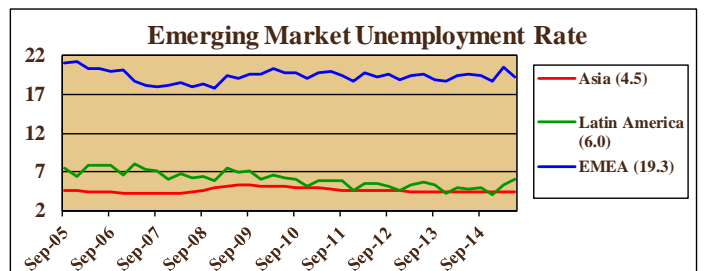
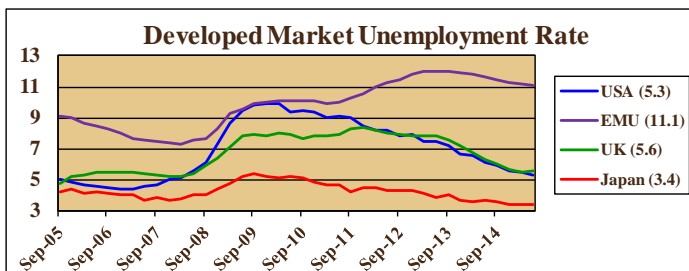
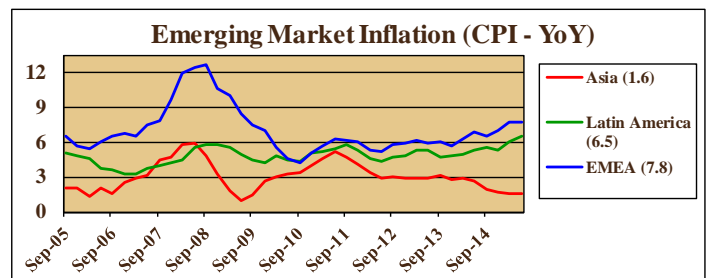
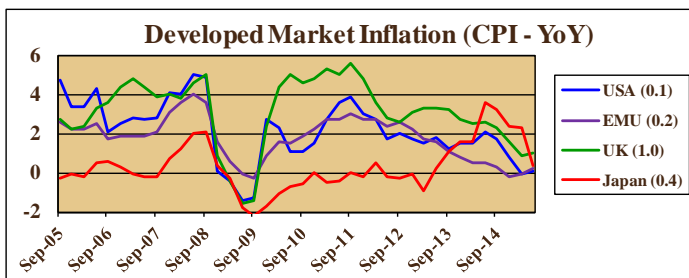
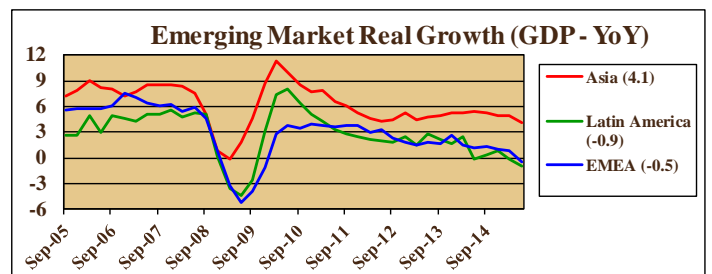
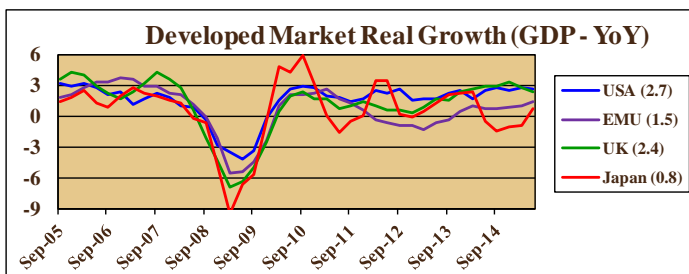


Third Quarter 2015

Global Market and Economic Perspective

Global Economic Commentary

- ❖ **US Real GDP increased at a 1.5% annualized rate in the third quarter. This brings the year to date rate of real economic growth to 2.0%, which is modestly lower than the 2.2% pace that US has produced since the end of the last recession. This rate of growth has been sufficient to bring the US unemployment rate down to 5.1%, which is close to many economists' estimates of full employment.**
- ❖ **Broadly speaking, global inflation remains below the level that most central banks, including the US Fed, would view as optimal. Much of the decline in headline inflation over the past year is due to a dramatic decline in energy prices. Exceptions to this undesirably low inflation exist in emerging market countries which have experienced dramatic currency devaluations.**
- ❖ **As the effects of the European debt crisis continue to fade and the ECB's stimulative monetary policies take hold, positive real growth has returned to the region and deflationary pressures have started to fade.**



Note: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index.

Stairway Partners is an SEC registered investment advisor, providing comprehensive investment advice and industry-leading portfolio management solutions to qualified investors. Our conflict-free structure and sophisticated investment capabilities have allowed us to serve as a valued advisor and trusted fiduciary to clients throughout the United States. For more information, please call (630) 371-2626 or email us at stairwaypartners@stairwaypartners.com.

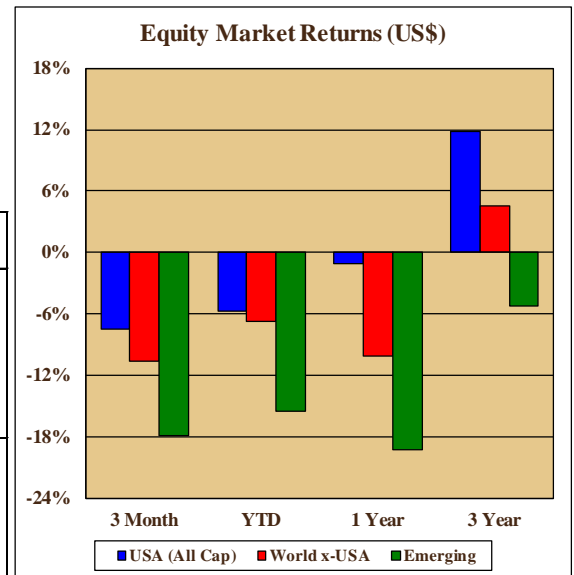
Global Market and Economic Perspective

Global Equity and Currency Commentary

- ❖ Global equity markets declined in the third quarter with foreign markets experiencing more severe deterioration due to higher local market volatility and broad currency depreciation.
- ❖ Latin America was led lower by Brazil, which had the worst performance of any major equity market. South Africa also suffered both in terms of local market equity price and currency declines. These two countries were greatly impacted by their reliance on commodity exports, which suffered due to depressed demand and prices.
- ❖ Outside of the US, developed European markets performed relatively well due to continued political stability and economic results that have shown modest improvement.
- ❖ The US Dollar continued to broadly appreciate during the third quarter, especially versus emerging market currencies. The Dollar's strength can largely be attributed to its status as a safe haven in times of market turmoil and also from the market's realization that US cash rates will likely increase in the relatively near future.

Global Equity Market Returns (MSCI)

	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	-7.4%	-5.8%	-1.1%	11.8%				
USA Growth	-6.5%	-2.5%	3.1%	13.2%				
USA Value	-7.3%	-8.7%	-5.5%	10.3%				
USA SC Growth	-12.1%	-5.4%	0.9%	13.1%				
USA SC Value	-9.7%	-8.6%	-2.0%	10.9%				
Foreign Developed								
World x-USA	-10.6%	-6.7%	-10.1%	4.6%	-8.9%	-1.6%	-0.1%	12.0%
Europe	-8.7%	-5.2%	-9.3%	6.0%	-7.0%	-0.3%	-0.3%	10.1%
Far East	-12.7%	-1.8%	-3.5%	7.6%	-14.1%	-1.6%	4.2%	21.1%
Australia	-15.3%	-18.1%	-21.1%	-4.2%	-7.3%	-4.6%	-1.7%	9.2%
Canada	-14.1%	-20.1%	-23.9%	-4.8%	-7.8%	-7.5%	-8.7%	5.5%
Emerging Markets								
Emerging	-17.9%	-15.5%	-19.3%	-5.3%	-12.1%	-7.1%	-7.1%	2.1%
Asia	-17.0%	-12.8%	-13.1%	-0.4%	-13.5%	-8.5%	-6.6%	2.9%
Latin America	-24.3%	-29.1%	-38.7%	-17.5%	-10.8%	-6.8%	-12.5%	-2.5%
EMEA	-16.1%	-12.9%	-21.7%	-9.5%	-7.5%	-1.1%	-2.0%	5.0%

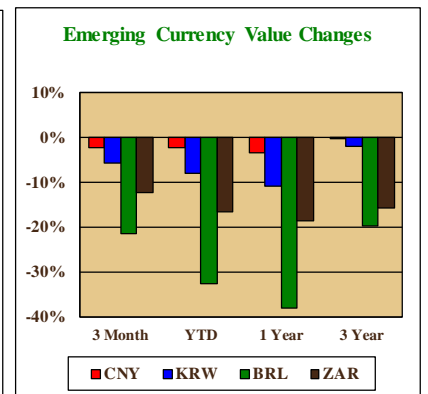
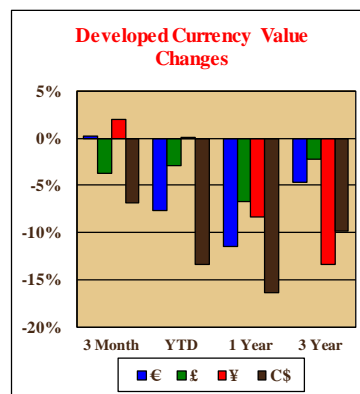


Annualized if greater than one year

Foreign Exchange Rate History (Bloomberg)

	Current Level	Change (Foreign Currency versus US\$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.12	0.3%	-7.6%	-11.5%	-4.7%
British Pound (£)	1.51	-3.8%	-2.9%	-6.7%	-2.2%
Japanese Yen (¥)	120	2.0%	0.1%	-8.4%	-13.3%
Canadian Dollar (C\$)	1.34	-6.8%	-13.3%	-16.3%	-9.8%
Emerging					
Chinese Renminbi (CNY)	6.36	-2.4%	-2.4%	-3.4%	-0.4%
Korean Won (KRW)	1185	-5.9%	-8.0%	-11.0%	-2.1%
Brazilian Real (BRL)	3.95	-21.4%	-32.7%	-38.0%	-19.9%
South African Rand (ZAR)	13.86	-12.4%	-16.7%	-18.5%	-15.7%

Annualized if greater than one year



Global Market and Economic Perspective

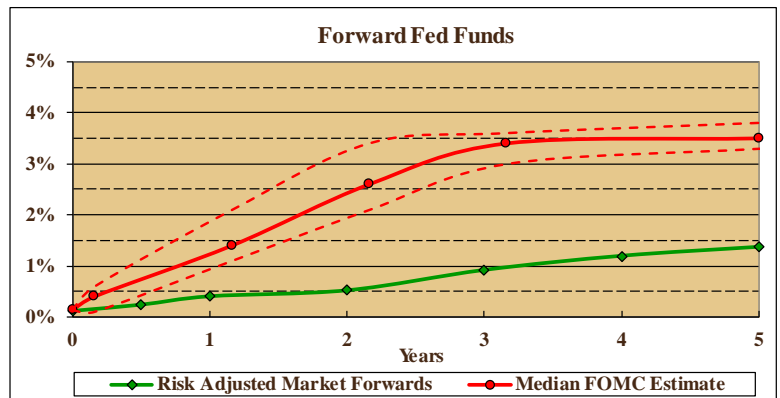
US Fixed Income and Fed Commentary

- ❖ Interest rates on core US bonds declined during the quarter as weaker than expected global economic data and declining equity markets led investors to reduce their expectations of the amount of tightening that the Fed will undertake in the coming months. Negative returns in equities and foreign currencies also helped to push interest rates lower, as US bonds benefitted from their traditional status as a safe haven asset.
- ❖ The Fed's estimates of when they will begin to raise rates and how high they will eventually take the Fed Funds rate have recently become more dovish. However, market rates continue to imply a much lower path of rates than the Fed's published estimates. There is a very active discussion in and outside of the FOMC as to the appropriate time to raise interest rates. On one hand, inflation measures remain below the Fed's target of 2% and global equity markets appear fragile. On the other hand, the domestic labor market has been strong, as shown by the decline in the US unemployment rate.
- ❖ High yield bond prices dropped significantly during the quarter due to a widening of credit spreads. As is often the case, the riskier sectors of the bond market followed equity markets lower as a more pessimistic view of economic growth and corporate earnings overwhelmed the positive effects of lower Treasury rates.

FOMC Fed Funds Rate Projections as of September 2015 Meeting						
	Current	Dec-15	Dec-16	Dec-17	Dec-18	Long Run
Lower	0.14%	0.10%	1.10%	2.10%	3.00%	3.30%
Median	0.14%	0.40%	1.40%	2.60%	3.40%	3.50%
Upper	0.14%	0.60%	2.10%	3.40%	3.60%	3.80%

Market Implied Fed Funds Rate as of Oct 26, 2015						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.12%	0.24%	0.41%	0.52%	0.92%	1.19%	1.37%

Notes
 Upper and lower bands show central tendency for FOMC projections.
 Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Barclays)

	Current Level	Change			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	0.86%	-0.05%	-0.09%	-0.06%	0.52%
Intermediate	1.75%	-0.28%	-0.19%	-0.43%	0.66%
Long	2.75%	-0.25%	0.11%	-0.33%	0.20%
US High Yield					
Yield	8.04%	1.47%	1.43%	1.91%	1.53%
Spread	6.30%	1.54%	1.47%	2.06%	0.79%
Tax-Exempt Muni.					
Short	0.94%	-0.11%	-0.01%	0.19%	0.35%
Intermediate	1.87%	-0.20%	0.06%	0.10%	0.38%
Long	2.84%	-0.24%	0.13%	-0.05%	0.28%

