Investment Update

July, 2017

2017 Second Quarter Update

Review: Major global markets posted positive returns in the second quarter of 2017 supported by improving economic growth, rising earnings and quiescent inflation. Once again, policy news out of Washington influenced domestic returns. Large cap stocks outperformed mid and small caps as the timetable for tax reform and fiscal stimulus was pushed back into the latter half of 2017 or early 2018.

The S&P 500 rose 3.1%. A lack of negative news headlines, coupled with attractive valuations, helped the Healthcare sector post the best absolute return, rising 6.8%. Conversely, the Energy sector was the worst performer, falling 8.5% as oil supply remained stubbornly high, despite OPEC's mandated production cuts. Notably, the Information Technology sector underwent profit-taking, particularly in mega-cap stocks like Apple, Google and Facebook, as investors trimmed positions for risk management. The Federal Reserve raised the Federal Funds rate 25 basis points in June and the markets are currently pricing in one more increase this year.

Non-domestic equities continued to attract investment inflows as a market-friendly election outcome in France and stable Emerging Markets currencies versus the U.S. Dollar were supportive, despite soft commodity prices and political unrest in South America.

Period	2Q17	1Q17	4Q16	2016
S&P 500	3.1%	6.1%	3.8%	12.0%
MSCI EAFE* **	6.4%	7.4%	-0.7%	1.5%
MSCI Emerging Markets**	6.4%	11.5%	-4.1%	11.6%
Barclays U.S. Aggregate Bond	1.5%	0.8%	-3.0%	2.7%
Barclays Muncipal Bond	2.0%	1.6%	-3.7%	0.3%

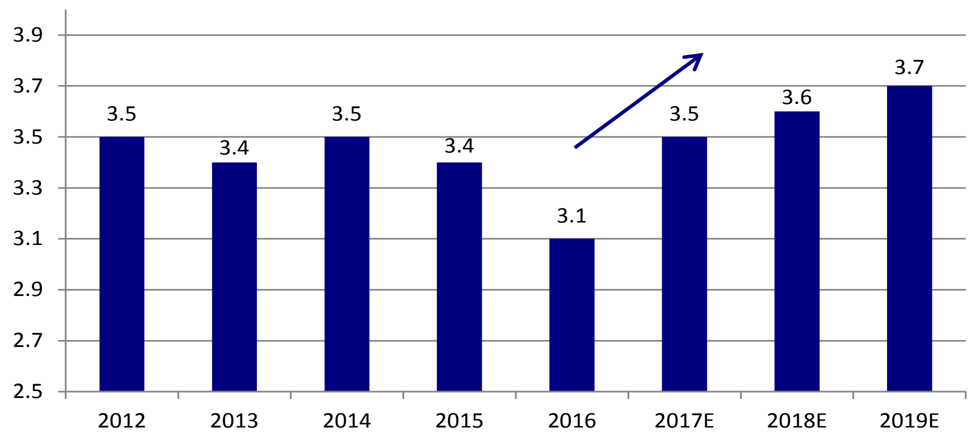
*Europe, Australia, Far East
**MSCI returns are in U.S. Dollars

Economy: After growing 1.4% in the first quarter, U.S. GDP is expected to rebound to 2.5% in the second quarter, as excess inventories are reduced and public sector spending resumes. Inflation, as measured by the Core PCI, slipped lower to 1.4% and remains below the Federal Reserve's 2% target. Aging demographics and disruptive technology are generally cited as major influences keeping the rate of inflation low, despite ongoing strong employment gains.

Eurozone growth continued to be boosted by increased bank lending and rising manufacturing and services activity. We continue to closely monitor the U.K.'s Brexit negotiations as well as German elections in September. Japanese economic growth has strengthened as capital goods shipments picked up. Resilient domestic activity in China is currently offsetting weaker capital expenditure investment. The National Congress of the Chinese Communist Party, which occurs in the fall every five years, will be watched closely. Emerging markets growth in general will remain closely tied to commodity prices and the value of the U.S. Dollar.

Strategy: Global economic data continue to support the thesis of a synchronized upturn in growth which, if sustainable, will be supportive of future earnings and forward multiples.

Global GDP Growth



International Monetary Fund, real global GDP as of April, 2017

In the U.S., stable economic growth, rising corporate earnings and low interest rates are important to equity valuations. We continue to monitor global relative equity valuations, especially in the Eurozone, where a favorable German election outcome could boost multiples. Bond yields have not yet risen high enough to offer compelling risk-adjusted returns versus equities. In fixed income, investment grade corporate and municipal bonds still offer the best risk-adjusted returns. Washington will continue to be a focal point for investors on two fronts: the pace of Federal Reserve rate hikes and any progress on fiscal policy initiatives like tax reform and infrastructure spending. Should the Federal Reserve move too quickly, equity valuations could be negatively impacted over concerns about sustainable economic growth. On the other hand, progress in fiscal stimulus would positively impact earnings expectations.