

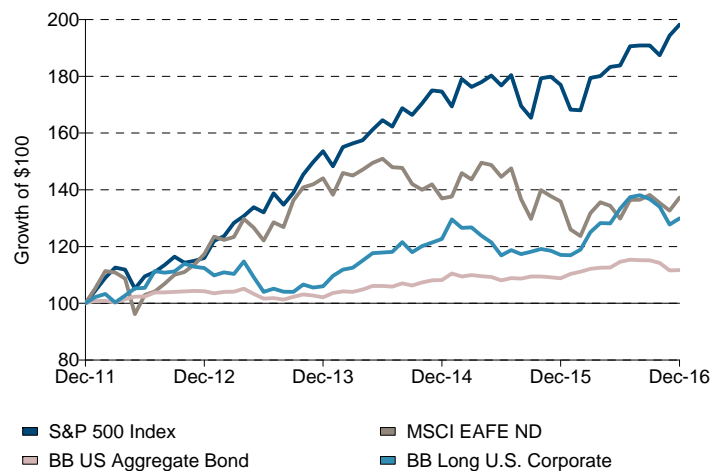
Market Commentary - 4th Quarter 2016

"The Federal Reserve... after the recent increase in the discount rate, is in the position of the chaperone who has ordered the punch bowl removed just when the party was really warming up."

-William McChesney Martin, Former Chairman of the Federal Reserve, 1955

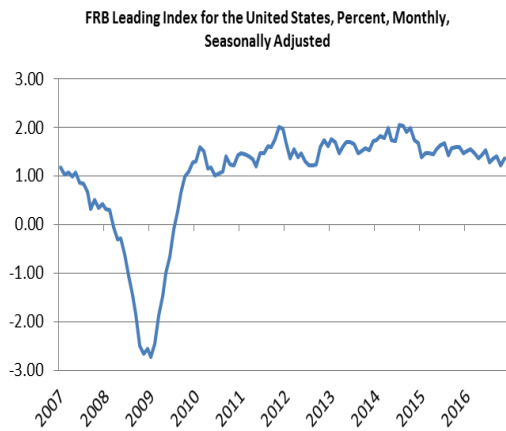
Broad Markets - Five Years

Dec-11 - Dec-16

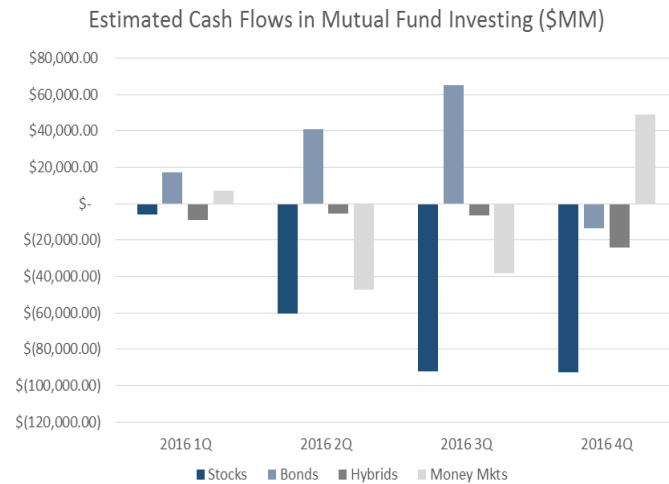


	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	3.82	11.96	11.96	8.87	14.66	6.95
Russell 1000 Index	3.83	12.05	12.05	8.59	14.69	7.08
Russell 1000 Value Index	6.68	17.34	17.34	8.59	14.80	5.72
Russell 1000 Growth Index	1.01	7.08	7.08	8.55	14.50	8.33
Russell 2000 Index	8.83	21.31	21.31	6.74	14.46	7.07
Russell 2000 Value Index	14.07	31.74	31.74	8.31	15.07	6.26
Russell 2000 Growth Index	3.57	11.32	11.32	5.05	13.74	7.76
MSCI EAFE ND	-0.71	1.00	1.00	-1.60	6.53	0.75
MSCI EAFE LOC	7.11	5.88	5.88	6.01	12.35	2.68
MSCI ACWI ex. US	-1.25	4.50	4.50	-1.78	5.00	0.96
MSCI EAFE Small Cap ND	-2.86	2.18	2.18	2.10	10.56	2.95
MSCI Europe ND	-0.40	-0.40	-0.40	-3.17	6.25	0.36
MSCI Japan ND	-0.16	2.38	2.38	2.49	8.17	0.54
MSCI EM ND	-4.16	11.19	11.19	-2.55	1.28	1.84
MSCI EM LOC	-1.36	10.11	10.11	3.21	6.02	4.69
DJ World Real Estate	-5.35	4.79	4.79	5.70	9.67	1.56
DJ US Select REIT Index	-2.53	6.68	6.68	13.73	11.77	4.63
DJ-UBS US Commodity Index	2.66	11.77	11.77	-11.26	-8.95	-5.58
BofA ML 3-month T-Bill	0.09	0.33	0.33	0.14	0.12	0.80
BB Government 1-3 Yr	-0.45	0.87	0.87	0.69	0.59	2.18
BB Government/Credit Bond	-3.39	3.05	3.05	3.04	2.29	4.40
BB US Aggregate Bond	-2.98	2.66	2.66	3.03	2.24	4.35
BB Long Government	-11.50	1.43	1.43	7.71	2.57	6.60
BB Long U.S. Corporate	-5.02	10.97	10.97	7.00	5.37	6.93
BB High Yield Corporate Bond	1.75	17.13	17.13	4.66	7.36	7.45
BB TIPS	-2.41	4.68	4.68	2.26	0.89	4.36

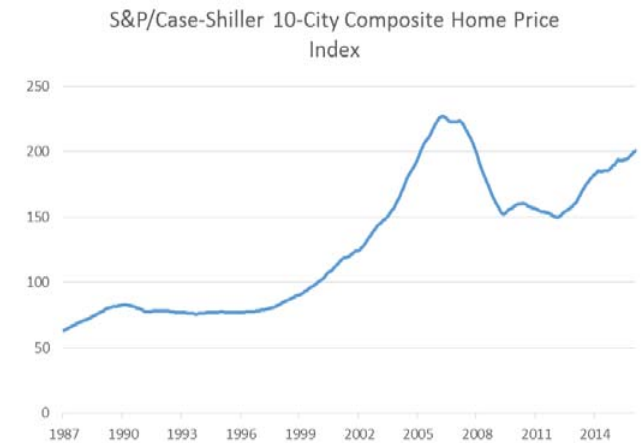
Market Commentary - 4th Quarter 2016



The Leading Index predicts the six-month growth rate of the United States' Coincident Economic Activity Index, which incorporates nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries in estimating economic activity.



Source: Investment Company Institute



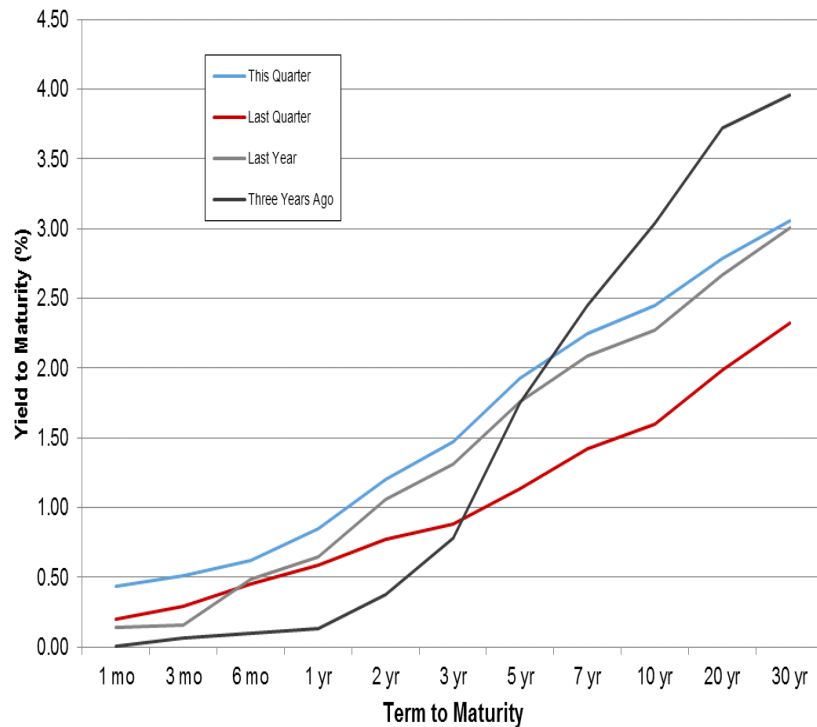
The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

Market Commentary

- The election of a Republican President and Congressional majority ushered in a wave of market optimism.
- U.S. stocks were up 3.82% on the prospect of lower taxes and regulatory rollback stemming from the Republican agenda.
- Higher interest rates in the United States and a stronger dollar caused investors to exit Emerging Market stocks, which were down 4.16%.
- The Federal Reserve increased the benchmark short term interest rate by 25 basis points after inflation figures pointed upward and employment data remained consistent.
- Mutual fund investors decreased their holdings in both stocks and bonds. For the quarter, stocks and bonds had a net outflow of \$92.4 and \$13.5 billion, respectively. Total money market mutual fund assets increased by \$48 billion to \$2.8 trillion.
- Total employment increased by 456,061 jobs this quarter and the unemployment rate declined from 4.9% to 4.7% as workers re-entered the labor market.
- The price of oil rose from \$48 to \$54 a barrel through the quarter.

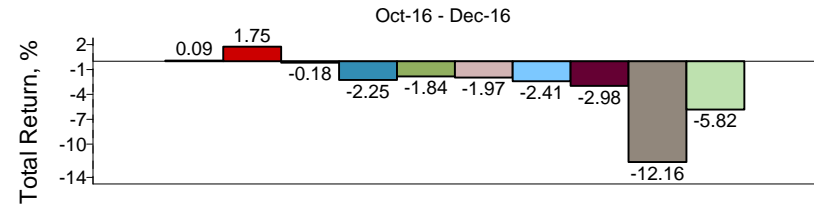
Market Commentary - 4th Quarter 2016

U.S. Treasury Yield Curve

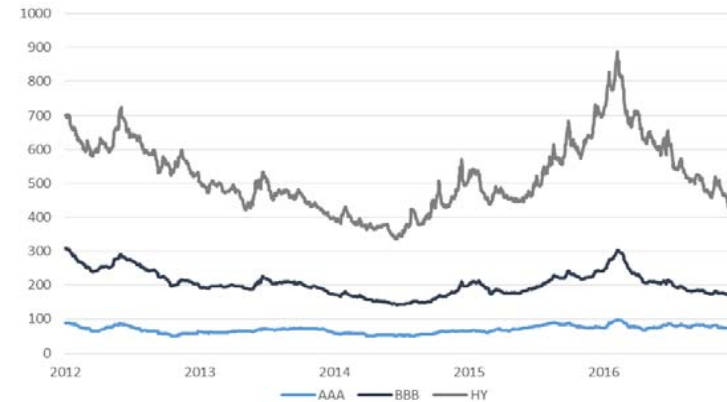


Source: Department of US Treasury

US Fixed Income - Quarter



Spreads to Treasuries (BPS)



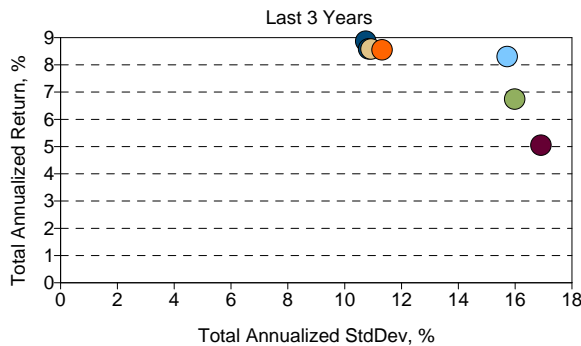
Source: Bank of America Merrill Lynch Option Adjusted Spread Index

US Bond Market

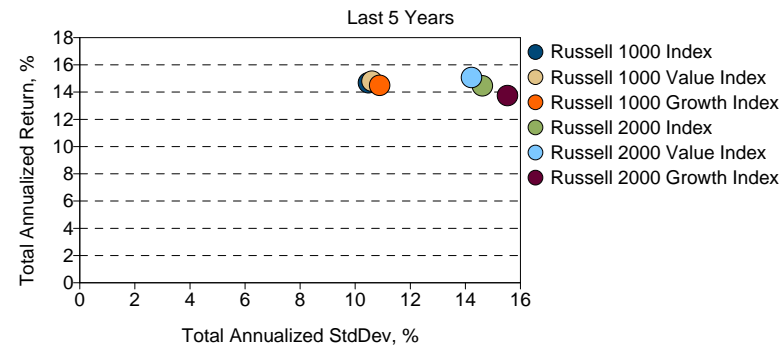
- The broad fixed income market dropped as interest rates across the yield curve rose.
- The Federal Reserve increased the Federal Funds Rate, which serves as the benchmark for short-term rates, by 25 basis points.
- Yields on 10-Year Treasuries rose by 85 basis points while yields on the 30-Year rose 74 basis points.
- Long-term government bonds were the worst performing sector, down 11.50%, as investors prepared for further rate increases in 2017.
- Spreads continued to narrow in the quarter as investors became less sensitive to risk.

Market Commentary - 4th Quarter 2016

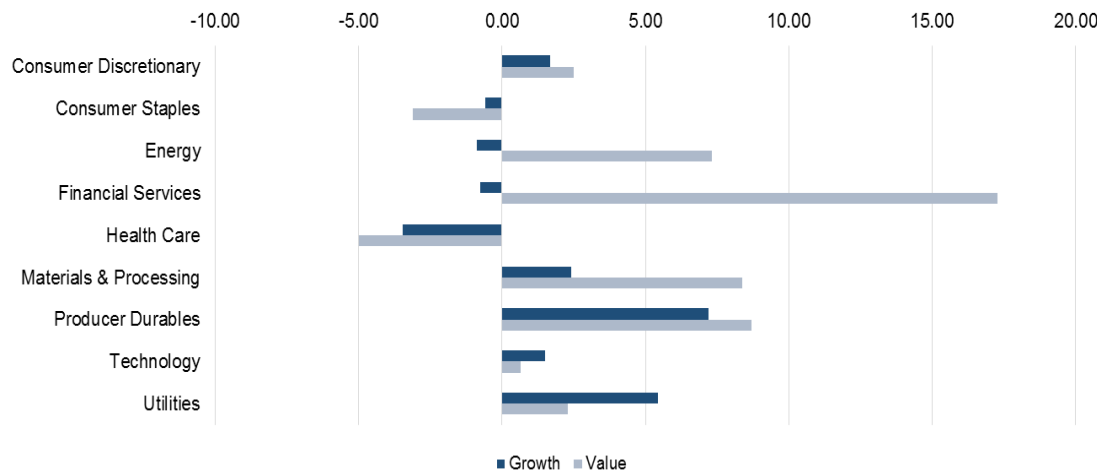
Performance vs. Risk



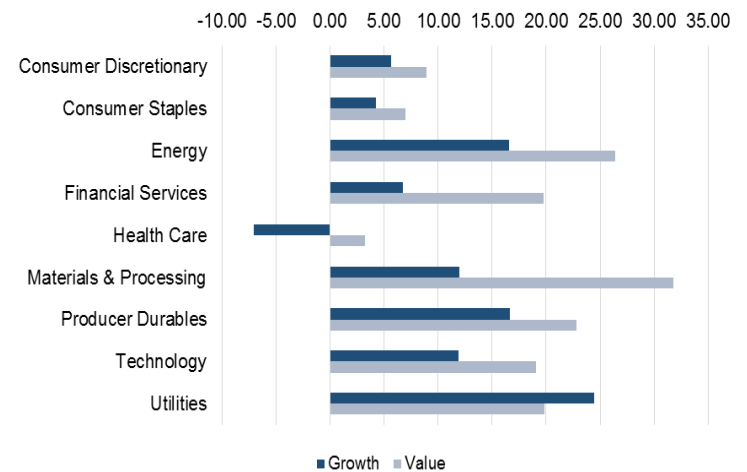
Performance vs. Risk



Russell 1000 Index Sector Quarterly Returns



Russell 1000 Index Sector Annual Returns



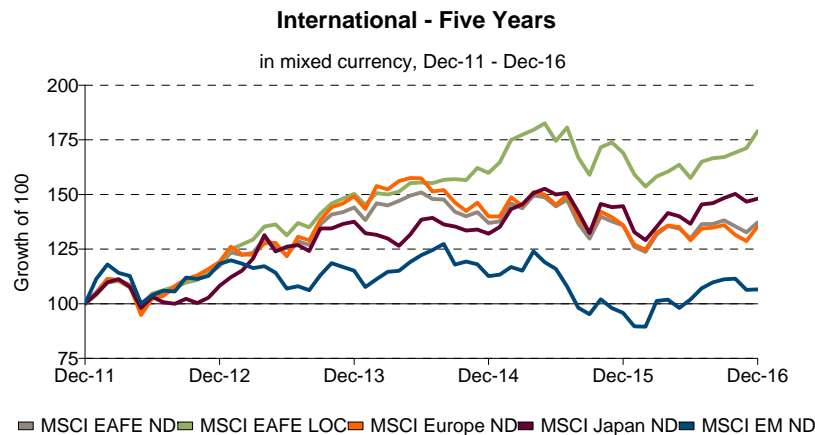
US Stock Market

- All major domestic equity indices posted a gain for the quarter. The Russell 2000 Value Index was the best performing sector, up 14.07%.
- Investors become more risk tolerant as rates rose, resulting in smaller-capitalization stocks outperforming larger-capitalization stocks.
- REITs were down 2.53% due to higher interest rates.
- Health Care was the worst performing sector, down 4.09%. The potential of a Republican Congress repealing the Affordable Care Act has heightened uncertainty relating to the sector.
- Financial Services were the best performing sector, up 12.60%, as a Republican Congress looked poised to rollback regulation of the industry stemming from the financial crisis of 2007-2008.

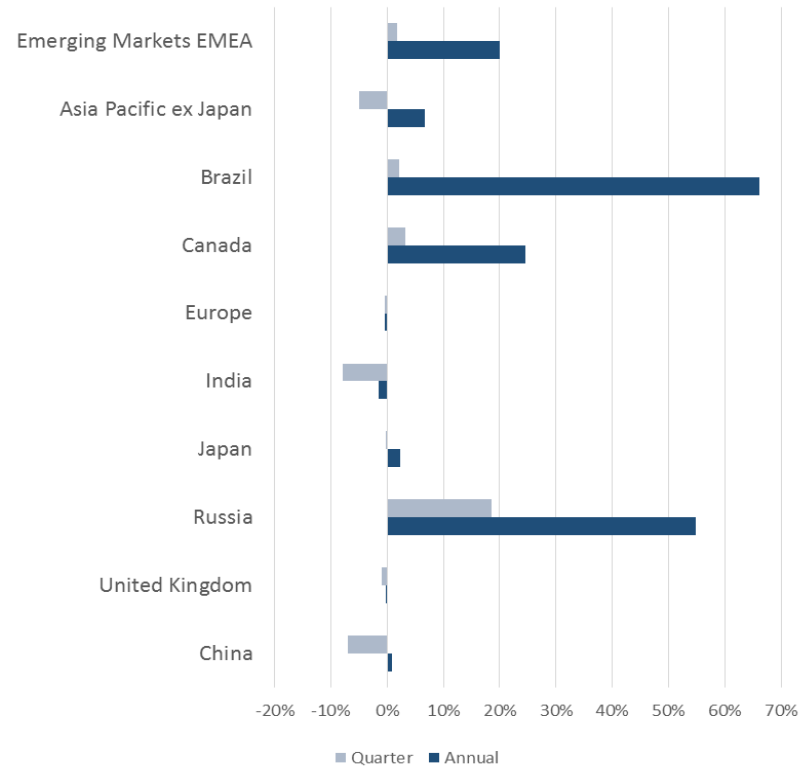
Market Commentary - 4th Quarter 2016

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Euro	0.945	0.890	6.25%
United Kingdom Pound	0.822	0.768	6.95%
Japanese Yen	115.854	101.187	14.50%
Chinese Yuan Renminbi	6.938	6.671	3.99%
Mexican Peso	21.377	19.345	10.51%
Canadian Dollar	1.322	1.312	0.78%
Indian Rupee	68.100	66.598	2.26%
Russian Ruble	60.156	62.753	-4.14%
Brazilian Reais	3.197	3.244	-1.47%

Source: www.xe.com



Regional Performance



Source: MSCI

International Markets

- Increasing interest rates and inflation expectations strengthened the dollar relative to the Euro, Pound, and Yen.
- Much uncertainty surrounds anti-Euro parties running in national elections in France, Germany, the Netherlands, and Italy in 2017.
- For the quarter, the EAFE Index was down 0.71% and the Emerging Markets Index was down 4.16%. Local currency returns for developed markets, however, were up 7.11%, while local returns in emerging markets were down 1.36%.
- Among the major international regions, Russian stocks continued to rebound and posted the strongest quarterly return.
- Indian stocks had the worst return in the quarter, as Narendra Modi's surprise ban of large denomination currency thrust the subcontinent into a potential monetary crisis.
- Small-cap international stocks underperformed large cap international stocks by a 200 basis point margin.

Additional Notes

The analysis in this report was prepared utilizing data from third parties and other sources including but not limited to internal computer software and databases, including among others mpiStylus Pro[®], software designed by Markov Processes International. Reasonable care has been taken to assure the accuracy of the data contained herein, and comments are objectively stated and are based on facts gathered in good faith. These reports do not constitute investment advice with respect to the sale or disposition of individual securities. Milliman disclaims responsibility, financial or otherwise, for the accuracy or completeness of this report.

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