

**First Quarter 2014 Market Environment**

During Q1, the Fed removed the quantitative guidelines in favor of qualitative guidelines. One objective of QE was to push stocks higher in the hopes of creating a wealth effect that would lead to improved economic growth. Equities have certainly pushed higher, but earnings have not been able to keep up. Global economic growth continues to muddle along. At 2.4%, global GDP remains near the average since 1997 of 2.5%, as it has for the past several quarters. The velocity of money continues to contract and combined with the lack of wage pressure, inflation continues to trend lower. To offset these disinflationary forces, the Fed balance sheet expands further.

In Europe the economic recovery continues, albeit slowly, with the most recent GDP of 0.5% showing positive growth for the first time since 2011, however concerns linger. The unemployment rate remains stubbornly high and inflation continues to trend lower. At 0.5%, CPI is dangerously close to slipping into deflation. The ECB has responded by doing exactly nothing. A new concern that emerged over the quarter is Russia/Ukraine. As 34% of Europe's total natural gas imports come from Russia, and as tension rise, threats of reduced supply become viable. The issue remains unresolved and may continue to provide headlines in the near future. In Japan, the Great QE Experience is just over a year old. Inflation is higher and GDP is expanding at 2.6%. QE defenders are pointing to these figures as evidence of QE success. However, inflation has moved higher due to higher fuel prices, a direct result of the Fukushima disaster. Inflation is not being led higher by the more important housing market. 2014 GDP forecasts are 1.4% and most economists expect a significant deceleration in GDP.

While U.S. valuations are rich, EAFE valuations are fair, and emerging markets are cheap. Within the bond markets, global interest rates remain historically low and recent moves toward lower yields moved valuations from cheap to neutral, with the exception of emerging markets where valuations remain cheap. With inflation not likely to rear its head given the mix of disinflationary and inflationary pressures, TIPS don't pose much value to portfolios as they are currently trading at rich prices. Commodities have been experiencing good performance from some parts of the marketplace.

**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, Vanguard Emerging Market ETF

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

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

*Liquid Alternatives:* PIMCO All Asset All Authority

Investment Pools	Three months ended 3/31/14	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	0.1	0.3	0.4	0.8	0.6
<b>Global Constrained Income &amp; Growth</b> 25% Equity, 75% Fixed Income	2.4	2.4	7.4	5.4	6.4	11.7
<b>Global Constrained Balanced</b> 50% Equity, 50% Fixed Income	2.4	2.4	10.5	10.5	8.0	14.5
<b>Global Growth &amp; Income</b> 65% Equity, 30% Fixed Income, 5% Commodities	2.8	2.8	13.5	12.8	7.9	15.9
<b>Endowment</b>	2.0	2.0	12.7	12.0	7.6	14.7
<b>Market Benchmarks</b>						
<b>Cash - 90-Day Treasury Bills</b>	0.0	0.0	0.0	0.1	0.1	0.1
<b>Bonds - Barclays Capital Aggregate</b>	1.8	1.8	2.3	-0.1	3.7	4.8
<b>International Stocks - MSCI ACWI ex U.S. Gross</b>	0.6	0.6	16.2	12.8	4.6	16.0
<b>Domestic Stocks - S&amp;P 500</b>	1.8	1.8	18.4	21.9	14.7	21.2
<b>Blended Benchmark - Endowment<sup>1</sup></b>	1.8	1.8	11.7	10.6	7.3	*

<sup>1</sup> 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

#### CASH EQUIVALENT

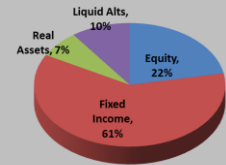
A cash-equivalent pool designed for donors or nonprofits that wish to make grants immediately or for funds that cannot sustain any loss of principal over any time horizon.



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

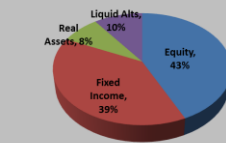
Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The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



The Global Constrained Income & Growth Pool gained 2.4% during the quarter and is up 5.4% over the past year. Both Domestic and International Developed Equities experienced positive returns during the quarter. The Pool's Fixed Income securities, which comprise 61% of its total assets, also gained on an absolute basis with High Yield contributing most to performance. The allocations to REITs and Liquid Alternatives were positive contributors to performance during the quarter.

#### GLOBAL CONSTRAINED BALANCED

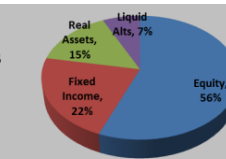
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include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



The Global Constrained Balanced pool gained 2.4% during the quarter and is up 10.5% over the past year. The allocations to Domestic and International Equities were positive during the quarter with the exception of Emerging Markets, which was a slight detractor overall. The allocation to Fixed Income was positive with High Yield contributing most to performance. The allocations to REITs and Liquid Alternatives also were positive contributors to performance during the quarter.

#### GLOBAL GROWTH & INCOME

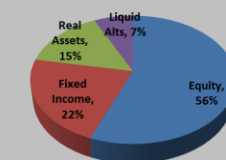
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to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



The Global Growth & Income pool gained 2.8% during the quarter and is up 12.8% over the past year. Most asset classes within the portfolio were positive contributors to performance during the quarter. The allocation to Equities was positive, with the exception of Emerging Markets, which was a slight detractor. The allocation to Fixed Income was positive across the sub-allocations, with High Yield posting the strongest gains. The allocations to Alternatives were all positive contributors to performance during the quarter, with REITs posting the strongest gains and Commodities not far behind.

#### 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 2.0% during the quarter and ranked in the 45<sup>th</sup> percentile in the Endowment Universe. The pool is up 12.0% over the past year. All asset classes contributed positively to performance over the quarter, except for emerging markets, which was a slight detractor overall. Within both Domestic and International Equity, small caps contributed most to the positive performance. Within Fixed Income, high yield provided the strongest return. Within alternative asset classes, REITs contributed most to the positive performance with Commodities also posting strong performance.