2016 Capital Markets Review

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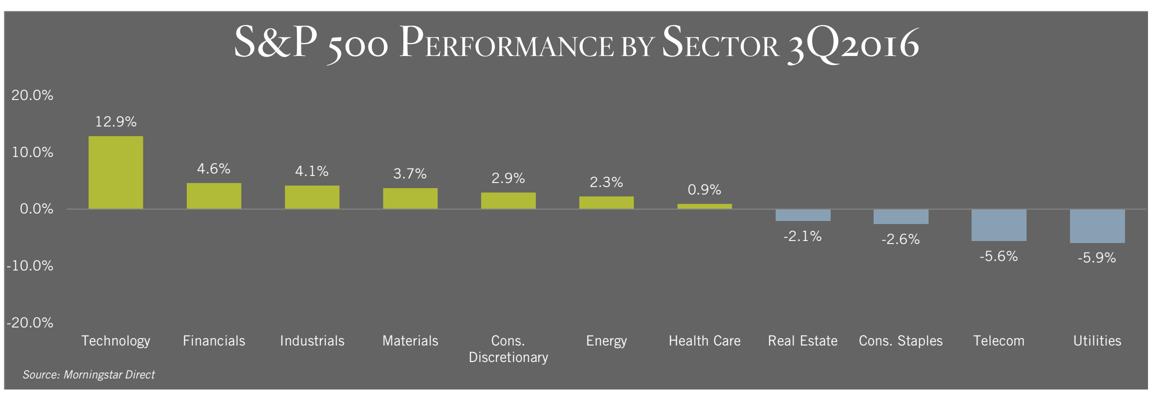
Relief Rally

The post-Brexit recovery by global equity markets continued in July as central banks around the world reaffirmed their commitments to continue with easy monetary policy and economic stimulus programs. Against this backdrop, the S&P 500 gained 3.7% for the month; however, renewed concerns in August and September surrounding the threat of rising U.S. interest rates put the brakes on the market's climb, stalling returns over the final two months of the quarter.

For the full quarter, the S&P 500 rose 3.9%, led by robust results within the Technology sector. Several tech heavyweights posted double-digit gains buoyed by strong earnings and improved outlooks. Most impactful was Apple's +18.9% quarterly return, supported by improving profit expectations, the release of the new iPhone 7, and product defects within Samsung's Galaxy S7 phone, the primary competitor to Apple's iPhone. On the opposite end of the performance spectrum, the defensive oriented/higher yielding Telecom and Utilities sectors both experienced significant pullbacks, losing more than 5% during the period. Despite the quarterly losses, both sectors remain top performers year-to-date, up over 15%.

Reviewing performance by capitalization and style, the "risk-on" environment during the early part of the quarter resulted in solid gains across both value and growth styles, with smaller capitalization companies generally outpacing their larger cap counterparts.



S&P 500 Performance by Sector 3Q2016

3rd Quarter - 2016 Russell Indices

	Value	Core	Growth
Large	3.5%	3.9%	4.6%
Mid	4.4%	4.5%	4.6%
Small	8.9%	9.0%	9.2%

Source: Morningstar Direct

Outside of the U.S., the July rebound from the post-Brexit blues was even more dramatic, albeit the recovery starting point was much lower. The dire projections of a global recession immediately following the Brexit vote quieted as investors grew more confident that any fallout from the referendum was more likely to be local rather than global. Developed markets, as measured by the MSCI EAFE Index, gained 6.5% during the third quarter, with the MSCI Japan Index leading the way, climbing

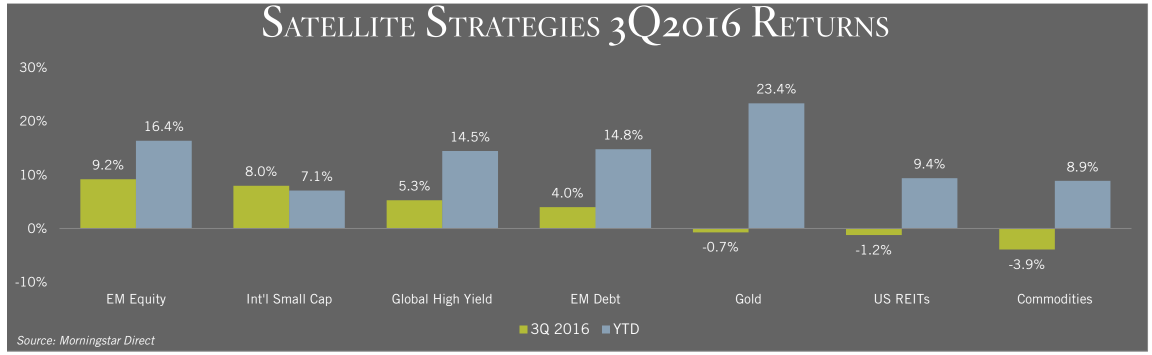
8.8%. The Bank of Japan continued its aggressive actions announcing that it would aim to overshoot its 2% inflation target and promising to keep the 10-year yield on Japanese government debt at 0.0%. Across Europe, the headlines surrounded concerns within the banking sector, which fell sharply in the wake of the Brexit vote but rebounded modestly during the third quarter. Finally, a large decline in the value of the pound sterling supported UK equities, but the weakening currency offset much of those gains for U.S. dollar-based investors.

Fixed Income Review

The risk rally across global capital markets during the quarter pushed yields higher and prices lower on U.S. Treasuries. The Barclays U.S. Treasury Index ended the period down 0.3%. However, outside of the Treasury sector, tightening credit spreads especially within lower quality corporate bonds more than offset the slight rise in risk-free yields. The Barclays U.S. Corporate Investment-Grade Bond Index gained 1.4%, with returns inversely correlated with quality.

Index	3rd Quarter 2016 Return
Barclays U.S. Aggregate	0.5%
Barclays U.S. Treasury	-0.3%
Barclays U.S. Corp IG	1.4%
Barclays U.S. Corp AA	0.5%
Barclays U.S. Corp A	0.9%
Barclays U.S. Corp Baa	2.1%

Source: Morningstar Direct



Source: Morningstar Direct, Welch Hornsby, Inc. - Emerging Mkt Equity: MSCI EM Index ($); Global High Yield: Barclays Global High Yield TR ($); US REITs - DJ US Select RESI TR ($); Emerging Market Debt - JPM EMBI Global Diversified TR ($); Commodities - Bloomberg Commodity TR ($); Int'l Small Cap: S&P Developed Ex US Small TR ($); Gold - S&P GSCI Gold ($)

Combined, the broad U.S. investment-grade bond market, as measured by the Barclays U.S. Aggregate Index gained 0.5% during the quarter. Finally, after a strong first half of 2016, municipal bonds stalled during the third quarter. Most municipal indices ended the quarter approximately where they started as income essentially offset a slight rise in yields.

Satellite Strategies

The performance by various satellite asset classes was mixed during the third quarter. Both emerging markets and international small-caps benefited from the global equity market rally gaining 9.2% and 8.0%, respectively. Conversely, commodities and gold, last quarter's top performers, failed to maintain their momentum, turning in modest losses for the period. Despite this near-term weakness, year-to-date, most satellite asset classes have greatly benefited from relatively attractive valuations, improving (albeit very slowly) economic growth and continued stimulus programs by central banks.