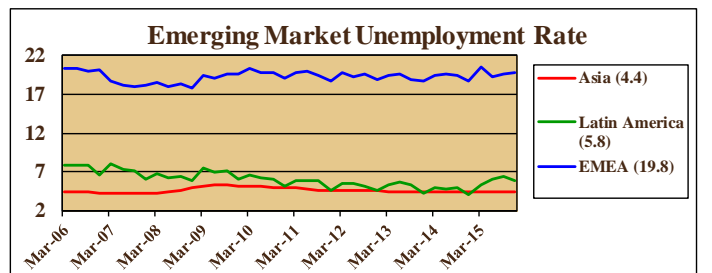
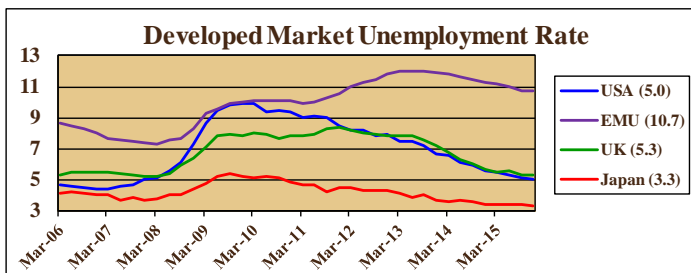
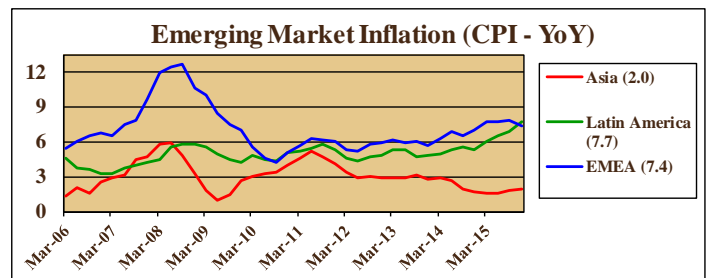
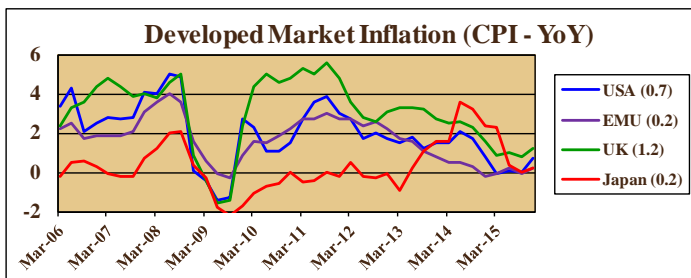
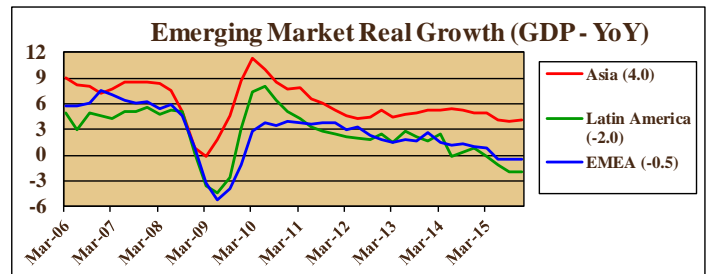
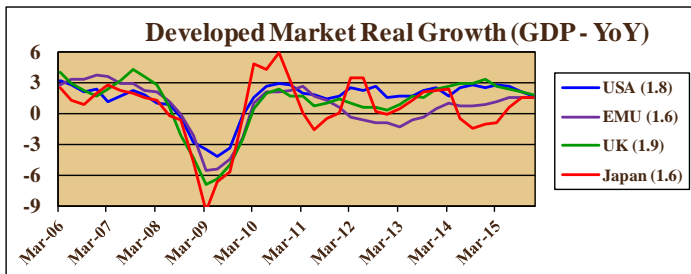


Fourth Quarter 2015

Global Market and Economic Perspective

Global Economic Commentary

- ❖ US Real GDP increased at a 0.7% annualized rate in the third quarter, which brings the 2015 rate of real economic growth to 1.8%. Although economic growth has been modest in the US, it has been sufficient to lower the US unemployment rate to 5%, which matches many economists' estimate of full employment.
- ❖ In developed foreign countries, there has been a convergence of real economic growth to levels just below 2%. For Japan, this is a marked improvement. The UK has followed a similar path as the US where the current level is below the recent trends. Europe has been relatively stable, but much better than during the height of the debt crisis. Unemployment rates continue to improve in most major developed countries.
- ❖ Recent trends in growth and inflation have left a large gap between Asian countries and those in Latin American and other markets. Although Chinese and Korean growth has slowed, they have avoided dramatic declines in output and the value of their currencies.



Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index. Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Global Market and Economic Perspective

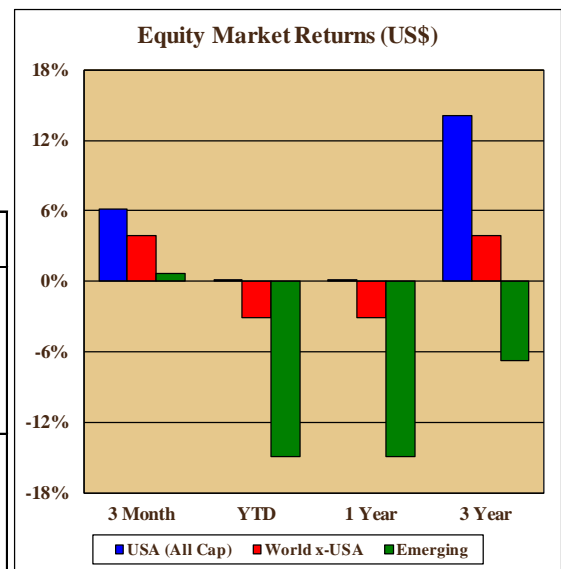
Global Equity and Currency Commentary

- ❖ Global equity markets had positive returns in the fourth quarter, but emerging markets lagged. For 2015, US markets were effectively flat. Foreign markets produced negative returns in 2015 due to a combination of local market weakness and currency depreciation.
- ❖ With the exception of Canada, most developed foreign equity markets produced positive returns in local currency terms in the fourth quarter and for the year. Although currency movements were modest in the fourth quarter, on a year-to-date basis, foreign currency depreciation in developed countries led to negative returns for US investors.
- ❖ Emerging markets had positive returns, but lagged developed equity markets in the fourth quarter. For the year, emerging market returns suffered from declines in local market terms and from currency depreciation, which was particularly acute in Latin American countries like Brazil.

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)	6.2%	0.0%	0.0%	14.1%				
USA Growth	6.9%	4.2%	4.2%	16.2%				
USA Value	6.4%	-2.8%	-2.8%	12.4%				
USA SC Growth	3.1%	-2.4%	-2.4%	13.6%				
USA SC Value	3.1%	-5.8%	-5.8%	10.8%				
Foreign Developed								
World x-USA	3.9%	-3.0%	-3.0%	3.9%	5.7%	4.0%	4.0%	11.5%
Europe	2.5%	-2.8%	-2.8%	4.5%	5.2%	4.9%	4.9%	10.1%
Far East	8.7%	6.7%	6.7%	8.6%	9.1%	7.3%	7.3%	19.1%
Australia	10.0%	-10.0%	-10.0%	-3.2%	6.1%	1.3%	1.3%	8.9%
Canada	-5.1%	-24.2%	-24.2%	-6.7%	-1.7%	-9.0%	-9.0%	4.3%
Emerging Markets								
Emerging	0.7%	-14.9%	-14.9%	-6.8%	1.5%	-5.8%	-5.8%	0.8%
Asia	3.5%	-9.8%	-9.8%	-1.2%	2.9%	-5.8%	-5.8%	2.2%
Latin America	-2.7%	-31.0%	-31.0%	-19.4%	-2.1%	-8.8%	-8.8%	-4.8%
EMEA	-8.2%	-20.0%	-20.0%	-13.7%	-1.5%	-2.6%	-2.6%	2.4%

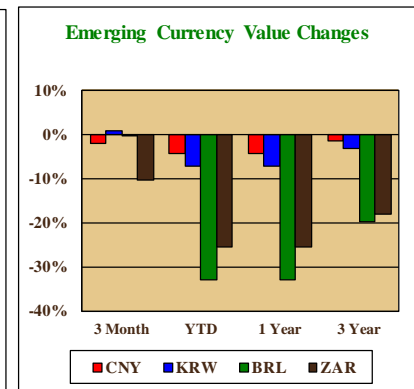
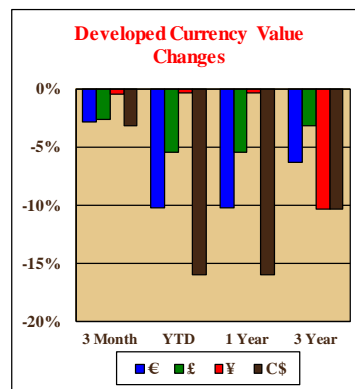
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.09	-2.8%	-10.2%	-10.2%	-6.3%
British Pound (£)	1.47	-2.6%	-5.4%	-5.4%	-3.2%
Japanese Yen (¥)	120	-0.4%	-0.3%	-0.3%	-10.3%
Canadian Dollar (C\$)	1.38	-3.1%	-16.0%	-16.0%	-10.4%
Emerging					
Chinese Renminbi (CNY)	6.49	-2.1%	-4.4%	-4.4%	-1.4%
Korean Won (KRW)	1175	0.9%	-7.2%	-7.2%	-3.2%
Brazilian Real (BRL)	3.96	-0.3%	-32.9%	-32.9%	-19.7%
South African Rand (ZAR)	15.48	-10.5%	-25.4%	-25.4%	-18.2%

Annualized if greater than one year



Global Market and Economic Perspective

US Fixed Income and Fed Commentary

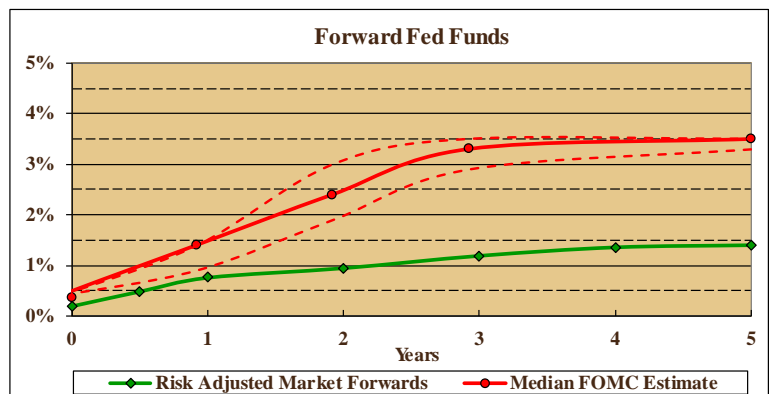
- ❖ There was a divergence in core bond markets in the fourth quarter, as longer-dated municipal bond yields declined modestly and taxable government and corporate bond yields increased. Across core bond markets, yield curves flattened in the fourth quarter as shorter maturity bonds reacted to the Fed's December rate increase.
- ❖ The Fed's 0.25% December rate increase was not a surprise to the markets, but the pace of future increases and the final resting place for the Fed Funds rate is still being actively debated inside of the Fed and in fixed income markets. The FOMC's published estimates of future rates remain well above market based estimates of future cash rates. The impact of global market volatility on US economic conditions will likely be key to determining the appropriateness of future rate increases.
- ❖ High yield bond prices continued to drop in the fourth quarter due to a widening of credit spreads and an increase in Treasury rates. A lack of liquidity in the high yield bond market continues to put pressure on low quality corporate bonds.

FOMC Fed Funds Rate Projections as of December 2015 Meeting						
	Current	Dec-15	Dec-16	Dec-17	Dec-18	Long Run
Lower	0.37%	0.40%	0.90%	1.90%	2.90%	3.30%
Median	0.37%	0.40%	1.40%	2.40%	3.30%	3.50%
Upper	0.37%	0.40%	1.40%	3.00%	3.50%	3.50%

Market Implied Fed Funds Rate as of Jan 04, 2016						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.20%	0.49%	0.76%	0.95%	1.19%	1.36%	1.40%

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	1.29%	0.43%	0.34%	0.34%	0.91%
Intermediate	2.07%	0.32%	0.13%	0.13%	0.88%
Long	2.89%	0.13%	0.25%	0.25%	0.23%
US High Yield					
Yield	8.74%	0.70%	2.13%	2.13%	2.61%
Spread	6.60%	0.31%	1.77%	1.77%	1.49%
Tax-Exempt Muni					
Short	1.09%	0.15%	0.14%	0.14%	0.36%
Intermediate	1.81%	-0.06%	0.00%	0.00%	0.25%
Long	2.63%	-0.22%	-0.09%	-0.09%	0.09%

