

THE ECONOMIC CLIMATE

Developed and emerging economies have begun to accelerate and have exhibited coordinated positive growth for the first time in this recovery. A confluence of low inflation, higher employment, improving consumer/business sentiment, and relatively accommodative central bank policy may lead to a unified global expansion. However, it is noteworthy to include that absolute growth remains subdued relative to history. Real GDP grew 2.1% YoY in Q1, which was slightly below expectations. First quarter growth has disappointed over the past few years, and investors seemed to overlook this release as second quarter growth forecasts were revised upward. Despite a healthy economy and longer than average expansion there is little indication of overheating in the U.S. This suggests the current expansion may have more room to run. Within international markets, the Eurozone continued to deliver positive surprises, but by a smaller margin than the previous quarter's results. Eurozone CPI was 1.3% YoY in June and inflation came in below 2%.

MARKET PORTFOLIO IMPACTS

The U.S. Treasury curve fell slightly over the quarter as investors purchased Treasuries, pushing down yields. Within credit, U.S. high yield option-adjusted spreads compressed in the second quarter to 3.6%, and the asset class generated a 2.2% total return (BBgBarc U.S. Corp. High Yield Index). The Fed increased the Federal Funds rate by 0.25% in June, which was in part justified by a strong U.S. labor market. Investors continued to favor credit over Treasuries during the quarter. A combination of tighter credit spreads and additional carry (greater yield) over Treasuries led credit to broadly outperform Treasuries during the quarter.

THE INVESTMENT CLIMATE

Central banks communicated a more hawkish tone across developed markets as Central bank governors have shown less concern over the recent decline in inflation than in the past. The U.S. Federal Reserve announced plans to begin reducing its balance sheet. The European Central Bank is expected to reduce easing starting next year, and Mark Carney of the Bank of England indicated he is receptive to tightening as well. Within equities, the global equity markets delivered another positive quarter, driven by strong earnings growth. Earnings were strongest in Western Europe and emerging markets, and outperformed domestic equities in Q2. Emerging market equities continue to outperform developed markets and currency movement has been additive to returns.

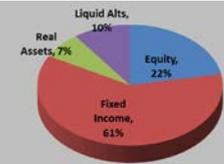
FISCAL YEAR TO DATE PERFORMANCE

The Endowment portfolio experienced a 12.9% gain over the fiscal year 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 6/30/17	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	0.2	0.3	0.3	0.2	0.1
Global Constrained Income & Growth 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	1.8	4.3	5.6	5.6	2.6	4.9
Global Constrained Balanced 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	2.4	6.2	9.3	9.3	3.2	7.0
Global Growth & Income 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	2.9	7.6	11.7	11.7	3.4	7.9
Endowment	2.9	7.7	12.9	12.9	3.9	7.9
Market Benchmarks						
Cash - 90-Day Treasury Bills	0.1	0.2	0.3	0.3	0.2	0.1
Bonds - Bloomberg Barclays US Aggregate	1.4	2.3	-0.3	-0.3	2.5	2.2
International Stocks - MSCI ACWI ex U.S. Gross	6.0	14.5	21.0	21.0	1.3	7.7
Domestic Stocks - S&P 500	3.1	9.3	17.9	17.9	9.6	14.6
Blended Benchmark - Endowment¹	2.7	6.9	11.3	11.3	4.2	7.7

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 1.8% during the quarter and was up 5.6% over the past year. Domestic Equity gained 3.0% and International Equity was up 6.4% 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 1.0% for the quarter and underperformed its benchmark. The 7% allocation to REITs was up 1.7% and 10% allocation to Alternatives saw a gain of 0.2%. 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 2.4% during the quarter and was up 9.3% over the past year. Domestic Equity gained 3.0% and International Equity was up 6.4% 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 0.9% for the quarter and underperformed its benchmark. The 8% allocation to REITs was up 1.7% and 10% allocation to Alternatives saw a gain of 0.2%. 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 2.9% during the quarter and was up 11.7% over the past year. Domestic Equity gained 3.0% and International Equity was up 6.5% 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 1.0% for the quarter and underperformed its benchmark. The 10% allocation to REITs was up 1.7% and 12% allocation to Alternatives saw a gain of 0.2%. Both REITs and Alternatives underperformed their benchmarks. Commodities saw a -3.2% decline and slightly underperformed 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 2.9% during the quarter which ranked in the 45th percentile. For the trailing one year the Endowment was up 12.9%. Domestic Equity gained 3.0% and International Equity was up 6.5% 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 0.9% for the quarter and underperformed its benchmark. Real Estate and Alternatives were both positive (1.2% and 0.2% respectively) but underperformed their benchmarks over the quarter. Commodities saw a -3.2% decline and slightly underperformed the benchmark.

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.