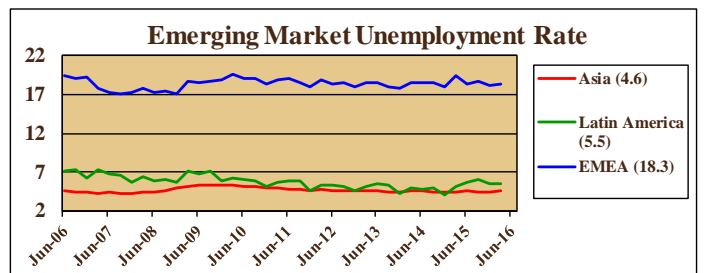
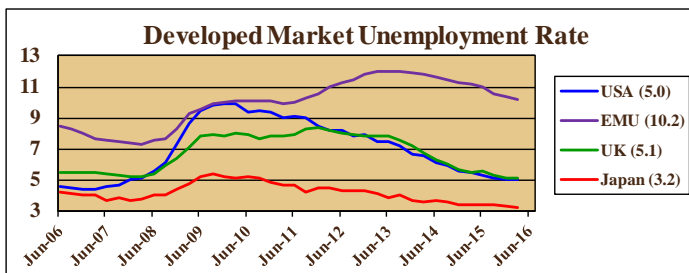
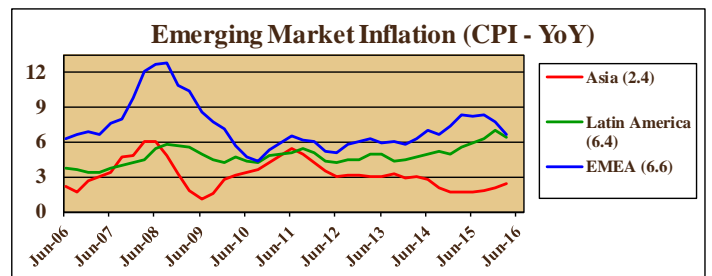
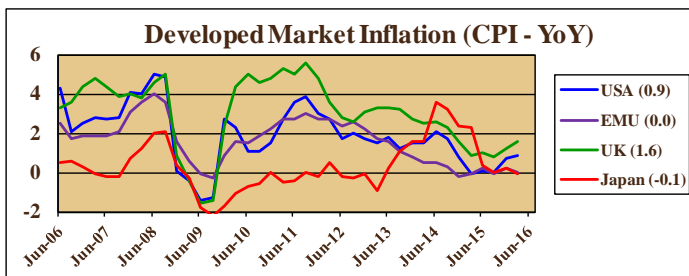
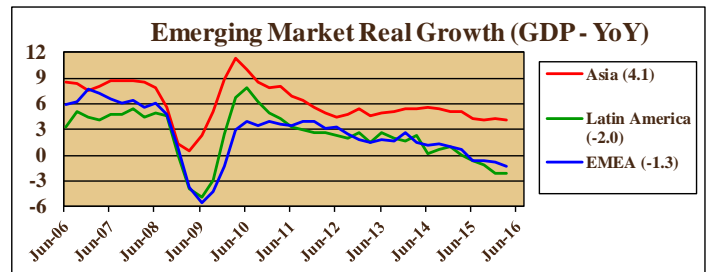
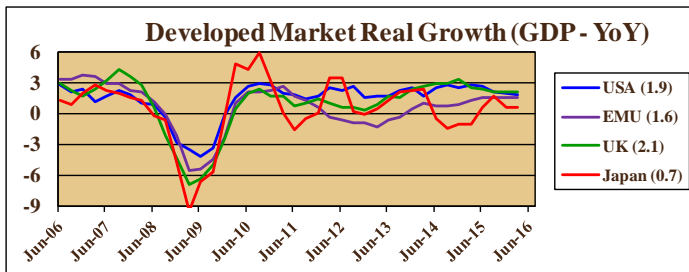


First Quarter 2016

Global Market and Economic Perspective

Global Economic Commentary

- ❖ US Real GDP increased at a 0.5% annualized rate in the first quarter of 2016, leaving the annual rate close to 2%, which is similar to growth rates in other major developed countries. Although this level of real growth is below longer-term averages, it has been relatively stable in recent quarters.
- ❖ Inflation has stabilized in most developed countries and has started to climb back toward the 2% level preferred by many central banks, particularly in the UK and the United States. Much of this can be attributed to the stabilization of energy prices at relatively low levels. In Latin American like Brazil and emerging European countries like Russia inflation remains high, as the impact of dramatically lower currency values continue to push imported goods prices higher.
- ❖ The employment picture continues to improve gradually in much of the world, as modest real economic growth brings more participants back into the workforce.



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 – Q1 2016

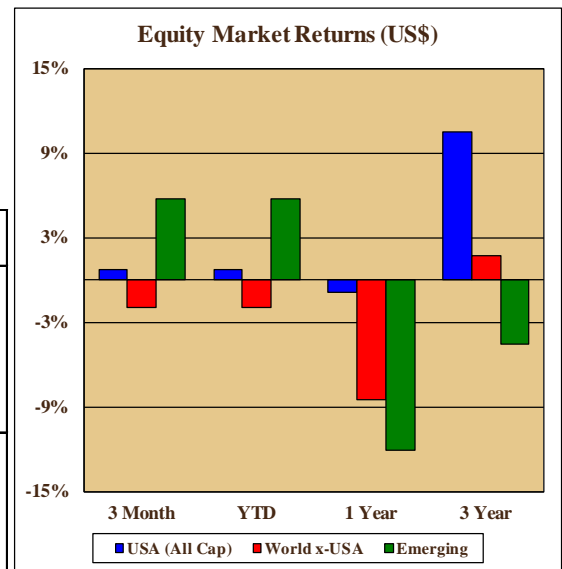
Global Equity and Currency Commentary

- ❖ Global equity markets were extremely volatile in the first quarter, but strong March returns led to positive results in both the United States and emerging markets.
- ❖ In domestic equity markets, value stocks outperformed growth stocks in the first quarter.
- ❖ Emerging market returns in US Dollar terms were quite strong in the first quarter, particularly in Latin America and Europe. The majority of the positive results could be attributed to appreciating currencies, which rebounded from the distressed levels reached in 2015. Although emerging Asian equity markets had the strongest local returns, the relative stability of their currencies made those returns less remarkable to US investors in the first quarter.
- ❖ With the exception of Canada, most major developed equity markets had negative returns in the first quarter. In Europe, Japan and Canada, currency appreciation added to the returns of US investors. The British Pound was the only major currency to depreciate during the first quarter. At least some of this depreciation could be attributed to anxiety around the UK's potential exit from the European Union.

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)	0.8%	0.8%	-0.9%	10.5%				
USA Growth	-0.3%	-0.3%	0.0%	12.8%				
USA Value	1.8%	1.8%	0.5%	8.9%				
USA SC Growth	-1.4%	-1.4%	-9.6%	8.8%				
USA SC Value	2.9%	2.9%	-5.9%	7.3%				
Foreign Developed								
World x-USA	-2.0%	-2.0%	-8.4%	1.7%	-5.8%	-5.8%	-11.0%	6.2%
Europe	-2.5%	-2.5%	-8.4%	2.7%	-4.9%	-4.9%	-10.6%	5.9%
Far East	-5.3%	-5.3%	-7.2%	3.3%	-10.8%	-10.8%	-12.3%	8.6%
Australia	2.1%	2.1%	-10.8%	-5.3%	-3.4%	-3.4%	-11.4%	4.8%
Canada	11.3%	11.3%	-10.2%	-3.6%	3.6%	3.6%	-8.3%	4.5%
Emerging Markets								
Emerging	5.7%	5.7%	-12.0%	-4.5%	1.5%	-5.8%	-5.8%	0.8%
Asia	1.9%	1.9%	-12.6%	-0.1%	2.9%	-5.8%	-5.8%	2.2%
Latin America	19.1%	19.1%	-9.2%	-14.8%	-2.1%	-8.8%	-8.8%	-4.8%
EMEA	12.9%	12.9%	-11.4%	-8.4%	-1.5%	-2.6%	-2.6%	2.4%

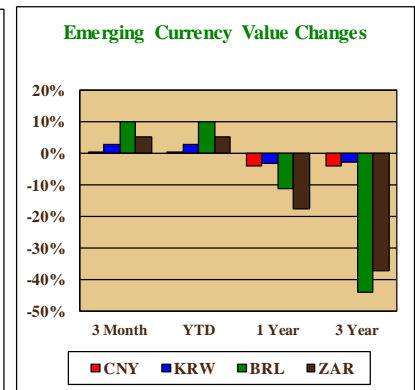
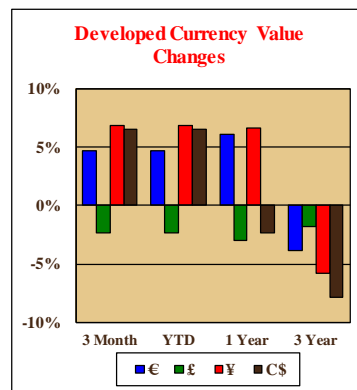
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.14	4.7%	4.7%	6.1%	-3.9%
British Pound (£)	1.44	-2.3%	-2.3%	-3.0%	-1.8%
Japanese Yen (¥)	113	6.8%	6.8%	6.6%	-5.8%
Canadian Dollar (C\$)	1.30	6.6%	6.6%	-2.3%	-7.8%
Emerging					
Chinese Renminbi (CNY)	6.45	0.6%	0.6%	-3.9%	-3.8%
Korean Won (KRW)	1143	2.8%	2.8%	-2.9%	-2.8%
Brazilian Real (BRL)	3.59	10.3%	10.3%	-11.0%	-43.7%
South African Rand (ZAR)	14.69	5.4%	5.4%	-17.4%	-37.1%

Annualized if greater than one year



Global Market and Economic Perspective – Q1 2016

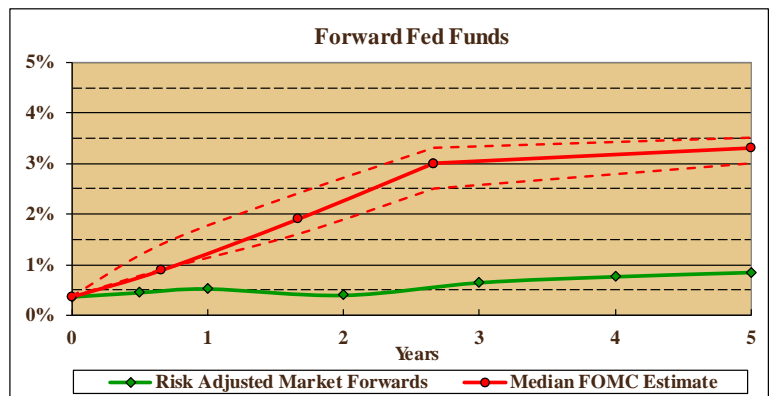
US Fixed Income and Fed Commentary

- ❖ US market yields declined in the first quarter, largely due to the Federal Reserve’s official communications, which lowered expectations for policy interest rates in 2016 and beyond. Although the most recent guidance still points to two more rate increases this year, the Fed’s serial lowering of its rate path has led market participants to doubt that they will meet their own forecast. That being said, there is still a large gap between the Fed’s 3.3% longer-term rate forecast and the market’s 0.9% pricing of cash rates in five years’ time.
- ❖ Due to the near level drop in future cash rate expectations, movements in both the taxable and municipal bond yield curves were relatively uniform.
- ❖ High yield bond prices experienced volatility throughout the first quarter, as global equity markets gyrated with growth forecasts and anticipated changes in central bank policies. However, when the quarter ended, high yield bond spreads were little changed and returns were close to those experienced in US government bonds.

FOMC Fed Funds Rate Projections as of March 2016 Meeting						
	Current	Dec-16	Dec-17	Dec-18	Dec-18	Long Run
Upper	0.37%	1.40%	2.40%	3.30%	3.30%	3.50%
Median	0.37%	0.90%	1.90%	3.00%	3.00%	3.30%
Lower	0.37%	0.90%	1.60%	2.50%	2.50%	3.00%

Market Implied Fed Funds Rate as of Apr 28, 2016						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.37%	0.45%	0.53%	0.40%	0.65%	0.77%	0.86%

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 Through March 2016			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	0.89%	-0.40%	-0.40%	0.10%	0.52%
Intermediate	1.53%	-0.53%	-0.53%	-0.15%	0.26%
Long	2.47%	-0.42%	-0.42%	0.02%	-0.40%
US High Yield					
Yield	8.18%	-0.56%	-0.56%	2.01%	2.52%
Spread	6.56%	-0.05%	-0.05%	1.90%	1.99%
Tax-Exempt Muni.					
Short	0.94%	-0.15%	-0.15%	0.04%	0.33%
Intermediate	1.62%	-0.19%	-0.19%	-0.16%	0.02%
Long	2.40%	-0.22%	-0.22%	-0.29%	-0.29%

