

Following are the investment returns for the period ending September 30, 2014. During the quarter the investment committee made a change to the portfolio, due to the departure of Bill Gross, the Pimco Total Return Fund was replaced with MetWest Core Fixed Income Fund. The change does not affect the overall asset mix, just the manager of part of our fixed income portfolio.

### Third Quarter 2014 Market Environment

Growth and income distribution in the U.S. is not even, with growth in the region surrounding the Bakken oil fields surging over the past few years, while other regions of the U.S. have not. Overall, gains in the capital markets since 2009 have been spectacular, but not supported by conviction as volumes have steadily declined as prices moved higher. If volume equals conviction, investors do not have much faith in the rally. No doubt equity prices have moved higher as a result of Fed QE policy, with a 96% correlation between stock prices and the Fed balance sheet. While the correlation is not as high, corporate earnings have increased 133% since 2009, and have had an obvious impact on equities. With top line revenue growth performing more like GDP, corporations have been able to grow EPS through share buybacks.

In Europe growth remains anemic with historically high unemployment rates and deflation becoming a greater threat. The ECB has responded with the promise of another package. In Japan the initial response to QE was positive, with both growth and inflation moving higher. However, similar to 1997, the government has instituted a tax hike, pulling forward consumption (improving GDP) and the financial markets. However, in both 1997 and 2014, in the quarter following the implementation of the tax hike, consumption and GDP declined significantly. China has struggled to maintain GDP at their targeted 7%, with some estimates showing GDP is currently tracking below 7%.

Recent market turmoil has brought into question whether the bull market trend will continue. Small cap stocks have significantly underperformed large cap stocks, high yield spreads have pressed wider, and the total return in Treasuries are producing one of the best years in history. Comparing small cap stocks (Russell 2000) to large cap stocks (Russell 1000), it is clear they have generally trended together. However, over the past few months, small cap stocks have underperformed more than at any point since 2009, indicating a significant change in trend. However, before placing too much emphasis on one market, it should be highlighted that other areas (such as large cap and tech stocks) have yet to show a strong trend reversal. Even though they are no longer bullish, it is worth reserving judgment until the trends indicate a stronger reversal in trend. Stay tuned.

### Underlying Investment Managers

*Domestic Equity:* Vanguard 500 Index, T. Rowe Price Large Cap Growth, Barrow Hanley Large Cap Value, Vanguard Extended Market ETF

*International Equity:* Dodge & Cox International Stock, EuroPacific Growth, DFA International Small Cap, DFA Emerging Market Core

*Fixed Income:* Dodge & Cox Income, PIMCO Total Return, JP Morgan High Yield, Vanguard Inflation Protected Securities

*Real Assets:* Gresham Commodity, TownSquare Real Estate, Penn Square, UBS Trumbull, Vanguard REITs

*Liquid Alternatives:* PIMCO All Asset All Authority

Investment Pools	Three months ended 9/30/14	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
<b>Cash Equivalent</b> 100% Cash Equivalents	0.1	0.3	0.1	0.4	0.6	0.6
<b>Global Constrained Income &amp; Growth</b> 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	-1.4	4.5	-1.4	6.5	8.4	7.8
<b>Global Constrained Balanced</b> 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	-1.7	4.6	-1.7	8.3	12.3	9.6
<b>Global Growth &amp; Income</b> 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	-2.4	4.4	-2.4	9.4	13.4	9.9
<b>Endowment</b>	-1.8	4.1	-1.8	9.1	13.3	9.5
<b>Market Benchmarks</b>						
<b>Cash - 90-Day Treasury Bills</b>	0.0	0.0	0.0	0.0	0.1	0.1
<b>Bonds - Barclays Capital Aggregate</b>	0.2	4.1	0.2	4.0	2.4	4.1
<b>International Stocks - MSCI ACWI ex U.S. Gross</b>	-5.2	0.4	-5.2	5.2	12.3	6.5
<b>Domestic Stocks - S&amp;P 500</b>	1.1	8.3	1.1	19.7	23.0	15.7
<b>Blended Benchmark - Endowment<sup>1</sup></b>	-1.6	4.2	-1.6	8.5	11.7	*

1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% BC Aggregate, 10% NCREIF Property Index, 5% DJ UBS Commodity Index, 7% CPI +6.5% Index.

\* Benchmark was created in 2010

*Notes: The above are the historical returns for each of the five investment pool. Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants. Historical returns are not a predictor of future returns. The returns above are net of fees paid to investment managers. This fee represents the plans' blended expense ratio and is between 50 and 60 basis points annually. The fee for our investment consultant, Wurts & Associates, is not reflected in the returns.*

## Investment Pools Performance & Commentary September 30, 2014

### CASH EQUIVALENT

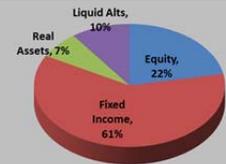
A cash-equivalent pool designed for donors or nonprofits that wish to make grants immediately or for funds that cannot sustain any loss of principal over any time horizon.



During the quarter, the Short Term Pool returned 0.1% given the tepid yields available across the CD and money market universes. Over the past year, the Short-Term Pool has returned 0.4% as the Federal Reserve continues to keep rates near historic lows. When the Fed starts raising short-term interest rates, the yield for the Short-Term Pool should improve.

### GLOBAL CONSTRAINED INCOME & GROWTH

Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Income & Growth Pool was down -1.4% during the quarter and is up 6.5% over the past year. Both Domestic and International Developed Equities were overall detractors to returns during the quarter. The Pool's Fixed Income securities, which comprise 61% of its total assets, posted neutral to negative returns with TIPS contributing most to the negative performance. The allocations to REITs and Liquid Alternatives were also detractors to performance during the quarter.

### GLOBAL CONSTRAINED BALANCED

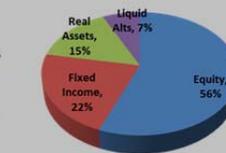
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Balanced pool was down -1.7% during the quarter and is up 8.3% over the past year. The allocations to both Domestic and International Equities were overall detractors during the quarter amongst the entire portfolio. The allocation to Fixed Income was neutral to negative with TIPS contributing most to the negative performance. The allocations to REITs and Liquid Alternatives also were also detractors to performance during the quarter.

### GLOBAL GROWTH & INCOME

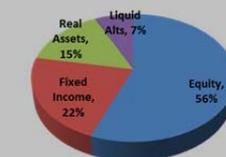
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Growth & Income pool was down -2.4% during the quarter and is up 9.4% over the past year. Most asset classes within the portfolio were overall detractors to performance during the quarter. The allocation to Equities was mixed across the portfolio, with Domestic Large Cap posting positive returns while Domestic Small Cap and International Equities were detractors. Fixed Income posted neutral to negative returns across the sub-allocations, with TIPS contributing most to the negative returns. Within alternative asset classes, REITs contributed least to the negative performance, while commodities posted the weakest returns.

### ENDOWMENT POOL

Designed for donors or nonprofits with endowment-like objectives (20+ years), willing to accept moderate illiquidity and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool may include an allocation to illiquid alternative investments. The management of this pool will be consistent with endowment best practices.



The Endowment pool lost -1.8% during the quarter and is up 9.1% over the past year. All asset classes detracted to performance over the quarter, except for Domestic Large Cap Equities, Core Fixed Income and Real Estate, which were positive contributors overall. Both Domestic Small Caps and International Equities posted negative returns over the quarter. Within Fixed Income, TIPS provided the weakest returns. Within alternative asset classes commodities posted the weakest returns.