

**Fourth Quarter 2013 Market Environment**

The year 2013 was a remarkable year, on one hand, the S&P 500 and Russell 2000 provided impressive and historically significant gains, on the other hand, bonds and gold experienced one of the worst years on record. The domestic equity market gains were supported by one of the largest gains in P/E multiples in history. Following the historic expansion in P/E multiples, equity and credit market sentiment reached similar extremes. The Fed tapering announcement in December was met with optimism by the market in a strikingly similar fashion as when QE 1 and QE 2 ended. However, market optimism of a transition from Fed QE stimulated growth to real self-sustaining growth begins to fade after 21 trading days.

While the Fed adjusts QE policy, the ECB QE has broadly remained unchanged; do nothing. Doing nothing has worked so far for the ECB as the economy has improved and equities have done well (while still underperforming the U.S.). However, with a continuing balance sheet contraction, the Euro money supply M3 growth has slowed from 4% to 1.7%. What about Japan? How is the great QE experiment playing out? So far, we have seen improvements in inflation, GDP, and equities, though the improvement in CPI has been primarily the result of the volatile fuel price inflation with very little from the more important housing sector. Further, we need to evaluate Japanese GDP over several quarters as Japan's GDP is historically volatile. Does QE work? We should finally know by Q4 2014.

Finally, below average growth and concerns remain in EM. Unlike the developed market central banks, EM central banks have either maintained policy rates, or in some cases, tightened policy to help reduce capital outflows. Investors responding to slow EM growth and strong domestic equity returns have reduced allocations to EM. Will the extreme bullish sentiment in domestic stocks give way to a rebalancing in performance? 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, Vanguard Emerging Market ETF

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

*Real Assets:* Credit Suisse Commodity, Schroders Commodity, TownSquare Real Estate, Penn Square, UBS Trumbull, Vanguard REITs

*Liquid Alternatives:* PIMCO All Asset All Authority

Investment Pools	Three months ended 12/31/13	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	0.4	0.2	0.4	0.8	0.6
<b>Global Constrained Income &amp; Growth</b> 25% Equity, 75% Fixed Income	1.9	5.0	4.9	5.0	6.4	10.8
<b>Global Constrained Balanced</b> 50% Equity, 50% Fixed Income	3.6	11.7	7.9	11.7	8.4	12.9
<b>Global Growth &amp; Income</b> 65% Equity, 30% Fixed Income, 5% Commodities	4.7	14.2	10.4	14.2	8.4	13.8
<b>Endowment</b>	4.8	13.8	10.5	13.8	8.3	12.7
<b>Market Benchmarks</b>						
<b>Cash - 90-Day Treasury Bills</b>	0.0	0.1	0.0	0.1	0.1	0.1
<b>Bonds - Barclays Capital Aggregate</b>	-0.1	-2.0	0.4	-2.0	3.3	4.4
<b>International Stocks - MSCI ACWI ex U.S. Gross</b>	4.8	15.8	15.5	15.8	5.6	13.3
<b>Domestic Stocks - S&amp;P 500</b>	10.5	32.4	16.3	32.4	16.2	17.9
<b>Blended Benchmark - Endowment<sup>1</sup></b>	4.3	13.3	9.7	13.3	8.1	*

1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% BC Aggregate, 10% NCREIF Property Index, 5% DJ UBS Commodity Index, 7% CPI +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 and is provided through your administrative fee.

**CASH EQUIVALENT**

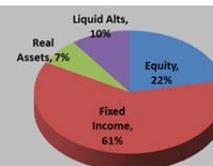
A cash-equivalent pool designed for donors or nonprofits that wish to make grants immediately or for funds that cannot sustain any loss of principal over any time horizon.



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 gained 1.9% during the quarter and is up 5.0% over the past year. Both domestic and international developed equities experienced positive absolute returns during the quarter. The Pool's fixed income securities, which comprise 61% of its total assets, also gained on an absolute basis other than TIPs, which was a slight detractor to performance. The allocations to REITs and Liquid Alternatives were also slight detractors from 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 gained 3.6% during the quarter and is up 11.7% over the past year. Once again, domestic and International Equities contributed the most positive performance. The allocation to Fixed Income was positive other than TIPs, which was a slight detractor to performance. The allocations to REITs and Liquid Alternatives were also slight detractors from 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 gained 4.7% during the quarter and is up 14.2% over the past year. Domestic and International Equities contributed the most positive performance, as most asset classes within the portfolio were contributors. The allocation to Fixed Income was positive other than TIPs, which was a slight detractor to performance. The allocations to REITs, Commodities and Liquid Alternatives were also slight detractors from performance during the quarter.

**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 4.8% during the quarter and ranked in the 52<sup>nd</sup> percentile in the Endowment Universe. The Pool is up 13.8% over the past year and ranks in the 64<sup>th</sup> percentile in the Endowment Universe. Similar to the Global Growth & Income Pool, the domestic equity allocation positively contributed to performance over the most recent quarter and one year as markets continued to rally. The allocation to Fixed Income was positive other than TIPs, which was a slight detractor to performance. Private and Core Real Estate contributed positively to performance, while REITs, Commodities and Liquid Alternatives were slight detractors during the quarter.