PFM Asset Management LLC

Performance Review prepared for:

City of Colorado Springs Cemetery Endowment Fund

Fourth Quarter 2016

Financial Markets Review

Market Index Performance

As of December 31, 2016

	QTD	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
DOMESTIC EQUITY								
S&P 500	3.82%	11.96%	11.96%	6.54%	8.87%	14.66%	12.83%	6.95%
Russell 3000 Index	4.21%	12.74%	12.74%	6.43%	8.43%	14.67%	12.92%	7.07%
Russell 1000 Value Index	6.68%	17.34%	17.34%	6.23%	8.59%	14.80%	12.72%	5.72%
Russell 1000 Growth Index	1.01%	7.08%	7.08%	6.37%	8.55%	14.50%	13.03%	8.33%
Russell Midcap Index	3.21%	13.80%	13.80%	5.37%	7.92%	14.72%	13.68%	7.86%
Russell 2500 Index	6.12%	17.59%	17.59%	6.85%	6.93%	14.54%	13.56%	7.69%
Russell 2000 Index	8.83%	21.31%	21.31%	7.68%	6.74%	14.46%	13.24%	7.07%
Russell 2000 Value Index	14.07%	31.74%	31.74%	10.41%	8.31%	15.07%	13.14%	6.26%
Russell 2000 Growth Index	3.57%	11.32%	11.32%	4.78%	5.05%	13.74%	13.23%	7.76%
INTERNATIONAL EQUITY								
MSCI EAFE (net)	-0.71%	1.00%	1.00%	0.09%	-1.60%	6.53%	3.81%	0.75%
MSCI AC World Index (net)	1.19%	7.86%	7.86%	2.62%	3.13%	9.36%	7.26%	3.56%
MSCI AC World ex USA (Net)	-1.25%	4.50%	4.50%	-0.71%	-1.78%	5.00%	2.93%	0.96%
MSCI AC World ex USA Small Cap (Net)	-3.52%	3.91%	3.91%	3.25%	0.77%	7.74%	5.78%	2.90%
MSCI EM (net)	-4.16%	11.19%	11.19%	-2.74%	-2.55%	1.28%	0.47%	1.84%
ALTERNATIVES								
FTSE NAREIT Equity REIT Index	-2.89%	8.52%	8.52%	5.82%	13.38%	12.01%	13.61%	5.08%
FTSE EPRA/NAREIT Developed Index	-5.39%	4.99%	4.99%	2.49%	6.78%	10.33%	9.22%	2.23%
Bloomberg Commodity Index Total Return	2.66%	11.74%	11.74%	-8.24%	-11.26%	-8.96%	-6.31%	-5.58%
FIXED INCOME								
Barclays Aggregate	-2.98%	2.65%	2.65%	1.59%	3.03%	2.23%	3.63%	4.34%
Barclays U.S. Government/Credit	-3.39%	3.05%	3.05%	1.59%	3.04%	2.29%	3.79%	4.40%
Barclays Intermediate U.S. Gov/Credit	-2.07%	2.08%	2.08%	1.57%	2.09%	1.85%	2.97%	3.84%
Barclays U.S. Treasury: 1-3 Year	-0.46%	0.86%	0.86%	0.71%	0.68%	0.57%	0.97%	2.13%
Barclays US Corp: High Yield	1.75%	17.13%	17.13%	5.78%	4.66%	7.36%	8.09%	7.45%
Credit Suisse Leveraged Loan index	2.25%	9.88%	9.88%	4.62%	3.76%	5.35%	5.48%	4.33%
BofA Merrill Lynch Global HY Constrained (	0.46%	14.77%	14.77%	4.87%	3.19%	7.19%	7.43%	7.22%
Barclays Global Aggregate Ex USD	-10.26%	1.49%	1.49%	-2.34%	-2.59%	-1.39%	0.30%	2.44%
JPM EMBI Global Diversified	-4.02%	10.15%	10.15%	5.57%	6.19%	5.91%	7.00%	6.89%
CASH EQUIVALENT								
90 Day U.S. Treasury Bill	0.07%	0.25%	0.25%	0.14%	0.11%	0.09%	0.10%	0.77%

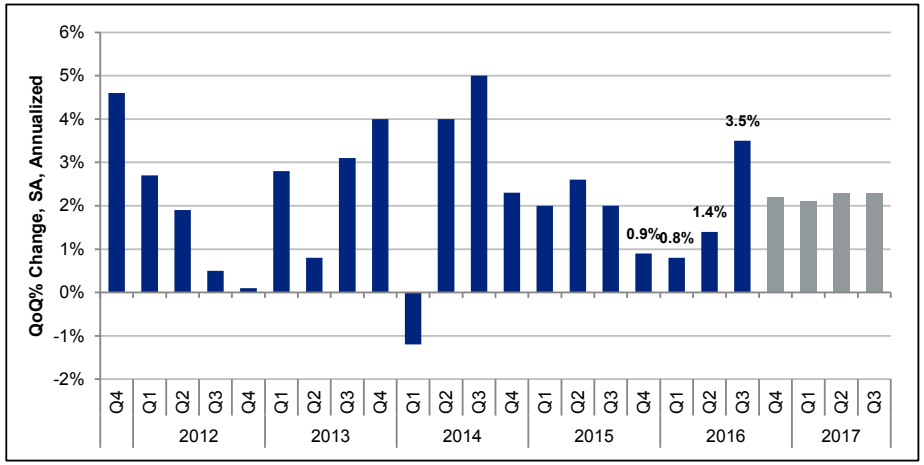
Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

The Economy

- U.S. gross domestic product (GDP) grew at an annualized rate of 3.5% in the third quarter, according to the Bureau of Economic Analysis' (BEA's) final estimate released in December 2016. (Fourth quarter data is not yet available.) This growth — the strongest in two years — saw positive contributions from both business investment and exports, while the consumer continued to drive the economy. Consumer spending, the largest contributor to GDP, added two percentage points to growth, and, according to the Conference Board, consumer confidence reached its highest level since December 2001.
- After five straight quarters of year-over-year (YoY) negative growth, corporate profitability growth turned positive in the third quarter, according to FactSet's latest release in December. Earnings for companies in the S&P 500 Index grew 3.1% over the third quarter of 2015. Early estimates place earnings growth at 3.2% for the fourth quarter — down from the 5.2% estimate at the start of the quarter.
- Following President-elect Donald Trump's unexpected election victory on November 8, markets reacted strongly to prospects of increased fiscal spending, decreased regulation and favorable tax cuts under the new administration. Despite a drop in equity futures in the hours following the election, equities rallied post-election with Financial, Telecom and Energy sectors particularly benefitting. Domestically-focused small-cap stocks and U.S. Treasury yields also rose following the election.
- A number of central banks made policy decisions during the third quarter. The Federal Reserve (Fed) raised its key interest rate in December by 25 basis points (bps) — its first rate hike in a year — while also signaling as many as three hikes to come in 2017. Meanwhile, the European Central Bank (ECB) announced a continuation of its asset-buying program, which was set to end in March 2017, to at least December 2017. However, the ECB also announced that the asset purchases of €80 billion a month will be reduced to €60 billion a month. ECB President Mario Draghi dismissed the idea of tapering and said that the ECB remains ready to adjust its asset-buying program as needed.
- On November 30, the Organization of the Petroleum Exporting Countries (OPEC) agreed to its first oil production cuts in eight years. The deal is expansive, with all 13 member countries as well as non-OPEC members, including Russia, agreeing. The agreement, which took effect January 1, will reduce crude oil output by approximately 1.2 million barrels a day in an effort to stimulate oil prices, which have fallen by more than half since mid-2014 due to a supply glut. Prices rose sharply following OPEC's announcement and remained steady through December. The efficacy of the deal is in contention given that historically, OPEC nations have not abided by agreements.

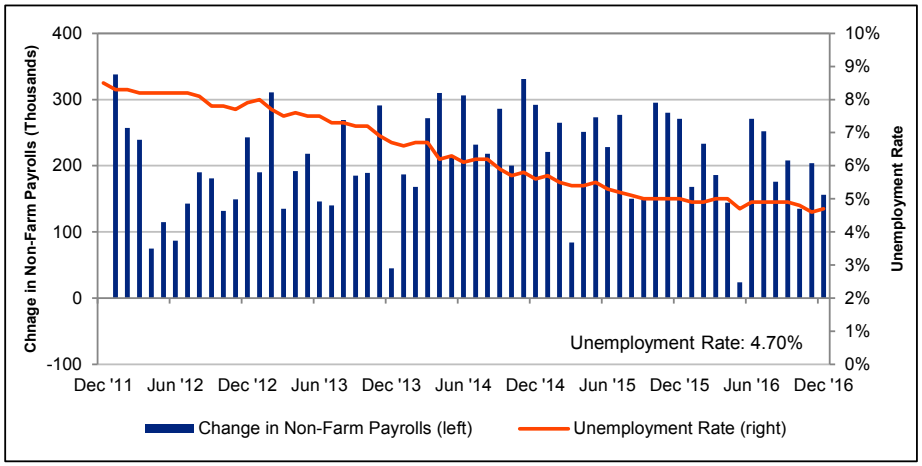
U.S. Real GDP Growth

(Seasonally Adjusted)



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

Change in Non-Farm Payrolls

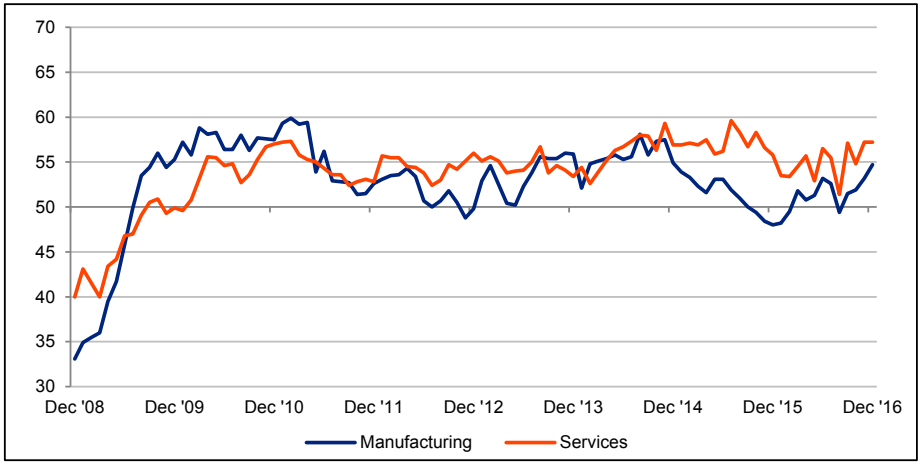


Source: Bureau of Labor Statistics.

What We're Watching

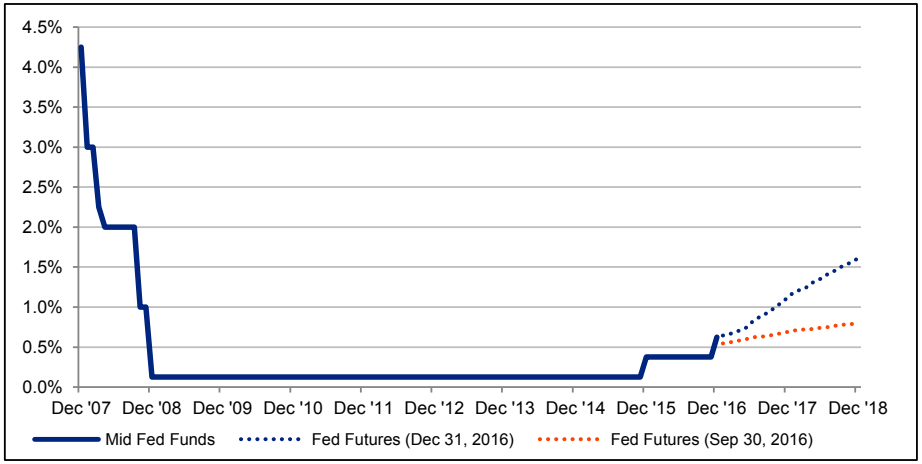
- Although the Fed signaled that it expects two or three interest rate hikes in 2017, as economic data continues to come in and the Trump administration's policies take shape, the Fed's plans could change. Markets are currently on board with the Fed's two or three hikes for 2017, but that could change, just as it did last year. At this time, markets are not pricing in a hike during the first quarter and will instead look for economic forecasts and policy guidance from Fed meetings.
- During the fourth quarter of 2016, the manufacturing sector continued to gain momentum despite headwinds faced by a stronger dollar, while the services sector remained expansionary following a downtick in the third quarter. The sustainability of the manufacturing uptick depends on favorable tax, regulatory and international trade policies under Trump, who has promised to increase jobs within the U.S. manufacturing sector. However, with talks of renegotiating trade deals and a possible trade war, manufacturing may or may not remain expansionary, which will have implications for the level of growth of the aggregate economy.
- Although equity markets have rallied since Trump's election victory, questions remain as to whether the rally will last. The prospect of stronger economic growth resulting from Trump's bevy of proposed policies has given markets a boost. However, following his January 20 inauguration, markets will be closely watching his rhetoric and temperament during his first few months in office. Indications of political uncertainty could have negative effects, while the continued prospect of economically stimulating policies may extend the rally.
- Europe's political environment is set to continue on its current tumultuous path in 2017. Theresa May, the United Kingdom's (UK's) prime minister, won the backing of UK lawmakers to formally initiate Brexit — Britain's exit from the European Union (EU) — in March 2017 provided she gives Parliament an opportunity to review her final plan. While the formal Brexit process may take years to be finalized, the plan will provide insight into how this unprecedented process will take shape. Additionally, the Netherlands is set to hold elections in March, with polls showing a tight race between the ruling party and the far-right, anti-EU party. Similar elections in France and Germany will follow in 2017 with the potential for Italy to possibly follow suit. Further political uncertainty in Europe could prove detrimental to developed international markets, and PFM Asset Management (PFMAM) will keep a close eye on developments.

ISM Manufacturing & Services PMI



Source: Bloomberg.

Fed Funds Target Rate



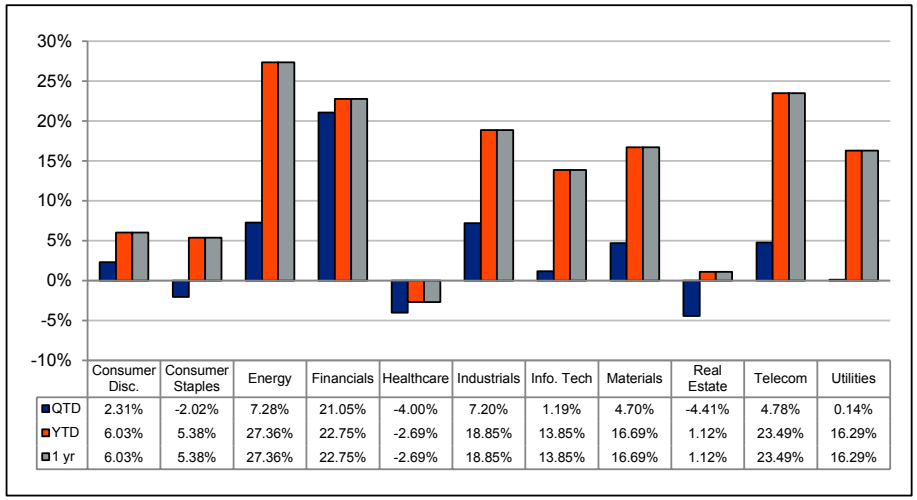
Source: Bloomberg.

Domestic Equity

- Equity markets — as represented by the S&P 500 Index — rose 3.8% in the fourth quarter. But markets told two different stories, with the inflection point occurring on election night. Leading up to November 8, markets were down -1.1% for the quarter due to uncertainty surrounding the pending election. In the hours immediately following Trump's surprise victory, equity futures sold off sharply before rebounding overnight. Equity markets rallied for the rest of the fourth quarter, with the S&P 500 rising 5.0% from November 9 to year-end as the market responded favorably to Trump's promised tax cuts and reform, increased infrastructure spending, and regulatory reform.
- Just two S&P 500 sectors failed to finish the fourth quarter in the black. The Financial sector, the largest beneficiary of the Trump rally, jumped 21.1% during the quarter and ended the year with a strong 22.8% return. The Energy sector had the second-best fourth-quarter performance, rising 7.3% for the quarter, and finished the year as 2016's top-performing sector, with a return of 27.4%. During its first full quarter as an official GICS® sector, Real Estate declined -4.4%, making it the fourth quarter's weakest sector. Healthcare was the only sector to fall into the red for the year, dropping -2.7% on the year in part due to Trump's well-publicized criticisms of the current healthcare system and uncertainty surrounding the pending repeal of Obamacare.
- Small-cap stocks, as represented by the Russell 2000 Index, continued their strong performance in the fourth quarter, outperforming large-caps (Russell 1000 Index) and mid-caps (Russell Mid Cap Index) for the third consecutive quarter. Small-caps rose 8.8% on the quarter, pushing their 2016 return up to 21.3%. Large- and mid-cap stocks also experienced a solid fourth quarter, rising 3.8% and 3.2% respectively. Mid-caps slightly outperformed large-caps for the year.
- Value-oriented stocks outpaced growth-oriented stocks across all market capitalizations in the fourth quarter, reversing course from the third quarter. The difference was greatest within small-caps, as value returned 14.1% while growth returned 3.6%.

S&P 500 Index Performance by Sector

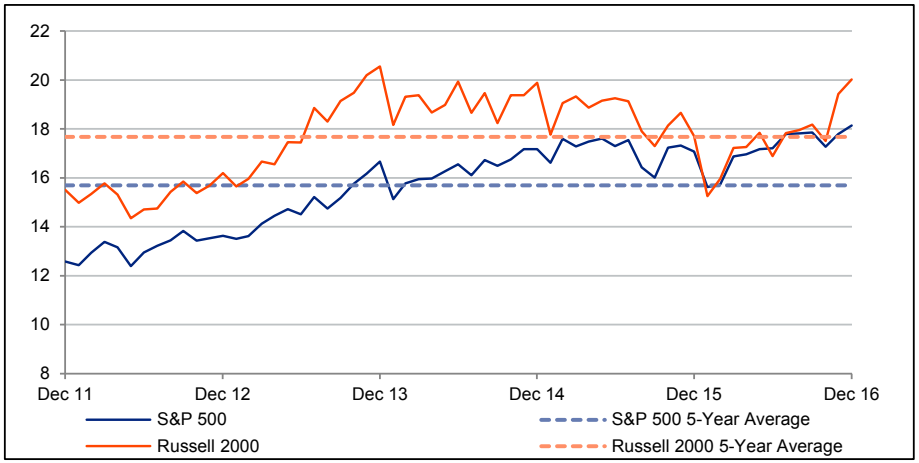
Periods Ended December 31, 2016



	Consumer Disc.	Consumer Staples	Energy	Financials	Healthcare	Industrials	Info. Tech	Materials	Real Estate	Telecom	Utilities
QTD	2.31%	-2.02%	7.28%	21.05%	-4.00%	7.20%	1.19%	4.70%	-4.41%	4.78%	0.14%
YTD	6.03%	5.38%	27.36%	22.75%	-2.69%	18.85%	13.85%	16.69%	1.12%	23.49%	16.29%
1 yr	6.03%	5.38%	27.36%	22.75%	-2.69%	18.85%	13.85%	16.69%	1.12%	23.49%	16.29%

Source: Standard & Poor's.

P/E Ratios of Major Stock Indices*



Source: Bloomberg.

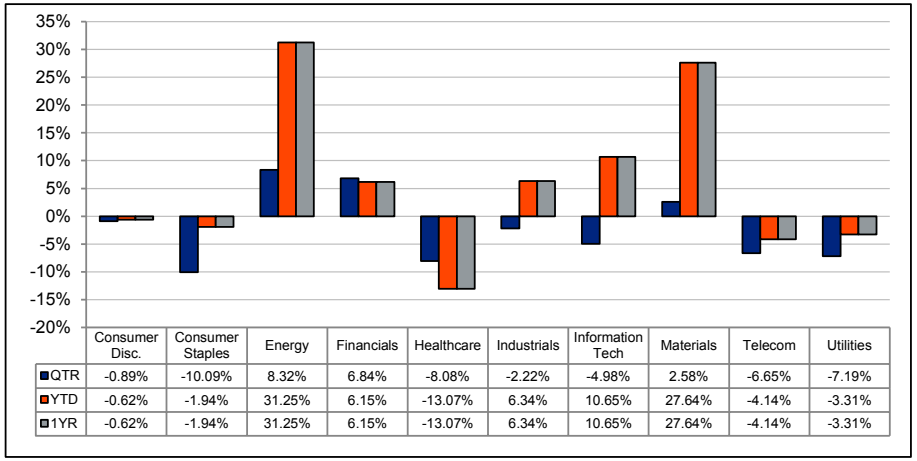
**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

Non-U.S. Equity

- Developed markets outside of North America, as measured by the MSCI EAFE Index, fell -0.7% in the fourth quarter as a strong gain in December could not offset two previous monthly declines. The index ended 2016 up just 1.0%. Performance throughout the fourth quarter and 2016 was mixed, with periods of gains and declines, as investors weighed everything from slowing global growth and geopolitical concerns to increased central bank stimulus and attractive relative valuations. Within developed markets, individual country performance was also mixed. Despite the country's political uncertainty, Italy led the way on the quarter (10.8%) with a strong December return as investors bought beaten-down stocks following the expected failure of the Italian referendum on constitutional changes. Belgium (-11.8%) had the worst fourth-quarter performance, and Israel (-11.3% for the quarter) was 2016's biggest laggard (-24.9%).
- Emerging markets (EM) gave back some of the third quarter's strong gains as investors grew concerned about the stability of the asset class due to a stronger dollar and Trump's proposed trade policies. The MSCI EM Index fell -4.2% during the fourth quarter but finished the year up 11.2%. EM country performance was mixed. Russia, one of the top performers of 2016, gained the most in the fourth quarter, rising 18.6% amidst the prospects of higher oil prices and better relations with the U.S. Egypt (-23.3%) was the biggest laggard in the fourth quarter, more than offsetting strong third-quarter gains.
- Within the MSCI All Country World Index (ACWI) ex-U.S., which includes both developed and EM countries, sector performance was mostly negative. Consumer staples (-10.1%) saw the biggest fourth-quarter decline, followed by Healthcare (-8.1%), the year's biggest laggard (-13.1%). Energy was the top performer of the quarter (8.3%) and year (31.3%). Financials also saw strong gains in the fourth quarter (6.8%), followed by Materials (2.6%), the year's second strongest performer (27.6%).
- In both developed and emerging markets, large-cap stocks outperformed small-cap stocks, and value outperformed growth for the fourth quarter.

MSCI ACWI ex-U.S. Sectors

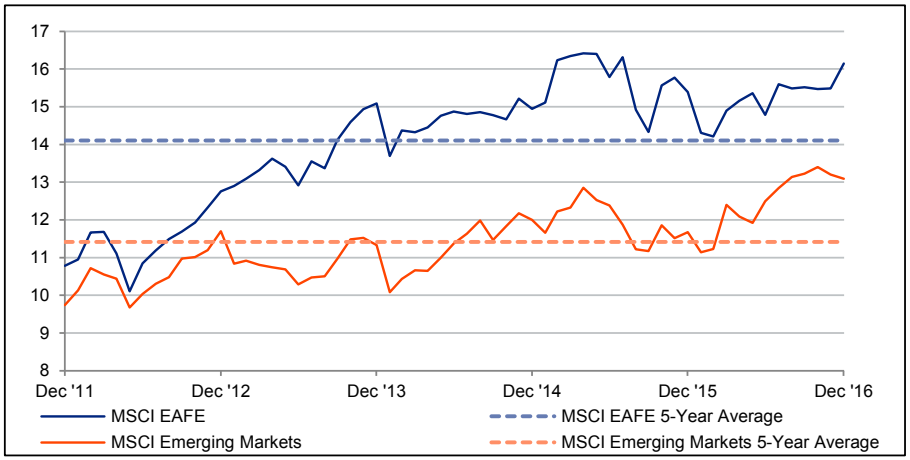
Periods Ended December 31, 2016



	Consumer Disc.	Consumer Staples	Energy	Financials	Healthcare	Industrials	Information Tech	Materials	Telecom	Utilities
QTR	-0.89%	-10.09%	8.32%	6.84%	-8.08%	-2.22%	-4.98%	2.58%	-6.65%	-7.19%
YTD	-0.62%	-1.94%	31.25%	6.15%	-13.07%	6.34%	10.65%	27.64%	-4.14%	-3.31%
1YR	-0.62%	-1.94%	31.25%	6.15%	-13.07%	6.34%	10.65%	27.64%	-4.14%	-3.31%

Source: MSCI.

P/E Ratios of MSCI Equity Indices*



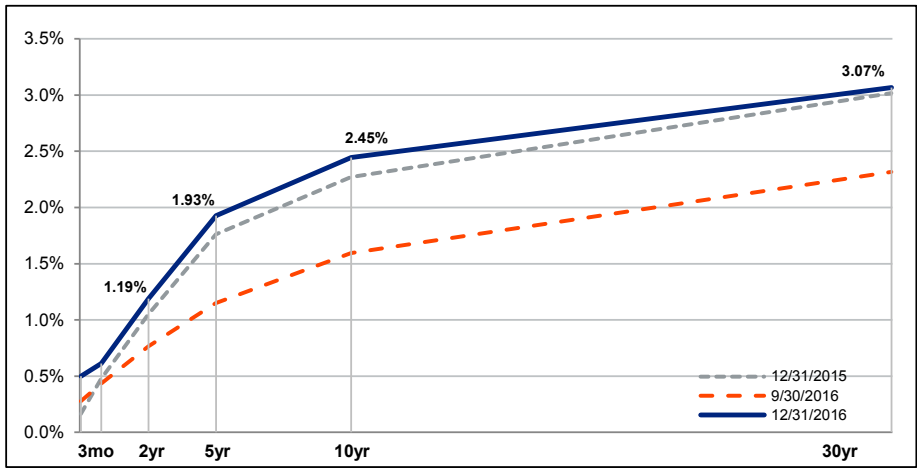
Source: Bloomberg.

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

Fixed Income

- After experiencing declining yields for the first two quarters of the year, yields amongst all U.S. Treasury tenors picked up once again for the second consecutive quarter while the curve also steepened. Although yields rose during all three months of the fourth quarter, most of the sell-off was felt in the weeks following Trump's election victory. Yield increases were significant in the intermediate portion of the curve, with the 7-year rising 82 bps and the 10-year rising 85 bps. Despite all of 2016's yield movements, the curve ended the year only slightly higher than at the beginning of the year, with most tenors pushing up a mostly-uniform 15 and 20 bps for the year. The one exception was the 3-month Treasury bill (T-Bill), which rose 34 bps, largely driven by the Fed's decision to raise its target rate by 25 bps in December.
- Following a strong first half of the year, investment grade fixed income returns were negative for the fourth quarter as interest rates rose. The Bloomberg Barclays U.S. Aggregate Index fell -3.0% on the quarter while the Bloomberg Barclays U.S. Universal Bond Index (which includes high yield and other allocations) fell a slightly lower -2.6%. Investment-grade credit within the Aggregate also fell -3.0%, and there was no discernable tilt among the different credit rating categories within it.
- On the speculative side of the credit spectrum, high yield — represented by the Bloomberg Barclays U.S. Corporate High Yield Index — rose a strong 1.8% during the quarter as high yield credit spreads continued to tighten, reaching low levels from 2014. As this trend continued from February 2016, high yield finished the year with a strong 17.1% return.
- The fixed-rate mortgage market, as measured by the Bloomberg Barclays U.S. Mortgage-Backed Securities (MBS) Index, fell -2.0% in the fourth quarter while the Bloomberg Barclays U.S. CMBS Index (measuring commercial MBS) fell 2.9%.
- U.S. Dollar (USD)-denominated EM debt fell -2.6% on the quarter, as measured by the Bloomberg Barclays EM USD Aggregate Index.

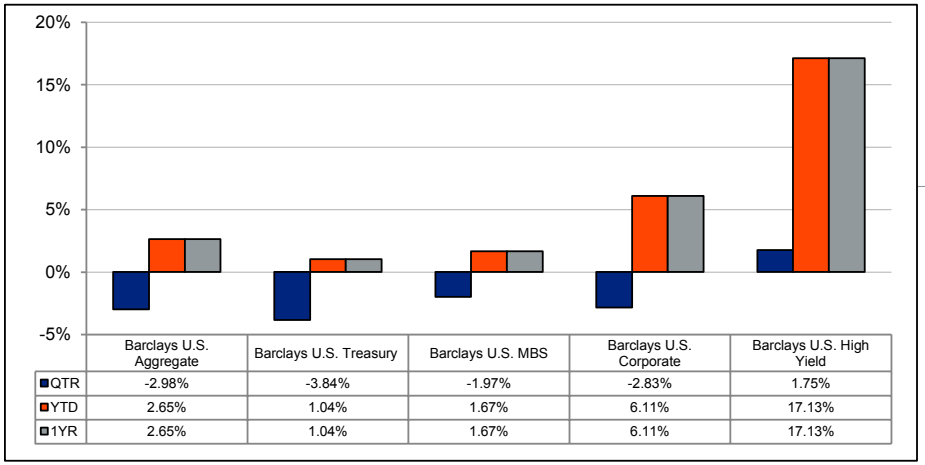
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended December 31, 2016



	Barclays U.S. Aggregate	Barclays U.S. Treasury	Barclays U.S. MBS	Barclays U.S. Corporate	Barclays U.S. High Yield
QTR	-2.98%	-3.84%	-1.97%	-2.83%	1.75%
YTD	2.65%	1.04%	1.67%	6.11%	17.13%
1YR	2.65%	1.04%	1.67%	6.11%	17.13%

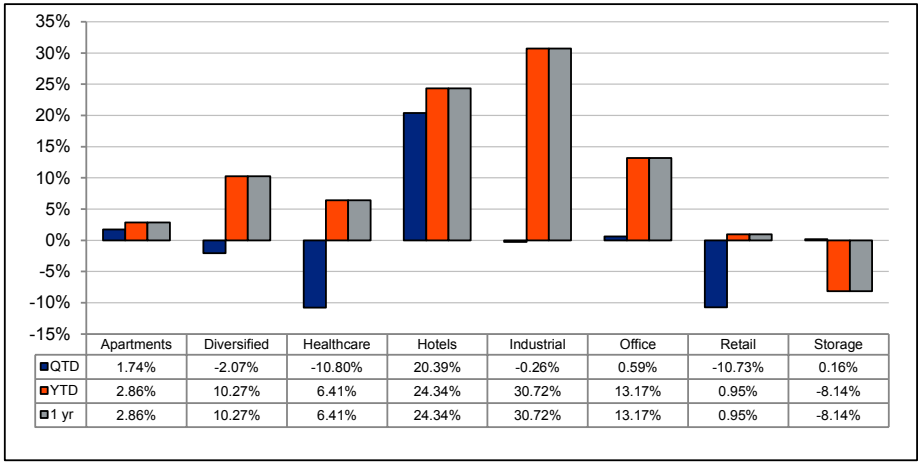
Source: Bloomberg.

Alternatives

- U.S. Real Estate Investment Trusts (REITs), as measured by the FTSE NAREIT Equity REIT Index, declined for the second consecutive quarter, falling -2.9%. The third-quarter REIT sell-off continued through October and November as concerns over rising interest rates and stretched valuations persisted. But the sell-off ended in December with investors finding opportunities amongst lower valuations. A strong December performance helped REITs finish the year with a solid 8.5% gain. Major property sector performance was mixed. Healthcare (-10.8%) was the biggest fourth-quarter laggard, followed by Retail (-10.7%). After struggling early in the year, Hotel REITs bounced back in the fourth quarter with a gain of 20.4%. All property types ended 2016 in the black with the exception of Self-Storage (-8.1% for the year). The Industrial sector, which pundits are calling the "new retail," was the year's top REIT performer, gaining 30.7%.
- Private real estate, as measured by the NCREIF Index of 7,371 commercial properties nationwide, increased 1.77% during the third quarter. (Fourth quarter data is not yet available.) The 2016 trend continued as income growth of 1.2% outpaced a value appreciation of 0.6%.
- Commodities were positive in the fourth quarter, continuing the trend from the first half of the year. Following a negative third quarter, the Bloomberg Commodity Index of 19 raw materials futures increased 2.6% during the last quarter of the year, aided by stabilizing oil prices. Commodities gained 11.4% in 2016, ending a five-year bear market. Commodity-related equities, as measured by the S&P North American Natural Resources Sector Index, rose 5.2% during the quarter. The index ended the year with an outsized 30.9% return.
- Hedge funds rose 1.3% (preliminary) during the fourth quarter. After three consecutive quarters of gains, the HFRI Fund Weighted Composite Index, a global index of more than 2,000 hedge funds, ended the year up 5.6%.
- Private equity fundraising remained strong in 2016. (Individual fourth quarter data is not yet available). According to Preqin, 807 funds closed during the year. While this number is down significantly from previous years, aggregate capital raised grew to $345 billion. In addition, private equity funds have become more successful in their fundraising efforts, with just 25% of funds that closed in 2016 failing to reach their target size — down from 41% in 2012. Funds in market continued to climb, from 1,630 at the start of the year to a record 1,835 vehicles seeking investment by year's end. At the same time, dry powder (cash that has yet to be invested) of private capital asset classes (equity, debt, natural resources, etc.) rose during 2016 to reach $1.47 trillion across the industry.

FTSE NAREIT Sectors

Quarter Ended December 31, 2016

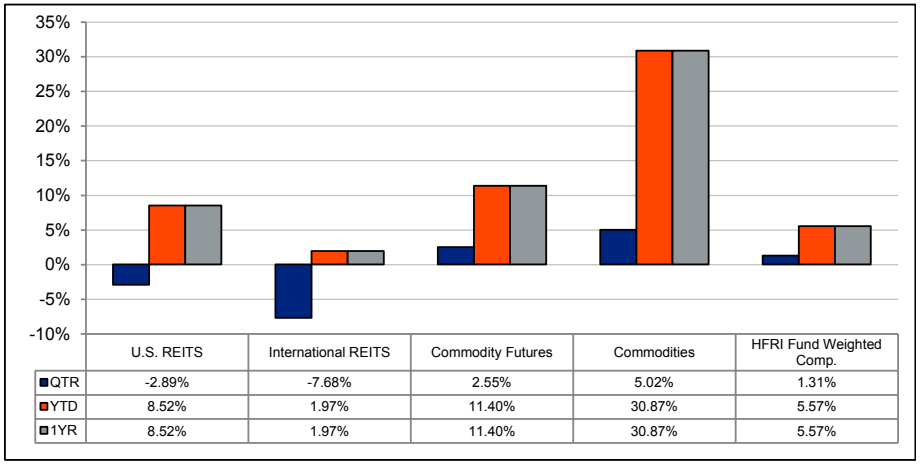


	Apartments	Diversified	Healthcare	Hotels	Industrial	Office	Retail	Storage
QTD	1.74%	-2.07%	-10.80%	20.39%	-0.26%	0.59%	-10.73%	0.16%
YTD	2.86%	10.27%	6.41%	24.34%	30.72%	13.17%	0.95%	-8.14%
1 yr	2.86%	10.27%	6.41%	24.34%	30.72%	13.17%	0.95%	-8.14%

Source: Bloomberg.

Returns for Alternative Assets

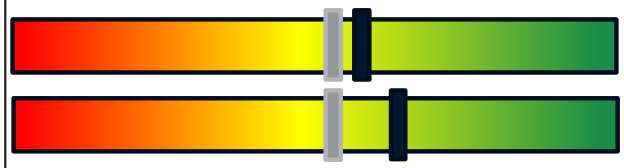
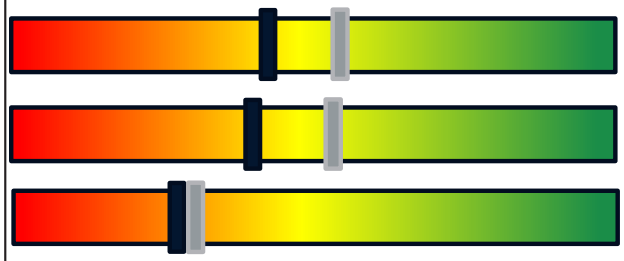
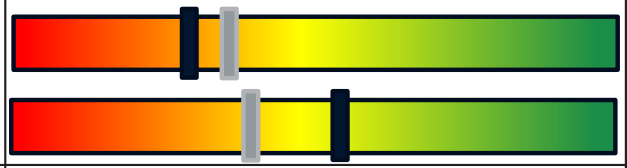
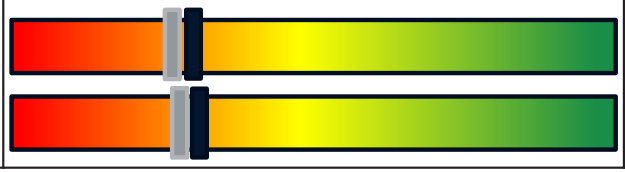
Periods Ended December 31, 2016



	U.S. REITS	International REITS	Commodity Futures	Commodities	HFRI Fund Weighted Comp.
QTR	-2.89%	-7.68%	2.55%	5.02%	1.31%
YTD	8.52%	1.97%	11.40%	30.87%	5.57%
1YR	8.52%	1.97%	11.40%	30.87%	5.57%

Sources: Bloomberg and Hedge Fund Research, Inc.

PFMAM Investment Strategy Overview
For the First Quarter 2017

Asset Class	PFMAM Investment Preference	Comments
U.S. Equities **Large Caps** **Small Caps**		• While uncertainties remain, domestic equities should fair well with continued corporate profit growth and improving economic expansion under the new presidential administration. However, expensive valuations are a headwind. • Small cap companies are more insulated from risks abroad and should benefit more from domestic growth.
Non-U.S. Equities **Developed Markets** **Non-U.S. Small Caps** **Emerging Markets**		• Political uncertainty clouding developed markets will likely persist along with slow growth, putting downward pressure on equity returns. Accommodative central bank activity may offset some of this, however, questions exist about their marginal effectiveness. • Emerging market equities are threatened by deteriorating fundamentals, rising interest rates, and a stronger dollar. However, cheaper valuations as well as a rebound in commodity prices may continue to provide a tailwind.
Fixed Income **Long Duration, Interest-Rate-Sensitive Sectors** **Credit-Sensitive Sectors**		• Interest rates are beginning to pick up and Fed tightening may accelerate in 2017. • In a growing economy, credit-sensitive sub-asset classes remains an area to capture extra yield.
Real Estate		• Real estate returns will moderate as valuations and interest rates rise. Still, a healthy economy and modest fundamentals will support growth of net operating income.
Alternatives **Hedge Funds** **Private Equity**		• Due to rising assets under management and the proliferation of hedge funds and private equity funds, alternatives are unlikely to significantly outperform publicly traded markets.

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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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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Plan Performance Review

Asset Allocation & Performance
City of Colorado Springs Cemetery Endowment Fund
As of December 31, 2016

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	2016	1 Year	3 Years	5 Years	Since Inception	Inception Date
Total Fund	9,926,767	100.00	-0.39	6.67	6.67	N/A	N/A	5.20	12/01/2015
Blended Benchmark			*-0.31*	*6.43*	*6.43*	*N/A*	*N/A*	*4.78*	*12/01/2015*
Domestic Equity									
Vanguard Total Stock Market Index	2,949,915	29.72	4.12	12.66	12.66	8.38	14.62	9.54	12/01/2015
Russell 3000 Index			*4.21*	*12.74*	*12.74*	*8.43*	*14.67*	*9.58*	*12/01/2015*
T. Rowe Price Dividend Growth	284,409	2.87	2.20	11.62	11.62	8.68	13.95	1.28	12/01/2016
S&P 500			*3.82*	*11.96*	*11.96*	*8.87*	*14.66*	*1.98*	*12/01/2016*
Vanguard Small Cap Index Fund	378,919	3.82	6.10	18.30	18.30	7.01	14.83	6.10	10/01/2016
Russell 2000 Index			*8.83*	*21.31*	*21.31*	*6.74*	*14.46*	*8.83*	*10/01/2016*
International Equity									
Vanguard Total International Stock Index Fund	359,914	3.63	-1.93	4.67	4.67	-1.34	5.50	-1.93	10/01/2016
MSCI AC World ex USA (Net)			*-1.25*	*4.50*	*4.50*	*-1.78*	*5.00*	*-1.25*	*10/01/2016*
Vanguard International Value	293,835	2.96	-1.11	4.46	4.46	-3.03	6.01	2.41	05/01/2016
MSCI AC World ex USA (Net)			*-1.25*	*4.50*	*4.50*	*-1.78*	*5.00*	*2.20*	*05/01/2016*
J. O. Hambro International Select	355,300	3.58	-6.25	5.20	5.20	2.07	11.16	5.20	01/01/2016
MSCI AC World ex USA (Net)			*-1.25*	*4.50*	*4.50*	*-1.78*	*5.00*	*4.50*	*01/01/2016*
Oppenheimer Int'l Small Mid Company	170,203	1.71	-5.29	-0.24	-0.24	4.86	15.59	0.44	12/01/2015
MSCI AC World ex USA Smid Cap Index (Net)			*-3.41*	*3.57*	*3.57*	*0.29*	*6.99*	*2.59*	*12/01/2015*
Other Growth Assets									
Vanguard REIT Index	46,008	0.46	-2.97	8.50	8.50	13.13	11.78	2.09	04/01/2016
MSCI US REIT Index			*-2.96*	*8.60*	*8.60*	*13.23*	*11.87*	*2.15*	*04/01/2016*
Boyd Watterson GSA Fund	282,636	2.85	N/A	N/A	N/A	N/A	N/A	1.05	12/01/2016
NCREIF Property Income			*1.14*	*4.76*	*4.76*	*5.04*	*5.32*	*1.14*	*12/01/2016*

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

Asset Allocation & Performance
City of Colorado Springs Cemetery Endowment Fund
As of December 31, 2016

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	2016	1 Year	3 Years	5 Years	Since Inception	Inception Date
Fixed Income									
Metropolitan West Total Return	1,188,319	11.97	-2.64	2.46	2.46	2.88	4.07	1.97	12/01/2015
Baird Core Plus	1,574,806	15.86	-2.37	4.73	4.73	3.78	3.55	3.73	12/01/2015
Blmbg. Barc. U.S. Aggregate			*-2.98*	*2.65*	*2.65*	*3.03*	*2.23*	*2.14*	*12/01/2015*
Vanguard Intermediate-Term Investment Grade	1,570,086	15.82	-2.96	3.93	3.93	3.81	3.83	3.13	12/01/2015
Blmbg. Barc. U.S. Credit 5-10 Year Index			*-3.28*	*5.23*	*5.23*	*4.39*	*4.39*	*3.98*	*12/01/2015*
Vanguard High Yield Corporate	438,473	4.42	0.78	11.30	11.30	4.77	6.62	8.78	04/01/2016
Blmbg. Barc. U.S. Corp: High Yield			*1.75*	*17.13*	*17.13*	*4.66*	*7.36*	*13.33*	*04/01/2016*
Cash Equivalent									
First American Government Obligation	33,943	0.34	0.01	0.01	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 December 31, 2016

	2015	2014	2013	2012	2011
Total Fund	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Blended Benchmark	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Domestic Equity					
Vanguard Total Stock Market Index	0.39	12.56	33.52	16.38	1.08
Russell 3000 Index	*0.48*	*12.56*	*33.55*	*16.42*	*1.03*
T. Rowe Price Dividend Growth	2.36	12.34	30.35	14.85	3.53
S&P 500	*1.38*	*13.69*	*32.39*	*16.00*	*2.11*
Vanguard Small Cap Index Fund	-3.64	7.50	37.81	18.24	-2.69
Russell 2000 Index	*-4.41*	*4.89*	*38.82*	*16.35*	*-4.18*
International Equity					
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
MSCI AC World ex USA (Net)	*-5.66*	*-3.87*	*15.29*	*16.83*	*-13.71*
Oppenheimer Int'l Small Mid Company	15.15	0.38	45.26	23.17	-20.08
MSCI AC World ex USA Smid Cap Index (Net)	*0.44*	*-3.05*	*17.79*	*17.98*	*-16.90*
Other Growth Assets					
Vanguard REIT Index	2.39	30.32	2.42	17.69	8.62
MSCI US REIT Index	*2.52*	*30.38*	*2.47*	*17.78*	*8.68*
Boyd Watterson GSA Fund	N/A	N/A	N/A	N/A	N/A
NCREIF Property Income	*5.01*	*5.36*	*5.61*	*5.84*	*6.11*

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

Comparative Performance
City of Colorado Springs Cemetery Endowment Fund
As of December 31, 2016

	2015	2014	2013	2012	2011
Fixed Income					
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
Blmbg. Barc. U.S. Aggregate	*0.55*	*5.97*	*-2.02*	*4.21*	*7.84*
Vanguard Intermediate-Term Investment Grade	1.63	5.91	-1.27	9.25	7.63
Blmbg. Barc. U.S. Credit 5-10 Year Index	*0.69*	*7.38*	*-2.05*	*11.26*	*8.21*
Vanguard High Yield Corporate	-1.30	4.69	4.64	14.47	7.24
Blmbg. Barc. U.S. Corp: High Yield	*-4.47*	*2.45*	*7.44*	*15.81*	*4.98*
Cash Equivalent					
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 December 31, 2016

QTR

	Market Value As of 10/01/2016	Net Flows	Return On Investment	Market Value As of 12/31/2016
Total Fund	9,959,890	6,097	(39,220)	9,926,767

YTD

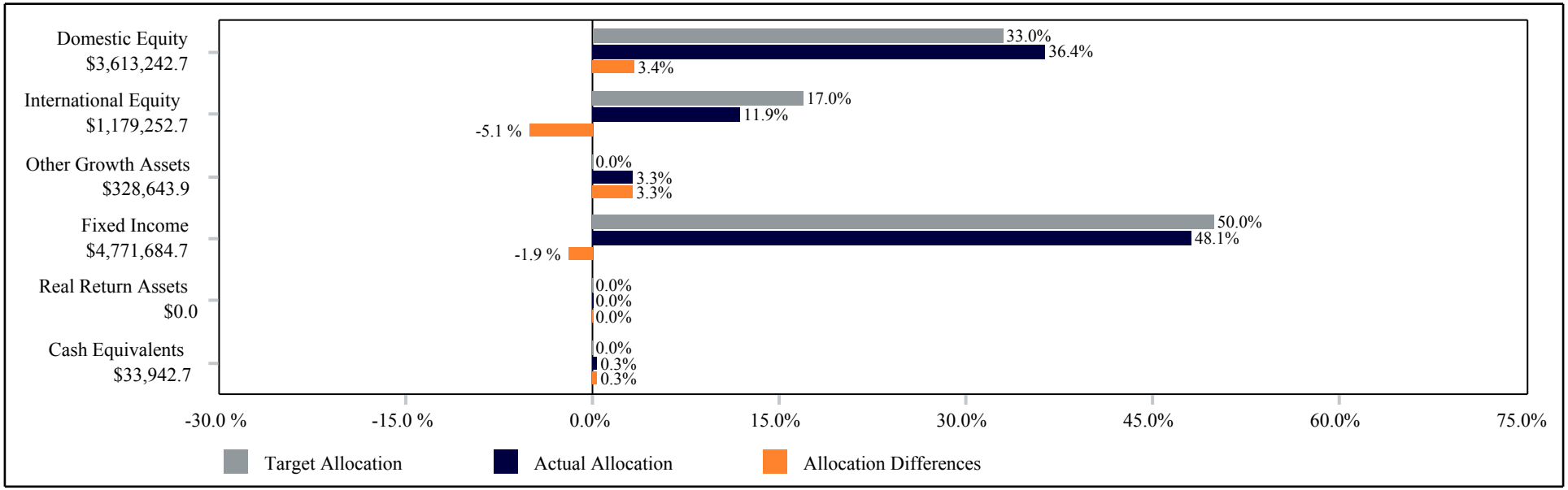
	Market Value As of 01/01/2016	Net Flows	Return On Investment	Market Value As of 12/31/2016
Total Fund	9,729,241	(414,313)	611,839	9,926,767

1 Year

	Market Value As of 01/01/2016	Net Flows	Return On Investment	Market Value As of 12/31/2016
Total Fund	9,729,241	(414,313)	611,839	9,926,767

Asset Allocation Compliance
City of Colorado Springs Cemetery Endowment Fund
As of December 31, 2016

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Fund	100.0	100.0	N/A	N/A	0.0
Domestic Equity	36.4	33.0	10.0	60.0	3.4
International Equity	11.9	17.0	0.0	40.0	-5.1
Other Growth Assets	3.3	0.0	0.0	20.0	3.3
Fixed Income	48.1	50.0	20.0	80.0	-1.9
Real Return Assets	0.0	0.0	0.0	20.0	0.0
Cash Equivalents	0.3	0.0	0.0	20.0	0.3



Historical Hybrid Composition
Blended Benchmark
City of Colorado Springs Cemetery Endowment Fund
As of December 31, 2016

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

Investment Manager Review

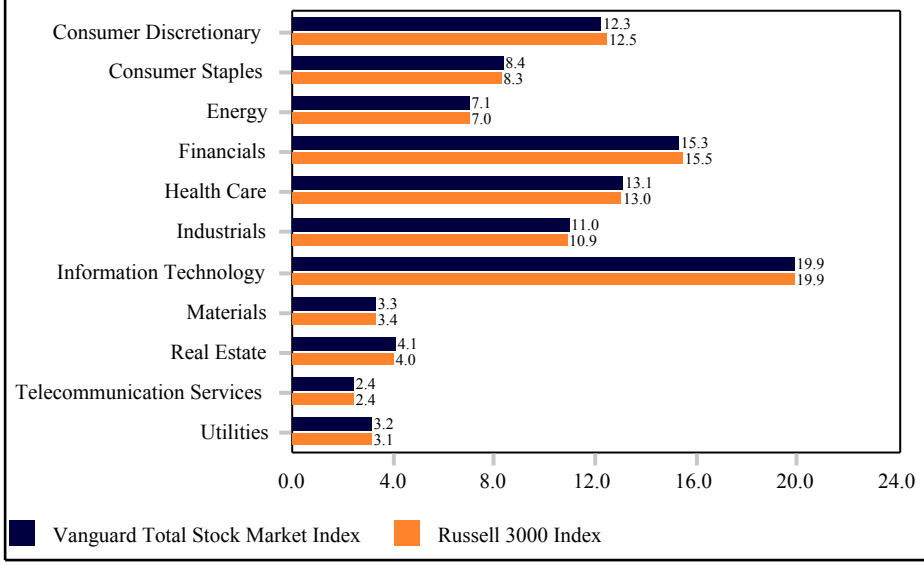
- **Vanguard Total Stock Market Index**
  - **Management:** Gerard C. O'Reilly has managed the Fund since its inception. Walter Nejman is now a co-portfolio manager for the fund. Joseph Brennan, CFA, Principal of Vanguard and global head of Vanguard's Equity Index Group, has oversight responsibility 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.
- **T.Rowe Price Dividend Growth**
  - **Management:** The Fund has been managed by Thomas J. Huber since March 2000
  - **Objective:** The Fund seeks dividend income and long-term capital growth primarily through investments in stocks.
  - **Strategy:** The fund will normally invest at least 65% of its total assets in stocks, with an emphasis on stocks that have a strong track record of paying dividends or that are expected to increase their dividends over time. T. Rowe Price believes that a track record of dividend increases is an excellent indicator of financial health and growth prospects, and that over the long term, income can contribute significantly to total return. Dividends can also help reduce the fund's volatility during periods of market turbulence and help offset losses when stock prices are falling.
- **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 December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	121,880	123,528
Median Mkt. Cap ($M)	1,040	1,555
Price/Earnings ratio	20.83	20.72
Price/Book ratio	3.02	3.02
5 Yr. EPS Growth Rate (%)	10.07	9.96
Current Yield (%)	1.99	1.99
Beta (5 Years, Monthly)	1.00	1.00
Number of Stocks	3,567	2,977

Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Apple Inc	2.51	2.71	-0.20	2.98
Microsoft Corp	1.96	2.01	-0.05	8.60
Exxon Mobil Corp	1.60	1.61	-0.01	4.32
Johnson & Johnson	1.34	1.35	-0.01	-1.80
JPMorgan Chase & Co	1.32	1.34	-0.02	30.52
Amazon.com Inc	1.29	1.25	0.04	-10.44
Berkshire Hathaway Inc	1.29	1.32	-0.03	12.81
General Electric Co	1.19	1.24	-0.05	7.49
Facebook Inc	1.15	1.10	0.05	-10.31
AT&T Inc	1.12	1.12	0.00	6.01
% of Portfolio	14.77	15.05		

Ten Best Performers

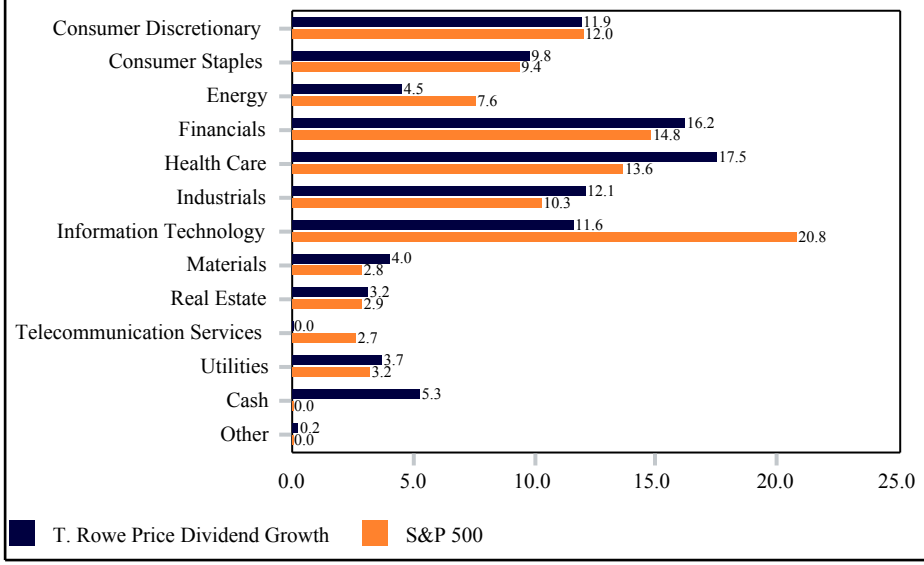
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Health Insurance Innovations Inc	0.00	0.00	0.00	240.00
Altisource Asset Management Corp	0.00	0.00	0.00	189.19
Achaogen Inc	0.00	0.00	0.00	171.82
Conatus Pharmaceuticals Inc	0.00	0.00	0.00	163.50
Hovnanian Enterprises Inc.	0.00	0.00	0.00	122.22
Intersections Inc	0.00	0.00	0.00	120.44
AK Steel Holding Corp	0.01	0.01	0.00	111.39
Era Group Inc	0.00	0.00	0.00	110.81
Live Ventures Inc	0.00	0.00	0.00	109.60
NL Industries Inc.	0.00	0.00	0.00	107.38
% of Portfolio	0.01	0.01		

Portfolio Characteristics
T. Rowe Price Dividend Growth vs. S&P 500
As of December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	97,598	148,474
Median Mkt. Cap ($M)	34,849	18,956
Price/Earnings ratio	23.32	20.49
Price/Book ratio	3.11	3.14
5 Yr. EPS Growth Rate (%)	7.00	9.66
Current Yield (%)	2.16	2.11
Beta	N/A	1.00
Number of Stocks	112	505

Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	5.27	0.00	5.27	N/A
JPMorgan Chase & Co	2.74	1.60	1.14	30.52
Microsoft Corp	2.62	2.51	0.11	8.60
Unitedhealth Group Inc	2.28	0.79	1.49	14.77
Pfizer Inc	2.23	1.02	1.21	-3.14
Comcast Corp	2.16	0.85	1.31	4.93
Visa Inc	1.94	0.76	1.18	-5.47
PepsiCo Inc	1.93	0.78	1.15	-3.10
Danaher Corp	1.79	0.25	1.54	-0.54
Becton, Dickinson and Co	1.79	0.18	1.61	-7.48
% of Portfolio	24.75	8.74		

Ten Best Performers

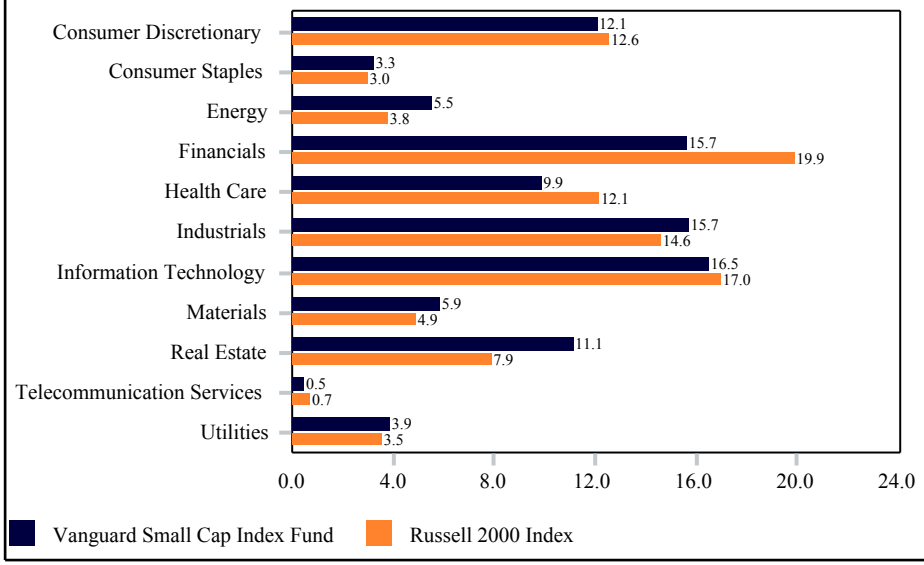
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Morgan Stanley	0.90	0.32	0.58	32.56
Northern Trust Corp	0.44	0.10	0.34	31.59
JPMorgan Chase & Co	2.74	1.60	1.14	30.52
Wells Fargo & Co	1.71	1.29	0.42	25.50
TD AMERITRADE Holding Corp	0.75	0.00	0.75	24.39
Marriott International Inc.	0.73	0.14	0.59	23.27
Time Warner Inc	0.52	0.39	0.13	21.78
U.S. Bancorp	1.40	0.43	0.97	20.42
Bank of New York Mellon Corp (The)	1.67	0.26	1.41	19.33
PrairieSky Royalty Ltd	0.01	0.00	0.01	17.71
% of Portfolio	10.87	4.53		

Portfolio Characteristics
Vanguard Small Cap Index Fund vs. Russell 2000 Index
As of December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	3,851	2,101
Median Mkt. Cap ($M)	2,057	783
Price/Earnings ratio	21.91	22.43
Price/Book ratio	2.52	2.37
5 Yr. EPS Growth Rate (%)	11.35	10.98
Current Yield (%)	1.55	1.38
Beta (5 Years, Monthly)	0.88	1.00
Number of Stocks	1,435	1,978

Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Targa Resources Corp	0.31	0.00	0.31	16.54
Diamondback Energy Inc	0.29	0.00	0.29	4.68
Advanced Micro Devices Inc	0.29	0.45	-0.16	64.11
SVB Financial Group	0.29	0.00	0.29	55.29
Huntington Ingalls Industries Inc	0.28	0.00	0.28	20.46
HD Supply Holdings Inc	0.28	0.00	0.28	32.93
Steel Dynamics Inc	0.27	0.00	0.27	42.92
CDW Corp	0.27	0.00	0.27	14.26
Packaging Corp Of America	0.26	0.00	0.26	5.14
Newfield Exploration Co	0.26	0.00	0.26	-6.81
% of Portfolio	2.80	0.45		

Ten Best Performers

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
AK Steel Holding Corp	0.10	0.17	-0.07	111.39
Fred's Inc	0.02	0.03	-0.01	106.10
Pier 1 Imports Inc.	0.02	0.04	-0.02	104.80
CVR Energy Inc	0.01	0.02	-0.01	91.68
CoreCivic Inc	0.09	0.00	0.09	79.39
United States Steel Corp	0.18	0.00	0.18	75.44
Strayer Education Inc	0.03	0.05	-0.02	72.73
InvenSense Inc	0.03	0.06	-0.03	72.37
MoneyGram International Inc	0.01	0.02	-0.01	66.34
Advanced Micro Devices Inc	0.29	0.45	-0.16	64.11
% of Portfolio	0.78	0.84		

- **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 ARGA, 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.

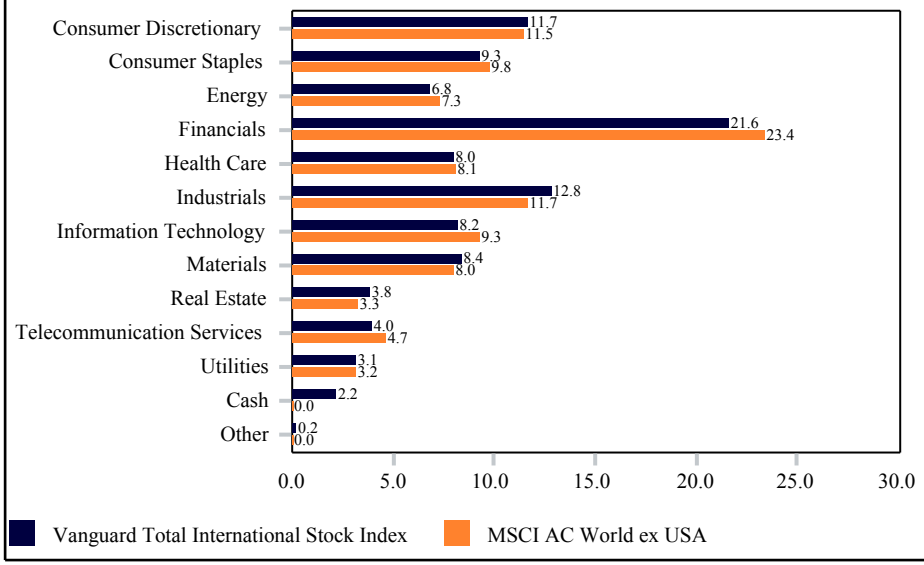
- **Oppenheimer International Small-Mid Company Fund**
  - **Management:** Rezo Kanovich has been the portfolio manager for this fund since 2012 and previously served as an analyst on Oppenheimer's Global Equity Fund since 2005. He is part of Oppenheimer's Global Equity Team, which consists of 21 portfolio 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 December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	43,055	51,613
Median Mkt. Cap ($M)	1,450	6,856
Price/Earnings ratio	16.49	16.73
Price/Book ratio	2.14	2.17
5 Yr. EPS Growth Rate (%)	5.56	5.28
Current Yield (%)	3.04	3.03
Beta (5 Years, Monthly)	0.97	1.00
Number of Stocks	6,076	1,856

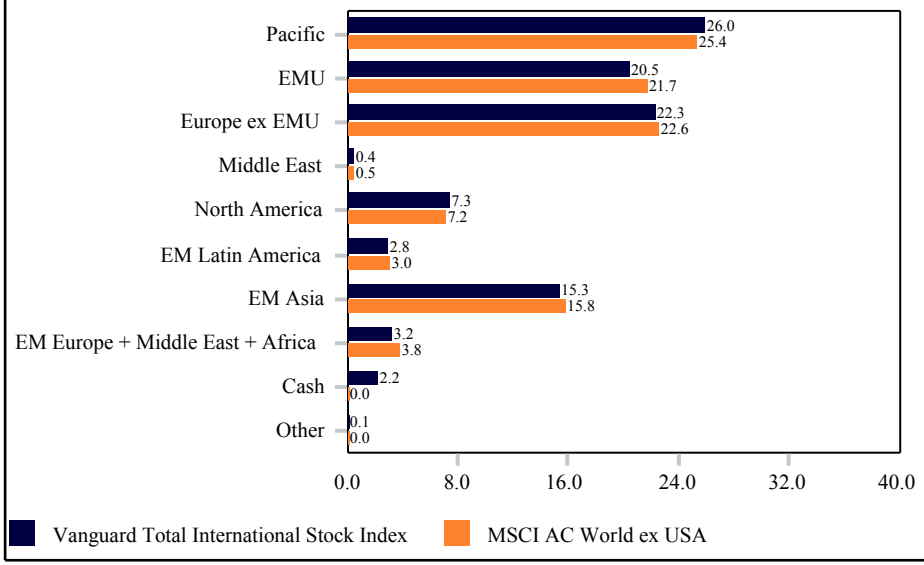
Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	2.16	0.00	2.16	N/A
Nestle SA, Cham Und Vevey	1.10	1.29	-0.19	-8.98
Novartis AG	0.86	0.94	-0.08	-7.49
Roche Holding AG	0.81	0.93	-0.12	-7.94
HSBC Holdings PLC	0.81	0.93	-0.12	9.43
Toyota Motor Corp	0.80	0.91	-0.11	3.34
Samsung Electronics Co Ltd	0.75	0.85	-0.10	4.12
Tencent Holdings LTD	0.66	0.80	-0.14	-10.93
Taiwan Semiconductor Manufctrg Co Ltd	0.63	0.79	-0.16	-3.76
BP PLC	0.59	0.68	-0.09	9.67
% of Portfolio	9.17	8.12		

Region Weights (%)

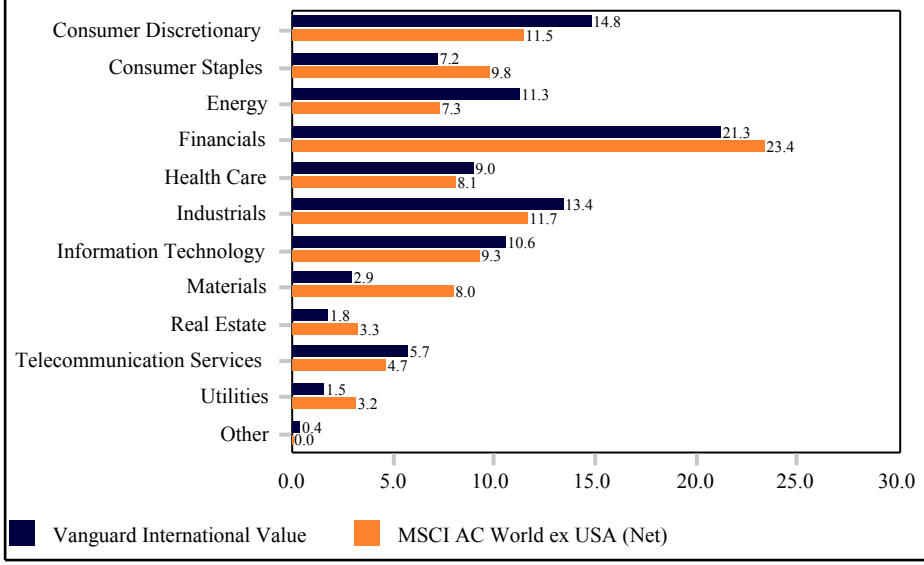


Portfolio Characteristics
Vanguard International Value vs. MSCI AC World ex USA (Net)
As of December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	51,226	51,613
Median Mkt. Cap ($M)	25,114	6,856
Price/Earnings ratio	16.15	16.73
Price/Book ratio	2.25	2.17
5 Yr. EPS Growth Rate (%)	7.22	5.28
Current Yield (%)	2.85	3.03
Beta (5 Years, Monthly)	1.00	1.00
Number of Stocks	156	1,856

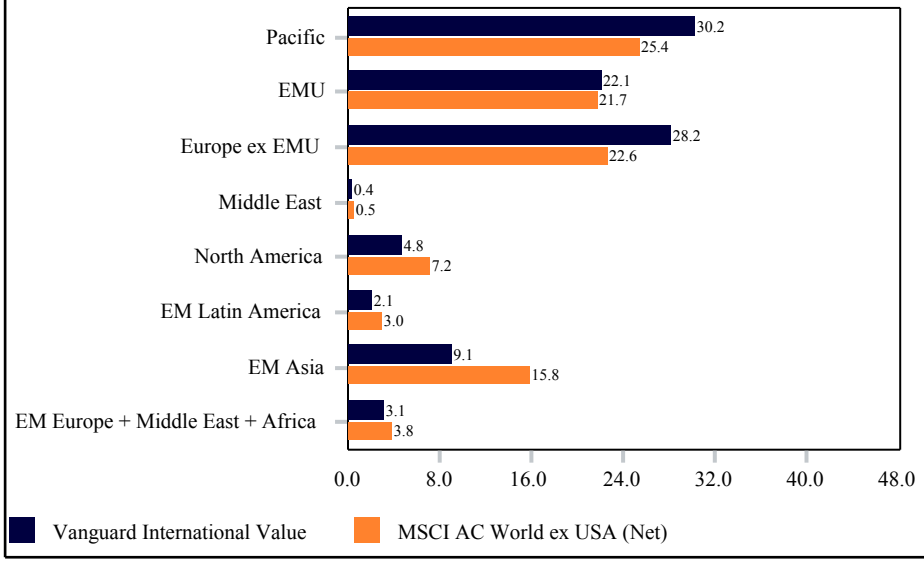
Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novartis AG	2.56	0.94	1.62	-7.49
Sumitomo Mitsui Financial Group Inc	1.84	0.30	1.54	14.57
Total	1.81	0.67	1.14	9.84
Prudential PLC	1.80	0.30	1.50	13.32
Taiwan Semiconductor Manufctrg Co Ltd	1.67	0.79	0.88	-3.76
Softbank Group Corp	1.64	0.37	1.27	3.38
Japan Tobacco Inc	1.41	0.21	1.20	-17.62
Royal Dutch Shell PLC	1.38	0.69	0.69	12.04
Toyota Motor Corp	1.24	0.91	0.33	3.34
Carnival PLC	1.19	0.06	1.13	4.88
% of Portfolio	16.54	5.24		

Region Weights (%)

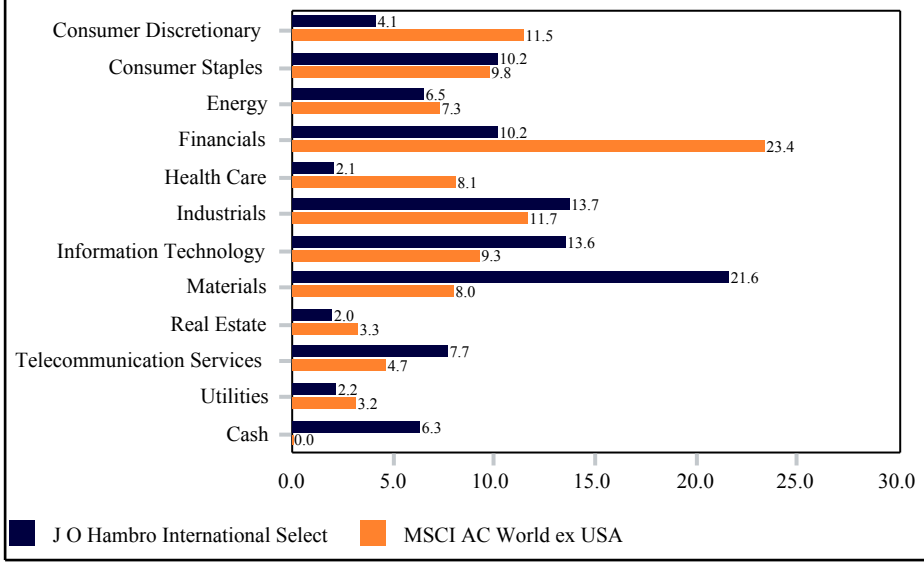


Portfolio Characteristics
J O Hambro International Select vs. MSCI AC World ex USA
As of December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	46,803	51,613
Median Mkt. Cap ($M)	23,661	6,856
Price/Earnings ratio	21.70	16.73
Price/Book ratio	2.13	2.17
5 Yr. EPS Growth Rate (%)	8.53	5.28
Current Yield (%)	2.26	3.03
Number of Stocks	50	1,856

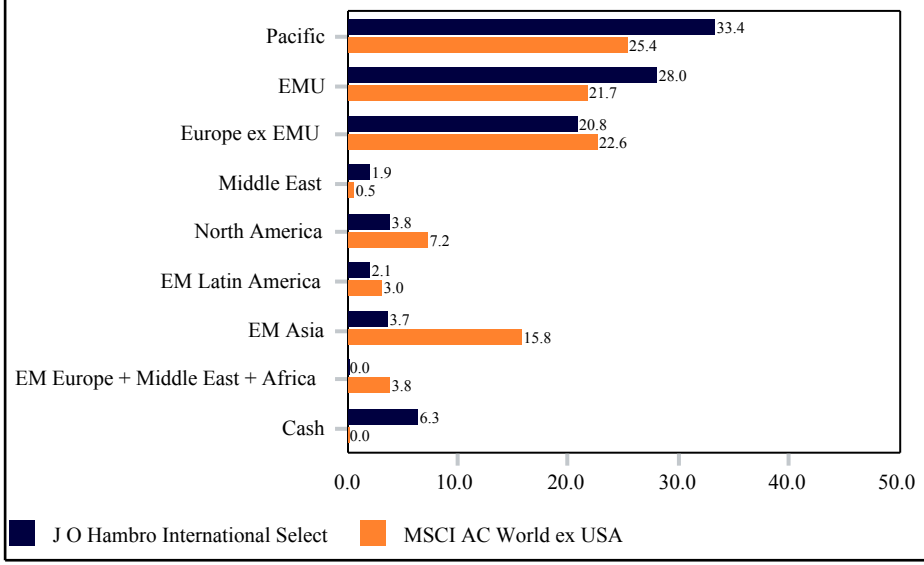
Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	6.30	0.00	6.30	N/A
Royal Dutch Shell PLC	2.21	0.63	1.58	14.14
BP PLC	2.20	0.68	1.52	9.67
DONG Energy AS	2.18	0.02	2.16	-8.55
Norsk Hydro ASA	2.13	0.04	2.09	11.34
Siemens AG	2.13	0.54	1.59	5.22
Cyber Agent Ltd	2.12	0.00	2.12	-16.19
L'Oreal S.A., Paris	2.09	0.27	1.82	-3.17
Total	2.08	0.67	1.41	9.84
Actelion Ltd., Allschwil	2.07	0.12	1.95	25.04
% of Portfolio	25.51	2.97		

Region Weights (%)

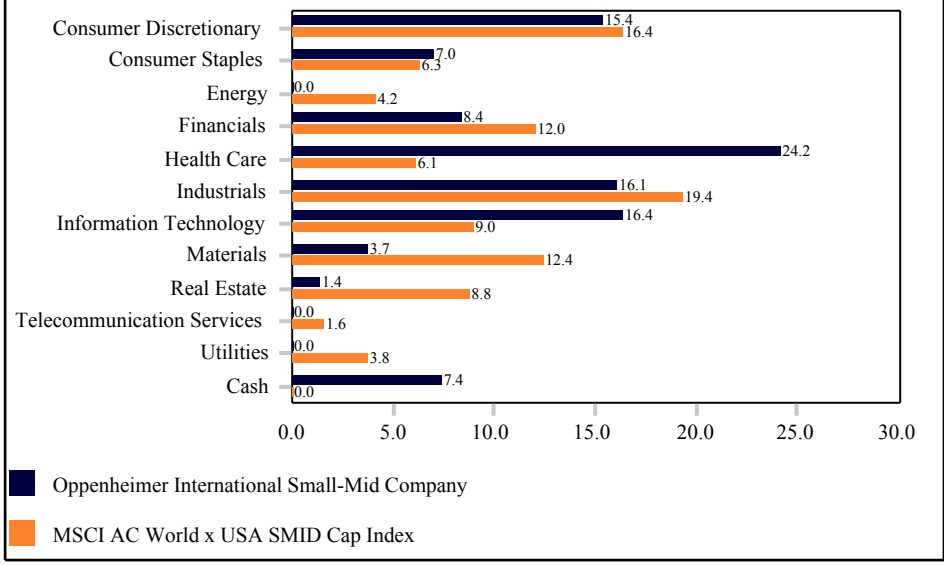


Portfolio Characteristics
Oppenheimer International Small-Mid Company vs. MSCI AC World x USA SMID Cap Index
As of December 31, 2016

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	3,710	4,714
Median Mkt. Cap ($M)	2,583	964
Price/Earnings ratio	23.31	16.30
Price/Book ratio	3.11	2.17
5 Yr. EPS Growth Rate (%)	9.55	9.24
Current Yield (%)	1.48	2.71
Beta (5 Years, Monthly)	0.80	1.00
Number of Stocks	154	5,268

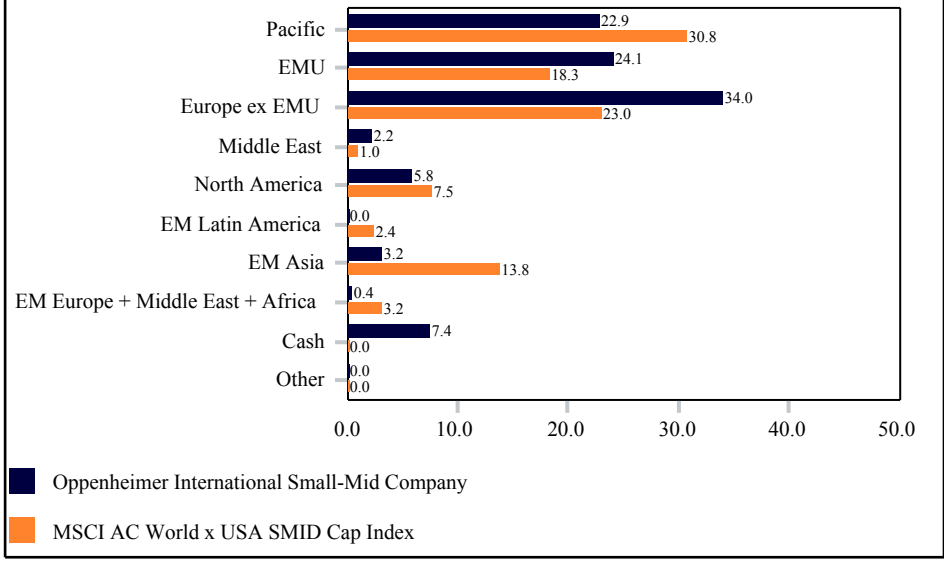
Sector Weights (%)



Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CASH	7.38	0.00	7.38	N/A
Lonza Group AG, Zuerich	2.14	0.15	1.99	-9.39
NICE Ltd	1.86	0.07	1.79	2.96
H Lundbeck A/S	1.73	0.00	1.73	24.37
Ocado Group PLC	1.60	0.03	1.57	-4.99
Carl Zeiss Meditec AG, Jena	1.44	0.02	1.42	-3.46
Ariake Japan Co Ltd	1.34	0.02	1.32	0.10
Supergroup PLC	1.21	0.02	1.19	4.33
Ain Holdings Inc	1.19	0.02	1.17	-2.03
Askul Corp	1.16	0.01	1.15	-8.58
% of Portfolio	21.05	0.34		

Region Weights (%)



- **Vanguard REIT Index**
  - **Management:** Gerald C. O'Reilly, Principal of Vanguard, has managed the Fund since its inception in 1996. Walter Nejman was added as a Portfolio Manager to the Fund in 2016. He has worked in investment management since 2008.
  - **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.

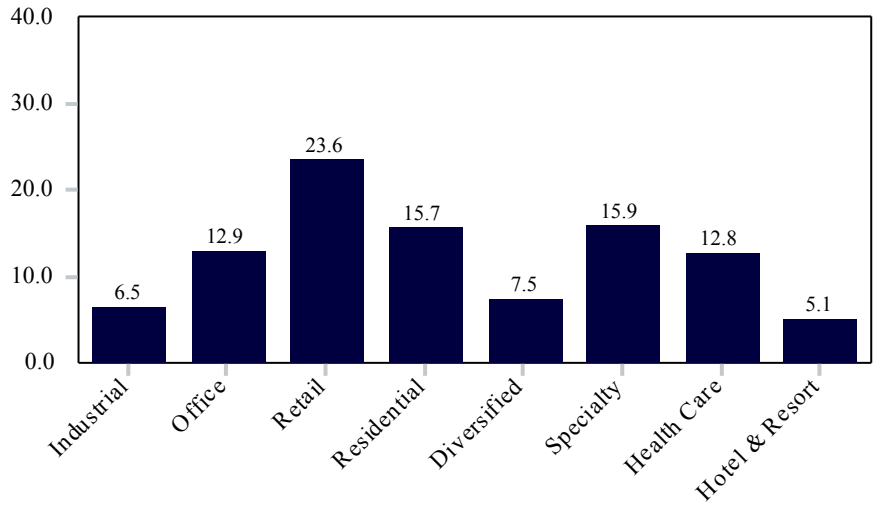
- **Boyd Watterson GSA Fund, LP**
  - **Management:** Brian L. Gevry, CFA, serves as the CEO and Chief Investment Officer. Mr. Gevry is joined by a 15 person team dedicated to real estate investing. The co PM on the team is Robert Law, A key team member is Steven Perry, who joined the firm in 2014. Mr. Perry is a former Administrator of the GSA and brings deep knowledge into their leasing strategies and practices.
  - **Objective:** The Fund seeks to provide a high level of income and moderate risk below equities and real estate but higher than fixed income.
  - **Strategy:** The team seeks properties delivering high current income, which is distributed quarterly. As valuations for secure, GSA occupied properties are less volatile than even core traditional real estate, the strategy is able to take advantage of the current attractive cost of capital and high spread between operating yield and financing costs to further enhance income generation / cash on cash yield. the team focuses on properties in the small to mid-sized market of $5-$25 million which offer more attractive attributes:

Portfolio Characteristics
Vanguard REIT
As of December 31, 2016

Portfolio Characteristics

	Portfolio
Wtd. Avg. Mkt. Cap ($M)	15,966
Median Mkt. Cap ($M)	3,090
Price/Earnings ratio	26.72
Price/Book ratio	2.41
5 Yr. EPS Growth Rate (%)	24.70
Current Yield (%)	3.98
Number of Stocks	156

Property Type



Top Ten Equity Holdings

	Portfolio Weight (%)
Simon Property Group Inc.	6.92
Public Storage	4.08
ProLogis Inc	3.45
Equinix Inc	3.15
AvalonBay Communities Inc.	3.02
Welltower Inc	2.97
Equity Residential	2.92
Ventas Inc.	2.72
Boston Properties Inc	2.40
Vornado Realty Trust	2.20
% of Portfolio	33.83

Ten Best Performers

	Quarterly Return (%)
CoreCivic Inc	79.39
GEO Group Inc (The)	55.32
Ashford Hospitality Trust Inc.	33.83
Ryman Hospitality Properties Inc	32.41
Xenia Hotels & Resorts Inc	29.76
LaSalle Hotel Properties	29.56
DiamondRock Hospitality Co	28.10
FelCor Lodging Trust Inc	25.73
Sunstone Hotel Investors Inc	23.40
Summit Hotel Properties Inc	23.20

- **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 has been managed by a team of six portfolio managers since its inception in 2000. The most senior trio of the management team has been working together for over 30 years.
  - **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.

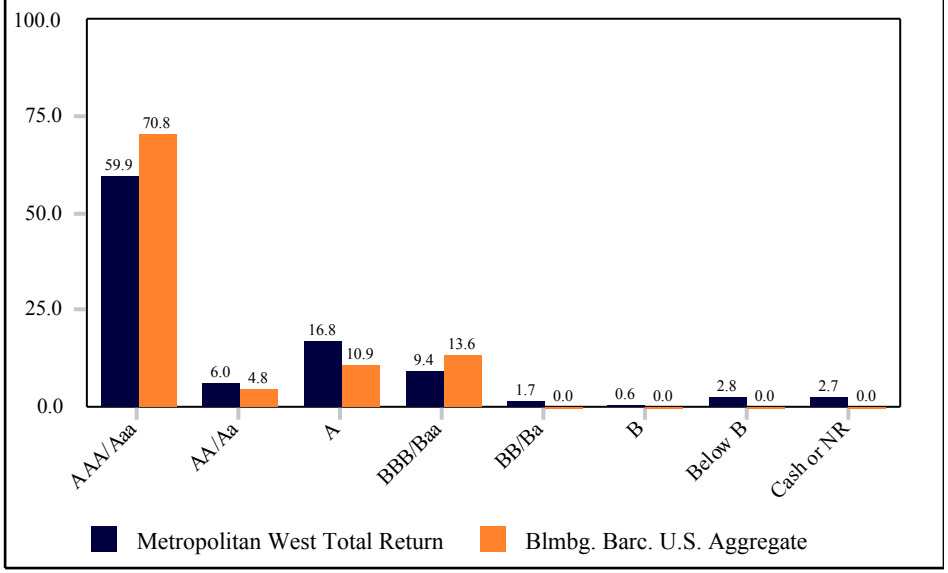
- **Vanguard High-Yield Corporate Fund**
  - **Management:** The Fund is managed by Michael L. Hong, CFA, Vice President and Portfolio Manager of Wellington Management Company, LLP. Mr. Hong, CFA, leads the firm's high-yield credit research team and has worked in investment management with Wellington 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 December 31, 2016

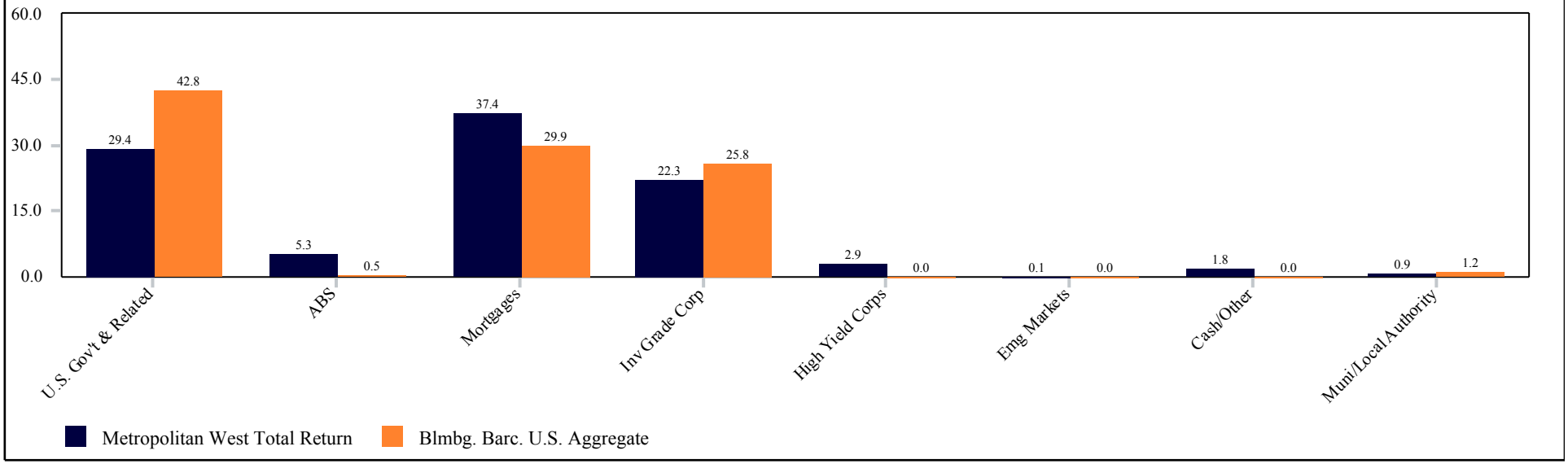
Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	5.56	5.89
Yield To Maturity (%)	2.92	2.61
Avg. Maturity	7.52	8.19
Avg. Quality	AA	AA
Coupon Rate (%)	2.82	3.08

Credit Quality Distribution (%)



Sector Distribution (%)

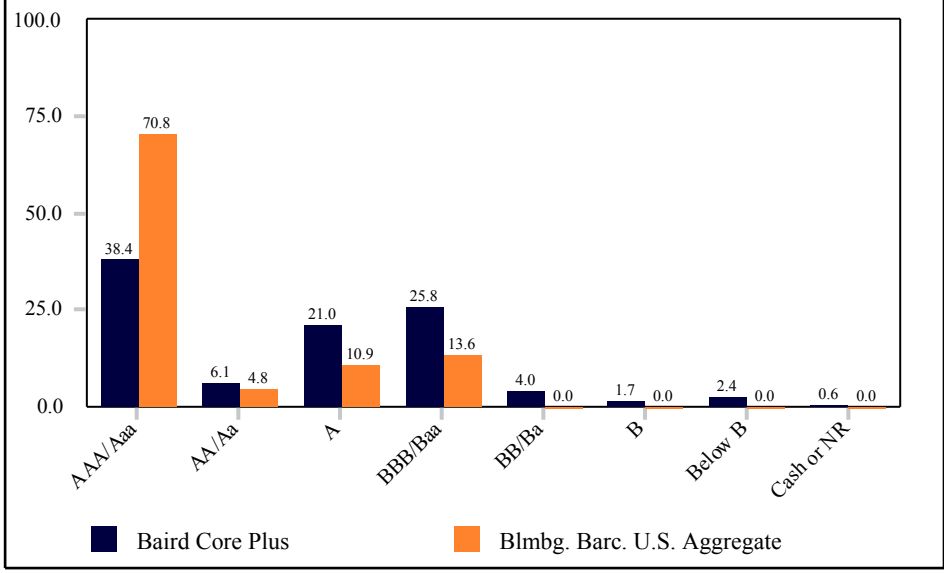


Portfolio Characteristics
Baird Core Plus vs. Blmbg. Barc. U.S. Aggregate
As of December 31, 2016

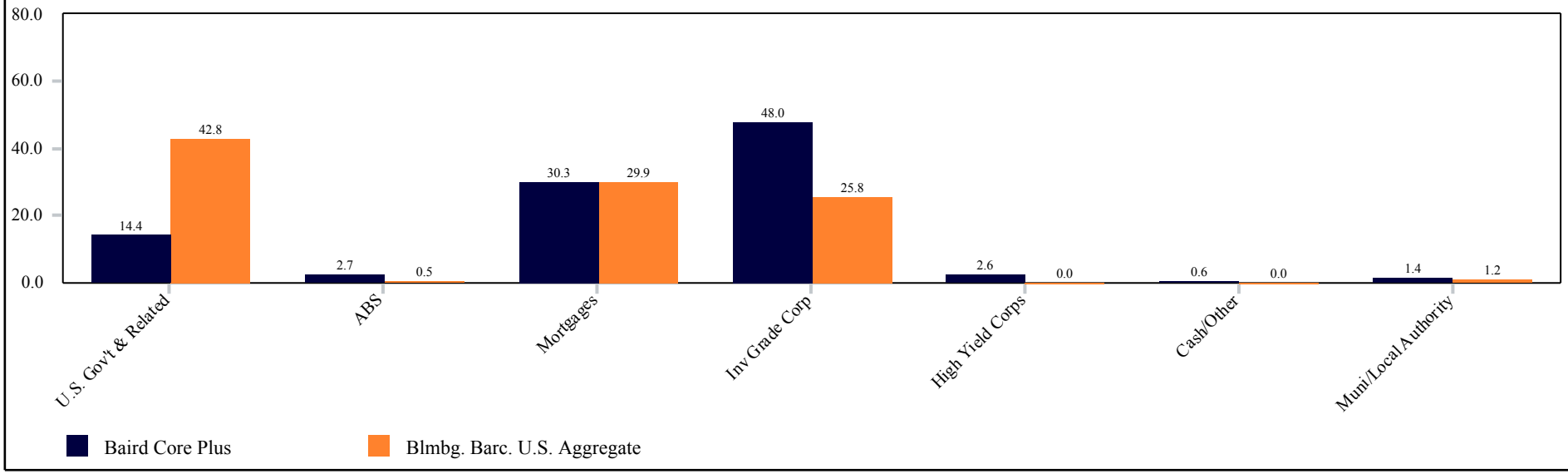
Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	5.69	5.89
Yield To Maturity (%)	3.14	2.61
Avg. Maturity	7.39	8.19
Avg. Quality	A	AA
Coupon Rate (%)	3.58	3.08

Credit Quality Distribution (%)



Sector Distribution (%)

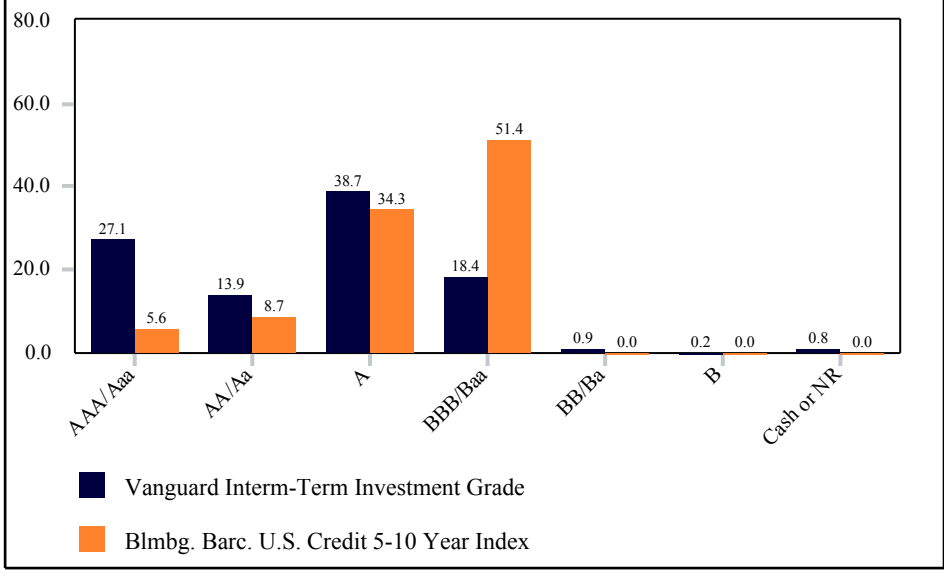


Portfolio Characteristics
Vanguard Interm-Term Investment Grade vs. Blmbg. Barc. U.S. Credit 5-10 Year Index
As of December 31, 2016

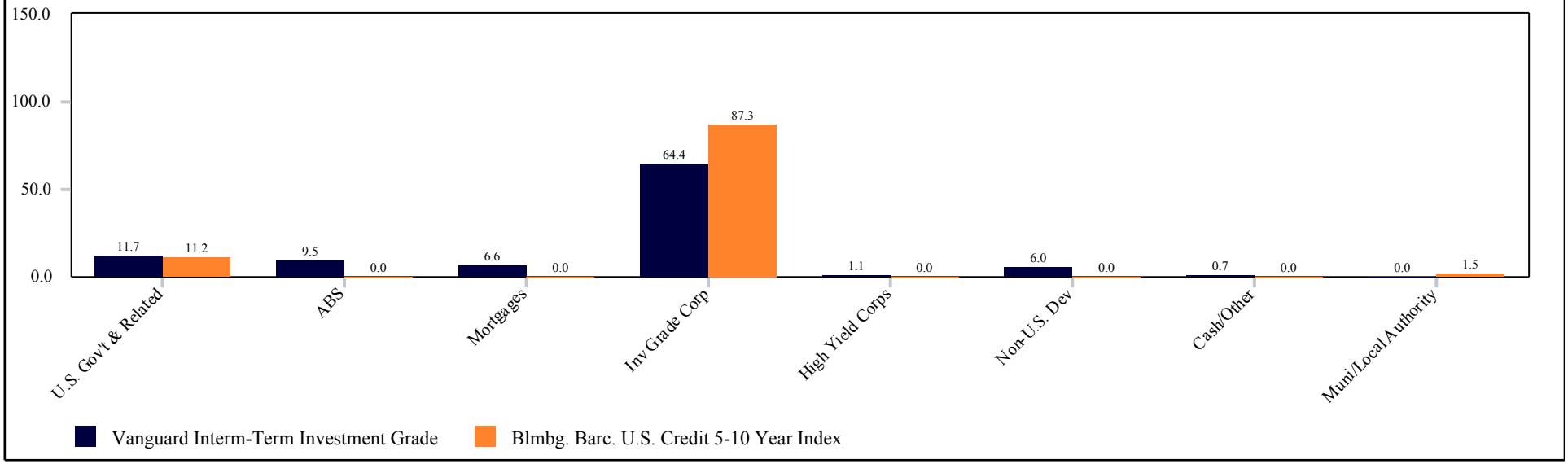
Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	5.40	6.44
Yield To Maturity (%)	2.99	3.45
Avg. Maturity	6.00	7.46
Avg. Quality	A	A
Coupon Rate (%)	3.29	3.67

Credit Quality Distribution (%)



Sector Distribution (%)

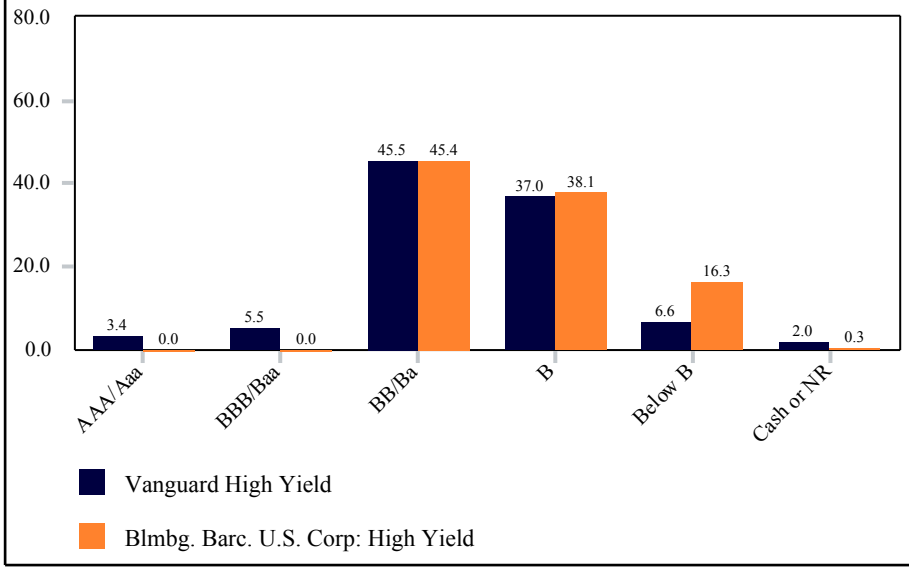


Portfolio Characteristics
Vanguard High Yield vs. Blmbg. Barc. U.S. Corp: High Yield
As of December 31, 2016

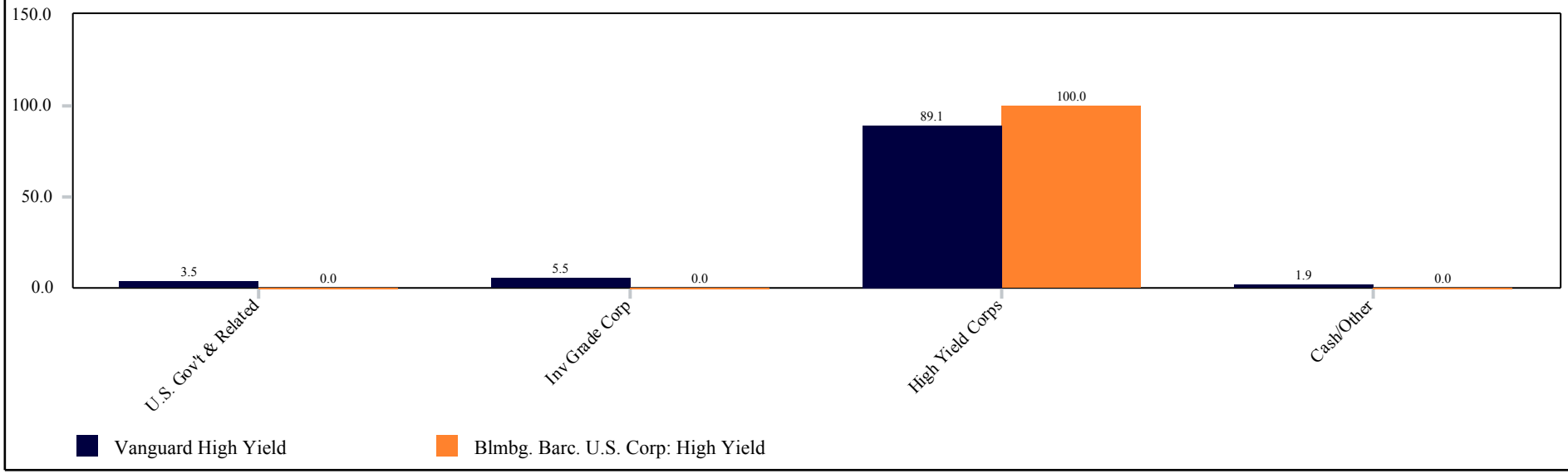
Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	4.40	4.11
Yield To Maturity (%)	5.40	6.12
Avg. Maturity	5.70	6.30
Avg. Quality	BB	B
Coupon Rate (%)	5.79	6.50

Credit Quality Distribution (%)



Sector Distribution (%)



PERFORMANCE EVALUATION AND REPORTING SERVICES
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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.

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MULTI-ASSET CLASS
PORTFOLIO UPDATE
November 15, 2016

EVENT

PFM Asset Management LLC's ("PFMAM") Multi-Asset Class Investment Committee (the "Committee") has decided to terminate Vanguard Dividend Growth Fund from the domestic equity portfolio and reallocate the proceeds between T. Rowe Price Dividend Growth Fund and Vanguard Total Stock Market Index Fund.

SUMMARY

The Committee has been closely watching Vanguard Dividend Growth Fund in the recent past due to its ballooning assets (currently at $30.1 billion; closed to new investors in July 2016), and the subsequent underperformance. In order to move assets into a more nimble strategy, the Committee has made the decision to redeem from Vanguard Dividend Growth Fund and reallocate the proceeds between T. Rowe Price Dividend Growth Fund (AUM: $6.2 billion) and Vanguard Total Stock Market Index Fund.

T. Rowe Price Dividend Growth Fund focuses on high quality, dividend paying stocks with emphasis on free cash flow analysis. This is a process similar to Vanguard Dividend Growth but executed with greater diversification and nimbleness due to its fund size and greater number of holdings. The fund is led by Thomas J Huber, who has been managing this strategy since March 2000 and is supported by the T. Rowe Price global equity analyst team. The fund is diversified with 100-125 stocks in the portfolio with lower weighted average market cap than the Vanguard Fund. The fund's focus on high quality, dividend paying stocks trading at attractive relative valuation results in a defensive portfolio that tends to have lower downside capture while keeping pace on the upside during full market cycles.

Vanguard Total Stock Market Index Fund replicates exposure to CRSP Total Stock Market Index providing exposure to large, mid and small cap names across the US equity market.

ASSESSMENT

In light of the recent Presidential election, the Committee believes that growth in the US economy could be spurred by increased fiscal spending and expected tax cuts, the beneficiaries of which would be companies tied to the US consumer and economy. These companies tend to be smaller in capitalization compared to global companies. As a result, the Committee has decided to slightly reduce allocation to larger capitalization dividend focused stocks and slightly increase allocation to smaller capitalization names through the replacement of Vanguard Dividend Growth Fund with T. Rowe Price Dividend Growth Fund and Vanguard Total Stock Market Index Fund. From a fee standpoint, this move does not impact the underlying money manager expense ratio for your portfolio.

We appreciate your continued confidence in 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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