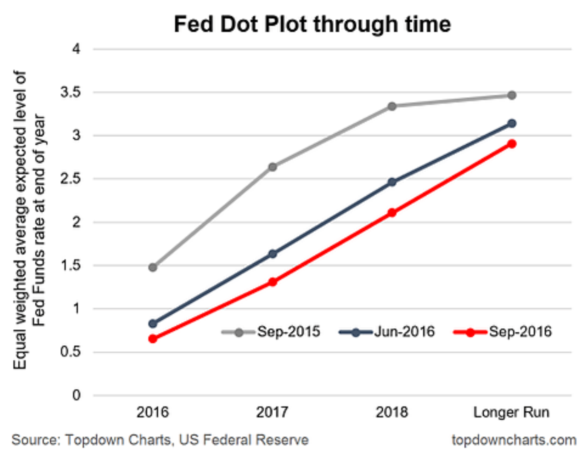
Third Quarter 2016 Market Review

September 2016

Economic Summary

Federal Open Market Committee (FOMC)
The third quarter delivered improved domestic economic data and calmer global financial news, yet the FOMC decided not to make any changes to its interest rate or balance sheet policies. The latest Fed minutes stated "the committee determined the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress towards its objectives" of fostering full employment and price stability. However, there were dissenters from this hawkish decision which suggests pressure is building for an increase in the federal funds rate. Analysts anticipate the FOMC will raise rates at their December meeting.



The chart at the top depicts the FOMC's projection for the federal funds rate at the end of 2016, 2017 and 2018. Their current projection indicates a rate of 0.625% at the end of 2016 which implies one rate hike this year.

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

Data as of September 30, 2016			
Economic Growth	**3Q16**	**2Q16**	**1Q16**
Real GDP [1]	**2.9%**	**1.4%**	**0.8%**
Personal Consumption [2]	**1.5%**	**2.9%**	**1.1%**
Goods [2]	*0.5%*	*1.5%*	*0.2%*
Services [2]	*1.0%*	*1.4%*	*0.9%*
Private Investment [2]	**0.5%**	**-1.3%**	**-0.5%**
Business [2]	*0.1%*	*0.1%*	*-0.4%*
Residential [2]	*-0.2%*	*-0.3%*	*0.3%*
Inventories [2]	*0.6%*	*-1.1%*	*-0.4%*
Government [2]	**0.1%**	**-0.3%**	**0.3%**
Federal [2]	*0.2%*	*0.0%*	*-0.1%*
State [2]	*-0.1%*	*-0.3%*	*0.4%*
Net Exports [2]	**0.8%**	**0.2%**	**0.0%**
Exports [2]	*1.2%*	*0.2%*	*-0.1%*
Imports [2]	*-0.4%*	*0.0%*	*0.1%*

[1] Annualized Q/Q % Change, [2] Contribution to GDP Growth

Real GDP increased at an annual rate of +2.9% during the third quarter, according to the "advance" estimate released by the Bureau of Economic Analysis. This follows revised growth rates of +1.4% for 2Q 2016 and +0.8% for 1Q 2016. The third quarter increase was well above the 2.3% expected by analysts and affirms the recent strength in economic reports.

The increase in GDP reflects positive contributions from each category except residential investment and state government spending.

While the economy is likely not as strong as the 3Q GDP report suggests, it is nonetheless a welcome surprise. We will change our view on the strength of the domestic economy once business investment shows sustained positive contributions to GDP.

We anticipate 2.0% to 2.5% GDP growth in the coming quarters as the overall economic environment supports consumer spending through low interest rates, modest inflation, low energy prices and a steady recovery in the housing market.

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Inflation

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

Inflationary pressures inched higher during the quarter. Headline CPI increased +1.5% on a year-over-year basis at quarter-end. When making decisions on monetary policy, the Fed is more concerned with the less volatile Core CPI, which excludes food and energy. Core CPI remained unchanged at +2.2% on a year-over-year basis.

Data as of September 30, 2016				
Inflation	**Weight**	**YoY 9/16**	**YoY 6/16**	**YoY 3/16**
Headline CPI	**100%**	**1.5%**	**1.0%**	**0.9%**
Housing	42%	2.7%	2.4%	2.1%
Food/Beverage	15%	-0.2%	0.4%	0.8%
Transportation	15%	-1.1%	-3.7%	-4.1%
Medical Care	8%	4.9%	3.7%	3.3%
Education	7%	0.1%	1.1%	1.3%
Recreation	6%	0.8%	1.0%	1.1%
Apparel	3%	-0.1%	0.4%	-0.6%
Other	4%	2.2%	1.9%	2.0%
Core CPI	**77%**	**2.2%**	**2.2%**	**2.2%**
Food/Beverage	15%	-0.2%	0.4%	0.8%
Energy	8%	-9.4%	-9.4%	-12.6%

Business

The Conference Board's Leading Economic Index (LEI) increased +0.2% in September following a small decline in August and a modest increase in July. For the six-month period ending September, the leading economic index has increased +1.1% which suggests the economy should continue expanding at a moderate pace through early 2017.

Data as of September 30, 2016			
Key Business Indicators	**9/16**	**8/16**	**7/16**
Leading Economic Index	124.4	124.1	124.3
Leading Economic Index [3]	0.2%	-0.2%	0.5%
Durable Goods Orders [3]	-0.1%	0.3%	3.6%
ISM Manufacturing	51.5	49.4	52.6
ISM Service	57.1	51.4	55.5

[3] M/M % Change

According to the Institute for Supply Management (ISM) Manufacturing Report on Business, manufacturing activity expanded in September, and the overall economy grew for the 89th consecutive month. The Purchasing Manager's Index (PMI) ended September with a reading of 51.5%. The past relationship between PMI and the overall economy indicates that the average PMI reading between January and September of 51% corresponds to a +2.5% increase in real gross domestic product on an annualized basis. *(While a reading below 50.0 in the overall index denotes contraction, the ISM stipulates that a reading above 43.1, over a period of time, generally indicates an expansion in overall economic activity.)*

The Non-manufacturing ISM Report on Business indicates economic activity in the non-manufacturing sector grew in September for the 80th consecutive month. The Non-Manufacturing Index (NMI) ended September with a reading of 57.1%. The past relationship between NMI and the overall economy indicates that the September reading corresponds to a +3.2% increase in real gross domestic product on an annualized basis. *(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

Consumer Confidence increased in September as consumer's assessment of near-term prospects for the labor market and personal income improved. Overall, consumers remain cautiously optimistic about economic growth. This sentiment suggests no material deterioration in near-term economic conditions, but no material strengthening either.

Data as of September 30, 2016			
Key Consumer Indicators	**9/16**	**8/16**	**7/16**
Consumer Confidence	103.5	101.8	96.7
Auto Sales [4]	17.7	16.9	17.8
Retail Sales [3]	0.6%	-0.2%	0.1%

[3] M/M % Change, [4] Monthly Seasonally Adjusted Annual Rate in Millions

The U.S. consumer continues to spend on automobiles, building materials and personal care products thanks to low energy prices, low unemployment and decent wage gains.

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Housing

The US housing market appeared to slow in recent months, despite record low borrowing costs. Sales of new and existing homes slipped during the quarter, squeezed by tight inventory and higher prices. Housing starts also declined during the quarter and building permits increased slightly. Demand for new homes has been robust and the supply has not adequately kept up (an ongoing theme in the housing sector for several quarters now). The combined effect of rising demand and limited supply helped maintain the national median sales price near all-time highs at $234,200.

Data as of September 30, 2016			
Key Housing Indicators	**9/16**	**8/16**	**7/16**
Housing Starts [5]	1,047	1,150	1,218
Building Permits [5]	1,225	1,152	1,144
New Home Sales [5]	593	575	629
Existing Home Sales [5]	5,470	5,300	5,380

[5] Monthly Seasonally Adjusted Annual Rate in Thousands

Homebuilders and analysts remain optimistic about the outlook for housing, as low interest rates and solid employment growth are expected to be supportive into next year.

Employment

The average monthly gain in total nonfarm employment during the third quarter was 192,000, well behind the monthly average of 229,000 in 2015 and 251,000 in 2014. As a result, the unemployment rate increased to 5.0%.

Data as of September 30, 2016			
Key Labor Indicators	**9/16**	**8/16**	**7/16**
Unemployment Claims [6]	256	263	259
Nonfarm Payrolls [7]	156	167	252
Unemployment Rate	5.0%	4.9%	4.9%
Under-employment Rate	9.7%	9.7%	9.7%
Labor Force Participation Rate	62.9%	62.8%	62.8%

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

Late in a job market recovery, tight labor conditions usually lead to higher wages causing many on the sidelines to return to the workforce. We are seeing both of these events occur. The labor force participation rate, which measures the percentage of the total population aged 16 and above who are currently employed or are unemployed and seeking employment, increased to 62.9% during the quarter. The tightening labor market is also stirring long-awaited signs of wage growth. Average hourly earnings have increased 2.59% over the past 12 months.

The view forward

Overall, domestic economic indicators improved during the third quarter but are not yet at levels considered robust. We believe the prospects for the balance of 2016 and the early part of 2017 appear favorable based on positive trends in consumer spending, job gains, wage growth, housing and inflation. We expect the U.S. economy to grow at annualized rate of +2.0% to +2.5% through mid-2017 due in large part to continued low energy prices and lower unemployment, a combination that produces stronger consumer purchasing power. We expect inflation to remain within the Fed's 2.0%-2.5% threshold throughout the balance of 2016 and well into 2017 until a tighter labor market results in continued wage gains.

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Equity Summary

Robust returns this quarter
US equity markets posted their best quarter of the year, marked by a decisive push in July as global markets shook off post-Brexit anxiety. August and September were generally less dramatic from a performance perspective, but still kept investors on their toes as macro headlines continued to influence day-to-day market movements.

All in all, the S&P 500 stock index gained +3.9% during the third quarter and is up +7.8% year-to-date. Better than expected economic data and improved consumer sentiment contributed to the results.

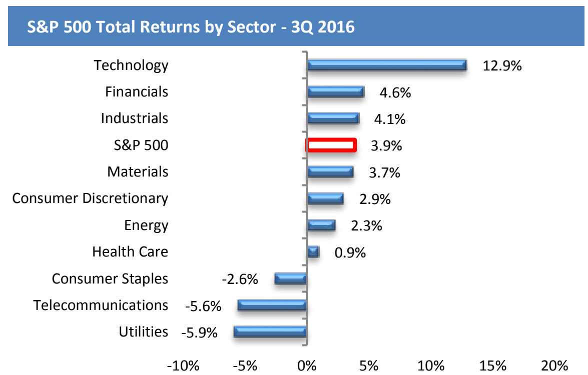
Domestic Equity	Total Return as of September 30, 2016			
	QTD	YTD	2015	2014
Major Indices				
DJIA	2.8%	7.2%	0.2%	10.0%
S&P 500	3.9%	7.8%	1.4%	13.7%
Nasdaq	10.0%	7.1%	7.1%	14.7%
Market Cap				
Large [1]	4.0%	7.9%	0.9%	13.3%
Mid [2]	4.5%	10.3%	-2.5%	13.2%
Small [3]	9.0%	11.5%	-4.4%	4.9%
Style – Growth				
Large	4.6%	6.0%	5.7%	13.1%
Mid	4.6%	6.8%	-0.2%	11.9%
Small	9.2%	7.5%	-1.4%	5.6%
Style - Value				
Large	3.5%	10.0%	-3.8%	13.5%
Mid	4.5%	13.7%	-4.8%	14.8%
Small	8.9%	15.5%	-7.5%	4.2%

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

Market Cap and Style
Large, mid and small-cap stocks all posted positive returns for the quarter, with small-cap stocks leading the charge. Growth stocks outperformed value stocks across each market cap.

Sectors
Investor preference for defensive sectors in the first half of the year faded during the third quarter as illustrated by the worst performing sectors being the yield heavy utilities and telecommunications sectors, each declining over -5.0%. However, the utility and telecommunications sectors are still two of the top three returning sectors year-to-date with each up over +16.0%.

Technology stocks soared +12.9% during the quarter bringing their year-to-date return up to 12.5%.



Corporate revenue and earnings
According to FactSet, second quarter earnings declined -3.5% and revenues declined -0.2%. This marks the first time the index has recorded five consecutive quarters of year-over-year earnings and revenue declines since Q3 2008.

Estimates are for third quarter earnings to decline by -2.1% and for revenues to increase by +2.6%. Given earnings releases through the end of October, it appears the preliminary earnings estimate of -2.1% might be a bit pessimistic. As of October 28th, the updated earnings estimate for the third quarter is now +1.6%.

Still watching earnings
Our outlook for US equities is still neutral. Corporate earnings continue to be pressured by the strong U.S. dollar and an uptick in wage growth. Volatility remains 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 overall stock market volatility will be driven by the ultimate trajectory of corporate earnings growth and FOMC interest rate decisions.

The view forward
In the current environment we are currently a hold on equities and will look to add equity exposure when credit spreads stabilize and the equity indices move back into the range of their average P/E multiple over the past 5 to 10 years.

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Taxable Bond Summary

Treasury yields gyrate

The yield on the benchmark 10-year US Treasury bond marked a low point of 1.37% on July 5 immediately following Brexit. Then reversed course and marked a high point of 1.73% on September 13 as several Federal Reserve Governors openly discussed the likelihood of a rate increase at their September meeting.

U.S. Treasury Yield Curve (%)					
	Sep16	Jun16	Dec15	QTR Change	YTD Change
2 Year	0.77%	0.58%	1.06%	+19 bps	-29 bps
5 Year	1.14%	1.01%	1.76%	+13 bps	-62 bps
10 Year	1.60%	1.49%	2.27%	+11 bps	-67 bps
30 Year	2.32%	2.30%	3.01%	+2 bps	-69 bps

After the Fed decided not to increase interest rates at their September meeting, the yield on the benchmark 10-year Treasury drifted down to end the quarter little changed at 1.60%, an increase of 11 basis points from June 30. The yield on the 30-year Treasury rose 2 basis points to 2.32%. (Bond prices and yields move in opposite directions.) As a result, the treasury curve flattened as short term rates increased more than longer term rates.

US Treasury yields remain meaningfully higher than yields on other high-quality global sovereign debt, drawing more investors into the US government bond market in search of yield. At the end of the third quarter, the yield on German, Japanese and United Kingdom 10-year government bonds were -0.12%, -0.08% and +0.75%, respectively.

Taxable bonds generate modest returns

The Barclays Aggregate Bond Index increased +0.5% in the second quarter.

Within the Barclays Aggregate Index, investment-grade corporate bonds produced solid returns of +1.4% for the quarter. Consistent with the equity market, the best performing sectors within the corporate bond market were the risk-on play in the industrial and finance sectors which were up +1.6% and +1.2%, respectively.

Positive momentum in the oil and equity markets during the quarter led to healthy gains for high yield bonds. The energy and metals/mining sectors, which account for a large proportion of the noninvestment-grade bond market, led the recovery with each up +6.8.

Domestic Taxable Bonds	Returns as of September 30, 2016			
	QTD	YTD	2015	2014
Index				
Barclays Aggregate	0.5%	5.8%	0.6%	6.0%
Sectors				
Treasury	-0.3%	5.1%	0.8%	5.1%
Agency	0.3%	4.5%	-0.4%	3.7%
Corporate	1.4%	9.2%	-0.7%	7.5%
Securitized	0.6%	3.9%	1.5%	5.9%
Quality				
Aaa	0.1%	4.5%	1.1%	5.3%
Aa	0.4%	6.4%	1.0%	6.1%
A	0.9%	8.1%	0.5%	7.5%
Baa	1.9%	10.9%	-2.7%	8.2%
< Baa	5.6%	15.1%	-4.5%	2.5%
Maturity				
Short (1)	0.0%	1.7%	0.7%	0.8%
Intermediate (2)	0.5%	4.7%	1.2%	5.0%
Long (3)	1.2%	15.7%	-3.3%	17.7%

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

Credit spreads measure the additional yield above that of a comparable-maturity Treasury security that investors demand for holding a bond with credit risk. Credit spreads narrowed meaningfully during the quarter as risk-seeking sentiment continues to gain steam. Ultimately, credit spreads narrowed by 18 basis points on corporate bonds, by 12 basis points on securitized bonds and by a whopping 114 basis points on high yield debt bonds.

New issue activity

Both investment grade and high yield bond issuance was heavy during the quarter. In all, issuers brought $352 billion in new investment grade issues, $68 billion in new high yield issues and $532 billion in new issue mortgage-backed issues during the quarter. Year-to-date investment grade new issuance is +10% ahead of the comparable 2015 period, high yield new issuance is -17% below the comparable 2015 period and mortgage-backed new issuance is running -1.0% below the comparable 2015 period.

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 gradually rising interest rates in 2017.

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Municipal Bond Summary

Municipal yields follow Treasury yields higher

Yields on U.S. Municipal bonds followed Treasury yields higher during the quarter. As a result, yields increased across all maturities. (Bond prices and yields move in opposite directions.) The municipal curve continued to flattened as short term rates increased more than longer term rates. Year-to-date, the curve has flattened dramatically from its starting point of 215 bps in January (30 Year yield minus the 2 Year yield).

Relative to Treasuries, the short end of the municipal yield curve got slightly more expensive as the 2-year municipal to treasury ratio decreased from 107% to 105% while the longer end of the curve got slightly cheaper as the 30-year municipal to treasury ratio increased from 95% to 99%. Given a 35% income tax rate, an investor would be neutral between municipal bonds and treasury bonds at a ratio of 65%. Anything above a 65% ratio an investor would prefer municipal bonds, anything below and an investor would prefer treasuries.

U.S. AAA Municipal Yield Curve (%)					
	Sep16	Jun16	Dec15	QTR Change	YTD Change
2 Year	0.81%	0.62%	0.74%	+19 bps	+7 bps
5 Year	1.05%	0.92%	1.32%	+13 bps	-27 bps
10 Year	1.52%	1.36%	2.00%	+16 bps	-48 bps
30 Year	2.29%	2.18%	2.89%	+11 bps	-60 bps
Municipal AAA Yield to Treasury Yield Ratio (%)					
2 Year	105%	107%	70%	-2%	+35%
5 Year	92%	91%	75%	+1%	+17%
10 Year	95%	91%	88%	+4%	+7%
30 Year	99%	95%	96%	+4%	+3%

Municipal bonds drift lower

As concerns over the timing of Fed action filled the headlines, rates drifted higher resulting in a -0.3% decline in the broad municipal market as measured by the Barclays Municipal Bond Index.

General obligation bonds, revenue bonds and the largest issuers performed in line with the Barclays Municipal Bond Index this quarter. Higher-rated (Aaa) municipal bonds underperformed lower-rated (Baa) and (<Baa) municipal bonds during the quarter as investors maintain their search for yield.

Intermediate maturity bonds outperformed their shorter and longer maturity counterparts as investors positioned themselves in advance of an anticipated Fed rate hike.

There continues to be a steady supply of municipal bond issuance as indicated by the $112 billion issued during the third quarter.

Domestic Municipal Bonds	Returns as of September 30, 2016			
	QTD	YTD	2015	2014
Index				
Barclays Muni Bond	-0.3%	4.0%	3.3%	9.0%
Bond Type				
General Obligation	-0.3%	3.6%	3.1%	7.8%
Revenue	-0.3%	4.5%	3.6%	10.1%
Largest Issuers				
California	-0.4%	3.9%	3.5%	10.0%
Florida	-0.4%	3.9%	3.6%	8.8%
Illinois	-0.1%	5.0%	2.4%	10.4%
New York	-0.3%	3.9%	3.4%	8.6%
Texas	-0.5%	4.2%	3.5%	9.4%
Quality				
Aaa	-0.5%	3.3%	2.7%	6.3%
Aa	-0.4%	3.6%	3.2%	8.2%
A	-0.1%	5.0%	3.7%	10.5%
Baa	-0.3%	5.0%	4.2%	14.5%
<Baa	1.3%	9.4%	1.8%	13.9%
Maturity				
Short	-0.3%	1.2%	1.2%	1.2%
Intermediate	0.1%	3.3%	3.3%	6.1%
Long	-0.1%	4.3%	3.8%	8.7%

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

Municipal credit concerns

On July 1, 2016 Puerto Rico defaulted on just over $900 million of $2 billion in total Commonwealth debt service due. While the default affected several classes of bonds, the $779 million missed payment on the Commonwealth's GO bonds was the most noteworthy as many bondholders viewed this class of debt favorably due to its reference in the Puerto Rico Constitution.

The gridlock continues in Illinois as the lack of a full budget continues to pressure the state's financial position.

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 and increase coupons in anticipation of gradually rising interest rates in 2017.

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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.

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