



*Performance Review prepared for:*

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**City of Colorado Springs Cemetery Endowment Fund**

*Third Quarter 2016*

# **Financial Markets Review**

## QUARTERLY MARKET SUMMARY

## Market Index Performance

As of September 30, 2016

	QTD	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
<b>DOMESTIC EQUITY</b>								
S&P 500	3.85%	7.84%	15.43%	7.11%	11.16%	16.37%	13.17%	7.24%
Russell 3000 Index	4.40%	8.18%	14.96%	6.96%	10.44%	16.36%	13.18%	7.37%
Russell 1000 Value Index	3.48%	10.00%	16.19%	5.38%	9.70%	16.15%	12.34%	5.85%
Russell 1000 Growth Index	4.58%	6.00%	13.76%	8.34%	11.83%	16.60%	14.11%	8.85%
Russell Midcap Index	4.52%	10.26%	14.25%	6.76%	9.70%	16.67%	14.11%	8.32%
Russell 2500 Index	6.56%	10.80%	14.44%	7.18%	7.77%	16.30%	13.40%	7.94%
Russell 2000 Index	9.05%	11.46%	15.47%	8.12%	6.71%	15.82%	12.49%	7.07%
Russell 2000 Value Index	8.87%	15.49%	18.81%	8.12%	6.77%	15.45%	11.60%	5.78%
Russell 2000 Growth Index	9.22%	7.48%	12.12%	8.01%	6.58%	16.15%	13.32%	8.29%
<b>INTERNATIONAL EQUITY</b>								
MSCI EAFE (net)	6.43%	1.73%	6.52%	-1.36%	0.48%	7.39%	4.24%	1.82%
MSCI AC World Index (net)	5.30%	6.60%	11.96%	2.23%	5.17%	10.63%	7.77%	4.34%
MSCI AC World ex USA (Net)	6.91%	5.82%	9.26%	-2.04%	0.18%	6.04%	3.66%	2.16%
MSCI AC World ex USA Small Cap (Net)	7.91%	7.70%	13.38%	3.01%	3.52%	8.60%	6.78%	4.59%
MSCI EM (net)	9.03%	16.02%	16.78%	-2.91%	-0.56%	3.03%	2.27%	3.94%
<b>ALTERNATIVES</b>								
FTSE NAREIT Equity REIT Index	-1.43%	11.75%	19.86%	14.76%	14.22%	15.91%	15.56%	6.35%
FTSE EPRA/NAREIT Developed Index	1.46%	10.97%	15.85%	9.54%	8.59%	13.16%	10.77%	4.16%
Bloomberg Commodity Index Total Return	-3.82%	8.90%	-2.55%	-15.07%	-12.33%	-9.36%	-5.50%	-5.32%
<b>FIXED INCOME</b>								
Barclays Aggregate	0.46%	5.80%	5.19%	4.06%	4.03%	3.08%	4.10%	4.79%
Barclays U.S. Government/Credit	0.40%	6.66%	5.86%	4.29%	4.22%	3.24%	4.28%	4.86%
Barclays Intermediate U.S. Gov/Credit	0.16%	4.24%	3.52%	3.10%	2.80%	2.45%	3.33%	4.17%
Barclays U.S. Treasury: 1-3 Year	-0.11%	1.33%	0.88%	1.04%	0.86%	0.70%	1.04%	2.27%
Barclays US Corp: High Yield	5.55%	15.11%	12.73%	4.34%	5.28%	8.34%	8.75%	7.71%
Credit Suisse Leveraged Loan index	3.10%	7.46%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%
BofA Merrill Lynch Global HY Constrained (	5.25%	14.24%	12.82%	3.38%	4.32%	8.21%	8.21%	7.65%
Barclays Global Aggregate Ex USD	1.03%	13.09%	11.67%	1.54%	0.75%	0.70%	1.64%	3.82%
JPM EMBI Global Diversified	4.04%	14.77%	16.20%	7.46%	8.20%	7.76%	7.87%	7.73%
<b>CASH EQUIVALENT</b>								
90 Day U.S. Treasury Bill	0.07%	0.19%	0.18%	0.11%	0.09%	0.08%	0.09%	0.89%

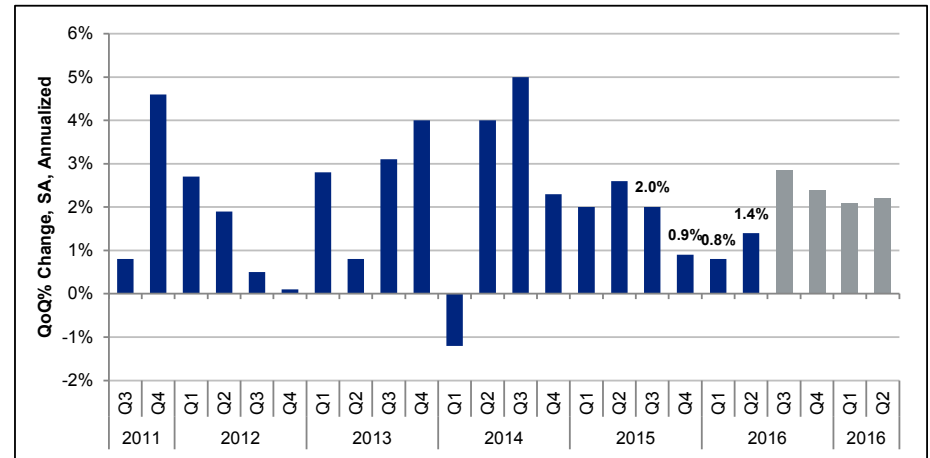
Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.



**The Economy**

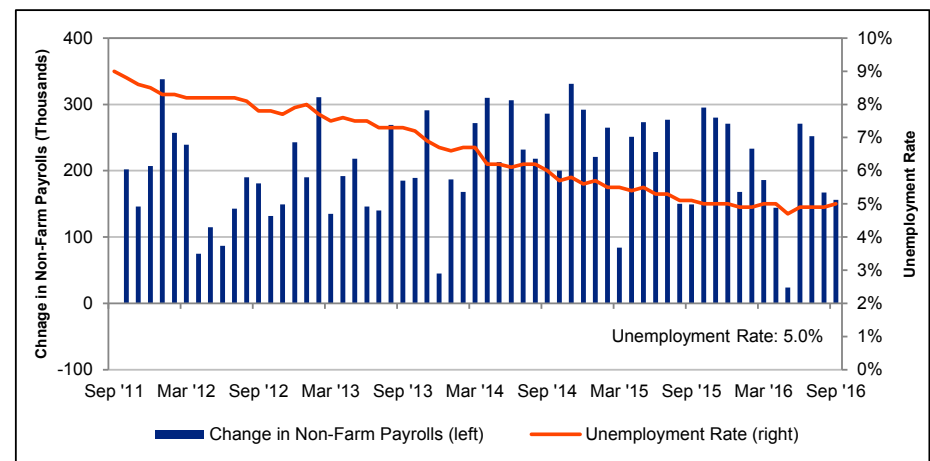
- Real Gross Domestic Product (GDP) grew at an annualized rate of 1.4% during the second quarter, topping both forecasts as well as the second revision of 1.1% (a third-quarter GDP figure was not yet available). As part of the second-quarter GDP reading, data showed business investment increased for the first time since the third quarter of 2015, creating hope for future growth, while personal consumption and exports also contributed to the acceleration.
- Employment remained strong during the third quarter, with the unemployment rate rising slightly to 5.0% as companies continued to add a healthy amount of jobs. Both Manufacturing and Services Industries faltered slightly during the third quarter but remained in growth mode, highlighting the tepid business environment.
- The aftermath of Britain’s vote to leave the European Union (EU) proved to be more stable than anticipated. Data mainly reflected a continuation of the status quo in both the United Kingdom (U.K.) and EU. Some indicators, like Manufacturing and Services Industries, held up while others, like the British pound, faltered.
- Corporate earnings growth within the S&P 500 Index (S&P 500) declined approximately 3.2% year-over-year (YoY) in the second quarter, marking the fifth consecutive quarter of YoY earnings declines. Early third-quarter forecasts projected the earnings recession was coming to an end; however, estimates of declines were 2.1% as of September 30. Despite this, seven sectors were expected to go into the black, with only four in the red. A struggling Energy sector was estimated to post the largest sector YoY drop for the third quarter in a row.
- Global central banks ramped up stimulus efforts in the third quarter, supporting global capital markets while pressuring sovereign interest rates down, in some cases negative. The European Central Bank gave every indication of easing while also launching a corporate bond buying program. The Bank of England followed suit by starting its own corporate bond buying program while also cutting its policy rate to 0.25%. More aggressive central banks, including the Bank of Japan (BoJ), ramped up their equity buying programs. The BoJ explored the idea of issuing perpetual bonds, which was eventually tabled, and ended up changing its policy to keep its 10-year bond near a 0% target range. The U.S. Federal Reserve (Fed) considered a tightening of policy in light of mixed but somewhat stronger data following the Brexit vote. However, the Fed decided to keep rates steady at its July and September meetings. Fed Funds Futures pushed up during the quarter, indicating a relatively more hawkish market for the remainder of the year.

**U.S. Real GDP Growth**  
(Seasonally Adjusted)



Source: Bureau of Economic Analysis. Dark blue bars indicate actual numbers; gray bars indicate forecasted estimates.

**Change in Non-Farm Payrolls**



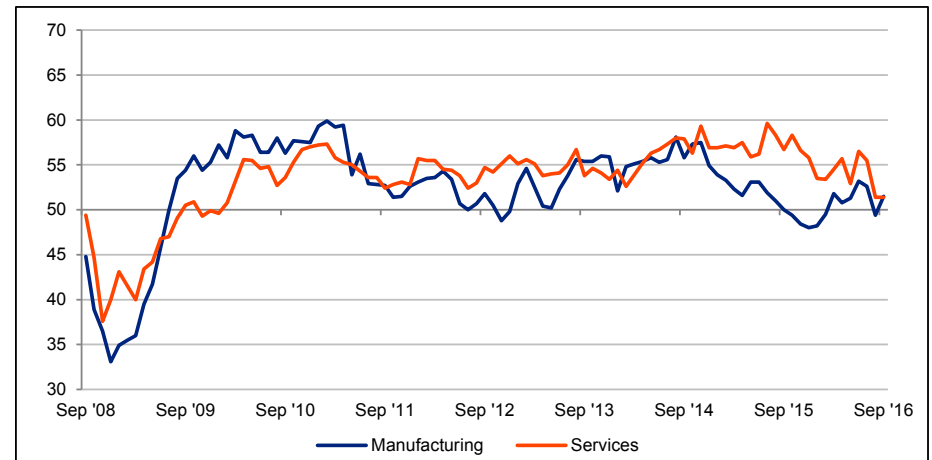
Source: Bureau of Labor Statistics.



**What We're Watching**

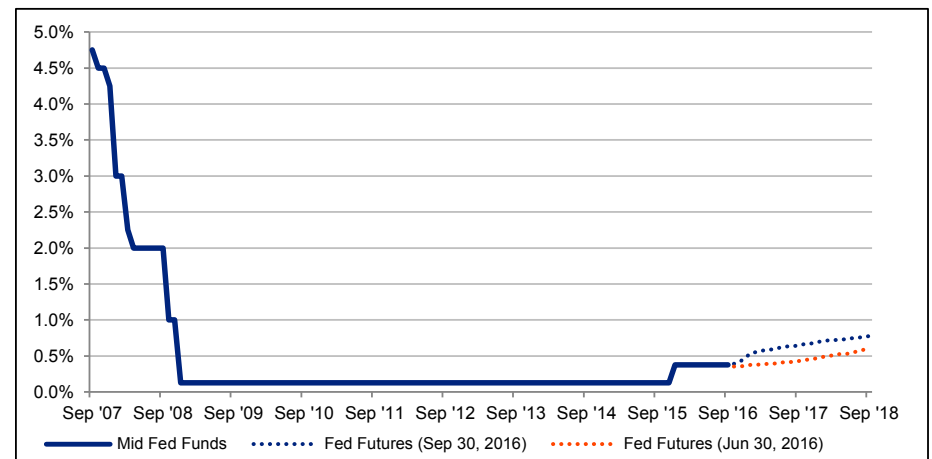
- The presidential race has been tight in the months leading up to the November 8 election. Hillary Clinton led slightly by the end of September. However, candidates still have time to sway public opinion as they face off in their third and final debate on Wed., Oct. 19. Given the implications for domestic businesses and global diplomacy, markets will certainly keep a close eye on potential outcomes.
- While global central bank easing persisted through the third quarter, economic conditions showed moderate signs of improvement, leading some to wonder whether a tightening policy may be in order in the United States. As of September 30, the market gave a greater than one-in-two chance to a Fed rate hike in December. Many believe the Fed is hesitant to tighten in a period when most major central banks continue to ease due to concern over financial turmoil. We will monitor indications of possible central bank moves, as well as implications of prolonged accommodative stances.
- Following the Brexit vote, questions remained during the third quarter of when — or even if — Article 50 would be invoked, triggering the two-year negotiation process. British Prime Minister Theresa May announced in early October that Article 50 would be enacted in March 2017, setting the stage for the U.K. to leave the EU in 2019. May cited immigration as the number one priority, in addition to reducing and simplifying the tax code. This stance on a “hard” Brexit could endanger Britain’s access to the EU’s single market — the free flow of goods, services, money and people among member nations — and potentially impact how British corporations conduct business. Because new trade agreements must be created at the country level, Brexit’s impact on the U.K. and other EU countries is still uncertain.
- In late September, the Organization of Petroleum Exporting Countries (OPEC) announced its first supply cut in eight years, indicating it would reduce oil output from roughly 33.4 million barrels per day to 32.5 to 33 million barrels. The reduction would likely boost prices and lead to stronger financial standing for some speculative, energy-reliant companies, which have been hurt by persistently low oil prices. An increase in energy prices could also potentially be a catalyst for an inflation reading that the Fed has targeted. Questions still loom over the efficacy of the OPEC deal given the tendency for nations to overproduce their supply. This is a development certainly worth monitoring given implications for both energy firms and the Fed.

ISM Manufacturing & Services PMI



Source: Bloomberg.

Fed Funds Target Rate



Source: Bloomberg.

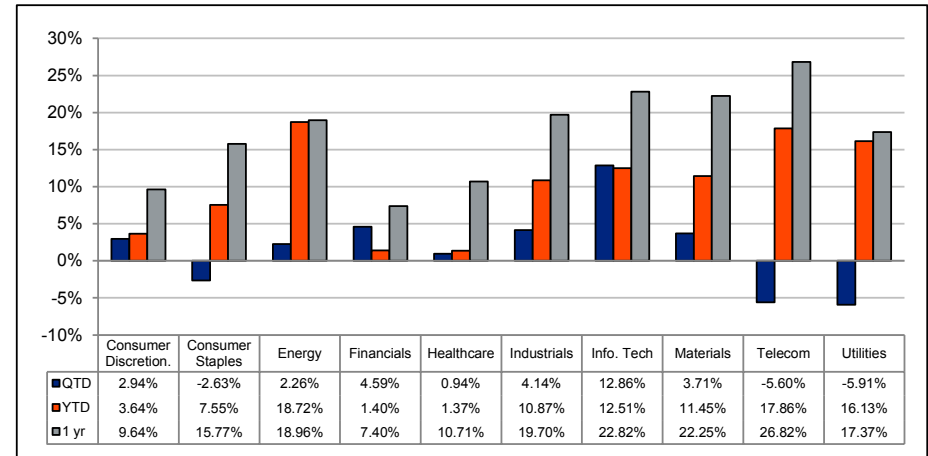


**Domestic Equity**

- Following June’s surprising Brexit vote, U.S. equity markets were expected to face heavy volatility and declines. Instead, markets rallied, rising 3.9% (as measured by the S&P 500) for the quarter. Most gains came during an especially strong July, as markets regained all losses incurred in late June. Throughout the third quarter, equity markets hit 10 new all-time highs (at market close), with the index peaking in mid-August. As of September 30, the index was 1.0% off its high. Many pundits credited the rally — in the face of mixed fundamentals and weak earnings growth — to global central banking activity, as banks continued to provide stimulus.
- Only three sectors within the S&P 500 finished the third quarter in the red — Utilities, -5.9%; Telecom, -5.6% and Consumer Staples, -2.6% — while all sectors finished in the black year-to-date (YTD). Following OPEC’s surprising end-of-quarter announcement that it would cut oil supply, the Energy sector pushed into positive territory for the quarter, with a 2.3% gain, and became the top-performing sector for the year, with a return of 18.7% YTD. As a result, Telecom and Utilities fell to second and third place, with YTD returns of 17.9% and 16.1% respectively. Following a strong first half of the year in which investors searched for yield, both Telecom and Utilities tapered off as interest rates showed signs of stagnating or even rising. While making moderate gains during the quarter (4.6%), the Financial sector remained one of the worst-performing sectors YTD, with only a 1.4% gain. The Financial sector performed well late in the quarter; however, it sold off due to news of the Fed’s proposed higher capital requirements for systematically important banks and speculation around Deutsche Bank’s capital adequacy.
- For the second quarter in a row, small-cap stocks outperformed large-caps and mid-caps. Helped by a strong 9.1% quarter-to-date (QTD) return, small-caps had a YTD return of 11.5%, becoming the top-performing market cap on the year. Mid- (Russell Mid Cap Index) and large-caps (Russell 1000 Index) finished similarly for the quarter, posting returns of 4.5% and 4.0% respectively. As of the quarter’s end, they had YTD returns of 10.3% and 7.9%.
- For the first time this year, growth-oriented stocks outpaced value-oriented stocks across all market capitalizations on the quarter. The difference was most pronounced within large-caps (4.6% for growth versus 3.5% for value) while small-caps (9.2% versus 8.9%) followed behind. Within mid-caps, the difference was minute (4.6% versus 4.5%). Value stocks largely outperformed growth stocks YTD.

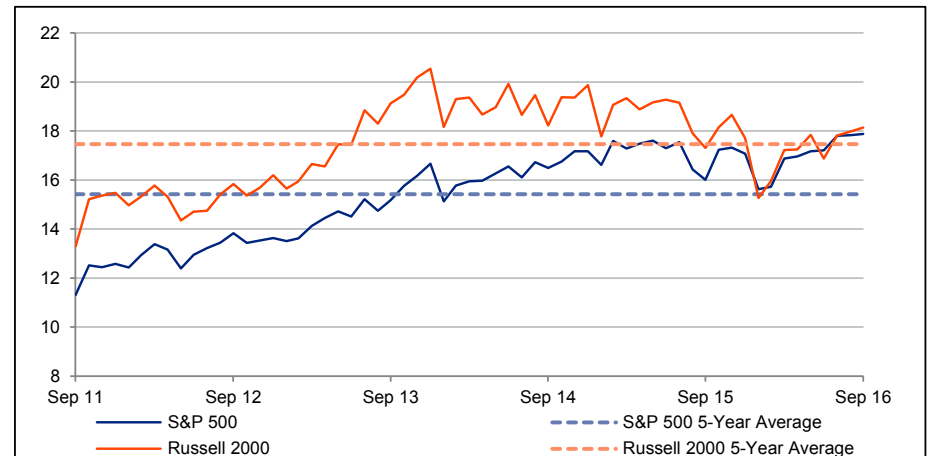
**S&P 500 Index Performance by Sector**

Periods Ended September 30, 2016



Source: Standard & Poor’s.

**P/E Ratios of Major Stock Indices\***



Source: Bloomberg.

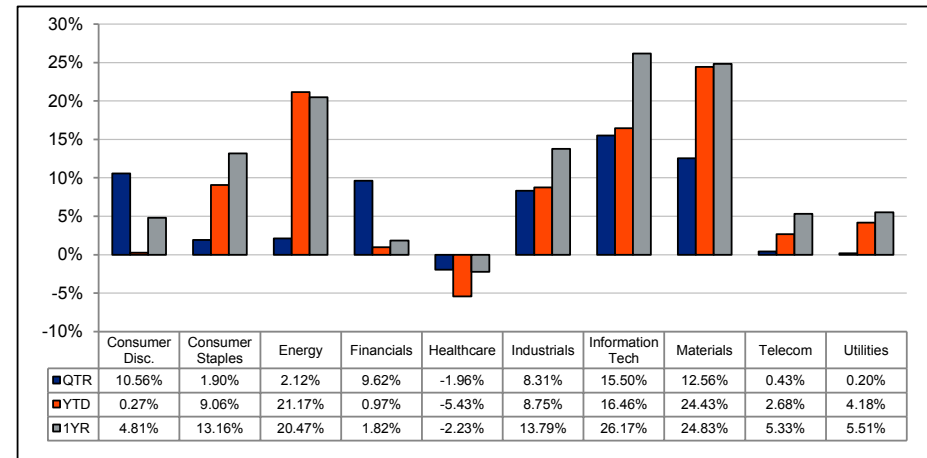
\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.



**Non-U.S. Equity**

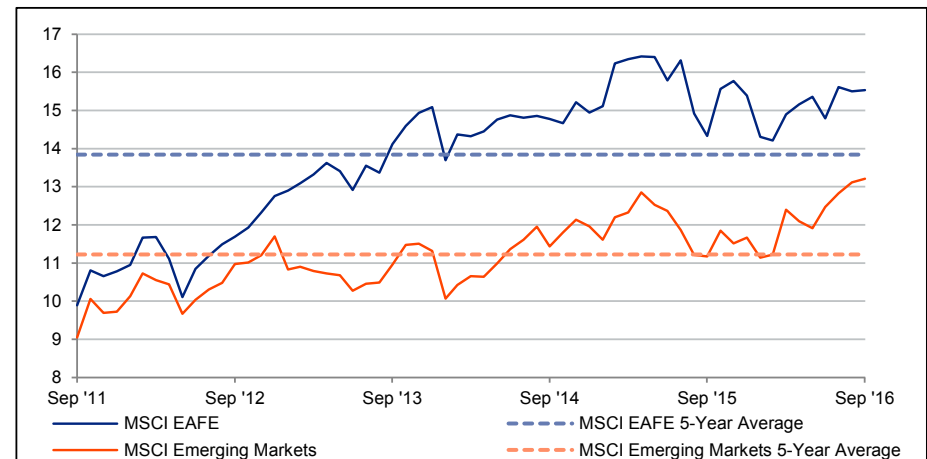
- Developed markets outside of North America, as measured by the MSCI EAFE Index, rose 6.4% in the third quarter. Markets rallied in the first half of the quarter, as investors brushed off Brexit fears and instead focused on central bank stimulus and better-than-expected data. The second half of the quarter was calmer, with markets giving back gains in late August and ending the month flat, before rising modestly in September. Most developed countries ended the third quarter in positive territory. Austria (16.7%) was the top performer, gaining back losses from the second quarter. New Zealand (12.4%) followed, remaining on top YTD. Denmark (-6.3%) was the biggest laggard.
- Emerging markets (EM), as measured by the MSCI EM Index, rose 9.0% in the third quarter, boosting its YTD return to 16.0%. EM's previous rally continued during the third quarter as commodity prices further stabilized and investors focused on valuations and the high growth prospects of the region. Egypt (21.6%) and China (13.9%) were the strongest performers, while the Philippines (-5.3%) and Turkey (-5.3%) were the worst.
- Within the MSCI All Country World Index (ACWI) ex-U.S., which includes both developed and EM, cyclical sectors were the strongest performers, while defensive sectors were relatively mute. Information Technology (15.5%) and Materials (12.6%) were the top performers during the third quarter, and Materials remained on top YTD (24.4%). The Energy sector rose a modest 2.1% during the third quarter, outperforming other defensive sectors but sliding down to second best YTD (21.2%). After a solid second quarter, Healthcare was the biggest laggard in the third quarter (-2.0%) and the lone negative sector.
- In developed markets, small-cap stocks outperformed large-cap, and value stocks outperformed growth for the third quarter. The opposite was true for EM.

**MSCI ACWI ex-U.S. Sectors**  
Periods Ended September 30, 2016



Source: MSCI.

**P/E Ratios of MSCI Equity Indices\***



Source: Bloomberg.

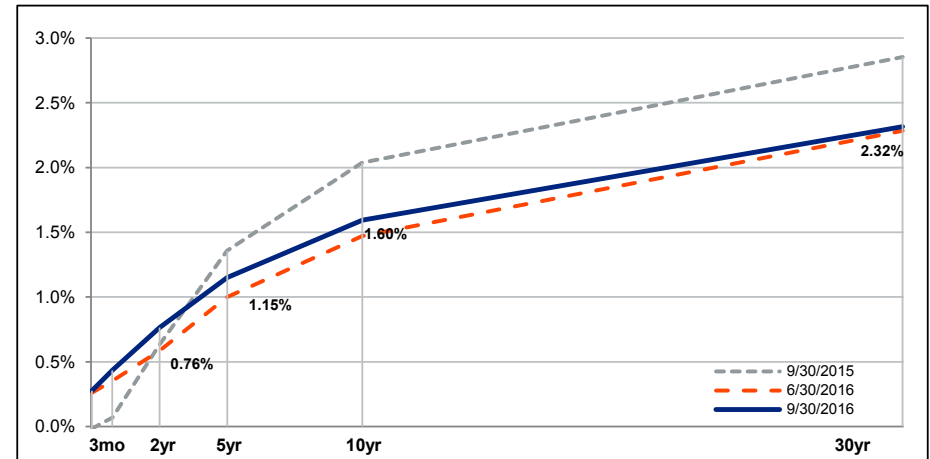
\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.



**Fixed Income**

- After two consecutive quarters of declines, third-quarter yields rose among all U.S. Treasury tenors. The curve steepened in the short-to-intermediate term, while flattening out a bit in the intermediate-to-longer maturity space. Cash pushed up modestly as the 90-day Treasury bill rate increased 2 basis points (bps), held relatively down by uncertainty surrounding a Fed rate hike. Maturities in the 1- to 5-year range saw the greatest increases, rising between 15 and 18 bps. This pickup was a positive sign, indicating that the market was more bullish on strengthening economic conditions, at least in the near-to-intermediate term. On the longer end, the 10-year picked up 12 bps, while the 30-year rose 3 bps.
- Following a strong first half of the year, investment-grade fixed income returns were relatively muted for the third quarter. The Barclays U.S. Aggregate Index gained 0.5% on the quarter, while the Barclays U.S. Universal Bond Index (which includes a High Yield portion) rose 1.0%. Corporate credit, represented by the Barclays U.S. Corporate Investment Grade Index, climbed 1.4%. Within Investment Grade corporate credit, there was a slight bias towards lower-quality. Among the four corporate-composite ratings, BBB (2.1%) was the top performer on the quarter, followed by A (0.9%), AAA (0.5%), and AA (0.5%).
- On the speculative side of the credit spectrum, high yield — represented by the Barclays U.S. Corporate High Yield Index — rose a strong 5.6% in the third quarter and returned 15.1% YTD. High-yield credit spreads, which have trended downward since mid-February 2016, dropped to their lowest level since July 2015.
- Mortgage rates saw modest declines on the quarter, as the fixed-rate mortgage market, as measured by the Barclays U.S. Mortgage-Backed Securities (MBS) Index, gained 0.6% while the Barclays U.S. CMBS Index (measuring commercial MBS) gained 0.7%. U.S. dollar (USD)-denominated EM debt gained 3.1% on the quarter, as measured by the Barclays EM USD Aggregate Index.

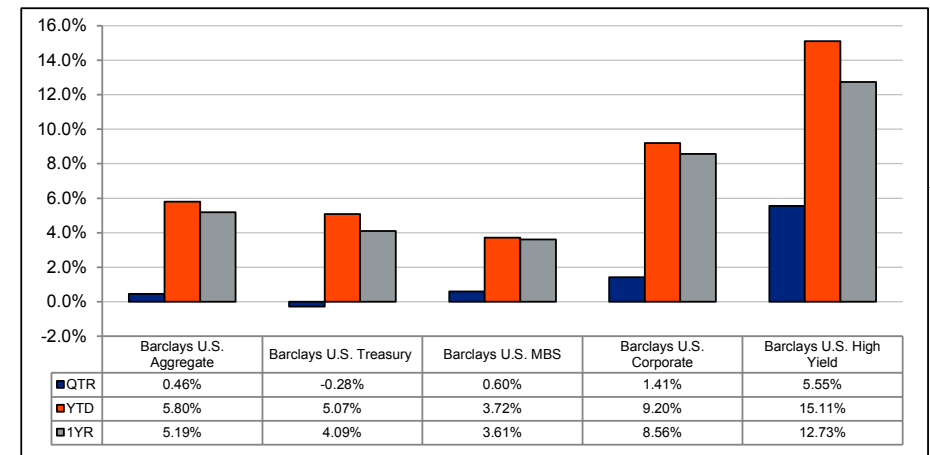
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended September 30, 2016



Source: Bloomberg.

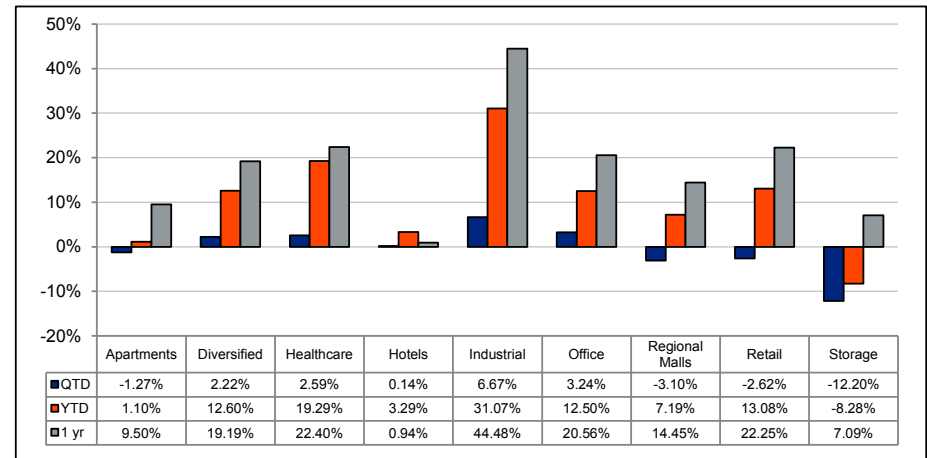




**Alternatives**

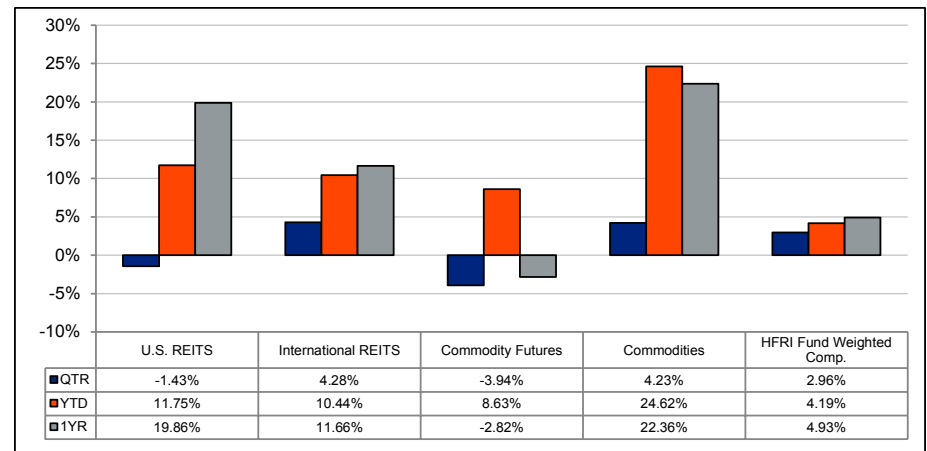
- U.S. real estate investment trusts (REITs), as measured by the FTSE NAREIT Equity REIT Index, declined -1.4% in the third quarter following a strong first half of the year. After a solid gain in July, REITs fell in August and September amid concerns over interest rate hikes and stretched valuations. Major property sector performance was mixed. Retail (-2.6%) and Residential (-1.0%) REIT sectors fell, while Industrial (6.7%) and Office (3.2%) REITs were the top performers. Meanwhile, minor property types within the index, such as Self Storage (-12.2%), Specialty (-9.9%) and Data Center (-9.0%) REITs, fell considerably during the third quarter and dragged down performance of the index as a whole.
- Private real estate, as measured by the NCREIF Index of 7,353 properties nationwide, climbed 2.0% during the second quarter. (Third quarter data was not yet available.) Income growth of 1.2% slightly outpaced a value appreciation of 0.8%, continuing the year’s trend.
- Commodities gave back some of the gains from the first half of the year. The Bloomberg Commodity Index of 19 raw materials futures fell -3.9% in the third quarter. After a strong rally during the second quarter, investors pulled back sharply in July and August amid U.S. dollar pressures, before recouping some losses in September. Commodity-related equities, as measured by the S&P North American Natural Resources Sector Index, still managed to advance, rising 4.2% due to a solid quarter end. With three strong quarters, the index was up 24.6% YTD — more than any other asset class.
- Hedge funds rose 3.0% during the third quarter. The HFRI Fund Weighted Composite Index, a global index of over 2,000 hedge funds, was up 4.2% YTD after seven consecutive months of positive performance.
- Private equity fundraising slowed in the third quarter. Worldwide, private equity funds raised just \$62 billion in capital commitments from investors, and 170 funds held final closings, according to Preqin. Venture and Buyout continued to be the two most active private equity sectors internationally, with 76 and 36 funds closing within each sector, respectively. North America-based private funds led the way, with 104 funds closing on capital commitments of \$36 billion. Europe followed, with 30 funds closing on \$15 billion of capital.

**FTSE NAREIT Sectors**  
Quarter Ended September 30, 2016



Source: Bloomberg.

**Returns for Alternative Assets**  
Periods Ended September 30, 2016



Sources: Bloomberg and Hedge Fund Research, Inc.



QUARTERLY MARKET SUMMARY

**PFMAM Investment Strategy Overview**  
For the Fourth Quarter 2016

Asset Class	PFMAM Investment Preference	Comments
U.S. Equities	Large Caps	<ul style="list-style-type: none"> <li>• Modest fundamentals should support modest relative returns in U.S. equities.</li> <li>• International markets pose spillover risk.</li> <li>• Small-cap companies are more insulated from global forces given their more domestically-focused revenues and therefore may carry less international spillover risk.</li> </ul>
	Small Caps	
Non-U.S. Equities	Developed Markets	<ul style="list-style-type: none"> <li>• There is significant uncertainty about the short-term and long-term effects of Brexit.</li> <li>• While instability continues within Emerging Markets, it now looks relatively less risky given recent developments in developed markets. This, along with continued low valuation levels, makes the sub-asset class slightly more attractive.</li> </ul>
	Non-U.S. small-caps	
	Emerging Markets	
Fixed Income	Long Duration, Interest-Rate-Sensitive Sectors	<ul style="list-style-type: none"> <li>• Low interest rates will likely persist, and the Fed may only tighten gradually, if at all, in 2016 and 2017.</li> <li>• Credit remains an area to capture yield, and the potential for central banks to buy corporate securities could further support the sector.</li> </ul>
	Credit-Sensitive Sectors	
Real Estate		<ul style="list-style-type: none"> <li>• While property prices have fully recovered and assets are now fairly valued, continued low interest rates along with modest fundamentals may continue to support real estate.</li> </ul>
Alternatives	Hedge Funds	<ul style="list-style-type: none"> <li>• Due to rising assets under management and the proliferation of hedge funds and private equity funds, the relative performance of alternatives is unlikely to significantly outperform publicly traded markets.</li> </ul>
	Private Equity	

Please refer to the last page of this document for important disclosures. Blue bars represent our current outlook, while gray bars reflect our outlook one year ago.

■ Current outlook    ■ Outlook one year ago



**Disclosures**

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# **Plan Performance Review**

**Asset Allocation & Performance**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
Total Fund	9,959,890	100.00	2.33	7.09	N/A	N/A	N/A	6.06	12/01/2015
<i>Blended Benchmark</i>			<i>2.84</i>	<i>6.75</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>5.52</i>	<i>12/01/2015</i>
<b>Domestic Equity</b>									
Vanguard Total Stock Market Index	2,671,703	26.82	4.40	8.21	14.98	10.42	16.33	6.01	12/01/2015
<i>Russell 3000 Index</i>			<i>4.40</i>	<i>8.18</i>	<i>14.96</i>	<i>10.44</i>	<i>16.36</i>	<i>5.96</i>	<i>12/01/2015</i>
Vanguard Dividend Growth	535,796	5.38	0.81	6.46	13.73	10.07	14.70	5.31	12/01/2015
<i>S&amp;P 500</i>			<i>3.85</i>	<i>7.84</i>	<i>15.43</i>	<i>11.16</i>	<i>16.37</i>	<i>6.14</i>	<i>12/01/2015</i>
Vanguard Small Cap Index Fund	357,121	3.59	6.17	11.50	14.97	7.92	16.70	N/A	10/01/2016
<i>Russell 2000 Index</i>			<i>9.05</i>	<i>11.46</i>	<i>15.47</i>	<i>6.71</i>	<i>15.82</i>	<i>N/A</i>	<i>10/01/2016</i>
<b>International Equity</b>									
Vanguard Total International Stock Index Fund	355,463	3.57	6.65	6.74	9.66	0.89	6.78	N/A	10/01/2016
<i>MSCI AC World ex USA (Net)</i>			<i>6.91</i>	<i>5.82</i>	<i>9.26</i>	<i>0.18</i>	<i>6.04</i>	<i>N/A</i>	<i>10/01/2016</i>
Vanguard International Value	297,131	2.98	6.04	5.63	8.26	-0.45	7.29	3.56	05/01/2016
<i>MSCI AC World ex USA (Net)</i>			<i>6.91</i>	<i>5.82</i>	<i>9.26</i>	<i>0.18</i>	<i>6.04</i>	<i>3.50</i>	<i>05/01/2016</i>
J. O. Hambro International Select	363,892	3.65	7.44	12.21	14.70	7.21	13.68	12.21	01/01/2016
<i>MSCI AC World ex USA (Net)</i>			<i>6.91</i>	<i>5.82</i>	<i>9.26</i>	<i>0.18</i>	<i>6.04</i>	<i>5.82</i>	<i>01/01/2016</i>
Oppenheimer Int'l Small Mid Company	179,712	1.80	7.39	5.33	10.82	10.42	16.94	6.09	12/01/2015
<i>MSCI AC World ex USA Smid Cap Index (Net)</i>			<i>7.56</i>	<i>7.23</i>	<i>12.24</i>	<i>2.85</i>	<i>7.99</i>	<i>6.44</i>	<i>12/01/2015</i>
<b>Other Growth Assets</b>									
Vanguard REIT Index	352,066	3.53	-1.47	11.83	19.70	14.00	15.69	5.22	04/01/2016
<i>MSCI US REIT Index</i>			<i>-1.45</i>	<i>11.91</i>	<i>19.83</i>	<i>14.11</i>	<i>15.79</i>	<i>5.27</i>	<i>04/01/2016</i>

Returns are net of mutual fund fees.  
Returns are expressed as percentages.



**Asset Allocation & Performance**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Fixed Income</b>									
Metropolitan West Total Return	1,205,257	12.10	0.74	5.24	4.82	4.01	4.83	4.90	12/01/2015
Baird Core Plus	1,590,602	15.97	1.10	7.27	6.39	4.74	4.37	6.58	12/01/2015
<i>Blmbg. Barc. U.S. Aggregate</i>			<i>0.46</i>	<i>5.80</i>	<i>5.19</i>	<i>4.03</i>	<i>3.08</i>	<i>5.45</i>	<i>12/01/2015</i>
Vanguard Intermediate-Term Investment Grade	1,591,426	15.98	0.93	7.10	6.90	5.04	4.84	6.56	12/01/2015
<i>Blmbg. Barc. U.S. Credit 5-10 Year Index</i>			<i>1.24</i>	<i>8.80</i>	<i>8.23</i>	<i>5.84</i>	<i>5.50</i>	<i>7.86</i>	<i>12/01/2015</i>
Vanguard High Yield Corporate	435,102	4.37	4.40	10.45	9.93	5.60	7.72	7.94	04/01/2016
<i>Blmbg. Barc. U.S. Corp: High Yield</i>			<i>5.55</i>	<i>15.11</i>	<i>12.73</i>	<i>5.28</i>	<i>8.34</i>	<i>11.38</i>	<i>04/01/2016</i>
<b>Cash Equivalent</b>									
First American Government Obligation	24,620	0.25	0.00	0.00	0.01	0.01	0.01	0.01	12/01/2015

Returns are net of mutual fund fees.  
Returns are expressed as percentages.



**Comparative Performance**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

	2015	2014	2013	2012	2011
<b>Total Fund</b>	N/A	N/A	N/A	N/A	N/A
<i>Blended Benchmark</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<b>Domestic Equity</b>					
Vanguard Total Stock Market Index	0.39	12.56	33.52	16.38	1.08
<i>Russell 3000 Index</i>	<i>0.48</i>	<i>12.56</i>	<i>33.55</i>	<i>16.42</i>	<i>1.03</i>
Vanguard Dividend Growth	2.62	11.85	31.53	10.39	9.43
<i>S&amp;P 500</i>	<i>1.38</i>	<i>13.69</i>	<i>32.39</i>	<i>16.00</i>	<i>2.11</i>
Vanguard Small Cap Index Fund	-3.64	7.50	37.81	18.24	-2.69
<i>Russell 2000 Index</i>	<i>-4.41</i>	<i>4.89</i>	<i>38.82</i>	<i>16.35</i>	<i>-4.18</i>
<b>International Equity</b>					
Vanguard Total International Stock Index Fund	-4.26	-4.17	15.14	18.21	-14.52
Vanguard International Value	-6.44	-6.69	22.15	20.18	-14.58
J. O. Hambro International Select	-4.05	5.35	38.21	15.48	-15.24
<i>MSCI AC World ex USA (Net)</i>	<i>-5.66</i>	<i>-3.87</i>	<i>15.29</i>	<i>16.83</i>	<i>-13.71</i>
Oppenheimer Int'l Small Mid Company	15.15	0.38	45.26	23.17	-20.08
<i>MSCI AC World ex USA Smid Cap Index (Net)</i>	<i>0.44</i>	<i>-3.05</i>	<i>17.79</i>	<i>17.98</i>	<i>-16.90</i>
<b>Other Growth Assets</b>					
Vanguard REIT Index	2.39	30.32	2.42	17.69	8.62
<i>MSCI US REIT Index</i>	<i>2.52</i>	<i>30.38</i>	<i>2.47</i>	<i>17.78</i>	<i>8.68</i>

Returns are net of mutual fund fees.  
Returns are expressed as percentages.



**Comparative Performance**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

	2015	2014	2013	2012	2011
<b>Fixed Income</b>					
Metropolitan West Total Return	0.29	5.99	0.50	11.55	5.52
Baird Core Plus	0.14	6.59	-1.32	7.95	7.89
<i>Blmbg. Barc. U.S. Aggregate</i>	<i>0.55</i>	<i>5.97</i>	<i>-2.02</i>	<i>4.21</i>	<i>7.84</i>
Vanguard Intermediate-Term Investment Grade	1.63	5.91	-1.27	9.25	7.63
<i>Blmbg. Barc. U.S. Credit 5-10 Year Index</i>	<i>0.69</i>	<i>7.38</i>	<i>-2.05</i>	<i>11.26</i>	<i>8.21</i>
Vanguard High Yield Corporate	-1.30	4.69	4.64	14.47	7.24
<i>Blmbg. Barc. U.S. Corp: High Yield</i>	<i>-4.47</i>	<i>2.45</i>	<i>7.44</i>	<i>15.81</i>	<i>4.98</i>
<b>Cash Equivalent</b>					
First American Government Obligation	0.01	0.01	0.01	0.01	0.00

Returns are net of mutual fund fees.  
Returns are expressed as percentages.





**Account Reconciliation**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

**QTR**

	Market Value As of 07/01/2016	Net Flows	Return On Investment	Market Value As of 09/30/2016
Total Fund	9,730,382	3,099	226,409	9,959,890

**YTD**

	Market Value As of 01/01/2016	Net Flows	Return On Investment	Market Value As of 09/30/2016
Total Fund	9,729,241	(420,409)	651,059	9,959,890

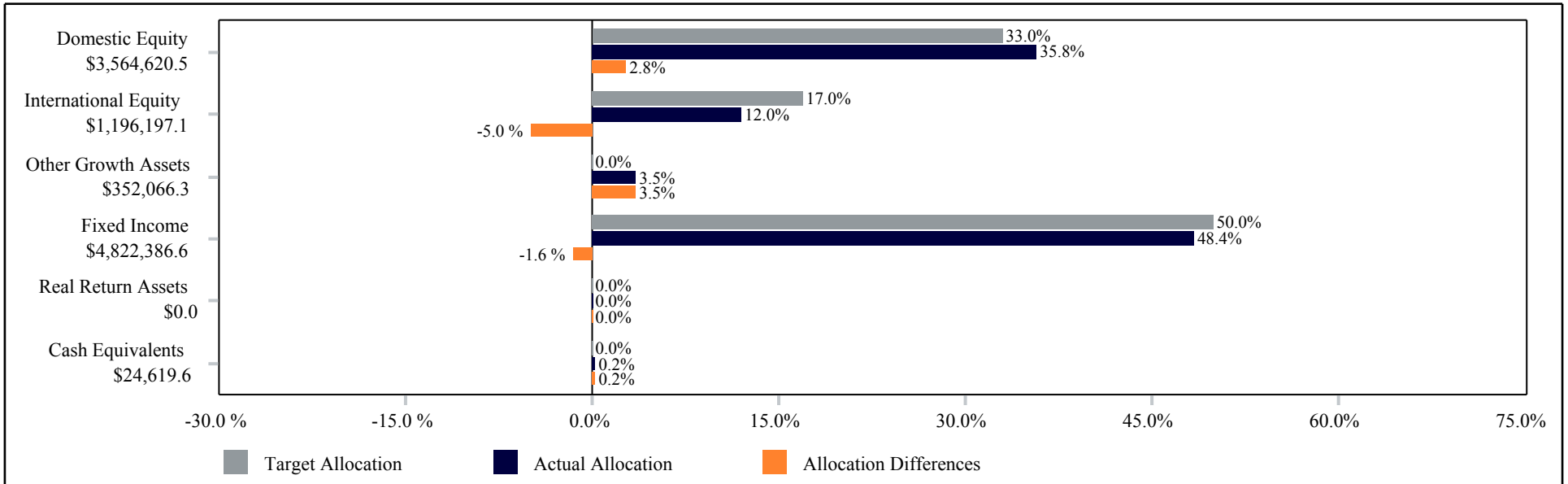
**1 Year**

	Market Value As of 10/01/2015	Net Flows	Return On Investment	Market Value As of 09/30/2016
Total Fund	-	9,428,101	531,789	9,959,890



**Asset Allocation Compliance**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Fund	100.0	100.0	N/A	N/A	0.0
Domestic Equity	35.8	33.0	10.0	60.0	2.8
International Equity	12.0	17.0	0.0	40.0	-5.0
Other Growth Assets	3.5	0.0	0.0	20.0	3.5
Fixed Income	48.4	50.0	20.0	80.0	-1.6
Real Return Assets	0.0	0.0	0.0	20.0	0.0
Cash Equivalents	0.2	0.0	0.0	20.0	0.2



**Historical Hybrid Composition**  
**Blended Benchmark**  
**City of Colorado Springs Cemetery Endowment Fund**  
**As of September 30, 2016**

<b>Allocation Mandate</b>	<b>Weight (%)</b>
<b>Dec-2015</b>	
Russell 3000 Index	33.0
MSCI AC World ex USA (Net)	17.0
Blmbg. Barc. U.S. Aggregate	50.0

# **Investment Manager Review**

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- **Vanguard Total Stock Market Index**

- **Management:** Gerard C. O'Reilly has managed the Fund since its inception. Walter Nejman is now a co-portfolio manager for the fund. Joseph Brennan, CFA, Principal of Vanguard and global head of Vanguard's Equity Index Group, has oversight responsibility for all equity index funds managed by the Equity Investment Group.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Strategy:** The Fund employs a "passive management" – or indexing – investment approach designed to track the performance of the CRSP US Total Market Index. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

- **Vanguard Dividend Growth**

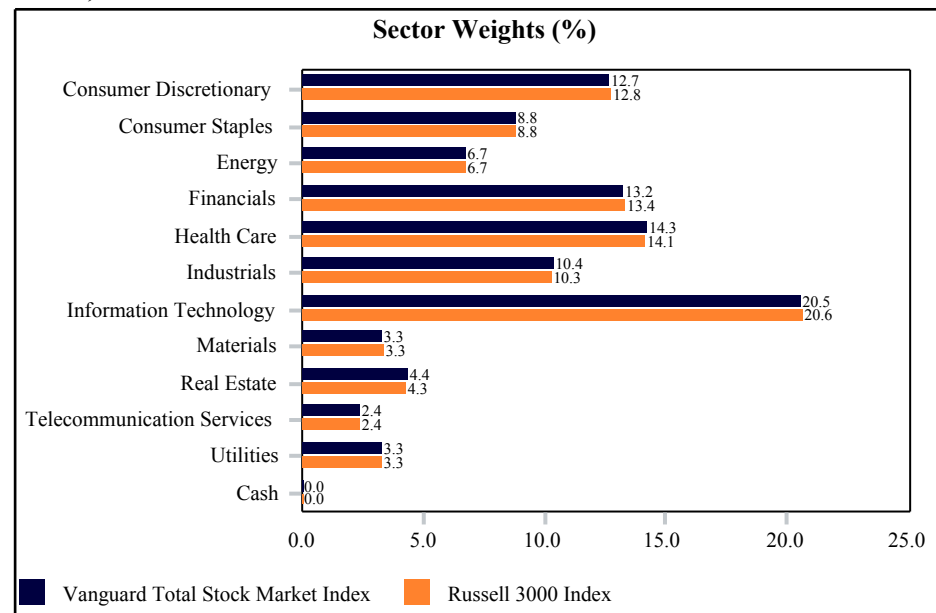
- **Management:** The Fund has been sub-advised by Wellington Management Company, LLC since 1992. Donald J. Kilbride has advised the fund since 2006.
- **Objective:** The Fund seeks long-term capital appreciation and current income.
- **Strategy:** The Fund invests in a diversified array of stable, well-managed companies that have a history of or a potential for growing dividends over time. Valuation is key to security selection, with the Fund preferring stocks that trade at a discount to the market or that possess an attractive risk/reward profile. The Fund is not constrained by a traditional value or growth mandate, but is permitted sufficient style latitude to search a broad investment universe for quality stocks.

- **Vanguard Small Cap Index**

- **Management:** William Coleman and Gerald C O'Reilly have co managed the fund since 2016.
- **Objective :** The Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.
- **Strategy :** The Fund employs a "passive management"--or indexing--full-replication approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighing in the Index

**Portfolio Characteristics**  
**Vanguard Total Stock Market Index vs. Russell 3000 Index**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	118,657	120,113
Median Mkt. Cap (\$M)	944	1,503
Price/Earnings ratio	19.98	19.87
Price/Book ratio	3.04	3.04
5 Yr. EPS Growth Rate (%)	8.07	8.12
Current Yield (%)	2.02	2.02
Beta (5 Years, Monthly)	1.00	1.00
Number of Stocks	3,595	2,955



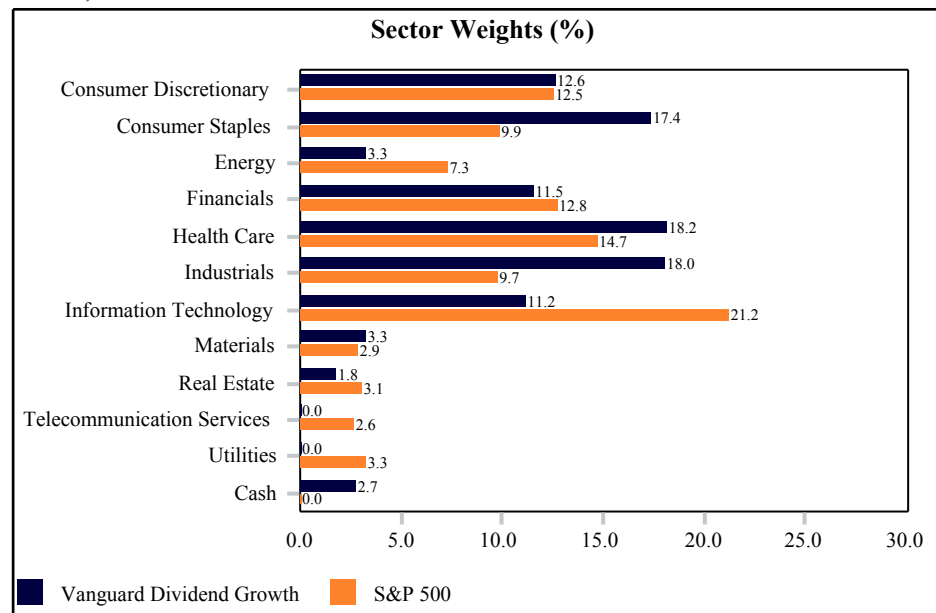
Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Apple Inc	2.55	2.74	-0.19	18.89
Microsoft Corp	1.88	1.93	-0.05	13.27
Exxon Mobil Corp	1.60	1.61	-0.01	-6.08
Amazon.com Inc	1.49	1.44	0.05	17.00
Johnson & Johnson	1.43	1.43	0.00	-1.96
Facebook Inc	1.31	1.27	0.04	12.24
Berkshire Hathaway Inc	1.19	1.21	-0.02	-0.22
General Electric Co	1.17	1.20	-0.03	-5.18
AT&T Inc	1.10	1.10	0.00	-4.97
JPMorgan Chase & Co	1.06	1.07	-0.01	8.00
% of Portfolio	14.78	15.00		

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CTPartners Executive Search Inc	0.00	0.00	0.00	900.00
Resolute Energy Corp	0.00	0.00	0.00	777.44
Nova Lifestyle Inc	0.00	0.00	0.00	764.28
CoLucid Pharmaceuticals Inc	0.00	0.00	0.00	366.95
Sarepta Therapeutics Inc	0.01	0.01	0.00	222.02
Bovie Medical Corp	0.00	0.00	0.00	217.68
Tobira Therapeutics Inc	0.00	0.00	0.00	216.40
Clayton Williams Energy Inc	0.00	0.00	0.00	211.14
EnSync Inc	0.00	0.00	0.00	166.41
Cloud Peak Energy Inc	0.00	0.00	0.00	164.08
% of Portfolio	0.01	0.01		



**Portfolio Characteristics**  
**Vanguard Dividend Growth vs. S&P 500 Index**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	106,747	144,118
Median Mkt. Cap (\$M)	75,598	18,964
Price/Earnings ratio	21.89	19.72
Price/Book ratio	4.04	3.16
5 Yr. EPS Growth Rate (%)	6.82	7.76
Current Yield (%)	2.24	2.14
Beta (5 Years, Monthly)	0.83	1.00
Number of Stocks	46	505



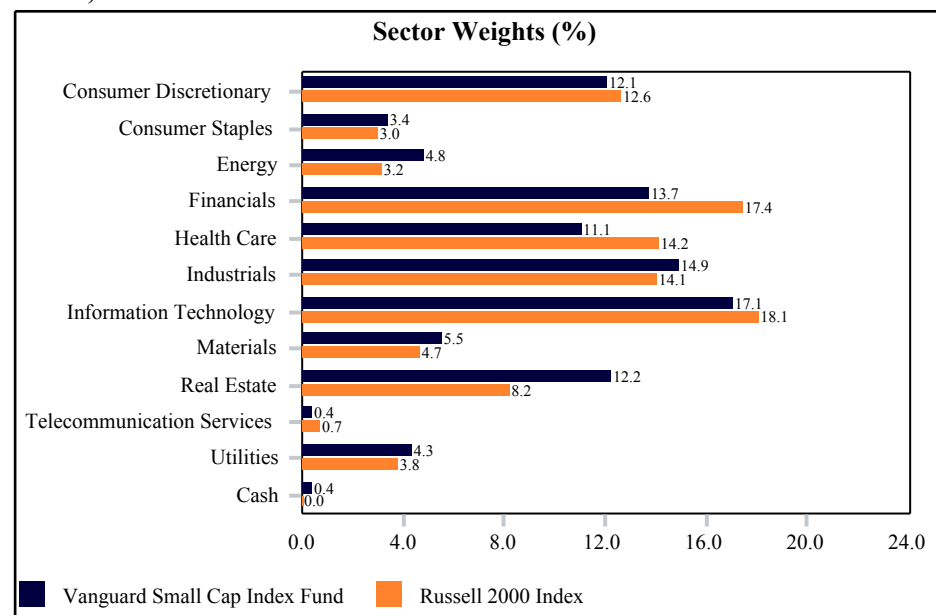
Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Microsoft Corp	3.59	2.39	1.20	13.27
Nike Inc	3.23	0.38	2.85	-4.36
Costco Wholesale Corp	3.00	0.36	2.64	-2.63
United Parcel Service Inc	2.99	0.40	2.59	2.24
Medtronic PLC	2.98	0.64	2.34	0.56
Honeywell International Inc	2.80	0.47	2.33	0.75
Colgate-Palmolive Co	2.80	0.35	2.45	1.82
Chubb Ltd	2.78	0.31	2.47	-3.34
Accenture PLC	2.73	0.41	2.32	7.84
CASH	2.72	0.00	2.72	N/A
% of Portfolio	29.62	5.71		

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Microsoft Corp	3.59	2.39	1.20	13.27
Union Pacific Corp	2.57	0.43	2.14	12.42
Canadian National Railway Co	2.52	0.00	2.52	11.89
Visa Inc	2.36	0.83	1.53	11.69
General Dynamics Corp	1.26	0.24	1.02	11.43
PNC Financial Services Group Inc.	2.00	0.24	1.76	11.42
Amgen Inc	1.93	0.67	1.26	10.26
Merck & Co Inc.	2.23	0.92	1.31	9.14
Praxair Inc.	2.03	0.18	1.85	8.17
Accenture PLC	2.73	0.41	2.32	7.84
% of Portfolio	23.22	6.31		



**Portfolio Characteristics**  
**Vanguard Small Cap Index Fund vs. Russell 2000 Index**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	3,662	1,870
Median Mkt. Cap (\$M)	1,941	738
Price/Earnings ratio	21.15	20.41
Price/Book ratio	2.53	2.32
5 Yr. EPS Growth Rate (%)	10.21	9.44
Current Yield (%)	1.61	1.46
Beta (5 Years, Monthly)	0.91	1.00
Number of Stocks	1,434	1,961



Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	0.41	0.00	0.41	N/A
Arthur J. Gallagher & Co.	0.31	0.00	0.31	7.69
Newfield Exploration Co	0.29	0.00	0.29	-1.63
Regency Centers Corp.	0.28	0.00	0.28	-6.88
UGI Corp	0.27	0.00	0.27	0.51
Westar Energy Inc.	0.27	0.00	0.27	1.88
Broadridge Financial Solutions Inc	0.27	0.00	0.27	4.47
Atmos Energy Corp	0.26	0.00	0.26	-7.92
Targa Resources Corp	0.26	0.00	0.26	19.39
Packaging Corp Of America	0.26	0.00	0.26	22.38
% of Portfolio	2.88	0.00		

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Sarepta Therapeutics Inc	0.10	0.15	-0.05	222.02
Clayton Williams Energy Inc	0.01	0.03	-0.02	211.14
Clovis Oncology Inc	0.04	0.07	-0.03	162.76
Acacia Communications Inc	0.02	0.03	-0.01	158.59
Healthways Inc	0.03	0.05	-0.02	129.09
Puma Biotechnology Inc	0.06	0.10	-0.04	125.08
Ocwen Financial Corp	0.01	0.02	-0.01	114.62
Tronox Ltd	0.02	0.03	-0.01	113.62
Harmonic Inc	0.01	0.03	-0.02	108.07
PTC Therapeutics Inc	0.01	0.03	-0.02	99.57
% of Portfolio	0.31	0.54		





- **Vanguard Total International Stock Index**

- **Management:** Michael Perre and Michelle Louie of Vanguard’s Global Investment Group. Mr. Perre has managed this Fund since 2008 and Ms. Louie has managed the fund since 2016.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks across all market capitalizations issued by companies domiciled in both emerging markets and developed markets outside the United States.
- **Strategy:** The Fund employs a “passive management” – or indexing – investment approach that seeks to track the investment performance of the FTSE Global All Cap ex U.S. Index, an unmanaged benchmark representing stocks from global developed and emerging markets, excluding the United States, across the market capitalization spectrum.

- **Vanguard International Value**

- **Management:** Subadvised by ARGAs, Edinburgh Partners, and Lazard since 2012, 2008, and 2010, respectively.
- **Objective:** The Fund seeks capital appreciation
- **Strategy:** By combining elements of deep value, traditional value, and relative value investing, the Fund is expected to temper some of the cyclicality that is inherent in value investing, while retaining exposure to the alpha generation capabilities of all three sub-styles. In addition, the Fund provides access to the three underlying strategies that are otherwise not available to mutual fund investors. The Fund is designed to give total international equity exposure, including both developed and emerging markets.

- **J O Hambro International Select**

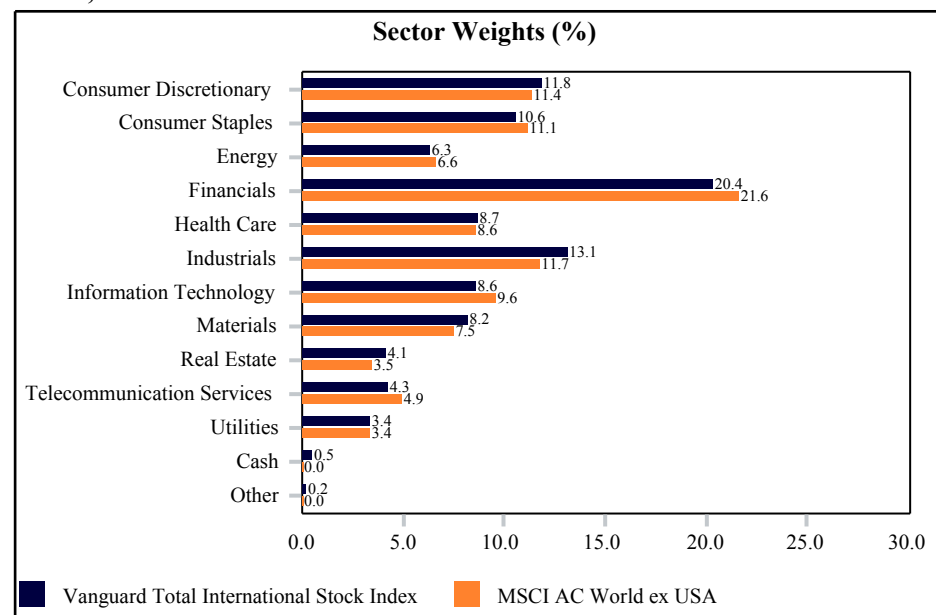
- **Management:** The fund is managed by Christopher Lees and Nudgem Richyal. Both the senior fund managers joined the firm in 2008, having previously worked together at Baring Asset Management.
- **Objective:** The fund managers aim to exploit market anomalies via an investment process that combines both top-down and bottom-up research.
- **Strategy:** The fund managers target multiple sources of performance, looking for stocks, sectors, and countries with rising earnings estimates, rising or high and sustainable return on equity, appropriate valuation, and attractive mean reversion and momentum characteristics. They evaluate the correlation between each stock and its sector or country in order to avoid buying “good stocks in bad neighborhoods”. A ruthless sell discipline is employed, whereby a stock is immediately sold to zero weight when its fundamentals or technicals deteriorate, or when there is contagion from deteriorating fundamentals or technicals in a stock’s sector or country.

- **Oppenheimer International Small-Mid Company Fund**

- **Management:** Rezo Kanovich has been the portfolio manager for this fund since 2012 and previously served as an analyst on Oppenheimer's Global Equity Fund since 2005. He is part of Oppenheimer's Global Equity Team, which consists of 21 portfolio managers, analysts and traders.
- **Objective:** The Fund seeks capital appreciation.
- **Strategy:** The Fund invests primarily in small- and mid-cap companies domiciled outside the U.S. that offer opportunities for growth. Rigorous, fundamental analysis is employed to identify future leaders that operate in industries driven by structural growth and high barriers to entry. The Fund seeks companies with meaningful competitive advantages such as technological leadership, intellectual property, strong brands, or industries favoring natural monopolies. Oppenheimer's Global Equity Team uses several secular growth themes as a way to focus attention on certain segments of the global marketplace, which they refer to as MANTRA (Mass Affluence, New Technology, Restructuring and Aging).

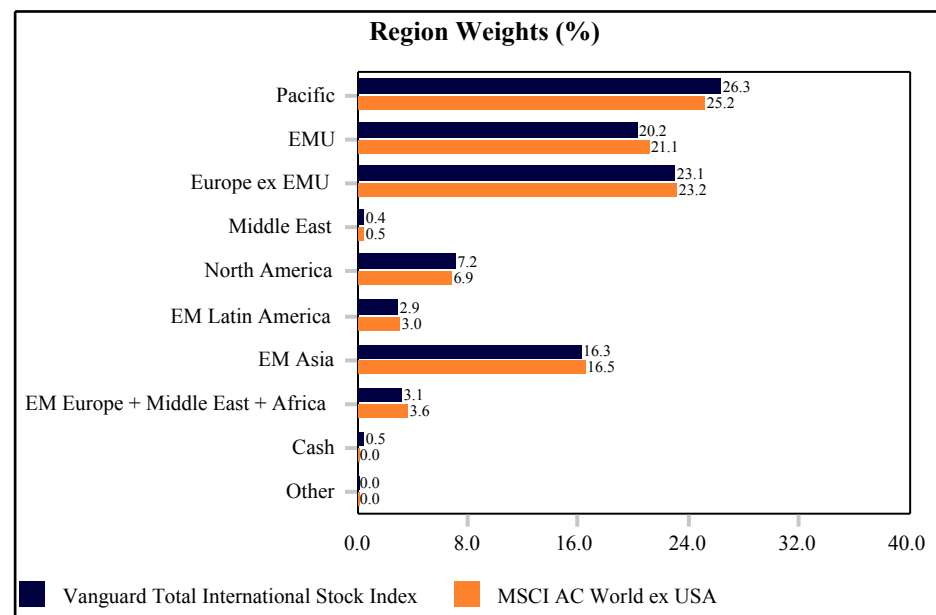
**Portfolio Characteristics**  
**Vanguard Total International Stock Index vs. MSCI AC World ex USA**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	44,432	53,164
Median Mkt. Cap (\$M)	1,480	6,997
Price/Earnings ratio	15.77	15.91
Price/Book ratio	2.23	2.26
5 Yr. EPS Growth Rate (%)	4.79	4.31
Current Yield (%)	3.14	3.15
Beta (5 Years, Monthly)	0.96	1.00
Number of Stocks	6,105	1,853



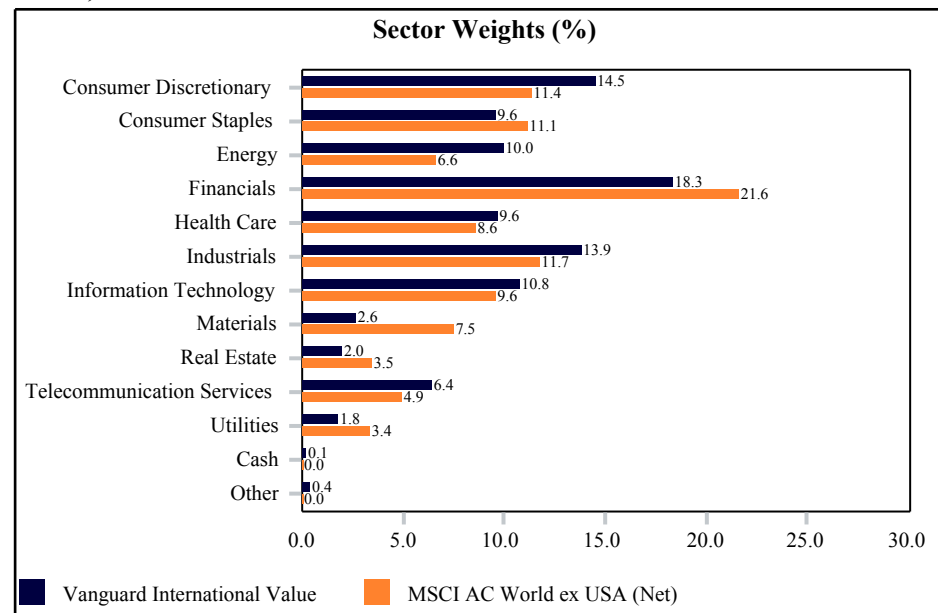
**Top Ten Equity Holdings**

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Nestle SA, Cham Und Vevey	1.21	1.43	-0.22	2.38
Novartis AG	0.93	1.00	-0.07	-4.20
Roche Holding AG	0.88	0.99	-0.11	-5.42
Toyota Motor Corp	0.77	0.86	-0.09	17.68
HSBC Holdings PLC	0.74	0.84	-0.10	22.41
Samsung Electronics Co Ltd	0.73	0.82	-0.09	17.45
Tencent Holdings LTD	0.73	0.88	-0.15	20.99
Taiwan Semiconductor Manufctrg Co Ltd	0.65	0.81	-0.16	15.64
British American Tobacco PLC	0.59	0.68	-0.09	-0.02
BP PLC	0.55	0.62	-0.07	1.64
% of Portfolio	7.78	8.93		

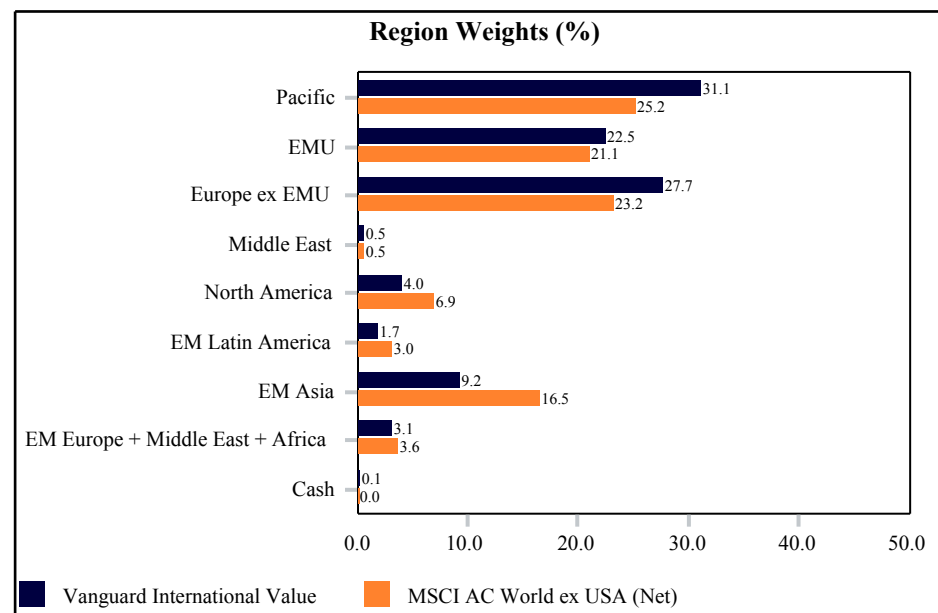


**Portfolio Characteristics**  
**Vanguard International Value vs. MSCI AC World ex USA (Net)**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	52,356	53,164
Median Mkt. Cap (\$M)	22,361	6,997
Price/Earnings ratio	16.31	15.91
Price/Book ratio	2.25	2.26
5 Yr. EPS Growth Rate (%)	4.68	4.31
Current Yield (%)	3.14	3.15
Beta (5 Years, Monthly)	1.00	1.00
Number of Stocks	160	1,853

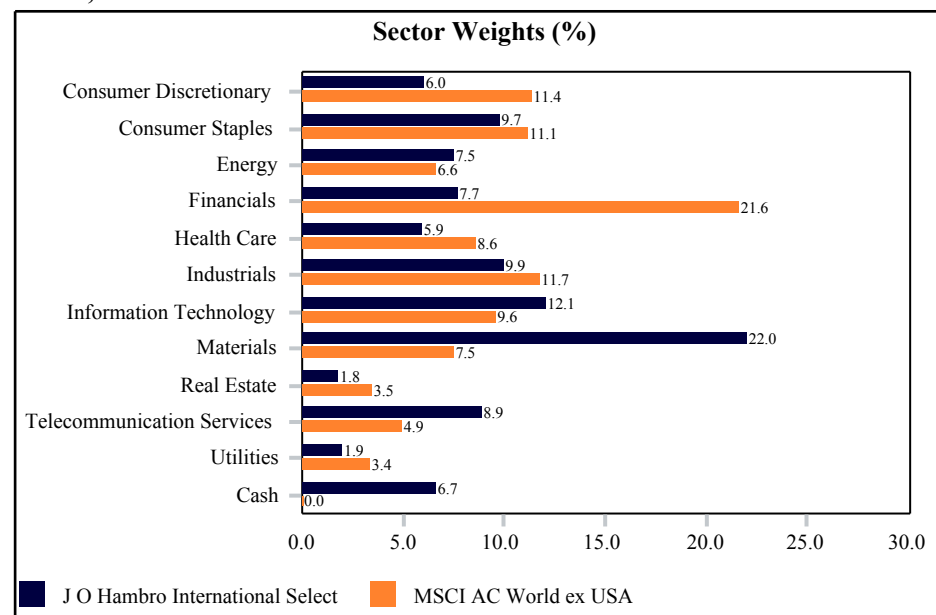


Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novartis AG	2.51	1.00	1.51	-4.20
Japan Tobacco Inc	1.97	0.25	1.72	1.98
Taiwan Semiconductor Manufctrng Co Ltd	1.75	0.81	0.94	15.64
Total	1.68	0.60	1.08	-0.16
Sumitomo Mitsui Financial Group Inc	1.61	0.25	1.36	19.93
Prudential PLC	1.60	0.26	1.34	6.65
Softbank Group Corp	1.60	0.35	1.25	14.83
Anheuser-Busch InBev SA/NV	1.35	0.60	0.75	0.33
DeNA Co Ltd	1.30	0.00	1.30	56.13
Nippon Telegraph & Telephone Corp Ntt	1.29	0.18	1.11	-1.11
% of Portfolio	16.66	4.30		

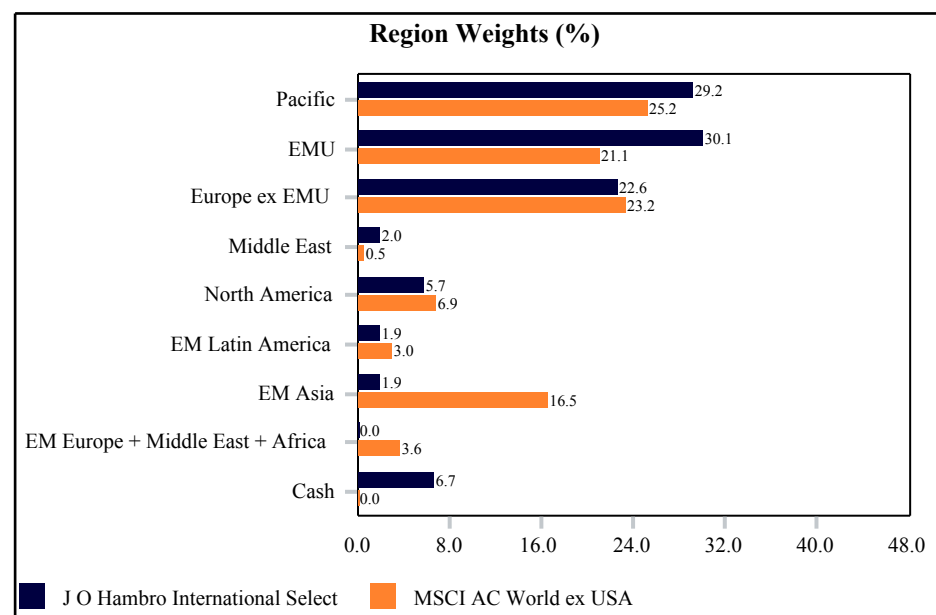


**Portfolio Characteristics**  
**J O Hambro International Select vs. MSCI AC World ex USA**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	41,558	53,164
Median Mkt. Cap (\$M)	21,938	6,997
Price/Earnings ratio	23.60	15.91
Price/Book ratio	2.29	2.26
5 Yr. EPS Growth Rate (%)	3.53	4.31
Current Yield (%)	2.27	3.15
Number of Stocks	51	1,853

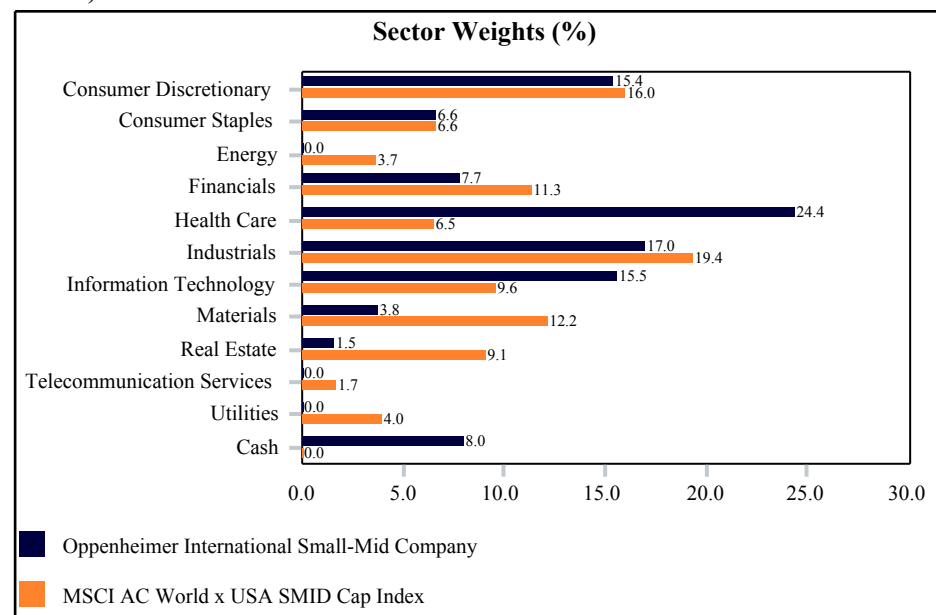


Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	6.65	0.00	6.65	N/A
Cyber Agent Ltd	2.11	0.00	2.11	-0.65
Amadeus IT Group SA	2.10	0.12	1.98	15.83
Recruit Holdings Co Ltd	2.10	0.08	2.02	11.78
Accenture PLC	2.09	0.00	2.09	7.84
Kao Corp	2.08	0.16	1.92	-2.50
LafargeHolcim Ltd	2.08	0.14	1.94	30.16
Gamesa Corporacion Tecnologica SA	2.05	0.00	2.05	21.89
Hong Kong Exchanges and Clearing Ltd	2.05	0.17	1.88	9.94
Infineon Technologies AG, Muenchen	2.03	0.11	1.92	23.85
% of Portfolio	25.34	0.78		



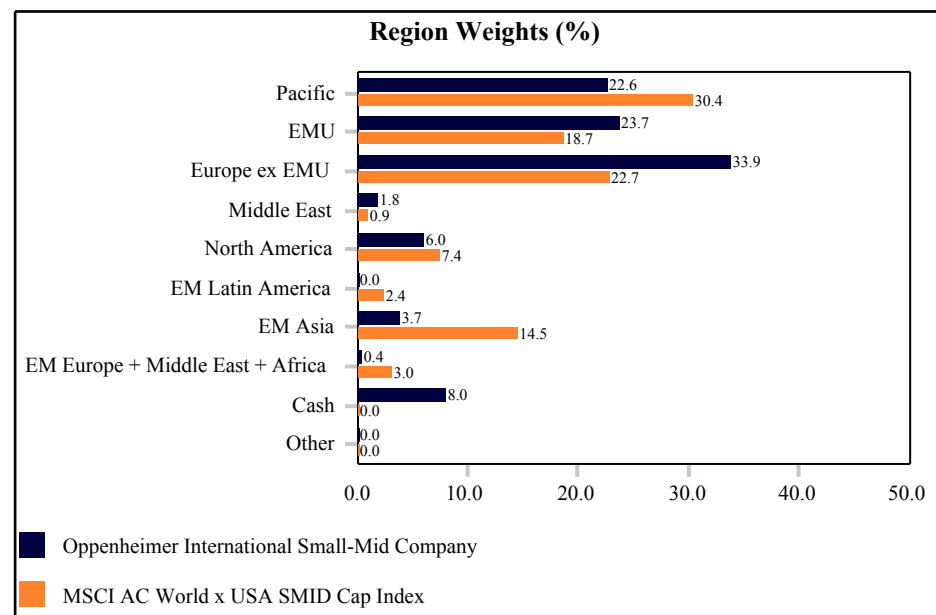
**Portfolio Characteristics**  
**Oppenheimer International Small-Mid Company vs. MSCI AC World x USA SMID Cap Index**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	3,986	4,989
Median Mkt. Cap (\$M)	3,036	967
Price/Earnings ratio	23.26	16.04
Price/Book ratio	3.07	2.28
5 Yr. EPS Growth Rate (%)	10.95	8.27
Current Yield (%)	1.51	2.74
Beta (5 Years, Monthly)	0.77	1.00
Number of Stocks	152	5,293



**Top Ten Equity Holdings**

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	7.98	0.00	7.98	N/A
Lonza Group AG, Zuerich	2.26	0.16	2.10	15.72
Ocado Group PLC	1.61	0.03	1.58	11.42
NICE Ltd	1.49	0.06	1.43	5.09
Carl Zeiss Meditec AG, Jena	1.42	0.02	1.40	-5.49
H Lundbeck A/S	1.32	0.00	1.32	-12.14
Rakuten Inc	1.32	0.00	1.32	20.79
ABCAM	1.28	0.03	1.25	6.01
Obic Co Ltd	1.27	0.05	1.22	-2.36
Ariake Japan Co Ltd	1.23	0.02	1.21	-9.10
% of Portfolio	21.18	0.37		

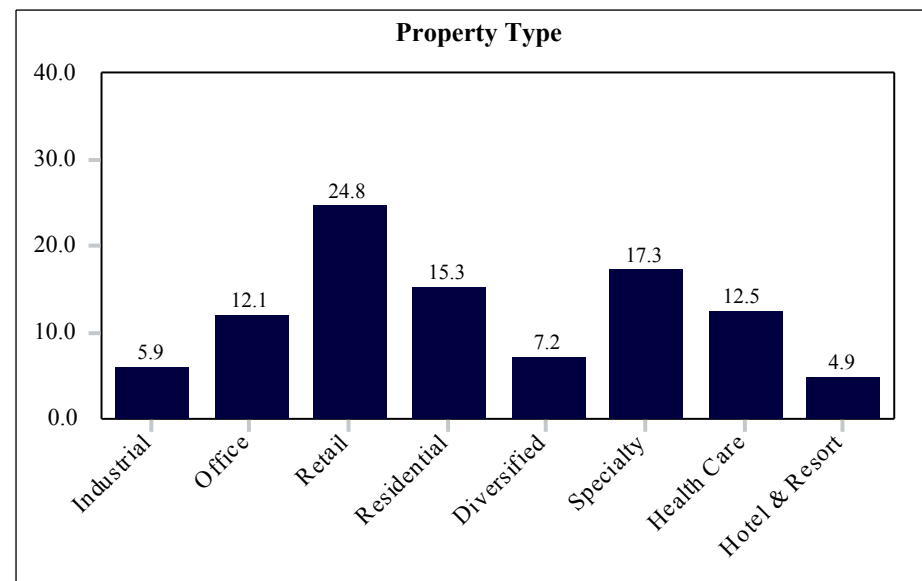


- **Vanguard REIT Index**

- **Management:** Gerald C. O'Reilly, Principal of Vanguard, has managed the Fund since its inception in 1996.
- **Objective:** The Fund seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs.
- **Strategy:** The Fund normally invests 98% of its assets in stocks issued by equity real estate investment trusts (known as REITs) in an attempt to track investment performance of the Morgan Stanley Capital International (MSCI) REIT Index. The Fund invests in stocks that make up the index; the remaining assets are allocated to cash investments.

**Portfolio Characteristics**  
**Vanguard REIT**  
**As of September 30, 2016**

<b>Portfolio Characteristics</b>	
<b>Portfolio</b>	
Wtd. Avg. Mkt. Cap (\$M)	17,526
Median Mkt. Cap (\$M)	3,151
Price/Earnings ratio	28.65
Price/Book ratio	2.52
5 Yr. EPS Growth Rate (%)	18.53
Current Yield (%)	3.77
Number of Stocks	151



<b>Top Ten Equity Holdings</b>	
	<b>Portfolio Weight (%)</b>
Simon Property Group Inc.	7.73
Public Storage	3.97
ProLogis Inc	3.39
Welltower Inc	3.22
Equinix Inc	3.02
AvalonBay Communities Inc.	2.94
Ventas Inc.	2.88
Equity Residential	2.84
Boston Properties Inc	2.53
HCP Inc	2.14
% of Portfolio	34.66

<b>Ten Best Performers</b>	
	<b>Quarterly Return (%)</b>
CBL & Associates Properties Inc.	33.24
Sabra Health Care REIT Inc	24.09
NorthStar Realty Europe Corp	20.30
NorthStar Realty Finance Corp	18.73
Hudson Pacific Properties Inc	13.34
Getty Realty Corp.	12.75
Washington Prime Group Inc	12.65
Ashford Hospitality Trust Inc.	11.87
Universal Health Realty Income Trust	11.44
RAIT Financial Trust	11.22





- **Metropolitan West Total Return**

- **Management:** Tad Rivelle, Steve Kane and Laird Landmann form the senior management team assigned to the Fund. All three have managed the Fund since its inception, having co-founded Metropolitan West Asset Management (MetWest) in 1996. Bryan Whalen joined them as a generalist portfolio manager in 2004. TCW acquired MetWest in 2009.
- **Objective:** The Fund seeks to maximize long-term total return.
- **Strategy:** The Fund seeks to outperform the Barclays Capital Aggregate Index while maintaining overall risk similar to the index. The Fund will maintain an average duration between 2 and 8 years, and is normally expected to be within one year of the duration of the Barclays Capital Aggregate Index. Investments can include government and corporate debt securities, mortgage- and asset-backed securities, money market instruments, and derivatives. The Fund can invest up to 20% in issues rated below BBB but no lower than B.

- **Baird Core Plus**

- **Management:** The Fund is managed by a team of six portfolio managers (including 4 CFAs) that have been managing the fund since 2000 and each have more than 20 years of experience managing fixed income portfolios.
- **Objective:** The Fund seeks to maximize long-term total return and achieve an annual return that exceeds its benchmark.
- **Strategy:** The Fund normally invests at least 80% of assets in the following types of U.S. dollar-denominated debt securities: U.S. government, U.S. government agencies, asset-backed and mortgage-backed obligations of U.S. issuers and corporate debt of U.S. and foreign issuers. It invests primarily in investment-grade debt securities, but can invest up to 20% of net assets in non-investment grade securities.

- **Vanguard Intermediate-Term Investment Grade**

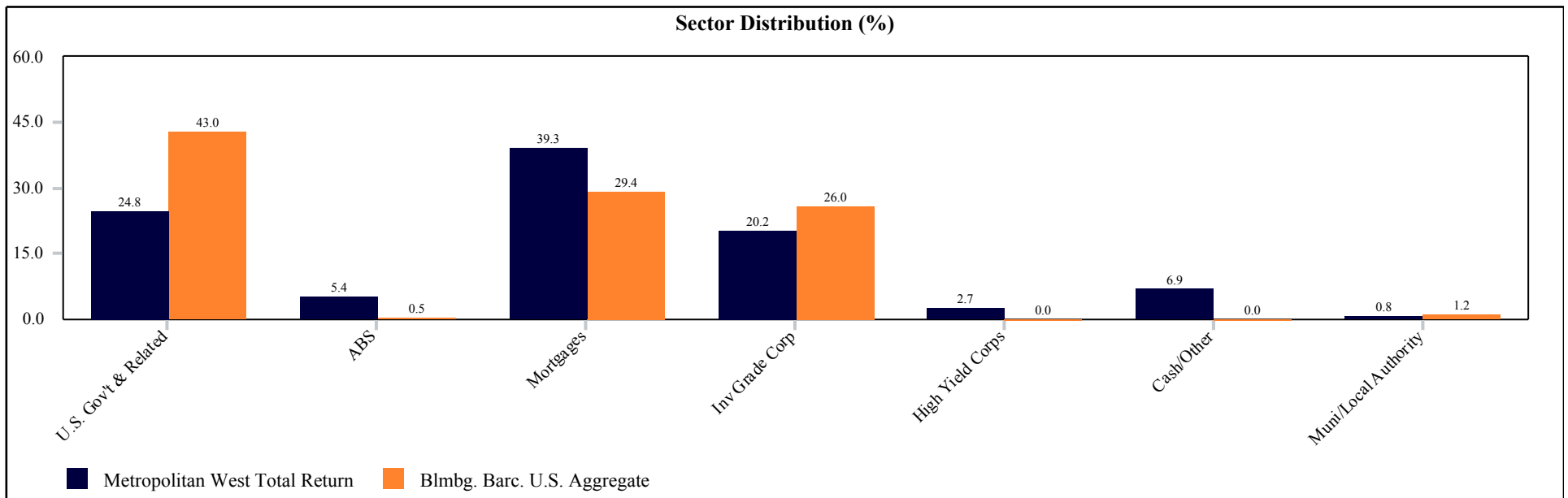
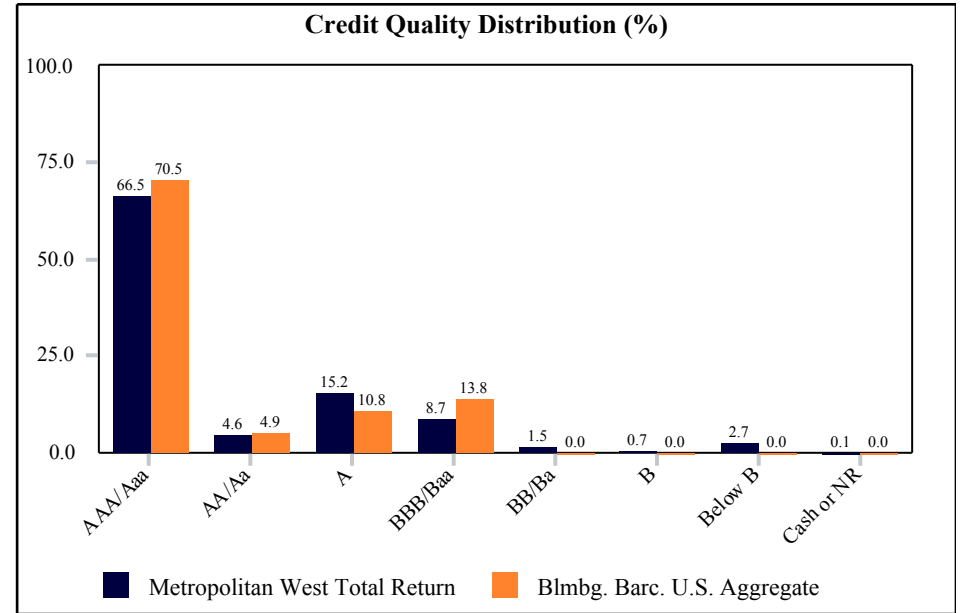
- **Management:** Gregory Davis, CFA, principal and global head of Fixed Income Group, has direct oversight responsibility for all money market, bond, and stable value portfolios managed by the Fixed Income Group. He has managed investment portfolios since 2000 and has been with Vanguard since 1999. Gregory S. Nassour, CFA, Principal at Vanguard serves as the portfolio manager for the Fund. He has been advising the Fund since 2008 and has worked in the investment management industry since 1992.
- **Objective:** The Fund seeks to provide a moderate and sustainable level of current income.
- **Strategy:** The Fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. High-quality fixed income securities are those rated the equivalent of A3 or better by Moody's Investors Service, Inc., or another independent rating agency; medium-quality fixed income securities are those rated the equivalent of Baa1, Baa2, or Baa3 by Moody's, or another independent rating agency. Investment-grade fixed income securities are those rated the equivalent of Baa3 and above by Moody's. The fund is expected to maintain a dollar-weighted average maturity of 5 to 10 years.

- **Vanguard High-Yield Corporate Fund**

- **Management:** The Fund is managed by Michael L. Hong, CFA, Vice President and Portfolio Manager of Wellington Management Company, LLP. Mr. Hong, CFA, leads the firm’s high-yield credit research team and has worked in investment management with Wellington since 1997.
- **Objective:** The Fund seeks to provide a high level of current income.
- **Strategy:** The Vanguard High-Yield Corporate Fund invests in a diversified portfolio of medium- and lower-quality corporate bonds, often referred to as “junk bonds.” Created in 1978, this fund seeks to purchase what the advisor considers higher-rated junk bonds. This approach aims to capture consistent income and minimize defaults and principal loss. Although this is a bond fund, high-yield bonds tend to have volatility similar to that of the stock market. The Fund’s internal benchmark includes a 5% target to shorter maturity treasuries to aid in liquidity.

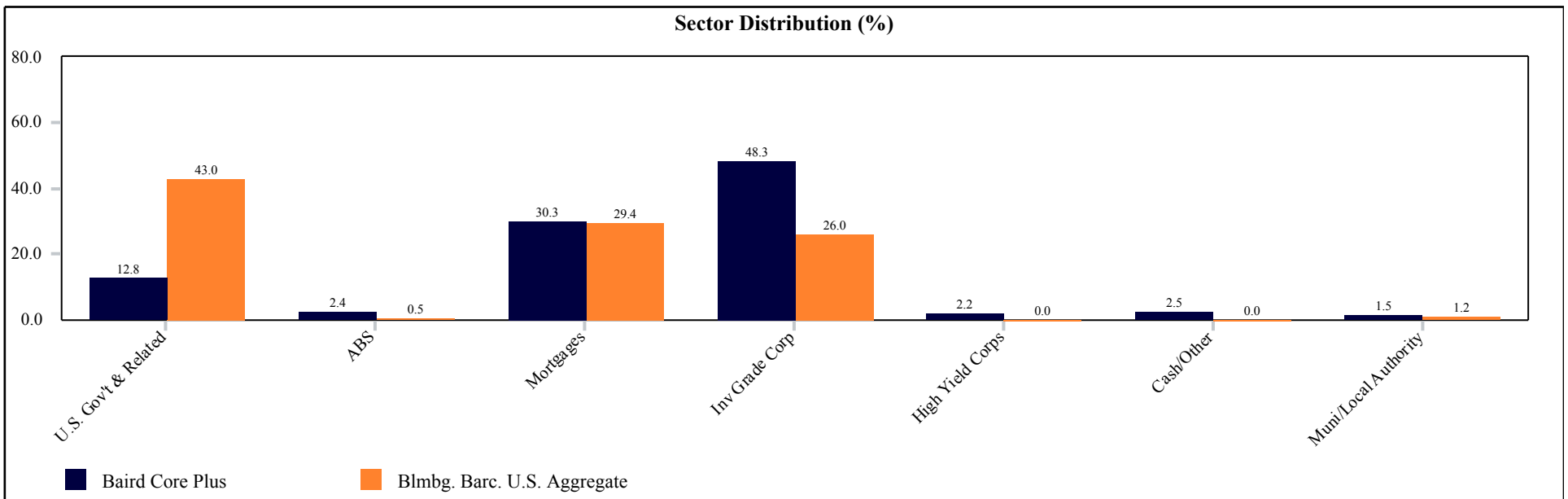
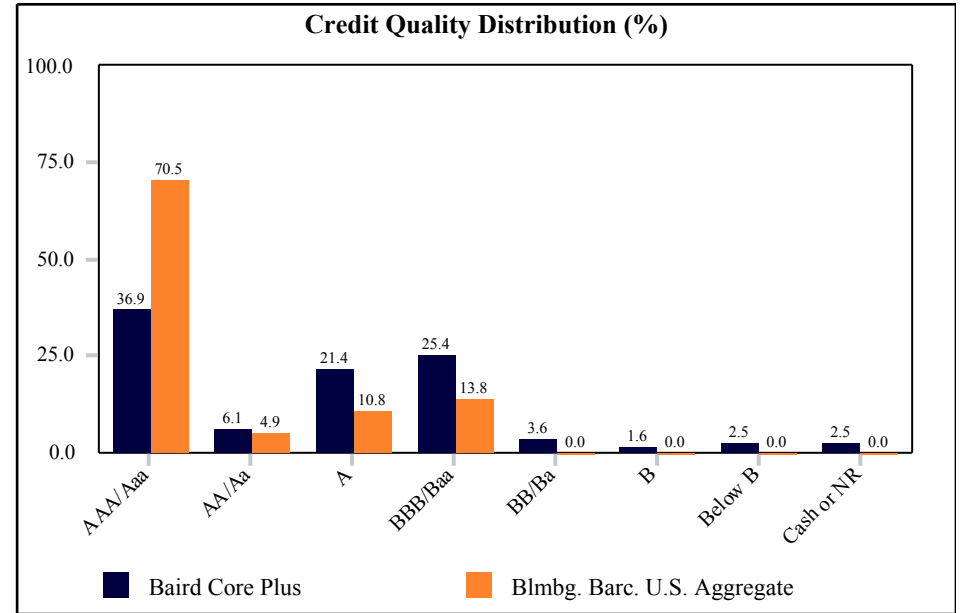
**Portfolio Characteristics**  
**Metropolitan West Total Return vs. Barclays Aggregate**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	4.91	5.51
Yield To Maturity (%)	2.19	1.96
Avg. Maturity	7.10	7.82
Avg. Quality	AA	AA
Coupon Rate (%)	2.56	3.09



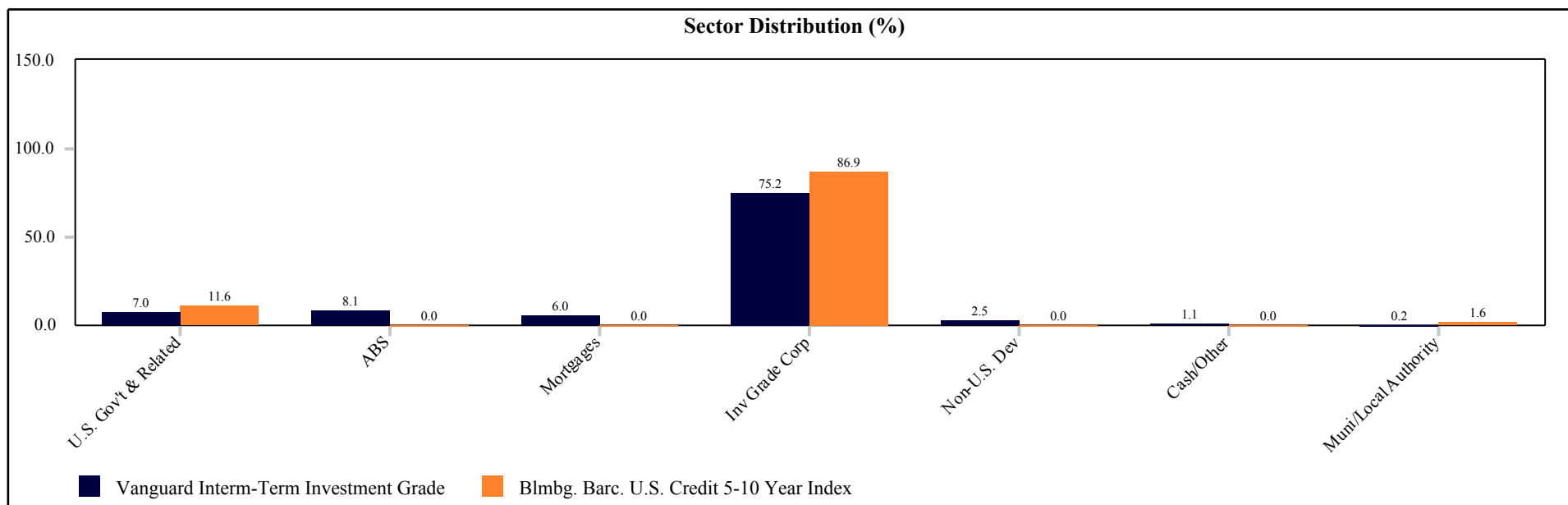
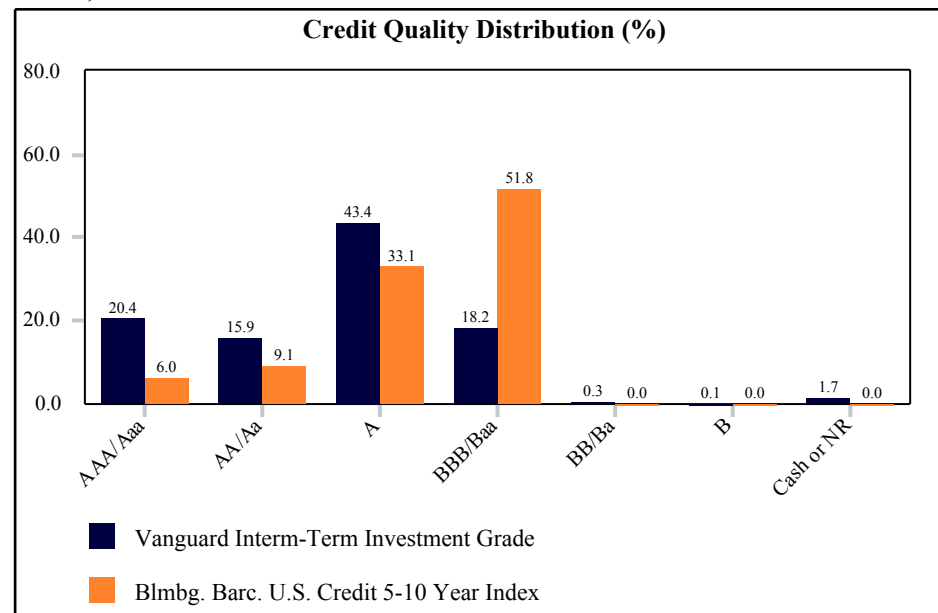
**Portfolio Characteristics**  
**Baird Core Plus vs. Blmbg. Barc. U.S. Aggregate**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	5.39	5.51
Yield To Maturity (%)	2.62	1.96
Avg. Maturity	7.18	7.82
Avg. Quality	A	AA
Coupon Rate (%)	3.57	3.09



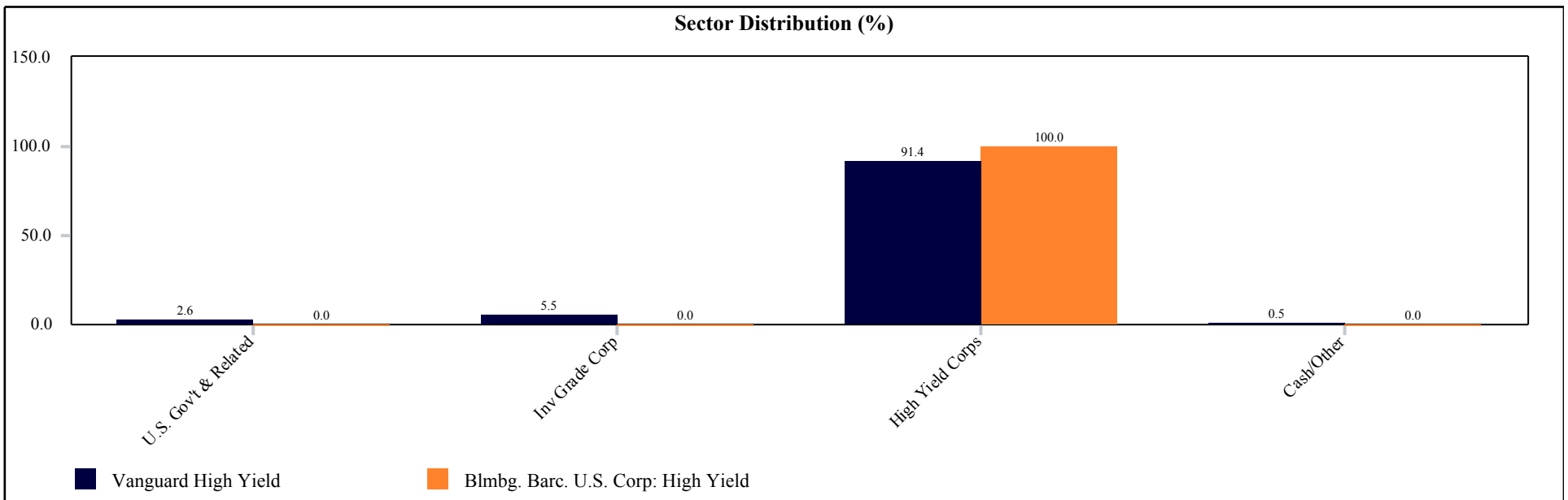
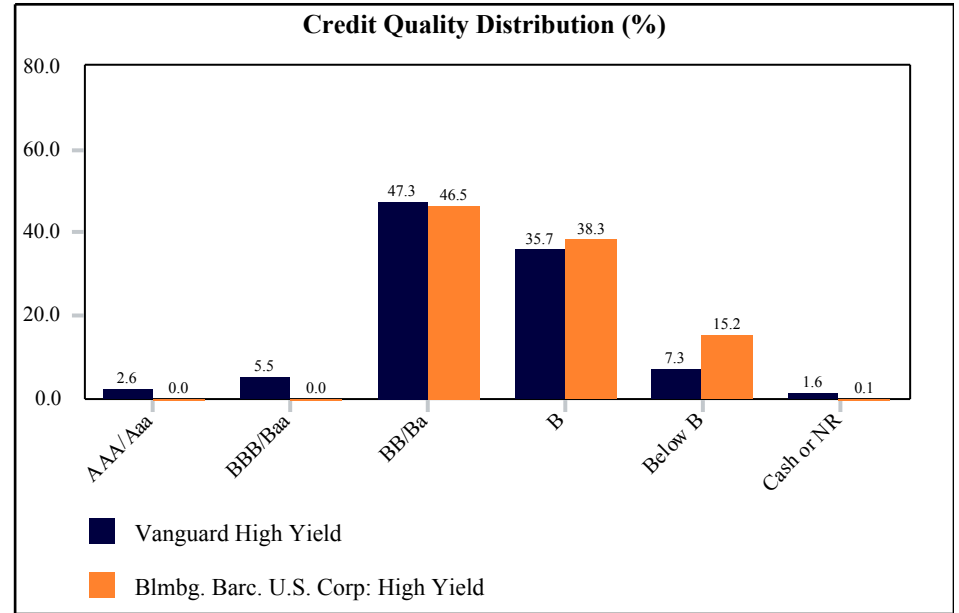
**Portfolio Characteristics**  
**Vanguard Interm-Term Investment Grade vs. Blmbg. Barc. U.S. Credit 5-10 Year Index**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	5.46	6.51
Yield To Maturity (%)	2.32	2.77
Avg. Maturity	6.30	7.52
Avg. Quality	A	A
Coupon Rate (%)	3.33	3.68



**Portfolio Characteristics**  
**Vanguard High Yield vs. Blmbg. Barc. U.S. Corp: High Yield**  
**As of September 30, 2016**

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	4.30	4.05
Yield To Maturity (%)	5.41	6.17
Avg. Maturity	5.60	6.33
Avg. Quality	BB	B
Coupon Rate (%)	5.87	6.54



## PERFORMANCE EVALUATION AND REPORTING SERVICES INFORMATION DISCLAIMER

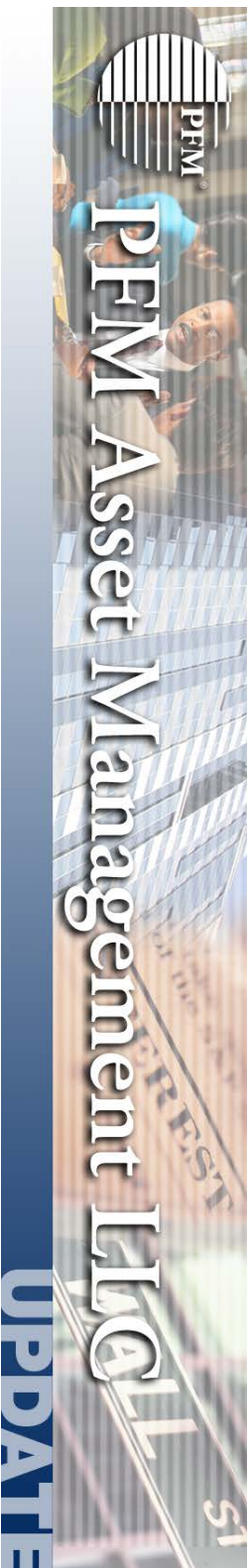
PFM Asset Management LLC has exercised reasonable professional care in the preparation of this performance report. However, information in this report on market indices and security characteristics, as well as information incorporated in the Market Commentary section, is received from sources external to PFM Asset Management LLC.

PFM Asset Management LLC relies on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur.



# Portfolio Update





## MULTI-ASSET CLASS PORTFOLIO UPDATE September 19, 2016

### EVENT

Active global central banks are providing renewed support for equity markets in light of weak earnings growth and mixed economic data. Recent statements and policy discussion have given no indication of this activity subsiding but rather continuing into the future giving rise to a potential market inflection point. As a result, the PFM Asset Management LLC (“PFMAM”) Multi-Asset Class Investment Committee (the “Committee”) has adjusted portfolios in the following ways:

- Modestly increased exposure to non-U.S. equity markets while remaining underweight; which, in turn, increased total equity back to a modest overweight.
- Increased small-cap domestic equity exposure. Reallocations primarily funded by a reduction of large-cap domestic equity and real estate.
- Replaced developed markets equity fund with a total international fund to increase emerging market equity exposure.
- Increased high yield exposure. Funded through portions of the other existing fixed income managers.

### SUMMARY

Over the past few months, central banks have created an easing arms-race of sorts making it very difficult for any central bank to consider a tightening policy. The Bank of England recently cut their policy rate, while the European Central Bank has given every indication of doing the same to their already negative policy rate. Long-term German bunds remain negative along with Swiss sovereign bonds. Interestingly enough, the Swiss National Bank has been purchasing equities and even owns roughly a quarter of a percent of Facebook. The Bank of Japan continues to also hold a negative policy rate and is currently conducting studies on possible easing for their next meeting. Despite the Federal Reserve (“Fed”) leaving the possibility of a 2016 rate hike open, they have been extremely tentative to hike in the recent past. Janet Yellen has also made recent comments suggesting that the Fed could potentially implement another round of Quantitative Easing if another recession were to hit. Even more surprising, she had mentioned that the Fed could open the door to purchasing corporate credit and even some equities in such an event.

With all of this said, the Committee still holds a favorable view of domestic equity markets relative to their international peers. Portfolios will still remain overweight domestic equities relative to non-U.S. equities while the introduction of the small-cap fund should increase exposures domestically as small-cap companies rely on a larger portion of revenues domestically than large-cap firms. Real estate has had a strong 2016; however, valuations have pushed to less attractive levels supporting a slightly lower exposure. Within the fixed portion of the portfolio, a credit overweight has been a major driver of relative performance in 2016 and the Committee expects this to be the case going forward. Given central banks stated openness to purchasing credit, this should provide increased support for credit.

### ASSESSMENT

The Committee believes that client portfolios have been adjusted to better perform in a market environment supported by central banks. We appreciate your continued confidence in working toward your investment objectives with PFMAM as your investment adviser. Should you have any specific questions or wish to discuss this topic in more detail, please contact your client manager directly.

Sincerely,

**PFM Asset Management LLC**

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