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As of 6/30/15

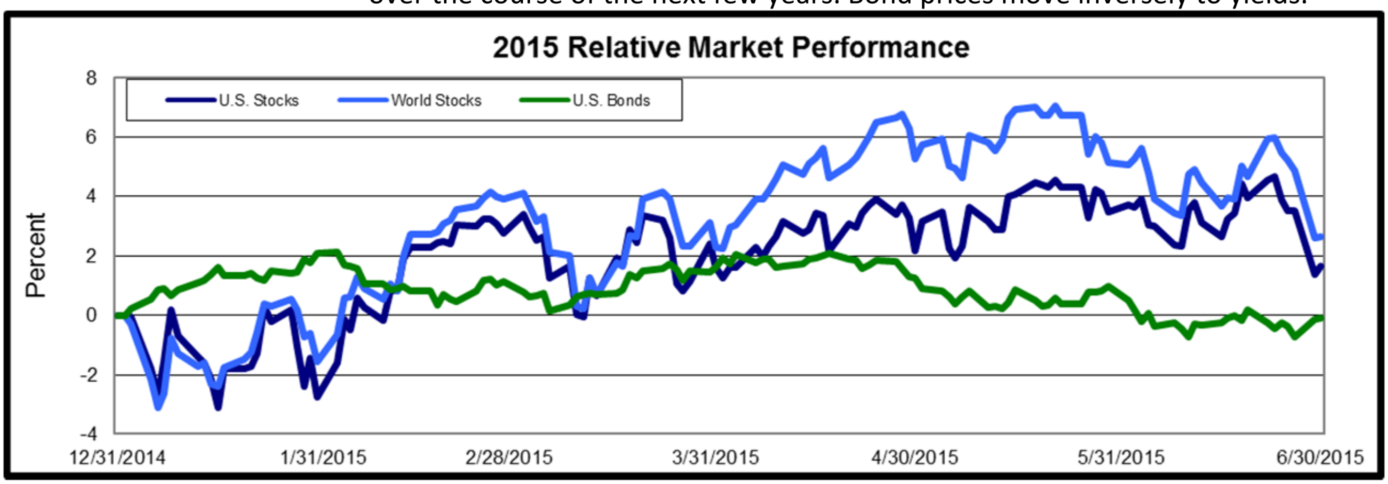
Market Performance	2014 3Q	2014 4Q	2015 1Q	2015 2Q	1 YR	3 YR	5 YR
Dow Jones Industrial Average (U.S. Large Stocks)	1.87	5.20	0.33	(0.29)	7.21	13.77	15.41
Standard & Poor's 500 (U.S. Large Stocks)	1.13	4.93	0.95	0.28	7.42	17.31	17.34
Wilshire 5000 (U.S. Stocks)	0.08	5.26	1.61	0.06	7.09	17.45	17.33
MSCI EAFE (Foreign Stocks)	(5.88)	(3.57)	4.88	0.62	(4.22)	11.97	9.54
MSCI EM (Emerging Market Stocks)	(3.49)	(4.50)	2.24	0.69	(5.12)	3.71	3.68
MSCI ACWI (World Stocks)	(2.30)	0.41	2.31	0.35	0.71	13.01	11.93
Barclays Capital U.S. Agg. Index (U.S. Bonds)	0.17	1.79	1.61	(1.68)	1.86	1.83	3.35

Inside This Issue

Quarterly Performance Review

The second quarter saw an increase in market volatility emanating from multiple fronts. Anticipation of the first rate hike from the Federal Reserve and a potential Greek bailout or exit from the European Monetary Union combined with increasing concern over China caused volatility in equities and fixed income. Despite the volatility, equities were able to produce modest returns for the period with international equities outperforming domestic by a small margin. Fixed income did not perform as well.

U.S. bonds, as measured by the Barclays US Aggregate Bond Index, had their first negative quarter since 2013. The yield on the benchmark 10-Year U.S. Treasury bond trended higher in anticipation of the first rate hike by the U.S. Federal Reserve (Fed), but reversed course by quarter-end as negative headlines on Greece drove buyers to the safety of U.S. Treasuries. Greece aside, the path for rates in the U.S. should be higher as the Fed moves toward policy normalization over the course of the next few years. Bond prices move inversely to yields.



Interest Rates

In assessing the time at which the Federal Open Market Committee (FOMC) will choose to raise the federal funds rate, it is important to be aware of the Fed's two objectives; full employment and price stability. In the context of the overall economy, labor market trends have improved. Economic growth, while moderate, has been sufficient to generate enough jobs to bring down unemployment. Labor statistics continue to support this trend in the near-term. Inflation, the Fed's measure of price stability, has run consistently low. The Fed is looking for signs that inflation is moving toward its target rate of 2.0% over the medium-term. As energy prices have stabilized and labor conditions tighten, inflation pressures could build. The most recent expectations were that the first rate hike from the FOMC may be as soon as September, but recent macro developments from Greece and China could delay Fed actions.

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Within Europe, it is expected that the European Central Bank (ECB), will continue its quantitative easing at its current pace, purchasing bonds at a rate of 60 billion euros per month. Additionally, it is expected that rates will remain at current levels. While the European economy is showing signs of turning the corner, it would be too early for the ECB to let off the gas, especially given the disruption caused by the turmoil in Greece. Policy should remain accommodative for the medium-term.

Global Growth Prospects

Weakness in the first quarter of the year is expected to reduce full-year growth expectations in the U.S. First quarter gross domestic product (GDP), while revised higher, came in at -0.2%. Numerous factors contributed to the slowdown including poor weather, a rising U.S. dollar and the negative effects from the slide in energy prices; however, the momentum in the economy is headed in the right direction. Growth in the second quarter is estimated to be near 3.0%, with full-year 2015 growth in line with previous years near 2.3%.

Growth within the eurozone has steadily improved. A weakened euro, lower energy prices and recent stimulus by the ECB are starting to benefit the economy. Exports have increased and banks have started to lend more as demand for credit has increased. With the most recent developments out of Greece, there is the potential for a short-term risk to growth. Though concerning, many economists see the Greek situation as manageable in the long-run given their small economic size which is around 2% of the eurozone as a whole. Notwithstanding a negative development, euro-area growth expectations remain around 1.5% for 2015 with room for positive revisions.

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Growth across broad emerging markets varies substantially. China has slowed and many have expressed concern about its real estate and stock markets. To combat these fears, the People's Bank of China introduced a new round of monetary and fiscal policies to stimulate their slowing economy and maintain a rate of growth near their target of 7.0%. Further measures have been discussed to support their equity markets as well. Despite this, Asia as a region remains one of the strongest growth stories around the world with emerging and developing Asia expected to grow by 6.6% in 2015 according to the International Monetary Fund (IMF). Meanwhile, the Russian economy experienced weakness related to soft energy prices and continued sanctions while Latin America struggled amid slowing momentum in Brazil and Mexico. Growth expectations for broad emerging markets in 2015 are 4.3% in 2015 according to the IMF.

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Corporate Earnings Growth

The S&P 500 currently trades at 17.9 times estimated full-year 2015 earnings. Estimates for 2015 earnings continue to drift lower, currently at 2.2% over calendar-year 2014, as energy companies have struggled with the price of oil in the mid-$50 range.

European equities trade at 15.0 times forward earnings while emerging markets are at 11.8. Corporate earnings data across Europe have come in strong and are starting to show signs of upward revision. If trend growth across Europe persists, corporate earnings could further improve.

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Summary

As the Fed nears its first change in policy rates in years, U.S. market interest rates have moved higher in anticipation. Going forward, assets correlated to U.S. rates could see an increase in volatility. Outside the U.S., Europe is gaining momentum, but could experience a short-term setback because of problems in Greece. Though growth in emerging markets appears to be stabilizing, eyes remain focused on China. Should current efforts to support its target rate of growth fail, equities could experience a continued pullback which would increase concern in the region. Global growth prospects are expected to be similar to 2014, near 3.3% according to the IMF, but recent macro events could slow growth in the short-term.

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