Quarterly Investment Summary

JUNE 2016

Performance Summary (as of 6/30/2016)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	1.74%	3.73%	3.16%	2.49%	2.86%
Conservative	25%/75%	1.62%	3.78%	2.39%	3.99%	4.22%
Balanced	50%/50%	1.48%	3.42%	1.32%	5.09%	5.26%
Growth	75%/25%	1.34%	3.09%	0.29%	6.33%	6.35%
Equity	100%/0%	1.23%	2.81%	0.05%	7.81%	7.66%

Market Commentary

- As we enter the third quarter, economic conditions in the U.S. generally point to continued expansion. Importantly, consumer spending has been increasing at a solid pace after a winter slowdown, supported by stronger wage growth and a falling unemployment rate which currently stands at 4.7%. Personal spending rose 0.4% in May, which followed a 1.1% increase in April, the largest gain in nearly seven years. Hindering a strong consumer are slowdowns in hiring, automobile sales, and business investment. Overall, economist expect second quarter GDP growth to rebound from a weak first quarter. Second quarter GDP estimates are generally ranging between 2.5% and 3.0%. Global markets were significantly impacted in late June by the United Kingdom's referendum vote to leave the European Union (EU). The somewhat surprising "Brexit" vote caused the pound to sell off to its lowest level in 30 years and investors to flock to safe-haven assets. The Brexit vote will undoubtedly serve to energize the anti-globalization movement in the U.S. and around the globe. From a U.S. perspective, the vote is likely to promote further strengthening of the dollar, weigh on business confidence, and tighten financial conditions, particularly for those companies with a strong presence abroad. Positively, American households should see some benefit from cheaper imports. Despite some near-term economic weakness, Federal Reserve Chairwoman Janet Yellen stated during a June 21st congressional testimony that the chances of a recession this year are "quite low".

- U.S. markets were initially roiled by the British referendum to leave the EU before recovering in the last three trading days of the quarter. The Dow Jones Industrial Average and the S&P 500 Index erased more than three months of gains in the two days following the exit vote but recovered at quarter end and are up 4.3% and 3.8%, respectively for the year. The technology-heavy NASDAQ Composite Index rallied strongly in June but remains down for the year, largely due to first-quarter earnings misses for the three largest constituents, Apple, Google parent Alphabet, and Microsoft. Stock markets in countries sharing the euro were obviously at the forefront of the steep fall in global markets. The international MSCI EAFE Index was down over 3% in June and lags the major indices with losses of 4% so far this year.

- A flight-to-quality that pushed bond prices up and yields down was evident in the waning days of June in response to the British vote to leave the EU. The 10-year Treasury Bond finished the month yielding about 1.5%, down from approximately 1.8% at the start of the second quarter and marking its lowest yield since 2012. Falling interest rates have again resulted in outsized gains for holders of intermediate and longer-term government and investment-grade corporate bonds. In addition, high yield bond holders have realized strong year-to-date returns, recouping earlier losses on the back of the improving financial condition of energy-related companies due to a recovery in oil prices. The modest growth experienced so far in 2016 coupled with the Brexit vote makes it doubtful that any further rate increases will occur for the duration of the year.