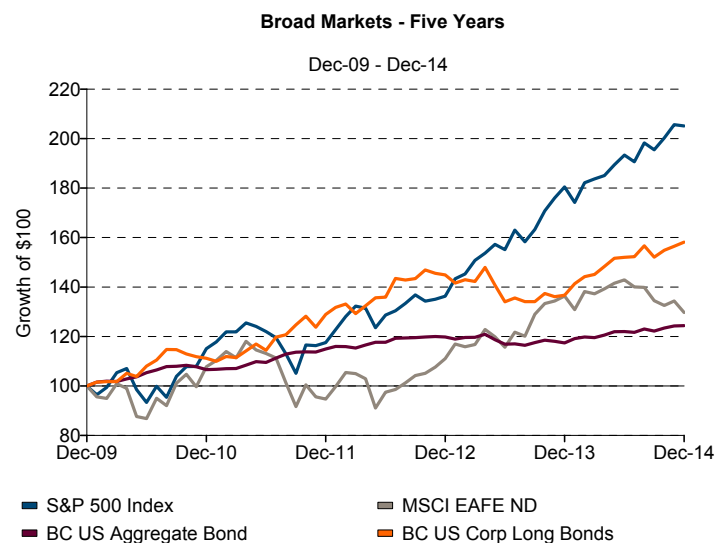


# Market Commentary - 4th Quarter 2014

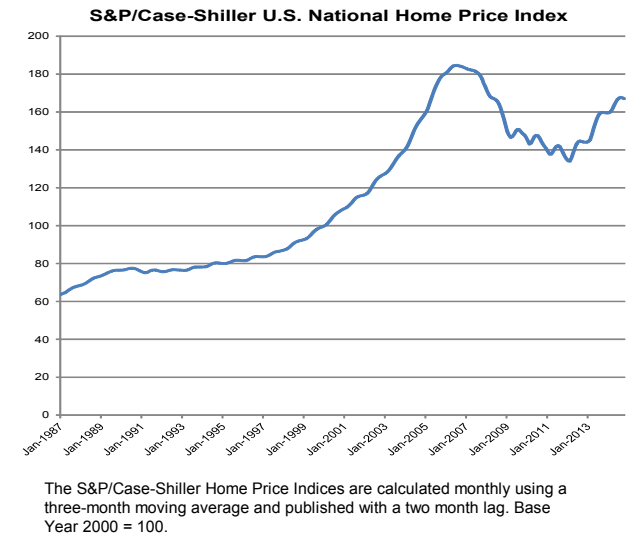
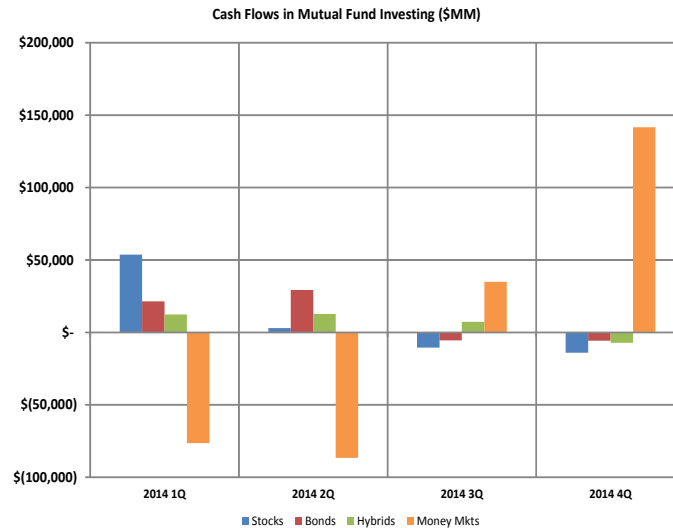
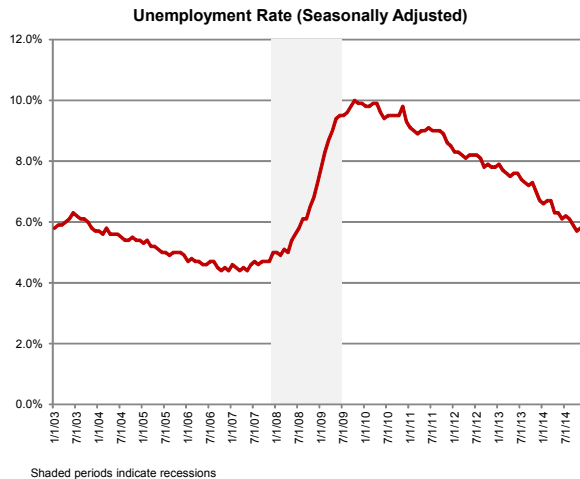
"...the committee judges that it can be patient in beginning to normalize the stance of monetary policy..."

— FOMC, December 2014



	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
S&P 500 Index	4.93	13.69	13.69	20.41	15.45	7.67
Russell 1000 Index	4.88	13.24	13.24	20.62	15.64	7.96
Russell 1000 Value Index	4.98	13.45	13.45	20.89	15.42	7.30
Russell 1000 Growth Index	4.78	13.05	13.05	20.26	15.81	8.49
Russell 2000 Index	9.73	4.89	4.89	19.21	15.55	7.77
Russell 2000 Value Index	9.40	4.22	4.22	18.29	14.26	6.89
Russell 2000 Growth Index	10.06	5.60	5.60	20.14	16.80	8.54
MSCI EAFE ND	-3.57	-4.90	-4.90	11.06	5.33	4.43
MSCI ACWI ex. US	-3.87	-3.87	-3.87	8.99	4.43	5.13
MSCI EAFE Small Cap ND	-2.27	-4.95	-4.95	13.83	8.63	6.04
MSCI Europe ND	-4.35	-6.18	-6.18	11.86	5.28	4.60
MSCI Japan ND	-2.42	-4.02	-4.02	9.71	5.48	2.29
MSCI EM ND	-4.50	-2.19	-2.19	4.04	1.78	8.43
DJ World Real Estate	6.30	13.44	13.44	15.07	10.80	6.08
DJ US Select REIT Index	15.09	32.00	32.00	16.10	16.99	8.13
DJ-UBS US Commodity Index	-10.60	-15.60	-15.60	-8.92	-5.21	-1.69
ML 3-month T-Bill	0.00	0.03	0.03	0.07	0.09	1.54
BC US Gov 1-3Y Bonds	0.19	0.64	0.64	0.51	1.09	2.62
BC US Gov/Corp Bonds	1.82	6.01	6.01	2.76	4.69	4.70
BC US Aggregate Bond	1.79	5.95	5.95	2.66	4.46	4.71
BC US Gov Long Bonds	8.38	24.66	24.66	4.23	9.86	7.48
BC US Corp Long Bonds	3.98	15.73	15.73	7.06	9.60	6.99
BC US High Yield Bonds	-1.00	2.45	2.45	8.43	9.03	7.74
BC TIPS	-0.03	3.64	3.64	0.44	4.11	4.37

# Market Commentary - 4th Quarter 2014

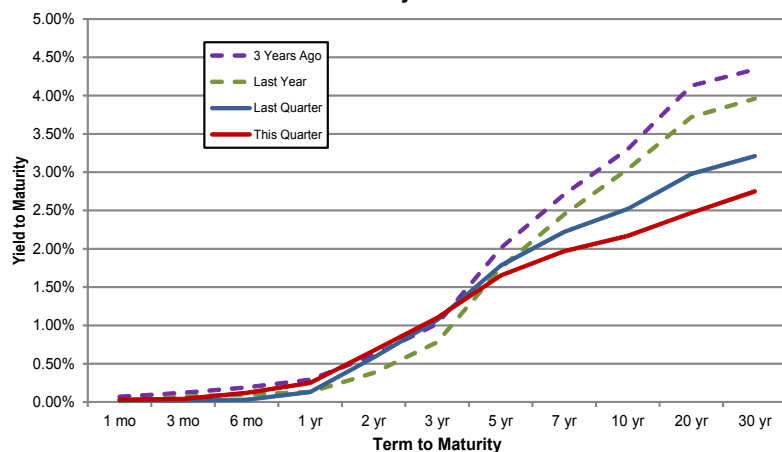


## Market Commentary

- The U.S. stock market posted solid returns, driven by improving economic growth, steady growth in corporate earnings, and the Federal Reserve's intent to maintain liquidity with low interest rates.
- Developed international equity markets fell on deteriorating economic conditions in Japan and fears that Europe might fall into another recession.
- Emerging markets declined on worries about falling commodity prices, the financial crisis in Russia, and slowing economic growth in China.
- The Fed ended its securities purchases in October citing "substantial improvement" in labor market conditions. In addition, the Fed said it will likely hold interest rates near zero at least through the first quarter of 2015.
- Mutual fund investors decreased their holdings in stocks and bonds. For the quarter, stock funds had net outflows of \$14.1 billion, while bond funds had net outflows of \$5.7 billion. Total money market mutual fund assets increased by \$141.6 billion to \$2.733 trillion.
- The unemployment rate fell from 5.9% to 5.6%, as total employment increased by 866,000 jobs this quarter.
- The price of oil decreased from \$91 per barrel to \$53 during the quarter, a decrease of 41.8%.
- For the three months ending December 31, 2014, annualized seasonally adjusted CPI-U was -2.5%. Falling prices for gasoline drove the decrease.

# Market Commentary - 4th Quarter 2014

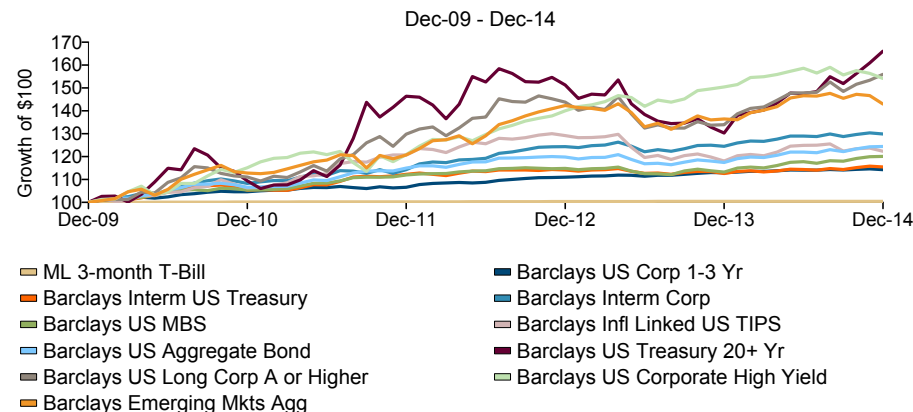
U.S. Treasury Yield Curve



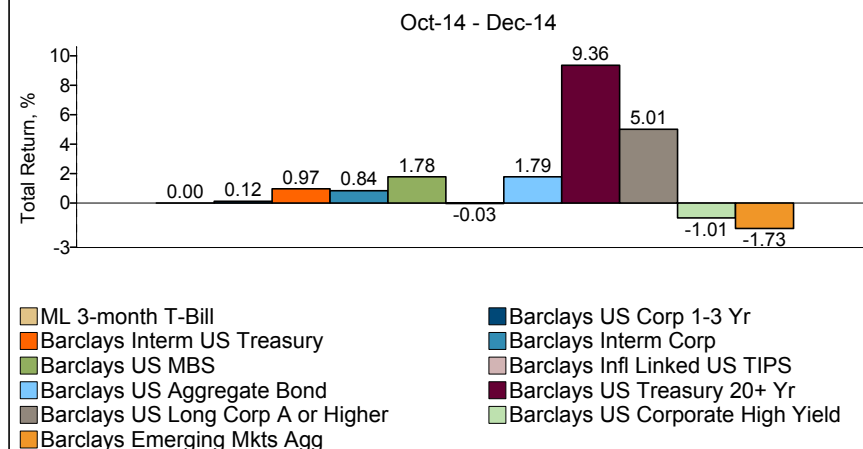
Source: Department of US Treasury

	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
ML 3-month T-Bill	0.00	0.03	0.03	0.07	0.09	1.54
Barclays US Corp 1-3 Yr	0.12	1.17	1.17	2.34	2.70	3.81
Barclays Interm US Treasury	0.97	2.57	2.57	0.96	2.92	3.79
Barclays Interm Corp	0.84	4.33	4.33	4.36	5.36	5.01
Barclays US MBS	1.78	6.06	6.06	2.37	3.73	4.75
Barclays Infl Linked US TIPS	-0.03	3.65	3.65	0.44	4.11	4.38
Barclays US Aggregate Bond	1.79	5.95	5.95	2.66	4.46	4.71
Barclays US Treasury 20+ Yr	9.36	27.47	27.47	4.30	10.68	7.74
Barclays US Long Corp A or Higher	5.01	16.40	16.40	6.31	9.29	6.60
Barclays US Corporate High Yield	-1.01	2.46	2.46	8.44	9.04	7.74
Barclays Emerging Mkts Agg	-1.73	4.76	4.76	5.80	7.40	7.82

US Fixed Income - Five Years



US Fixed Income - Quarter



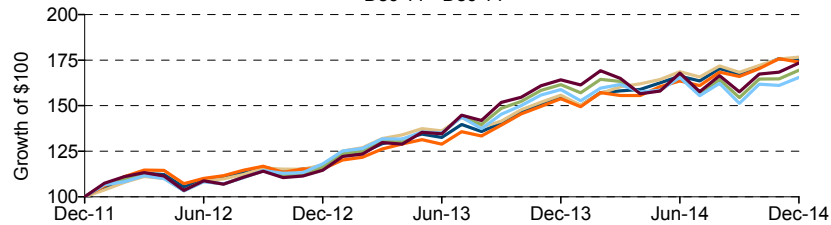
## US Bond Market

- The broad fixed income market rose 1.79% in the 4th quarter, as the positive impact from a 0.11% decline in interest rates enhanced the coupon return of 0.78%.
- The short end of the yield curve remained unchanged as the Fed maintained its near-zero interest rate policy.
- The yield curve flattened as the 30-year Treasury yield fell by 0.46%, while the 1-year rose by 0.11%.
- Long-term government bonds were the best performing sector this quarter, up 9.36%, as disappointing economic data in Europe and Asia increased demand for safe-haven assets.
- Long-term corporate bonds were up 5.01%, as declining yields on the long end of the curve more than offset widening spreads.
- Emerging Markets bonds were the worst performing sector this quarter, down 1.73%, on worries that lower oil prices may cause Russian and Venezuelan bonds to default.

# Market Commentary - 4th Quarter 2014

**Russell Indices - Three Years**

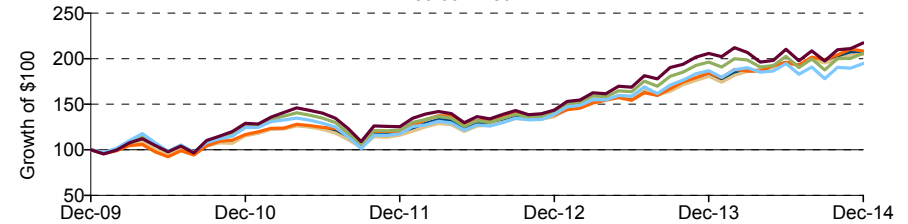
Dec-11 - Dec-14



■ Russell 1000 Index ■ Russell 1000 Value Index ■ Russell 1000 Growth Index  
■ Russell 2000 Index ■ Russell 2000 Value Index ■ Russell 2000 Growth Index

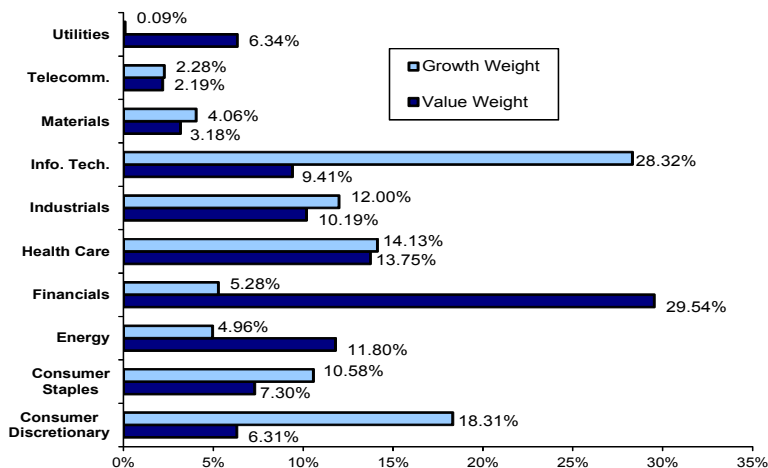
**Russell Indices - Five Years**

Dec-09 - Dec-14



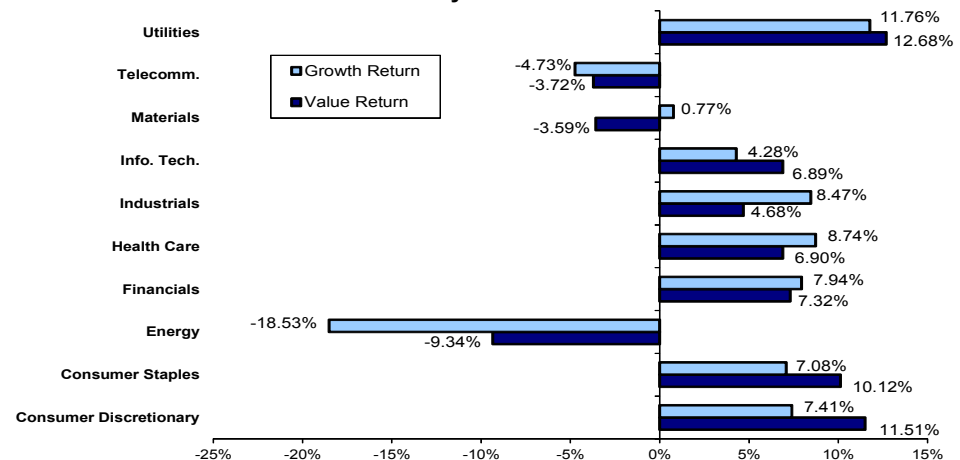
■ Russell 1000 Index ■ Russell 1000 Value Index ■ Russell 1000 Growth Index  
■ Russell 2000 Index ■ Russell 2000 Value Index ■ Russell 2000 Growth Index

**Russell 1000 Index Sector Weights**



Source: Russell Investments

**Russell 1000 Index Sector Quarterly Returns**



## US Stock Market

- Most major domestic equity indices posted a gain for the quarter. The small-cap Russell 2000 Growth Index had the best return, up 10.06%.
- In terms of capitalization, small-cap stocks outperformed large-cap stocks.
- In comparing styles, value outperformed growth in the large-cap area of the market, while growth exceeded value in the small-cap area.
- In a reversal from last quarter, REITs rose 15.09%, as fundamentals improved and lower interest rates increased demand for dividend-paying stocks. The best performing REITs were manufactured homes and health care.
- Utilities were the best performing sector, up 12.67%, as investors favored stocks with attractive dividend yields.
- Energy was the worst performing sector, falling 12.22%, as oil prices fell dramatically.

# Market Commentary - 4th Quarter 2014

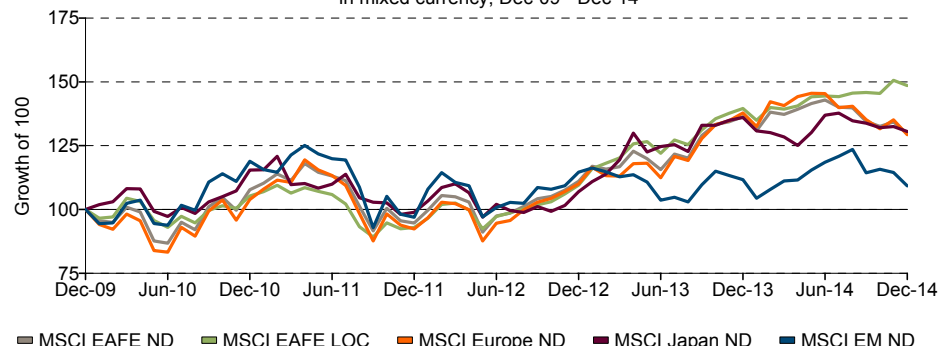
## Currency Exchange Rates

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Brazil Reais	2.658	2.452	8.40%
Canadian Dollar	1.159	1.121	3.42%
China Yuan Renminbi	6.207	6.138	1.12%
Euro	0.826	0.792	4.24%
India Rupees	63.189	61.940	2.02%
Japan Yen	119.764	109.685	9.19%
Mexico Pesos	15.605	13.430	16.20%
Russia Rubles	58.573	39.577	48.00%
United Kingdom Pounds	0.642	0.617	4.06%

Source: www.xe.com

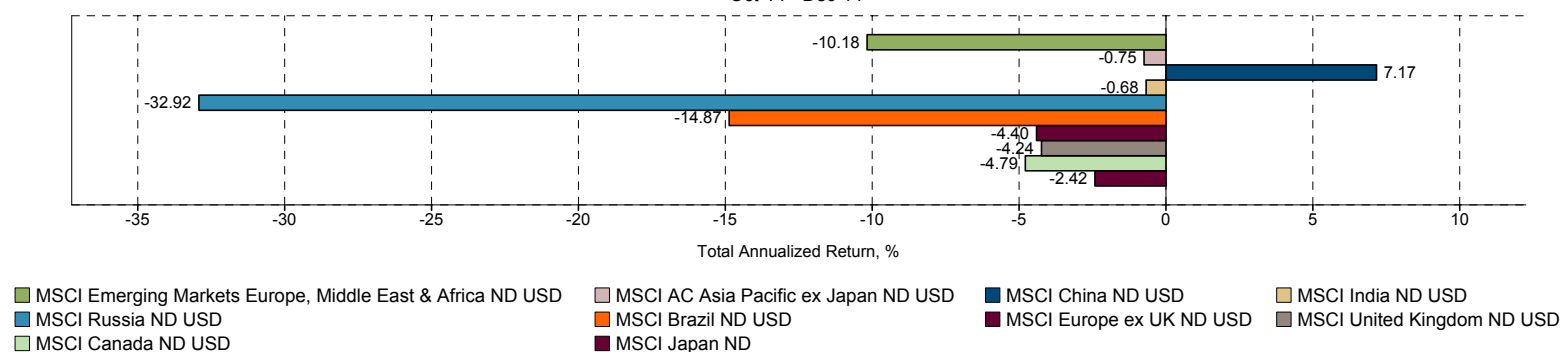
## International - Five Years

in mixed currency, Dec-09 - Dec-14



## Regional Performance - Quarter

Oct-14 - Dec-14



## International Markets

- The dollar was up strongly against the euro, yen and pound.
- For the quarter, the EAFE Index was down 3.57%, and Emerging Markets were down 4.50%. Local currency returns for the EAFE Index and Emerging Markets were 1.77% and 0.01%, respectively.
- Among the major international regions, Chinese stocks had the highest return, up 7.17%, as the government announced a surprise cut in interest rates in order to stimulate growth.
- Stocks in Russia had the lowest return, down 32.92% in the 4<sup>th</sup> quarter and down 46.27% YTD, as investors worried about weaker oil prices, the plummeting ruble, and additional economic sanctions imposed in December.
- Small-cap stocks, down 2.27%, outperformed large-cap stocks, down 3.57%.