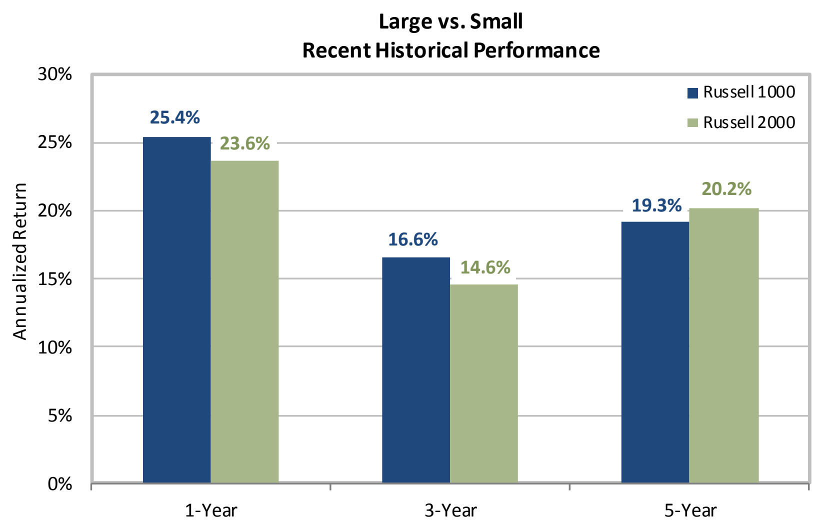


HISTORICAL RELATIVE PERFORMANCE: LARGE CAP CORE TO SMALL CAP CORE









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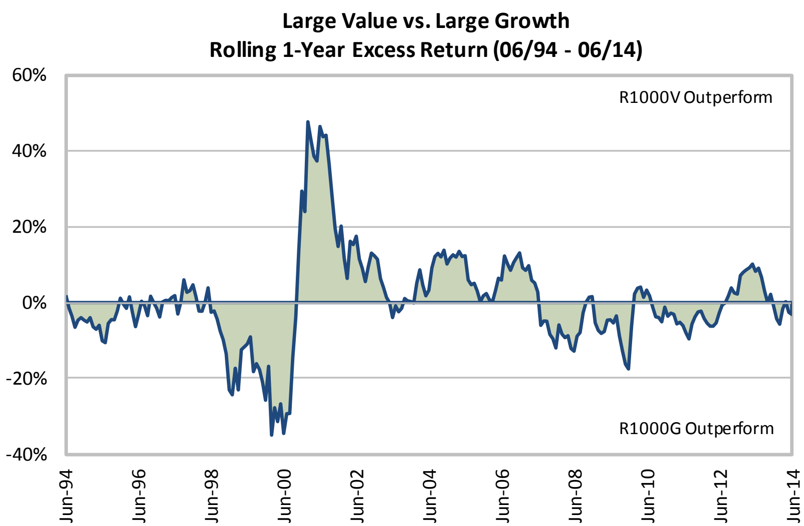
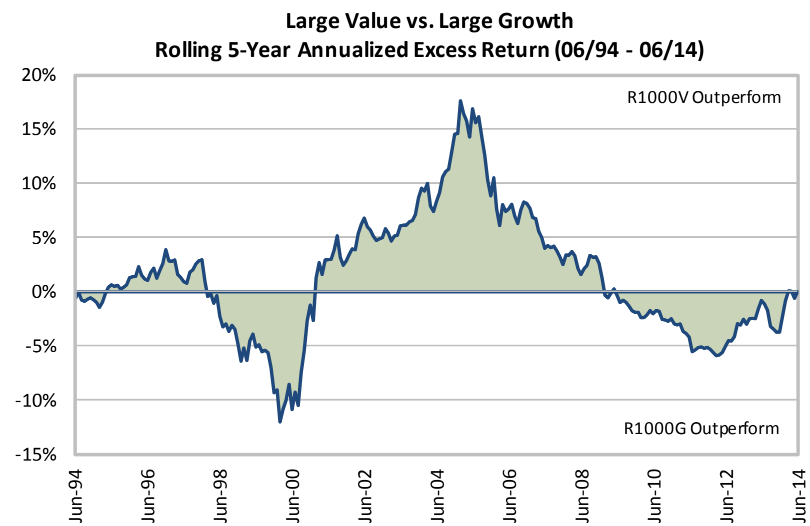
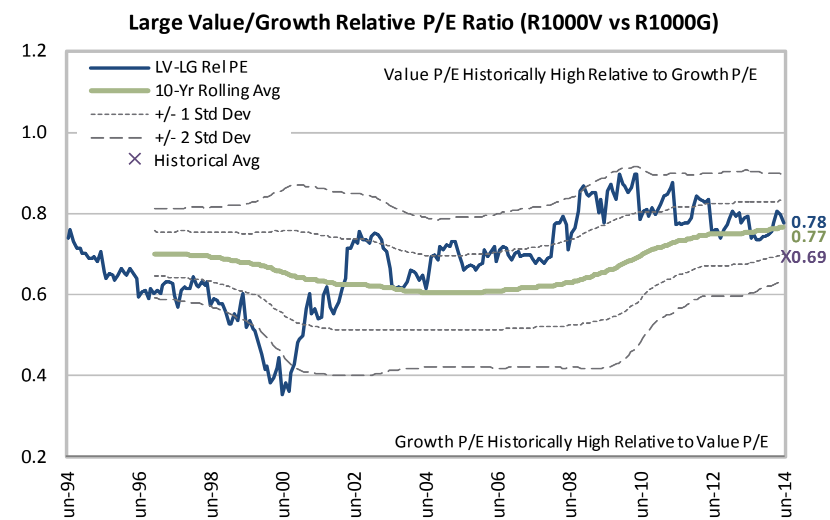
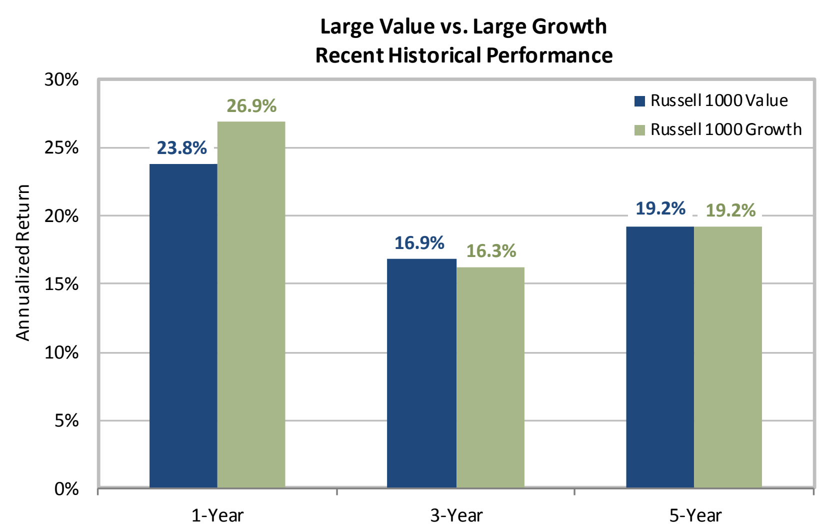
HISTORICAL RELATIVE PERFORMANCE: LARGE CAP VALUE TO LARGE CAP GROWTH

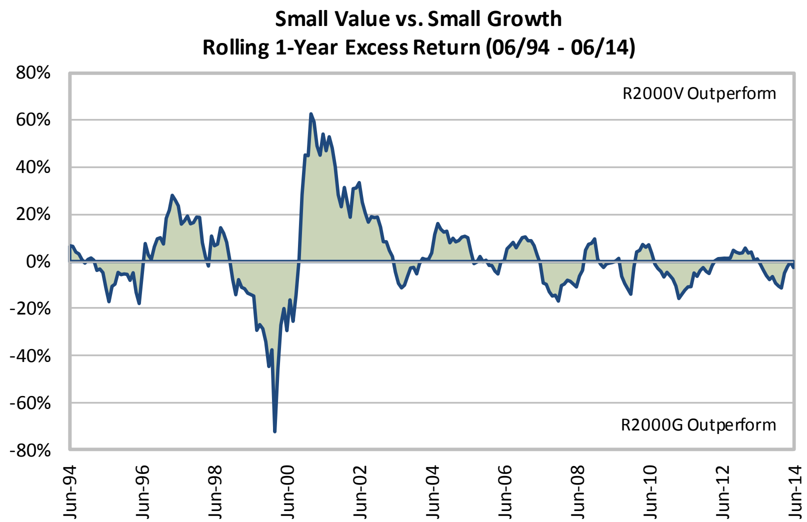


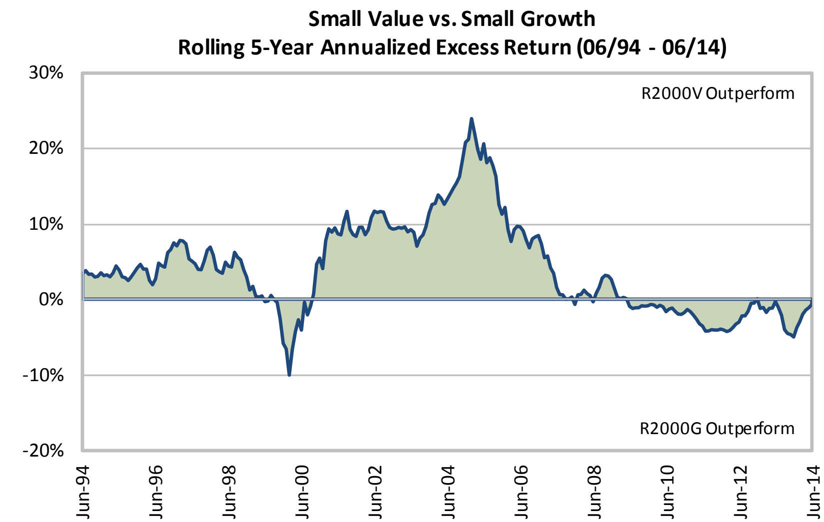


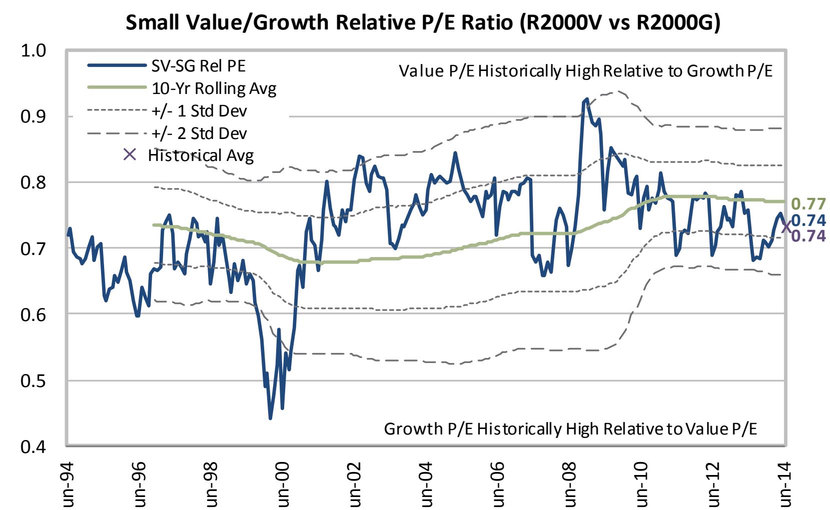


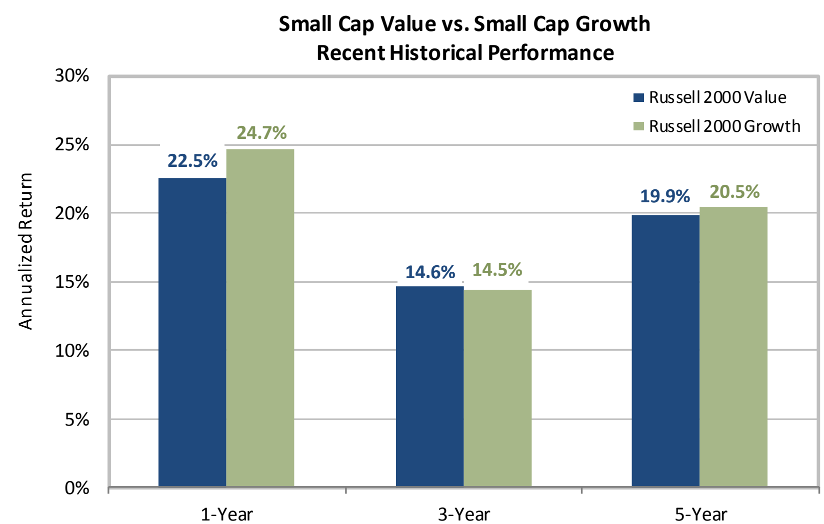


HISTORICAL RELATIVE PERFORMANCE: SMALL CAP VALUE TO SMALL CAP GROWTH

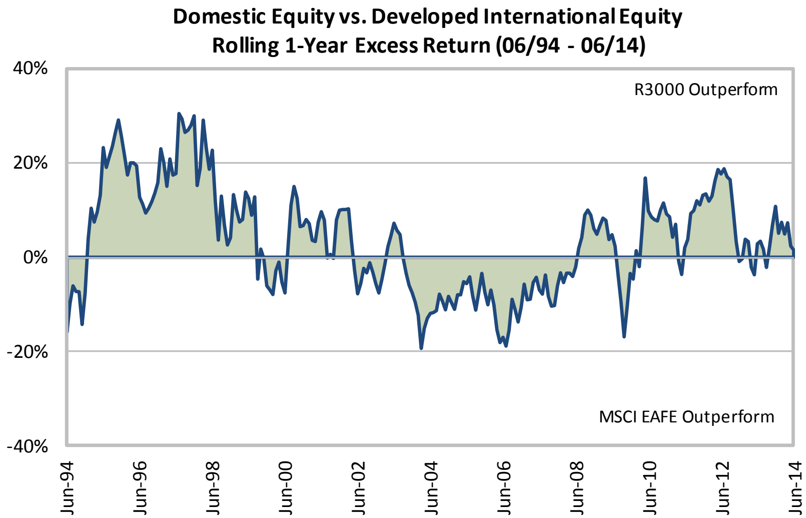


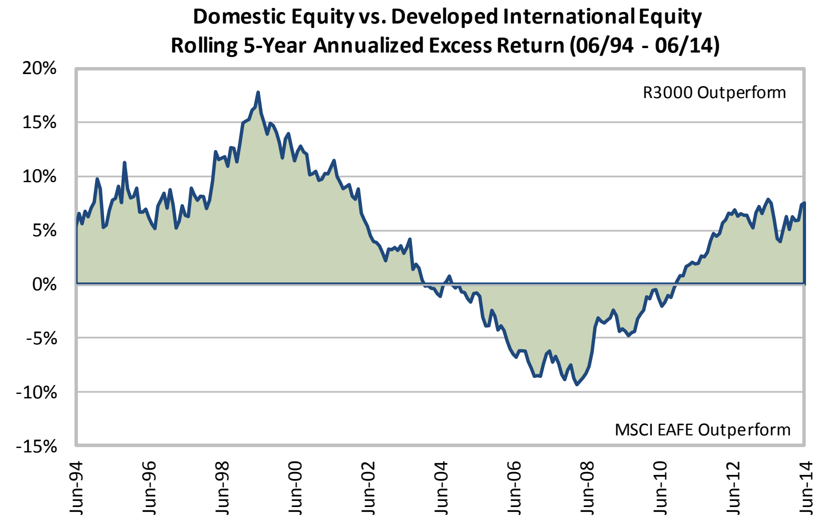


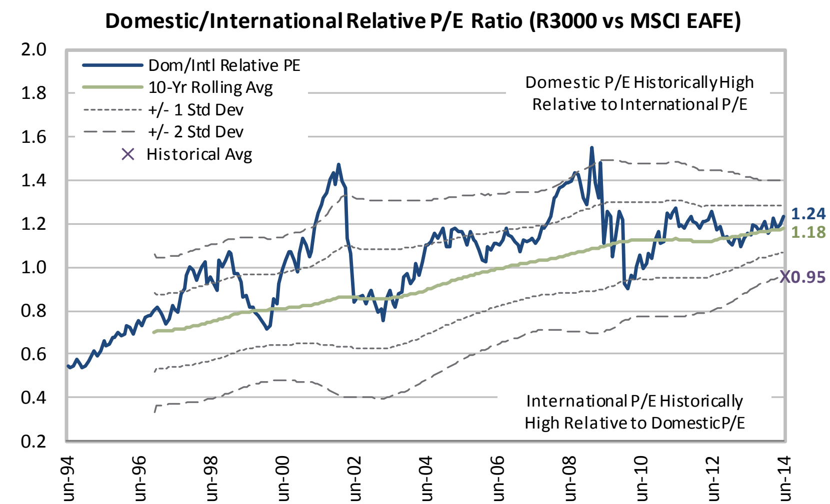


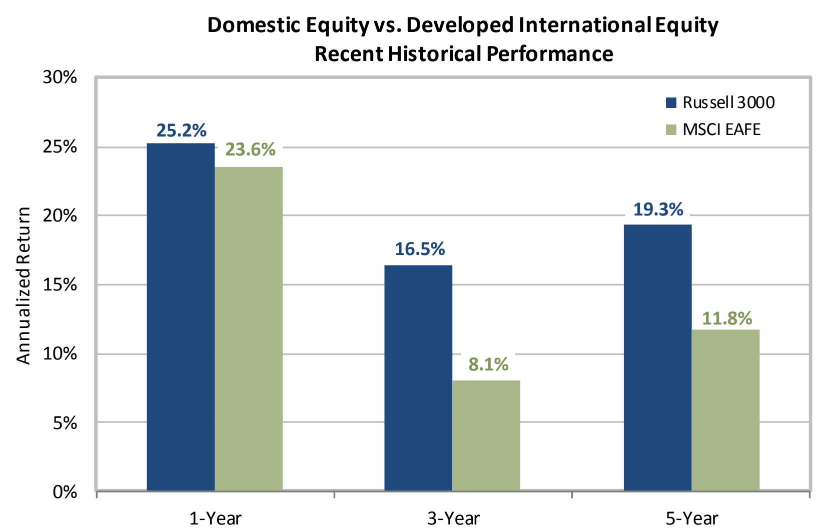


HISTORICAL RELATIVE PERFORMANCE: DOMESTIC EQUITY TO DEVELOPED INTERNATIONAL EQUITY

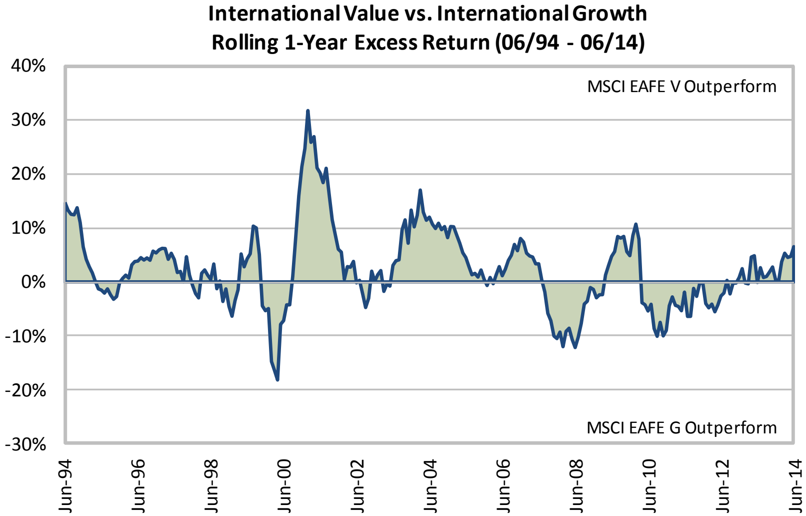


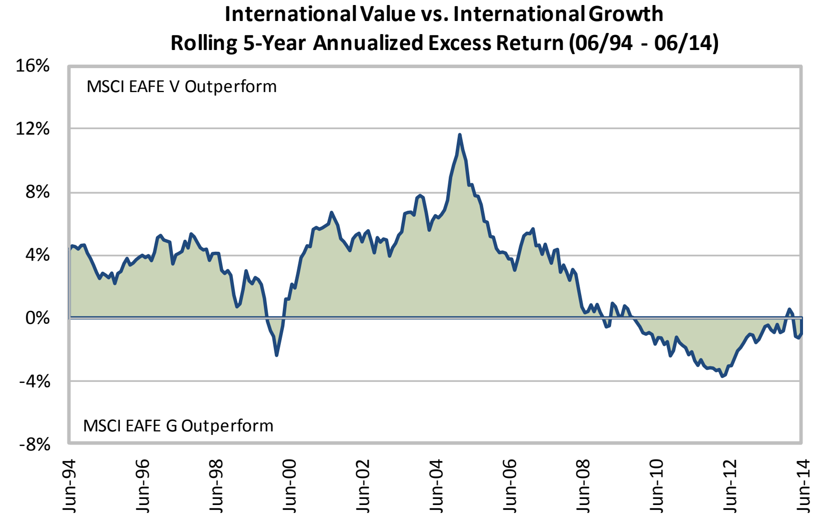


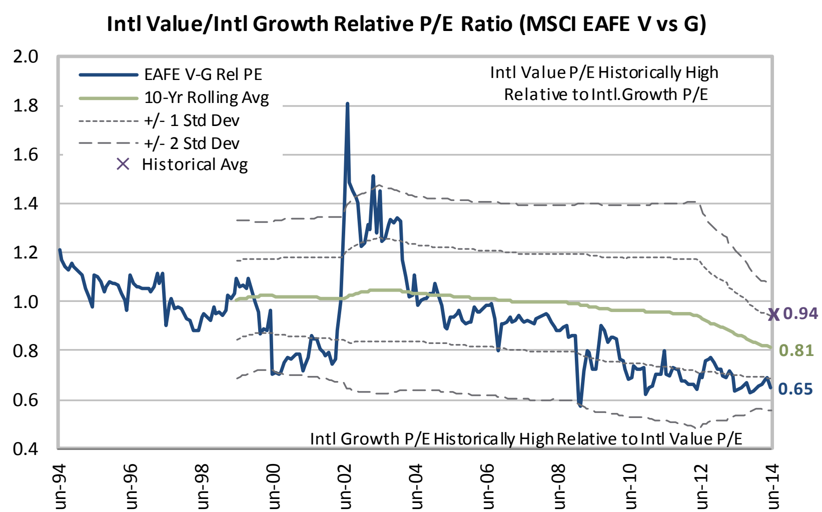


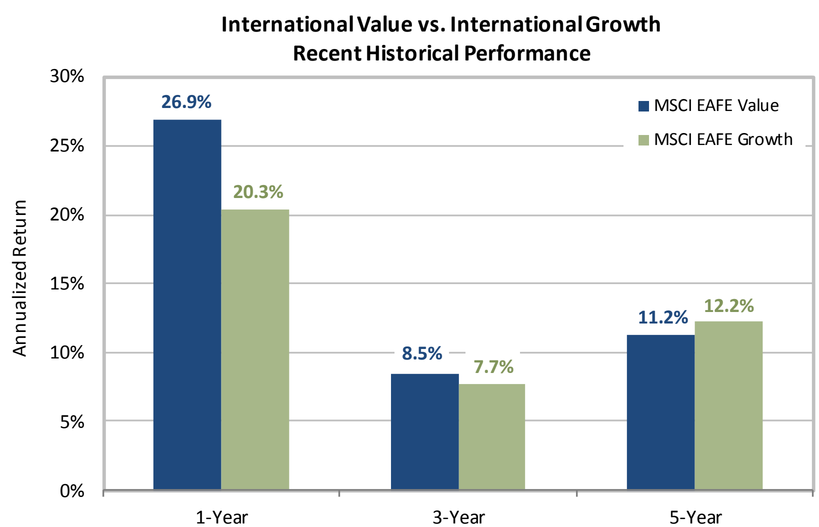


HISTORICAL RELATIVE PERFORMANCE: INTERNATIONAL VALUE TO INTERNATIONAL GROWTH



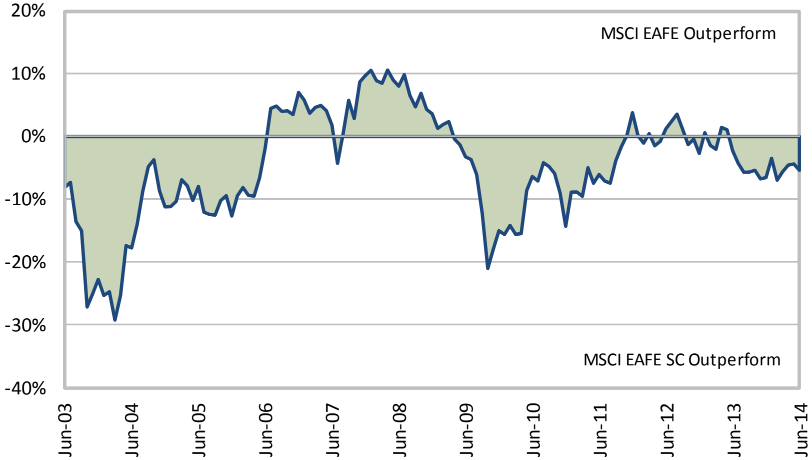




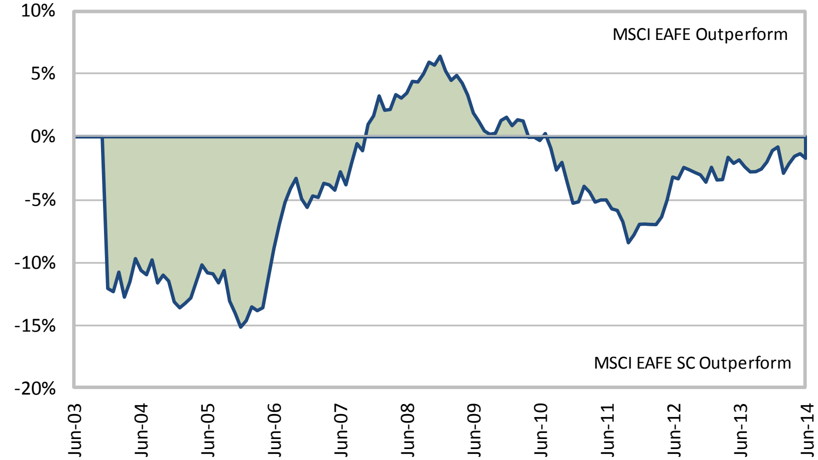


HISTORICAL RELATIVE PERFORMANCE: INTERNATIONAL LARGE CAP TO INTERNATIONAL SMALL CAP

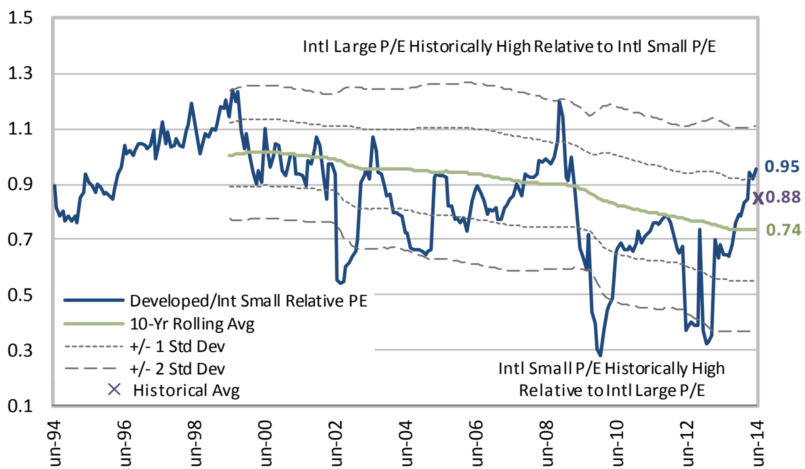
International Large vs. International Small
Rolling 1-Year Excess Return (06/03 - 06/14)



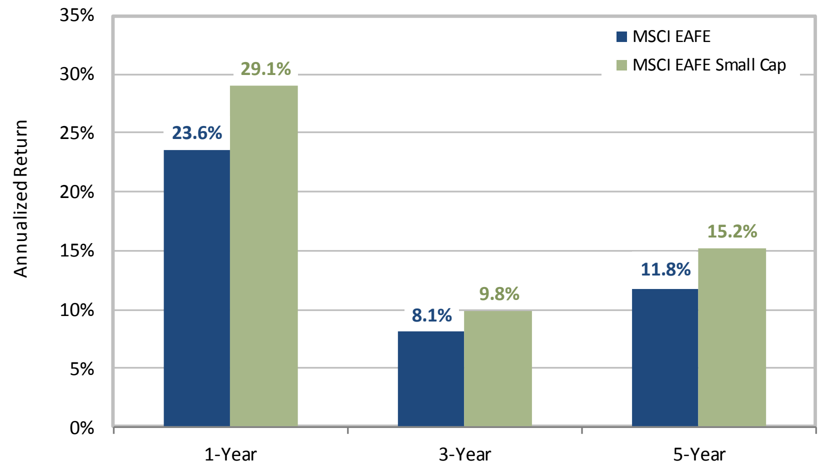
International Large vs. International Small
Rolling 3-Year Annualized Excess Return (06/05 - 06/14)



Intl Large/Intl Small Relative P/E Ratio (MSCI EAFE vs EAFE SC)

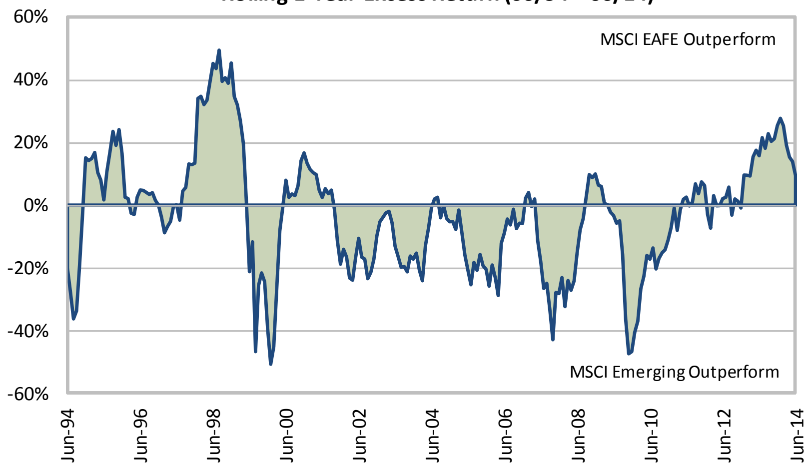


International Large Equity vs. International Small Equity
Recent Historical Performance

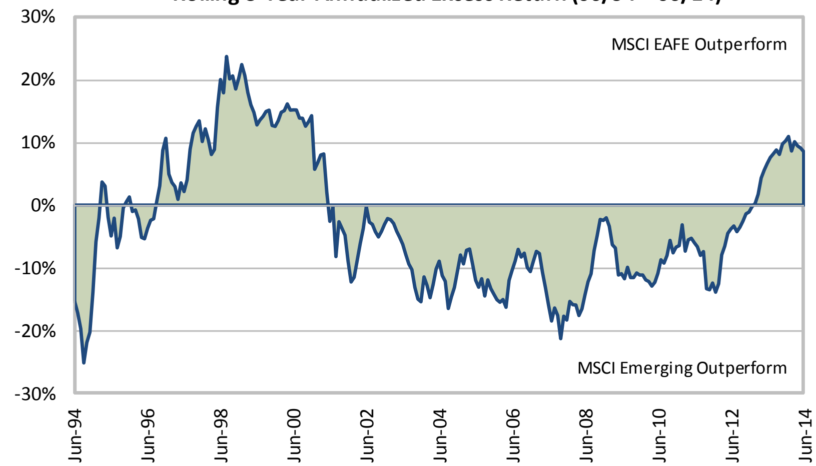


HISTORICAL RELATIVE PERFORMANCE: DEVELOPED INTERNATIONAL TO EMERGING MARKETS

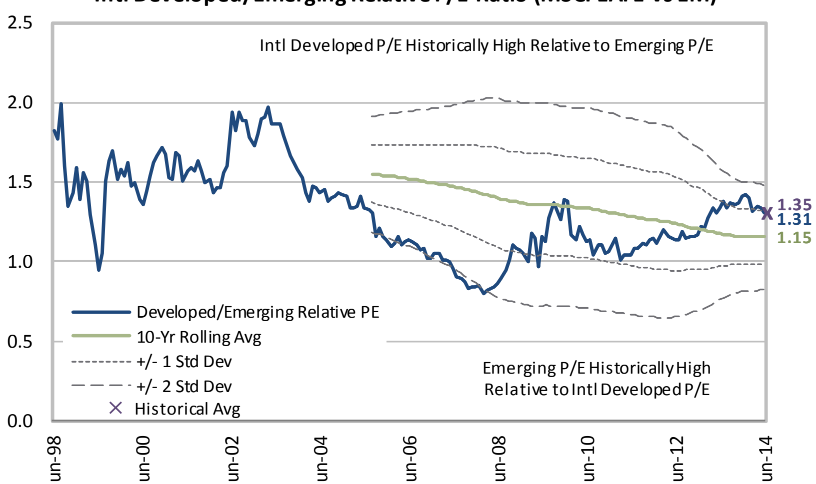
**Developed Intl Equity vs. Emerging Markets Equity
Rolling 1-Year Excess Return (06/94 - 06/14)**



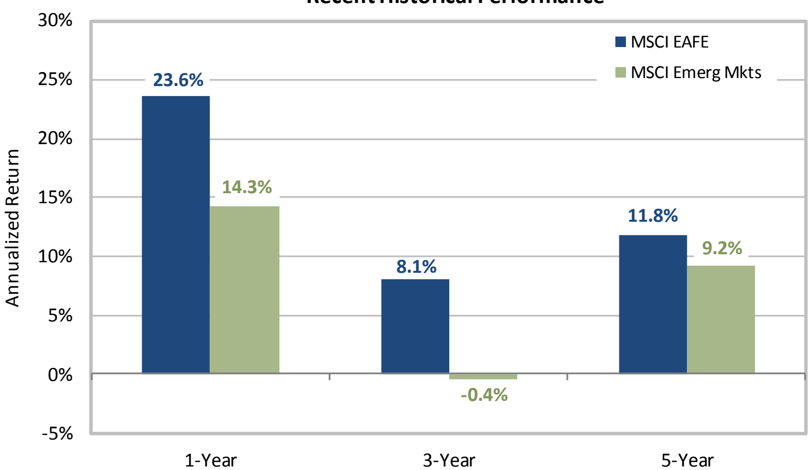
**Developed Intl Equity vs. Emerging Markets Equity
Rolling 3-Year Annualized Excess Return (06/94 - 06/14)**



Intl Developed/Emerging Relative P/E Ratio (MSCI EAFE vs EM)



**Developed International Equity vs. Emerging Equity
Recent Historical Performance**



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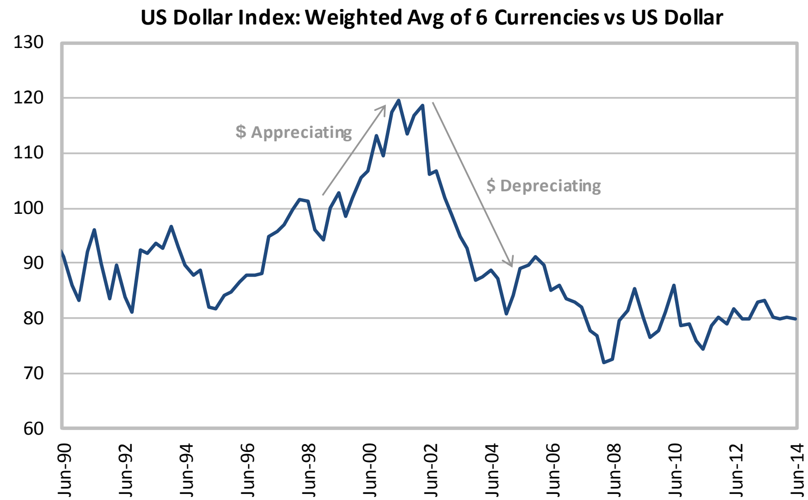
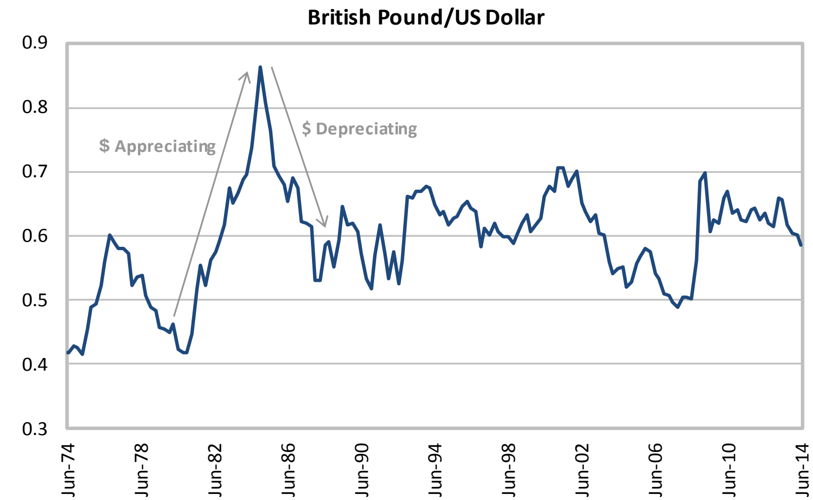
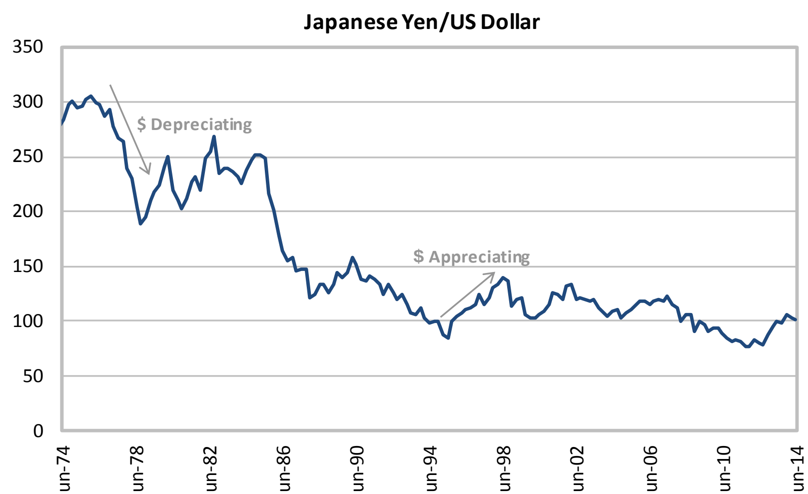
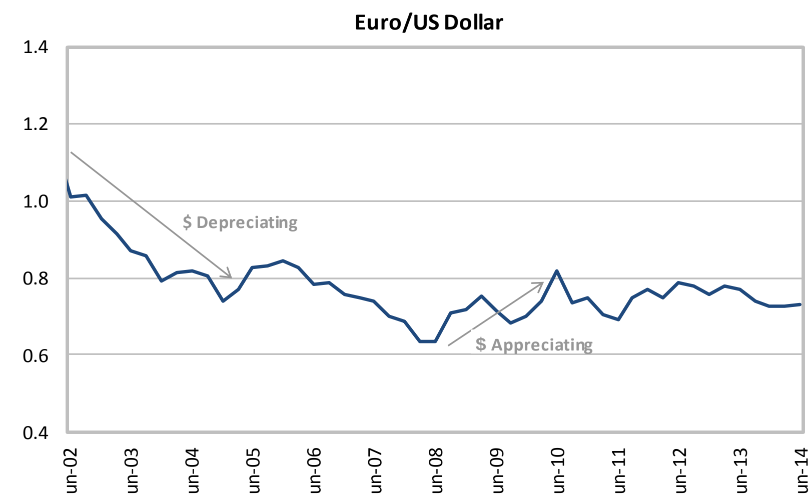
CURRENCY OVERVIEW

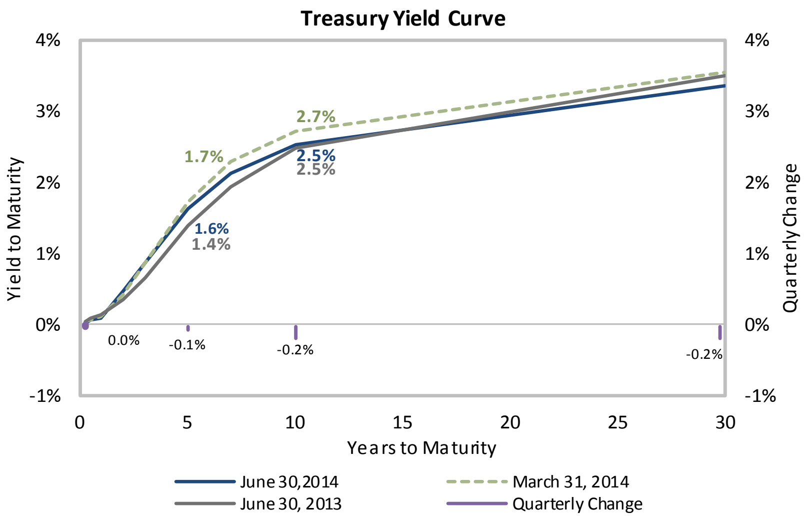


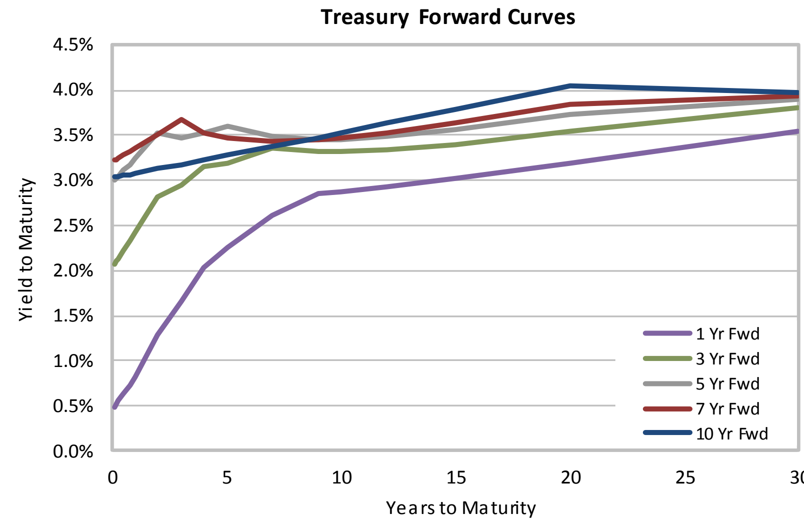


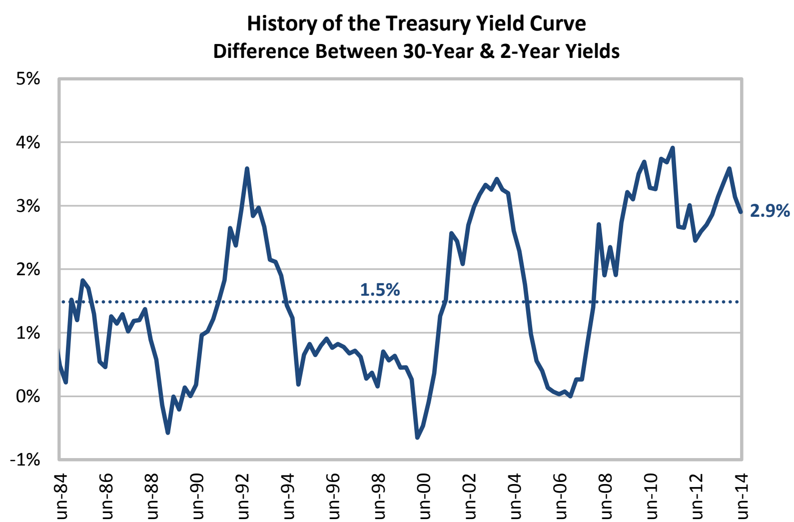


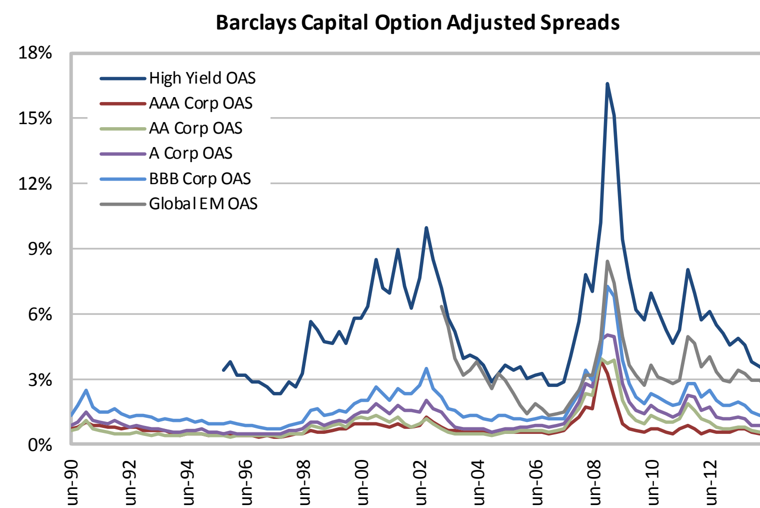


YIELD CURVE AND SPREAD ANALYSIS

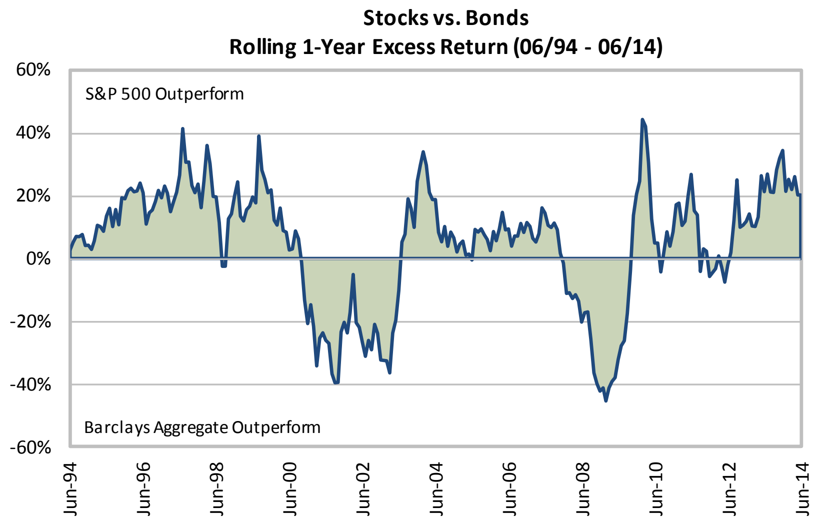


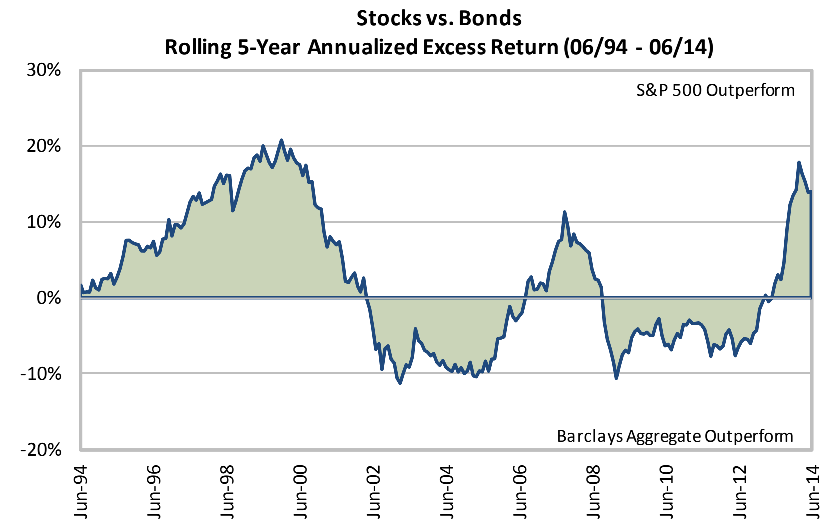


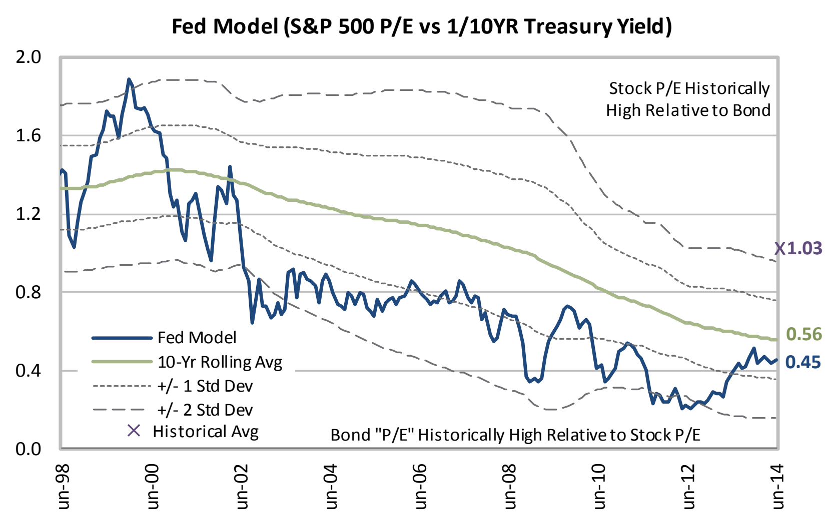


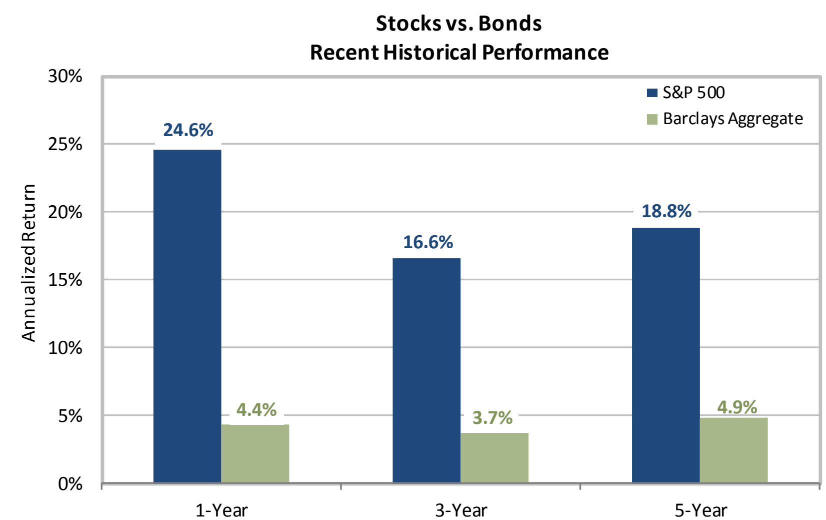


HISTORICAL RELATIVE PERFORMANCE: STOCKS VS. BONDS



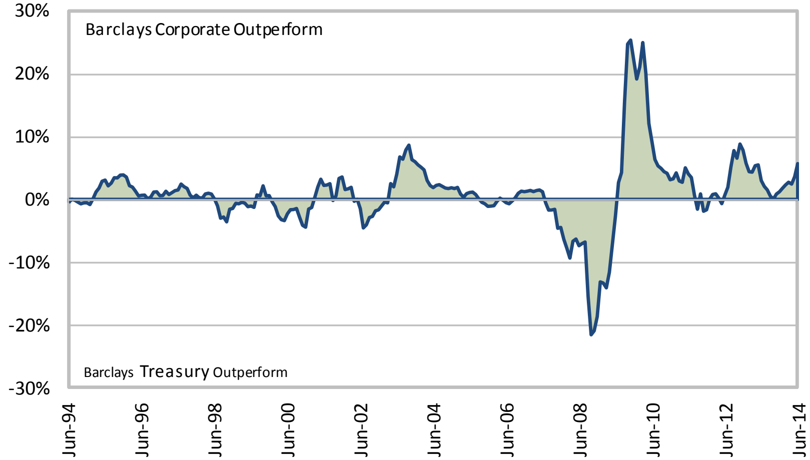




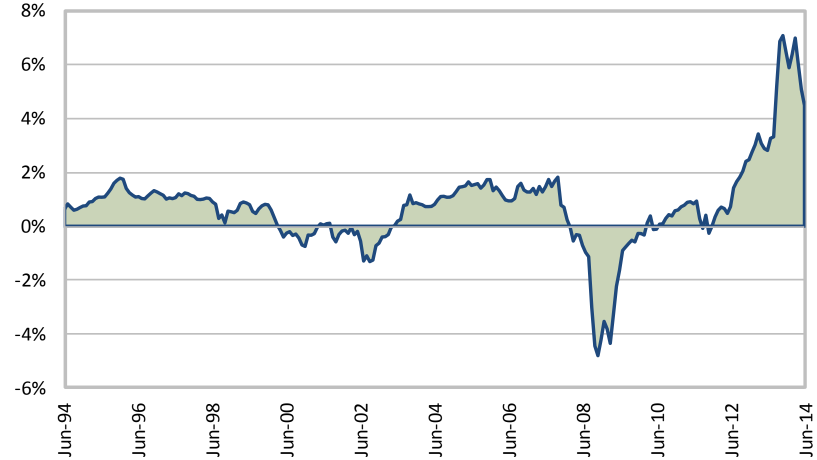


HISTORICAL RELATIVE PERFORMANCE: CORPORATE BONDS VS. TREASURIES

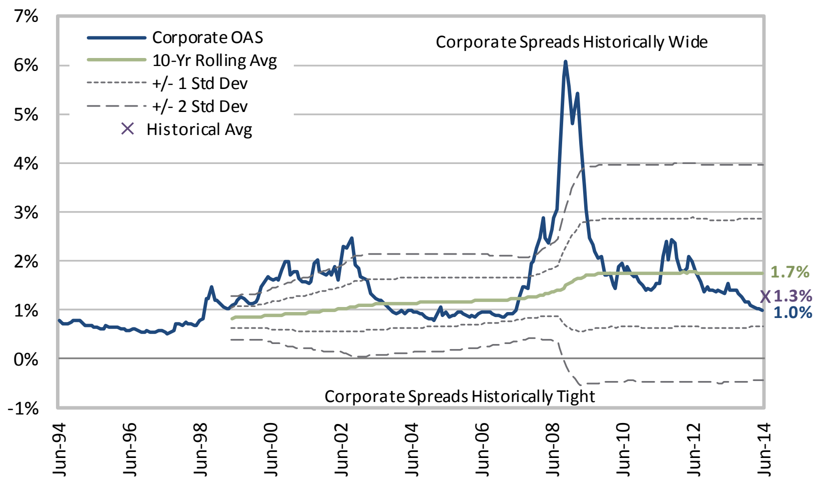
Corporates vs. Treasuries
Rolling 1-Year Excess Return (06/94 - 06/14)



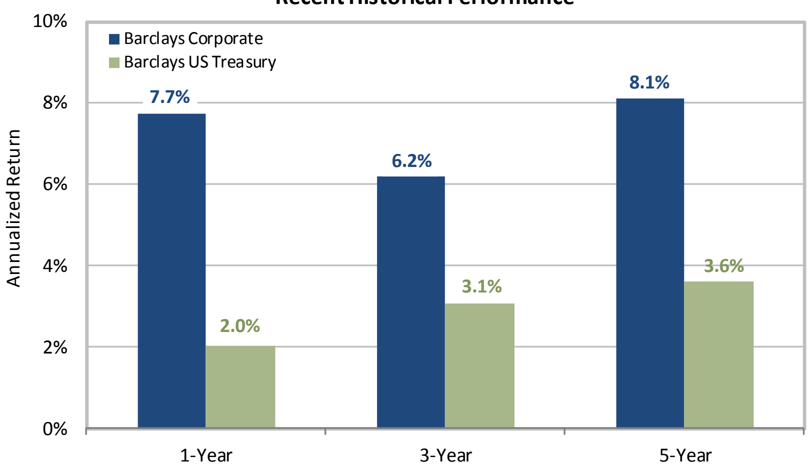
Corporates vs. Treasuries
Rolling 5-Year Annualized Excess Return (06/94 - 06/14)



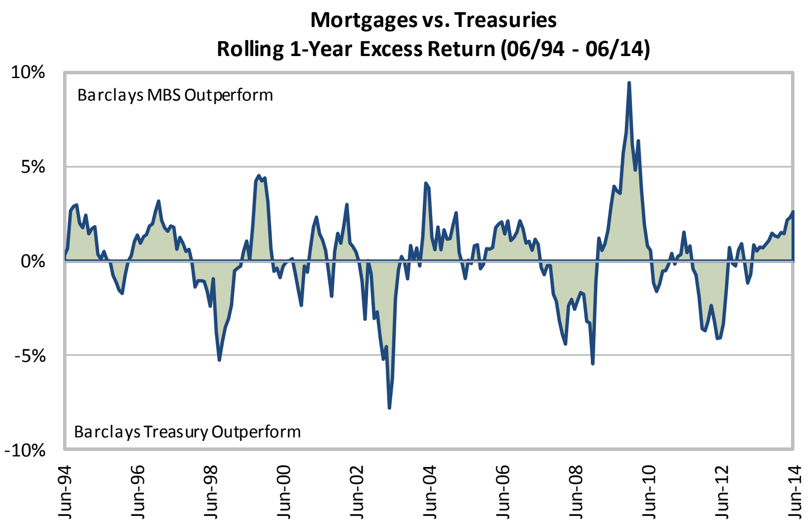
Corporate Option Adjusted Spreads (Barclays Corp)

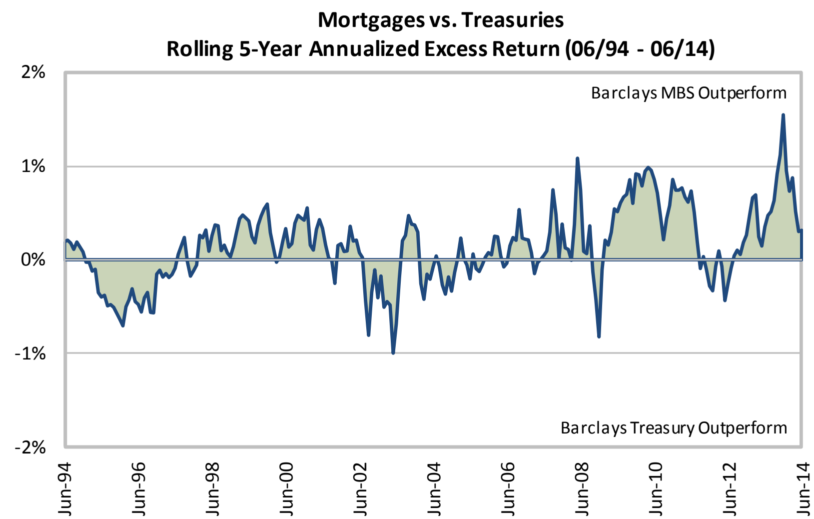


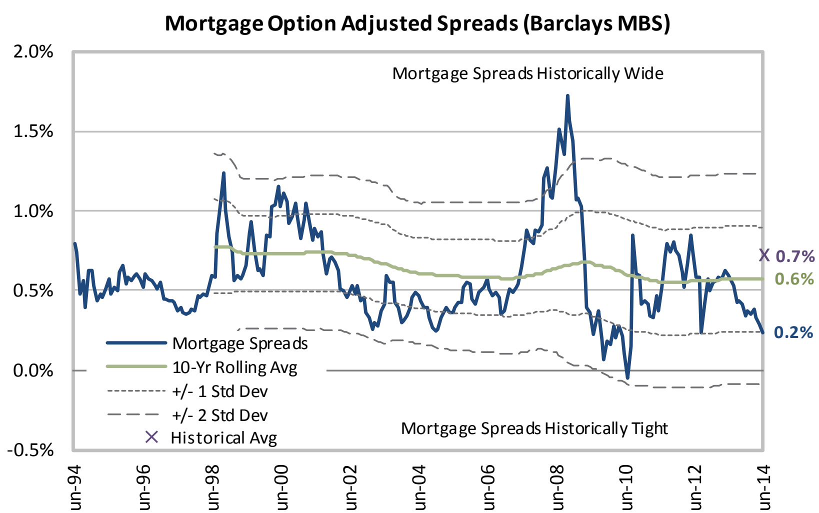
Corporates vs. Treasuries
Recent Historical Performance

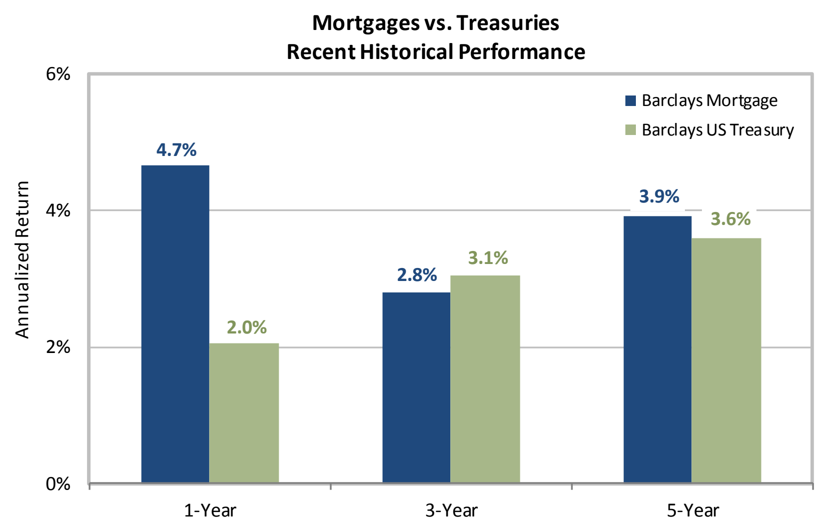


HISTORICAL RELATIVE PERFORMANCE: MORTGAGES VS. TREASURIES

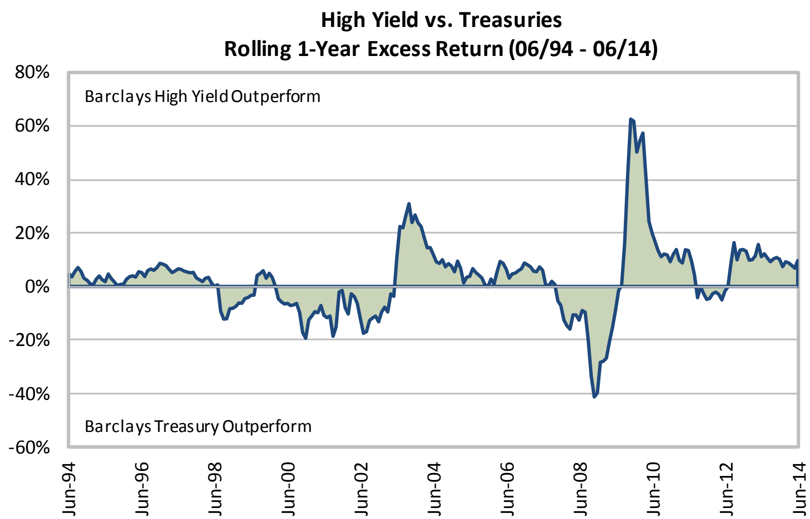


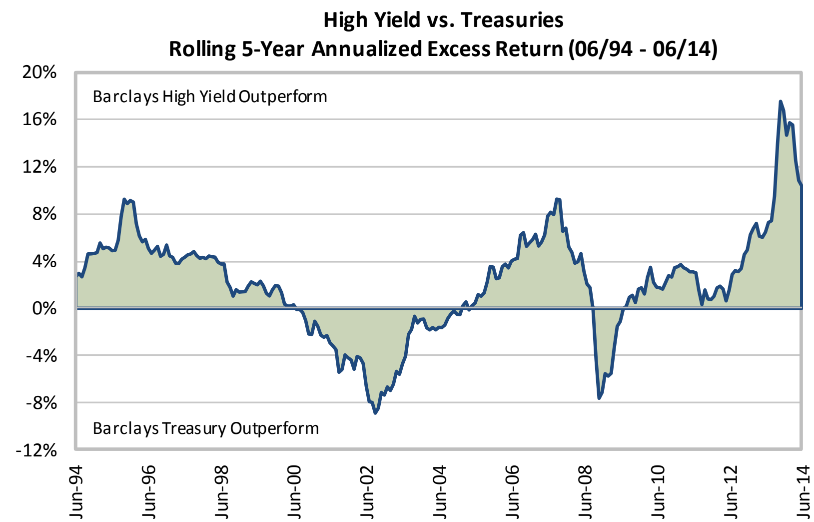


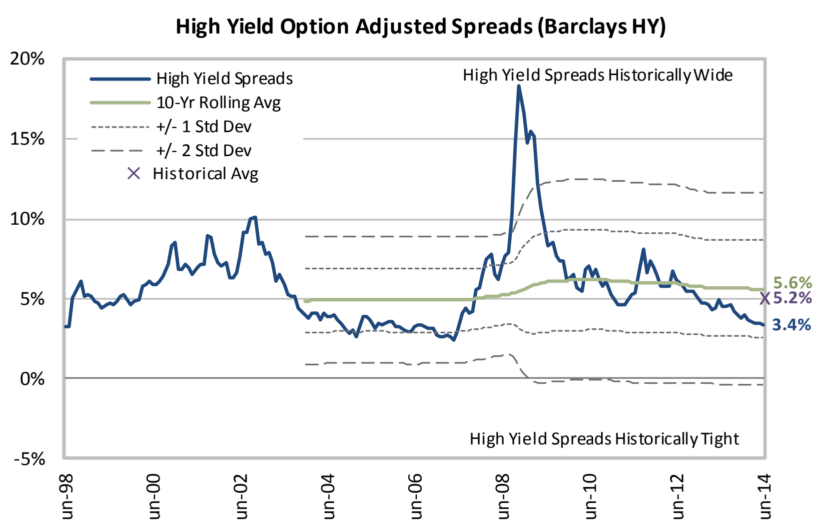


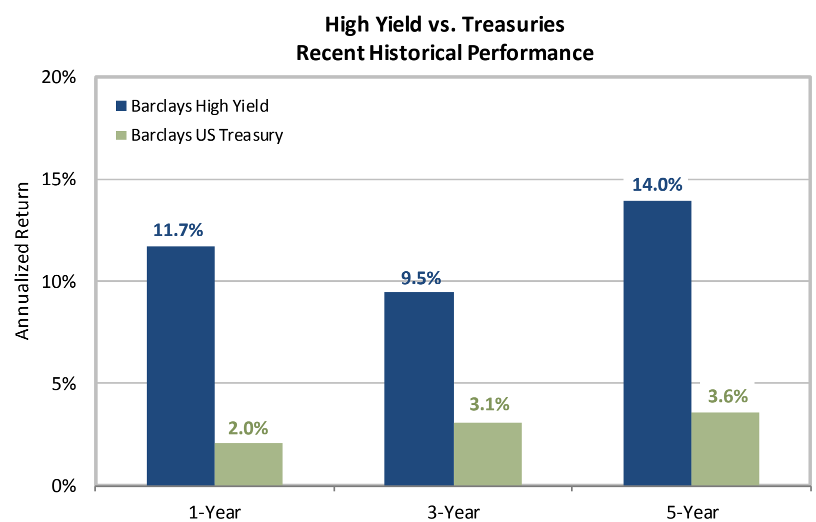


HISTORICAL RELATIVE PERFORMANCE: HIGH YIELD BONDS VS. TREASURIES









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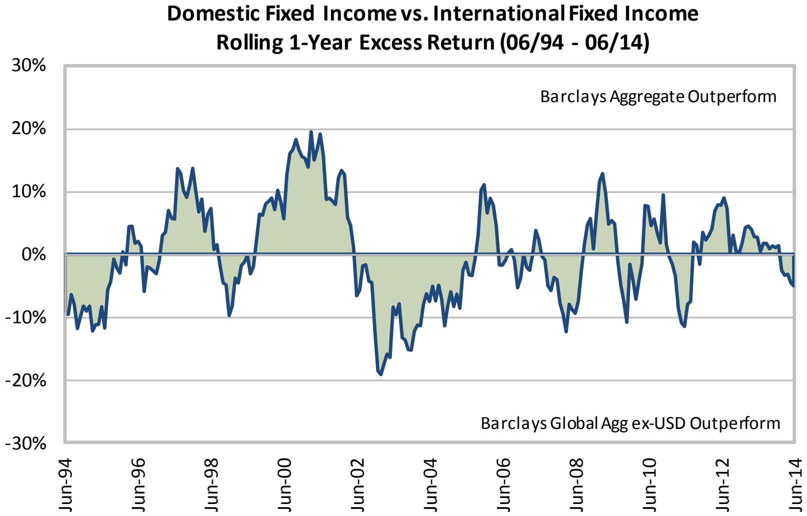
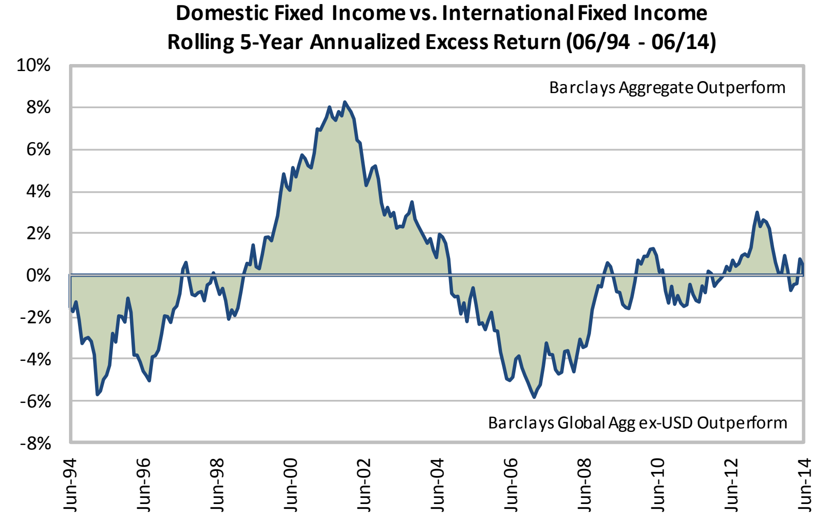
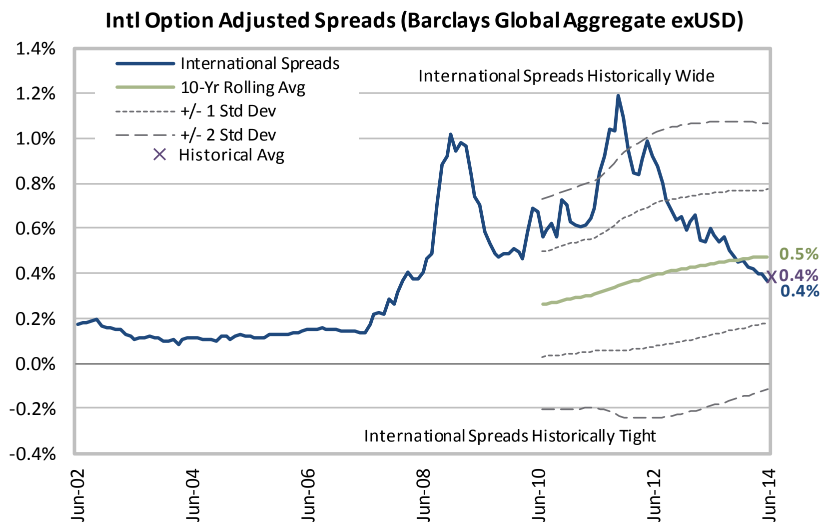
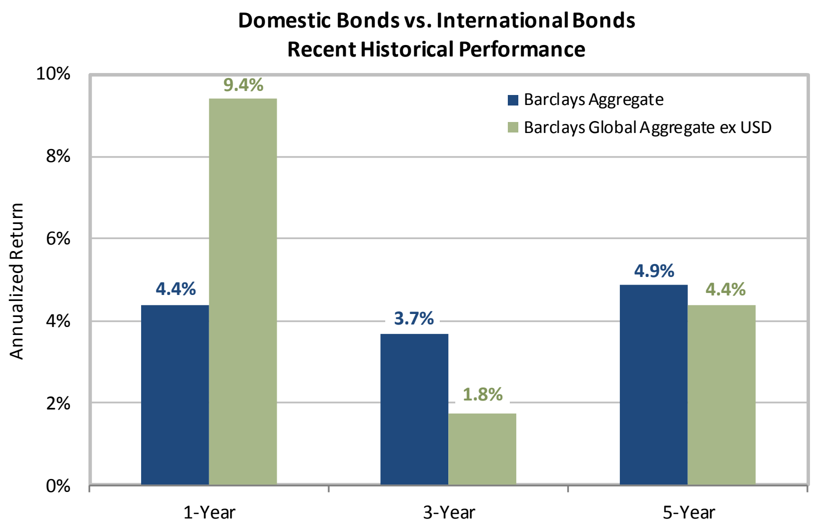
HISTORICAL RELATIVE PERFORMANCE: DOMESTIC VS. INTERNATIONAL FIXED INCOME

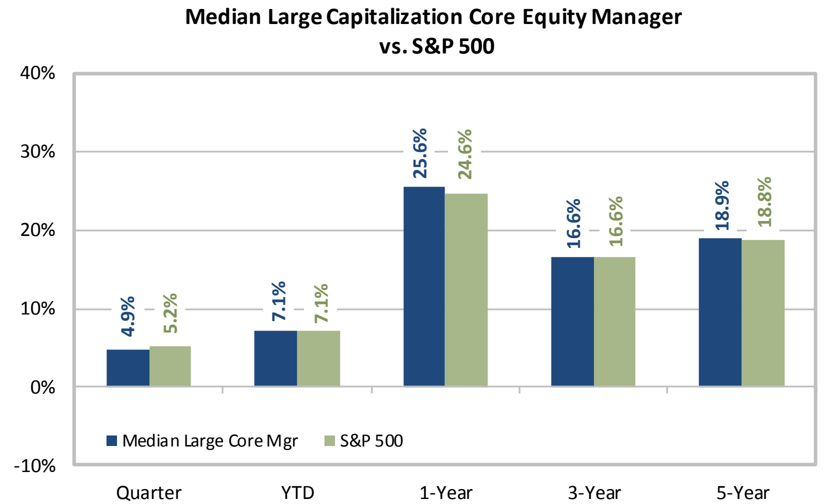


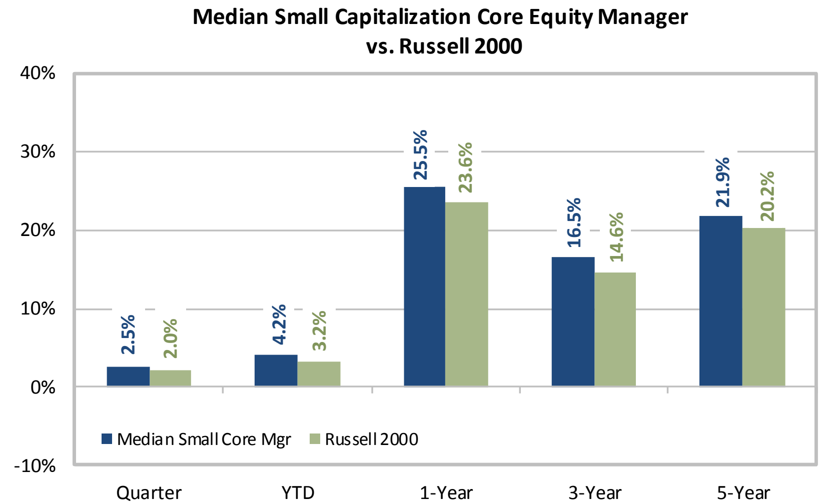


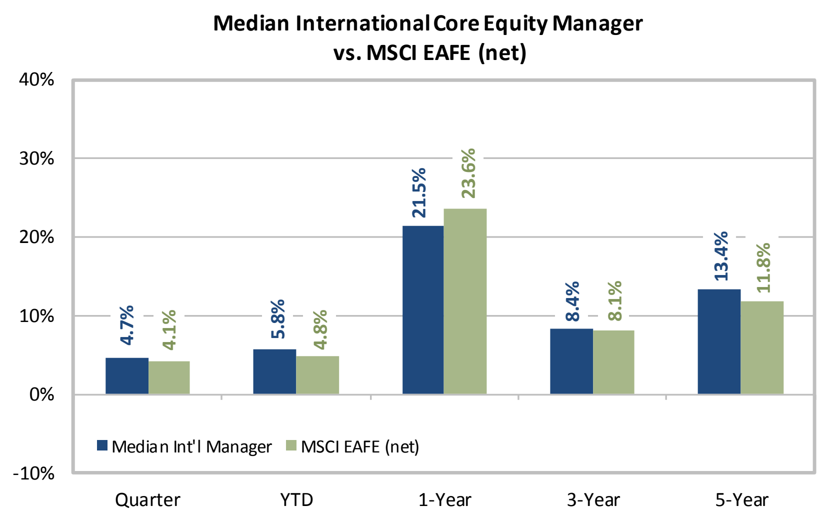


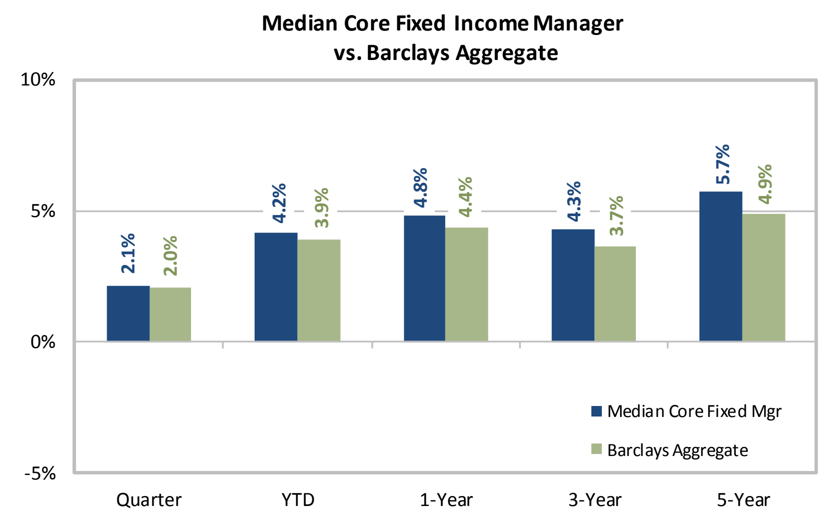


MEDIAN UNIVERSE CORE MANAGER RETURNS VS. INDEX RETURNS



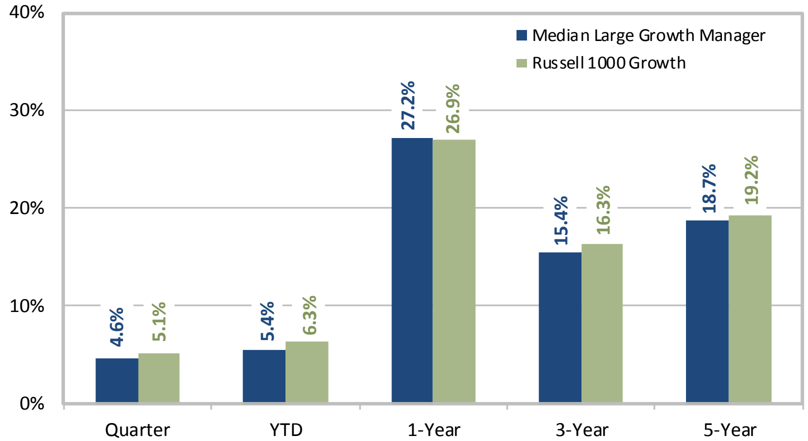




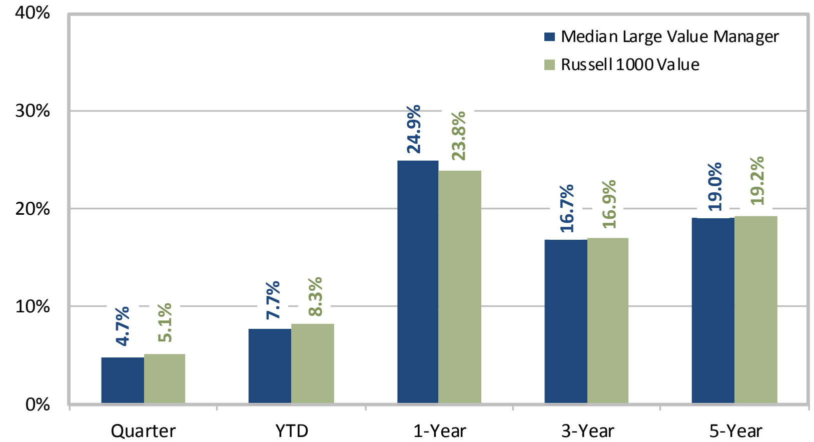


MEDIAN UNIVERSE EQUITY STYLE MANAGER RETURNS VS. INDEX STYLE RETURNS

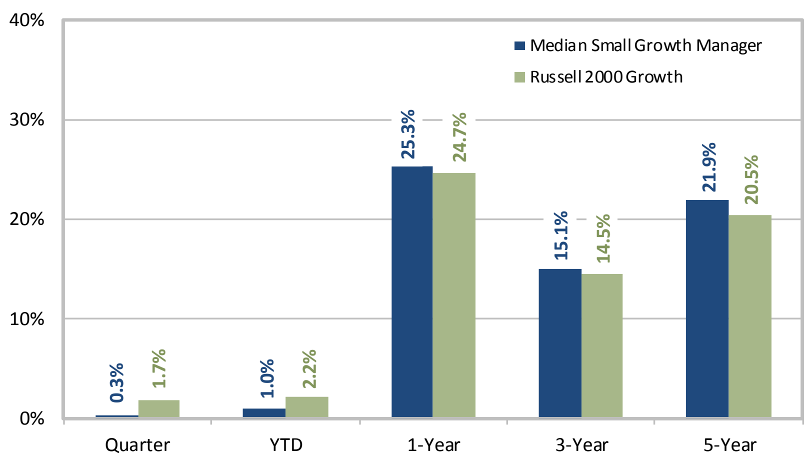
Median Large Capitalization Growth Equity Manager vs. Russell 1000 Growth



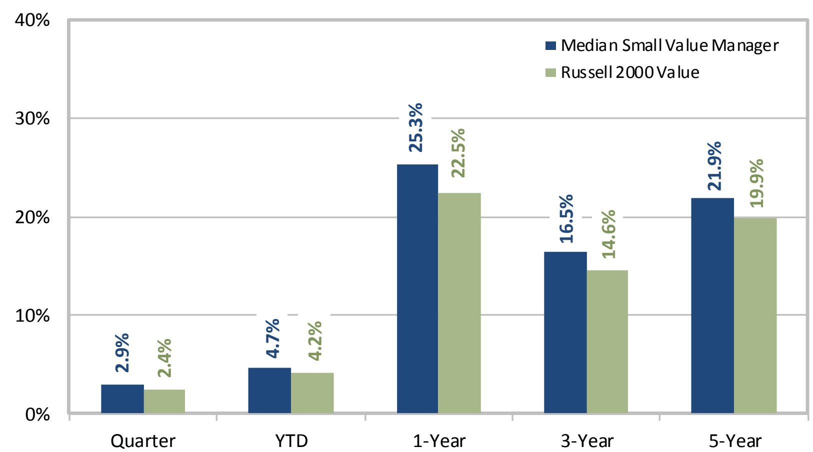
Median Large Capitalization Value Equity Manager vs. Russell 1000 Value



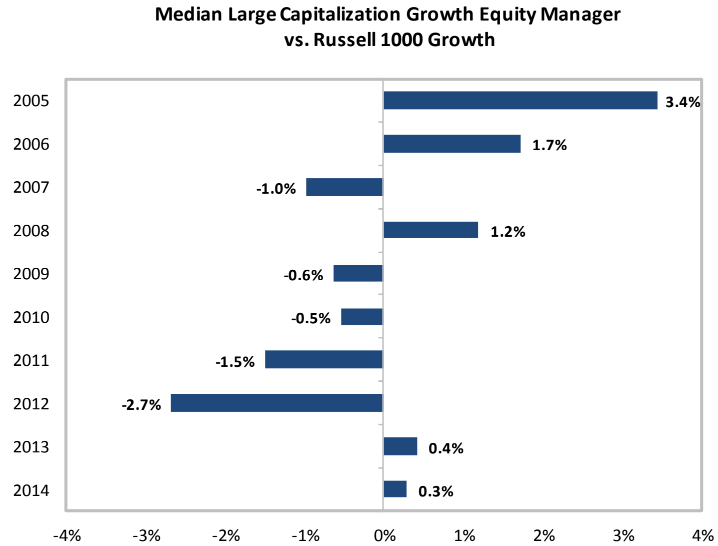
Median Small Capitalization Growth Equity Manager vs. Russell 2000 Growth

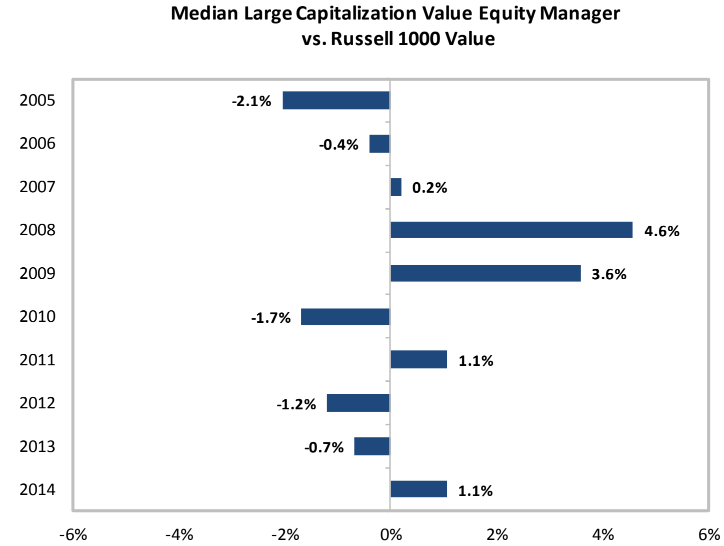


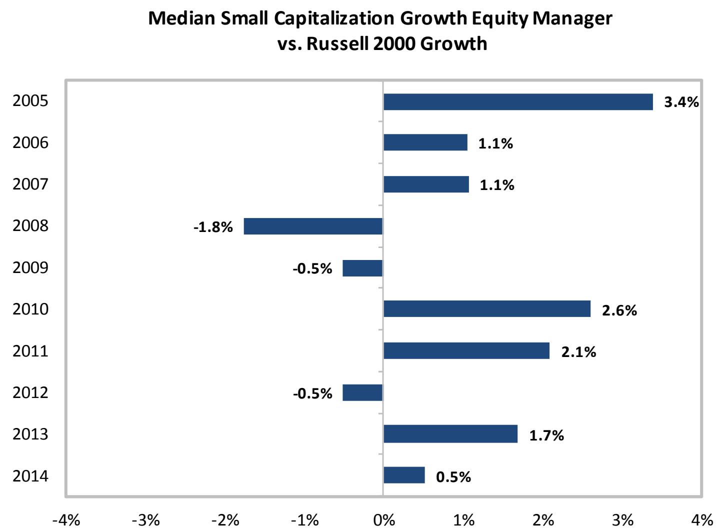
Median Small Capitalization Value Equity Manager vs. Russell 2000 Value

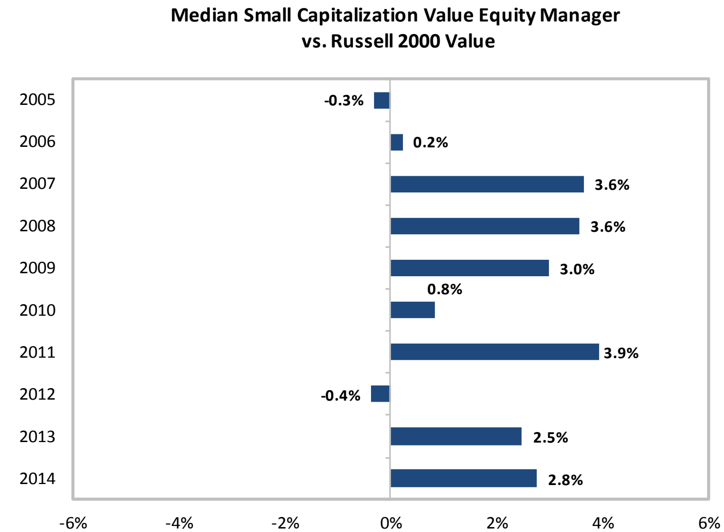


MEDIAN UNIVERSE EQUITY STYLE MANAGER ONE-YEAR RETURN DIFFERENTIAL ENDING JUNE 30: 10 YEARS

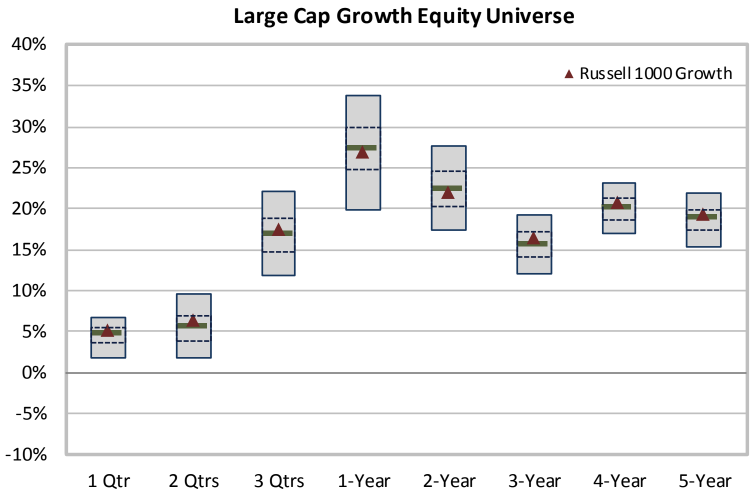


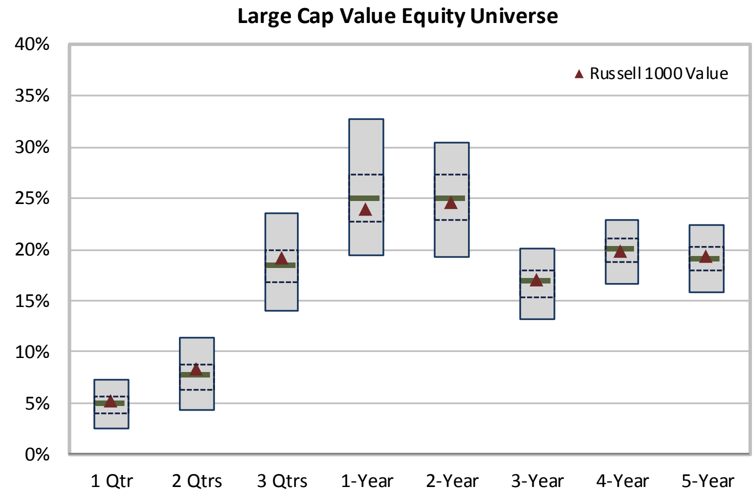


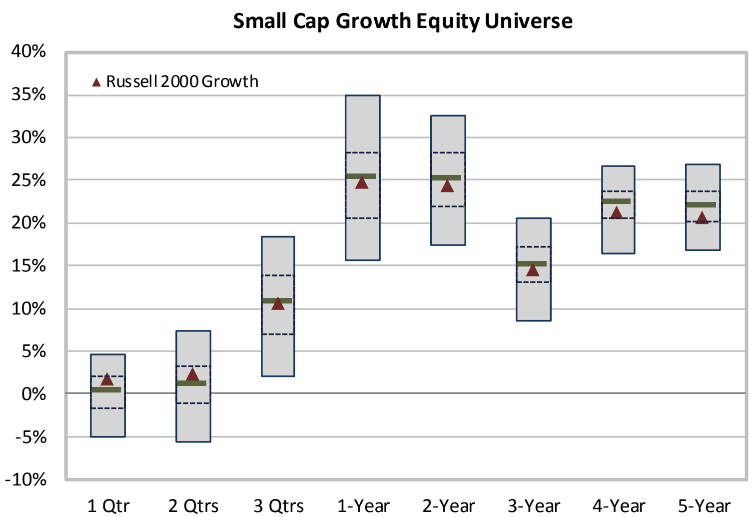


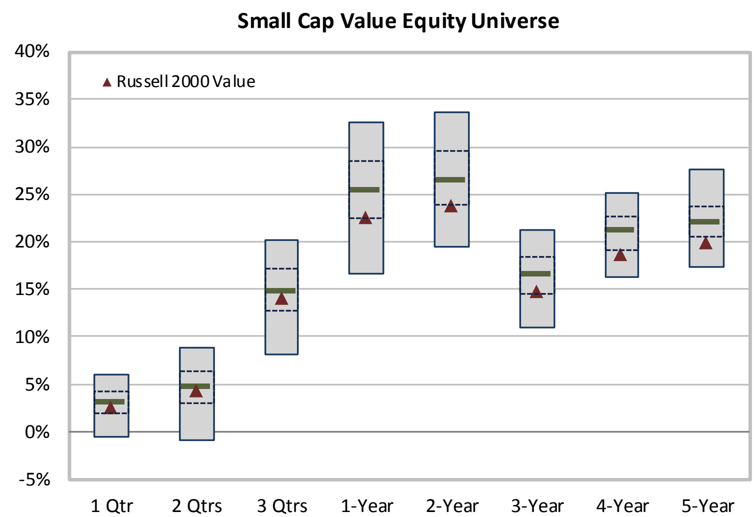


UNIVERSE EQUITY STYLE MANAGERS









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