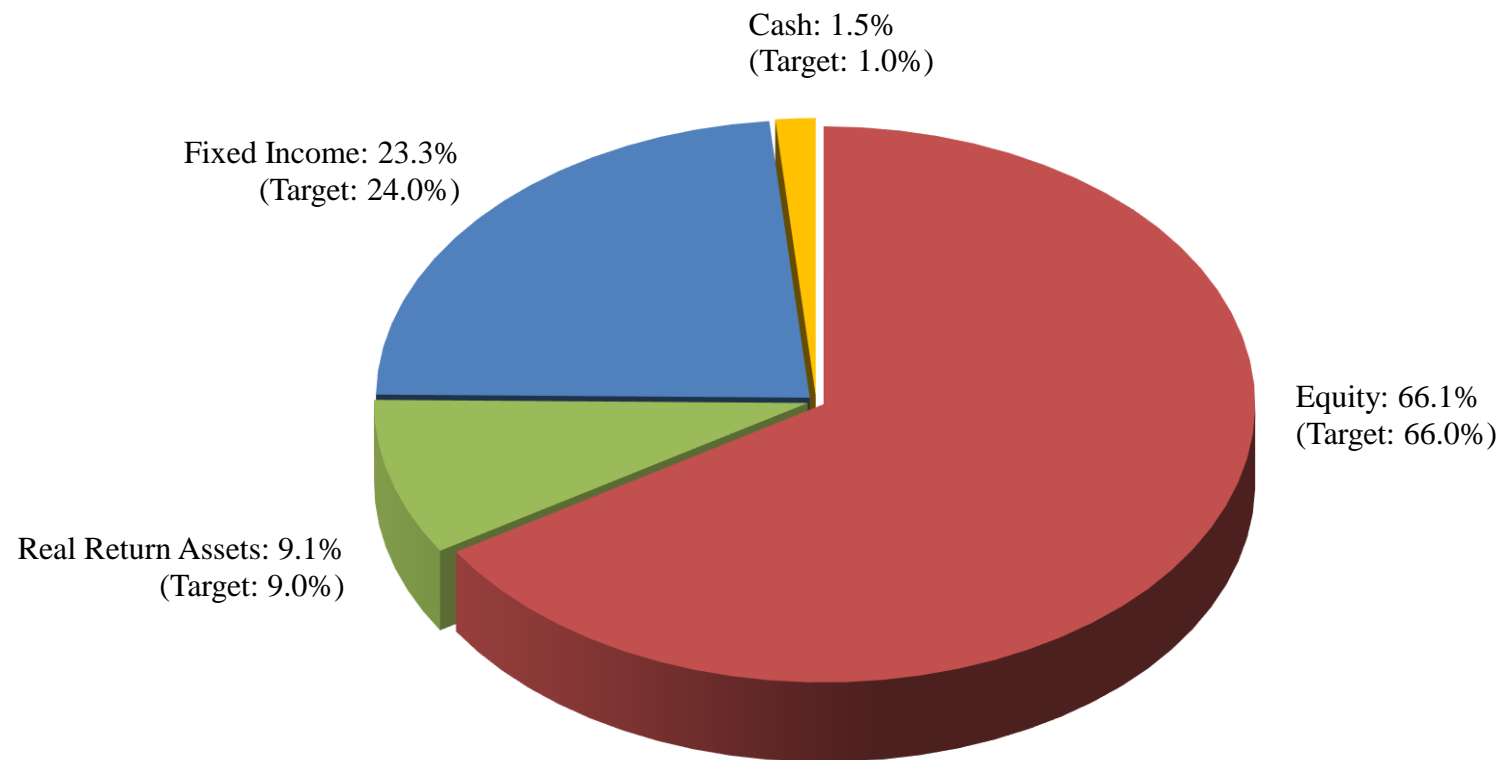


Community Foundation of Tompkins County

Investment Review

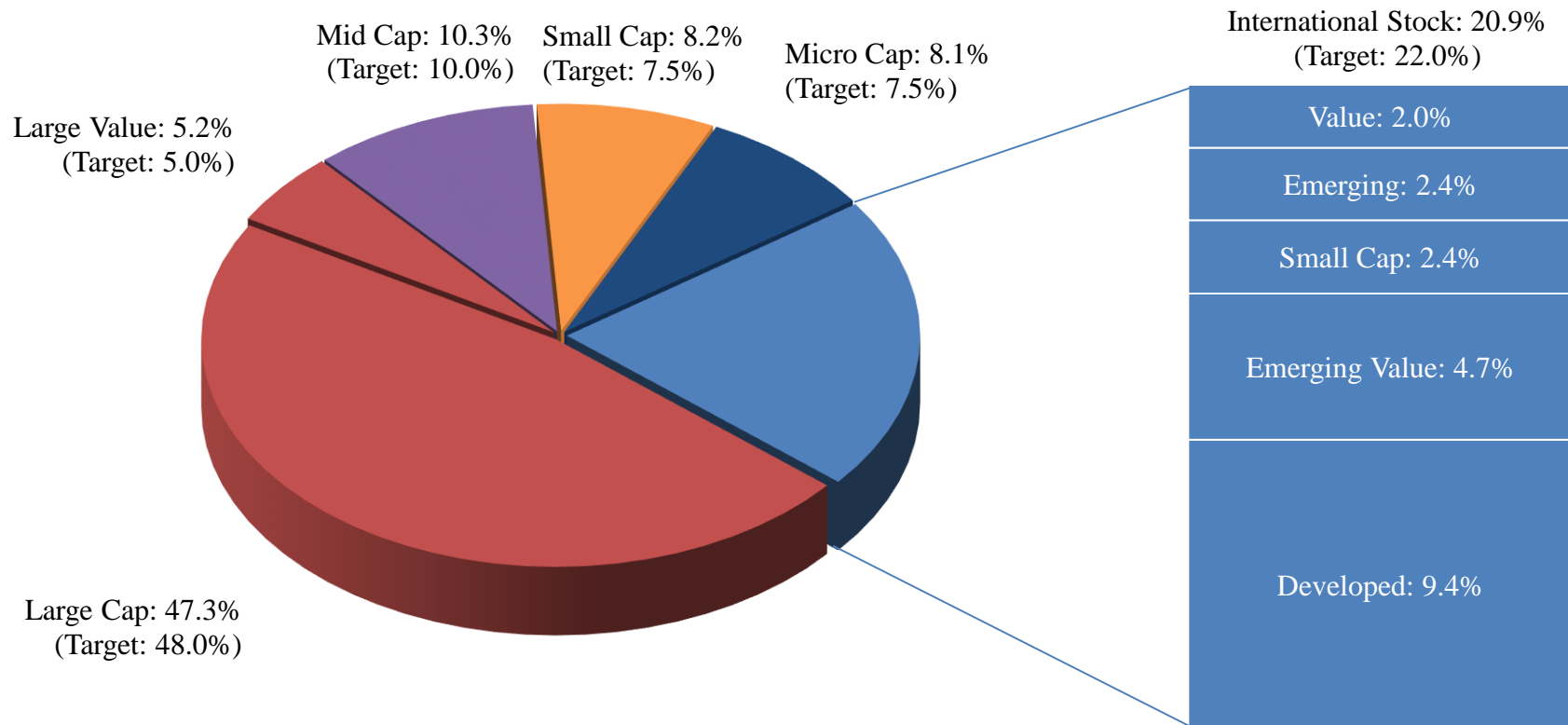
As of 12/31/2016

Overall Portfolio



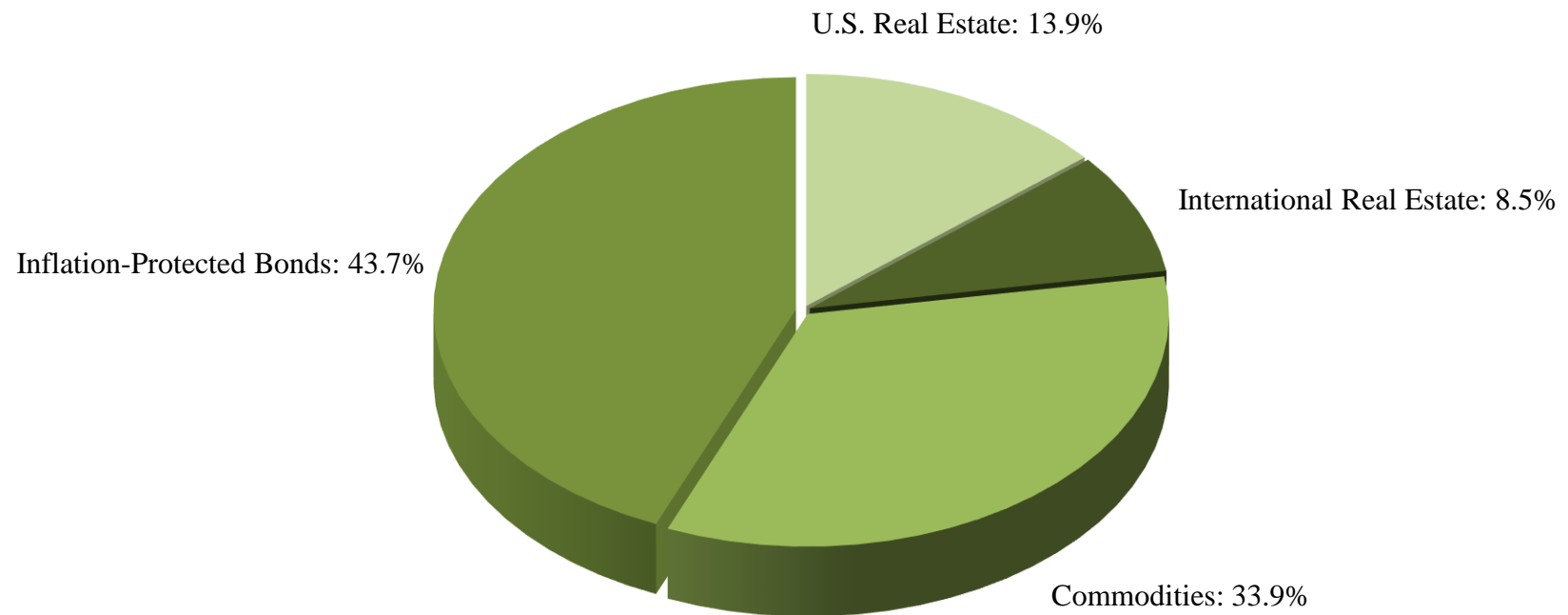
The sum of the values may not equal 100% due to rounding.

Equities



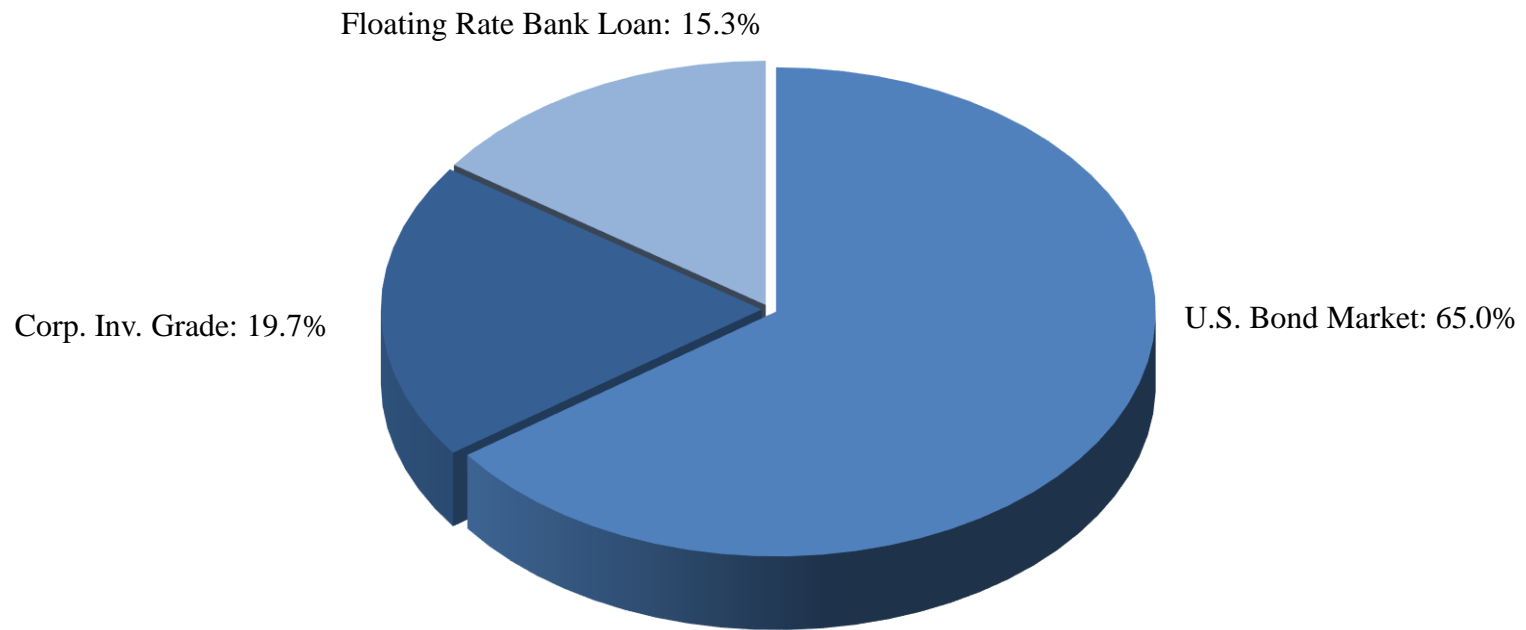
The sum of the values may not equal 100% due to rounding.

Real Return Assets



The sum of the values may not equal 100% due to rounding.

Fixed Income



The sum of the values may not equal 100% due to rounding.

Portfolio Activity and Performance

Activity	4Q 2016 (\$)	2016 (\$)	3 Years (\$)	5 Years (\$)	Since Inception (\$)
Value at Beginning of Period	11,126,884.31	9,718,296.87	9,328,299.59	5,953,321.91	2,666,367.95
Contributions	206,450.69	1,247,229.99	2,274,156.38	4,543,900.23	8,340,359.93
Withdrawals	-21,852.92	-449,773.45	-1,322,894.76	-2,511,551.92	-3,619,727.93
Income Received	130,466.65	241,651.63	690,329.57	1,048,319.84	1,497,231.19
Capital Gain/Loss	158,525.52	843,069.21	630,583.48	2,566,484.19	2,716,243.11
Value at End of Period	11,600,474.25	11,600,474.25	11,600,474.25	11,600,474.25	11,600,474.25
Total Investment Gain after Fees	288,992.17	1,084,720.84	1,320,913.05	3,614,804.03	4,213,474.30
Performance					
Portfolio Return	2.57%	10.97%	4.41%	8.72%	4.91%
Weighted Benchmark Return ¹	1.33%	8.11%	5.10%	8.98%	5.28%

Inception Date: 02/13/2007

Periods greater than 12 months are annualized

Portfolio Performance is net of fees.

¹Weighted Benchmark is comprised of 55.25% Russell 3000, 9.75% MSCI ACW exUS, 11% CPI, 24% Barclays Aggregate from inception - 11/30/10, 53.62% Russell 3000, 11.38% MSCI ACW exUS, 11% CPI, 24% Barclays Aggregate from 12/1/10 - 12/31/12 and 52% Russell 3000, 13% MSCI ACW exUS, 11% CPI, 24% Barclays Aggregate from 1/1/13 - present.

Note: CPI is through November 2016.

Performance

	4Q 2016	2016	3 Year Annualized	5 Year Annualized	Since Inception Annualized
EQUITIES	4.50%	14.37%	6.65%	13.15%	5.67%
Weighted Equity Benchmark ¹	3.14%	11.12%	6.37%	12.73%	5.73%
S&P 500	3.82%	11.96%	8.87%	14.66%	6.81%
S&P 400	7.42%	20.74%	9.04%	15.33%	8.65%
Russell 2000	8.83%	21.31%	6.74%	14.46%	6.81%
MSCI EAFE	-0.71%	1.00%	-1.60%	6.53%	0.51%
FIXED INCOME	-1.80%	3.75%	2.72%	2.34%	4.44%
Barclays Aggregate	-2.98%	2.65%	3.03%	2.23%	4.38%
REAL RETURN ASSETS	0.34%	8.79%	-2.51%	0.17%	0.95%
Weighted RRA Benchmark ²	-0.51%	8.58%	-2.58%	NA	NA
Consumer Price Index	0.56%	1.81%	1.05%	1.30%	1.79%
TOTAL PORTFOLIO	2.57%	10.97%	4.41%	8.72%	4.91%

Inception Date: 02/13/2007

¹Weighted Equity Benchmark is comprised of 85% Russell 3000, 15% MSCI ACW exUS from inception - 11/30/10, 82.5% Russell 3000, 17.5% MSCI ACW exUS from 12/1/10 - 12/31/12 and 80% Russell 3000, 20% MSCI ACW exUS from 1/1/13 - present.

²Weighted RRA Benchmark is currently comprised of 13.90% DJ U.S. REIT/ 8.33% DJ Global ex U.S. Real Estate/ 33.33% CS Commodity/ 44.44% Barclays TIPS.

Consumer Price Index is through November 2016.

Total portfolio performance is net of fees.

Performance Relative to Peer Group

Peer Group (5-95%): Asset Allocation Funds: 55% - 75% Equity

Top Quartile 2nd Quartile 3rd Quartile Bottom Quartile



● Community Foundation of Tompkins County

Trailing Returns

As of Date: 12/31/2016

	2016	3 Years	5 Years	Since Inception (3/1/07)
Community Foundation of Tompkins County	11.0	4.4	8.7	5.1
Peer group percentile	6	25	32	29
Count	1,496	1,251	1,069	669

Source: Morningstar Direct

Portfolio Holdings

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
CASH AND EQUIVALENTS							
SCHWAB GOVT MONEY MARKET FUND	SWGXX			173,224.95		173,224.95	1.49%
EQUITIES							
ISHARES CORE S&P 500 ETF	IVV	16,100	168.89	2,719,113.58	224.99	3,622,339.00	31.23%
ISHARES CORE S&P MID CAP ETF	IJH	4,775	75.83	362,086.08	165.34	789,498.50	6.81%
ISHARES CORE MSCI EAFE	IEFA	13,475	58.98	794,721.84	53.63	722,664.25	6.23%
ISHARES CORE S&P SMALL CAP ETF	IJR	4,550	62.44	284,106.40	137.52	625,716.00	5.39%
DFA US LARGE-CAP VALUE FUND	DFLVX	11,457	19.90	227,971.90	35.09	402,030.10	3.47%
DFA EMERGING MARKETS VALUE FUND	DFEVX	15,148	25.93	392,817.77	23.95	362,791.34	3.13%
DFA US MICRO-CAP FUND	DFSCX	16,505	11.55	190,586.79	20.89	344,795.03	2.97%
BRIDGEWAY ULTRA-SMALL COMPANY MARKET FUND	BRSIX	19,164	13.59	260,473.02	14.47	277,309.39	2.39%
DFA INTERNATIONAL SMALL-CAP FUND	DFISX	10,548	15.88	167,527.14	17.27	182,164.53	1.57%

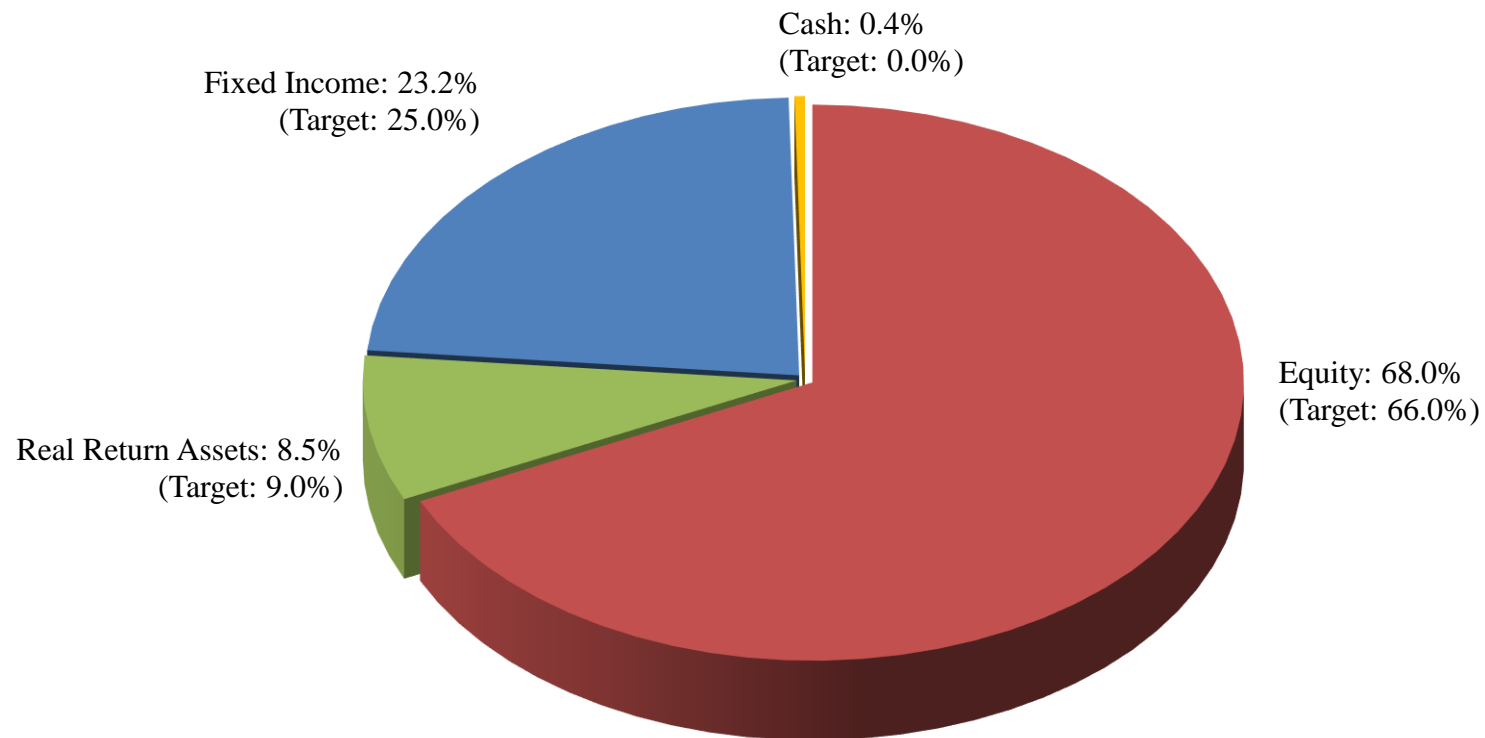
Portfolio Holdings: Continued...

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
ISHARES CORE MSCI EMERGING MKTS ETF	IEMG	4,250	46.36	197,043.62	42.45	180,412.50	1.56%
DFA INTERNATIONAL VALUE PORTFOLIO	DFIVX	9,315	17.16	159,838.34	16.76	156,117.15	1.35%
TOTAL				5,756,286.48		7,665,837.79	66.08%
FIXED INCOME							
VANGUARD TOTAL BOND MARKET-ADM	VBTLX	136,291	10.32	1,406,613.02	10.65	1,451,503.01	12.51%
RIDGEWORTH SEIX FLOATING RATE I	SAMBX	47,309	8.87	419,550.43	8.74	413,483.27	3.56%
SCHWAB US AGGREGATE BOND ETF	SCHZ	6,000	53.13	318,777.12	51.50	309,000.00	2.66%
ISHARES FLOATING RATE BOND ETF	FLOT	5,275	50.69	267,392.83	50.73	267,600.75	2.31%
VANGUARD SHORT-TERM INVESTMENT GRADE FUND	VFSUX	24,953	10.75	268,171.11	10.63	265,251.52	2.29%
TOTAL				2,680,504.51		2,706,838.55	23.33%

Portfolio Holdings: Continued...

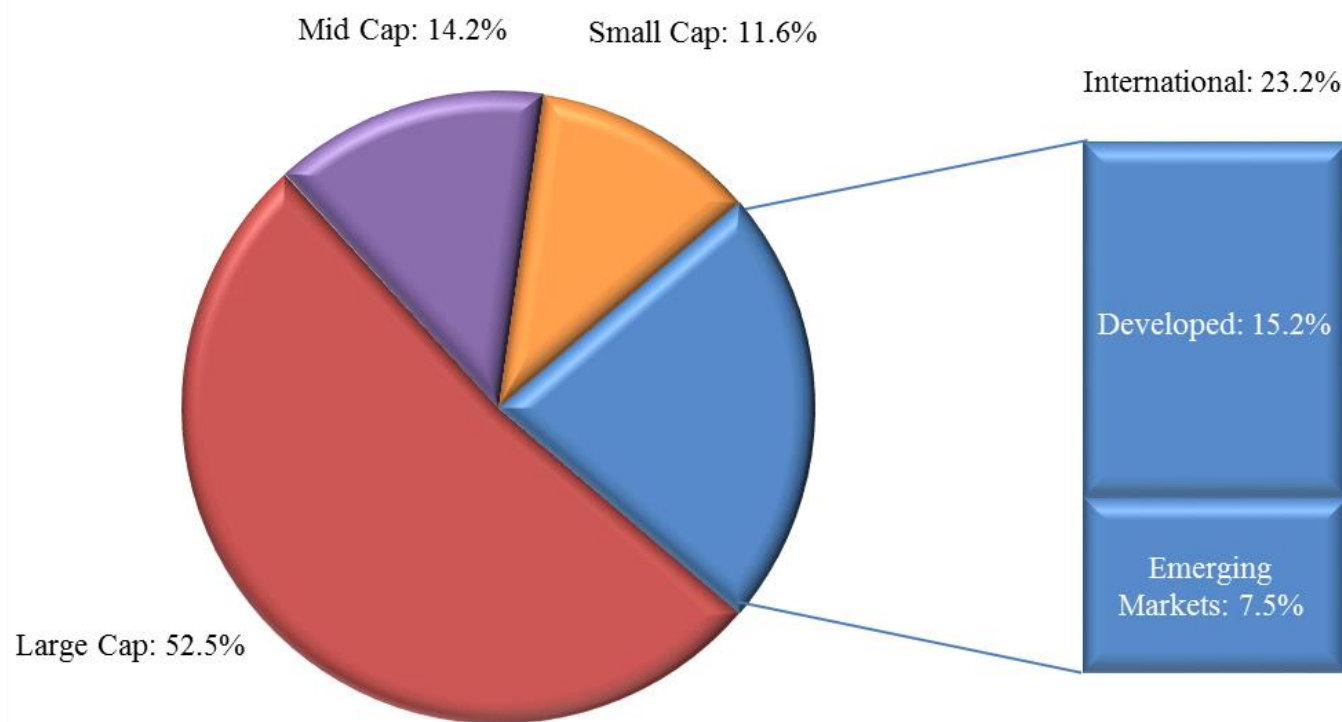
Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
REAL RETURN ASSETS							
PIMCO COMMODITIESPLUS STRATEGY FUND - INST	PCLIX	55,498	8.72	484,213.44	6.44	357,409.83	3.08%
VANGUARD SHORT-TERM TIPS	VTIP	4,750	50.00	237,497.67	49.16	233,510.00	2.01%
VANGUARD INFLATION PROTECTED SECURITIES FD	VAIPX	8,922	24.62	219,639.58	25.48	227,328.89	1.96%
SPDR SERIES TRUST DOW JONES REIT ETF	RWR	1,575	45.72	72,001.66	93.35	147,026.25	1.27%
SPDR DOW JONES INTL REAL ESTATE ETF	RWX	2,475	36.24	89,693.37	36.08	89,298.00	0.77%
TOTAL				1,103,045.72		1,054,572.97	9.09%
GRAND TOTAL				9,713,061.66		11,600,474.25	100.00%

Overall Portfolio



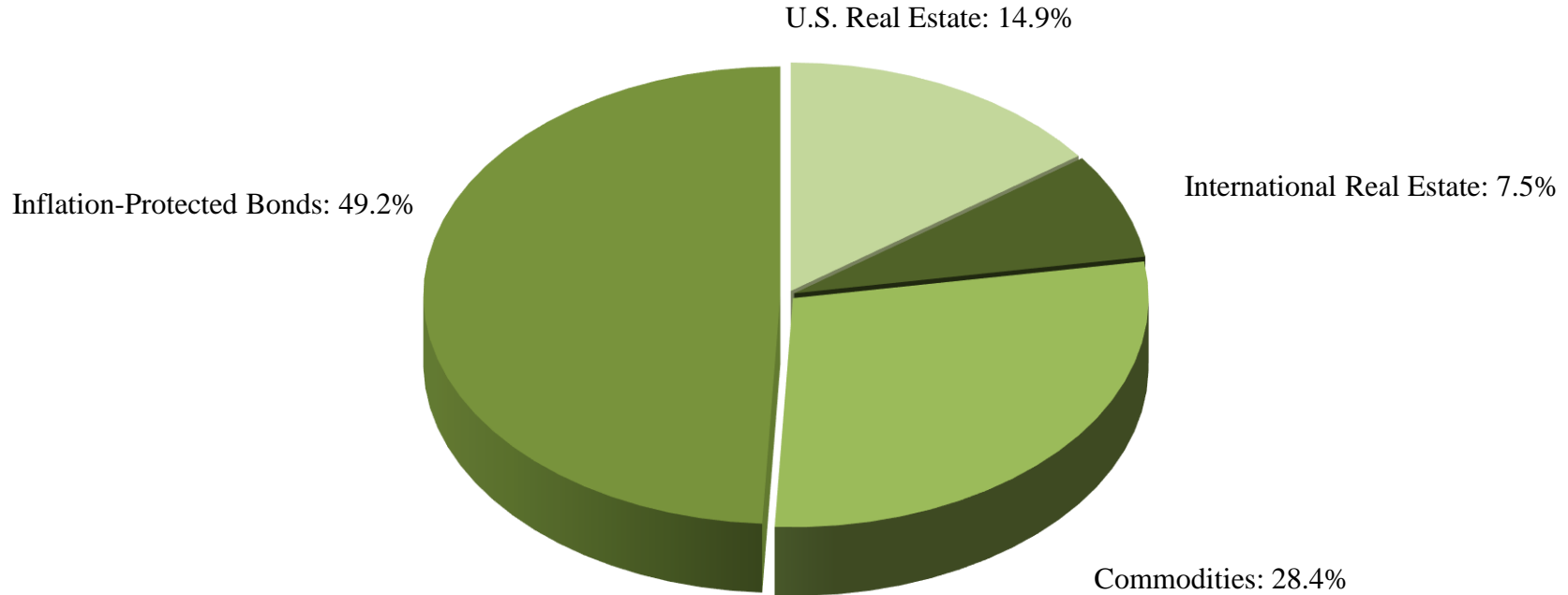
The sum of the values may not equal 100% due to rounding.

Equities



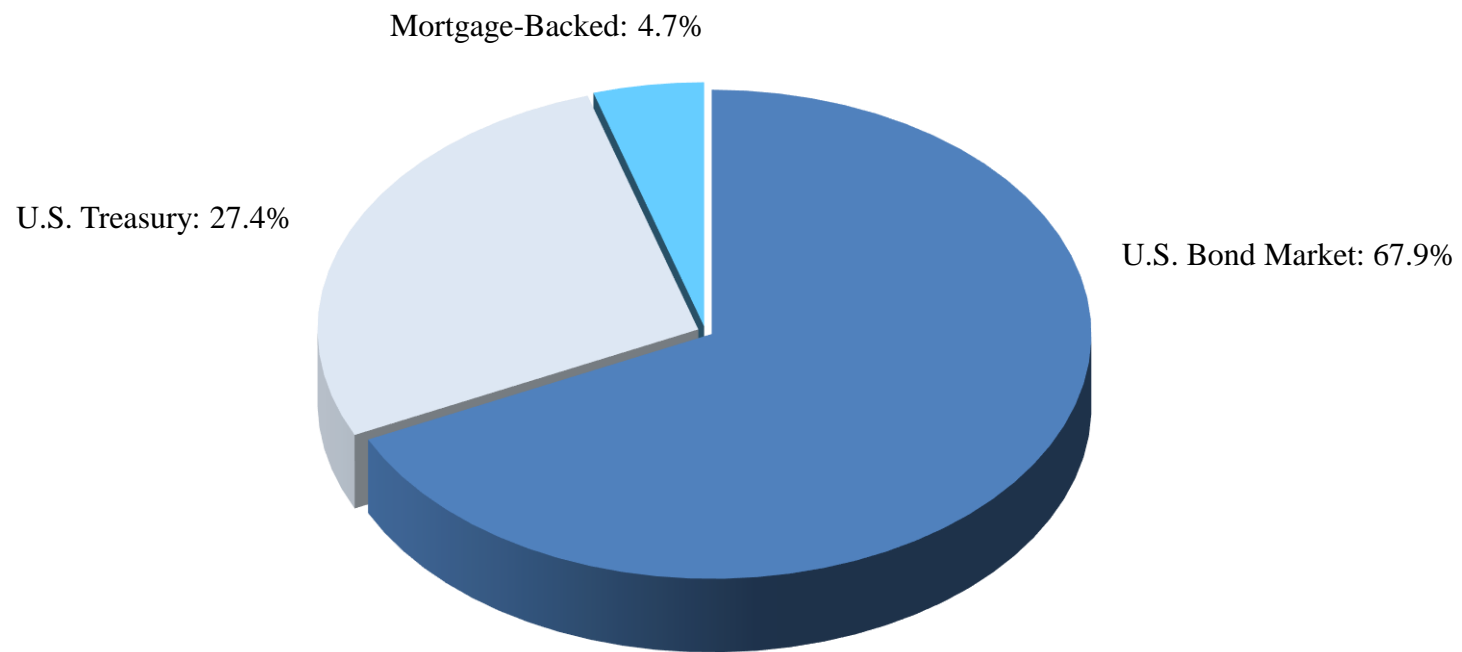
The sum of the values may not equal 100% due to rounding.

Real Return Assets



The sum of the values may not equal 100% due to rounding.

Fixed Income



The sum of the values may not equal 100% due to rounding.

Portfolio Activity and Performance

Activity	4Q 2016 (\$)	2016 (\$)	3 Years (\$)	5 Years (\$)	Since Inception (\$)
Value at Beginning of Period	1,823,560.64	1,839,906.23	1,818,871.81	1,316,170.56	730,662.31
Contributions	0.00	1,286.75	105,537.77	320,748.29	1,078,648.52
Withdrawals	-17,807.05	-157,595.25	-299,842.34	-472,274.34	-810,946.46
Income Received	18,681.67	35,809.21	107,548.18	169,292.39	291,175.02
Capital Gain/Loss	23,285.56	128,313.88	115,605.40	513,783.92	558,181.42
Value at End of Period	1,847,720.82	1,847,720.82	1,847,720.82	1,847,720.82	1,847,720.82
Total Investment Gain after Fees	41,967.23	164,123.09	223,153.58	683,076.31	849,356.44
Performance					
Portfolio	2.32%	9.33%	4.12%	8.69%	4.60%

Inception Date: 01/31/2007

Periods greater than 12 months are annualized

Portfolio performance is net of fees.

Performance

	4Q 2016	2016	3 Year Annualized	5 Year Annualized	Since Inception Annualized
EQUITIES	4.22%	12.83%	5.68%	12.98%	4.60%
Broad Market Social Index ¹	2.54%	10.16%	5.41%	11.83%	5.29%
S&P 500	3.82%	11.96%	8.87%	14.66%	6.85%
S&P 400	7.42%	20.74%	9.04%	15.33%	8.85%
Russell 2000	8.83%	21.31%	6.74%	14.46%	6.95%
MSCI EAFE	-0.71%	1.00%	-1.60%	6.53%	0.69%
FIXED INCOME	-1.98%	2.45%	3.28%	2.33%	3.73%
Barclays Aggregate	-2.98%	2.65%	3.03%	2.23%	4.39%
REAL RETURN ASSETS	-0.32%	7.46%	-1.13%	0.42%	0.18%
Weighted RRA Benchmark ²	-0.24%	9.67%	-1.52%	NA	NA
Consumer Price Index	0.56%	1.81%	1.05%	1.30%	1.78%
TOTAL PORTFOLIO	2.32%	9.33%	4.12%	8.69%	4.60%

Inception Date: 01/31/2007

Inception Dates: 05/01/2007 for Equities, 01/31/2007 for Fixed Income and Total Portfolio, 08/01/2011 for Real Return Assets.

¹Broad Market Social Index is comprised of KLD All-Cap Sustainability index (discontinued) from inception through 6/30/10, MSCI USA Broad ESG Index from 7/1/10 - 7/31/11, and 80% MSCI USA Broad ESG Index/20% MSCI World ex USA ESG Index from 8/1/11 - present. International position inception on 8/1/11.

²Weighted RRA Benchmark is comprised of 13.89% DJ U.S. REIT/ 8.33% DJ Global ex U.S. Real Estate/ 33.33% DB Commodity/ 44.45% Barclays TIPS.

Consumer Price Index is through November 2016.

Total portfolio performance is net of fees.



Community Foundation of Tompkins County SRI Account

As of 12/31/2016

Portfolio Holdings

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
CASH AND EQUIVALENTS							
SCHWAB GOVT MONEY MARKET FUND	SWGXX			7,227.53		7,227.53	0.39%
EQUITIES							
DFA U.S. SOCIAL CORE EQUITY 2 PORTFOLIO	DFUEX	44,389	8.83	391,996.60	13.89	616,565.53	33.37%
VANGUARD FTSE SOCIAL INDX-IV	VFTSX	24,973	7.78	194,384.02	14.30	357,110.18	19.33%
DFA INTL SUSTAINABILITY CORE	DFSPX	21,511	8.73	187,685.51	8.90	191,449.56	10.36%
DFA EMERGING MARKETS SOCIAL CORE EQUITY	DFESX	8,189	12.86	105,287.30	11.10	90,901.44	4.92%
TOTAL				879,353.43		1,256,026.72	67.98%
FIXED INCOME							
TIAA-CREF SOCIAL BOND INSTL	TSBIX	28,726	9.86	283,281.38	10.12	290,709.43	15.73%
ISHARES BARCLAYS SHORT TREASURY BOND FUND	SHV	875	110.26	96,479.60	110.30	96,512.50	5.22%
ISHARES BARCLAYS 3-7 YEAR TREASURY BOND	IEI	170	119.46	20,308.65	122.51	20,826.70	1.13%



Community Foundation of Tompkins County SRI Account

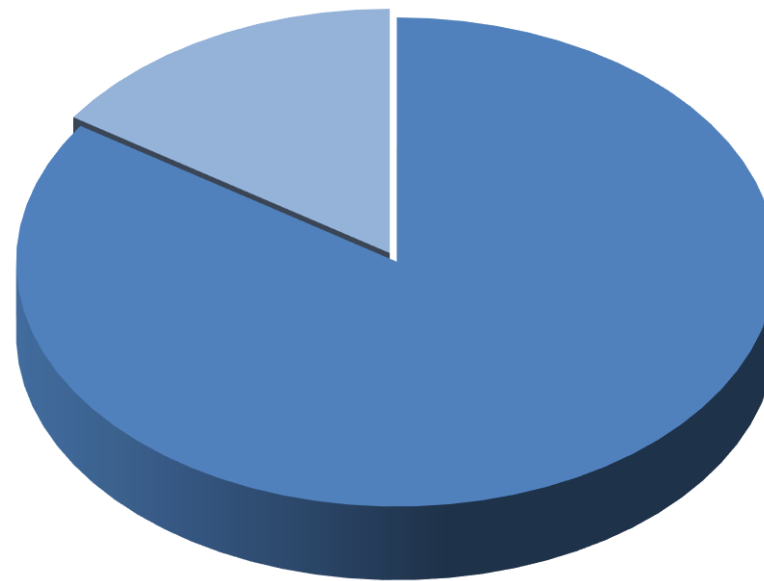
As of 12/31/2016

Portfolio Holdings: Continued...

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
VANGUARD GNMA FUND-ADMIRAL	VFIJX	1,910	10.86	20,737.11	10.54	20,128.97	1.09%
TOTAL				420,806.74		428,177.59	23.17%
REAL RETURN ASSETS							
POWERSHARES DB COMMODITY INDEX TRACKING FD	DBC	2,800	25.99	72,778.22	15.84	44,352.00	2.40%
VANGUARD INFLATION PROTECTED SECURITIES FD	VAIPX	1,522	27.15	41,322.63	25.48	38,774.48	2.10%
VANGUARD SHORT-TERM TIPS	VTIP	775	50.09	38,817.15	49.16	38,099.00	2.06%
SPDR SERIES TRUST DOW JONES REIT ETF	RWR	250	65.55	16,388.69	93.35	23,337.50	1.26%
SPDR DOW JONES INTL REAL ESTATE ETF	RWX	325	39.03	12,683.31	36.08	11,726.00	0.63%
TOTAL				181,990.00		156,288.98	8.46%
GRAND TOTAL				1,489,377.70		1,847,720.82	100.00%

Fixed Income

Floating Rate Bank Loan: 15.6%



U.S. Bond Market: 84.4%

The sum of the values may not equal 100% due to rounding.



Community Foundation of Tompkins County Fixed Income Account

As of 12/31/2016

Portfolio Activity and Performance

Activity	4Q 2016 (\$)	Since Inception (\$)
Value at Beginning of Period	22,433.14	25,026.63
Contributions	0.00	0.00
Withdrawals	-1,050.19	-4,502.65
Income Received	140.16	382.02
Capital Gain/Loss	-706.91	-89.80
Value at End of Period	20,816.20	20,816.20
Total Investment Gain after Fees	-566.75	292.22
Performance		
Portfolio	-2.61%	0.78%
Barclays Aggregate	-2.98%	0.42%

Inception Date: 03/21/2016

Portfolio performance is net of fees.



Community Foundation of Tompkins County Fixed Income Account

As of 12/31/2016

Portfolio Holdings

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
CASH AND EQUIVALENTS							
CASH	cash			126.82		126.82	0.61%
FIXED INCOME							
SCHWAB US AGGREGATE BOND ETF	SCHZ	339	52.52	17,802.99	51.50	17,458.50	83.87%
RIDGEWORTH SEIX FLOATING RATE I	SAMBX	370	8.31	3,073.63	8.74	3,230.88	15.52%
TOTAL				20,876.62		20,689.38	99.39%
GRAND TOTAL				21,003.44		20,816.20	100.00%

Capital Markets Review

- The S&P 500 Index ended the year with a 12.0% total return. Reversing a recent trend, smaller capitalization stocks outpaced larger cap stocks with the Russell 2000 Index ending the year with a gain of 21.3%.
- Emerging market stocks recovered from 2015 with a total return of 11.2%.
- U.S. bond yields declined early in 2016 as expectations for looser monetary policy abroad steered global investors to the U.S. Interest rates increased in the second half of the year fueled by U.S. election results and a move by the Federal Reserve to raise short-term rates in December.
- The U.S. economy showed signs of strength as unemployment remains low, third quarter earnings were strong and consumer confidence is at its highest since 2001.
- Global growth remains low but is accelerating. Deflation concerns abroad are decreasing, although political turmoil in Europe remains.

Diversification Works (Over Time)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10 Yr (Ann)	15 Yr (Ann)
Emerging 39.4%	Agg Bonds 5.2%	Emerging 78.5%	REITS 28.1%	TIPS 13.6%	Emerging 18.2%	Small Cap 38.8%	REITS 32.0%	REITS 4.5%	Small Cap 21.3%	Small Cap 7.1%	REITS 10.7%
Commodities 32.3%	Cash 2.4%	International 31.8%	Small Cap 26.9%	REITS 9.4%	International 17.3%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	Commodities 15.5%	Large Cap 6.9%	Emerging 9.5%
TIPS 11.6%	TIPS -2.4%	REITS 28.5%	Emerging 18.9%	Agg Bonds 7.8%	REITS 17.1%	International 22.8%	Agg Bonds 6.0%	Agg Bonds 0.5%	Large Cap 12.0%	REITS 4.6%	Small Cap 8.5%
International 11.2%	Hedge Funds -23.3%	Small Cap 27.2%	Commodities 15.2%	Large Cap 2.1%	Small Cap 16.3%	Hedge Funds 6.7%	Small Cap 4.9%	Cash 0.1%	Emerging 11.2%	TIPS 4.4%	Large Cap 6.7%
Agg Bonds 7.0%	Small Cap -33.8%	Large Cap 26.5%	Large Cap 15.1%	Cash 0.1%	Large Cap 16%	REITS 1.2%	TIPS 3.6%	International -0.8%	REITS 6.7%	Agg Bonds 4.3%	TIPS 5.3%
Large Cap 5.5%	Large Cap -37.0%	Commodities 26.1%	International 7.8%	Commodities -3.5%	TIPS 7%	Cash 0.1%	Cash 0.1%	TIPS -1.4%	TIPS 4.7%	Emerging 1.8%	International 5.3%
Cash 5.0%	Commodities -38.4%	Hedge Funds 13.4%	Agg Bonds 6.5%	Small Cap -4.2%	Agg Bonds 4.2%	Commodities -1.8%	Hedge Funds -0.6%	Hedge Funds -3.6%	Agg Bonds 2.6%	Cash 0.9%	Commodities 4.9%
Hedge Funds 4.2%	REITS -39.2%	TIPS 11.4%	TIPS 6.3%	Hedge Funds -8.9%	Hedge Funds 3.5%	Agg Bonds -2.0%	Emerging -2.2%	Small Cap -4.4%	Hedge Funds 2.5%	International 0.7%	Agg Bonds 4.6%
Small Cap -1.6%	International -43.4%	Agg Bonds 5.9%	Hedge Funds 5.2%	International -12.1%	Commodities 2.1%	Emerging -2.6%	International -4.9%	Emerging -14.9%	International 1.0%	Hedge Funds -0.6%	Hedge Funds 1.7%
REITS -17.6%	Emerging -53.3%	Cash 0.3%	Cash 0.2%	Emerging -18.4%	Cash 0.1%	TIPS -8.6%	Commodities -26%	Commodities -29.4%	Cash 0.4%	Commodities -3.6%	Cash 1.4%

Return Source: Morningstar Direct. Indices used: S&P 500, Russell 2000, MSCI EAFE, MSCI Emerging Markets, DJ US Select REIT, Credit Suisse Commodity, Barclays U.S. Treasury TIPS, Barclays U.S. Aggregate Bond, Barclays U.S. Treasury Bills, HFRX Global Hedge Fund

U.S. Economy

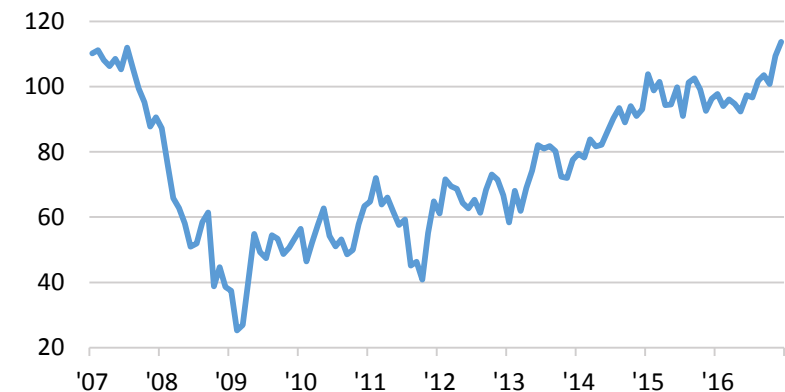
• Consumer confidence highest since 2001

- Economic-centered confidence surveys have shown Americans are optimistic about the economy
- Consumer confidence rose from 100.8 in October to 113.7 in December
- Consumer's short-term expectations increased considerably in December, but their assessment of current conditions declined

• U.S. unemployment rate falls to 4.7%

- The weekly jobless claims rate (claims / labor force) fell to the lowest ever in December
- Unemployment may rise slightly as the improving labor market draws more workers back to the labor force
- The minimum wage increased in 19 states effective January 2017; the impact on employment may take a while to be felt

Consumer Confidence Index



U.S. Unemployment Rate



Source: Bloomberg.

U.S. Economy

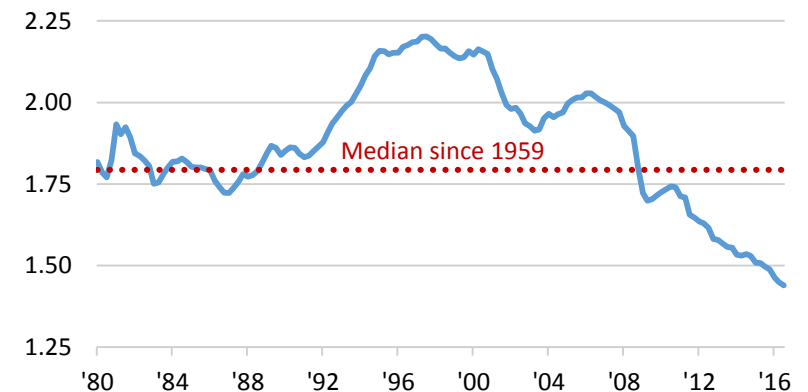
• The velocity of money is at historic lows

- The velocity of money is the frequency at which a dollar is used to purchase goods and services within a given time period
- A declining velocity of money causes a drag on the economy as consumers and businesses are generating less economic growth. When this occurs it requires a greater increase in the money supply to stimulate incremental economic growth

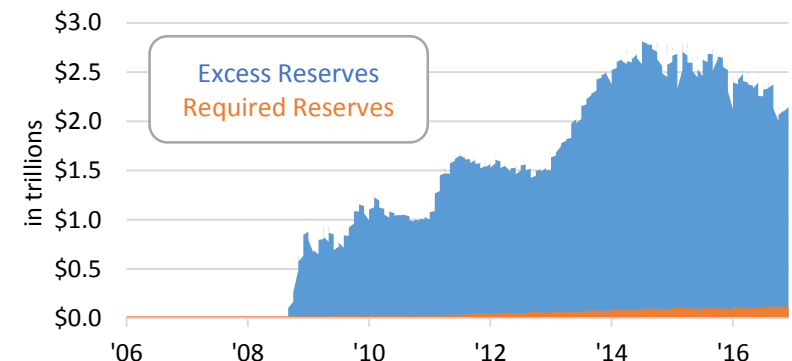
• Reserve balances at Federal Reserve continue to exceed \$2.1 trillion

- \$110 billion is required to be maintained by financial institutions; \$2.0 trillion is held in excess of the reserves
- Corporate cash at the end of the second quarter exceeded \$1.4 trillion
- Personal savings has been slowly climbing since the low in 2005

Velocity Of Money (M2)



Total Reserve Balances at Federal Reserve



Source: Bloomberg, FactSet. M2 is defined as cash, checking deposits, traveler's checks, money markets, savings, and other time deposits.

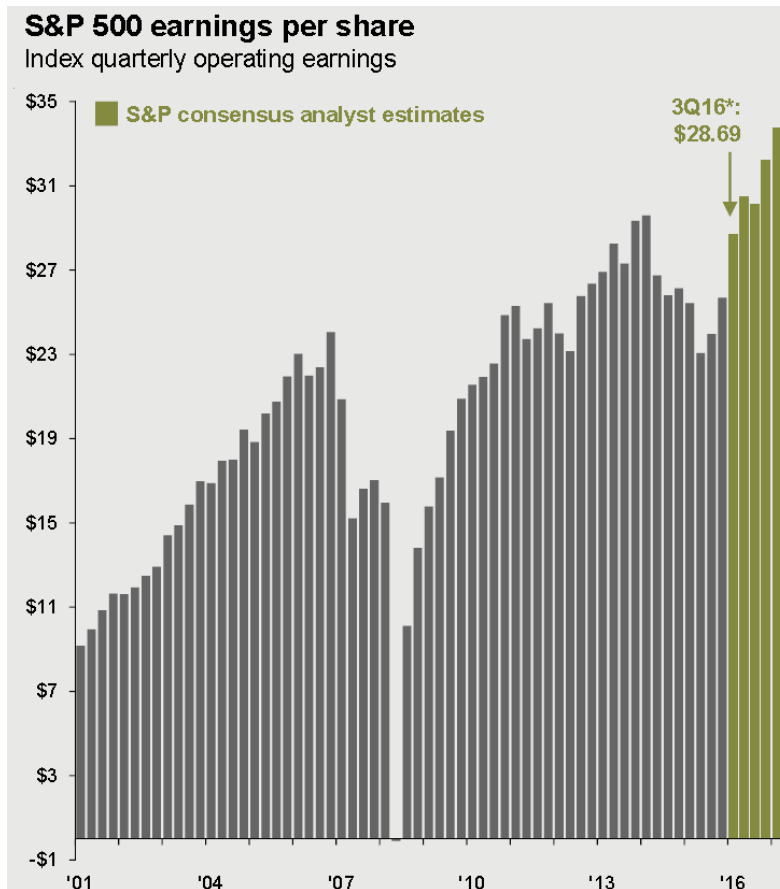
Corporate Earnings

- **The third quarter of 2016 saw an improvement in corporate earnings**

- S&P 500 3Q2016 earnings per share were strong and almost returned to their 3Q2014 highs
- Analysts estimate a 3.2% earnings growth rate in 4Q2016
- Earnings are expected to increase further if the Trump administration lowers corporate tax rates
- Corporate earnings are a strong determinant of long-term equity market performance

- **Corporate cash remains high, almost 12% of assets for S&P 500 companies (ex. Financials)**

- Corporate cash levels are near all-time highs despite minimal cash yields
- Corporate leverage has been rising, but still remains low
- Cash provides ability to expand business, service debt, buy back stock or M&A activity



Source: Compustat, FactSet, S&P, J.P. Morgan Asset Management, UBS. 3Q16 earnings are calculated using actual earnings for 98.6% of S&P 500's market cap and earnings estimates for remaining. Start of chart is 3Q01. FactSet Earnings Insight 12/30/2016. UBS.

Yields & Inflation

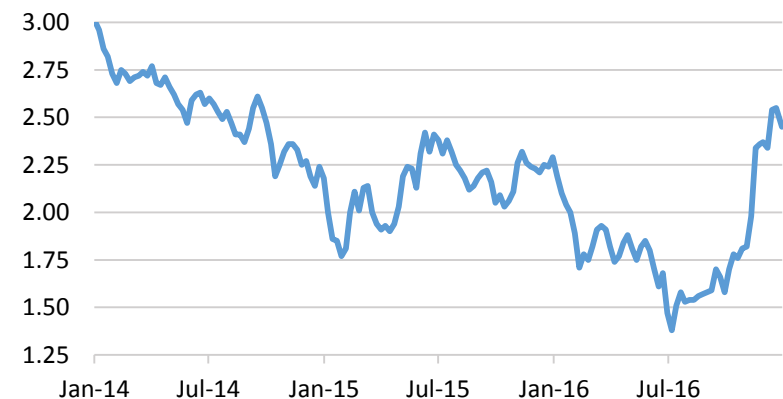
- **U.S. 10 Year Treasury yields ended the year at 2.45%, up from record low of 1.37% in July**

- Demand for U.S. Treasuries in the first 10 months of the year was strong, stemming from concerns over global economic instability
- U.S. Treasury yields surged after the U.S. Presidential election due to expectations for higher U.S. growth, increased government spending and higher inflation

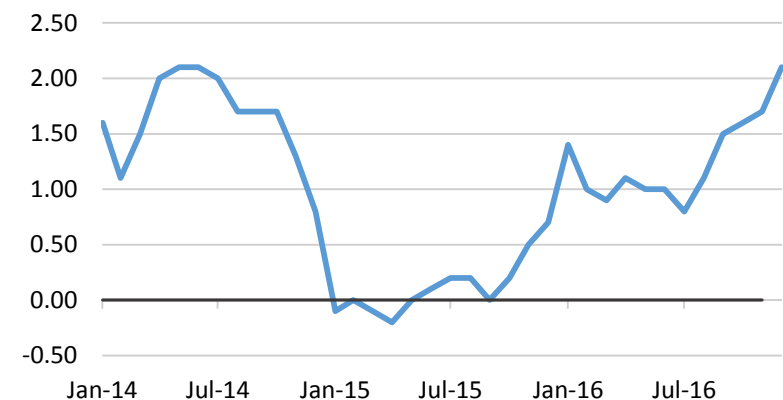
- **Inflation still low, but on the rise**

- 38% of manufactures are paying higher prices, the highest level since 2011
- Rent prices increased by 3.9% from a year ago, the highest rate since 2009
- The Credit Suisse Commodity Index was up 15.5% during 2016

10 Year U.S. Treasury Yield



U.S. CPI Year-over-Year Change

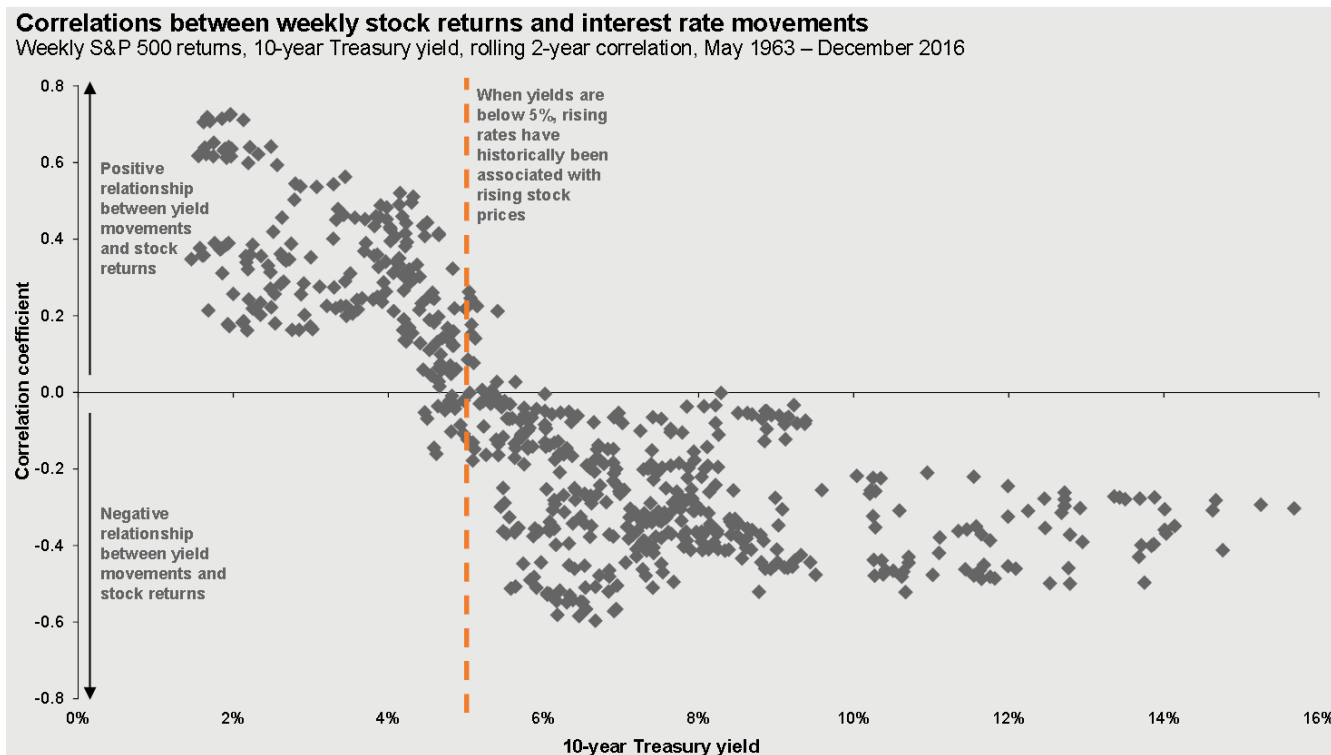


Source: Bloomberg.

Rising Rates and Equity Returns

- **The Federal Reserve raised the federal funds rate by 0.25% to a range of 0.50% to 0.75% at the December 16th, 2016 meeting**

- An improving labor market and increasing inflation led to the rate hike, the first since December 2015
- The Federal Reserve is expecting to raise rates three times in 2017
- Historically, a low but rising rate environment has corresponded with positive stock market returns



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are price only, markers represent monthly 2-year correlations.

U.S. Dollar

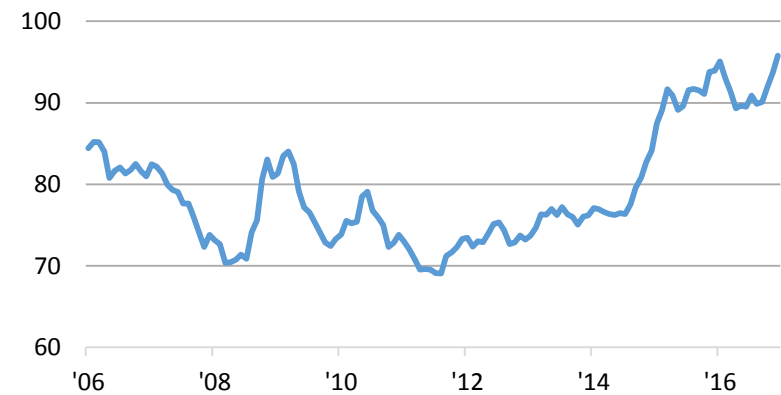
• The Dollar Index highest since 2003

- The U.S. Dollar climbed late in the year on expectations of higher interest rates, inflation and economic growth
- A strong dollar helps foreign companies by making their goods relatively cheaper to U.S. buyers
- However, emerging markets may be negatively impacted by a stronger dollar as foreign capital is reallocated to the U.S. and U.S. Dollar-denominated debt becomes more expensive to service

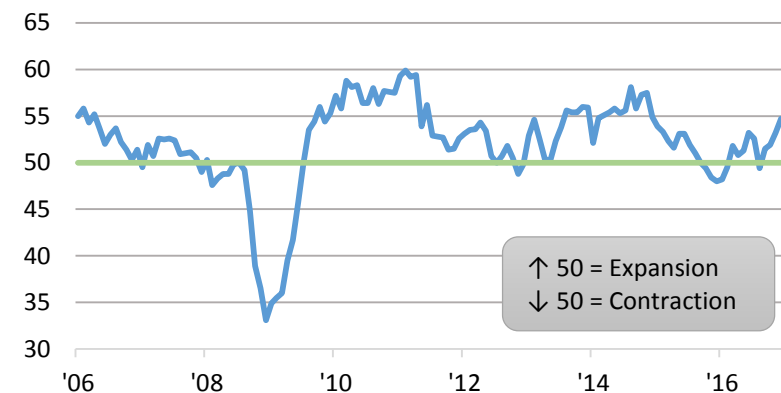
• U.S. Manufacturing expanded at highest rate in 2 years

- Strong December growth was led by the petroleum and coal, metals, food, and beverage sectors
- A strong dollar makes U.S. goods more expensive and less competitive abroad, which could hinder future manufacturing growth

Trade Weighted U.S. Dollar Index



U.S. ISM Manufacturing PMI



Source: Bloomberg.

U.S. Election

• Stocks rally after Donald Trump won the U.S. Presidential election

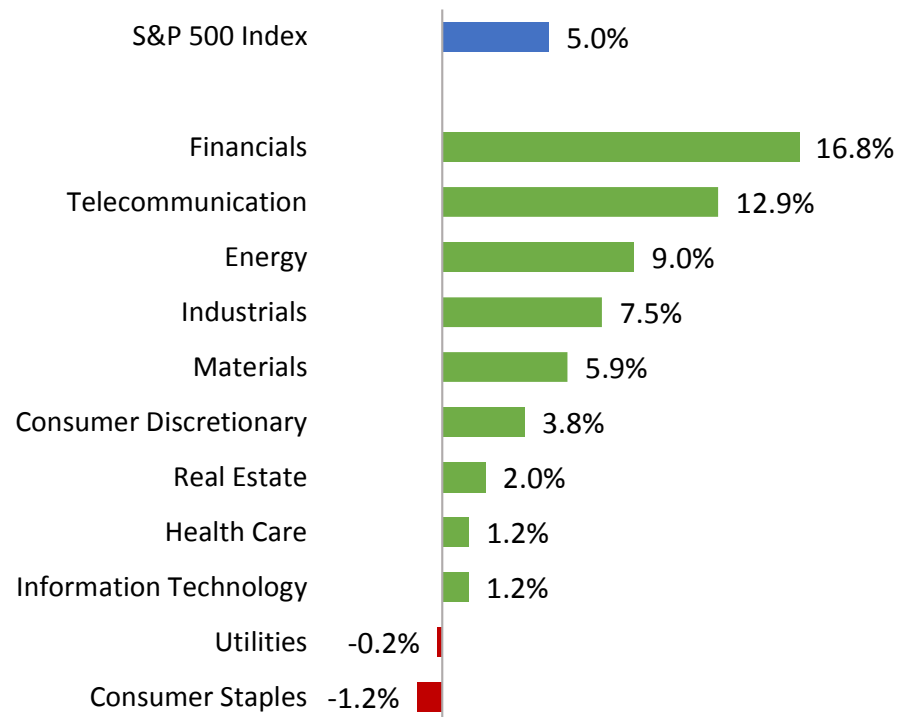
- The S&P 500 Index was up 5.0% from the election to the end of December
- Sector returns over that period were dispersed
- Financial companies rallied on expectations of less regulation and higher interest rates
- Interest rate sensitive and bond surrogate sectors, such as utilities and consumer staples, responded negatively

• Higher growth and inflation are expected

- Expectations are for a Trump presidency to produce higher infrastructure spending, tax cuts and repatriation of corporate cash held overseas
- Higher inflation and higher U.S. government debt are also expected
- The U.S. 10 year Treasury Note yield increased by 0.54% to 2.45% from the election to the end of December

S&P 500 Sector Performance

11/8/2016 through 12/31/2016



Source: Bloomberg.

Oil

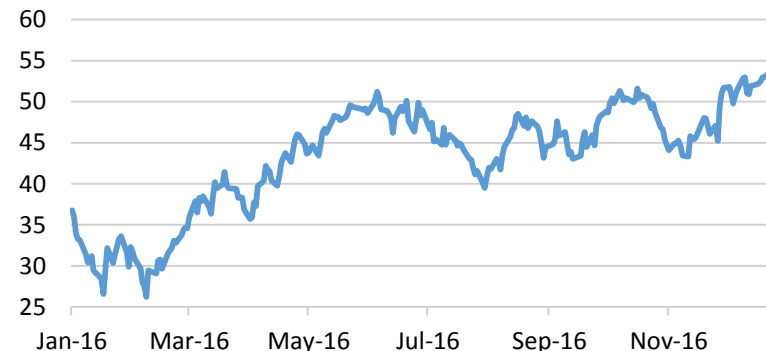
- **Oil prices had their best year since the financial crisis, gaining 45% in 2016 after hitting lowest price in a decade**

- On November 30th, 2016 OPEC agreed to its first production cut since 2008
- The targeted cut is around 1.2 million barrels per day (bpd)
- Iran is exempt from the production cut and is permitted to increase production to pre-sanction levels
- Russia, along with 10 other non-OPEC countries, agreed to cut oil production by 558,000 bpd in December

- **Oil stockpiles expected to decline**

- If OPEC can stick to their production cuts it should bring balance back to the oil market, but will take time to correct
- The U.S. was able to retain competitiveness in extracting oil at a low price by increasing productivity, cutting expenditures and refinancing debt

WTI Crude Oil Spot Price
\$/bbl



Production and Consumption of Oil
in millions of bpd

	2013	2014	2015	2016*	Change since 2013
Production					
U.S.	12.4	14.1	15.1	14.8	16.2%
OPEC	37.6	37.5	38.3	39.3	4.3%
Global	91.0	93.4	95.8	96.1	5.6%

Consumption					
U.S.	19.0	19.1	19.5	19.5	2.6%
China	10.5	10.9	11.3	11.7	10.3%
Global	91.4	92.6	94.0	95.4	4.4%

Inventory Change	-0.5	0.8	1.7	0.7	
-------------------------	-------------	------------	------------	------------	--

Source: Bloomberg, J.P. Asset Management. *Forecasts from December 2016 EIA Short-Term Energy Outlook

Europe & China

• Inflation in Europe increases to 1.1%, highest in three years

- Euro area manufacturing expanded throughout 2016 and ended the year at the highest pace since 2011
- Unemployment in the Eurozone continues to decline, falling below 10.0% at the end of the year
- The European Central Bank (ECB) announced in December that they plan to continue quantitative easing until at least the end of 2017

• China's producer price index has turned positive for the first time since early 2012

- Manufacturing in China expanded in the second half of 2016, after almost 18 months of contraction
- The service sector in China continues to expand at an accelerated rate
- China may see exports to the U.S. decline as a result of potential new Trump policies

Euro Area Inflation
Year-over-Year, All Items



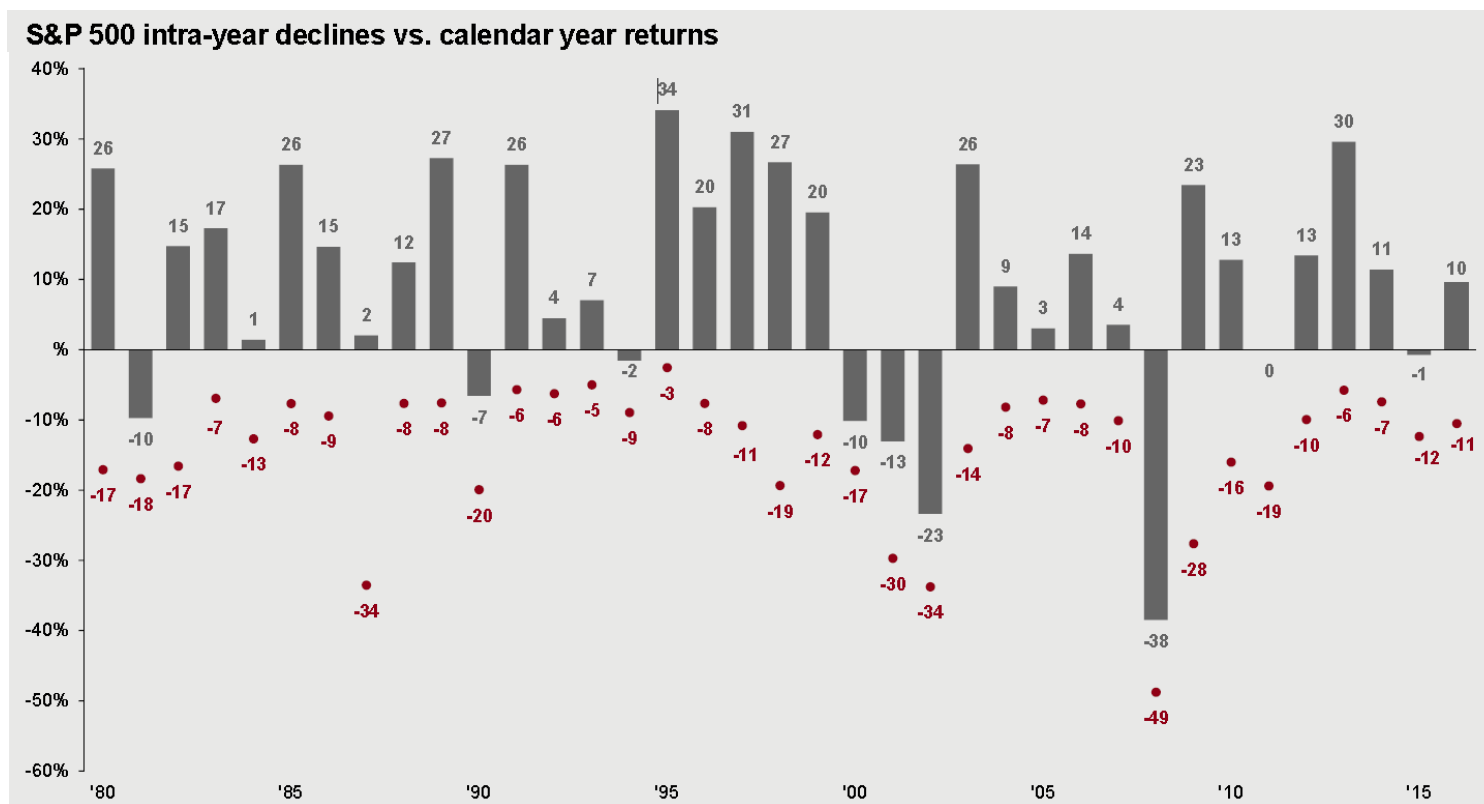
China PPI



Source: Bloomberg,

The Importance of Staying Invested

- In the first 6 weeks of 2016 the S&P 500 Index was down 11%, but recovered and ended the year up 10% (price change only). It gained 12% including dividends
- The average year has a drop of 14.2% even though annual returns are positive in 27 of 36 years

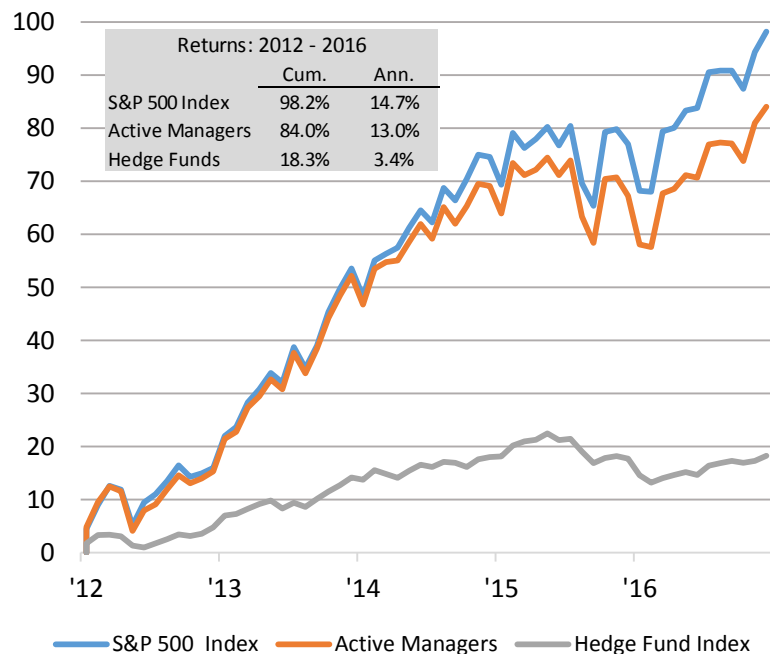


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are price only, intra-year drops are largest market drops from peak to trough.

It Should Have Been a “Stock Pickers’ Market” ...

- Over the last 5 years the return for the average domestic large cap fund was 14.2% behind the S&P 500 Index, on a cumulative basis
- An active manager had opportunities to beat the market by selecting the right stocks, or avoiding the worst stocks

Cumulative Returns



Source: Bloomberg, Hedge Fund Index: HFRI Fund of Fund Composite Index. Active Managers: Morningstar Direct, average returns of 1,213 surviving large blend non-index funds.

S&P 500 Best and Worst Stocks

Best 5	2012	2013	2014	2015	2016
1	187.8%	296.8%	126.3%	134.4%	226.9%
2	142.3%	244.2%	105.0%	117.8%	149.4%
3	120.2%	242.7%	93.7%	67.1%	94.8%
4	115.7%	132.0%	91.6%	57.7%	90.1%
5	109.7%	119.4%	80.5%	54.4%	80.2%
Avg. Best 50	68.1%	97.8%	53.6%	42.6%	57.7%
Avg. Best 250	34.4%	58.0%	31.1%	18.2%	31.1%

Worst 5	2012	2013	2014	2015	2016
1	-67.8%	-48.5%	-59.9%	-76.8%	-73.1%
2	-61.2%	-48.3%	-49.7%	-76.5%	-51.4%
3	-55.6%	-30.4%	-46.5%	-70.1%	-45.6%
4	-47.3%	-30.0%	-45.3%	-67.0%	-42.1%
5	-43.3%	-27.1%	-44.5%	-62.8%	-41.5%
Avg. Worst 50	-23.9%	-9.7%	-25.5%	-46.0%	-25.3%
Avg. Worst 250	-1.2%	12.9%	-3.1%	-21.0%	-4.6%

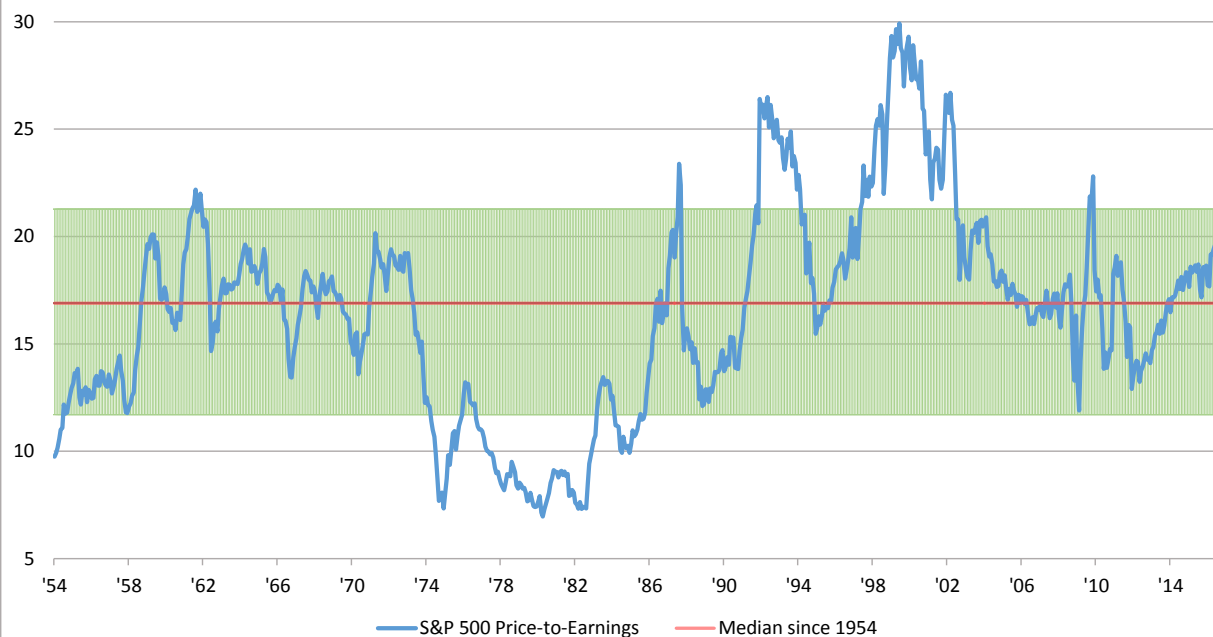
S&P 500 Index	15.9%	32.4%	13.7%	1.4%	12.0%
---------------	-------	-------	-------	------	-------

Source: Bloomberg, iShares. Returns are total return, average is simple average of returns.

Equity Valuations

Valuation Metric for S&P 500	12/31/2016	25 Year Median	Standard Deviation: over/under valued
Price to Earnings TTM	20.97	18.56	0.6
Shiller's P/E (CAPE)	28.26	25.10	0.5
Dividend Yield (%)	2.09	1.94	0.3
Price to Book	2.88	2.77	0.2
Price to Cash Flow	12.24	10.62	0.5
Baa Corp Yield - S&P 500 Yield (%)	1.63	4.26	-1.5

S&P 500 Price-to-Earnings TTM

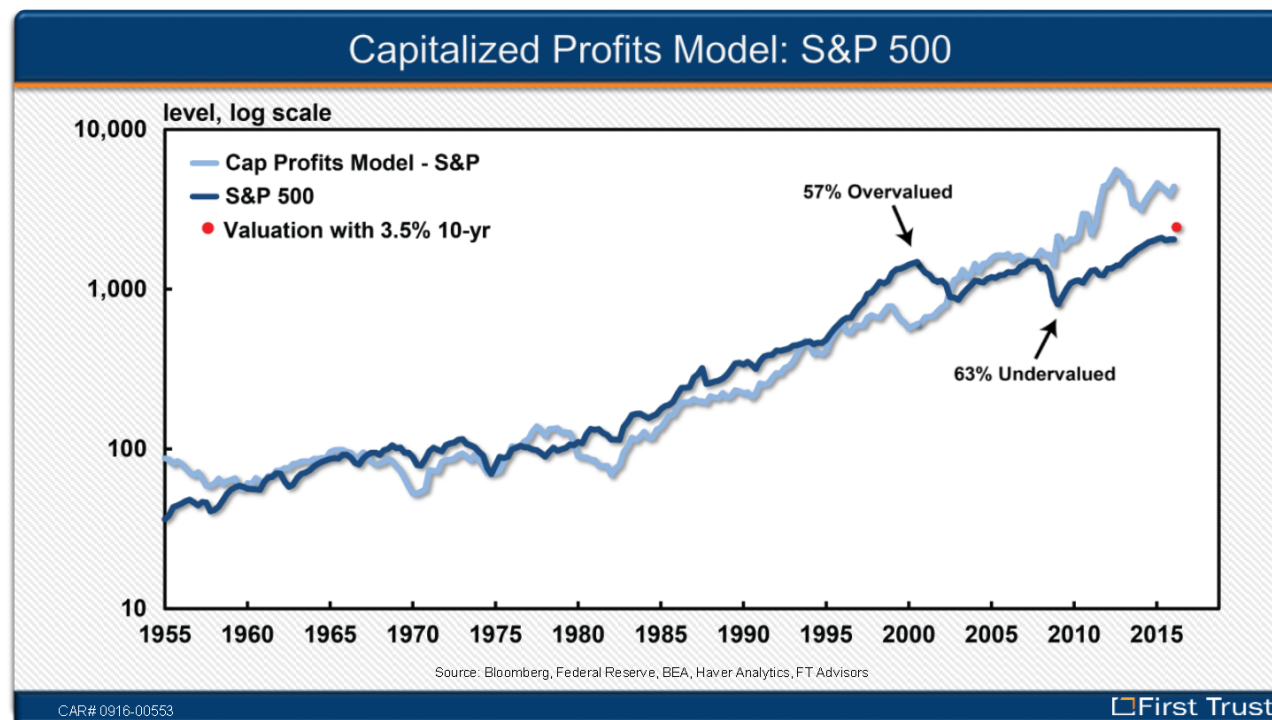


Source: Bloomberg, Shiller, Robert. Baa Corp Yield: Barclays U.S. Baa Corp Bond Index. Green shaded area ± 1 standard deviation.

Interest Rate Adjusted Equity Valuations

- **Capitalized Profits Model (CPM) shows U.S. stock market remains undervalued**

- CPM: Corporate profits ÷ 10 Year U.S. Treasury yield, shows the relationship between interest rate-adjusted profits and the current index level
- According to the model the S&P 500 would remain undervalued even if Treasury yields were significantly higher



Source: First Trust, as of 9/30/2016.

SPIVA Scorecard

Percent of Mutual Funds Outperformed by Benchmarks

Fund Category	Comparison Index	One Year (%)	Three Year (%)	Five Year (%)	Ten Year (%)
All Large Cap Funds	S&P 500	84.6	81.3	91.9	85.4
All Mid Cap Funds	S&P MidCap 400	87.9	83.8	87.9	91.3
All Small Cap Funds	S&P SmallCap 600	88.8	94.1	97.6	90.8
All Multi Cap Funds	S&P Composite 1500	91.2	93.2	93.4	89.3
International Funds	S&P 700	54.9	54.6	60.5	80.2
Emerging Market Funds	S&P/IFCI Composite	42.2	77.4	67.6	81.9
Government Intermediate Funds	Barclays Intermediate Government	64.3	58.6	71.1	79.7
Government Long Funds	Barclays Long Government	93.1	96.8	97.6	95.7
New York Municipal Debt Funds	S&P New York AMT-Free Municipal Bond	29.6	50.0	48.3	91.7

Source: S&P Dow Jones Indices, CRSP. For periods ending June 30, 2016. Outperformance is based upon equal weighted fund counts. All index returns used are total returns. Charts are provided for illustrative purposes. Past performance is not a guarantee of future results.

SPIVA Persistence

Performance Persistence over Five Consecutive 12-Month Periods

Top Quartile Performing Funds

Fund Category	Fund Count at Start September 2012	Percent Remaining in Top Quartile			
		September 2013	September 2014	September 2015	September 2016
All Large Cap Funds	246	33.3	10.6	0.8	0.8
All Mid Cap Funds	95	43.2	16.8	3.2	0.0
All Small Cap Funds	151	39.1	9.9	1.3	0.0

Top Half Performing Funds

Fund Category	Fund Count at Start September 2012	Percent Remaining in Top Half			
		September 2013	September 2014	September 2015	September 2016
All Large Cap Funds	492	54.3	30.1	10.2	4.5
All Mid Cap Funds	190	56.3	32.1	9.0	3.7
All Small Cap Funds	302	59.6	29.5	15.9	9.3

Source: S&P Dow Jones Indices, CRSP. Data as of September 30, 2016. Tables are for illustrative purposes.

Financial Market Performance

Total Returns through December 31, 2016

Total Returns through December 31, 2016							
Asset Class	Index Description	4Q16	1 Year	Annualized Returns			
				3 Year	5 Year	10 Year	15 Year
U.S. Equity							
Large-Cap Core	S&P 500	3.8%	12.0%	8.9%	14.7%	6.9%	6.7%
Large-Cap Growth	S&P 500 Growth	0.5%	6.9%	9.0%	14.5%	8.3%	6.6%
Large-Cap Value	S&P 500 Value	7.3%	17.4%	8.5%	14.7%	5.5%	6.7%
Mid-Cap Core	S&P MidCap 400	7.4%	20.7%	9.0%	15.3%	9.2%	9.7%
Mid-Cap Growth	S&P MidCap 400 Growth	4.7%	14.8%	8.0%	14.4%	9.7%	9.1%
Mid-Cap Value	S&P MidCap 400 Value	9.8%	26.5%	9.8%	16.1%	8.5%	10.2%
Small-Cap Core	Russell 2000	8.8%	21.3%	6.7%	14.5%	7.1%	8.5%
Small-Cap Growth	Russell 2000 Growth	3.6%	11.3%	5.1%	13.7%	7.8%	7.5%
Small-Cap Value	Russell 2000 Value	14.1%	31.7%	8.3%	15.1%	6.3%	9.2%
Micro-Cap Core	Russell Microcap	10.0%	20.4%	5.8%	15.6%	5.5%	8.2%
International Equity							
Developed Markets	MSCI EAFE	-0.7%	1.0%	-1.6%	6.5%	0.7%	5.3%
Emerging Markets	MSCI Emerging Markets	-4.2%	11.2%	-2.6%	1.3%	1.8%	9.5%
Fixed Income							
Short-Term Treasury (1-3 mo.)	Barclays Short Treasury	0.1%	0.5%	0.2%	0.2%	1.0%	1.5%
Intermediate-Term Corporate	Barclays Intermediate Corporate	-1.8%	4.0%	3.1%	3.6%	4.9%	5.1%
Diversified Bonds	Barclays U.S. Aggregate	-3.0%	2.6%	3.0%	2.2%	4.3%	4.6%
Municipal Bonds	Barclays Municipal Bonds	-3.6%	0.2%	4.1%	3.3%	4.2%	4.7%
Real Return							
Domestic Real Estate (REITs)	Dow Jones Select US REIT	-2.5%	6.7%	13.7%	11.8%	4.6%	10.7%
International Real Estate	Dow Jones Global ex-U.S. Select Real Estate	-7.0%	0.7%	1.2%	8.5%	0.0%	9.0%
Inflation-Protected Treasuries (TIPS)	Barclays U.S. Treasury Inflation Notes	-2.4%	4.7%	2.3%	0.9%	4.4%	5.3%
Short-Term Inflation-Protected Treasuries (TIPS)	Barclays U.S. Treasury TIPS 0-5 Years	-0.2%	2.8%	0.5%	0.5%	2.8%	-
Commodities	Credit Suisse Commodity Benchmark	4.5%	15.5%	-15.5%	-9.6%	-3.6%	4.9%

Source: Bloomberg.

V1231.2