NORTHVIEW ASSET MANAGEMENT

Economic and Capital Market Review

Third Quarter 2017

Reason is the first victim of strong emotion.

As such, we try to provide you with data-driven opinions supporting, or opposing, the cacophony of political, economic and market discourse.

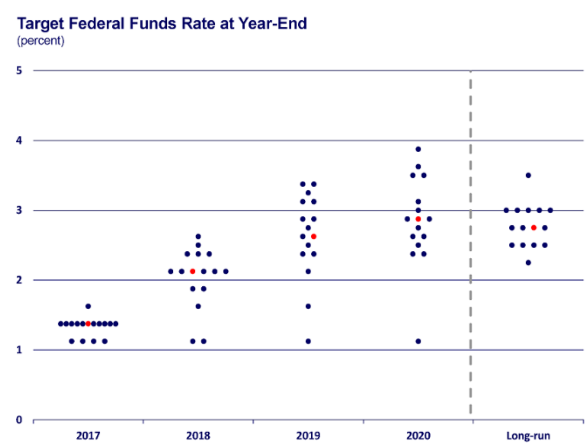
When you filter out all of the noise, you find that favorable trends in the global economy are providing a solid foundation for corporate earnings. According to the IMF's World Economic Outlook, the second quarter saw the fastest growth in global GDP in five years with all parts of the world participating. Synchronized global growth and low inflation creates an ideal mix for central banks to begin normalizing monetary policy. The economic growth component reduces the risk their actions will trigger a recession and the low inflation component allows for a measured approach.

The lynchpin for determining asset prices is the long-term bond yield. The data makes it hard to argue against the fact that global central bank policies have distorted bond markets and, by extension, the prices of financial assets. Thus, we will keep our eyes open for any upward pressure on long-term rates as the Fed begins shrinking its balance sheet in October.

In the political arena, the administration has failed to gain traction on its primary legislative agenda items - tax reform, regulatory relief and infrastructure spending. In light of this, it is somewhat surprising the markets have not responded more negatively to the administration's inability to implement its pro-growth agenda. For the time being, global economic growth is lending support to the markets, but we believe investor sentiment will sour if the administration does not make some progress on its agenda in 2018.

Federal Open Market Committee (FOMC)

In view of weaker than anticipated inflation readings, the Fed elected to maintain the target range for the federal funds rate at 1.00% to 1.25%. In their September meeting minutes, the committee acknowledged they expect "storm-related disruptions and rebuilding will affect economic activity in the near term, but are unlikely to materially alter the course of the economy over the medium term".



During this meeting, the Committee also announced an October start to the balance sheet normalization program approved during their June meeting. The normalization program is a slow unwinding of its $4.5 trillion balance sheet, a byproduct of its purchases of Treasury bonds and mortgage-backed securities in the aftermath of the 2008 financial crisis. The Fed will initially allow $6 billion of Treasuries and $4 billion of mortgage-backed securities to roll off its balance sheet each month as securities mature, and that total will gradually increase.

We believe the Fed will increase the federal funds rate in December, completing four 25 bps increases over the past 12-months and end the year with a fed funds rate in the 1.25% to 1.50% target range. The chart at the right depicts the FOMC's projection for the federal funds rate at the end of 2017, 2018 and 2019. Their current projection indicates a rate of 1.375% at the end of 2017 which implies one additional rate hike this year.

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Real Gross Domestic Product (GDP)

Real GDP measures the value of all goods and services produced by the nation's economy.

The U.S. economy unexpectedly maintained a brisk pace of growth in the third quarter as an increase in inventory investment and a smaller trade deficit offset a hurricane-related slowdown in consumer and business spending. According to the "advance" estimate released by the Bureau of Economic Analysis (BEA), GDP increased at a +3.0% annual rate in the July-September period after expanding at a +3.1% rate in the second quarter.

The BEA said while it was impossible to estimate the overall impact of the hurricanes on third-quarter GDP, preliminary estimates showed that the storms had caused losses of $121 billion in privately-owned fixed assets and $10 billion in government-owned fixed assets.

Thus, we anticipate continued +2.5% GDP growth as the overall economic environment supports consumer spending through low interest rates, modest inflation, low energy prices and increased spending to repair hurricane-related damage.

Economic Growth	3Q17	2Q17	1Q17
Real GDP [1]	**3.0%**	**3.1%**	**1.2%**
Personal Consumption [2]	**1.6%**	**2.2%**	**1.3%**
Goods [2]	*0.9%*	*1.2%*	*0.1%*
Services [2]	*0.7%*	*1.1%*	*1.2%*
Private Investment [2]	**1.0%**	**0.6%**	**-0.2%**
Business [2]	*0.5%*	*0.8%*	*0.9%*
Residential [2]	*-0.2%*	*-0.3%*	*0.4%*
Inventories [2]	*0.7%*	*0.1%*	*-1.5%*
Government [2]	**0.0%**	**0.0%**	**-0.1%**
Federal [2]	*0.1%*	*0.1%*	*-0.2%*
State [2]	*-0.1%*	*-0.1%*	*0.1%*
Net Exports [2]	**0.4%**	**0.2%**	**0.2%**
Exports [2]	*0.3%*	*0.4%*	*0.8%*
Imports [2]	*0.1%*	*-0.2%*	*-0.6%*

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

Inflation

The Consumer Price Index (CPI) measures price changes in consumer goods and services from the perspective of the purchaser.

The Personal Consumption Expenditures Index (PCE) includes a broader range of expenditures than CPI and uses a formula that adjusts for changes in consumer behavior. PCE measures price changes from the perspective of the purchaser.

The Producer Price Index (PPI) measures the change in selling prices of goods and service by domestic producers from the perspective of the seller. PPI inflation generally appears before CPI and PCE.

When making decisions on monetary policy, the Fed is most interested in the less volatile Core PCE, which excludes food and energy. Core PCE inflation declined to +1.3% on a year-over-year basis and continues to trend below the Fed's target of +2.0%. The primary contributors to this latest inflation reading were from the housing and transportation subcomponents.

Inflation	9/17	5 Year High	5 Year Low
Headline (All Items)			
CPI [3]	2.2%	2.7%	-0.2%
PCE [3]	1.6%	2.2%	0.2%
PPI [3]	2.5%	2.5%	-1.5%
Core (Less Food and Energy)			
CPI [3]	1.7%	2.3%	1.6%
PCE [3]	1.3%	1.9%	1.3%
PPI [3]	2.2%	2.2%	0.2%
Inflation Expectations			
5Yr Breakeven Inflation	1.7%	2.3%	1.1%
10Yr Breakeven Inflation	1.8%	2.6%	1.3%
30Yr Breakeven Inflation	1.9%	2.6%	1.5%

[3] Y/Y % Change

Business

The Conference Board's Leading Economic Index (LEI) increased +0.6% during the quarter to 128.6 slightly off its highest ever reading. For the six-month period ending September, the leading economic index has increased by +2.3% which suggests solid economic growth leading into 2018.

According to the latest Manufacturing ISM Report on Business, the overall economy grew for the 100th consecutive month. The Purchasing Manager's Index (ISM PMI) ended September at 60.8%, its highest level since May 2004. The past relationship between PMI and the overall economy indicates that the average PMI of 57.1% between January and September corresponds to a +4.4% increase in real gross domestic product on an annualized basis. *(A reading above 50% indicates that the manufacturing economy is generally expanding and a reading below 50% indicates that it is generally contracting.)*

Business	9/17	5 Year High	5 Year Low
Leading Economic Index	128.6	128.8	107.7
Leading Economic Index [3]	4.0%	6.4%	0.4%
Small Business Optimism	103.0	105.9	87.2
ISM PMI	60.8	60.8	48.0
ISM NMI	59.8	59.8	51.7

[3] Y/Y % Change

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The latest Non-Manufacturing ISM Report on Business indicates economic activity in the non-manufacturing sector grew for the 93rd consecutive month. The Non-Manufacturing Index (ISM NMI) ended September with at 59.8%, well into expansionary territory. The past relationship between NMI and the overall economy indicates that the latest reading corresponds to a +4.2% 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.)

Employment

The three-month moving average in nonfarm payrolls declined from 190,000 to 91,000 during the July-September period. All signals suggest this decline will be a temporary byproduct of the Gulf Coast and Puerto Rico hurricanes. Case in point, the leisure/hospitality sector uncharacteristically lost 110,000 jobs during September. Puerto Rico's employment is included in our national reporting so distortions will likely persist for a few more months.

Labor	9/17	5 Year High	5 Year Low
Wage Growth [3]	2.6%	2.7%	1.7%
Unemployment Claims [5]	265	389	239
Nonfarm Payrolls [6]	91	293	91
Unemployment Rate	4.2%	8.2%	4.2%
Under-employment Rate	8.3%	14.5%	8.3%
Labor Force Participation	63.1%	63.8%	62.4%

[3] Y/Y % Change, [5] Four Week Moving Average in Thousands,
[6] Three Month Moving Average in Thousands

The latest Unemployment Rate measured 4.2% suggesting the labor market may be approaching its full employment. Yet, despite the relatively strong employment situation, meaningful wage gains remain elusive. The employment-cost index, a broad measure of wages and salaries in the private industry, only increased 2.6% year over year through September 2017. The current slow wage growth, relatively low labor force participation and elevated unemployment duration measures seem to indicate the unemployment rate could drift below 4.0% before the labor market reaches full capacity.

Consumer

Historically, strength in consumer confidence surveys bodes well for increased economic activity in the following months. The most recent survey indicates consumers remain optimistic on the prospects for the economy as reflected by the September reading of 119.8.

Consumer	9/17	5 Year High	5 Year Low
Consumer Confidence	119.8	124.9	58.4
Consumer Sentiment	95.1	98.5	72.9
Auto Sales [3]	4.6%	12.9%	-6.5%
Retail Sales [3]	4.4%	5.6%	1.6%

[3] Y/Y % Change

According to the survey, consumers expect the current expansion to continue for another five years. However, they do not anticipate accelerating growth rates but rather a continuation of the more moderate rates experienced during this recovery. Interestingly, it appears low unemployment and inflation rates have made lower income growth rates more acceptable as consumers now give greater preference to economic stability relative to economic growth.

Housing

Fundamentals in the housing market remain strong. Do not be surprised if housing starts pull back in the coming months as construction efforts shift from new construction to rebuilding and repair in the hurricane stricken areas.

Housing	9/17	5 Year High	5 Year Low
Housing Affordability	150	215	145
Housing Starts [4]	1,127	1,328	826
Building Permits [4]	1,215	1,363	895
New Home Sales [4]	667	667	358
Existing Home Sales [4]	5,390	5,700	4,720

[4] Monthly Seasonally Adjusted Annual Rate in Thousands

New home sales prices have consistently risen this year as a result of lean inventories and robust demand. Existing home sales remain a competitive market with limited supply and steady to increasing prices. As a result, the affordability index has been declining as home prices have been increasing faster than incomes. An increase in mortgage rates will reduce affordability further in coming months. The combined effect of rising demand and limited supply helped increase the national median sales price for new homes to $319,700 and for existing homes to $245,100.

The view forward

Overall, domestic economic indicators remain moderate. We believe the prospects for the balance of 2017 and into 2018 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 +2.5% in 2017 due in large part to low energy prices and low unemployment, a combination that produces stronger consumer purchasing power. We expect inflation to remain within the Fed's 2.0%-2.5% threshold until a tighter labor market delivers meaningful wage gains.

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Equity Market Summary

Equity markets repeatedly set new record highs during the quarter despite continued policy uncertainty, back-to-back hurricanes and concerns regarding developments on the Korean peninsula. The Dow Jones Industrial Average (DJIA) gained +5.6%, the S&P 500 gained +4.5% and the Nasdaq gained +6.1% during the quarter.

International performance exceeded that of domestic markets throughout the quarter. Emerging markets delivered a 7.7% gain, while developed international markets delivered a 5.8% gain.

Equity Total Returns			
	3Q 17	YTD	12 MO
DJIA	5.6%	15.4%	16.5%
S&P 500	4.5%	14.3%	12.0%
Nasdaq	6.1%	21.7%	8.9%
International (1)	5.8%	21.2%	20.0%
Emerging Markets (2)	7.7%	27.4%	21.9%
Domestic Market Cap			
Mega (3)	4.8%	14.5%	10.4%
Large (4)	4.9%	15.1%	11.3%
Mid (5)	3.5%	11.7%	13.8%
Small (6)	5.7%	10.9%	21.3%
Domestic Style			
Growth (7)	6.1%	21.9%	6.9%
Core (7)	5.3%	17.3%	7.3%
Value (7)	6.2%	16.8%	11.3%

(1) MSCI EAFE IMI, (2) MSCI Emerging Markets IMI, (3) Russell Top 50, (4) Russell top 200, (5) Russell Midcap, (6) Russell 2000, (7) Russell 3000

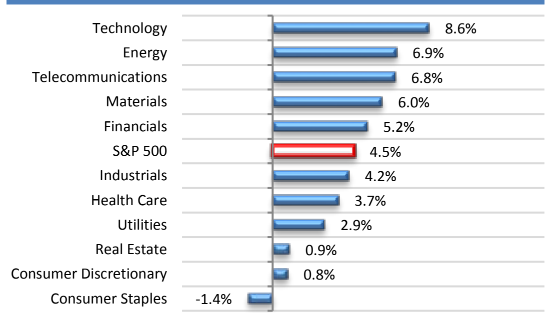
Domestic Market Cap and Style

All market caps and styles were positive during the quarter. The outperformance of small-cap stocks relative to large-caps may in part be attributed to the proposed tax reform framework.

Growth stocks gained +6.1% during the quarter. The Technology sector was the bell cow in the growth universe but was offset by lackluster results recorded in other growth stocks, primarily the Consumer Discretionary and Health Care sectors.

Value stocks gained +6.2% during the quarter. The Energy, Telecommunications and Financial sectors each outperformed the broad market S&P 500 index.

3Q 17 S&P 500 Total Returns by Sector



Domestic Sectors

Sector performance varied significantly during the quarter. Technology was the top-performing sector with a total return of +8.6%, while Energy, Telecommunications and Materials each posted gains in excess of +6.0%. These sectors are perceived to benefit the most from the proposed tax reform framework. However, any hiccups in the tax reform negotiations place these sectors at risk of a modest sell-off.

Corporate revenue and earnings

Corporate earnings maintained their momentum in 2Q 2017 with a solid year-over-year increase of +18.1%. Projections for 3Q 2017 corporate earnings call for a year-over-year gain of +17.3%. The consensus forecast for full year 2017 corporate earnings growth currently stands at +18.1%. (Earnings data is according to S&P Dow Jones.) Earnings growth drives sustainable gains in stocks, so the recent improvement provides hope for forward-looking valuations and the sustainability of the bull market.

According to S&P Dow Jones, six sectors are reporting third quarter earnings growth, led by the Energy and Information Technology sectors. Five sectors are reporting or are projected to report a year-over-year decline in earnings, led by the Financials sector.

Corporate revenue also maintained momentum in 2Q 2017 with a year-over-year increase of +4.8%. Projections for 3Q 2017 corporate revenue call for a year-over-year increase of +5.7%. The consensus forecast for full year 2017 corporate revenue currently stands at +6.0%. (Revenue data is according to S&P Dow Jones.)

The view forward

In the current environment, we are neutral on equities and will add equity exposure as earnings justify the current P/E multiples and/or when 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 Market Summary

Mixed economic readings, back-to-back hurricanes and concerns regarding developments on the Korean peninsula placed downward pressure on U.S. rates through September. Yields saw a rebound late in the quarter following the Fed's decision to move forward with its tapering plan. On the international front, global fixed income investors benefited from continued demand due to quantitative easing, a supportive economic backdrop and a weaker U.S. dollar.

U.S. Treasury Yield Curve				
	Sep 17	QTR Δ	YTD Δ	12 MO Δ
2 Year	1.47%	9 bps	27 bps	70 bps
5 Year	1.92%	3	-1	78
10 Year	2.33%	2	-12	73
30 Year	2.86%	2	-20	54
Credit Spreads				
	Sep 17	QTR Δ	YTD Δ	12 MO Δ
Aaa	12 bps	-4	2	3
Aa	57 bps	-5	-14	-18
A	80 bps	-9	-21	-33
Baa	131 bps	-10	-30	-47
< Baa	347 bps	-17	-62	-133

Taxable Bond Total Returns			
	3Q 17	YTD	12 MO
Aggregate Bond Index	0.8%	3.1%	0.1%
International	2.5%	8.7%	-2.4%
Emerging Markets	2.3%	7.5%	4.7%
Domestic Type			
Treasury	0.4%	2.2%	-1.7%
Agency	0.8%	2.9%	0.8%
Corporate	1.3%	5.2%	2.2%
Securitized	0.9%	2.3%	0.3%
Domestic Quality			
Aaa	0.6%	2.3%	-0.7%
Aa	1.0%	3.6%	0.4%
A	1.3%	4.8%	1.4%
Baa	1.6%	6.1%	3.2%
< Baa	2.0%	7.0%	8.9%
Domestic Maturity			
Short (1)	0.3%	1.1%	0.7%
Intermediate (2)	0.9%	2.7%	0.0%
Long (3)	1.5%	7.4%	-1.0%

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

Yield Curve

U.S. Treasury rates were relatively unchanged during the third quarter. The yield spread between 2-year and 10-year maturities narrowed by seven basis points to end the period at 84 basis points.

U.S. Treasury yields continue to draw interest from foreign investors. As of quarter-end German, Japanese and United Kingdom 10-year government bond yields were +0.46%, +0.06% and +1.36%, respectively.

Domestic Type, Quality, Maturity

The Barclays Aggregate Bond Index increased +0.8%, bringing its year-to-date return up to +3.1%.

Within the Barclays Aggregate Index, investment-grade corporate bonds were up +1.3%. Within the investment-grade corporate bond category, the financial, industrial and utilities sectors were up +1.3%, +1.3% and +1.6%, respectively.

Lower-quality and longer-duration portions of the investment-grade credit market outperformed. High yield generated a return of +2.0% and produced 160 bps of excess return during the quarter. While high yield bond valuations are slightly less attractive now than in months past, we believe that spreads are poised to continue to tighten based upon stable energy prices, healthy credit metrics and stable economic conditions.

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 narrowed across all type, quality and maturity categories. Within fixed income sectors, spreads narrowed by 9 basis points on corporate bonds and by 7 basis points on securitized bonds.

New issue activity

Both investment grade and high yield bond issuance remained robust during the quarter. In all, issuers brought $353 billion in new investment grade issues, $63 billion in new high yield issues and $493 billion in new mortgage-backed issues. Comparing the third quarter of 2017 to the third quarter of 2016, investment grade new issuance decreased -1%, high yield new issuance decreased -7% and mortgage-backed new issuance decreased -14% over 2016 levels.

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 keep duration slightly short to respective benchmarks, improve credit quality and increase coupons in anticipation of gradually rising interest rates.

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Municipal Bond Market Summary

A preliminary outline for tax reform was released just prior to quarter-end and it calls for lower individual and corporate tax rates and the elimination of itemized deductions for state and local taxes. The preliminary outline did not specifically address tax-exempt interest, but it did include elimination of the individual Alternative Minimum Tax. Passing tax reform will require significant negotiation and it is likely the final legislation, if any, will not resemble the preliminary outline.

AAA Municipal Yield Curve (%)				
	Sep 17	QTR Δ	YTD Δ	12 MO Δ
2 Year	1.02%	3 bps	-21 bps	21 bps
5 Year	1.37%	2	-43	32
10 Year	2.00%	4	-35	48
30 Year	2.90%	9	-19	61

Municipal AAA Yield to Treasury Yield Ratio (%)				
	Sep 17	QTR Δ	YTD Δ	12 MO Δ
2 Year	69%	-3%	-34%	-36%
5 Year	71%	-1%	-22%	-21%
10 Year	86%	1%	-10%	-9%
30 Year	101%	2%	0%	2%

Municipal Credit Spreads				
	Sep 17	QTR Δ	YTD Δ	12 MO Δ
Aa	11 bps	-2	-7	0
A	56 bps	-7	-24	-5
Baa	124 bps	-34	-35	-4
<Baa	341 bps	-76	-75	-27

Municipal Bond Total Returns			
	3Q 17	YTD	12 MO
Municipal Bond Index	1.1%	4.7%	0.9%
Type			
General Obligation	1.1%	4.7%	0.8%
Revenue	1.1%	5.0%	0.9%
Quality			
Aaa	0.7%	3.9%	0.5%
Aa	0.8%	4.3%	0.7%
A	1.2%	5.2%	1.1%
Baa	2.8%	7.2%	2.5%
<Baa	1.5%	7.7%	1.4%
Maturity			
Short [1]	0.5%	2.3%	1.2%
Intermediate [2]	0.8%	4.7%	0.9%
Long [3]	1.1%	5.3%	0.8%

[1] Short 3 Years, [2] Intermediate 6-8 Years, [3] Long 8-12 Years

Yield Curve

U.S. AAA Municipal rates were little changed during the third quarter. The yield spread between 2-year and 10-year maturities widened by 1 basis points to end the period at 98 basis points.

Relative to Treasuries, short-term municipal bonds got slightly more expensive as 2-year municipal to treasury ratio decreased from 72% to 69% while long-term municipal bonds got slightly less expensive as the 30-year municipal to treasury ratio increased from 99% to 101%.

Municipal bonds

The Barclays Municipal Bond Index increased +1.1% for the quarter, bringing its year-to-date return up to +4.7%.

Within the Municipal Bond Index, both general obligation and revenue bonds performed in line with the Municipal Bond Index. Lower-quality and longer-duration portions of the municipal market outperformed.

The market signaled greater acceptance of credit risk as spreads reached new lows for the year. For A-rated bonds, credit spreads tightened 7 bps and for Baa-rated spreads tightened 34 basis points.

There continues to be a steady supply of municipal bond issuance as indicated by the $88 billion issued during the quarter.

Municipal credit concerns

Washington's failure to address critical issues in the Affordable Care Act could leave not-for-profit hospitals and state budgets exposed to lower federal funding for Medicaid. This could place added pressure on State budgets.

September's back-to-back hurricanes wreaked havoc in Texas, Florida and Puerto Rico. Initial municipal credit concerns in Texas and Florida proved to be unfounded. However, the devastation in Puerto Rico has created tremendous uncertainty regarding the PROMESA bankruptcy process enacted in June 2016.

The view forward

We believe that municipals are fairly valued 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 keep duration slightly short to respective benchmarks, improve credit quality and increase coupons in anticipation of gradually rising interest rates.

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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.

Personal Consumption Expenditure Chain-type Price Index (PCE): Measuring the change in the PCE provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

Producer Price Index (PPI): Measuring the change in the PPI provides an estimate for inflation. The PPI is a weighted index of prices measured at the wholesale, or producer level. A monthly release from the Bureau of Labor Statistics (BLS), the PPI shows trends within the wholesale markets (the PPI was once called the Wholesale Price Index), manufacturing industries and commodities markets. All of the physical goods-producing industries that make up the U.S. economy are included, but imports are not. The PPI measures the average changes over time in the selling prices received by domestic producers.

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.

NFIB Small Business Optimism Index: The small business optimism index is compiled from a survey that is conducted each month by the National Federation of Independent Business (NFIB) of its members. The index is a composite of 10 seasonally adjusted components based on the following questions: plans to increase employment, plans to make capital outlays, plans to increase inventories, expect economy to improve, expect real sales higher, current inventory, current job openings, expected credit conditions, now a good time to expand, and earnings trend.

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.

Mega Cap: The Russell Top 50 Index measures the performance of the 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the of the Russell 1000 Index.

Large Cap: The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the of the Russell 1000 Index.

Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.

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Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

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.

Growth: The Russell 3000 Growth Index measures the performance of those Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values.

Value: The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

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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