

# Investment Program Update

Conference Forum 2016

# Agenda

Fund Performance Review

What Makes a Good Benchmark?

U.S. Economic Update

2016 Top 10 Economic Issues

# Wespath Investment World View



# Fund Performance Review



# Stable Value Fund

Fund Performance (Net of Fees) as of December 31, 2015\*

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Stable Value Fund</b>	0.30%	4.28%	2.72%	2.72%	2.97%	3.40%	3.41%
<i>BofA ML Wrapped 1-5 Year Corp/Gov Index</i>	0.28%	4.30%	2.73%	2.70%	2.87%	3.24%	3.22%
<b>Excess Return</b>	<b>0.02%</b>	<b>-0.02%</b>	<b>-0.01%</b>	<b>0.02%</b>	<b>0.10%</b>	<b>0.16%</b>	<b>0.19%</b>

\* Stable Value Fund assets were unwrapped on 5/29/2015 concurrent with a change to the LifeStage Investment Management Service. Concurrent with this change, we credited SVF participants with a one-time special credit of 2.74%.

Inception: 11/18/2002

# Inflation Protection Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Inflation Protection Fund</b>	-1.63%	-4.99%	-3.07%	1.28%	4.10%	3.19%	3.59%
<i>BC U.S. Gov't Inflation Linked Bond Index</i>	-0.63%	-1.72%	-2.34%	2.63%	4.25%	3.98%	4.26%
<b>Excess Return</b>	<b>-1.00%</b>	<b>-3.27%</b>	<b>-0.73%</b>	<b>-1.35%</b>	<b>-0.15%</b>	<b>-0.79%</b>	<b>-0.67%</b>

**Inflation since inception = 2.0%**

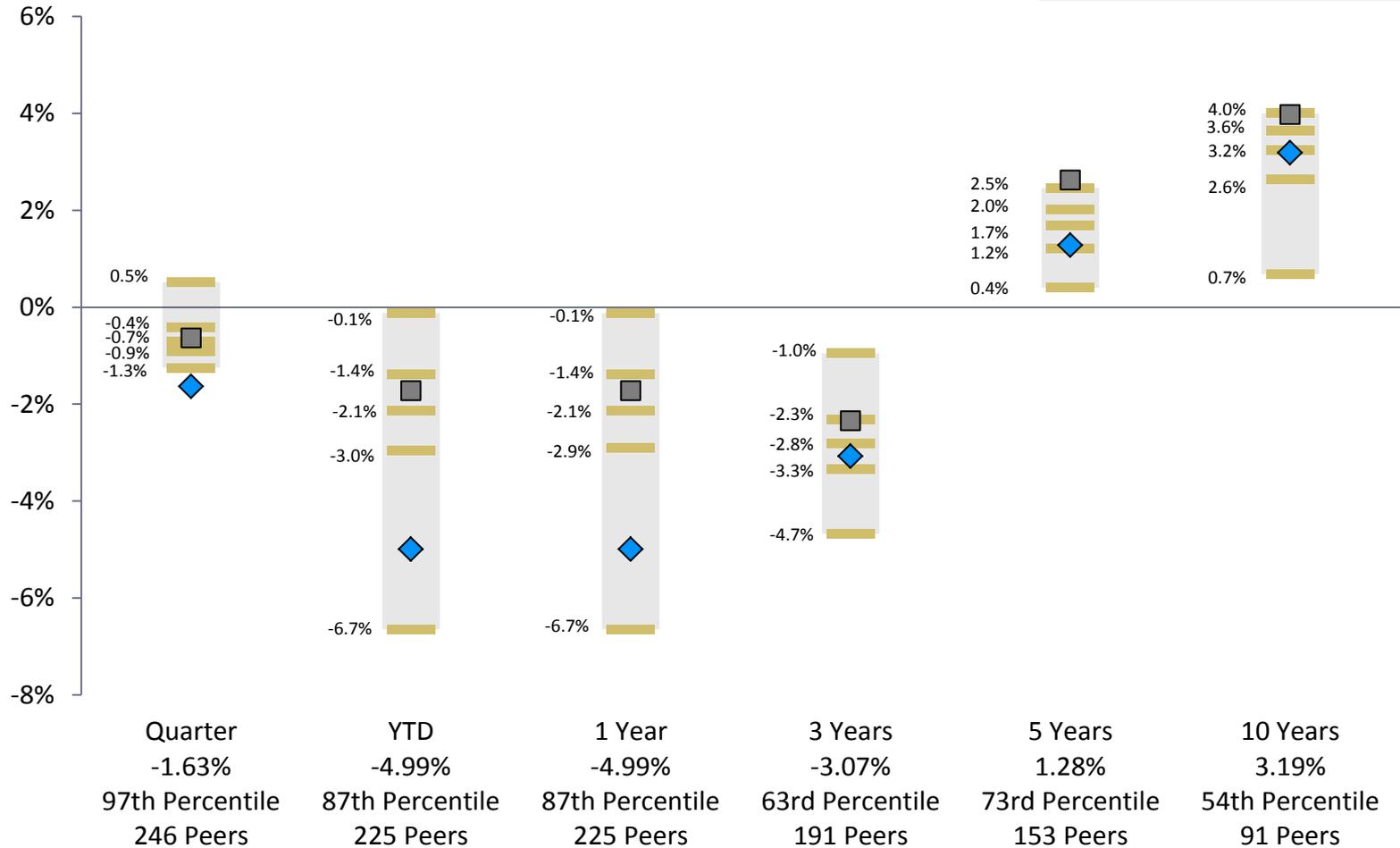
Inception: 1/5/2004

Source for inflation data: Morningstar and Bureau of Labor Statistics

# Inflation Protection Fund

**Universe percentiles: User defined**  
5, 25, 50, 75, 95

◆ Inflation Protection Fund  
■ BC US Inflation Linked Index



Net of fees  
Source: Wilshire Lipper Universe; as of 12/31/2015

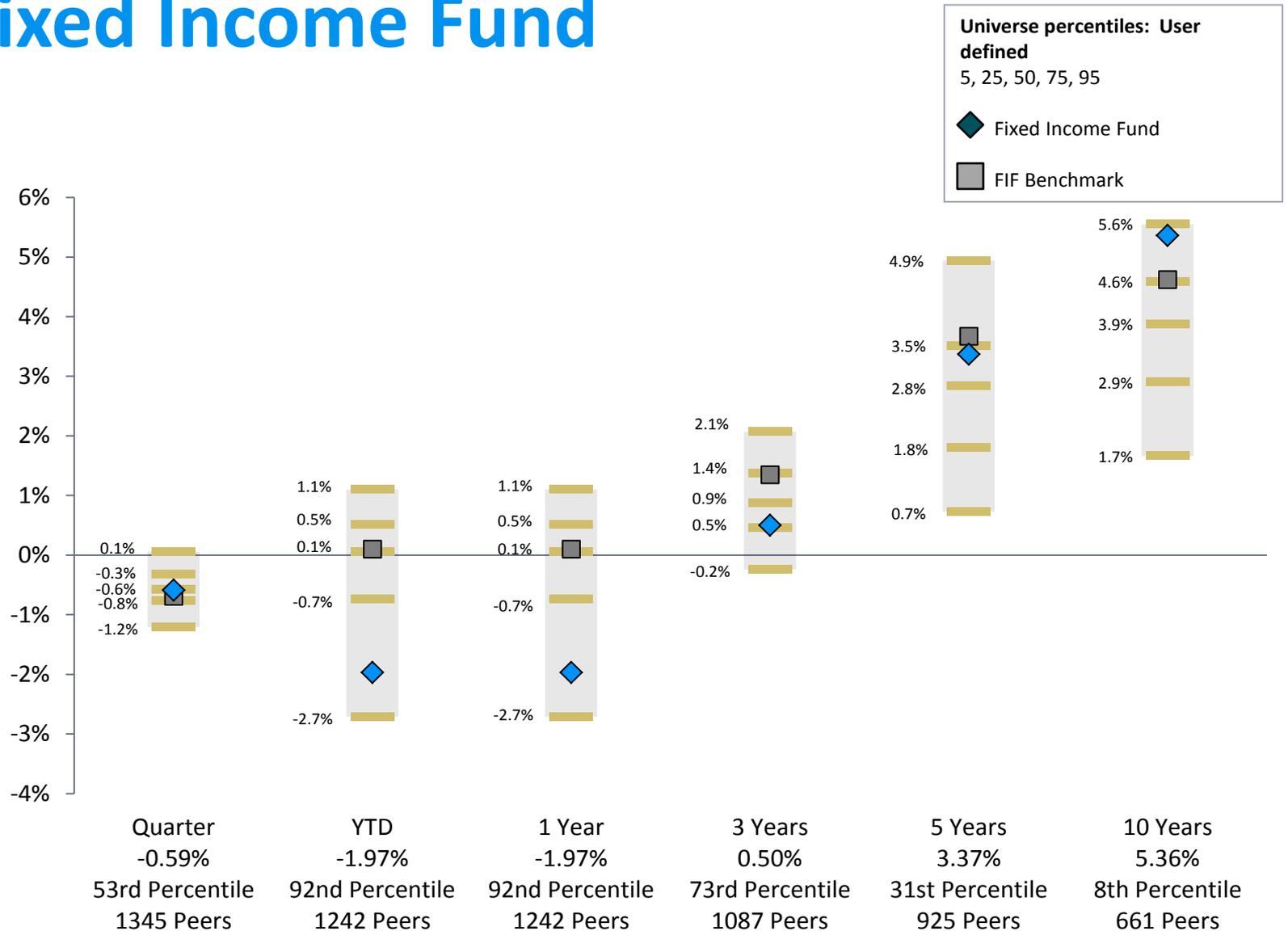
# Fixed Income Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Fixed Income Fund</b>	-0.59%	-1.97%	0.50%	3.37%	5.90%	5.36%	5.56%
<i>BC U.S. Universal (ex MBS) Index</i>	-0.69%	0.10%	1.35%	3.67%	5.15%	4.62%	5.24%
Excess Return	<b>0.10%</b>	<b>-2.07%</b>	<b>-0.85%</b>	<b>-0.30%</b>	<b>0.75%</b>	<b>0.74%</b>	<b>0.32%</b>

Inception: 1/1/1998

# Fixed Income Fund



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2015

# Extended Term Fixed Income Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Extended Term Fixed Income Fund</b>	-0.24%	-	-	-	-	-	-1.75%
<i>Barclays US Long Government Credit Index</i>	-0.94%	-	-	-	-	-	-2.50%
Excess Return	<b>0.70%</b>	-	-	-	-	-	<b>0.75%</b>

Inception: 6/1/2015

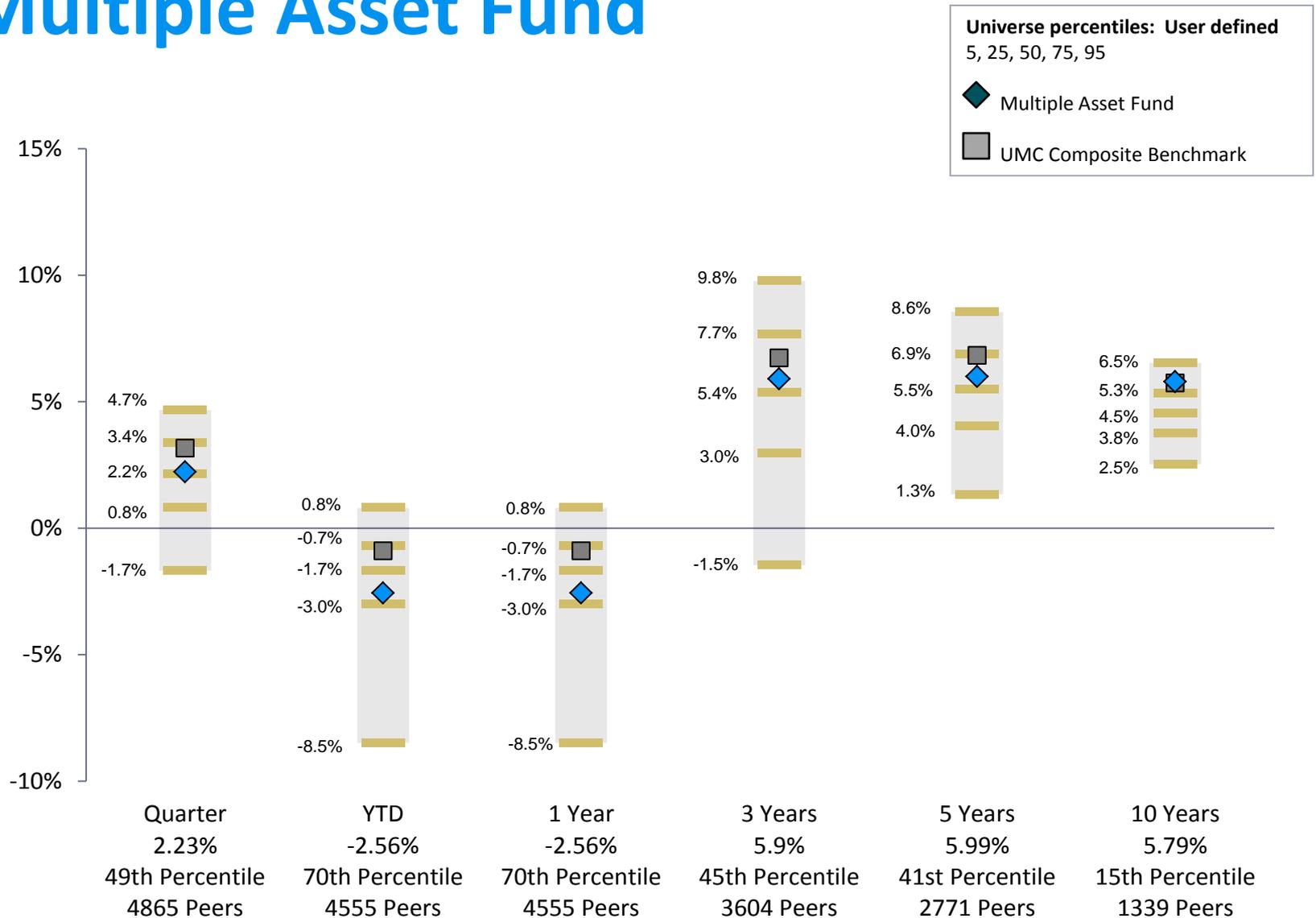
# Multiple Asset Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Multiple Asset Fund</b>	2.23%	-2.56%	5.90%	5.99%	9.83%	5.79%	6.69%
<i>Blended Benchmark</i>	3.17%	-0.90%	6.73%	6.83%	10.19%	5.74%	6.39%
Excess Return	<b>-0.94%</b>	<b>-1.66%</b>	<b>-0.83%</b>	<b>-0.84%</b>	<b>-0.36%</b>	<b>0.05%</b>	<b>0.30%</b>

Inception: 5/1/2002

# Multiple Asset Fund



Net of fees  
Source: Wilshire Lipper Universe; as of 12/31/2015

# U.S. Equity Index Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>US Equity Index Fund</b>	6.10%	-0.16%	-	-	-	-	-0.16%
<i>Russell 3000 Index</i>	6.27%	0.48%	-	-	-	-	0.48%
Excess Return	<b>-0.17%</b>	<b>-0.64%</b>	-	-	-	-	<b>-0.64%</b>

Inception: 1/1/2015

# U.S. Equity Fund

Fund Performance (Net of Fees) as of December 31, 2015

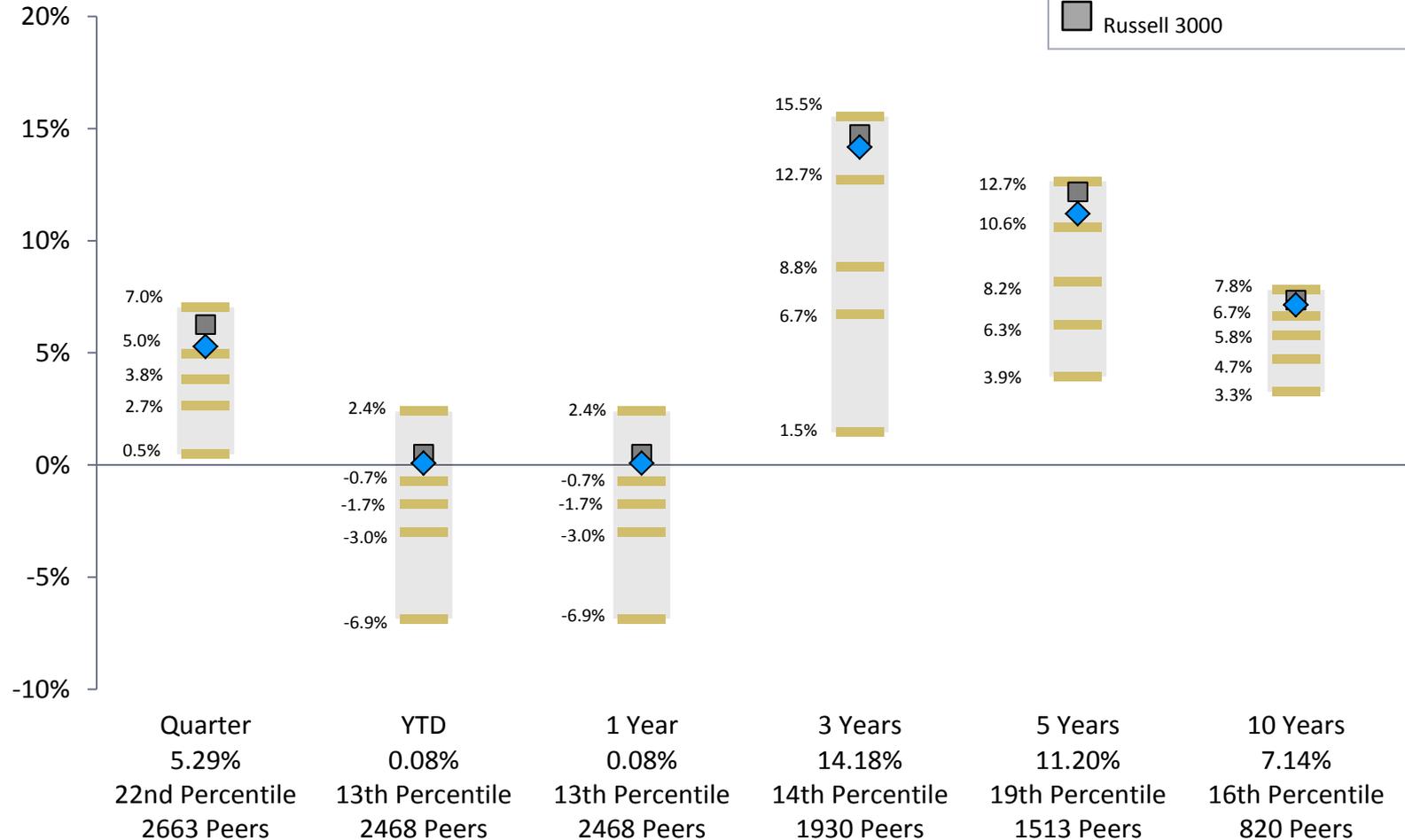
Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>U.S. Equity Fund</b>	5.29%	0.08%	14.18%	11.20%	13.87%	7.14%	6.23%
<i>Russell 3000 Index</i>	6.27%	0.48%	14.74%	12.18%	15.04%	7.35%	6.40%
Excess Return	<b>-0.98%</b>	<b>-0.40%</b>	<b>-0.56%</b>	<b>-0.98%</b>	<b>-1.17%</b>	<b>-0.21%</b>	<b>-0.17%</b>

Inception: 1/1/1998

# U.S. Equity Fund

**Universe percentiles: User defined**  
 5, 25, 50, 75, 95

◆ U.S. Equity Fund  
 □ Russell 3000



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2015

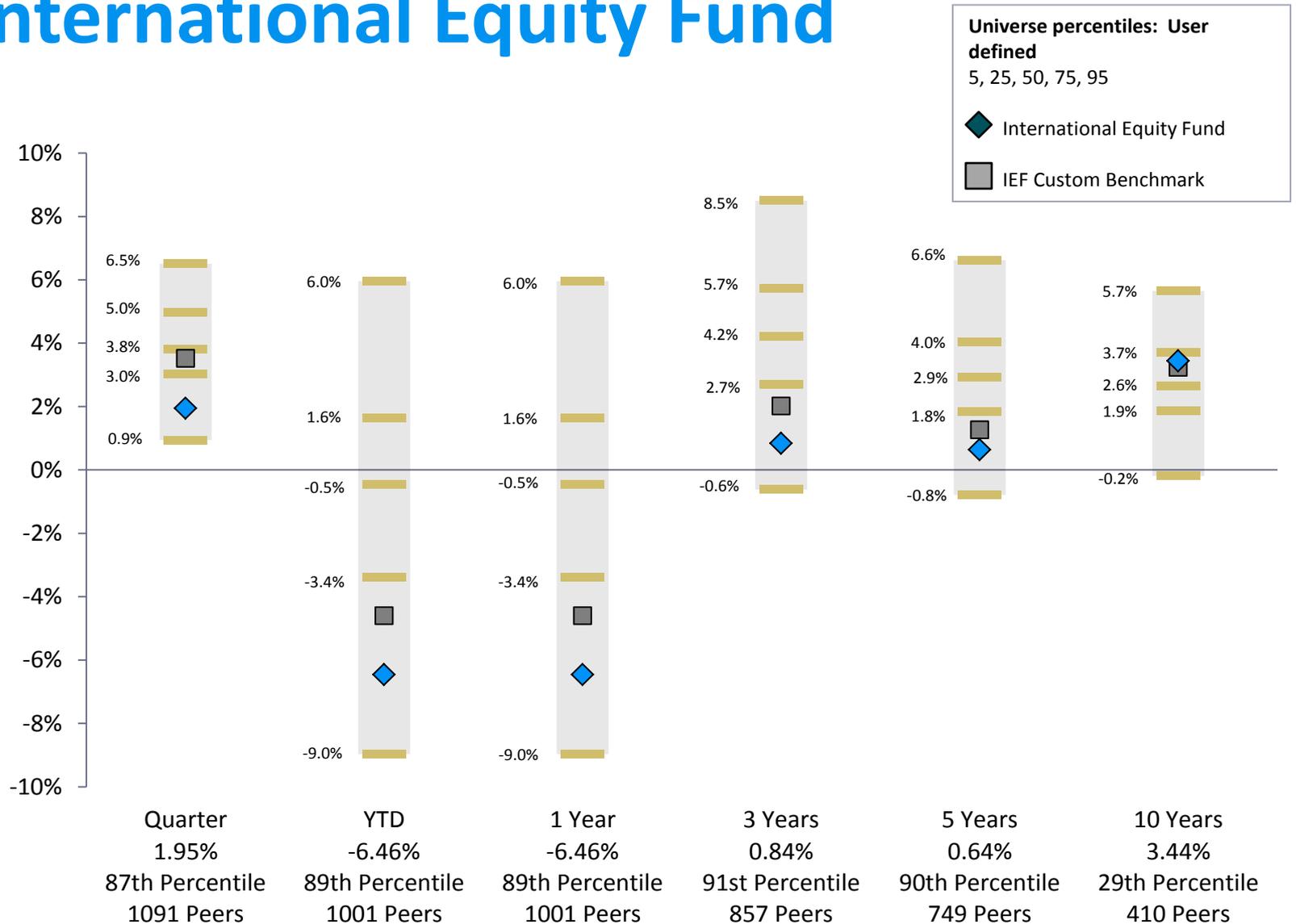
# International Equity Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>International Equity Fund</b>	1.95%	-6.46%	0.84%	0.64%	8.83%	3.44%	5.78%
<i>MSCI All Country World (ex US) IMI Index</i>	3.52%	-4.60%	2.02%	1.27%	8.09%	3.24%	4.60%
Excess Return	<b>-1.57%</b>	<b>-1.86%</b>	<b>-1.18%</b>	<b>-0.63%</b>	<b>0.74%</b>	<b>0.20%</b>	<b>1.18%</b>

Inception: 1/1/1998

# International Equity Fund



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2015

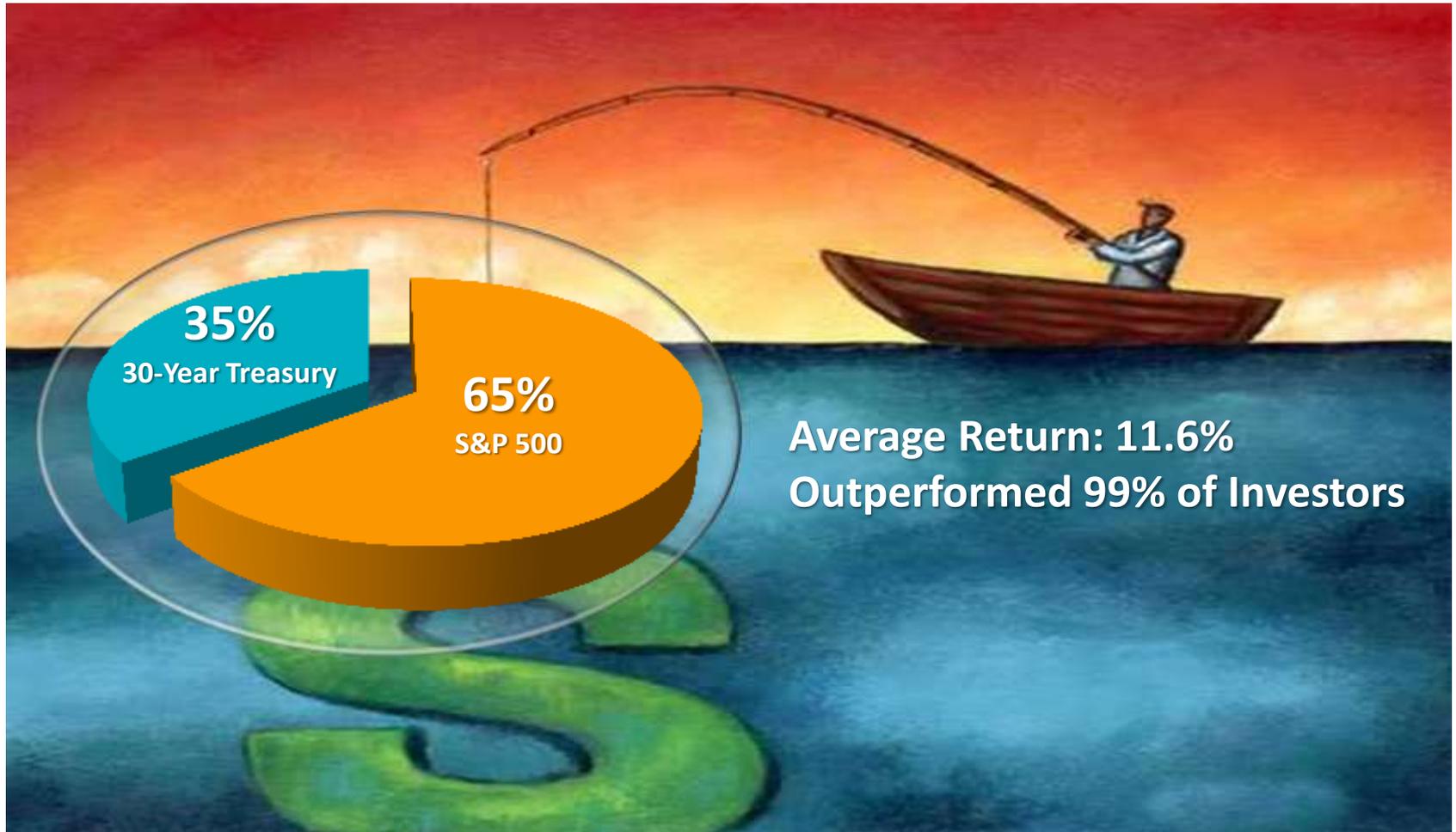
# Equity Social Values Plus Fund

Fund Performance (Net of Fees) as of December 31, 2015

Fund	Annualized						Since Inception
	3 Months	1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Equity Social Values Plus Fund</b>	5.48%	-1.13%	-	-	-	-	-1.13%
<i>MSCI World Custom ESG Special Weighted Index</i>	6.06%	-0.11%	-	-	-	-	-0.11%
<b>Excess Return</b>	<b>-0.58%</b>	<b>-1.02%</b>	-	-	-	-	<b>-1.02%</b>

Inception: 1/1/2015

# What Would Have Been the Best Investment Strategy for the Last Five Years?



Source: Wilshire, BNY Mellon, Wespath

# What Makes a Good Benchmark



# Characteristics of a Good Benchmark

Widely accepted

Investable and liquid securities

Transparent construction methodology

Sufficient notice regarding changes

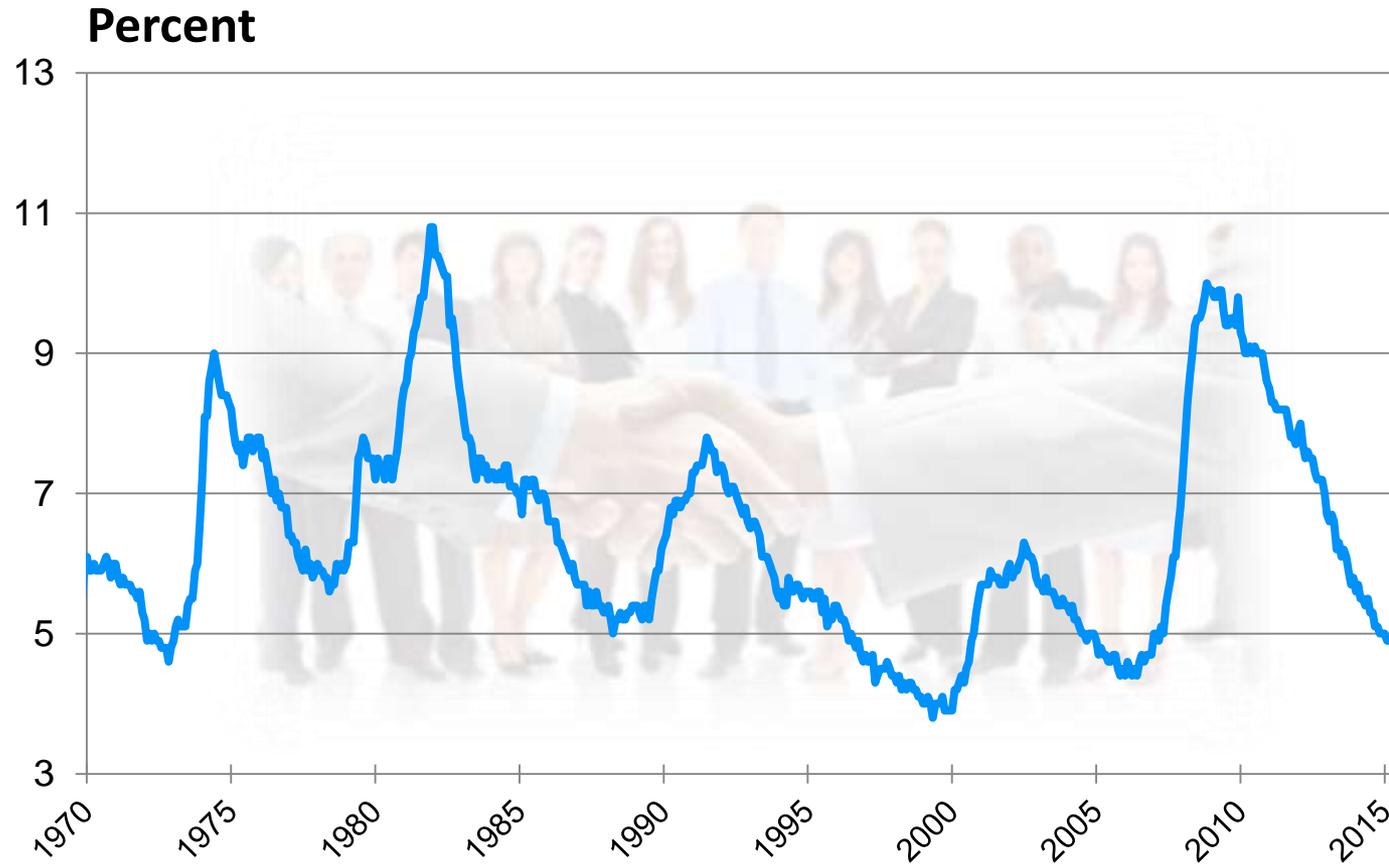
# U.S. Economic Update



# Employment Picture

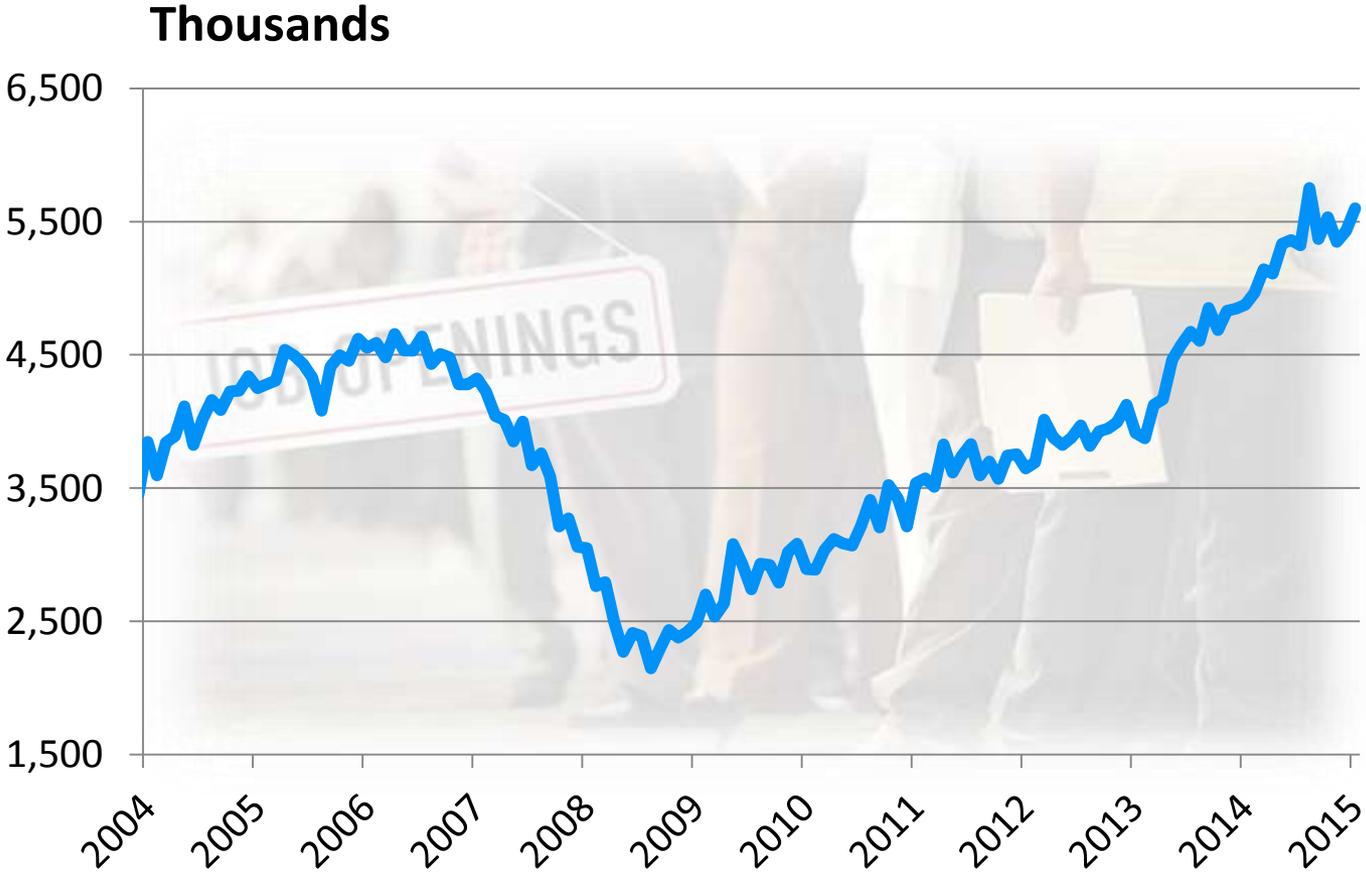


# Lower U.S. Unemployment Rate



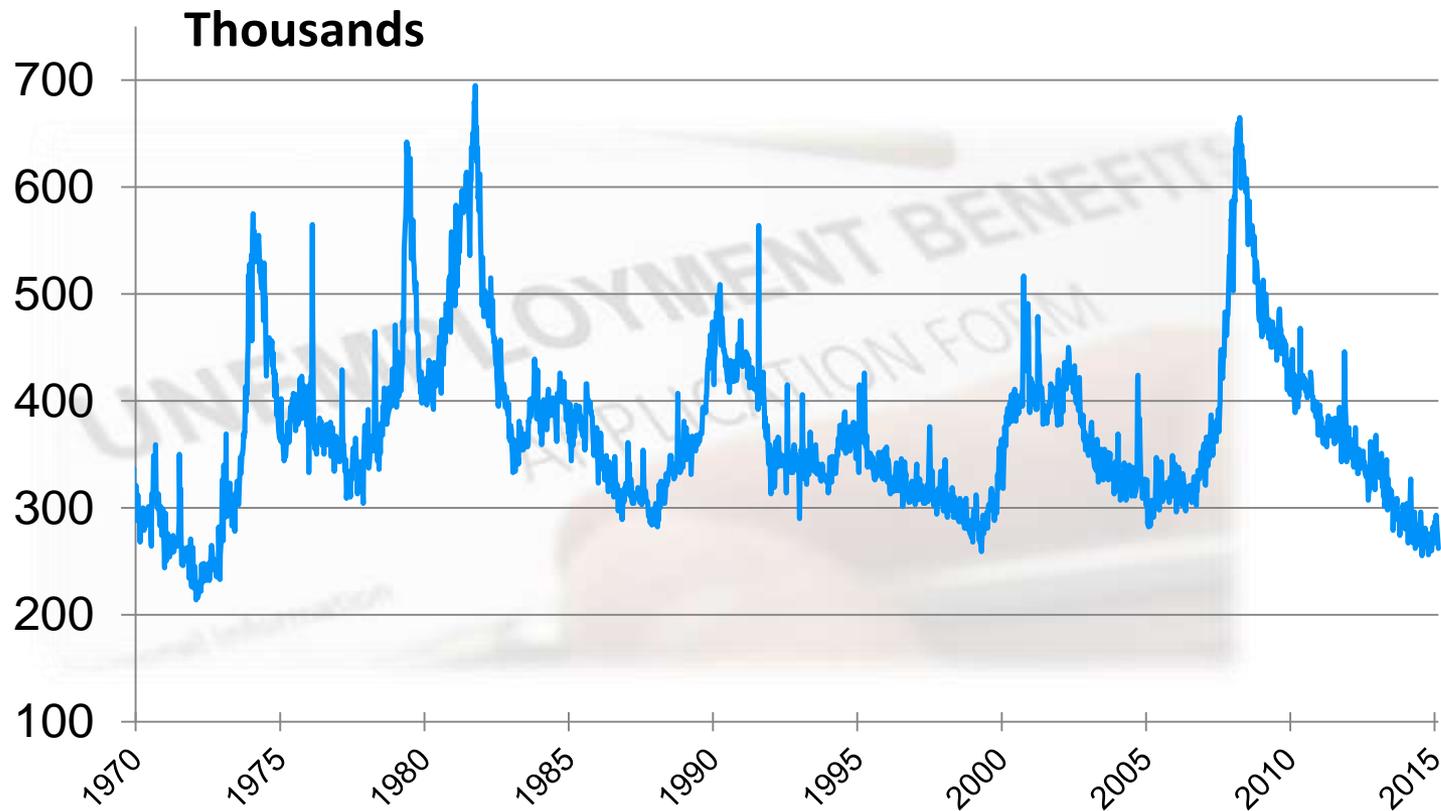
Sources: U.S. Department of Labor, FactSet  
Data as of January 31, 2015

# Job Openings Continue to Increase



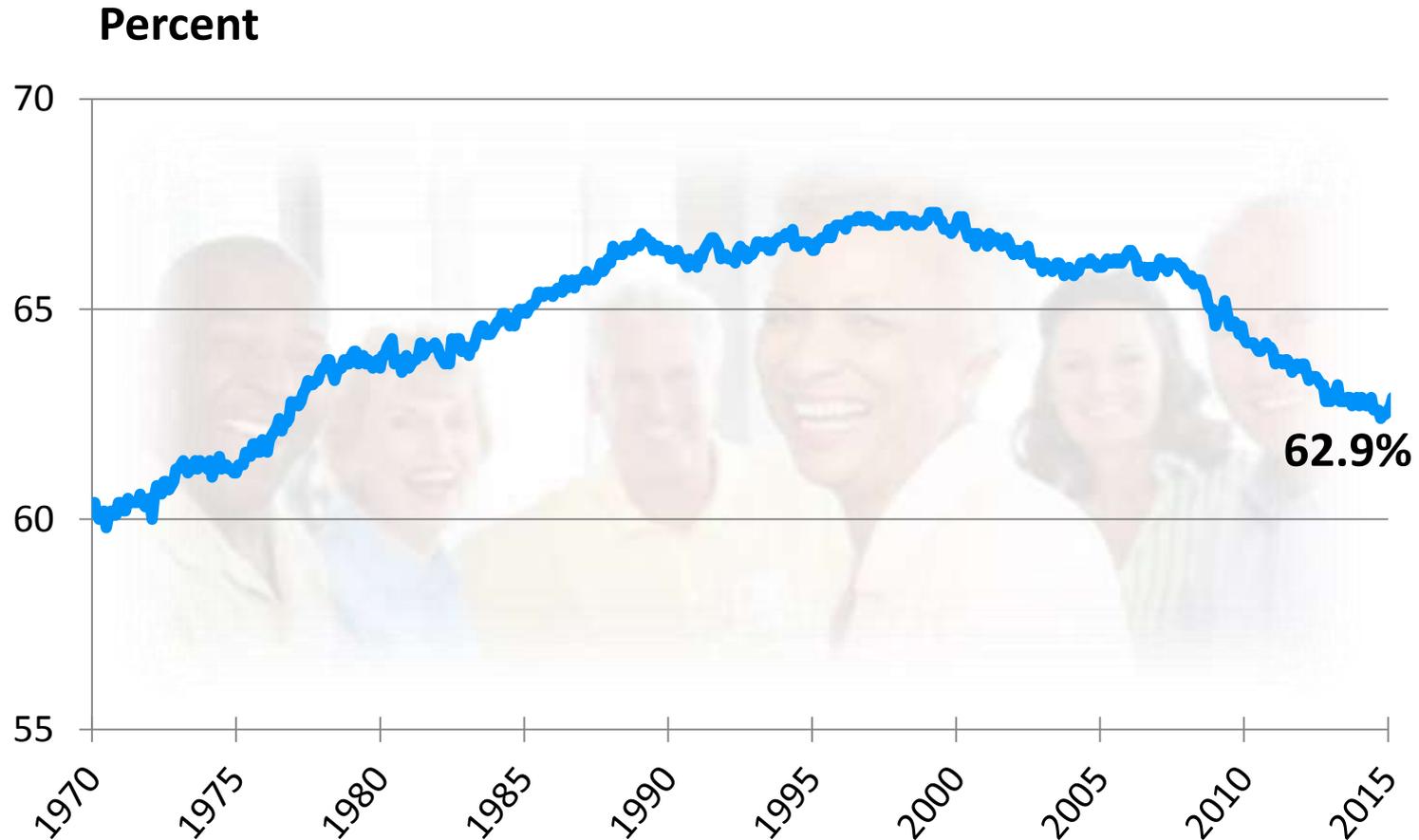
Sources: Bureau of Labor Statistics, FactSet  
Data as of December 31, 2015

# U.S. Initial Jobless Claims



Sources: U.S. Department of Labor; FactSet  
Data as of February 13, 2016

# U.S. Civilian Labor Force Participation Rate

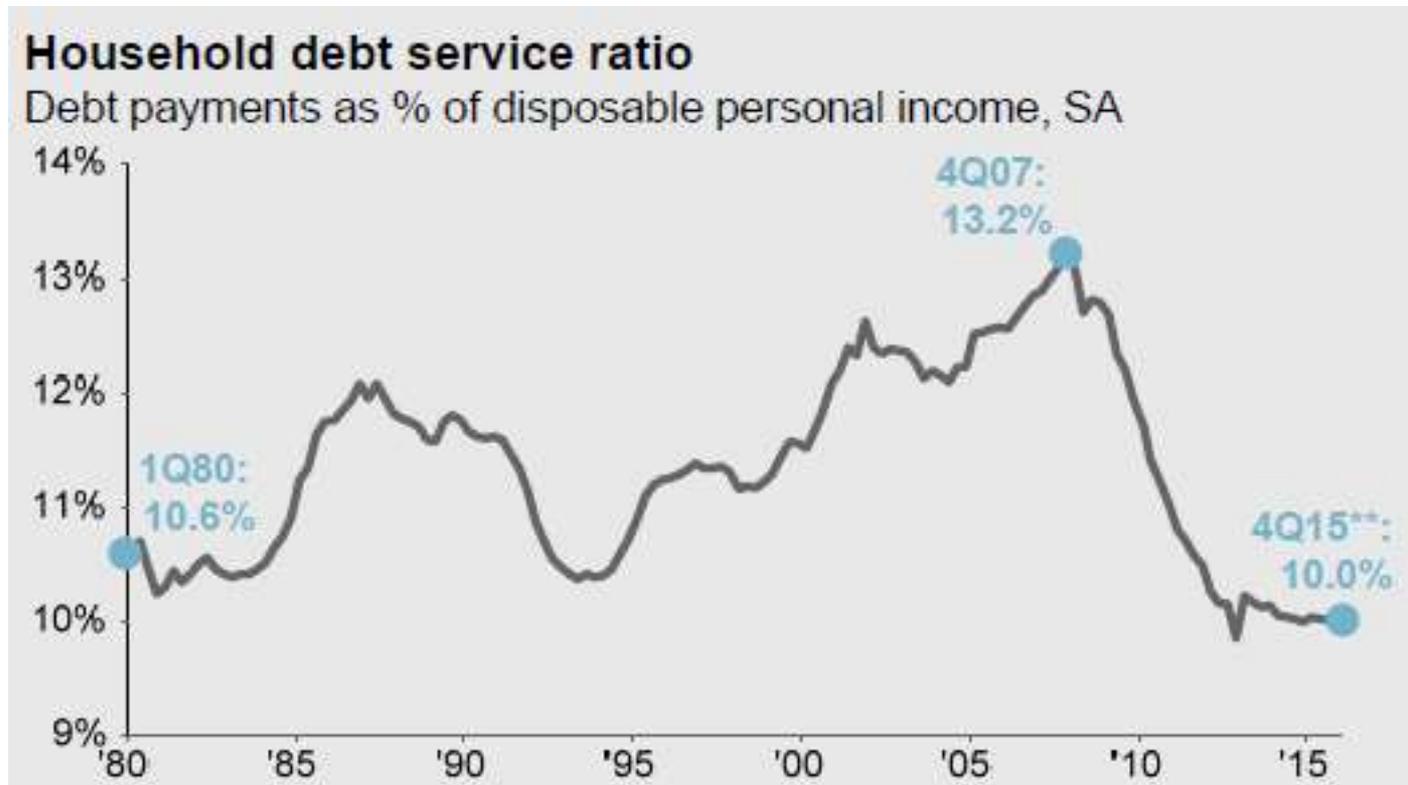


Sources: U.S. Department of Labor, FactSet  
Data as of January 31, 2016

# Consumer Health

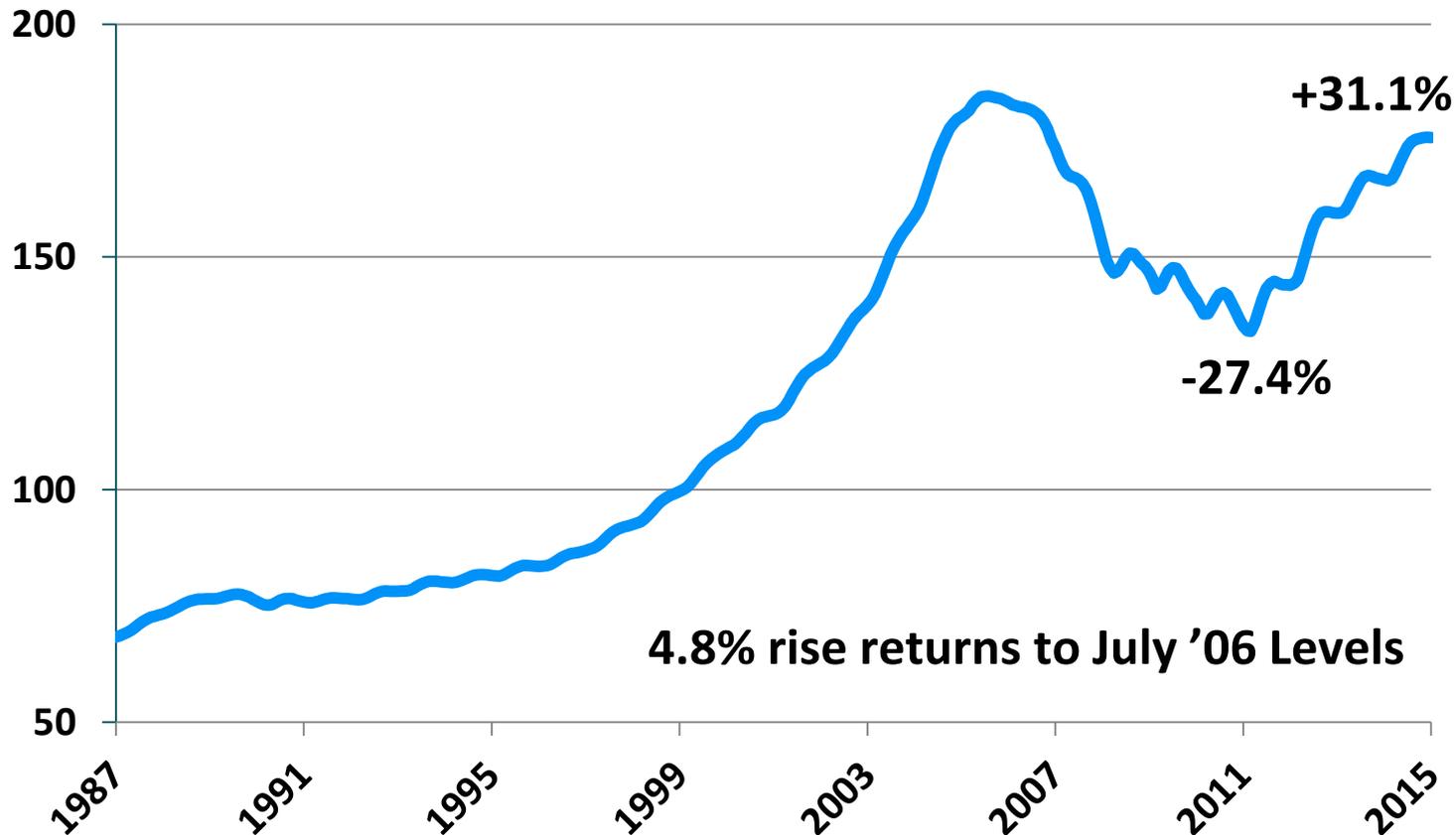


# Consumer Debt Levels—Low



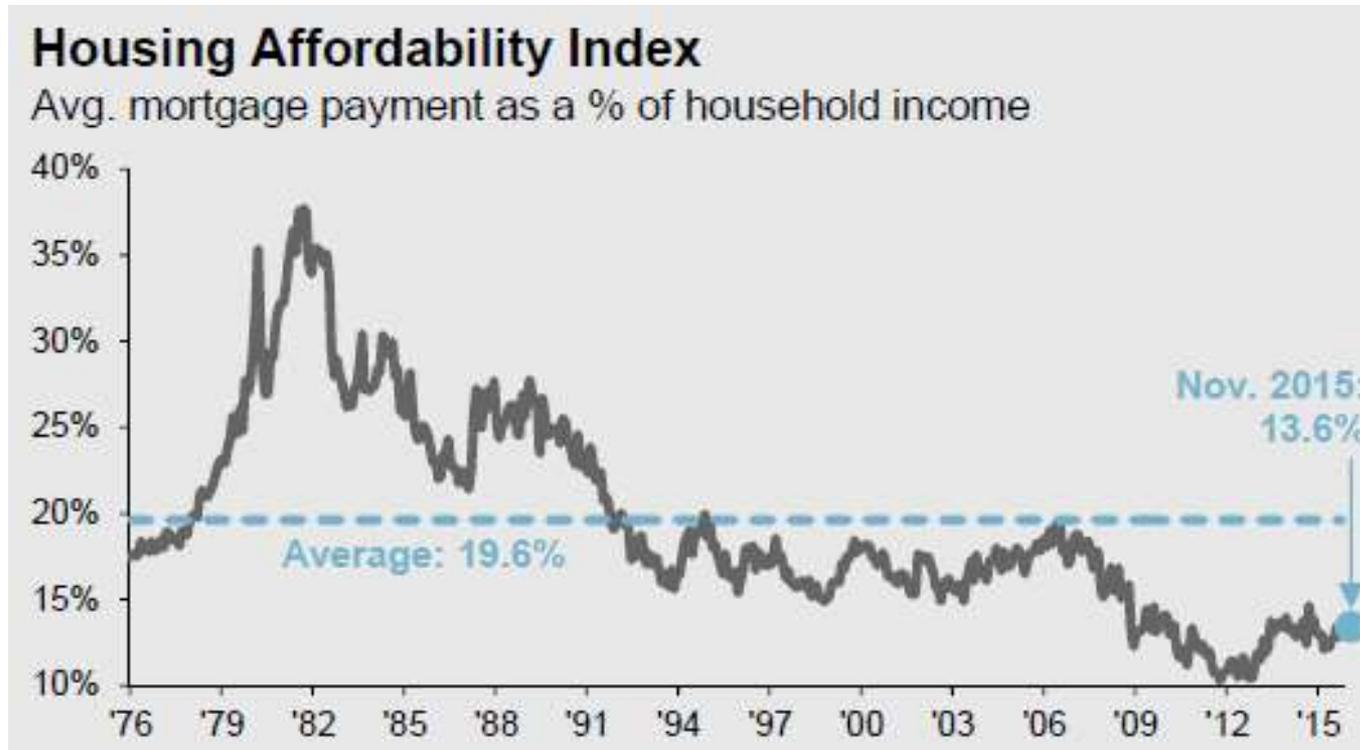
Sources: Bureau of Economic Analysis, FactSet, Federal Reserve Board, J.P. Morgan Asset Management  
Data as of December 31, 2015

# S&P/Case-Shiller National Home Price Index



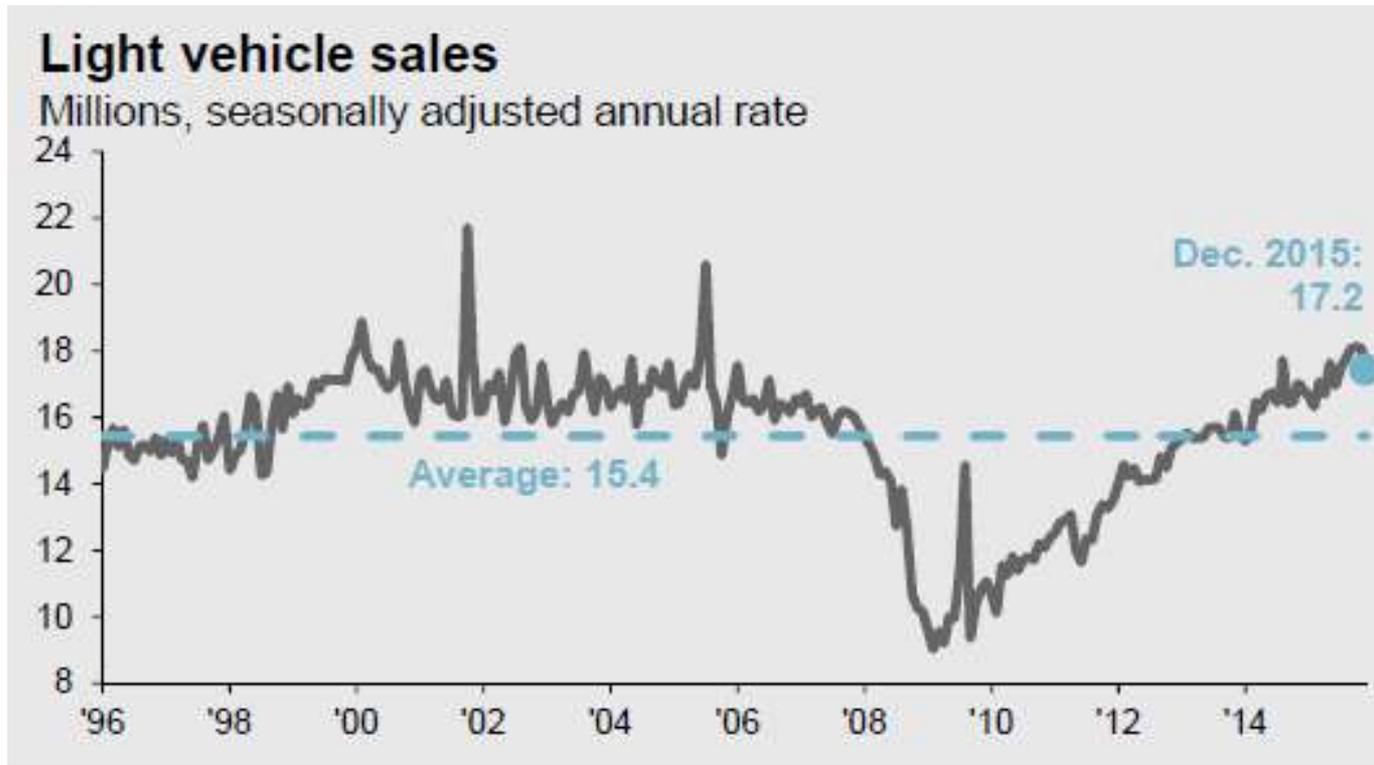
Source: S&P Dow Jones Indices; FactSet  
Data as of November 30, 2015

# Housing Remains Affordable



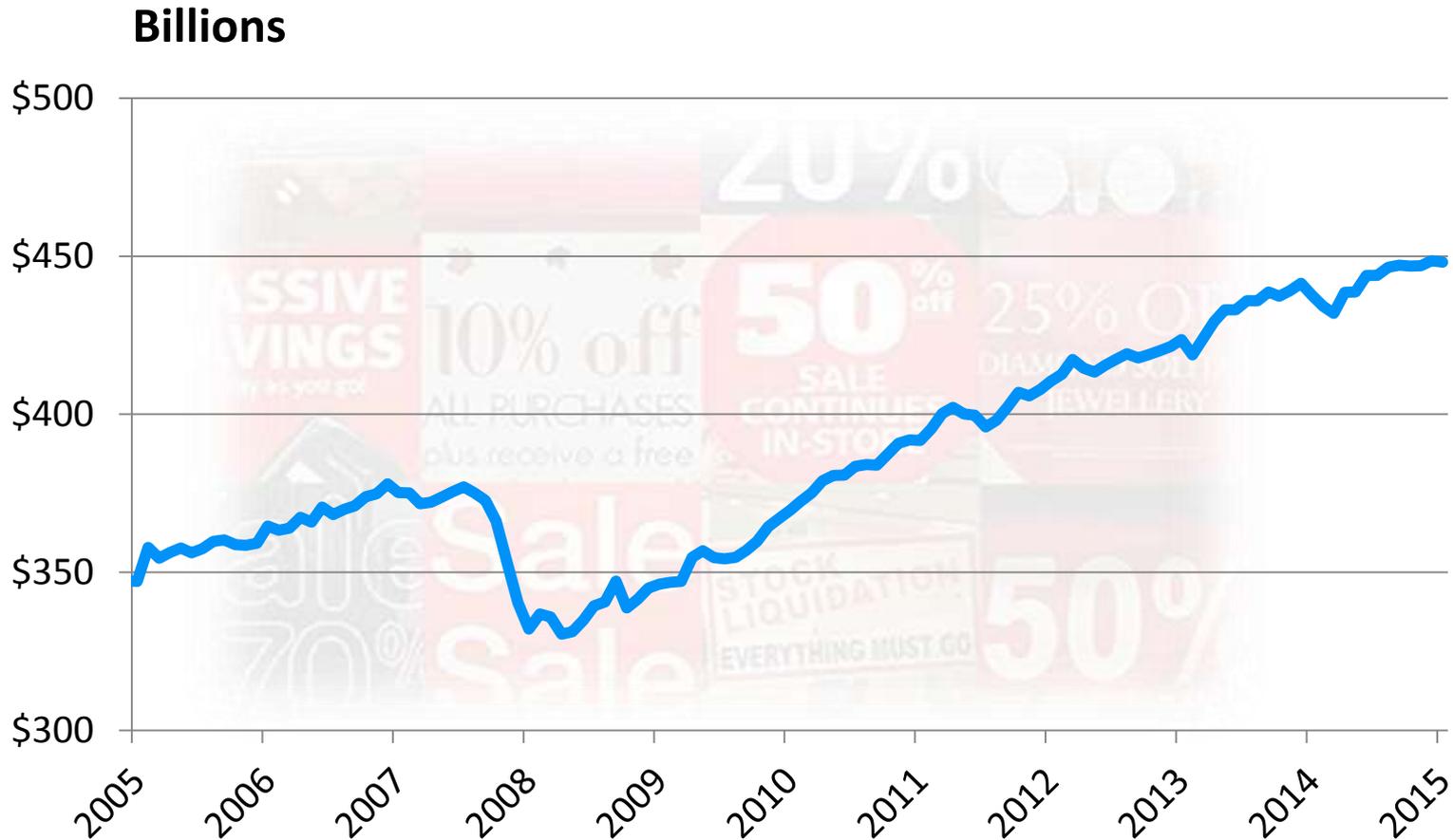
Sources: Census Bureau, J.P. Morgan Asset Management  
Data as of December 31, 2015.

# Auto Sales Are Strong



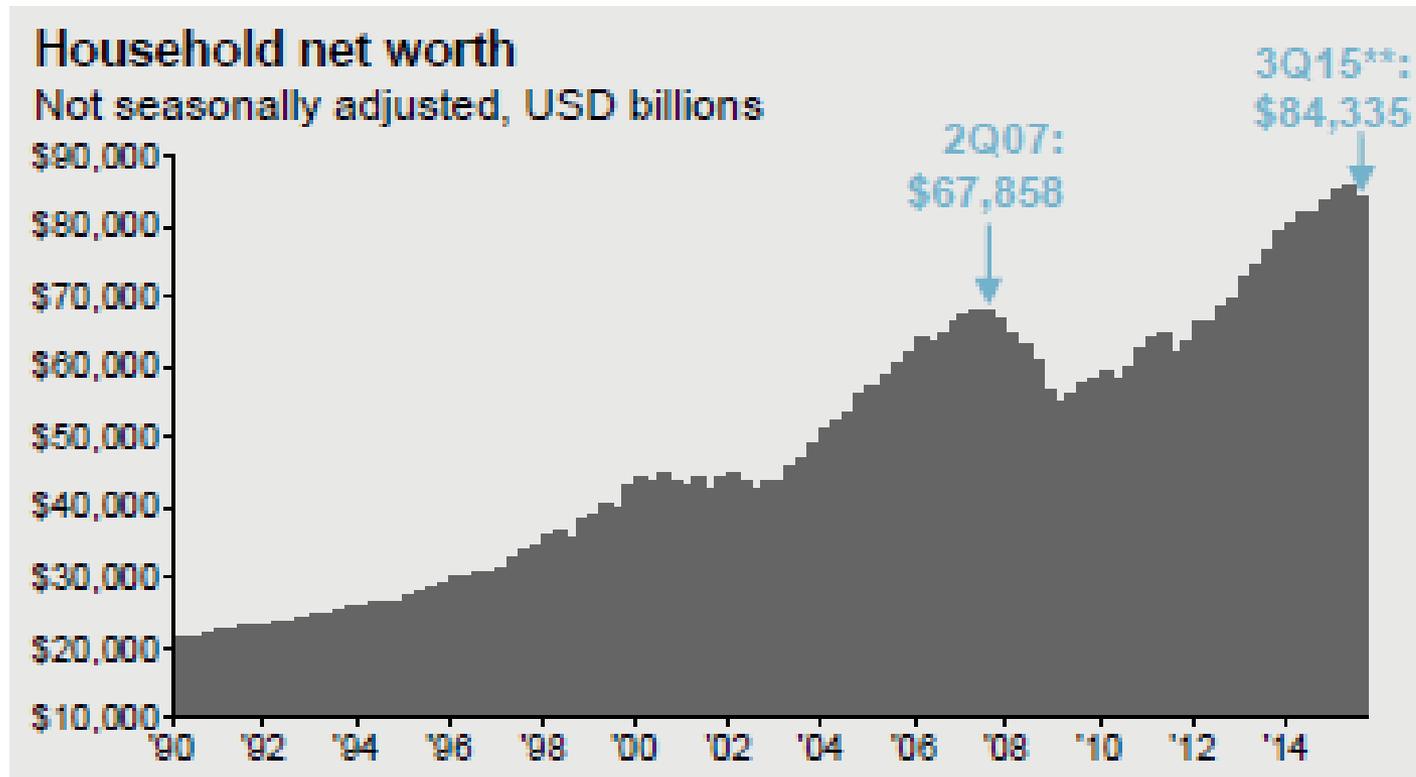
Sources: Bureau of Economic Analysis, FactSet; Census Bureau, J.P. Morgan Asset Management.  
Data as of December 31, 2015.

# U.S. Retail Sales—Steady Improvement



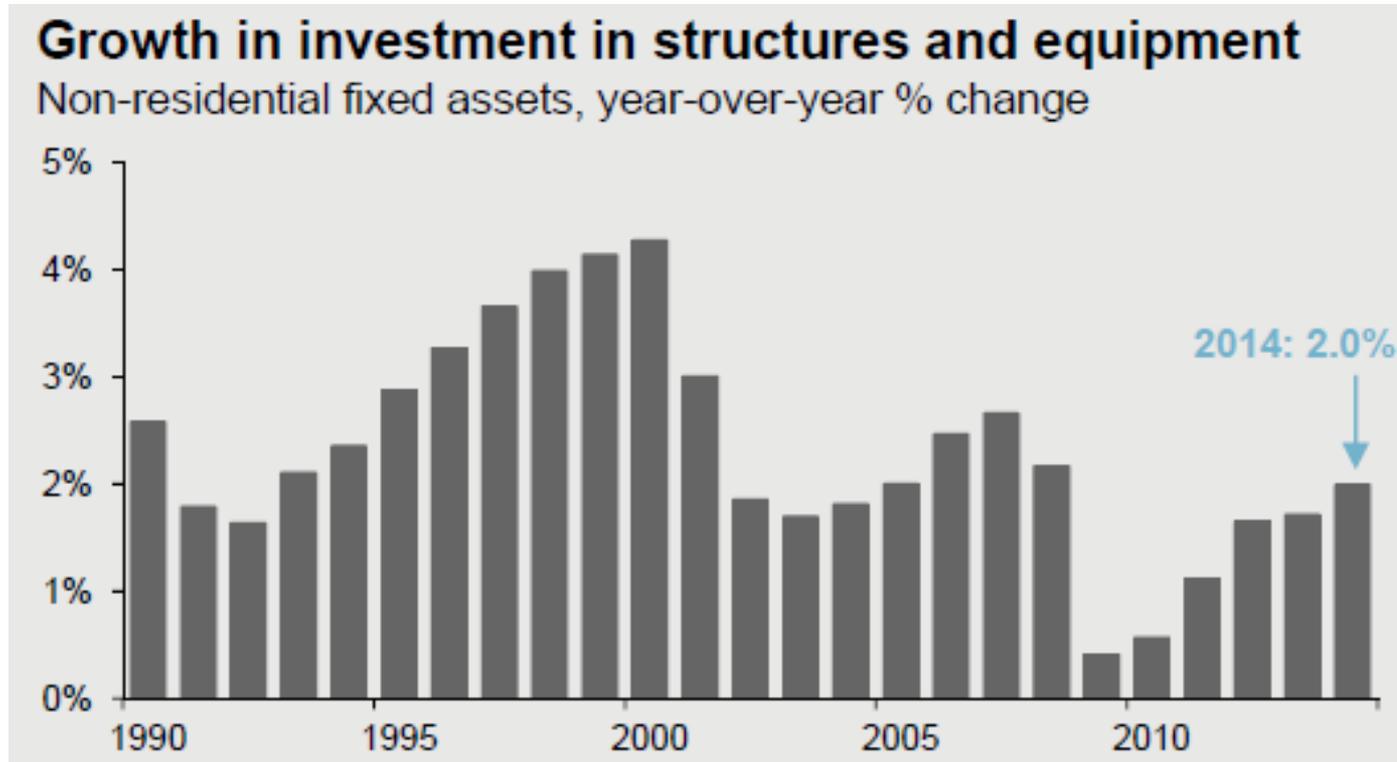
Monthly, seasonally adjusted  
Sources: U.S. Census Bureau, FactSet  
Data as of December 31, 2015

# Consumers Feel Wealthier



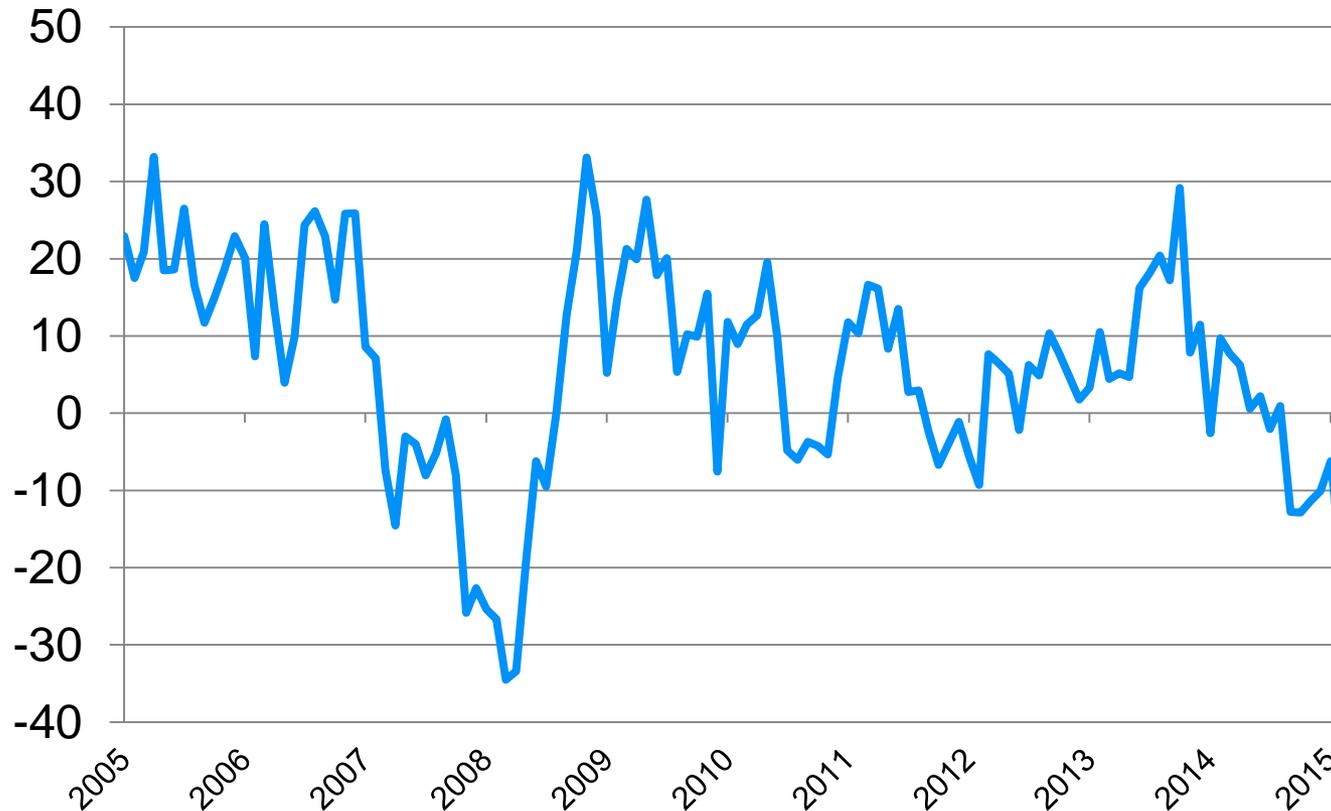
Sources: Bureau of Economic Analysis, FactSet, Federal Reserve Board, J.P. Morgan Asset Management

# Business Investment—Steady



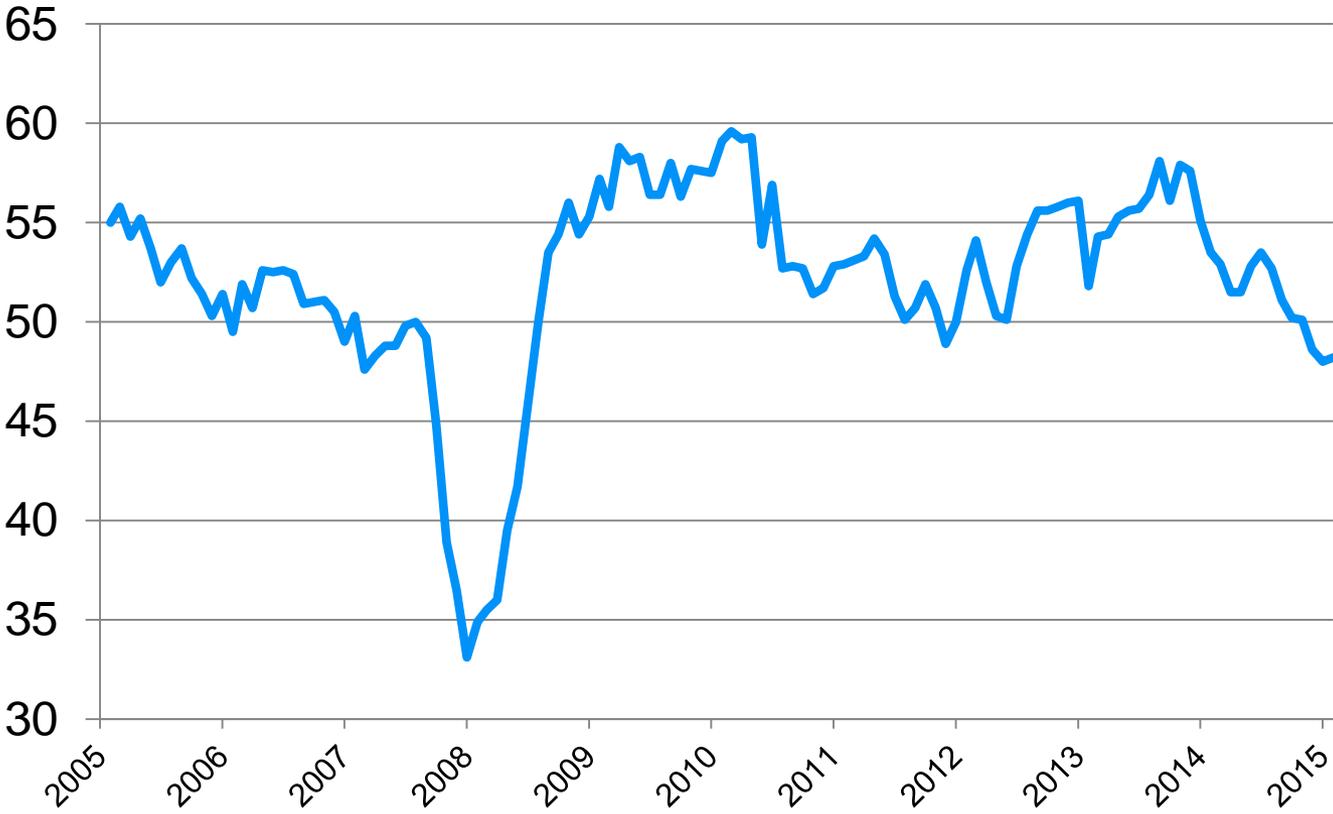
Sources: Bureau of Economic Analysis, J.P. Morgan Asset Management  
Data as of December 31, 2015.

# Manufacturing Activity—New York Declining



Source: Federal Reserve Bank of New York, FactSet  
Data as of January 31, 2015

# U.S. Purchasing Managers Index—Declining



Source: Institute of Supply Management, FactSet  
Data as of January 31, 2016

Dave's List

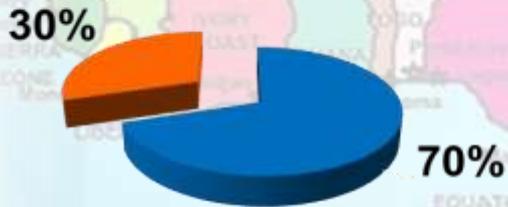
# Top 10

**World Economic Issues  
and Concerns for 2016**



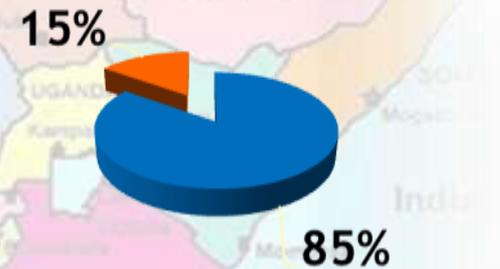
# Emergence of Africa

## Natural Resources



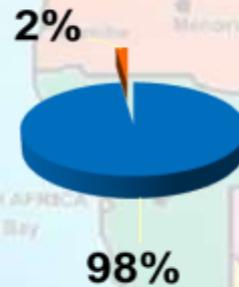
■ World ex Africa ■ Africa

## Population



■ World ex Africa ■ Africa

## GDP



■ World ex Africa ■ Africa



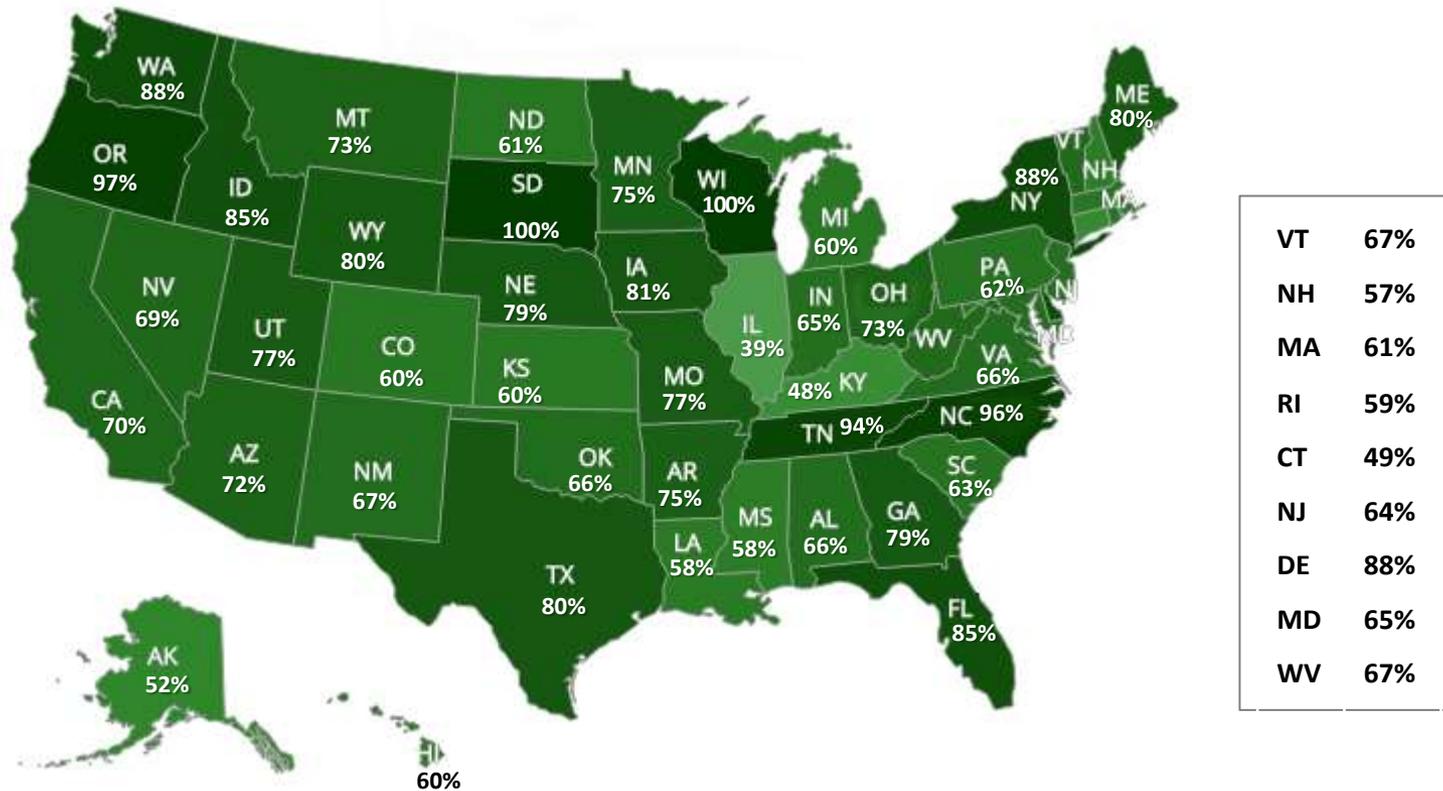
# Ongoing Refugee Crisis





# U.S. Public Pension Funding Crisis

# State Pension Funded Status



Source: National Conference of State Legislatures; S&P; *Pensions and Investments*, July 2015



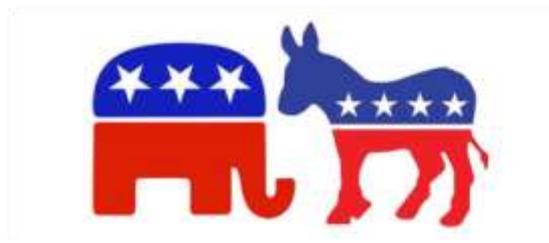
# Response to Paris Climate Accords



COP21 • CMP11  
**PARIS 2015**



# U.S. Presidential Election

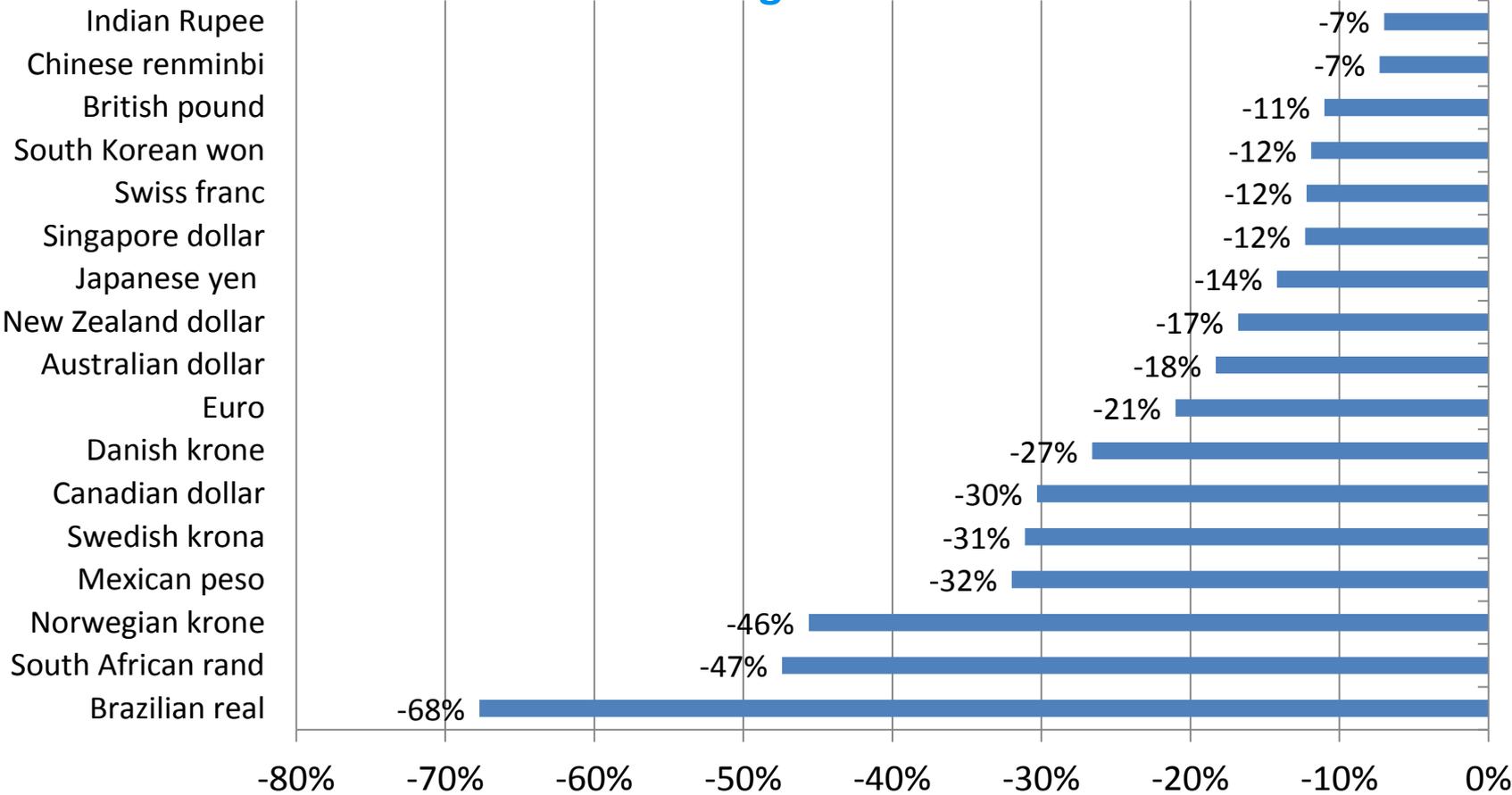




**U.S. Dollar**

# Dollar Appreciation Not Sustainable

## Two-Year Change in U.S. Dollar Terms



Source: Factset  
Data as of December 31, 2015



# European Economic Recovery



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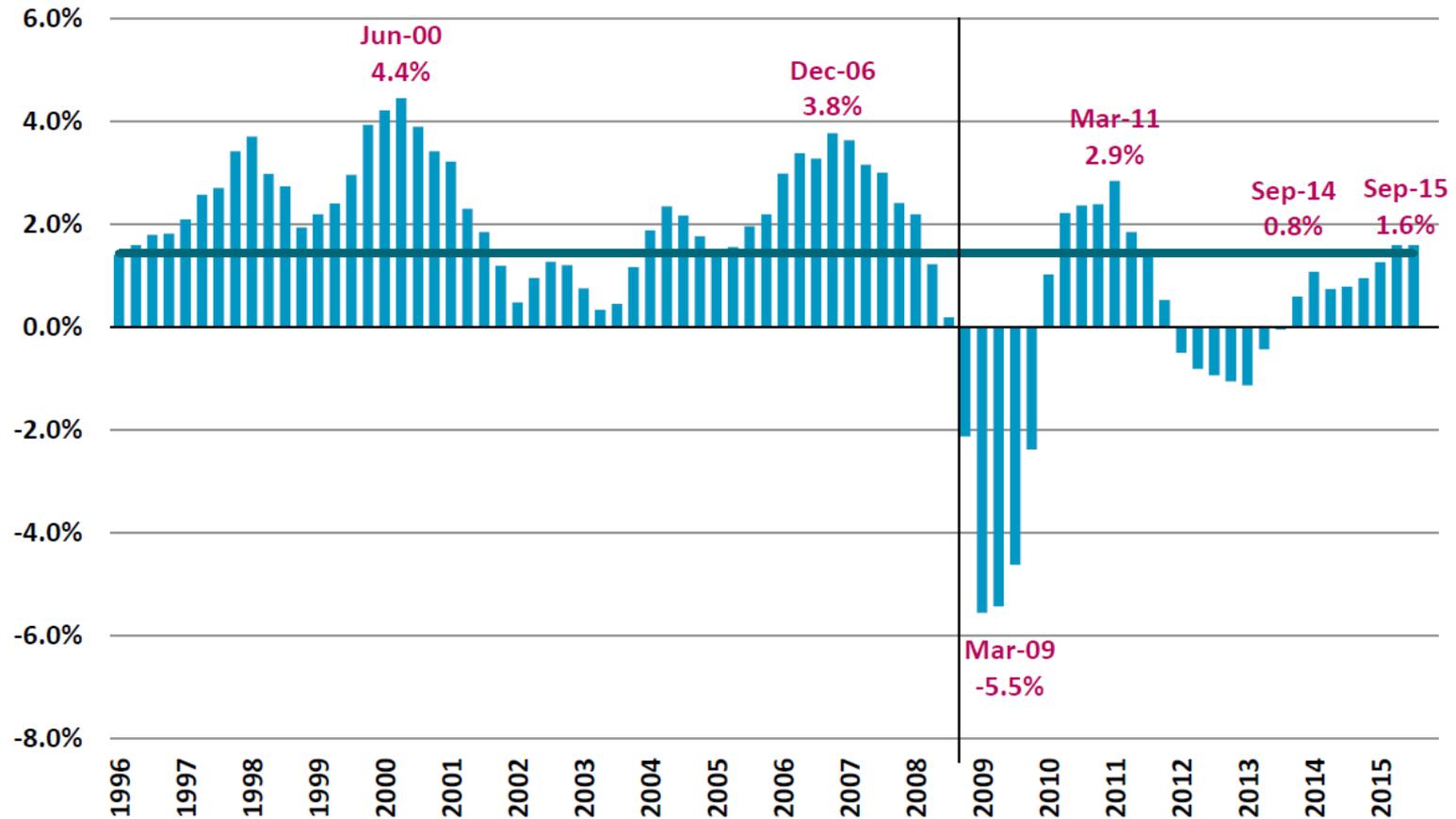
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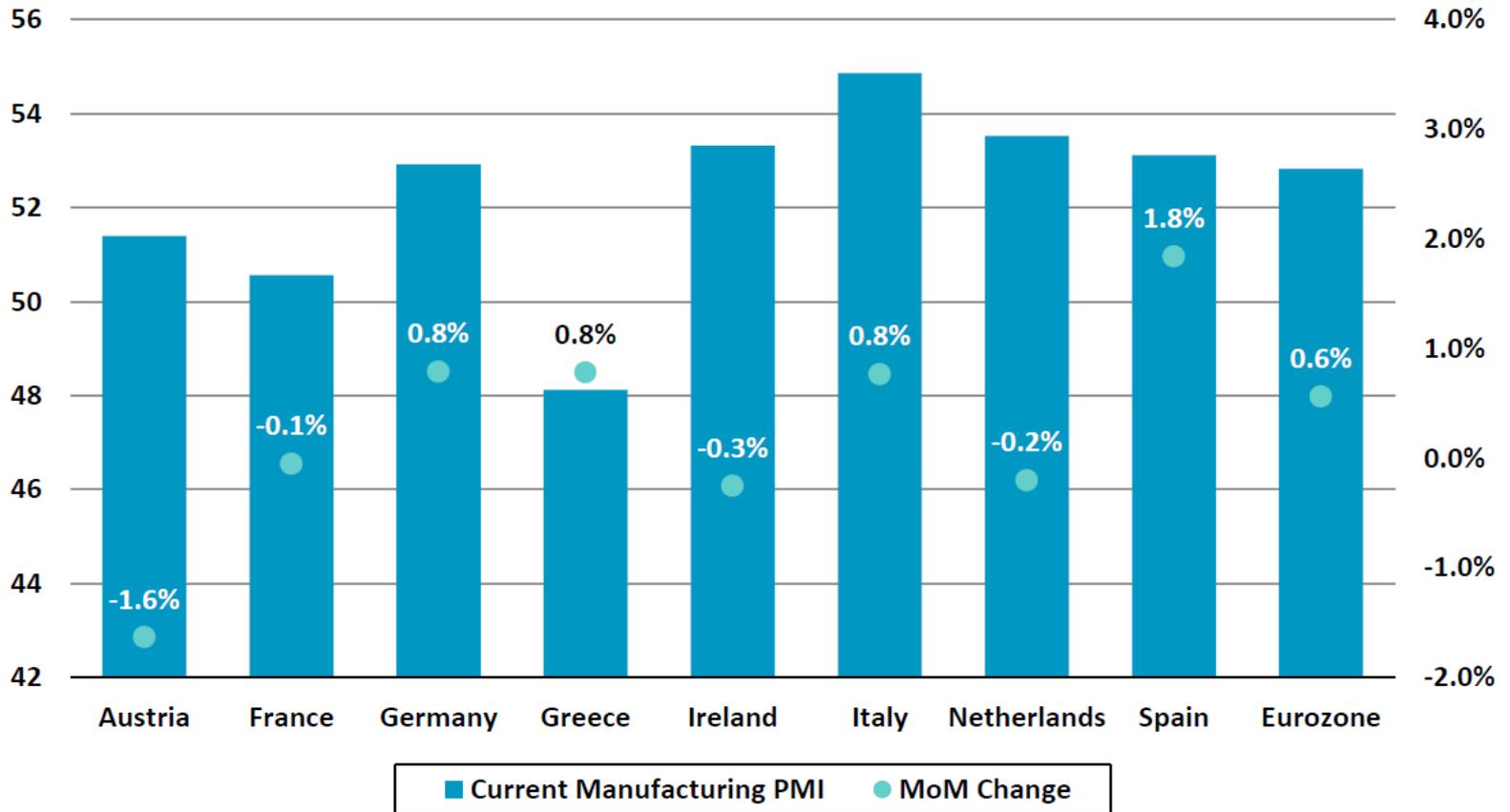
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# Eurozone Real GDP



Source: Strategas Research Partners, Blackstone  
Data as of September 30, 2015

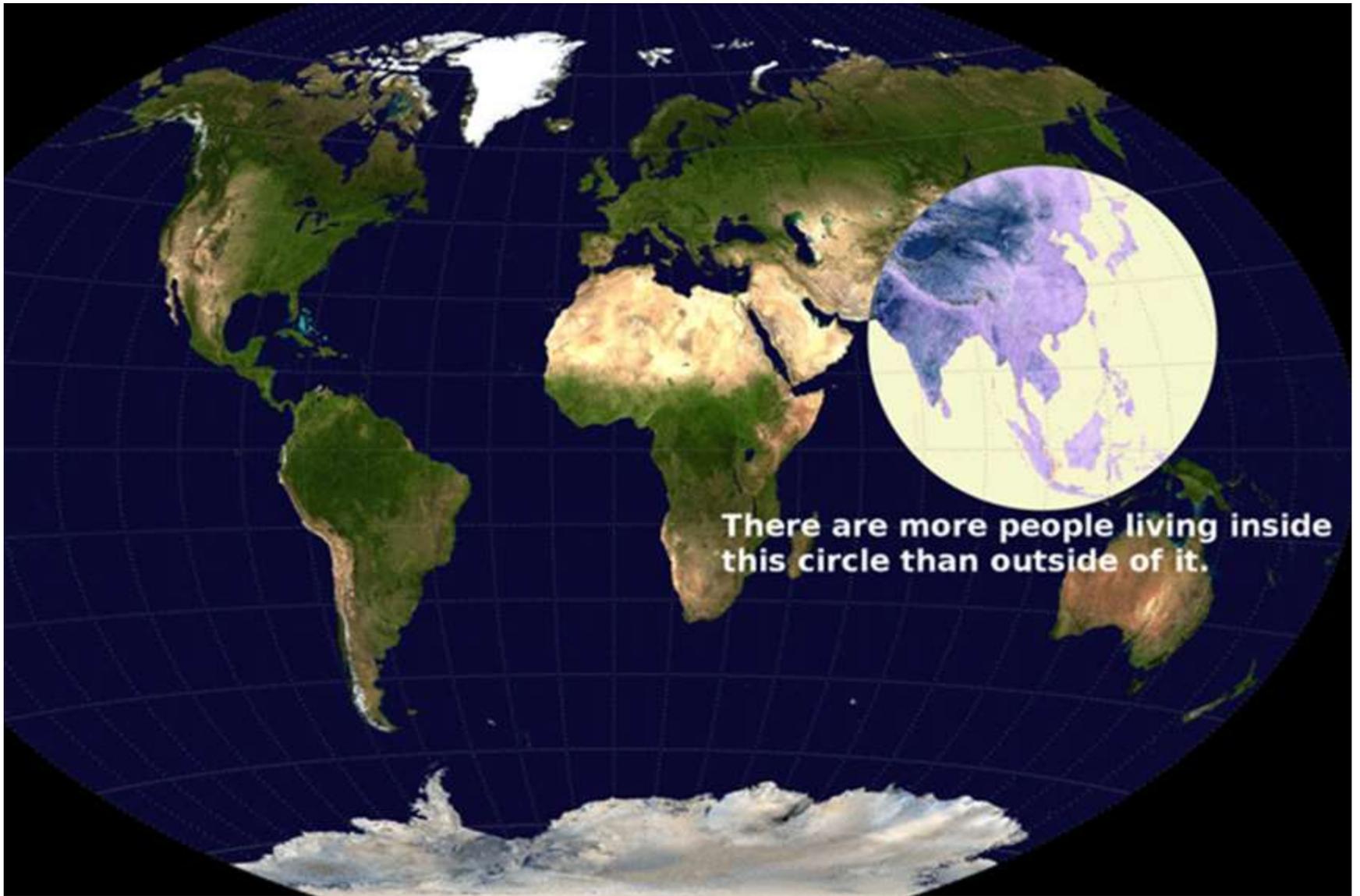
# European Purchasing Manufacturing Index Data—Positive



Source: Evercore ISI Group, Blackstone

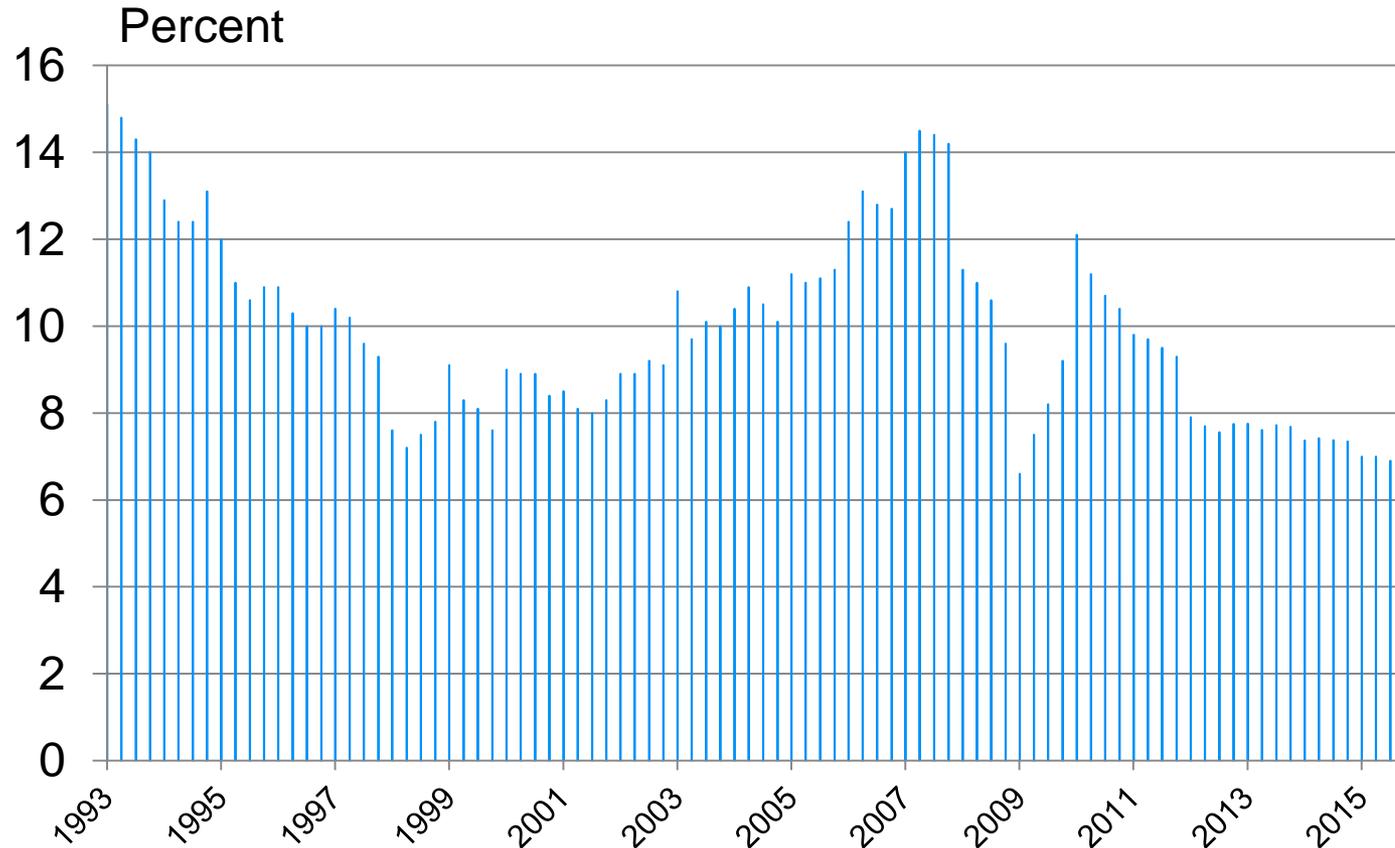


China



Source: [www.twicsy.com](http://www.twicsy.com)

# China Real GDP Growth (% Y/Y Change)



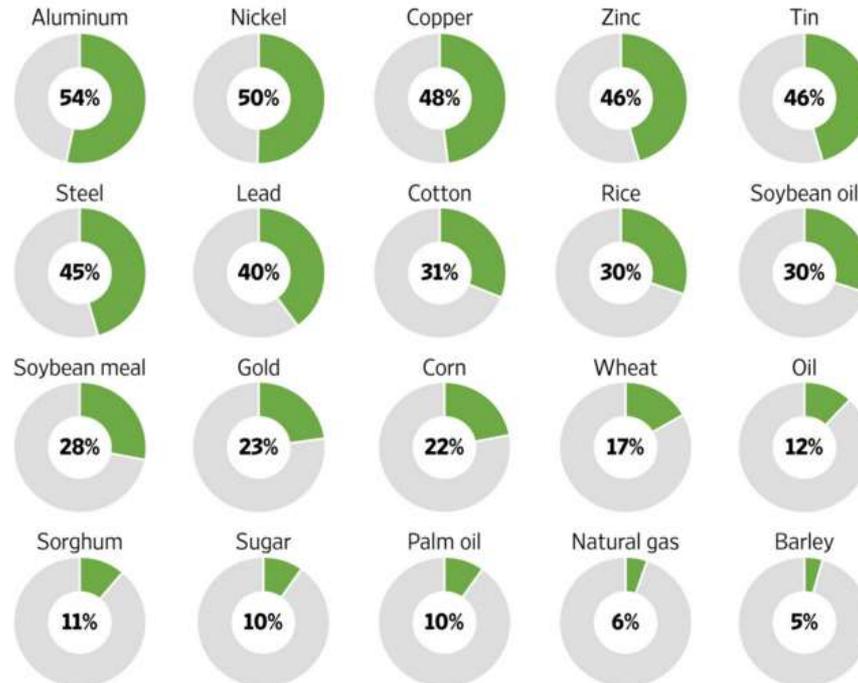
Source: National Bureau of Statistics of China; FactSet  
Data as of December 31, 2015

# China is Largest Consumer of Broad Range of Commodities

## Giant Appetite

The main customer for a range of commodities is China, which will continue to wield enormous influence even as slowing economic growth cuts into its demand.

### China's share of world consumption

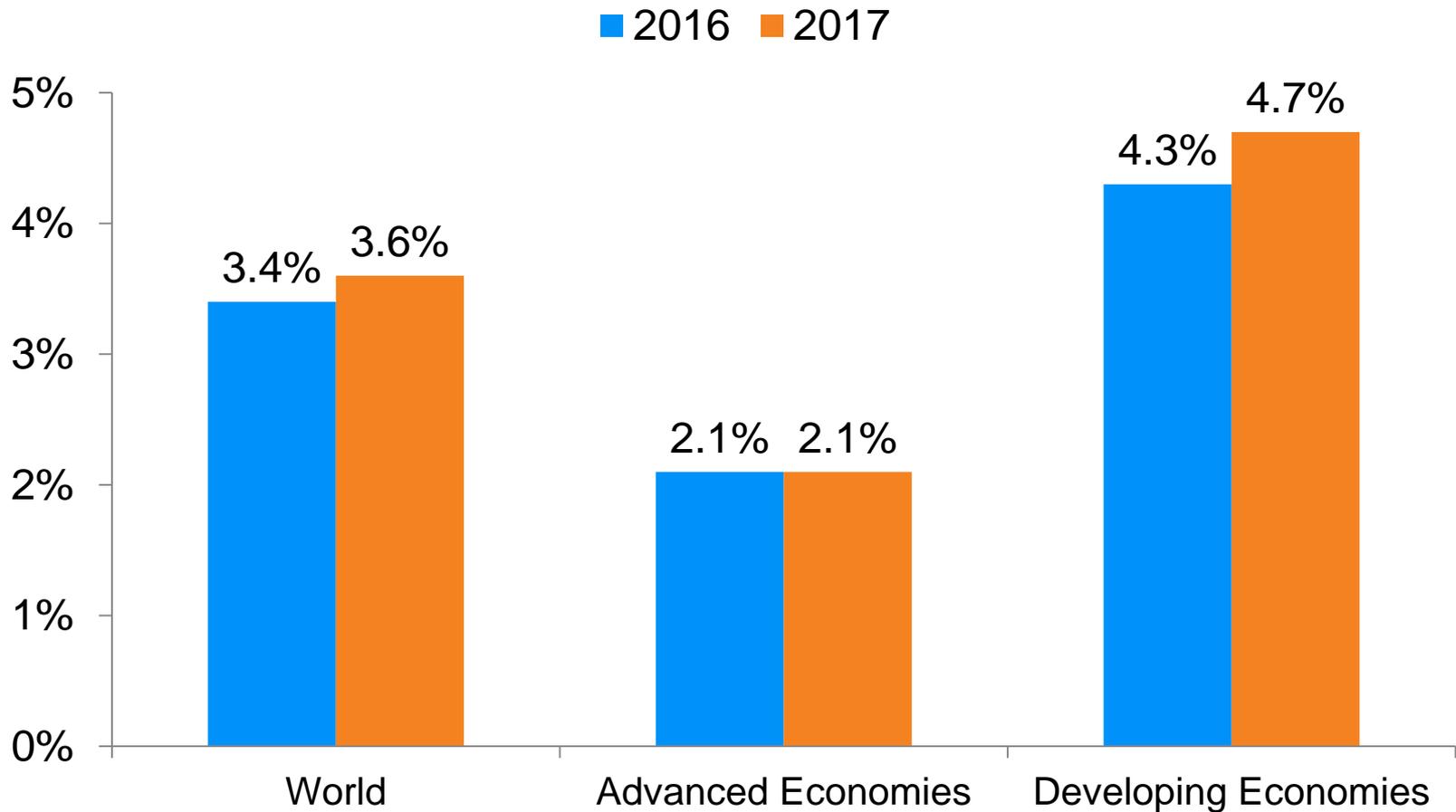


Sources: World Bureau of Metal Statistics (first six months of 2015 for refined metals, slab zinc); World Gold Council (2014 for gold); BP Statistical Review of World Energy 2015 (2014 for oil, natural gas); Metalytics via Morgan Stanley (2015 estimate for finished steel); U.S. Department of Agriculture (2013-14 season for others)

THE WALL STREET JOURNAL.

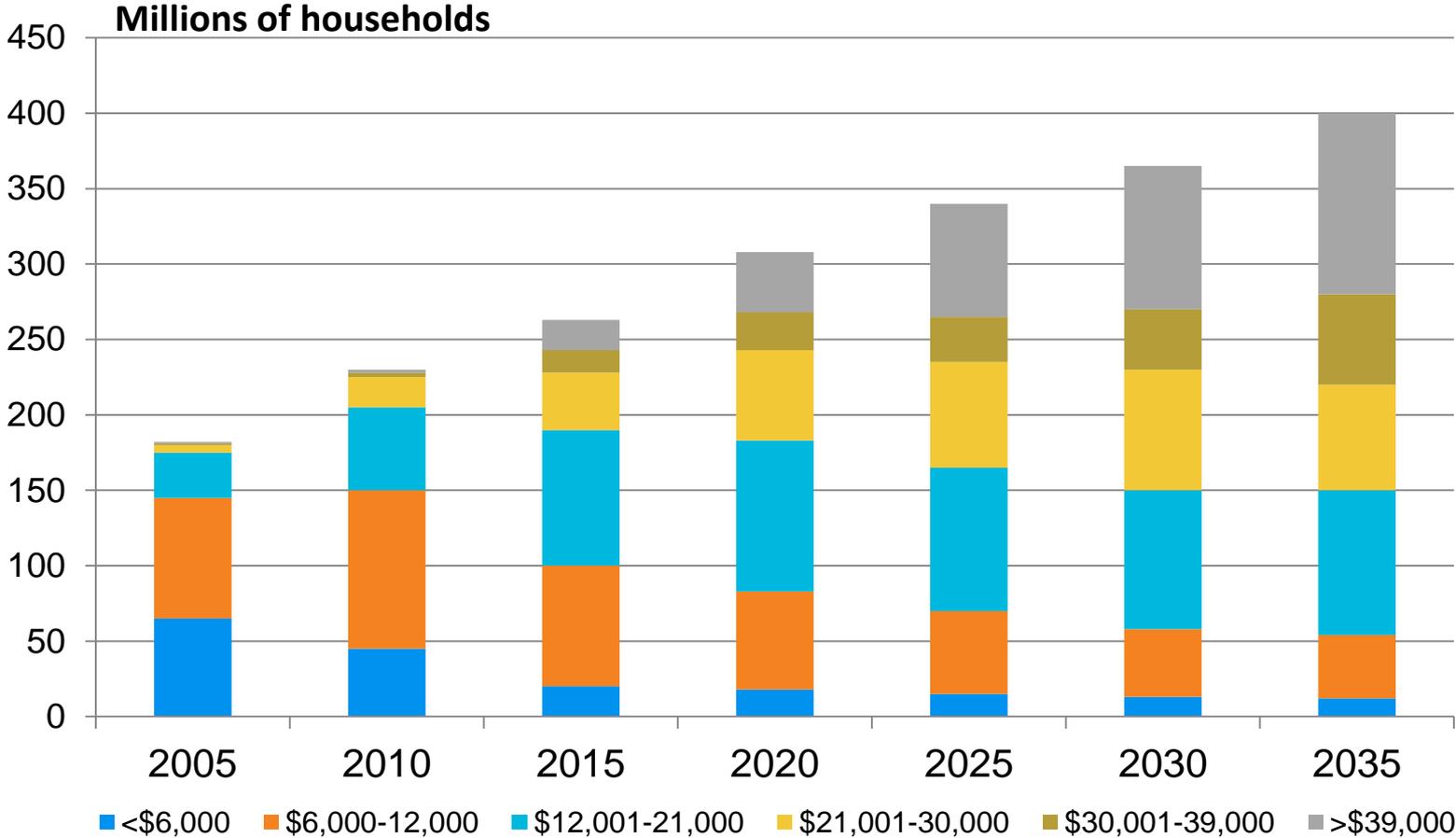
Source: *Wall Street Journal*

# Sources of World Economic Growth for 2016 and 2017



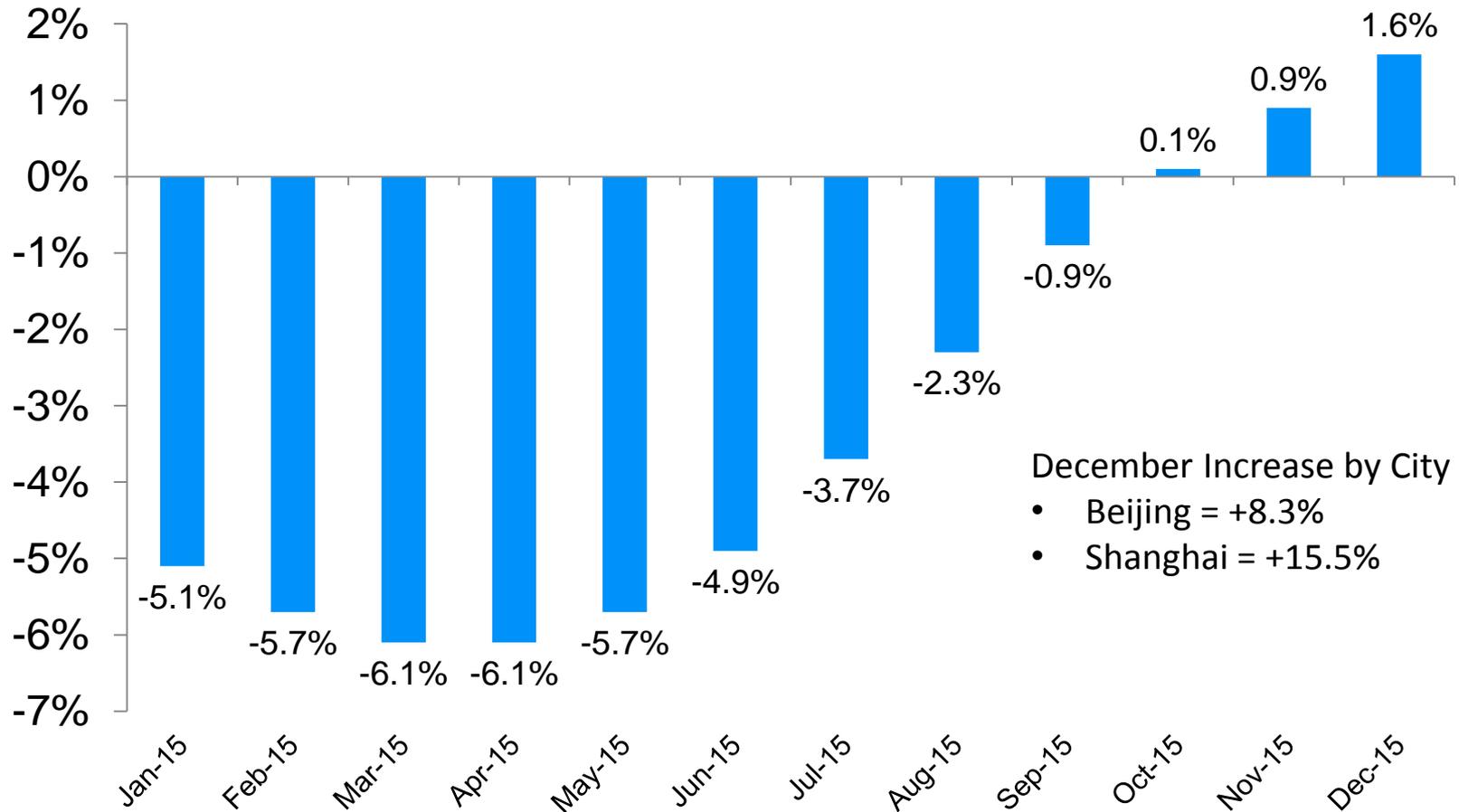
Source: International Monetary Fund World Economic Outlook, January 19, 2016

# China: Distribution of Household Income 2005 – 2035



Source: GlobalDemographics, December 15, 2015

# China Newly Built House Prices (Y/Y Change)



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com), National Bureau of Statistics China  
Data as of December 31, 2015



## Price of Oil



# North American shale plays (as of May 2011)



**Current shale plays**

**Stacked plays**

- Shallowest / youngest
- Intermediate depth / age
- Deepest / oldest

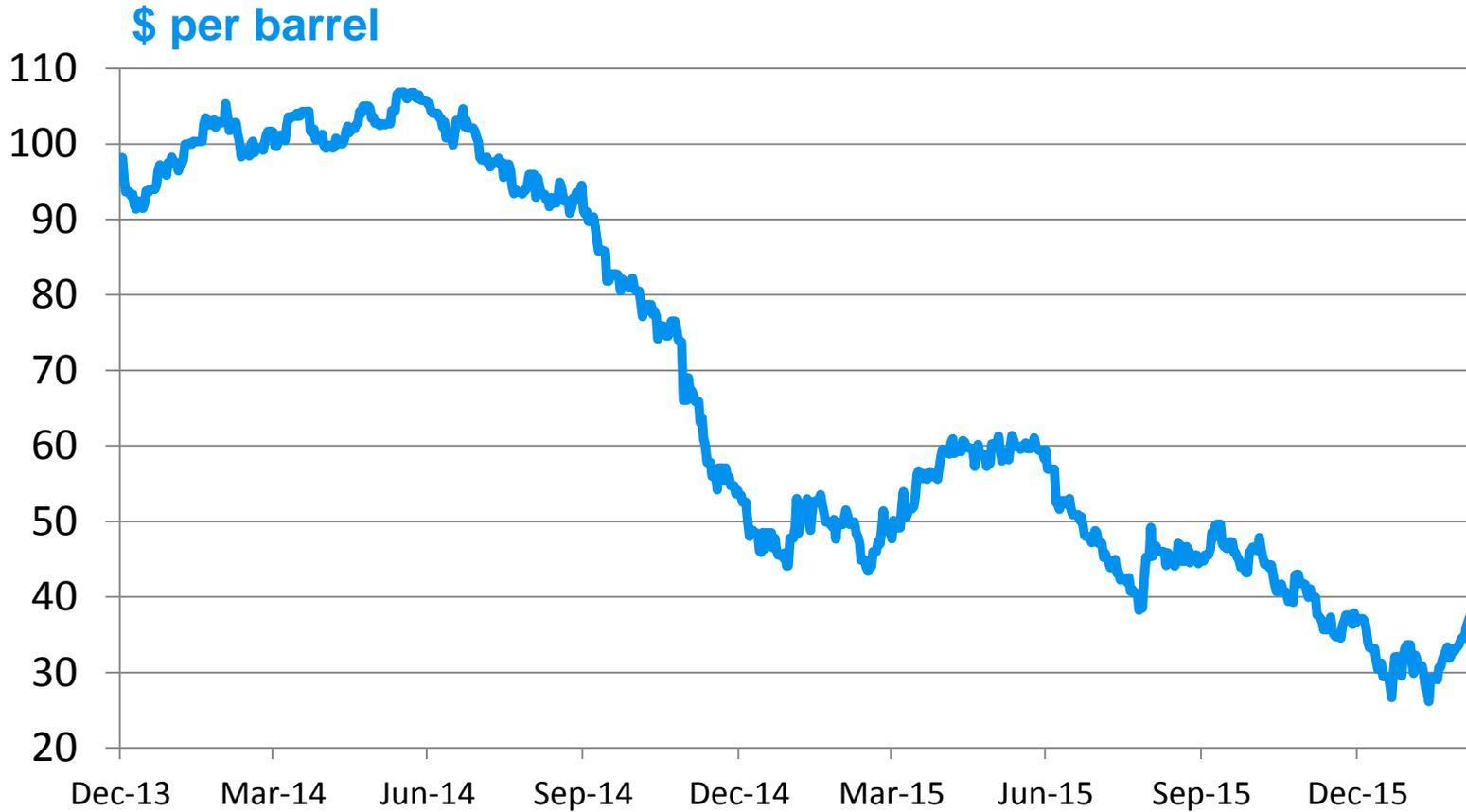
- \* Mixed shale & chalk play
- \*\* Mixed shale & limestone play
- \*\*\* Mixed shale & tight dolomite-siltstone-sandstone play

**Prospective shale plays**

**Basins**



# West Texas Intermediate Oil Price



Source: FactSet  
Data as of February 17, 2016

# Global Oil Production > Consumption 2014–2015

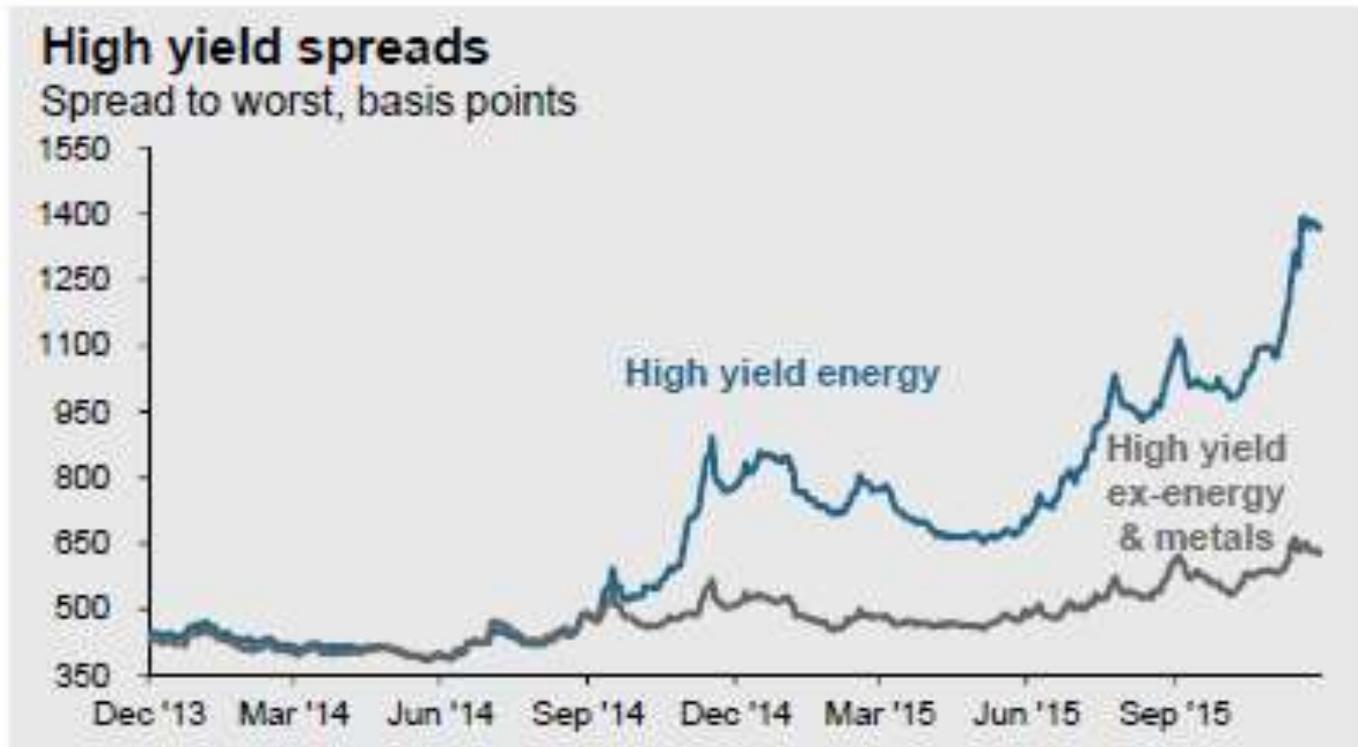
## Change in production and consumption of oil

Production, consumption and inventories, millions of barrels per day

	2013	2014	2015*	2016*	Growth since 2013
<b>Production</b>					
U.S.	12.4	14.1	14.9	14.7	19.0%
OPEC	36.4	36.4	37.4	38.1	4.5%
<b>Global</b>	<b>90.9</b>	<b>93.3</b>	<b>95.5</b>	<b>95.8</b>	<b>5.4%</b>
<b>Consumption</b>					
U.S.	19.0	19.1	19.4	19.6	3.2%
China	10.5	10.9	11.2	11.5	9.7%
<b>Global</b>	<b>91.3</b>	<b>92.5</b>	<b>93.8</b>	<b>95.2</b>	<b>4.3%</b>
<b>Inventory Change</b>	-0.4	0.8	1.7	0.6	

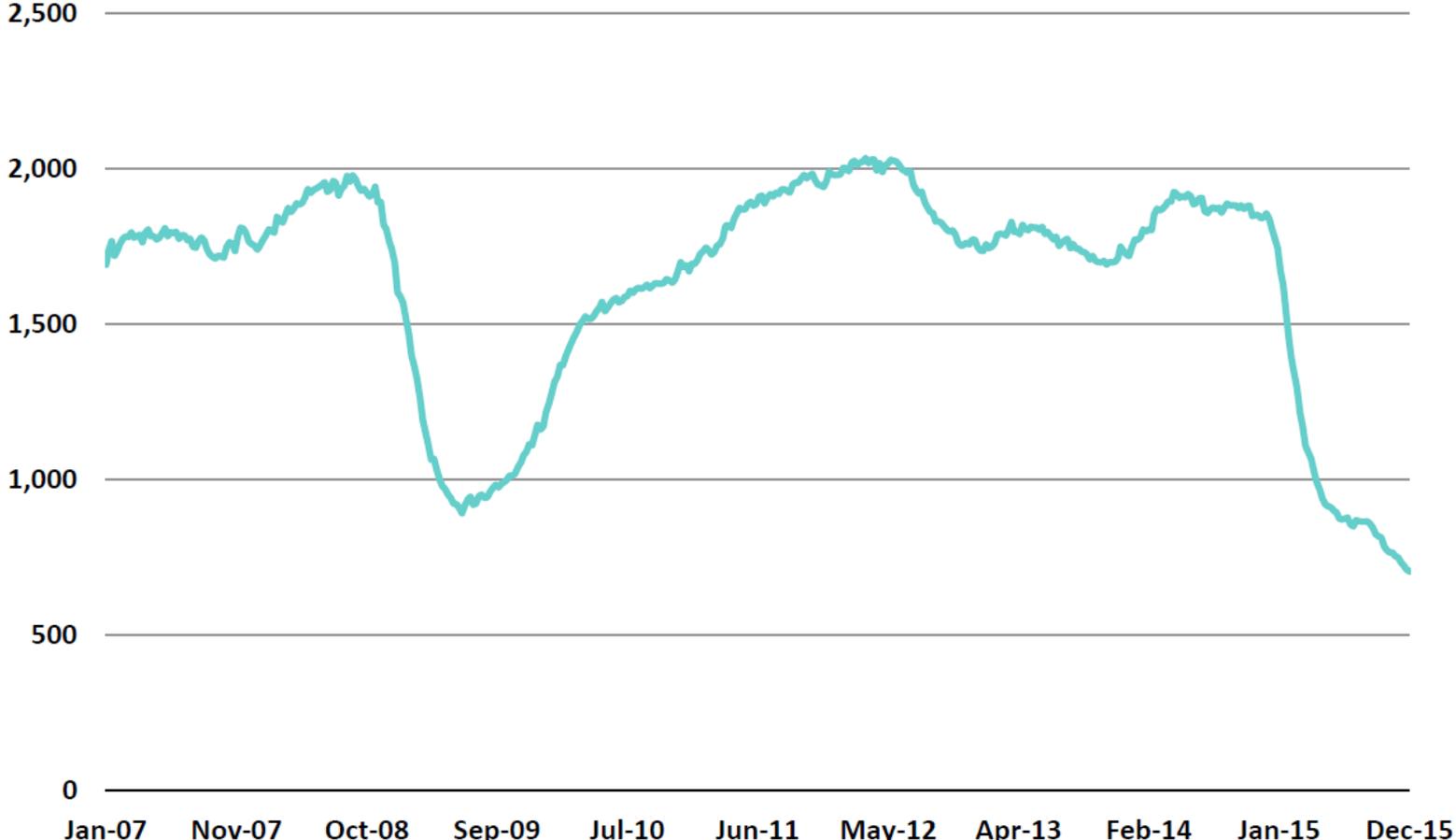
Source: JP Morgan

# High Yield Energy Bonds Suffer



Source: J.P. Morgan Asset Management; J.P. Morgan Global Economic Research, FRB; Strategic Insight Data as of December 31, 2015.

# U.S. Oil and Gas Drilling Rig Count



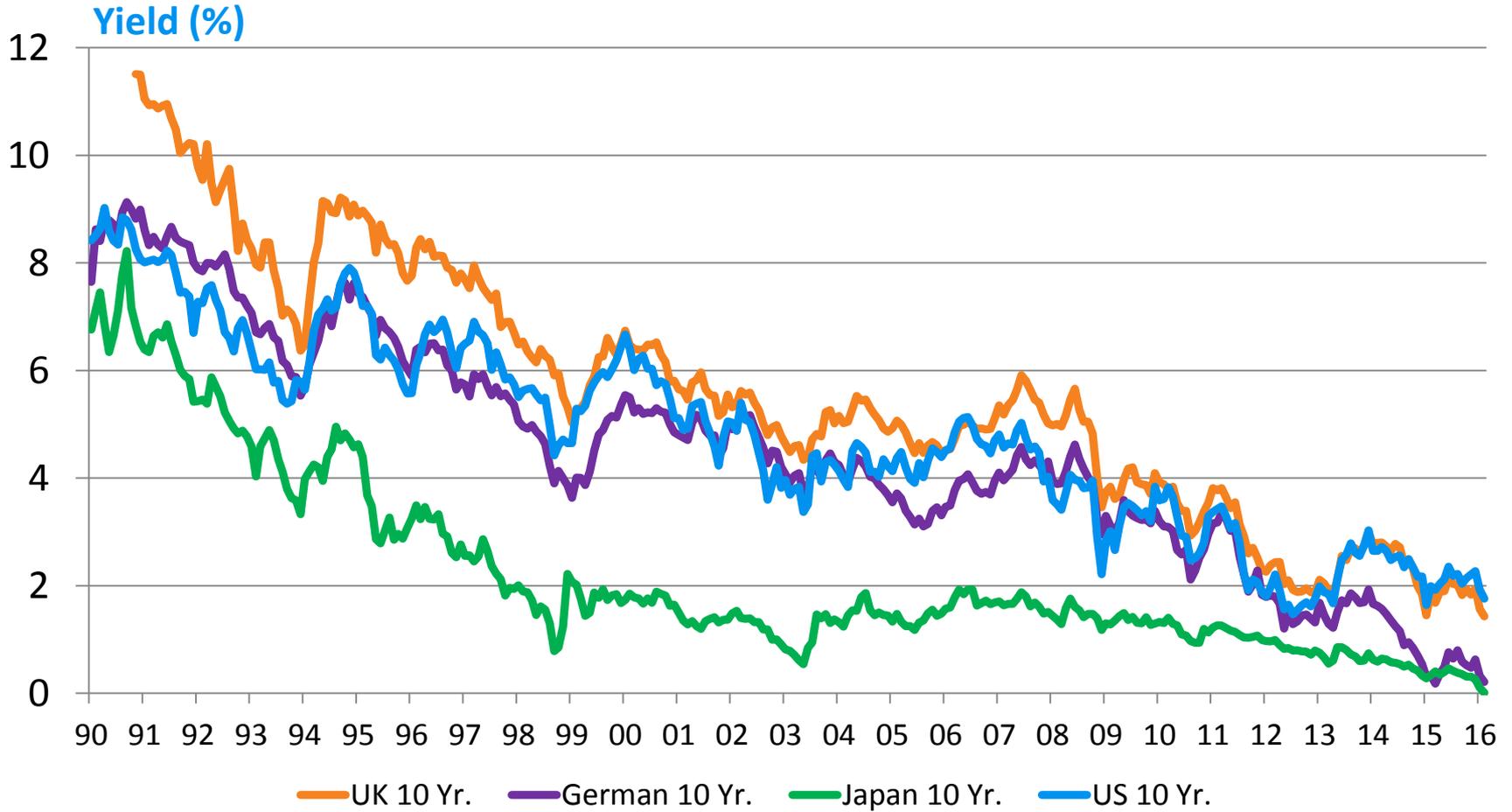
Source: Evercore ISI Group, Blackstone



# Federal Reserve Actions



# 10-Year Government Bond Yields at or Near Historic Lows



Source: Bloomberg

