Global Economy

There was a positive tone to US economic data in July as higher wages and rising equity values continued to underpin strength in consumer spending, indicating the economy kept growing at a moderate pace. Business activity expanded, albeit at a lower pace than June. Companies saw strong orders, which led to higher production levels and an improving outlook for the second half of 2016.

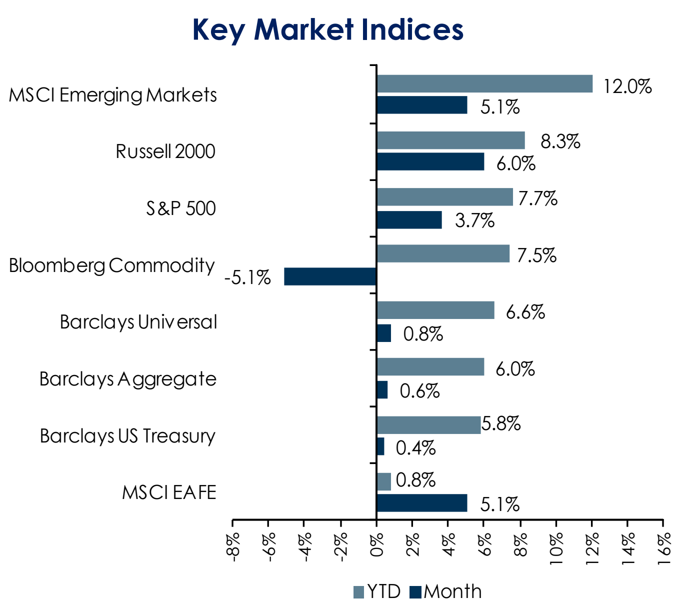
The government's first reading on 2Q16 gross domestic product (GDP) showed a robust US consumer that was offset by lower business spending. The economy rose at an annualized 1.20% rate, well below projections, driven by a 4.2% gain in household purchases. Cut backs in corporate outlays on equipment and construction projects, coupled with decreased government spending, subtracted from growth. The Federal Reserve (Fed) left interest rates unchanged while saying "near-term risks to the economic outlook have diminished." They noted the strengthening labor market and robust household spending. The Fed left the target range for interest rates at 0.25% to 0.50% and made no reference to the specific timing of the next potential rate hike. The Fed last raised rates 0.25% in December 2015.

US inflation for June increased 0.2% from May and the year-over-year rate was up 1.0%. Core inflation, which excludes food and energy, increased 0.2% and rose 2.3% from June 2015. In July, employers added 255,000 jobs, which exceeded expectations of a 180,000 gain. The unemployment rate held steady at 4.9%.

The International Monetary Fund adjusted its 2016 global growth estimate downward to 3.1% from 3.2% and also reduced its estimates for 2017 to 3.4% from 3.5%. China's economy grew 6.7% in 2Q16, which is unchanged from 1Q16. Chinese economic activity was supported by growth in construction, real estate and public services.

	Current	Dec-15
US GDP (%)	1.20	0.70
US Unemployment (%)	4.90	5.00
CPI (Core) (%)	2.30	2.00
Fed Funds (%)	0.25 – 0.50	0.25 – 0.50
10 Year U.S.T Yld (%)	1.45	2.27
S&P 500 Div Yld (%)	2.10	2.15
S&P 500 P/E (Trailing)	20.38	18.27
Gold/oz.	$1,349.00	$1,060.20
Oil (Crude)	$41.60	$37.04
Gasoline (Natl Avg)	$2.34	$2.14
USD/Euro	$1.12	$1.09
USD/GBP	$1.32	$1.47
Yen/U.S.D	¥102.06	¥120.22

Global Markets



US stocks shrugged off global macro concerns in July, posting positive returns amid speculation central banks would maintain loose monetary policies to support economic growth. For July, the S&P 500 climbed 3.7%, the fifth consecutive monthly gain. For the month, seven of the ten S&P 500 sectors rose. Information technology led with gains of 7.8% followed by material related companies, which were up 5.0%. Energy stocks lost 2.0%, due to poor 2Q16 earnings results. Financials rose 3.4% on the heels of better than expected earnings. However, prospects that low interest rates could persist left the sector as the only group with a loss (0.9%) for the year. With over 75% of the S&P 500 companies having reported Q216 earnings, 72% have beat analyst profit projections and 56% have surpassed sales estimates. Small cap stocks outperformed both large caps and mid caps in July as the Russell 2000 climbed 6%.

For the month, global markets rallied, overcoming increased volatility caused by violent events in France and Turkey and continued uncertainty surrounding Brexit. The benchmark MSCI All Country World index jumped 4.3%, while the developed markets MSCI World index tacked on 4.3%. Japanese stocks surged after Prime Minister Abe set forth a mandate for fiscal stimulus to rejuvenate subpar economic growth. The MSCI Japan index climbed 6.5% led by financial stocks. European equities registered positive gains underpinned by moderate growth, with Euro zone GDP rising 0.3% during the second quarter. The British pound weakened in July versus the USD, helping drive UK equities higher. Investors focused on the cost advantage gained from a weaker currency and the potential boost to earnings generated internationally.

Expectations of gradual Fed tightening and ample liquidity supplied by other central banks drove solid gains in emerging market equities in July. The MSCI Emerging Markets index advanced 5.1%, following gains of 4.1% in June. EM stocks in Latin America rose 5.5% and emerging Asia equities climbed 4.9%. Commodities tumbled 5.0%, as energy was the worst performing sector hurt by a nearly 14% drop in oil prices. Gold ended up 2.2%.

Global Markets (continued)

US Treasury yields diverged in July with 2-year and 5-year yields rising but tame inflationary pressures and search for yield driving 10-year and 30-year yields lower. The 10-year UST yield closed at 1.45%, down 2 basis points (bps) from June. Yields on 30-year UST bonds ended at 2.18%, a decline of 10 bps for the month. The BofA Merrill Lynch US Treasury index advanced 0.4% in July, its third straight monthly gain, extending its YTD return to 6.1%. The search for yield, spurred by negative interest rate policies from many global central banks, dominated flows into US corporate bond markets leading spreads to narrow. The spread on the Barclays US Corporate Investment Grade index fell to 130 bps from 139 bps in June. The average yield closed at 2.76% and the index advanced 1.50%. US high yield corporate bonds rallied for a sixth consecutive month driving yields to their lowest levels since June 2015. The Barclays US High Yield corporate bond index posted a return of 2.7%. Average yields fell to 6.71% from 7.27% in June.

The Bank of Japan kept its annual target for expanding the monetary base at ¥80 trillion, left benchmark rates at -0.10% and boosted its purchases of exchange traded funds. However, the yen rallied as the markets had anticipated more from policy makers. Japanese 10-year yields rose to -0.19% from -0.22% in June. The Bank of England (BOE) surprised markets and kept rates on hold at 0.50% in July, choosing to wait to see the impact from Brexit on the economy. Still, markets began anticipating an easing cycle, driving sovereign 10-year yields 18 bps lower to a record 0.69%. The European Central Bank kept its policies unchanged with benchmark rates at zero, but stated it is ready and willing to act in order to stoke inflation back to its 2% goal.

In emerging market bonds, the JPMorgan EMBI Global Diversified index of US dollar sovereign debt rose 1.6% for the month, following a gain of 3.7% in June. The spread to US Treasuries touched a 13-month low of 373 bps before closing the month at 392 bps, which is down from 407 bps in June. Local currency bonds rose modestly, as the JPMorgan GBI-EM Global Diversified index edged 0.9% higher, while EM corporate bonds advanced 1.6% per the JPMorgan CEMBI Diversified Broad index.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-15
Japan	-0.19	0.27
Germany	-0.12	0.63
France	0.10	0.99
Spain	1.02	1.77
Italy	1.17	1.60
United States	1.45	2.27
Portugal	2.93	2.52
Greece	8.16	8.29

Indices Report (Periods Ending July 31, 2016)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	3.69	7.66	5.61	11.16	13.38	7.75	6.08
Russell 1000	3.81	7.69	4.84	10.93	13.22	7.89	6.39
Russell 1000 Growth	4.72	6.15	4.35	12.86	13.62	9.50	6.01
Russell 1000 Value	2.90	9.38	5.38	8.99	12.75	6.18	6.60
Russell 2500	5.22	9.40	1.54	8.16	11.46	8.21	8.72
Russell 2000	5.97	8.32	0.00	6.74	10.43	7.17	7.77
Russell 2000 Growth	6.54	4.84	-5.30	7.39	10.78	8.40	6.99
Russell 2000 Value	5.40	11.81	5.59	6.01	10.03	5.85	8.27
Wilshire 5000 Cap Wtd	3.93	8.07	5.17	10.73	13.00	7.89	6.69
MSCI ACWI	4.34	5.98	0.13	6.44	7.20	5.19	5.93
MSCI ACWI ex US	4.97	4.27	-5.08	1.80	1.81	2.73	5.91
MSCI EAFE	5.08	0.83	-7.07	2.45	3.49	2.46	5.25
MSCI EAFE Local Currency	4.75	-2.41	-8.67	6.42	8.46	2.98	3.67
MSCI EAFE Growth	4.90	2.89	-2.12	4.61	4.75	3.69	5.46
MSCI EAFE Value	5.27	-1.24	-11.97	0.24	2.16	1.15	4.95
MSCI Emerging Markets	5.09	12.02	-0.38	0.07	-2.41	4.24	10.30
Fixed Income							
BofA ML 1-3 Yr Treasury	-0.07	1.37	1.19	0.91	0.74	2.38	2.59
Barclays US Aggregate	0.63	5.98	5.94	4.23	3.57	5.06	4.97
Barclays Gov't Bond	0.39	5.64	5.61	3.62	3.12	4.64	4.59
Barclays US Credit	1.31	8.95	8.28	5.47	4.97	6.09	5.87
Barclays 10 Yr Municipal	0.07	4.55	7.55	6.01	5.33	5.54	5.31
Barclays US Corp High Yield	2.70	12.01	4.98	4.46	6.16	7.74	8.02
Citigroup World Govt Bond	0.53	11.33	11.32	2.37	0.83	4.19	5.49
Barclays Global Aggregate	0.75	9.78	9.45	2.63	1.50	4.37	5.39
Barclays Multiverse	0.85	9.98	9.37	2.66	1.66	4.48	5.52
Real Assets							
NCREIF Property	0.00	4.28	10.64	11.60	11.51	7.40	8.91
NFI ODCE Net	0.00	3.90	10.80	11.97	11.66	5.19	6.95
FTSE NAREIT US Real Estate	4.15	18.09	22.29	14.76	13.17	7.53	11.74
Bloomberg Commodity	-5.11	7.46	-7.98	-12.50	-12.27	-6.38	0.02
Cash and Equivalents							
US T-Bills 90 Day	0.03	0.17	0.22	0.10	0.09	1.01	1.43

Definitions

Barclays Capital Aggregate
The Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Barclays Capital Global Aggregate Index
The Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Barclays Capital Muni 5 Yr
The Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Barclays Capital U.S. Credit Index
This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Barclays U.S. Treasury Index
The Barclays U.S. Treasury Index is a component of the Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Barclays Capital U.S. Universal Index
The Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II
The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index
The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is compromised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index
The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index
The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index
The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index
The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)
The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index
The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index
The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index
The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index
The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index
Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index
The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index
The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index
The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index
The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index
The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index
The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500
Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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