Quarterly Investment Summary

SEPTEMBER 2016

Performance Summary (as of 9/30/2016)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	0.61%	4.36%	4.08%	2.40%	3.03%
Conservative	25%/75%	1.52%	5.36%	6.24%	3.76%	5.46%
Balanced	50%/50%	2.48%	5.98%	8.22%	4.74%	7.69%
Growth	75%/25%	3.39%	6.59%	10.18%	5.84%	9.96%
Equity	100%/0%	4.34%	7.27%	13.11%	7.21%	12.62%

Market Commentary

- Third-quarter real GDP appears likely to have accelerated slightly and is expected to come in around 2.5%. The apparent uptick in growth is a welcome sign, following first-quarter real GDP growth of just 0.8% and second-quarter growth of 1.4%. The labor market continues to show signs of improvement and now appears to be reaching levels that most economists would consider to represent full-employment. At the end of August, the headline unemployment rate stood at 4.9%. Despite non-farm payrolls that were slightly disappointing in the month of August, average growth has remained right at 200,000 through the first eight months of 2016. Combined with the low level of interest rates and low energy prices, housing and autos continue to be strong. The S&P/Case-Shiller Housing Index showed an increase of 5.1% in July compared to last year. Light vehicle sales remain near all-time highs and are expected to come in at an annualized rate of 17.6 million units for the month of September. Although the consumer remains in good shape, the manufacturing side of the economy showed a contraction in the month of August. The Institute for Supply Management's Purchasing Managers Index came in at 49.4%, down 3.2% from the prior month. This follows five consecutive months of expansion.

- The calm in the markets continued into the first part of September, then turned more volatile. Between July 14th and September 8th, the S&P traded in a narrow range, not having a single day where the market moved either up or down by more than 1%. As investors turned their attention to the Fed they became concerned that future actions may no longer be as accommodative as they have been. This caused markets to decline by 2.5% - 3.0% in mid-September. The Fed's decision to remain on hold led to markets recovering most of their losses and finishing the quarter within 1%-2% of all-time highs. Technology stocks were by far the best performing group in the third-quarter, with Apple and Microsoft both posting double-digit gains. Year-to-date, emerging-markets and small-cap stocks continue to lead the way over their domestic and larger-cap counterparts.

- Over the past 12 months longer-dated bonds have seen yields fall while shorter maturity bonds have increased in yield, leading to a flattening of the overall yield curve. Fears that the Federal Reserve would hike rates earlier than expected caused bonds to sell off in early September. The 10-year yield traded above 1.7%, but drifted downward as it became clear that the Fed would remain on hold. The Federal Open Market Committee voted to leave rates unchanged at their September meeting, but indicated that there was a good possibility of a move prior to year-end. In their post-meeting statement, the Fed acknowledged that the labor market continues to strengthen and economic growth has picked-up from the pace seen in the first half of the year. As it stands now, odds appear to be 50-50 that the Fed will raise rates before the end of the year.