

Capital Market Update

1st Quarter 2016



RETIREMENT PLAN
ADVISORY GROUP

Market Review - 1st Quarter 2016

U.S. equity finished positive for the quarter after a significant bout of market volatility ushered in the new year. A mid-quarter rally recaptured all of the year's early losses and powered the U.S. equity markets higher, finishing the quarter up 1.0 percent (Russell 3000). International equity markets, which also had a rough start to the year, failed to recover by quarter-end and finished down 2.9 percent (MSCI EAFE). The 10-year Treasury yield dropped below 2.0 percent at quarter-end to 1.8 percent, down almost half a percent from 2.3 a quarter ago. The notable decline in rates helped U.S. fixed income post a strong positive 3.0 percent return for the quarter (Barclays Aggregate Bond Index). Despite the Federal Reserve's (Fed's) first rate increase last quarter and talks of future rate hikes, fixed income was one of the best performing asset classes for the quarter.

Volatility was a key theme as capital markets continued to display similar, if not higher, levels of volatility than witnessed in previous quarters. This increased investors' demand for longer-dated, and presumably safer, fixed income securities, sending yields lower. While the Fed did contemplate a second rate hike, they ended up holding off for a number of reasons. One of those reasons was increased global volatility, which pushed the possibility of a second rate hike to the second quarter. The Fed now expects to increase rates by half a percent for the year, down from an originally anticipated 1.0 percent. The Fed noted they would continue with a more cautious stance amid the weak economic developments abroad. Little progress was made by foreign central banks to get their economies back on track. Their aggressive monetary policy stance, in hopes of sparking growth, has left many countries with low, if not negative, yields.

Amid the volatility and challenges overseas, there were signs of improvement among some of the previously harder hit areas of the market. Emerging markets, which struggled in 2015, gained ground over the quarter with strong positive performance relative to their developed market counterparts. Commodities, another volatile asset class as of late, showed some signs of stabilizing. This was likely a contributing factor to the emerging market's positive performance. The U.S. dollar also seemed to stabilize, helping U.S. exporters and U.S.-based investors, or at the very least not continue to further hinder them. Probably most important was the improvement in the U.S. labor market which continues to strengthen. When this will begin to show in the inflation data is widely discussed, as a tightening labor market, especially from a wage growth perspective will help inflation move closer to the Fed's goal. If inflation does start to appear in the data, the Fed may need to discount a weaker global economy as it contemplates its next rate hike.

U.S. Equity

U.S. equity posted a positive 1.0 percent return for the quarter (Russell 3000 Index). All U.S. equity styles except for small growth posted positive returns for the quarter. There was a wide range of performance among the small cap styles. Small value was the best performing U.S. equity style, posting a positive 1.7 percent return (Russell 2000 Value). Small growth was the worst performing style, posting a negative 4.7 percent return (Russell 2000 Growth).

International Equity

Developed international equity underperformed U.S. equity over the quarter, returning a negative 2.9 percent (MSCI EAFE). All international equity styles were flat or negative for the quarter. The best performing region for the quarter was emerging markets which returned a positive 5.8 percent (MSCI EM). Japan was the worst performing region, returning a negative 6.4 percent (MSCI Japan) for the quarter.

Fixed Income

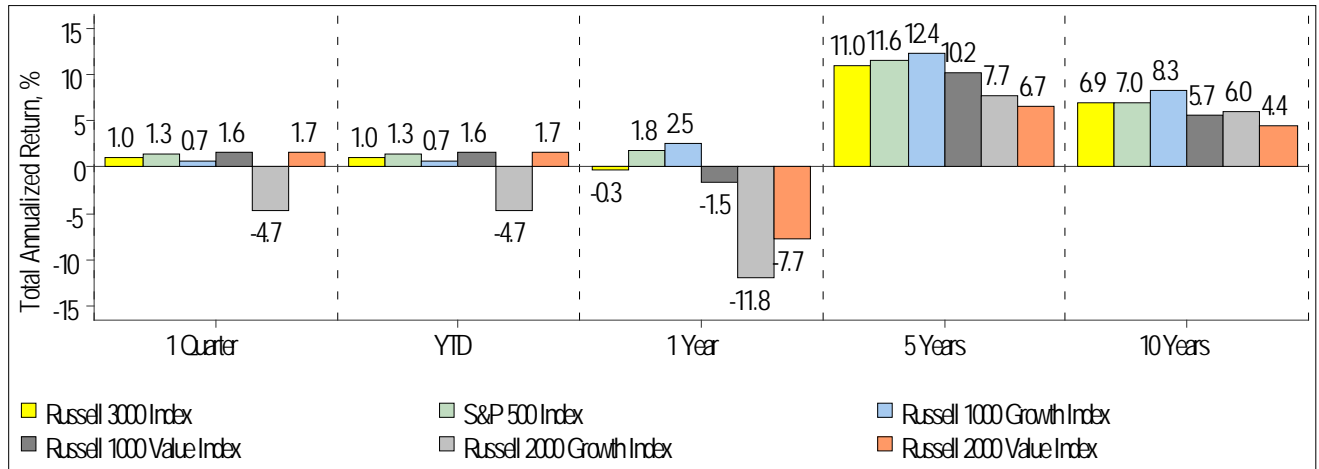
The broad U.S. fixed income market posted a positive 3.0 percent return for the quarter (Barclays U.S. Aggregate). TIPS was the best performing sector, returning a positive 4.5 percent (BC TIPS). Muni bond was the worst performing sector, returning a positive 1.7 percent (BC Muni). Global fixed income outperformed the broad U.S. fixed income market, returning a positive 5.7 percent (BofA ML Global Broad Market) for the quarter.

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Domestic Equity Overview

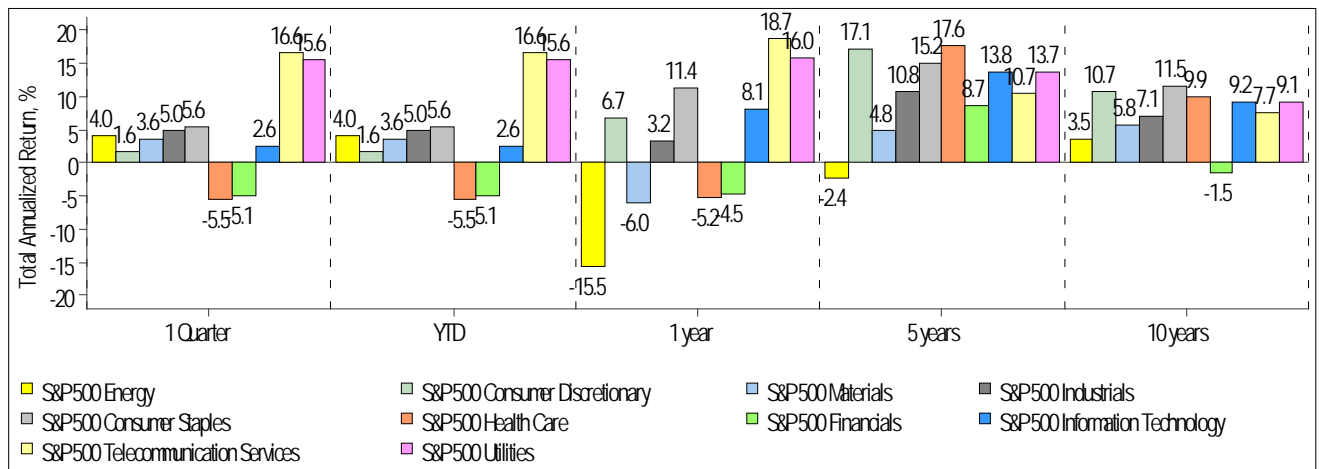
U.S. Equity Index Performance

- All U.S. equity styles except for small growth were positive for the quarter
- Small cap stocks displayed the most mixed performance among the styles
 - Small value was the best performing style, up 1.7%
 - Small growth was the worst performing style, down 4.7%



- Best performing sectors for the quarter:
 - Telecom, up 16.6%
 - Utilities, up 15.6%
- Worst performing sectors for the quarter:
 - Health Care, down 5.5%
 - Financials, down 5.1%

U.S. Equity Sector Performance

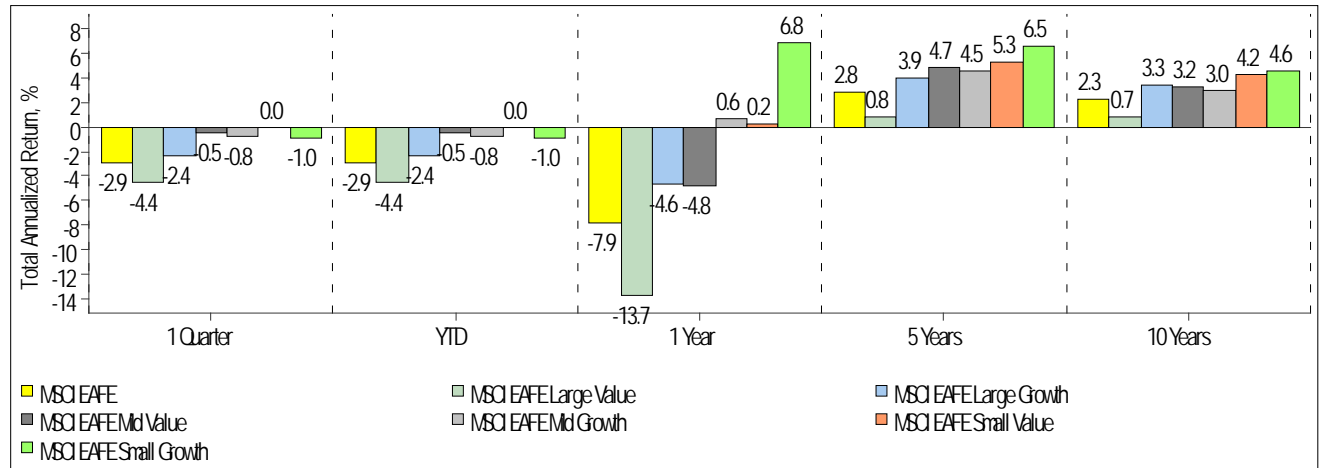


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International Equity Overview

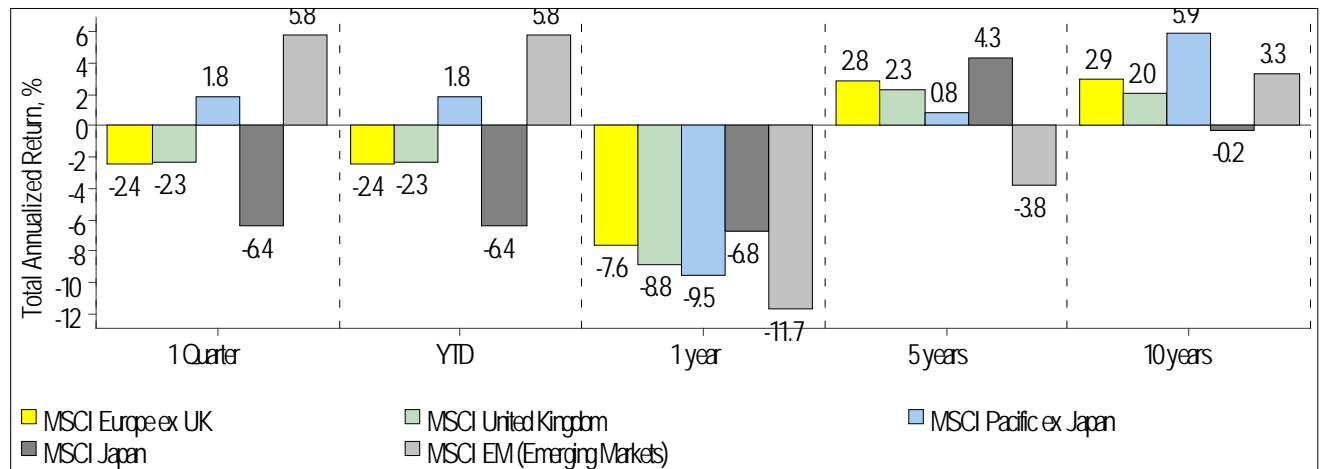
International Index Performance by Style and Capitalization

- All international equity styles were flat or negative for the quarter
- The best performing international equity style for the quarter:
 - Small value, up 0.0%
- The worst performing style for the quarter:
 - Large value, down 4.4%



International Index Performance by Region

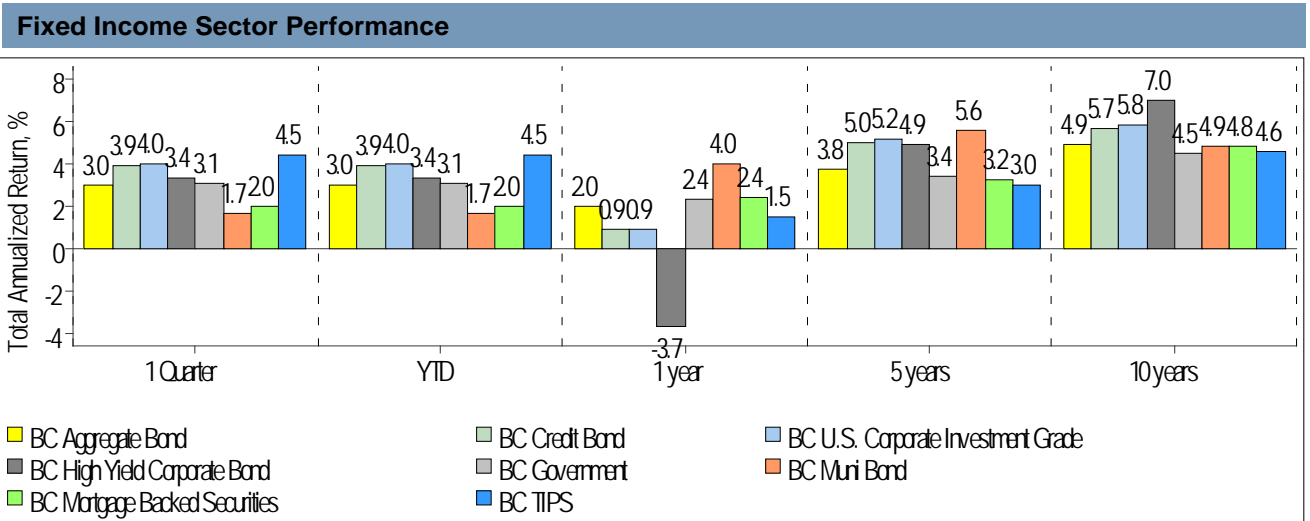
- Best performing region for the quarter:
 - Emerging markets, up 5.8%
- Worst performing region for the quarter:
 - Japan, down 6.4%



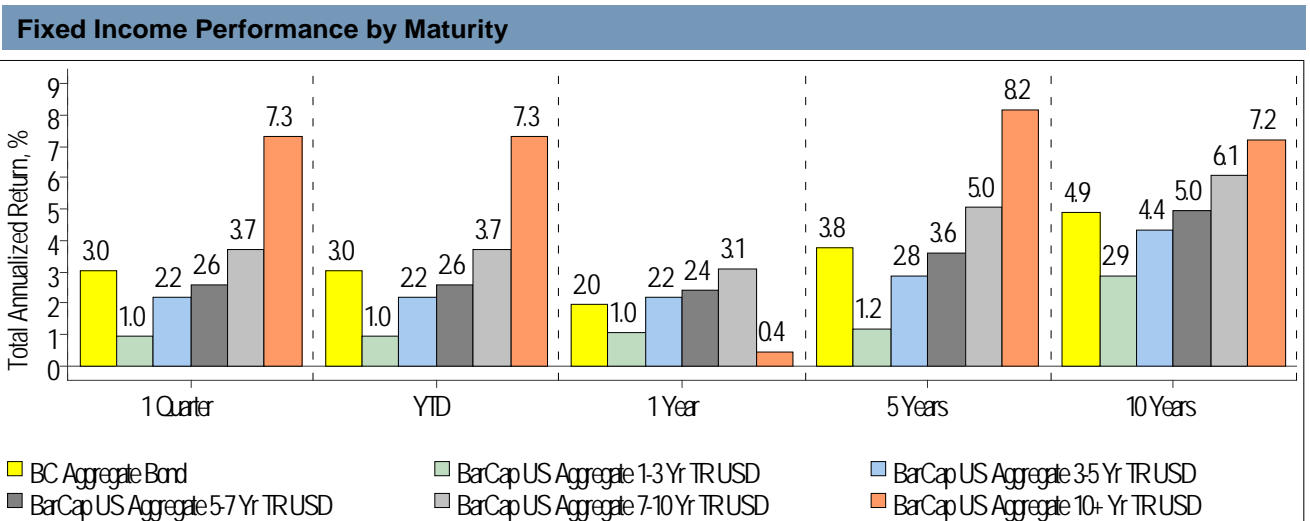
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Fixed Income Overview

- Fixed income witnessed strong performance across all styles
- The best performing sector for the quarter:
 - TIPS, up 4.5%
- The worst performing sector for the quarter:
 - Muni bond, up 1.7%



- Performance was positive across all maturities as rates declined, impacting the more sensitive long-term maturities the most



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Kaleidoscope: Changing Leadership

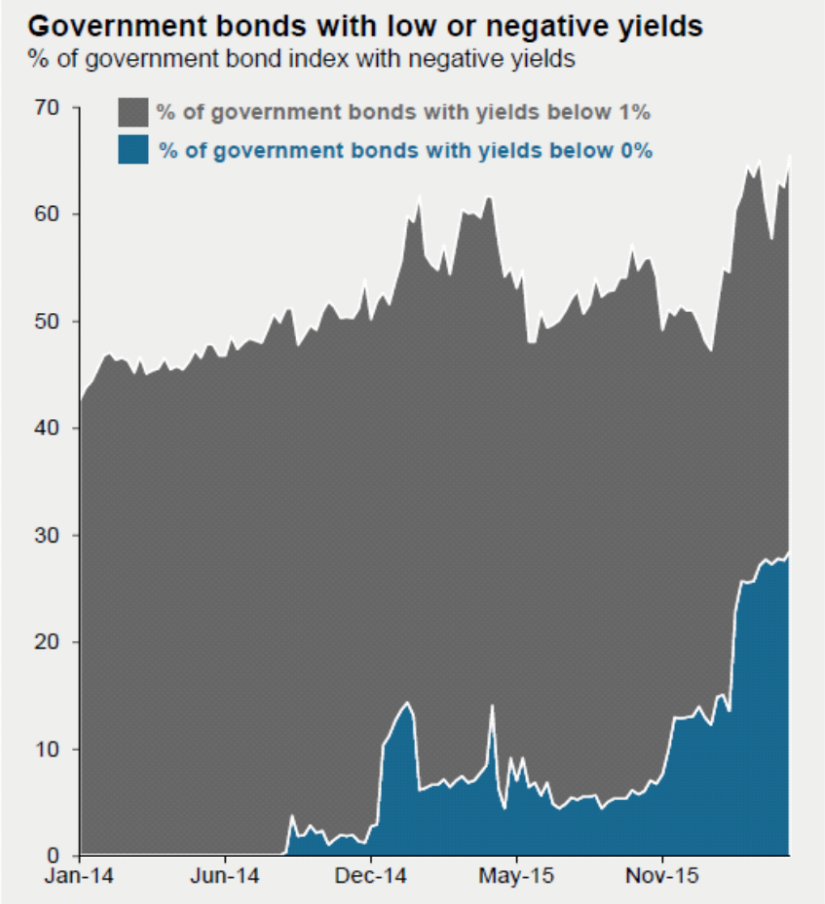
The following chart exhibits the volatility of asset class returns from year to year by ranking certain key indices in order of performance. Also included in the chart is a balanced index, which represents a mix of U.S. equity, international equity and fixed income indices. The chart graphically displays the volatility of asset class returns from year to year, highlighting the importance of diversification. Top-performing asset classes in a given year do not tend to repeat their stellar performance in subsequent years. Accordingly, the worst performing asset classes in a given year often tend to outperform in future years. Said differently, past performance is not a good indicator of future performance. Diversification, demonstrated by the balanced index, helps reduce volatility and the uncertainty that accompanies trying to pick the best asset class (or avoid the worst) in any given year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD
14.02 MSCI EAFE USD	26.86 MSCI EAFE USD	11.81 Russell 1000 Growth	5.24 BarCap US Agg	37.21 Russell 1000 Growth	29.09 Russell 2000 Growth	7.84 BarCap US Agg	18.05 Russell 2000 Value	43.30 Russell 2000 Growth	13.45 Russell 1000 Value	5.67 Russell 1000 Growth	3.03 BarCap US Agg
7.05 Russell 1000 Value	23.48 Russell 2000 Value	11.63 MSCI EAFE USD	-22.48 Balanced Index*	34.47 Russell 2000 Growth	24.50 Russell 2000 Value	3.04 Balanced Index*	17.90 MSCI EAFE USD	34.52 Russell 2000 Value	13.05 Russell 1000 Growth	0.59 Balanced Index*	1.70 Russell 2000 Value
5.45 Balanced Index*	22.25 Russell 1000 Value	7.05 Russell 2000 Growth	-28.92 Russell 2000 Value	32.46 MSCI EAFE USD	16.71 Russell 1000 Growth	2.64 Russell 1000 Growth	17.51 Russell 1000 Value	33.48 Russell 1000 Growth	8.15 Balanced Index*	0.55 BarCap US Agg	1.64 Russell 1000 Value
5.26 Russell 1000 Growth	13.35 Russell 2000 Growth	6.97 BarCap US Agg	-36.85 Russell 1000 Value	20.58 Russell 2000 Value	15.51 Russell 1000 Value	0.39 Russell 1000 Value	15.26 Russell 1000 Growth	32.53 Russell 1000 Value	5.97 BarCap US Agg	-0.39 MSCI EAFE USD	1.41 Balanced Index*
4.71 Russell 2000 Value	12.17 Balanced Index*	6.61 Balanced Index*	-38.44 Russell 1000 Growth	20.05 Balanced Index*	12.47 Balanced Index*	-2.91 Russell 2000 Growth	14.59 Russell 2000 Growth	23.29 MSCI EAFE USD	5.60 Russell 2000 Growth	-1.38 Russell 2000 Growth	0.74 Russell 1000 Growth
4.15 Russell 2000 Growth	9.07 Russell 1000 Growth	-0.17 Russell 1000 Value	-38.54 Russell 2000 Growth	19.69 Russell 1000 Value	8.21 MSCI EAFE USD	-5.50 Russell 2000 Value	11.79 Balanced Index*	17.42 Balanced Index*	4.22 Russell 2000 Value	-3.83 Russell 1000 Value	-2.88 MSCI EAFE USD
2.43 BarCap US Agg	4.33 BarCap US Agg	-9.78 Russell 2000 Value	-43.06 MSCI EAFE USD	5.93 BarCap US Agg	6.54 BarCap US Agg	-11.73 MSCI EAFE USD	4.22 BarCap US Agg	-2.02 BarCap US Agg	-4.48 MSCI EAFE USD	-7.47 Russell 2000 Value	-4.68 Russell 2000 Growth

*Balanced Index comprised of 50% Russell 3000, 10% MSCI EAFE and 40% Barclays Capital U.S. Aggregate, rebalanced quarterly.

Going Negative

The below chart reflects the percentage of global government bonds with low or negative yields. Over half of all global government bonds today have yields under one percent. Approximately 25 percent have yields that are now negative. The current low global rate environment has been supported by foreign central banks around the world with the intent to shift capital away from conservative, fixed income type of investments and into other riskier areas of the capital markets in an effort to spark growth.



Source: J.P. Morgan Asset Management's 2nd Quarter 2016 Guide to the Markets

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Disclosures

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

Citigroup Corporate Bond is an index which serves as a benchmark for corporate bond performance. You cannot invest directly in an index.

Citigroup Mortgage Master is an index which serves as a benchmark for U.S. mortgage-backed securities performance.

Citigroup WGBI Index is an index which serves as a benchmark for global bond performance, including 22 different government bond markets.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market.

BC (Barclays Capital) U.S. Aggregate Bond Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

BC Credit Bond Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

BC U.S. Corporate Investment Grade represents investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC High Yield Corporate Bond represents below investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC TIPS Index includes publicly issued U.S. government treasury inflation protected securities that meet the specified maturity, liquidity and other requirements.

BC Mortgage Backed Securities covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

BC Muni Bond covers the USD-denominated long term tax exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

BC Government Index includes publicly issued U.S. government securities that meet the specified maturity, liquidity and other requirements.

BarCap U.S. Aggregate 1-3 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 1 to 3 years.

BarCap U.S. Aggregate 3-5 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 3 to 5 years.

BarCap U.S. Aggregate 5-7 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 5-7 years.

BarCap U.S. Aggregate 7-10 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 7 to 10 years.

BarCap U.S. Aggregate 10+ Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over 10 years.

DJW 5000 (Full Cap) Index measures the performance of all U.S. common equity securities, and serves as an index of all stock trades in the United States.

MSCI FI Emerging Markets is a rules-based index which serves as a benchmark for emerging country fixed income performance.

MSCI FI EAFE International is a rules-based index which serves as a benchmark for developed international country fixed income performance.

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, it is an aggregate of 21 individual country indexes.

MSCI EAFE Large Value represents the large cap value stocks within the MSCI EAFE Index.

MSCI EAFE Large Growth represents the large cap growth stocks within the MSCI EAFE Index.

MSCI EAFE Mid Value represents the mid cap value stocks within the MSCI EAFE Index.

MSCI EAFE Mid Growth represents the mid cap growth stocks within the MSCI EAFE Index.

MSCI EAFE Small Value represents the small cap value stocks within the MSCI EAFE Index.

MSCI EAFE Small Growth represents the small cap growth stocks within the MSCI EAFE Index.

MSCI EM (Emerging Markets) Index serves as a benchmark for each emerging country. The average size of these companies is (U.S.) \$400 million, as compared with \$300 billion for those companies in the World index.

MSCI World Index is a rules-based index that serves as a benchmark for the developed global equity markets.

MSCI Europe ex UK Index is a rules-based index that serves as a benchmark for the Europe's equity markets, excluding the United Kingdom.

MSCI Pacific ex Japan Index is a rules-based index that serves as a benchmark for Asia Pacific's equity markets, excluding Japan.

MSCI United Kingdom Index is a rules-based index that serves as a benchmark for the United Kingdom's equity markets.

MSCI Japan is a rules-based index that serves as a benchmark for Japan's equity markets.

Nareit All Reit Index includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

3-Month T-bills (90 Day T-Bill Index) are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Growth Index is a market-capitalization weighted index of those firms in the Russell Top 200 with higher price-to-book ratios and higher forecasted growth values.

Russell Top 200 Value Index is a market-capitalization weighted index of those firms in the Russell Top 200 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Russell MidCap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

Russell MidCap Value Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap index having lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Index consists of the 200 largest securities in the Russell 3000 Index.

Russell 3000 Index is a market-capitalization weighted index, consisting of 3,000 U.S. common equity securities, reflective of the broad U.S. equity market.

Salomo n 1-10 Yr. Governments is an index which serves as a benchmark for U.S. Government bonds with maturities ranging from 1 to 10 years.

S&P 500 Index measures the performance of the largest 500 U.S. common equity securities, and serves as an index of large cap stocks traded in the United States.

S&P 500 Energy Index measures the performance of the energy sector in the S&P 500 Index.

S&P 500 Industrials measures the performance of the industrial sector in the S&P 500 Index.

S&P 500 Financials measures the performance of the financials sector in the S&P 500 Index.

S&P 500 Utilities measures the performance of the utilities sector in the S&P 500 Index.

S&P 500 Consumer Discretionary Index measures the performance of the consumer discretionary sector in the S&P 500 Index.

S&P 500 Consumer Staples Index measures the performance of the consumer staples sector in the S&P 500 Index.

S&P 500 Information Technology measures the performance of the information technology sector in the S&P 500 Index.

S&P 500 Materials measures the performance of the materials sector in the S&P 500 Index.

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