

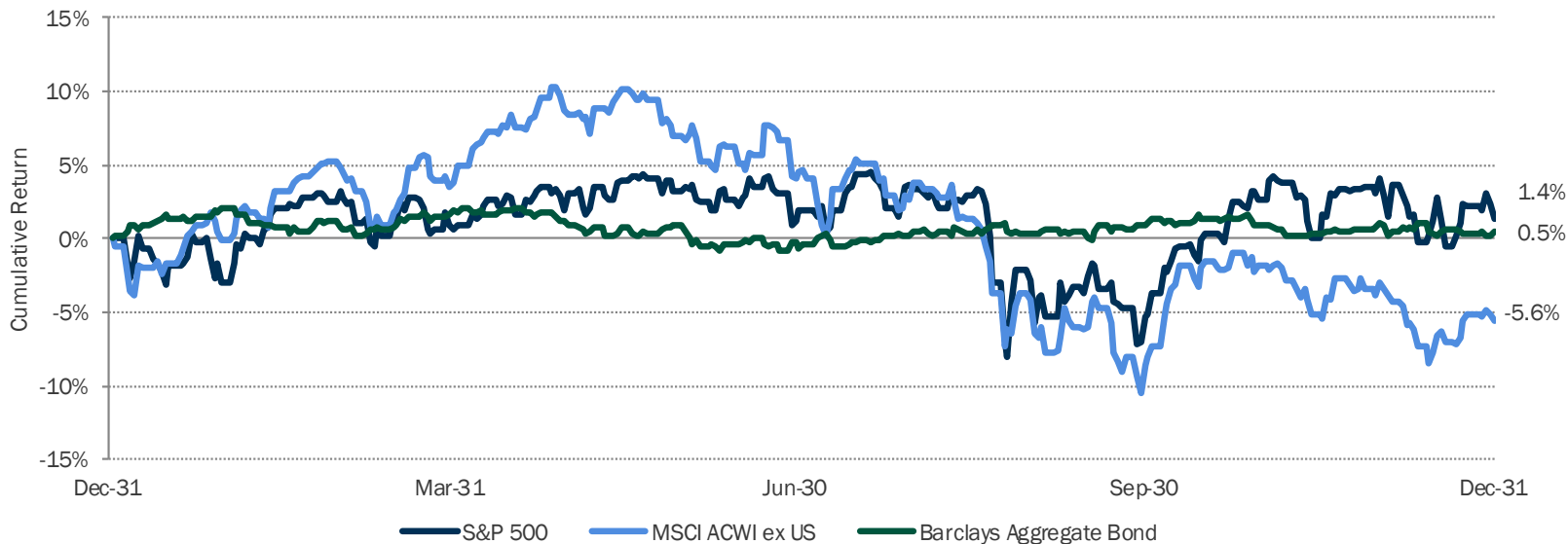
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# Fourth Quarter 2015 Capital Markets Exhibits

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# Equity Markets Rebounded in Fourth Quarter

- Global Equities advanced due to signs of improving economic growth in Japan and Europe
- U.S. Bonds performed well due to higher relative yields compared to other developed countries
- Equity Returns were muted as the debt situation in Greece escalates
- The potential for increased U.S. interest rates offset stronger economic growth
- Worst quarter for global equities since 2011 started with fears of Greece leaving the Eurozone and ended with growth concerns from China
- Developed equities rebounded due to strong U.S. economic data and additional stimulus provided by the ECB
- Fed Funds rate increased by 25 basis points but had minimal impact on the markets



Source: Morningstar Direct, S&P, MSCI, Barclays

# 2015 Investment Return Scorecard

Leaders		Neutral		Laggards	
Developed Non U.S. Small Cap Equity (USD)	9.6%	U.S. Large Cap Equity	1.4%	Non-U.S. Dollar Bonds	-3.2%
U.S. Large Cap Growth Equity	5.7%	U.S. Intermediate Bonds	1.1%	U.S. Large Cap Value Equity	-3.8%
Municipal Bonds	3.3%	Developed Non-U.S. Equity (USD)	-0.9%	U.S. Small Cap Equity	-4.4%
		U.S. Small Cap Growth	-1.4%	High Yield Bonds	-4.5%
				U.S. Small Cap Value Equity	-7.5%
				Emerging Markets Equity (USD)	-14.9%
				Natural Resources Equity Stocks	-24.0%
				Commodities	-24.7%
				Master Limited Partnerships	-32.6%

## 2015 Leaders

- Market leadership was isolated to a few areas such as U.S. Large Cap Growth equities, Non-U.S. Small Cap equities, and Municipal bonds. U.S. Large Cap Growth was led by select companies such as Amazon and Facebook while Non-U.S. Small Cap equities benefitted from significant Japanese exposure and strong performance from Consumer Discretionary constituents.

## 2015 Laggards

- Declining energy prices hit a range of strategies ranging from MLPs and commodities to value oriented equities and high yield bonds.
- The rising U.S. dollar materially impacted returns for non-dollar bonds, emerging market stocks and also had contributed to the decline in commodity related strategies.

Source: Morningstar Direct

Returns are representative of, in descending order, MSCI EAFE Small Cap Index, Russell 1000 Growth Index, Barclays Municipal Index, S&P 500 Index, Barclays US Govt/Credit Intermediate Index, MSCI EAFE Index, Russell 2000 Growth Index, Barclays Global Aggregate Index, Russell 1000 Value Index, Russell 2000 Index, Barclays High Yield Corporate Index, Russell 2000 Value Index, MSCI Emerging Markets Index, S&P Global Natural Resources Index, Bloomberg Commodity Index, and the Alerian MLP Index.

# Impact of Diversification

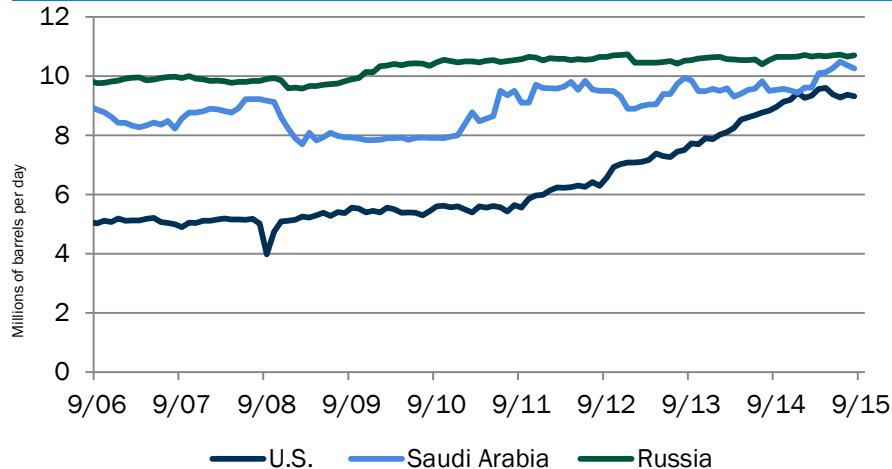
	5 Year Periods (Annualized)				1996-2015
	1996-2000	2001-2005	2006-2010	2011-2015	20 Years
S&P 500 Index	18.4	0.5	2.2	12.6	8.2
MSCI EAFE Index	7.1	4.5	2.4	3.6	4.4
MSCI Emerging Market Index	(4.2)	19.0	12.7	(4.8)	5.2
BC Aggregate Bond Index	6.2	6.0	5.7	3.3	5.3
Bloomberg Commodity Index	7.3	10.7	1.2	(13.5)	1.0

- Over the most recent 5 year period, any diversification away from U.S. Large Cap equities has hindered performance
- The reasoning behind diversification is not to maximize returns, but to limit the impact of volatility on a portfolio

Source: Morningstar Direct, Standard & Poors, MSCI, Barclays, Bloomberg

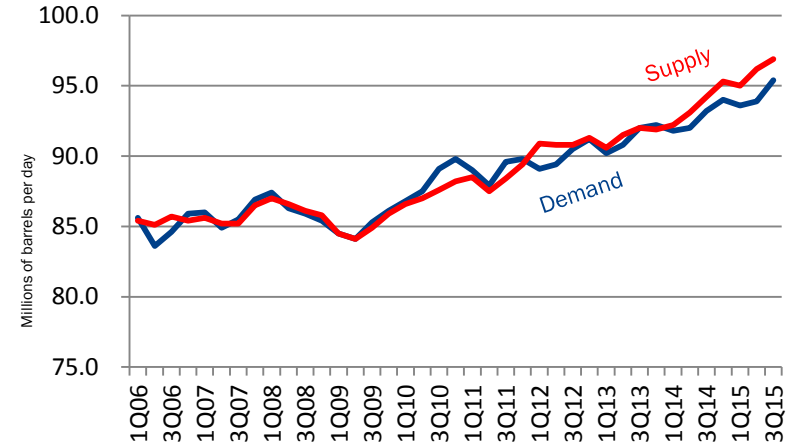
# The Ripple Effect of Falling Energy Prices

## Supply by Three Largest Producers



Source: International Energy Agency

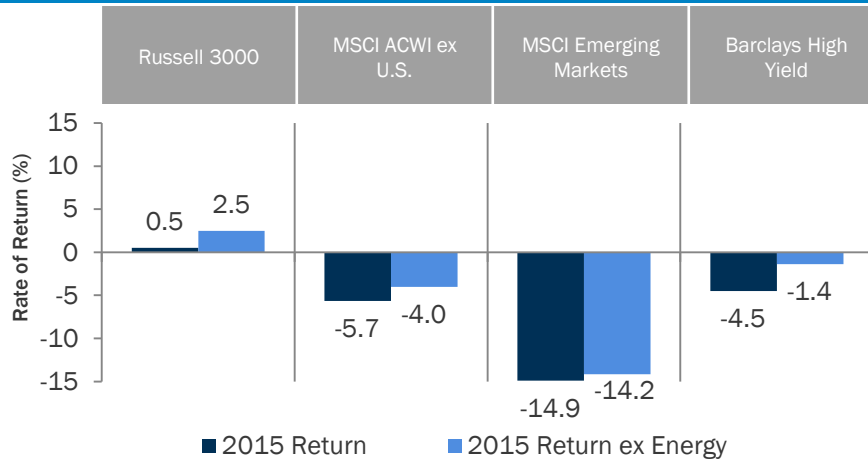
## Since 2014 - Daily Oil Supply exceeds Demand



Source: International Energy Agency

\*Includes natural gas liquids

## Market Returns With and Without Energy



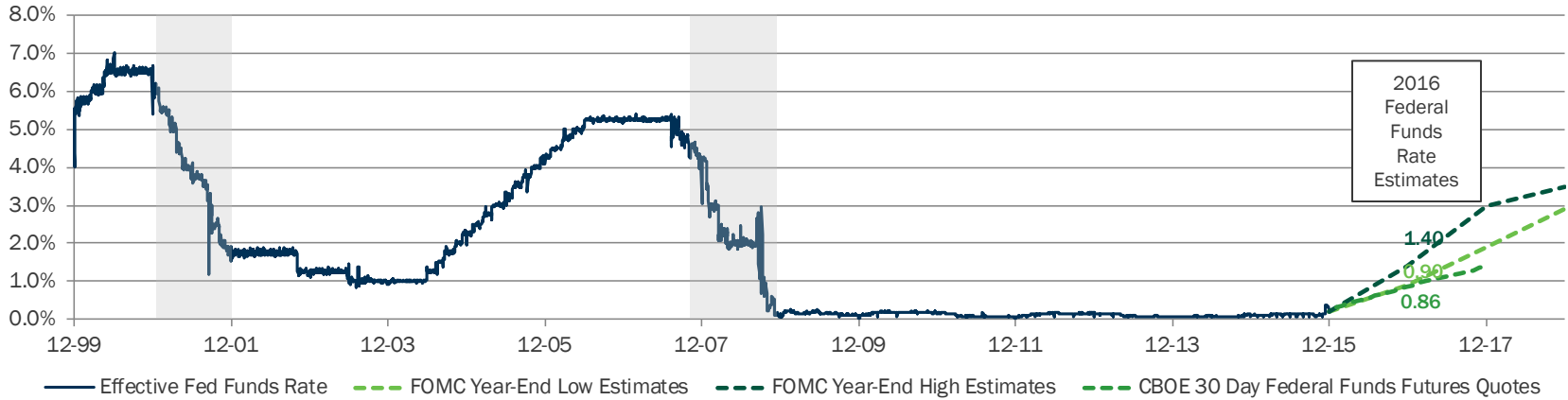
Source: Morningstar Direct, Russell, MSCI, Barclays

## Observations

- Oil supply has outpaced demand over the past two years. While U.S. producers increased production through 2014, OPEC is the primary source of the recent supply increase. Stored crude oil is up 22% since the beginning of 2014.
- The oversupply pushed the price of oil down 31% in 2015 and down 66% (cumulative) from its recent high of 6/20/2014. While cheaper oil helps consumers and industries that consume oil, it negatively impacts the energy sector, other asset classes and countries that are net oil exporters.
- S&P 2015 Operating Earnings: -5.9% including energy and 5.7% excluding energy. (Source: Standard & Poors)

# 2015 Fixed Income Market Review

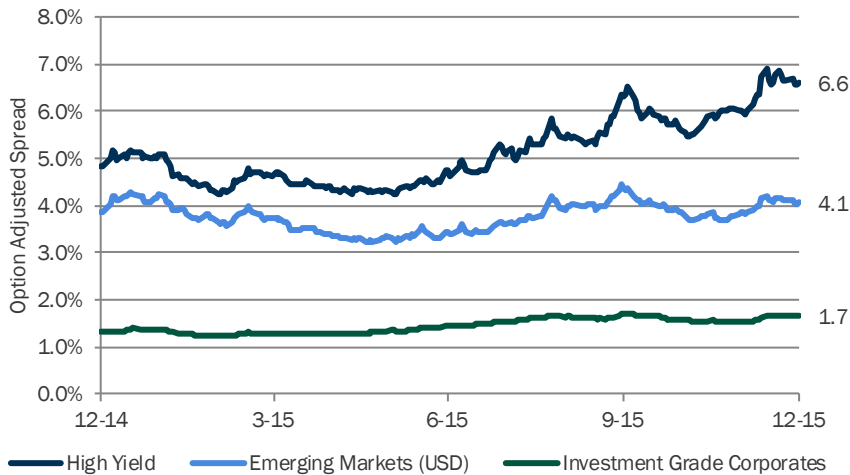
## Federal Funds Rate



Source: St. Louis Fed, CBOE; FOMC is the projected levels according to the Federal Open Market Committee survey

■ Represents recessionary periods.

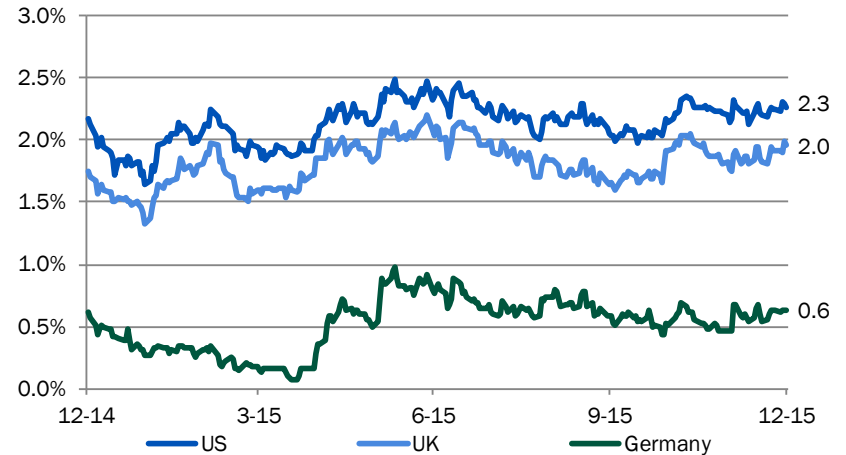
## 2015 Credit Spreads



Source: Barclays



## 10 Year Treasury Yields



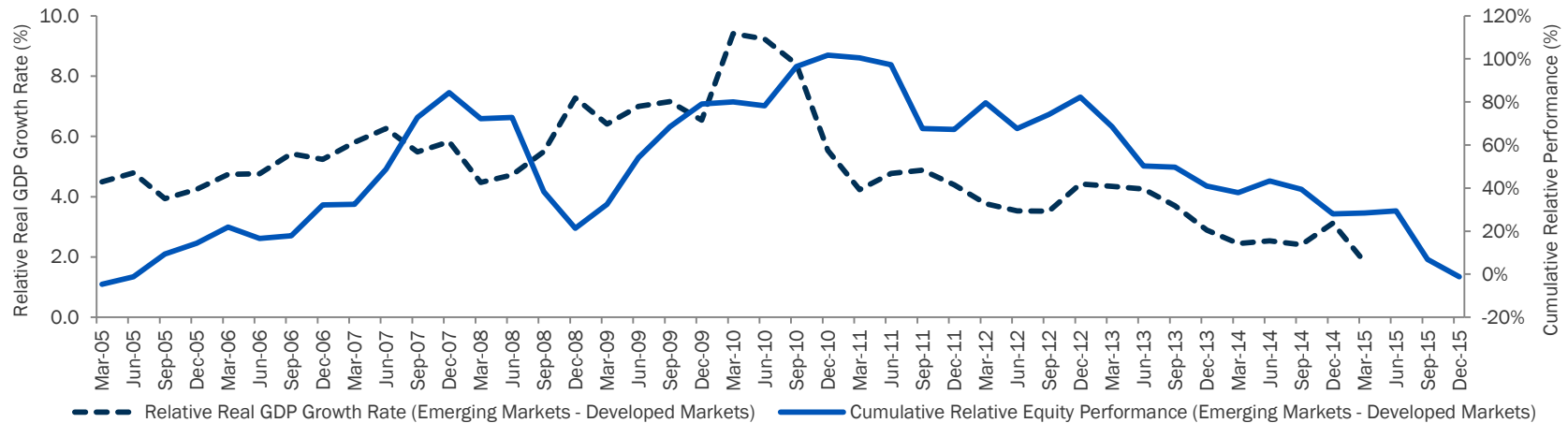
Source: Factset Economics

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# Non-U.S. and Emerging Markets Equity

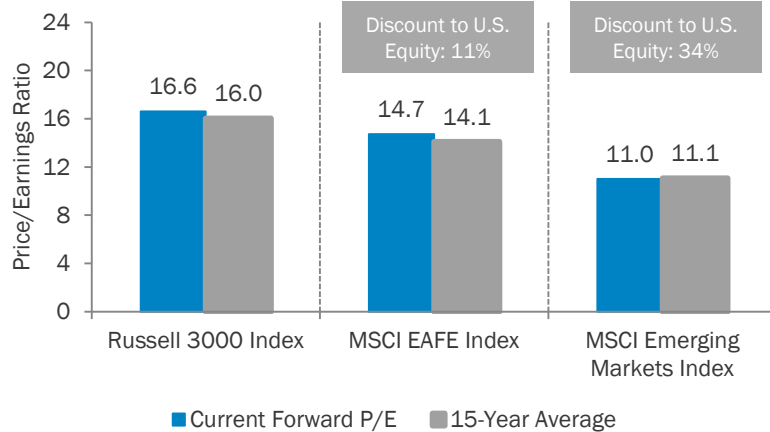
## Sentiment is Negative but Valuations are Attractive

Relative Economic Growth and Equity Market Performance (2005-2015)



Source: Morningstar Direct, IMF, MSCI. Notes: Emerging Markets equity performance measured by the MSCI Emerging Markets Index, Developed Markets equity performance measured by the MSCI World Index.

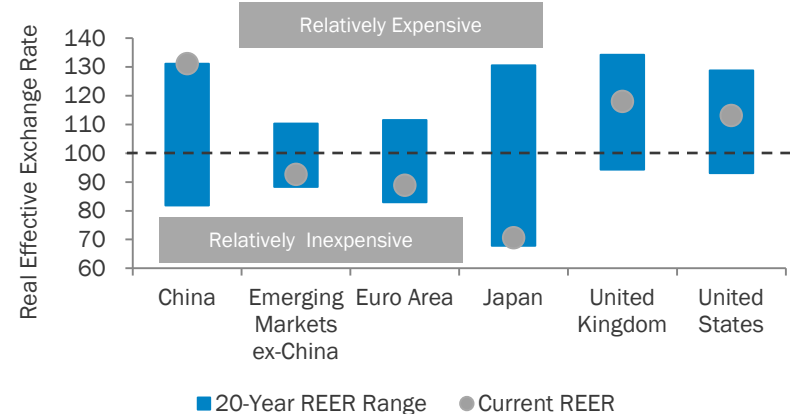
### Forward Price/Earnings Ratio



Source: Factset Economics

Note: Real Effective Exchange Rate (REER) measures the value of a currency against a weighted average of several foreign currencies divided by each country's consumer price index. It is a measure of exchange rates on a Purchasing Power Parity (PPP) basis. The Emerging Markets ex-China average was calculated using U.S. trade weights supplied by the IMF.

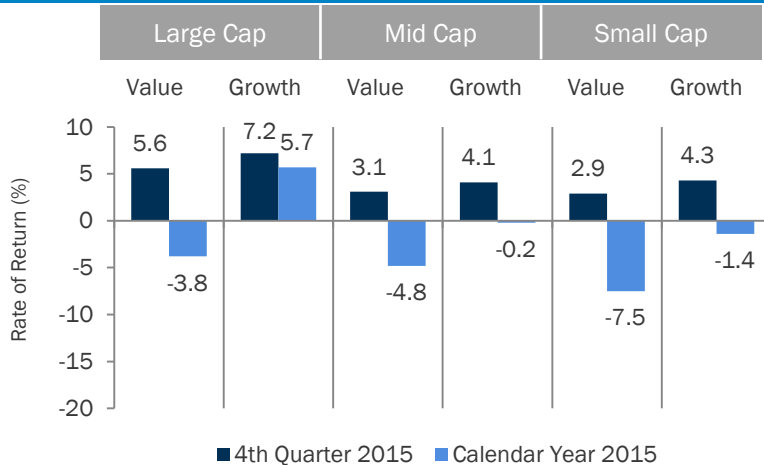
### Real Effective Exchange Rates



Source: IMF

# U.S. Growth Outperforms Value

## U.S. Equity Style Performance



Source: Morningstar Direct, Russell

## “FANG” Stocks Drive Markets in 2015

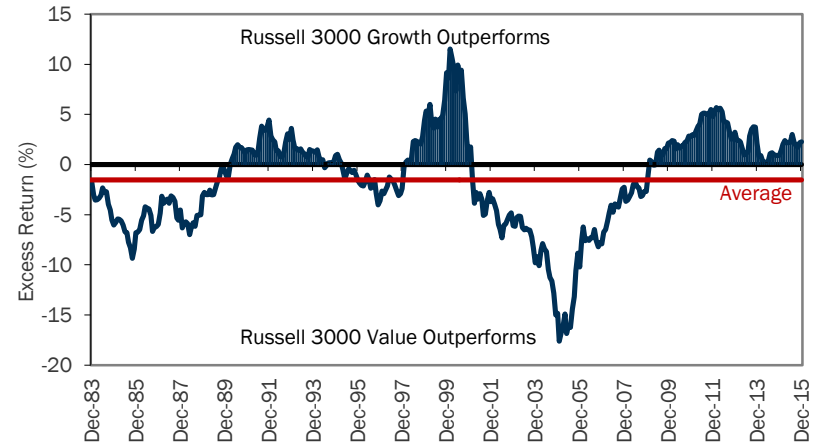
	S&P Sector	2015 Return	S&P 500 Weight	2015 Contribution to Return	Price/Earnings
Facebook, Inc	Technology	34.1%	1.3%	0.9%	109.0
Amazon, Inc	Consumer Discretionary	117.8%	1.5%	0.7%	877.2
Netflix, Inc	Consumer Discretionary	134.4%	0.3%	0.1%	306.1
Alphabet, Inc (Google)	Technology	46.6%	2.5%	1.7%	30.9
<b>S&amp;P 500 Index</b>		<b>1.4%</b>	<b>100.0%</b>	<b>3.4%</b>	<b>19.2</b>

Source: Morningstar Direct

Note: Russell Style Indices shown in upper left chart; Russell 1000® Value, Russell 1000® Growth, Russell Mid Cap® Value, Russell Mid Cap® Growth, Russell 2000® Value, and Russell 2000® Growth.

Note: “FANG” stock data; Price/Earnings ratios are trailing 12 months. Alphabet returns, and P/E ratios represent A-shares (GOOGL) while the S&P 500 weight is the sum of A-shares (GOOGL) and C-shares (GOOG).

## U.S. Value vs. Growth: 5 Year Rolling Excess Returns



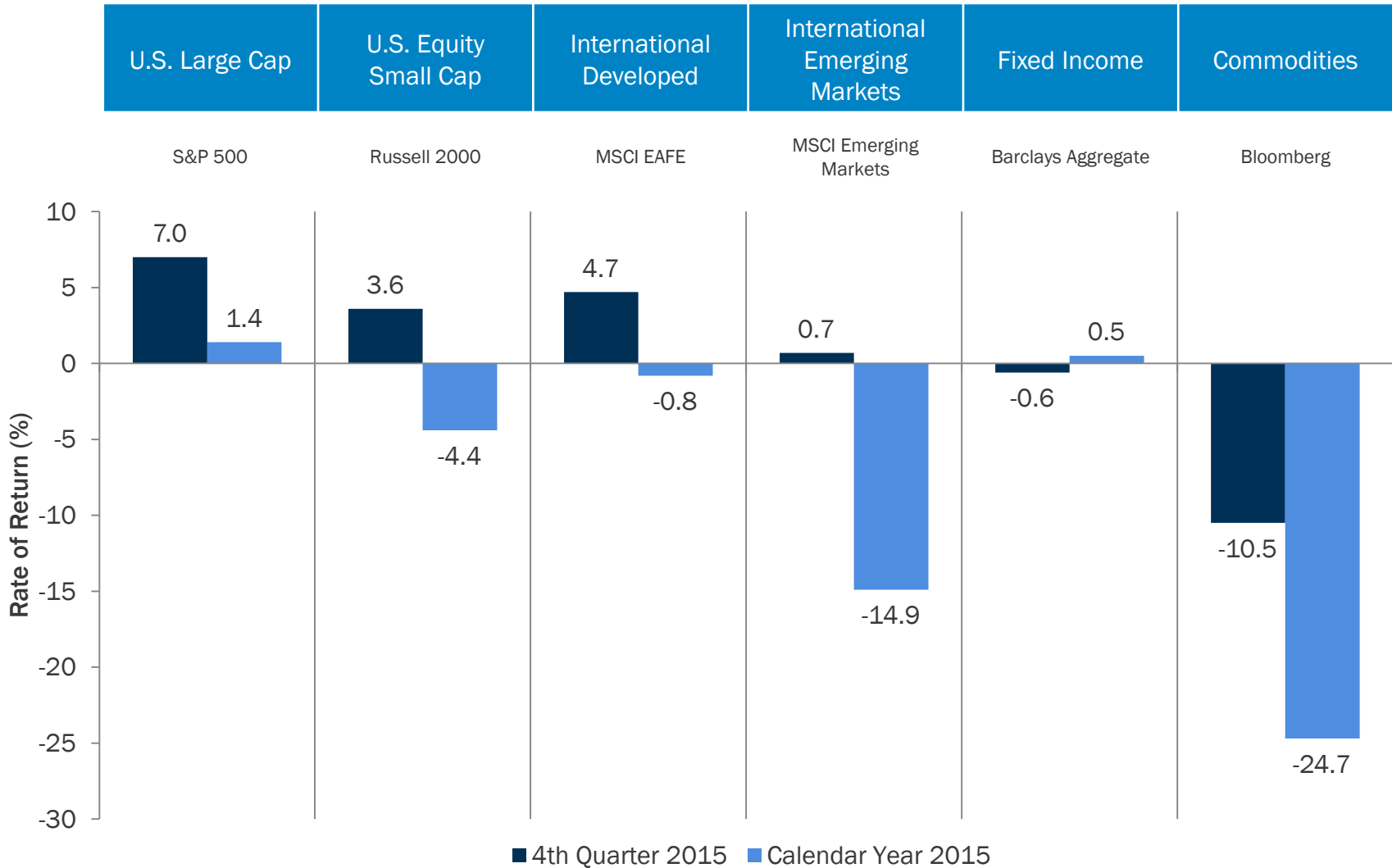
Source: Morningstar Direct, Russell

## Style Observations

- Growth indices outperformed value indices across the market capitalization spectrum in 2015. Growth indices were driven by strong performance among consumer, healthcare and technology companies while value indices were negatively impacted by performance in the energy, materials and utilities sectors.
- Growth stocks have generally outperformed value stocks over the past decade and the Russell 3000 Growth Index has outpaced the Russell 3000 Value Index by nearly 37% since March of 2009.
- The “FANG” stocks (Facebook, Amazon, Netflix & Google) led the markets in 2015, driving the strong performance of the Russell 1000 Growth Index and pushing the S&P 500 Index into positive territory for the year.

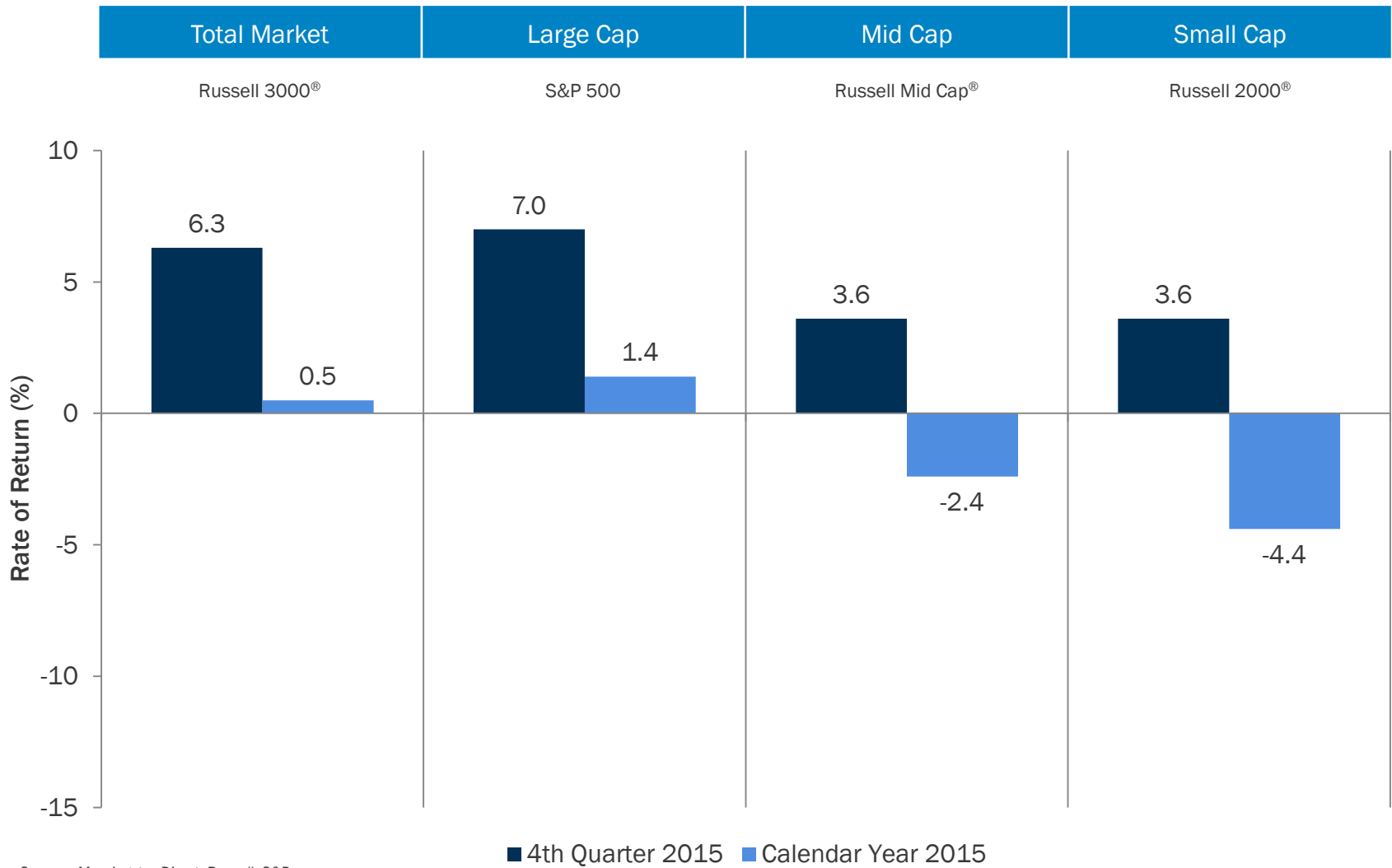


# Fourth Quarter Rebound



Source: Morningstar Direct, S&P, Russell, MSCI, Barclays, Bloomberg

# U.S. Equity Market Performance



Source: Morningstar Direct, Russell, S&P

Note: Russell Style Indices shown; Russell 3000®, Russell Mid Cap®, Russell 2000®.

# S&P 500 Scorecard

## Sector Returns

	P/E Ratio <sup>(1)</sup>	15-Yr Avg. <sup>(2)</sup>	4 <sup>th</sup> Quarter 2015	Calendar Year 2015
Consumer Discretionary	22.1	19.8x	5.8%	10.1%
Health Care	22.8x	21.8x	9.2%	6.9%
Consumer Staples	22.3x	19.3x	7.6%	6.6%
Technology	19.9x	22.9x	9.2%	5.9%
Telecom	25.5x	20.5x	7.6%	3.4%
S&P 500	19.2x	17.7x	7.0%	1.4%
Financials	14.9x	14.9x	6.0%	-1.5%
Industrials	18.4x	18.5x	8.0%	-2.5%
Utilities	17.0x	15.6x	1.1%	-4.8%
Materials	18.4x	18.7x	9.7%	-8.4%
Energy	16.8x	13.9x	0.2%	-21.1%

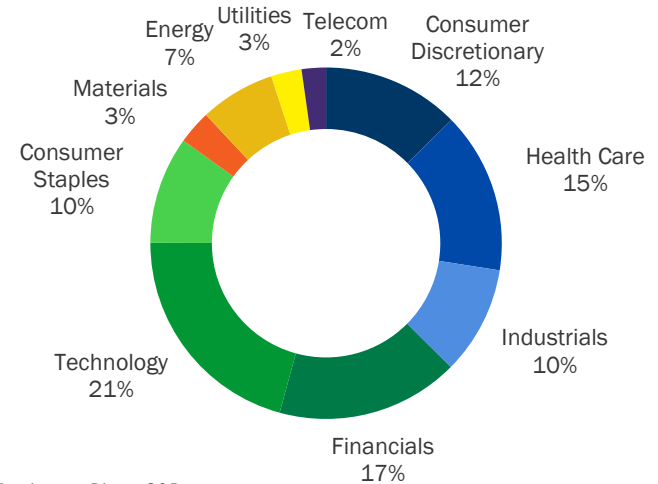
■ 4<sup>th</sup> Quarter 2015    ■ Calendar Year 2015

Source: FactSet, S&P

<sup>(1)</sup>Trailing 12 month P/E

<sup>(2)</sup>15-year average trailing 12 month P/E.

## Sector Weights



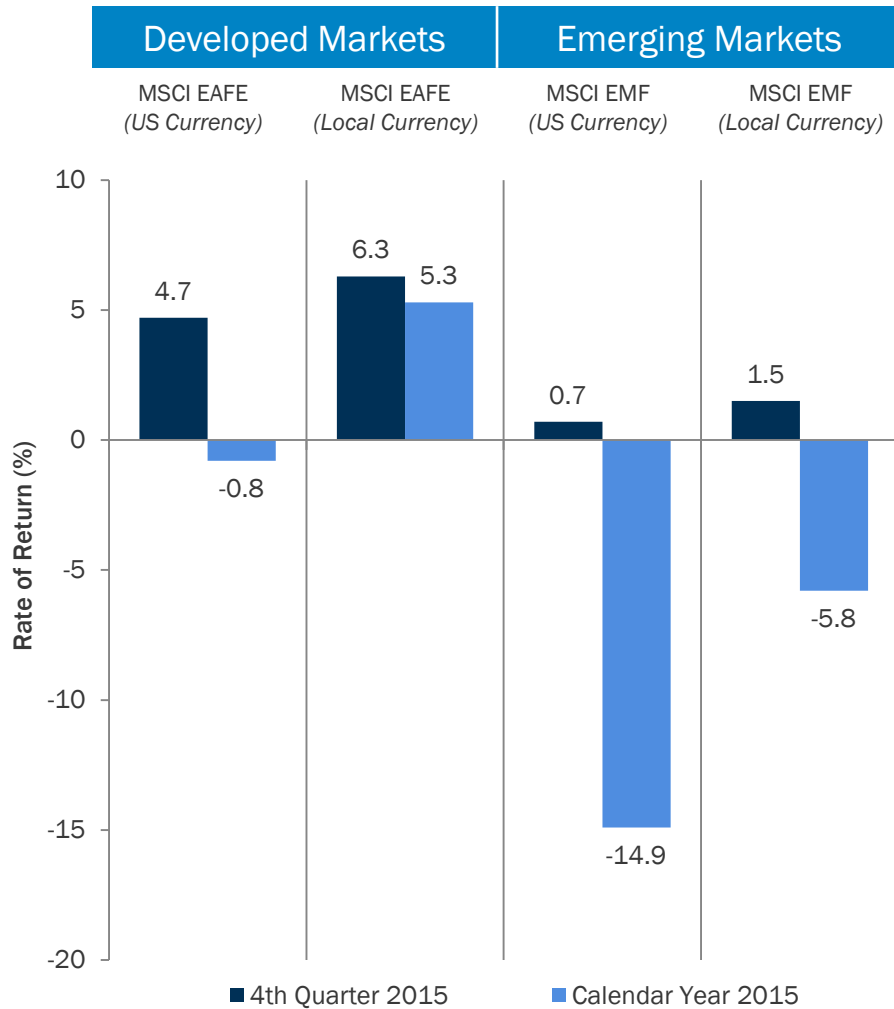
Source: Morningstar Direct, S&P

## Top Five S&P 500 Index Holdings

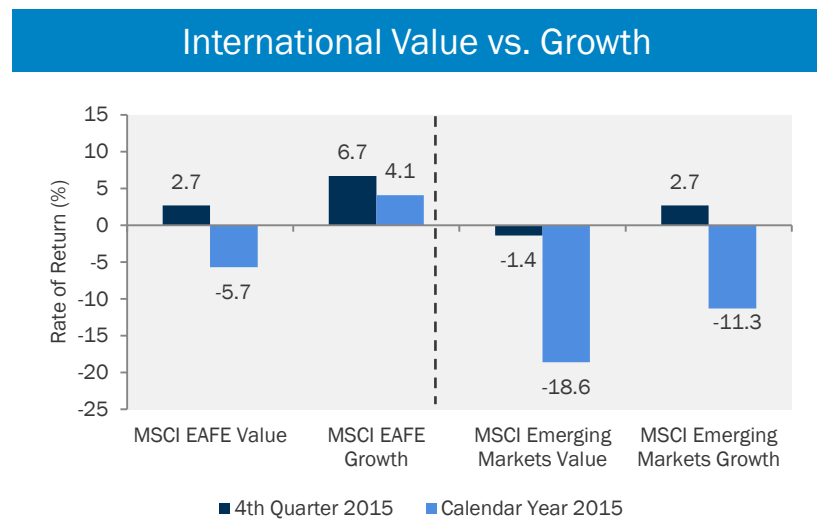
Name	Sector	% of S&P	2015 Return	2015 Contribution to Return
1. Apple, Inc.	Technology	3.3%	-2.8%	-0.11%
2. Microsoft Corp.	Technology	2.5%	22.2%	+0.48%
3. Exxon Mobil Corp..	Energy	1.8%	-12.6%	-0.26%
4. General Electric Co.	Industrials	1.6%	1.1%	+0.39%
5. Johnson & Johnson	Health Care	1.6%	26.9%	+0.02%

Source: Morningstar Direct, S&P

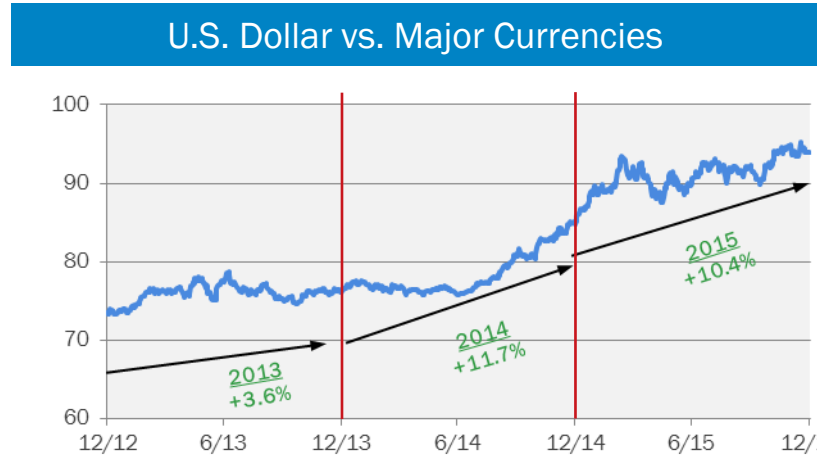
# Non-U.S. Equity Market Performance



Source: Morningstar Direct, MSCI

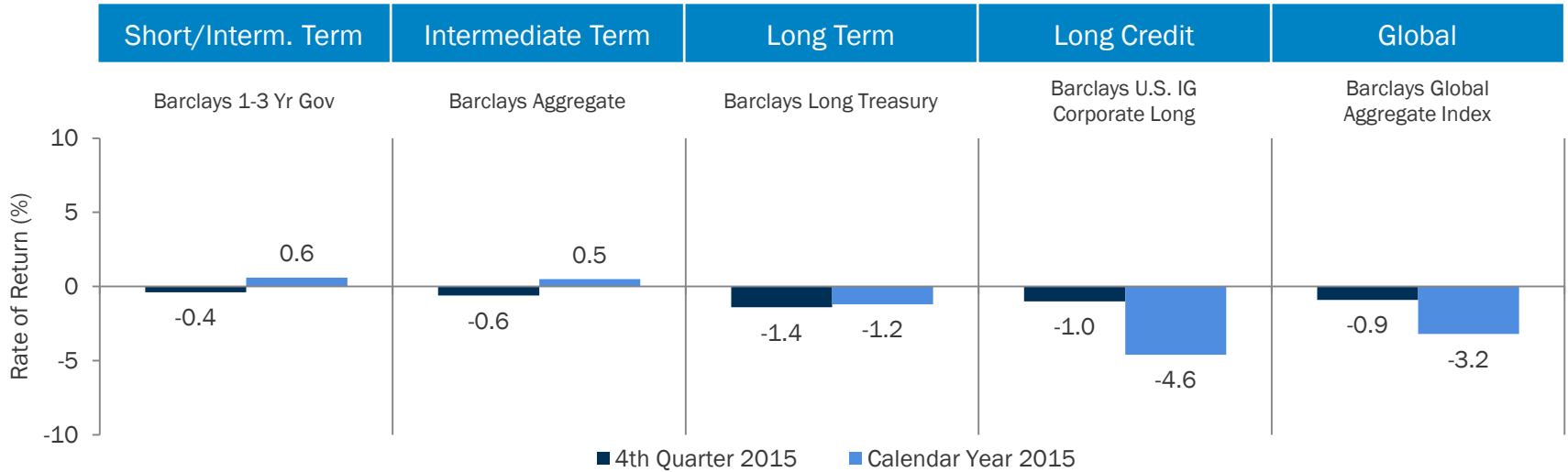


Source: Morningstar Direct, MSCI



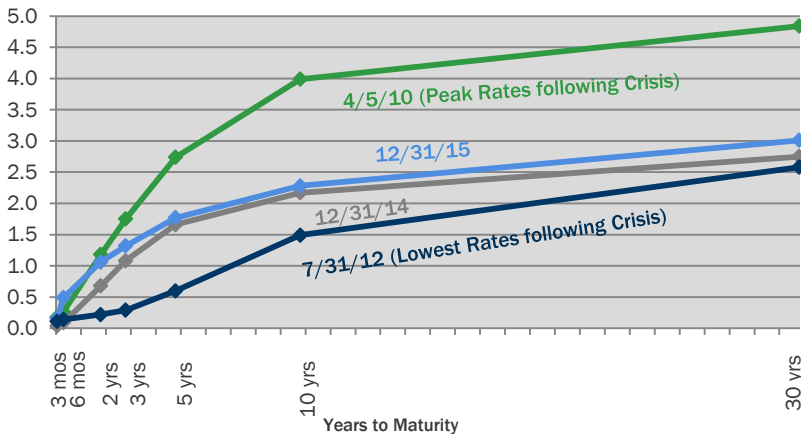
Source: Federal Reserve Board; US trade-weighted index.

# Fixed Income Markets



Source: Barclays

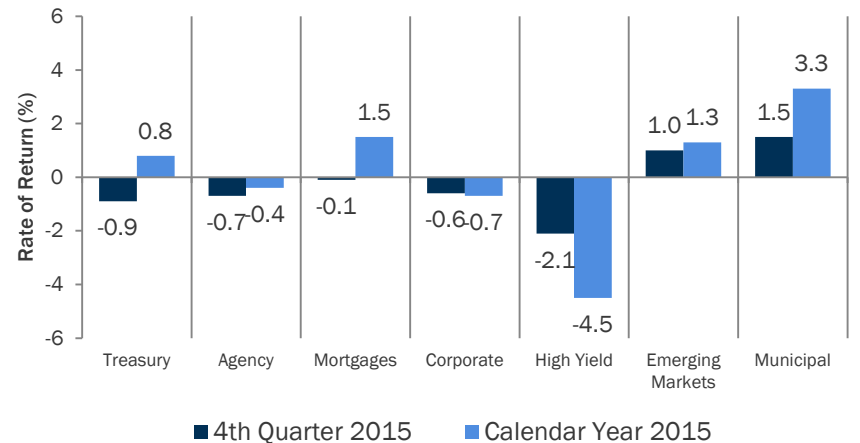
## U.S. Treasury Yield Curve



Source: Barclays



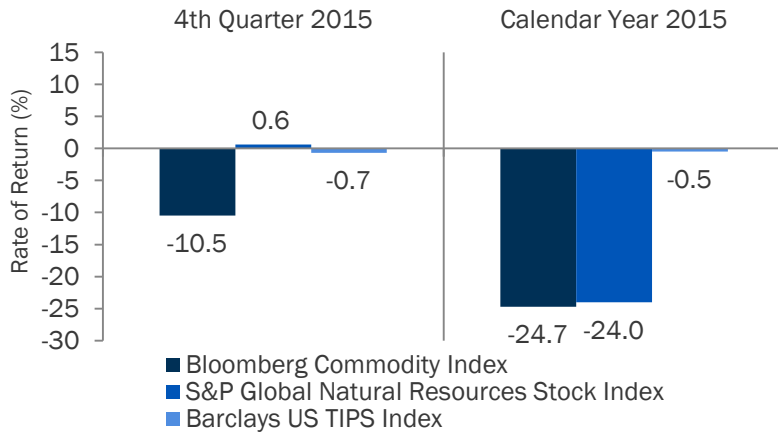
## Sector Returns



Source: Barclays

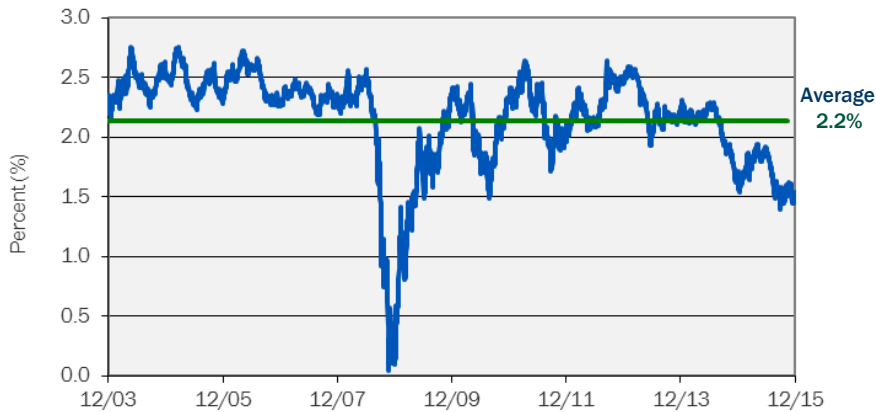
# Inflation Hedging Performance

## Asset Class Performance



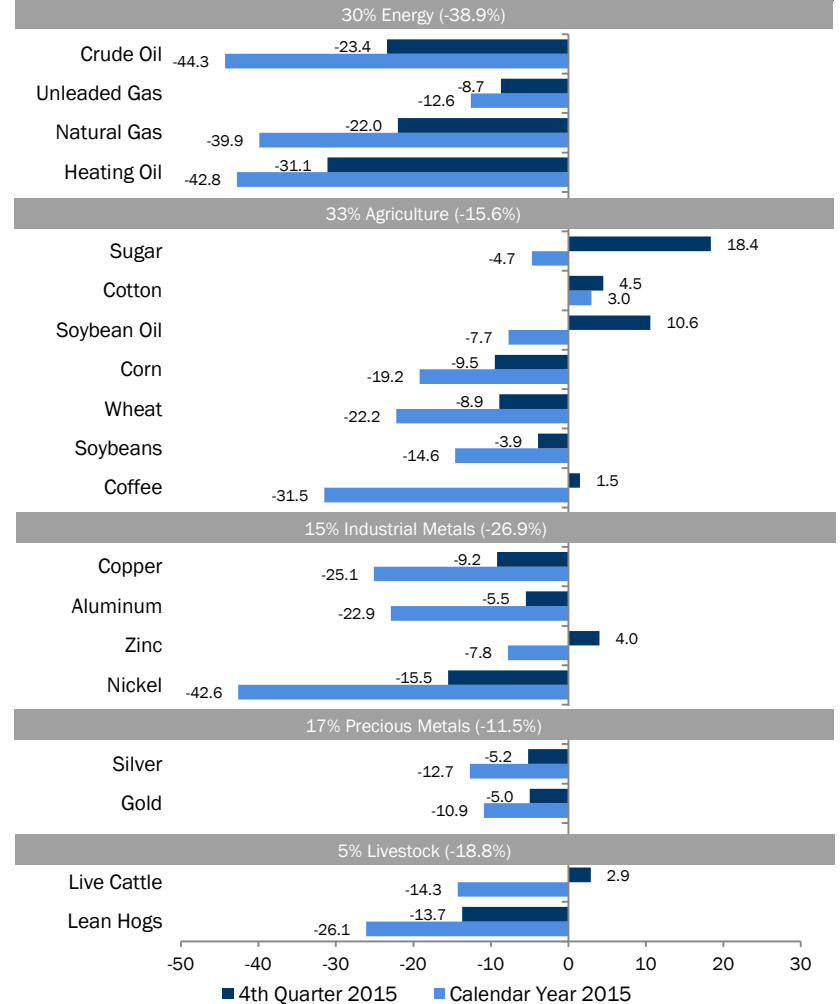
Source: Morningstar Direct, Bloomberg, S&P, Barclays

## Historical Inflation Expectations



Source: Barclays

## Commodity Sector Performance



Source: Morningstar Direct, Bloomberg

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# Endnotes

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- Investments in commodities may have greater volatility than investments in traditional securities.
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