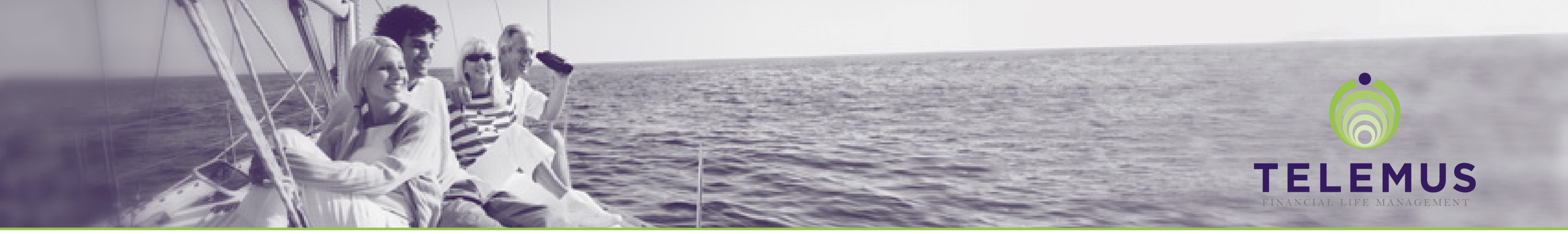

Q1 2016 ECONOMIC AND MARKET HIGHLIGHTS

ECONOMY AND MARKET

Economic Growth: Data showed the pace of U.S. economic growth slowing as real GDP came in at 1.4% in Q4 of 2015, down from 2% in Q3 of 2015. Weakness abroad appeared to be weighing on U.S. economic growth, but a pickup in consumer spending helped offset some of the slowdown. The solid pace in consumer spending underscores the economy's underlying strength and should ease fears of an impending recession in the U.S.

Economic Health: The labor market continued to tighten in Q1, with non-farm payrolls rising by 215,000 in March after increasing by 228,000 in the previous month. The unemployment rate rose to 5.0% in March from 4.9% in February as more people continued to enter or re-enter the labor market, a sign of confidence in the job market.

Inflation: After years of stubbornly low inflation, price indicators are starting to show inflationary pressures are taking hold, albeit slowly. Core consumer prices, which exclude the effects of food and energy, climbed 2.3% y/o/y through February, its highest reading in nearly three years. When including the effects of food and energy, headline inflation weakened slightly during the quarter to 1%, primarily due to weaker fuel and energy prices.

Fed Speak: The Federal Reserve elected to pass on further interest rate hikes during the quarter, citing the need to see further improvements in global economic and financial market conditions before choosing to move again.

DOMESTIC EQUITY

At a Glance: The S&P 500 eked out a small gain of 1.4% during a turbulent quarter for stock investors. Stocks fell sharply during the first six weeks of the year before recovering all their losses to finish the quarter in positive territory.

Market Cap and Style: Mid-cap stocks led all market segments higher, finishing with a return of 2.2% for the quarter. After lagging by more than 10% in 2015, value stocks rebounded strongly and modestly outperformed their growth counterparts, reversing a multi-year trend at least temporarily. Small stocks continued their recent under performance with the Russell 2000 Index falling 1.52% in the quarter.

Sector: The best performing sectors through the first quarter of the year are consistent with a risk-off, defensive play. Utilities, telecom, and consumer staples led all sectors on the upside as investors preferred the relative safety and additional yield these sectors provide. 2015's star sector performer, healthcare was noticeably weak after being weighed down by a flagging biotech sector.

INTERNATIONAL EQUITY

At a Glance: International markets fared worse than the U.S., in general. Japanese equities posted declines of 6.4% amid doubts over the success of "Abenomics" and the ability of policy makers in Japan to get the economy and inflation moving higher. In Europe, tepid inflation and weaker economic data pushed equity prices down 2.4% despite further moves from the ECB. Emerging markets were one of the few bright spots. After three years of flagging returns, emerging markets advanced 5.8% on higher commodity prices and easing central bank policy around the globe.

FIXED INCOME

At a Glance: With volatility and uncertainty spreading through equity markets, investors sought shelter in safe-haven assets, notably government and high quality corporate bonds. The increased demand helped push interest rates down across the yield curve. The yield on the 10-year Treasury fell from 2.3% to start the quarter to 1.8% to finish. In all, the Barclays Aggregate Bond Index moved higher by 3.0%.

Sector: In the taxable bond market, investors preferred high quality bonds over high yield. Government-backed and investment grade sectors were among the strongest areas of the market. Credit sensitive sectors like high yield and bank loans needed a strong rally in the back-half of the quarter to finish in positive territory.

Maturity and Credit Quality: Longer maturity bonds finished higher on surprisingly lower interest rates while shorter maturity bonds were largely flat. Among credit, high quality bonds outpaced high yield.

Yield Curve: Long-term Treasury yields posted their steepest quarterly decline in more than three years, leading to a flattening yield curve. This flattening resulted in the narrowest yield spread between 2-year and 10-year Treasuries since 2009.

Municipal Bonds: Insulated from the volatility of global markets, municipal bonds continued their strong performance from 2015 and posted a strong quarter with returns of 1.7%.