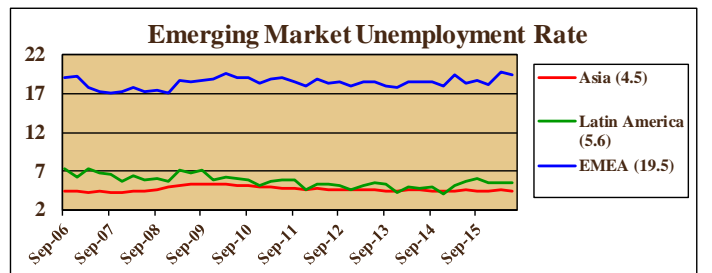
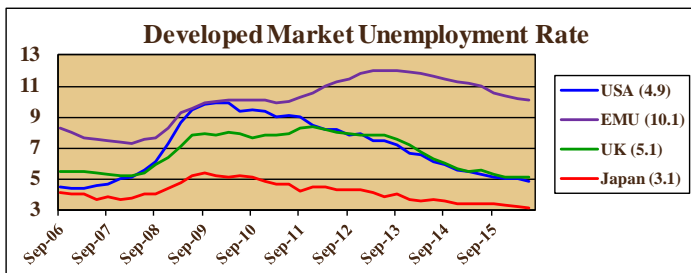
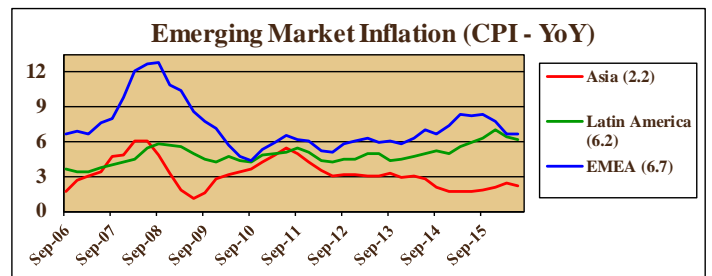
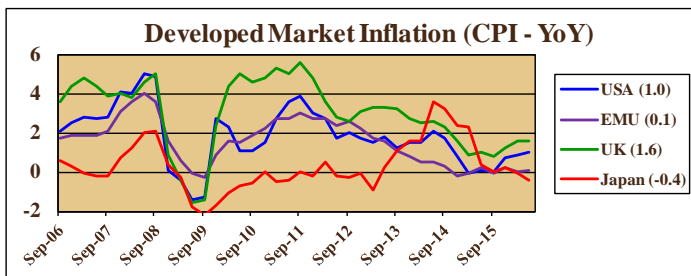
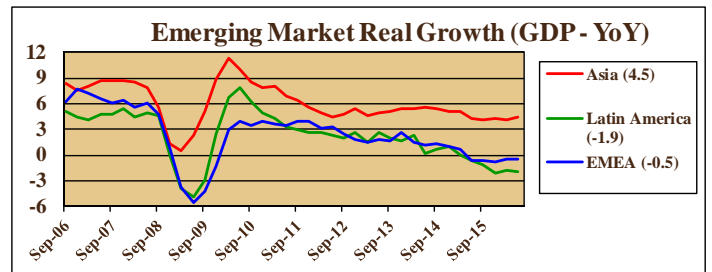
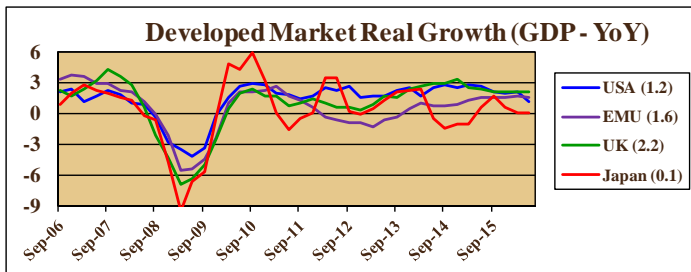


Second Quarter 2016

Global Market and Economic Perspective

Global Economic Commentary

- ❖ US Real GDP increased at a 1.2% annualized rate in the second quarter of 2016, which matches the year-over-year rate of growth through June. Although the economic impact of Great Britain leaving the European Union (Brexit) has yet to be seen, both the EU and the UK currently have higher levels of real annual growth than the US. In emerging markets, Asian growth showed modest improvement, mostly due to an increase in Korean output.
- ❖ Inflation remains low but has increased modestly in most developed countries. This is primarily the result of last year's energy decline rolling out of the annual numbers. Japan's annual inflation rate dipped back below zero, which can largely be attributed to the strong Yen's effect on Japanese import prices.
- ❖ 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

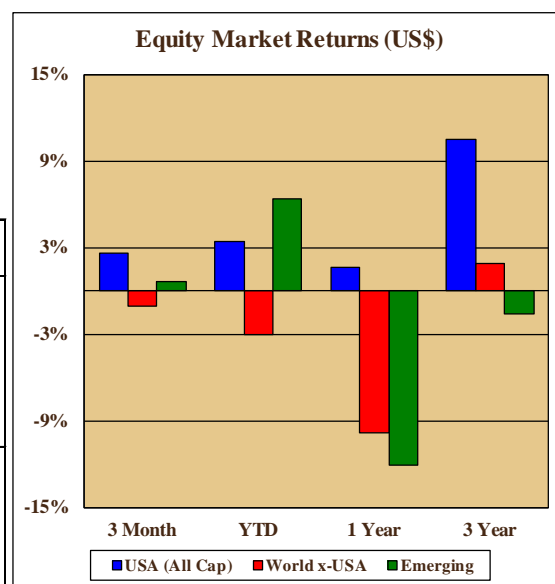
Global Equity and Currency Commentary

- ❖ Domestic equity markets produced positive returns in the second quarter. So far this year, value stocks have outpaced growth stocks in both the small cap and mid/large cap categories. US earnings have broadly declined this year, but remain close to long-term trends.
- ❖ Emerging market returns in US Dollar terms were modestly positive in the second quarter. Asian and Latin American markets contributed to positive returns, but emerging European and African markets declined.
- ❖ Developed foreign equity market returns were negative in the second quarter, primarily from a decline in European currencies resulting from June's surprise Brexit vote. Although on a year-to-date basis both local market equity and currency returns were negative, the largest contributor to the second quarter's losses came from a depreciating British Pound. The Pound declined by over 8% in June.
- ❖ Even though Japanese equities have had negative local market returns due to domestic economic challenges, appreciation of the Yen kept quarterly performance positive for US investors.

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)	2.6%	3.4%	1.6%	10.5%				
USA Growth	1.0%	0.7%	0.6%	12.7%				
USA Value	3.9%	5.8%	4.4%	8.9%				
USA SC Growth	3.9%	2.4%	-7.1%	8.8%				
USA SC Value	3.7%	6.7%	-0.7%	8.1%				
Foreign Developed								
World x-USA	-1.1%	-3.0%	-9.8%	1.9%	-0.3%	-6.1%	-9.6%	5.9%
Europe	-2.7%	-5.1%	-11.2%	2.0%	1.2%	-3.7%	-5.8%	6.6%
Far East	1.0%	-4.4%	-9.3%	2.8%	-6.4%	-16.5%	-21.7%	3.7%
Australia	0.5%	2.6%	-4.5%	-0.3%	3.8%	0.2%	-1.4%	6.8%
Canada	3.4%	15.1%	-6.3%	0.1%	3.8%	7.6%	-2.5%	7.3%
Emerging Markets								
Emerging	0.7%	6.4%	-12.1%	-1.6%	0.7%	3.5%	-7.7%	3.7%
Asia	0.3%	2.2%	-12.2%	1.8%	1.0%	1.3%	-9.8%	3.8%
Latin America	5.3%	25.5%	-7.6%	-8.3%	2.1%	14.2%	-0.2%	3.0%
EMEA	-1.3%	11.5%	-14.2%	-6.1%	-1.7%	5.7%	-3.7%	5.8%

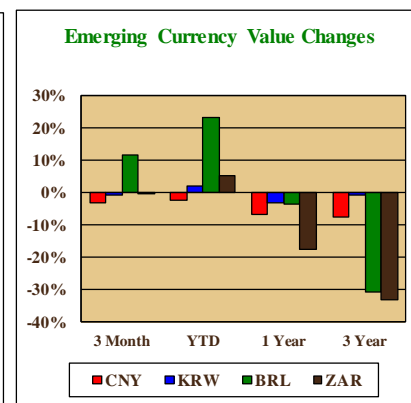
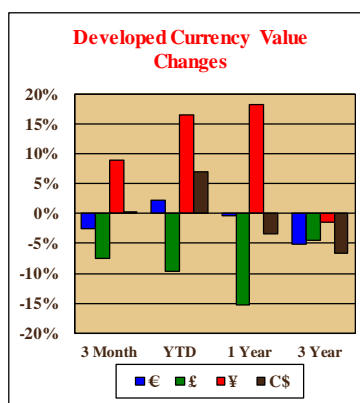
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.11	-2.4%	2.2%	-0.4%	-5.1%
British Pound (£)	1.33	-7.5%	-9.7%	-15.4%	-4.4%
Japanese Yen (¥)	103	9.0%	16.5%	18.3%	-1.3%
Canadian Dollar (C\$)	1.29	0.4%	7.0%	-3.4%	-6.6%
Emerging					
Chinese Renminbi (CNY)	6.65	-2.9%	-2.3%	-6.7%	-7.7%
Korean Won (KRW)	1152	-0.7%	2.0%	-3.2%	-0.8%
Brazilian Real (BRL)	3.21	11.8%	23.3%	-3.4%	-30.5%
South African Rand (ZAR)	14.73	-0.2%	5.1%	-17.5%	-32.9%

Annualized if greater than one year



Global Market and Economic Perspective – Q1 2016

US Fixed Income and Fed Commentary

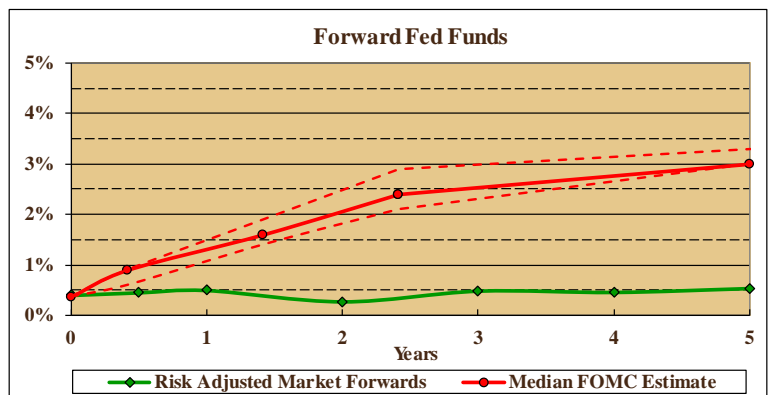
- ❖ US market yields declined further in the second quarter, bringing long-term Treasury yields to all-time lows. The decline was again driven by the Federal Reserve’s official communications, which further lowered expectations for future policy rates. Specifically, the Fed’s “longer-term” median estimate for Fed Funds was lowered to 3.0%. In early 2014, the Fed’s median estimate for their primary policy rate was 4.0%. As has been the case up until this point, market participants continue to doubt that the Fed will adhere to their own rate forecast. Adjusted for risk, the market’s implied cash rate in five years’ time is well below 1%. The Fed’s longer term estimates of economic conditions such as real growth, inflation, and the unemployment rate have not materially changed. This implies that the Fed is not more pessimistic about the future of the US economy, but rather that they anticipate easier monetary policy will be needed to achieve their long-term economic objectives.
- ❖ Because the greatest change to the Fed’s rate projections were long-term in nature, the yield curve flattened as long-dated bond yields had the largest declines.
- ❖ High yield bond spreads compressed in the second quarter, bringing yields down to levels not seen since the third quarter of last year, but still more than 2% higher than in the summer of 2014.

FOMC Fed Funds Rate Projections as of June 2016 Meeting						
	Current	Dec-16	Dec-17	Dec-18	Dec-18	Long Run
Upper	0.37%	0.60%	1.40%	2.10%	2.10%	3.00%
Median	0.37%	0.90%	1.60%	2.40%	2.40%	3.00%
Lower	0.37%	0.90%	1.90%	2.90%	2.90%	3.30%

Market Implied Fed Funds Rate as of Jul 25, 2016						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.40%	0.45%	0.50%	0.27%	0.49%	0.46%	0.54%

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 June 2016			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	0.73%	-0.16%	-0.56%	-0.18%	0.10%
Intermediate	1.27%	-0.26%	-0.79%	-0.76%	-0.65%
Long	2.15%	-0.32%	-0.73%	-0.85%	-1.15%
US High Yield					
Yield	7.27%	-0.91%	-1.47%	0.70%	0.61%
Spread	5.94%	-0.61%	-0.66%	1.19%	1.02%
Tax-Exempt Muni					
Short	0.81%	-0.13%	-0.28%	-0.24%	-0.18%
Intermediate	1.34%	-0.28%	-0.47%	-0.73%	-0.90%
Long	1.91%	-0.49%	-0.71%	-1.17%	-1.69%

