

Investment Pools Performance & Commentary

September 30, 2016

THE ECONOMIC CLIMATE

U.S. real GDP grew 1.4% (year-over-year) in the second quarter, up from 0.8% in the first quarter. Consumer expenditures remain the primary positive contributor to GDP growth. The U.S. labor market continues to improve but at a slower pace. Real wage growth has risen but not as quickly as other periods of similar labor market tightness. Although U.S. inflation remains low, the headline inflation increased to 1.1% (as of August) up from 0.2% a year ago. Developed economies continued to experience slow growth and low inflation. While economic data released in the U.K. post-Brexit has significantly beaten expectations, uncertainty remains regarding the specific details of the country's exit from the European Union. Emerging market economic growth picked up slightly at 4.6% year-over-year in the second quarter. After a drop off in growth following the global financial crisis, the outlook for emerging economies has improved.

MARKET PORTFOLIO IMPACTS

Equity market risks continue to appear asymmetrical to the downside. The U.S. Treasury curve continued to flatten, influenced by increased expectations of an interest rate hike by the end of the year. Central banks have very limited monetary policy tools left to influence the market and they are looking to the governments to use fiscal policy to move the economy ahead. As fiscal policies are typically less analyzed and less understood by investors, markets may be more prone to surprise in this environment.

THE INVESTMENT CLIMATE

U.S. corporate earnings are expected to decline by -2.1%, which would be the sixth consecutive quarter of year-over-year decline. Almost all of this decline is attributable to energy sector weakness and lower oil prices. As the effects of monetary stimulus on U.S. financial markets wanes, earnings will play an important role for future equity returns. Low inflation and low bond yields may help to explain the current higher than usual equity valuations. However, this does not negate the fact that higher equity valuations historically have materially reduced subsequent returns. Emerging market earnings per share growth turned positive in 2016, reversing a 5-year downward trend. Valuations remain below average on a relative basis and upside potential seems attractive for emerging markets. Investors may consider moving to an overweight in emerging market equities, though risks should be carefully considered.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 3.8% gain in the period ending September, 2016. During the period, Domestic Equity, International Equity and Domestic Fixed Income posted positive returns and outperformed their benchmarks. Real Estate returns were positive and in line with the benchmark. Alternatives and Commodities composites posted negative returns and underperformed their respective benchmarks.

Investment Pools	Three months ended 9/30/16	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	0.1	0.2	0.2	0.3	0.5
Global Constrained Income & Growth 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	1.9	5.8	1.9	7.1	4.0	6.1
Global Constrained Balanced 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	3.0	6.2	3.0	8.7	4.5	8.3
Global Growth & Income 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	3.4	6.6	3.4	9.2	4.7	8.9
Endowment	3.8	6.3	3.8	8.7	4.6	8.8
Market Benchmarks						
Cash - 90-Day Treasury Bills	0.1	0.2	0.1	0.2	0.1	0.1
Bonds - Barclays Capital Aggregate	0.5	5.8	0.5	5.2	4.0	3.1
International Stocks - MSCI ACWI ex U.S. Gross	7.0	6.3	7.0	9.8	0.6	6.5
Domestic Stocks - S&P 500	3.9	7.8	3.9	15.4	11.2	16.4
Blended Benchmark - Endowment¹	3.4	6.6	3.4	9.2	5.0	8.3

CASH EQUIVALENT

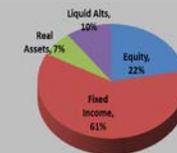
A cash-equivalent pool designed for donors or nonprofits that wish to make grants immediately or for funds that cannot sustain any loss of principal over any time horizon.



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 1.9% during the quarter and was up 7.1% over the past year. Domestic and International Equities gained over the quarter. Total Equities account for 22% of the portfolio, and both Domestic equity and International Equity outperformed their benchmarks. The Pool's Fixed Income securities, which comprises 61% of its total assets, gained 1.4% which also outperformed its benchmark. The 7% allocation to REITs and 10% allocation to Alternatives saw a decline over the quarter and both underperformed their respective benchmarks.

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 3.0% during the quarter and was up 8.7% over the past year. Domestic Equity gained 4.8% and International Equity saw substantial gains of 8.8% over the quarter. Total Equities account for 43% of the portfolio, and both Domestic and International Equity outperformed their benchmarks. The Pool's Fixed Income securities, which comprises 39% of its total assets, gained 1.3% and outperformed its benchmark. The 8% allocation to REITs and 10% allocation to Alternatives saw a decline over the quarter and both underperformed their respective benchmarks.

GLOBAL GROWTH & INCOME

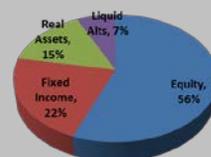
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to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



The Global Growth & Income pool gained 3.4% during the quarter and was up 9.2% over the past year. Domestic Equity gained 4.5% and International Equity gained 8.7% over the quarter. Total Equities account for 56% of the portfolio, and both Domestic equity and International Equity outperformed their benchmarks. The Pool's Fixed Income securities, which comprises 22% of its total assets, gained 1.3% and outperformed its benchmark. The 10% allocation to REITs and 12% allocation to Alternatives and Commodities saw a decline over the quarter and underperformed 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 3.8% during the quarter which ranked in the 46th percentile. For the trailing one year the Endowment was up 8.7%. Domestic Equity gained 4.4% and International Equity gained 8.7% over the quarter. Total Equities account for 56% of the portfolio, and both Domestic equity and International Equity outperformed their benchmarks. The Pool's Fixed Income securities, which comprises 22% of its total assets, gained 1.3% and outperformed its benchmark. Real Estate saw a gain of 1.8% over the quarter, which was in line with its benchmark. Alternatives and Commodities saw a decline over the quarter and both underperformed their respective benchmarks.

1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% BC Aggregate, 10% NCREIF Property Index, 5% Bloomberg Commodity Index, 7% HFRI Fund of Funds Composite 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, Harding Loevner Emerging Markets

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.