

Investment Pools Performance & Commentary

March 31, 2016

THE ECONOMIC CLIMATE

U.S. real GDP grew at 0.5% (quarter over quarter) in Q1 of 2016. This drop in growth was primarily due to a slowdown in consumption and a decline in investment activity. However, inventories have corrected and durable goods orders seems to be stabilizing, which could be tailwinds to Q2 real GDP growth. The labor participation rate moved up over the quarter and we are beginning to see upward pressure on wages. From a global perspective, growth expectations continue to be revised downward. Emerging economies continue to struggle while developed economies continue to grow modestly. Global inflation remains low but some signs of positive price movement can be seen as the effects of the initial oil price drop dissipate and there is some stability in the overall commodity markets. However, global manufacturing overcapacity will likely act as a headwind to inflation for some time.

MARKET PORTFOLIO IMPACTS

The U.S. dollar depreciated against a broad basket of currencies in Q1, resulting in moderate to significant gains for investors with unhedged international equity exposure. Emerging markets sold off at the start of the year along with broader equity markets, but experienced a full recovery bringing returns positive year-to-date. Emerging market equities rebounded, helped by rising commodity prices and emerging currency appreciation. In Europe, negative interest rates continue to put banks under pressure and financials were one of the worst performing sectors in Q1, as banks compose 14% of the index. Global financial market turmoil has pushed investors into safe haven assets such as U.S. Treasuries which continue to be one of the higher yielding developed market bonds.

THE INVESTMENT CLIMATE

The U.S. equity market fell sharply at the start of the year amid risk-off sentiment and global growth concerns. The return of risk-on sentiment and a dovish Fed helped stabilize equity markets. The timing of rate hikes continues to add uncertainty; however, market expectations of such a rise have been pushed back once again. Weak corporate earnings may be a headwind for equity markets in the short-term. With limited ability to expand balance sheets and no ability to push rates lower, the Eurozone pioneered the implementation of NIRP (Negative Interest Rate Policy) to achieve target inflation levels and spur economic growth. Negative deposit rates have further suppressed global sovereign yields that were already at historic lows.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a decline in the period ending March, 2016. During the period, Domestic Equity, International Equity, Alternatives and Commodities composites posted negative returns. Domestic Fixed Income return was positive but underperformed its benchmark. The allocation to REITs saw a gain and outperformed its benchmark.

Investment Pools	Three months ended 3/31/16	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	0.0	0.0	0.0	0.2	0.3	0.5
Global Constrained Income & Growth 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	1.7	1.7	-0.2	-1.5	3.0	4.5
Global Constrained Balanced 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	1.1	1.1	-2.1	-3.3	4.2	5.2
Global Growth & Income 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	0.8	0.8	-3.5	-4.2	4.4	4.9
Endowment	0.5	0.5	-3.9	-3.5	4.3	4.8
Market Benchmarks						
Cash - 90-Day Treasury Bills	0.1	0.1	0.1	0.1	0.1	0.1
Bonds - Barclays Capital Aggregate	3.0	3.0	3.7	2.0	2.5	3.8
International Stocks - MSCI ACWI ex U.S. Gross	-0.3	-0.3	-9.4	-8.8	0.8	0.8
Domestic Stocks - S&P 500	1.3	1.3	1.5	1.8	11.8	11.6
Blended Benchmark - Endowment¹	1.3	1.3	-1.8	-1.2	4.8	5.2

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 0.0% given the tepid yields available across the CD and money market universes. Over the past year, the Short-Term Pool has returned 0.2% as the Federal Reserve continues to keep rates near historic lows.

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 gained 1.7% during the quarter and was down -1.5% over the past year. Domestic and International Equities declined over the quarter. Total Equities account for 22% of the portfolio, and while Domestic equity underperformed its benchmark, International Equity outperformed. The Pool's Fixed Income securities, which comprises 61% of its total assets, gained 2.4% but lagged its benchmark. The 7% allocation to REITs saw a gain of 6.3% over the quarter and outperformed its benchmark. Alternatives had negative performance and lagged their benchmark in the first 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 gained 1.1% during the quarter and was down -3.3% over the past year. Domestic Equity declined while International Equity was flat over the quarter. Total Equities account for 43% of the portfolio, and while Domestic equity underperformed its benchmark, International Equity outperformed. The Pool's Fixed Income securities, which comprises 39% of its total assets, gained 2.4% but lagged its benchmark. The 8% allocation to REITs saw a gain of 6.3% over the quarter and outperformed its benchmark. Alternatives had negative performance and lagged their benchmark in the first 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 gained 0.8% during the quarter and was down -4.2% over the past year. Domestic Equity declined and International Equity saw modest gains over the quarter. Total Equities account for 56% of the portfolio, and while Domestic equity underperformed its benchmark, International Equity outperformed. The Pool's Fixed Income securities, which comprises 22% of its total assets, gained 2.4% but lagged its benchmark. The 10% allocation to REITs saw a gain of 6.3% over the quarter and outperformed its benchmark. Commodities and Alternative both posted weak returns and lagged their respective benchmarks.

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 gained 0.5% during the quarter which ranked in the 63rd percentile. For the trailing one year the Endowment was down -3.5%. Domestic Equity declined and International Equity saw modest gains over the quarter. Total Equities account for 56% of the portfolio, and while Domestic equity underperformed its benchmark, International Equity outperformed. The Pool's Fixed Income securities, which comprises 22% of its total assets, gained 2.4% but lagged its benchmark. Real Estate saw a gain of 3.4% over the quarter and outperformed its benchmark. Commodities and Alternative both posted weak returns and lagged their respective benchmarks.

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

Notes: The above are the historical returns for each of the five investment pools. 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, Verus, is not reflected in the returns.

Underlying Investment Managers

Domestic Equity: Vanguard 500 Index, T. Rowe Price Large Cap Growth, Touchstone Value fund Ins, 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, Met West Total Return, Voya Floating Rate I, Vanguard Inflation Protected Securities

Alternative Investments: AQR Style Premia Fund

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

Note: Performance for Penn Square Global Real Estate II and Town Square Real Estate Alpha Fund I is lagged by one quarter.