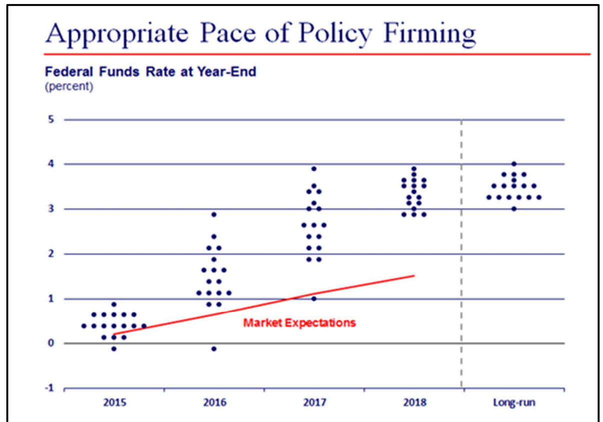
Third Quarter 2015 Market Review

October 2015

Economic Summary

Federal Open Market Committee (FOMC)
The third quarter drew to a close without the FOMC changing its interest rate outlook or balance sheet policies. Although many analysts anticipated a rate increase in September, the FOMC ultimately decided to leave rates unchanged citing weakness in global economic and financial markets which could result in a slowdown of U.S. economic activity and place downward pressure on U.S. inflation.



Source: Interest rate projections are from the September 17, 2015 FOMC Summary of Economic Projections. Market expectations are from OIS futures as of October 7, 2015.

The FOMC remains patient in their approach to normalizing interest rates and any decision to raise rates continues to be evaluated on a "meeting-by-meeting" basis.

The median expected year-end Fed funds rate is 0.375%, implying a possible interest rate hike by year-end. Seven of the seventeen policy makers surveyed expect just one rate increase while three expect no change this year. Analysts predict the FOMC will pause briefly after the initial rate increase to see what the effect will be on financial markets and the economy.

Real Gross Domestic Product (GDP)
Real GDP measures the value of all goods and services produced by the nation's economy. Real GDP is comprised of four major categories: personal consumption, private investment, government spending and net exports.

Data as of September 30, 2015			
Economic Growth	**3Q15**	**2Q15**	**1Q15**
Real GDP (1)	1.49%	3.92%	0.64%
Personal Consumption (2)	2.19%	2.42%	1.19%
Private Investment (2)	-0.97%	0.85%	1.39%
Government (2)	0.30%	0.46%	-0.01%
Net Exports (2)	-0.03%	0.18%	-1.92%

(1) Annualized Q/Q % Change, (2) Contribution to GDP Growth

Real GDP increased at an annual rate of +1.5% in the third quarter, according to the "advance" estimate released by the Bureau of Economic Analysis. This follows a revised growth rate of +3.9% in the second quarter.

The increase in real GDP in the third quarter primarily reflected positive but slower contributions from consumer spending on both goods and services (personal consumption), residential investments and nonresidential investment (sub-components of private investment), federal, state and local government spending (government), and exports (sub-component of net exports) that were partly offset by negative contributions from private inventory investment (sub-component of private investment). Imports, which are a subtraction in the calculation of GDP, increased.

Personal Consumption as a percentage of GDP reached 68.7% in the third quarter, a new record high. From a theoretical perspective, there is a point at which personal consumption as a percent of GDP can't really go any higher. We may be approaching that upper range.

We anticipate 2.5% to 3.0% GDP growth in the coming quarters as labor gains and reduced energy costs support sustained consumer spending.

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Inflation

The table at the right illustrates the annualized (YoY) and monthly (MoM) change in the Consumer Price Index (CPI) at the headline and core level. Also included are the eight subcomponents of Headline CPI and the two subcomponents removed from Headline CPI to calculate Core CPI. The Energy subcomponent is a collection of sub-indexes in Housing and Transportation.

Data as of September 30, 2015				
Inflation	**Weight**	**YoY 9/15**	**MoM 9/15**	**MoM 8/15**
Headline CPI	100%	0.0%	-0.2%	-0.1%
Housing	42%	2.1%	0.1%	0.1%
Transportation	15%	-8.7%	-2.8%	-1.9%
Food/Beverage	15%	1.6%	0.4%	0.3%
Education	7%	0.5%	0.6%	0.5%
Medical Care	8%	2.5%	0.2%	-0.1%
Recreation	6%	0.6%	-0.1%	-0.2%
Apparel	3%	-1.4%	3.2%	1.6%
Other	4%	1.8%	0.2%	0.1%
Core CPI	77%	1.9%	0.3%	0.1%
Food/Beverage	15%	1.6%	0.4%	0.3%
Energy	8%	-18.4%	-5.4%	-3.0%

Though Headline CPI shows no inflation on a year-over-year basis at the end of September, the housing subcomponent which makes up 42% of CPI was up +2.1% and the food/beverage which makes up 15% of CPI was up +1.6%. The -18.4% decline in energy prices is in essence masking much of the inflationary pressures from other items.

When making decisions on monetary policy, the Fed is more concerned with the less volatile Core CPI, which excludes food and energy. Core CPI increased +1.9% for the 12 months ending September and continues to run below the Fed's target range of +2.0%. Year-over-year Core CPI has run below the Fed's target rate for 37 of the last 41 months.

Business

The Conference Board's Leading Economic Index (LEI) decreased -0.02% in September to 123.3 after remaining flat from June to August. Despite the slight decline in the LEI, in the six-month period ending September 2015, the leading economic index increased 1.5 percent (about a 3.0 percent annual rate), slower than its growth of 1.9 percent (about a 3.9 percent annual rate) over the previous six months. The LEI suggests the economic expansion will continue, although at a moderate pace for the remainder of the year.

Data as of September 30, 2015			
Key Business Indicators	**9/15**	**8/15**	**7/15**
Leading Economic Index (3)	-0.2%	0.0%	0.0%
Durable Goods Orders	-1.2%	-3.0%	1.9%
ISM Manufacturing	50.2	51.1	52.7
ISM Service	56.9	59.0	60.3

(3) M/M % Change

According to the Institute for Supply Management (ISM) Manufacturing Report on Business, economic activity in the manufacturing sector expanded in September for the 33rd consecutive month and the overall economy grew for the 76th consecutive month. The Purchasing Manager's Index (PMI) ended September with a reading of 50.2%. *(A reading above 50% indicates that the manufacturing economy is generally expanding and a reading below 50% indicates that it is generally contracting.)*

The Non-manufacturing ISM Report on Business indicated economic activity in the non-manufacturing sector grew in September for the 68th consecutive month. The Non-manufacturing Index (NMI) ended September with a reading of 56.9%. *(A reading above 50% indicates that the non-manufacturing economy is generally expanding and a reading below 50% indicates that it is generally contracting.)*

Consumer

The Conference Board's Consumer Confidence Index increased to 103.0 in September to reach the second highest level in eight years as consumers said employment opportunities improved. Greater odds of landing a job coupled with falling fuel prices are giving consumers the wherewithal to spend. This spending keeps the U.S. economy moving forward despite recent market turmoil and signs of a global economic slowdown.

Data as of September 30, 2015			
Key Consumer Indicators	**9/15**	**8/15**	**7/15**
Consumer Confidence	102.6	101.3	91.0
Auto Sales (4)	18.1	17.7	17.5
Retail Sales (3)	0.1%	0.0%	0.8%

(3) M/M % Change, (4) Monthly Seasonally Adjusted Annual Rate in Millions

Total third quarter retail sales increased +2.4% from the same period a year ago and +1.2% from the second quarter. Consumers spending accounts for approximately 68% of U.S GDP and although consumers have contributed to recent GPD gains, future growth depends on their continued spending.

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Housing

Data as of September 30, 2015			
Key Housing Indicators	**9/15**	**8/15**	**7/15**
Housing Starts [5]	1,206	1,132	1,152
Building Permits [5]	1,105	1,161	1,130
New Home Sales [5]	468	529	503
Existing Home Sales [5]	5,550	5,300	5,580

[5] Monthly Seasonally Adjusted Annual Rate in Thousands

The recovery in home sales and new home construction remains modest as housing market data weakened during the third quarter. Housing starts in September came in at an annualized rate of 1.21 million units, up +6.5% from August and up +17.5% from September 2014 with most of the gain coming from multi-family units. However, housing permits in September came in at an annualized rate of 1.15 million units, down -4.8% from August and up 2.0% from September 2014. Both single-family and multi-family permits are now running below housing starts, suggesting housing starts may decline during the next several months.

Existing-home sales data is more positive with September sales reported at the highest level since mid-2007. Existing-home sales in September advanced at an annualized rate of 5.55 million units, up +4.7% from August and up +8.5% from September 2014. The combined effect of rising demand and limited supply helped push the national median sales price near its all-time high of $236,300.

The housing industry is still in its best shape in years. Even if higher interest rates dampen future growth, the underlying strength should allow the housing recovery to continue well into 2016.

Employment

Data as of September 30, 2015			
Key Labor Indicators	**9/15**	**8/15**	**7/15**
Unemployment Claims [6]	271	274	275
Nonfarm Payrolls [7]	142	136	223
Unemployment Rate	5.1%	5.1%	5.3%
Under-employment Rate	10.0%	10.3%	10.4%
Labor Force Participation Rate	62.4%	62.6%	62.6%

[6] Four Week Moving Average in Thousands, [7] Month over Month Change In Thousands

Total nonfarm employment rose by 142,000 in September, compared with average monthly gains of 198,000 thus far in 2015 and 260,000 during 2014. During the quarter, job gains occurred in professional and business services, health care and retail trade.

As a result, the unemployment rate in September declined to 5.1% from June's 5.3%. However, the labor force participation rate continues to decline with a September reading of 62.4%. This trend indicates the rate of new jobs added will need to accelerate going forward in order to keep pace with the growth in the working-age population.

Average hourly earnings increased 2.2% over the past 12 months, a growth rate below the threshold to indicate inflation concerns.

The view forward

We remain generally positive on domestic economic prospects based on steady, yet unremarkable, data during the third quarter. Consumer spending, business investment, job gains, positive trends in housing and low inflation indicate the U.S. economy is still moving forward albeit at a moderate pace. Economists continue to predict the U.S. economy should grow at annualized rate of +2.5% to +3.0% this year thanks to falling energy prices, lower unemployment and stronger purchasing power. Inflation should not be a concern until a tighter labor market results in meaningful wage gains, and/or energy prices mount a sustained upward trend.

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Equity Summary

Stocks post broad-based retreat

The S&P 500 lost -6.4% for the quarter, breaking its streak of ten consecutive positive quarters.

The quarter started off well enough as enthusiasm over decent economic reports and corporate profits drove the equity market higher by +2.1% in July. However, investor enthusiasm over domestic economic results gave way to concerns over a potential China-led global slowdown and a possible increase in U.S. interest rates. The market reacted accordingly and sold-off sharply with the S&P 500 down -6.0% in August and -2.5% in September. The other major benchmarks fared even worse.

Domestic Equity	Total Return September 30, 2015			
	QTD	YTD	2014	2013
Major Indices				
DJIA	-7.0%	-6.9%	10.0%	29.7%
S&P 500	-6.4%	-5.3%	13.7%	32.4%
Nasdaq	-7.1%	-1.5%	14.7%	40.2%
Market Cap				
Large [1]	-6.8%	-5.2%	13.3%	33.1%
Mid [2]	-8.0%	-5.9%	13.2%	34.8%
Small [3]	-11.9%	-7.7%	4.9%	38.8%
Style (Growth)				
Large	-5.3%	-1.5%	13.1%	33.5%
Mid	-8.0%	-4.1%	11.9%	35.8%
Small	-13.1%	-5.5%	5.6%	43.3%
Style (Value)				
Large	-8.4%	-9.0%	13.5%	32.5%
Mid	-8.0%	-7.7%	14.8%	33.5%
Small	-10.7%	-10.1%	4.2%	34.5%

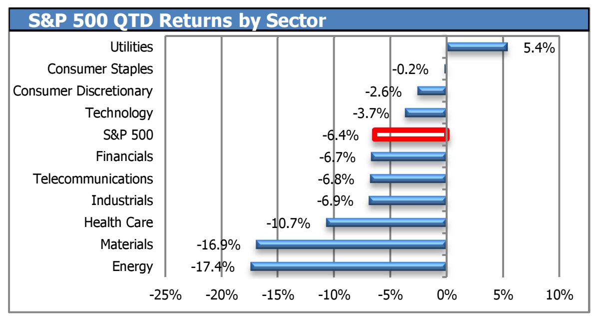
[1] Russell 1000, [2] Russell Midcap, [3] Russell 2000

Market Cap and Style

The market offered no safe-haven as it relates to market cap or style during the quarter. Large and mid-cap declined less than small-cap but it was a pyrrhic victory at best. During the quarter, large-cap stocks lost -6.8% while mid-cap and small-cap stocks lost -8.0% and -11.9% respectively. In the same vein, growth stocks lost less than their value peers but all styles lost between -5.3% and -13.1%.

Sectors

Sector selection was, by far, the most important decision to get right during the quarter. Defensive sectors like utilities and consumer staples were flat to positive for the period, while sectors most exposed to economic growth suffered the most. Energy and materials stocks, which are closely tied to Chinese demand for commodities, performed worst within the S&P 500 Index, declining -17.0%.



Year-to-date, the consumer discretionary sector is the lone positive contributor the S&P 500 up +4.1%. This is one bright spot in an otherwise gloomy equity market this year, especially since the consumer is responsible for approximately 68% of U.S. GDP. Year-to-date, the energy sector is the largest detractor down -21.3%.

Corporate revenue and earnings

According to FactSet, 50% of companies in the S&P 500 reported revenue above estimates in the second quarter and 74% of companies reported earnings above estimates. Second quarter revenue growth came in at -3.4% compared to -2.9% in the first quarter. Second quarter earnings growth came in at -0.7% compared to +0.8% in the first quarter. Third quarter projected revenue decline is -3.3% and projected earnings decline is -4.5%.

Keep an eye on earnings

Our outlook for U.S. equities is guardedly optimistic. Even though the strong U.S. dollar continues to place pressure on corporate earnings, equities still appear attractive when measured against current Treasury yields. Volatility is likely as price/earnings (P/E) multiples are trending above their ten year average while earnings are trending below their ten year average. We believe stock market returns will continue to be driven by corporate earnings growth and dividends.

The view forward

We view the overall domestic economic environment as supportive of stock prices subject to periodic bouts of volatility until energy prices and global economies find their equilibrium. In the current environment we will favor dividend paying large, mid and small-cap stocks.

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Taxable Bond Summary

Treasury yields fall

The yield curve flattened dramatically this quarter as short term rates remaining virtually unchanged while intermediate and long term rates decreased. The yield on the benchmark 10-year Treasury fell 29 basis points to 2.06% and the yield on the 30-year Treasury fell by 24 basis points to 2.87%.

U.S. Treasury Yield Curve (%)				
	Sep15	**Jun15**	**Dec14**	**Dec13**
6 Month	0.08%	0.11%	0.12%	0.10%
2 Year	0.64%	0.64%	0.67%	0.38%
5 Year	1.37%	1.63%	1.65%	1.75%
10 Year	2.06%	2.35%	2.17%	3.04%
30 Year	2.87%	3.11%	2.75%	3.96%

Heightened concerns over slowing growth in China increased demand for safe-haven U.S. Treasury bonds during the quarter, thus pushing yields on the 10-year Treasury to a low of 1.90% in August. Yields increased slightly in September as investors awaited the FOMC's decision on interest rates while domestic economic data suggested moderate growth will continue.

Globally, the yield on the 10-year U.S. Treasury bond continues to look attractive to foreign investors when compared to the 10-year government bonds in Germany (+0.6%), Japan (+0.4%) and the U.K. (+1.8%).

Taxable bonds are generally positive

The Barclays Aggregate Bond Index posted a return of +1.2% and bounced back into positive territory for the year. Within the Barclays Aggregate Index, the treasury and the securitized sectors were the top performers for the quarter posting gains of +1.8% and +1.3%, respectively. Within the corporate sector, the utilities subcomponent was the overall top performer with a gain of +2.0%.

At the opposite end of the return spectrum, high yield corporate bonds declined sharply as investors became concerned slowing economic growth in China will dampen global demand for energy and commodities. The energy sector issuers account for a substantial proportion of the high yield index. For the quarter, the high yield index lost -4.8%.

Credit spreads measure the additional yield above that of a comparable-maturity Treasury security that investors demand for holding a bond with credit risk. During the quarter, credit spreads increased by +24 basis points on corporate bonds, +5 basis points on securitized bonds and +154 basis points on high yield debt bonds.

Domestic Taxable Bonds	Returns as of September 30, 2015			
	QTD	**YTD**	**2014**	**2013**
Index				
Barclays Aggregate	1.2%	1.1%	6.0%	-2.0%
Sectors				
Treasury	1.8%	1.8%	5.1%	-2.8%
Agency	-0.2%	0.4%	3.7%	-1.6%
Corporate	0.8%	-0.1%	7.5%	-1.5%
Securitized	1.3%	1.7%	5.9%	-1.3%
Quality				
Aaa	1.5%	1.7%	5.3%	-2.1%
Aa	1.2%	1.1%	6.1%	-2.0%
A	1.5%	0.6%	7.5%	-1.9%
Baa	-0.7%	-1.7%	8.2%	-2.0%
< Baa	-4.8%	-2.5%	2.5%	7.4%
Maturity				
Short (1)	0.3%	1.0%	0.8%	0.6%
Intermediate (2)	1.3%	1.8%	5.0%	-1.6%
Long (3)	2.1%	-2.4%	17.7%	-8.6%

(1) Short 1-3 Years, (2) Intermediate 5-7 Years, (3) Long 10+ Years

Long maturity bonds outperformed both short and intermediate term bonds during the quarter.

Investors balk at new issues

Investment grade and high yield bond issuance subsided from the breakneck pace of the first two quarters. In September, companies brought bonds to market to take advantage of the low interest rate environment and to fund merger and acquisition activity before the Fed raises interest rates. However, investor demand softened at the end of the quarter, causing several companies to delay or reduce the size of their issuance. In all, investors absorbed $281 billion in new investment grade issues, $43 billion in new high yield issues and $443 billion in new issue mortgage-backed securities during the quarter.

The view forward

We continue to underweight Treasury and Agency bonds in favor of Corporate and Securitized bonds. As market conditions allow, and as appropriate for each client, we will shorten duration, improve credit quality and increase coupons in anticipation of rising interest rates starting in 2016.

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T: 888-422-0633, F: 512-358-1163, www.northviewam.com

Municipal Bond Summary

Municipal bonds rally

Aided by declining Treasury yields, limited new issuance and improving municipal credit conditions, municipal bonds were up +1.6% during the quarter as measured by the Barclays Municipal Bond Index. Municipal bonds performed better than the overall taxable bond market, excluding Treasury bonds.

The municipal market continues to be supported by improving economic fundamentals which is translating into improved state tax revenues. For the municipal market as a whole, credit quality continues to improve. S&P reported that, for the 11th month in a row, there have been more municipal bond credit upgrades than downgrades.

General obligation bonds, revenue bonds and the largest municipal issuers performed in line with the Barclays Municipal Bond Index this quarter, with the notable exception of Illinois. And higher-rated (Aaa) municipal bonds outperformed lower-rated (Baa) municipal bonds during the quarter as investors continue their search for safe investments.

During the quarter, longer-term yields declined more than shorter-term yields, causing the municipal yield curve to flatten. As a result, longer maturity bonds outperformed their shorter maturity counterparts during the quarter +2.0% to +0.8%.

Domestic Municipal Bonds	Returns as of September 30, 2015			
	QTD	YTD	2014	2013
Index				
Barclays Muni Bond	1.6%	1.8%	9.0%	-2.6%
Bond Type				
General Obligation	1.7%	1.7%	7.8%	-2.3%
Revenue	1.7%	1.9%	10.1%	-2.9%
Largest Issuers				
California	1.7%	2.0%	10.0%	-1.8%
Florida	1.7%	2.3%	8.8%	-1.5%
Illinois	1.2%	-0.1%	10.4%	-3.0%
New York	1.7%	2.0%	8.6%	-2.2%
Texas	1.8%	1.9%	9.4%	-2.1%
Quality				
Aaa	1.6%	1.6%	6.3%	-1.6%
Aa	1.7%	1.9%	8.2%	-2.1%
A	1.7%	1.7%	10.5%	-2.6%
Baa	1.1%	1.8%	14.5%	-7.2%
<Baa	2.0%	0.0%	13.9%	-5.5%
Maturity				
Short	0.8%	1.2%	1.2%	1.3%
Intermediate	1.7%	2.0%	6.1%	-1.0%
Long	2.0%	2.1%	8.7%	-2.2%

(1) Short 3 Years, (2) Intermediate 6-8 Years, (3) Long 8-12 Years

There continues to be a steady supply of municipal bond issuance as indicated by the $91 billion issued during the third quarter. Year-to-date, investors have absorbed $316 billion in municipal issuance which represents a +36% increase compared to the same period in 2014.

Puerto Rico, Illinois and Chicago

Puerto Rico, Illinois and Chicago remained in the headlines throughout the quarter from a municipal credit perspective. After declaring their debts were not payable at the end of June, the Puerto Rico Public Finance Corporation defaulted on its August 1st bond payment. In September, the Government released a plan to address their financial crisis; it projected a $14 billion shortfall over the next five years. Resolution via political (with the US Congress) or negotiated means (with existing stakeholders) is highly unlikely given the current environment. It is likely that Puerto Rico will default on its general obligation debt by year-end.

The State of Illinois continues to operate without a budget for fiscal year 2016, which began on July 1. The Republican Governor and Democrat-controlled legislature remain at odds over how to address structural imbalances in the budget and the significant underfunding of state pension plans. While Chicago also struggles with structural budget imbalances and underfunded pensions, the Mayor appears to have the political will to begin addressing some of these long standing issues with his proposed property tax increase.

The view forward

We continue to believe that municipals offer good value, especially when compared to other asset classes on a taxable equivalent basis. We favor A-rated bonds in the intermediate part of the curve. As market conditions allow, and as appropriate for each client, we will look to shorten duration, improve credit quality an increase coupons in anticipation of rising interest rates starting in 2016.

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Economic Index Descriptions

Real Gross Domestic Product (GDP): Real GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive Real GDP growth signals an expanding economy.

Consumer Price Index (CPI): Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services. Core CPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

Conference Board Index of Leading Economic Indicators (LEI): The LEI is designed to signal peaks and troughs in the business cycle. The ten components of for the U.S. include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.

Durable Goods Orders: An economic indicator released monthly by the Bureau of Census that reflects new orders placed with domestic manufacturers for delivery of factory hard goods (durable goods) in the near term or future. Durable goods orders come in two releases per month: the advance report on durable goods and the manufacturers' shipments, inventories and orders.

The Institute for Supply Management (ISM) PMI Index: The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.

The Institute for Supply Management (ISM) Non-manufacturing Index (NMI): The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.

Consumer Confidence Index (CCI): The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards topics such as the business climate, personal finances and spending. In essence, this index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.

Unemployment Rate: Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.

Domestic Equity Benchmark Descriptions

Investment Style: Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).

Large Cap vs. Small Cap: Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.

Value vs. Growth: Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.

Large Cap: The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investible U.S. equity market.

Large Cap Growth: The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

Large Cap Value: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Mid Cap Growth: The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Mid Cap Value: The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Small Cap Growth: The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

Small Cap Value: The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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Domestic Fixed Income Benchmark Descriptions

U.S. Aggregate Bond: The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS (agency fixed-rate and hybrid ARM pass-through), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity.

U.S. Treasury: The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

U.S. Agency: The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade U.S. dollar-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.

U.S. Corporate: The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

U.S. MBS: The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

U.S. Municipal Bond: The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least 1 year until final maturity.

General Obligation Bond Index: The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.

Revenue Bond Index: The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.

12912 Hill Country Boulevard, Suite F-236, Austin, TX 78738
T: 888-422-0633, F: 512-358-1163, www.northviewam.com