

Investment Pools Performance & Commentary

March 31, 2017

THE ECONOMIC CLIMATE

Developed countries once again experienced moderate growth in the fourth quarter, in line with the trend of recent years. Real GDP in the U.S., Europe, and Japan grew between 1.5-2.0%. The low base effect of the drop in energy prices that occurred in Q1 2016 helped boost inflation across the globe. With energy prices stabilizing over recent months, it is possible the jump in inflation is only transitory. Developed world unemployment rates declined over the quarter. The U.S. headline unemployment rate fell to 4.5%, lowest in almost a decade. In the Euro Area, the unemployment rate fell to a nearly eight year low of 9.5%, although this is still well above its pre-crisis level of 7.3%. During the first quarter, the global economy exhibited a coordinated pickup in economic activity. Data generally exceeded expectations, especially in the U.S. and the Eurozone.

MARKET PORTFOLIO IMPACTS

The Federal Reserve hiked interest rates for the second time in March, raising the federal funds target to 0.75-1.00%. Given the increased pace of tightening and more hawkish tone from the Fed, there has been much discussion regarding the effects of a rising rate environment in the U.S. While the Fed expects short-term rates to normalize to 3% by 2019, the market is pricing in movement to only 1.8%. Commodity performance has been lackluster over the past decade, delivering negative returns through the global financial crisis and the recent oil crisis. A better outlook for commodity performance, as well as a flattening of the futures curve in some markets increases the attractiveness of commodities as an inflation hedge.

THE INVESTMENT CLIMATE

While central banks are still accommodative outside of the U.S., most appear to be in later stages of the easing cycle. Developed central banks appear to be broadly entering a period of policy normalization. The market is expecting better earnings growth in U.S. equities. According to FactSet, the estimated Q1 2017 earnings growth rate of the S&P 500 was 9.2% YoY. Higher earnings growth may help justify above average valuations.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 9.7% gain in the period ending March, 2017. During the period, Domestic Equity and International Equity saw strong double-digit positive performance and outperformed their benchmarks. Domestic Fixed Income posted positive returns and outperformed its benchmark. Real estate and Alternatives saw positive performance but lagged their benchmarks. Commodities had negative returns but outperformed their benchmark.

Investment Pools	Three months ended 3/31/17	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	0.1	0.1	0.2	0.3	0.1	0.1
Global Constrained Income & Growth 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	2.5	2.5	3.8	6.0	3.2	4.5
Global Constrained Balanced 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	3.7	3.7	6.8	9.0	3.7	6.0
Global Growth & Income 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	4.6	4.6	8.5	11.0	3.8	6.5
Endowment	4.6	4.6	9.7	11.7	4.1	6.5
Market Benchmarks						
Cash - 90-Day Treasury Bills	0.1	0.1	0.3	0.4	0.2	0.1
Bonds - Bloomberg Barclays US Aggregate	0.8	0.8	-1.7	0.4	2.7	2.3
International Stocks - MSCI ACWI ex U.S. Gross	8.0	8.0	14.2	13.7	1.0	4.8
Domestic Stocks - S&P 500	6.1	6.1	14.4	17.2	10.4	13.3
Blended Benchmark - Endowment ¹	4.2	4.2	8.4	10.6	4.6	6.7

CASH EQUIVALENT

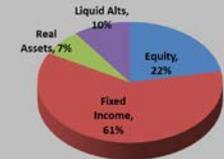
A cash-equivalent pool designed for donors or nonprofits that wish to make grants immediately or for funds that cannot sustain any loss of principal over any time horizon.



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 0.3% as the Federal Reserve continues to keep rates near historic lows.

GLOBAL CONSTRAINED INCOME & GROWTH

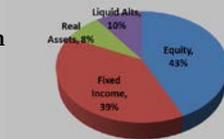
Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The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



The Global Constrained Income & Growth Pool returned 2.5% during the quarter and was up 6.0% over the past year. Domestic Equity gained 5.7% and International Equity was up 10.1% 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, returned 1.1% for the quarter and outperformed its benchmark. The 7% allocation to REITs was up 0.8% and 10% allocation to Alternatives saw a gain of 1.1%. Both REITs and Alternatives underperformed their benchmarks.

GLOBAL CONSTRAINED BALANCED

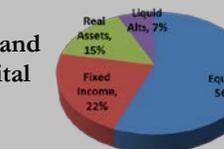
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include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



The Global Constrained Balanced pool returned 3.7% during the quarter and was up 9.0% over the past year. Domestic Equity gained 5.6% and International Equity was up 10.2% 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, returned 1.1% for the quarter and outperformed its benchmark. The 8% allocation to REITs was up 0.8% and 10% allocation to Alternatives saw a gain of 1.1%. Both REITs and Alternatives underperformed their benchmarks.

GLOBAL GROWTH & INCOME

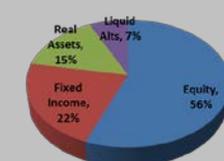
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to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



The Global Growth & Income pool returned 4.6% during the quarter and was up 11.0% over the past year. Domestic Equity gained 5.7% and International Equity was up 10.2% 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, returned 1.1% for the quarter and outperformed its benchmark. The 10% allocation to REITs was up 0.8% and 12% allocation to Alternatives saw a gain of 1.0%. Both REITs and Alternatives underperformed their benchmarks. Commodities saw a -2.1% decline but slightly outperformed the benchmark.

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 4.6% during the quarter which ranked in the 46th percentile. For the trailing one year the Endowment was up 11.7%. Domestic Equity gained 5.7% and International Equity was up 9.8% 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, returned 1.1% for the quarter and outperformed its benchmark. Real Estate and Alternatives were both up 1.1% but underperformed the benchmark. Commodities saw a -2.1% decline but slightly outperformed the benchmark.

1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% Bloomberg Barclays US 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.