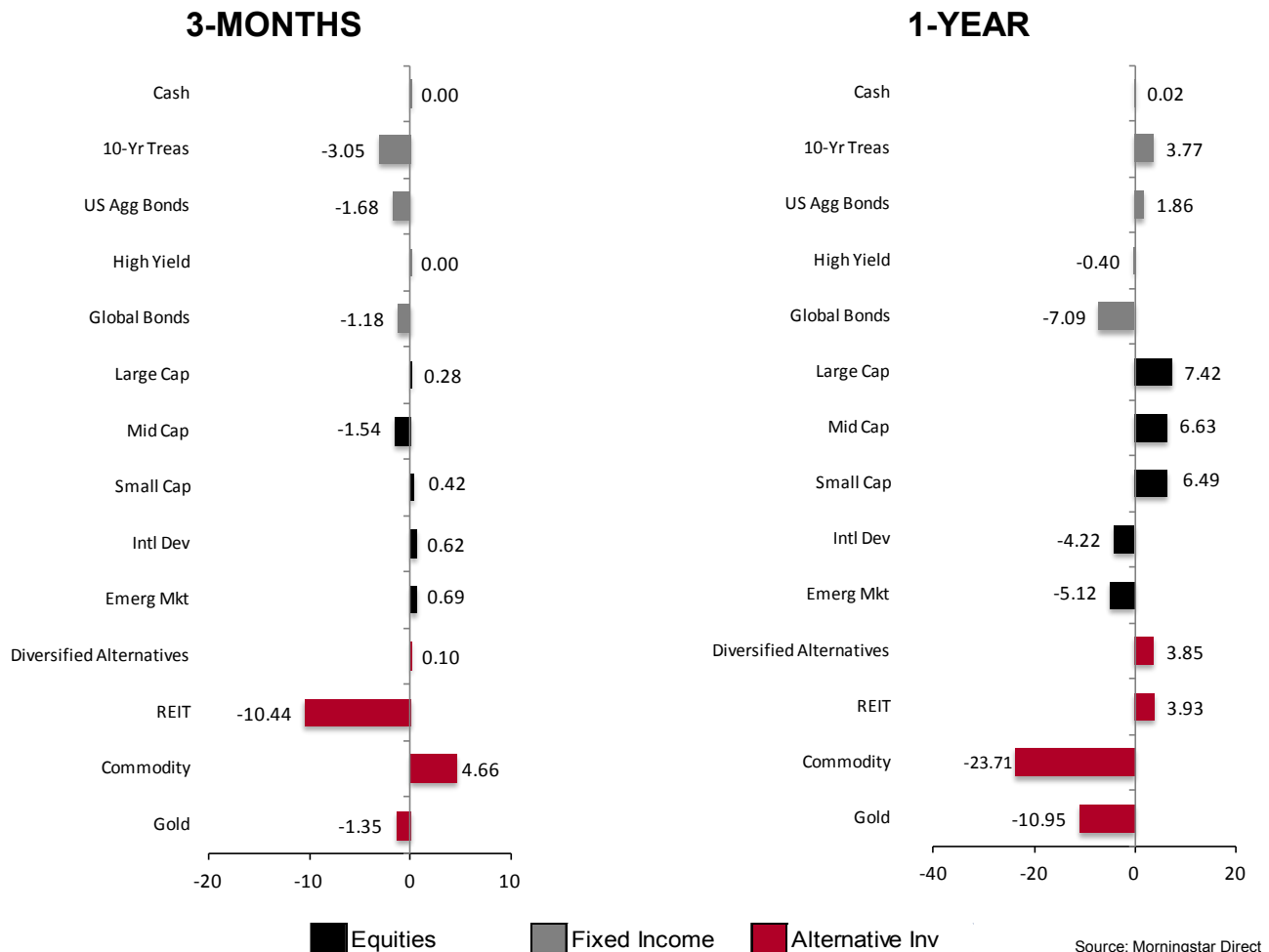


## MARKET SUMMARY

FOR QUARTER ENDED JUNE 30, 2015

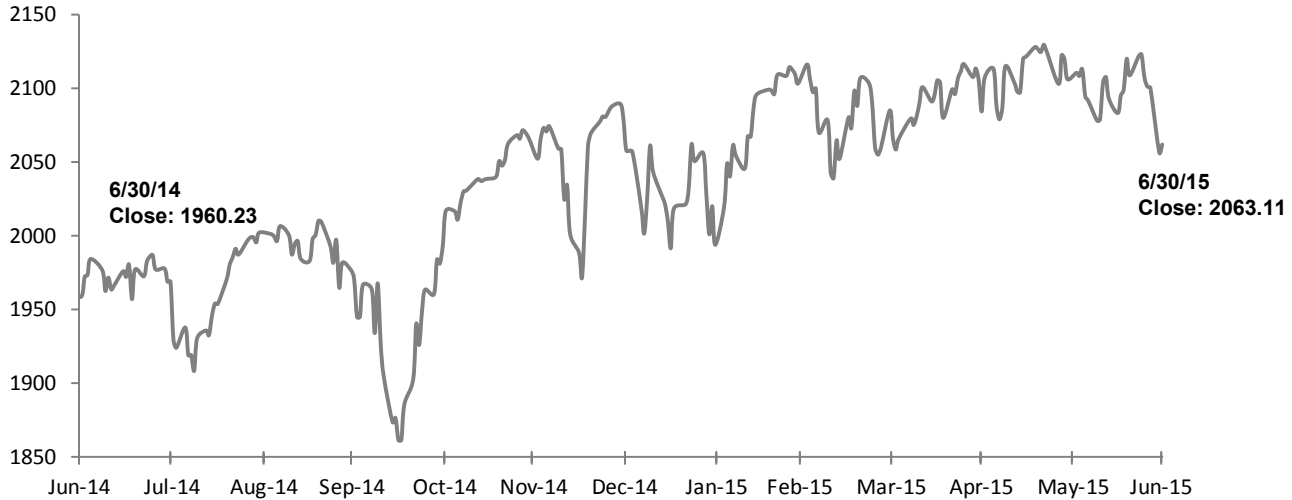


- The second quarter of 2015 was shaping up to be a good quarter for the equity markets. The domestic economy picked up speed following a first-quarter slowdown, and the S&P 500 Index was on pace to return roughly 3.2% for the quarter. However, the Greek debt crisis sent the markets into a declining trend and the S&P 500 Index declined about -2.8% in the last week of June.
- The domestic equity market, as represented by the S&P 500 Index, recorded a 0.28% gain for the quarter and a 7.42% return for the year. The domestic fixed income market, as represented by the Barclays Aggregate Bond Index, posted a loss of -1.68% for the quarter yet returned 1.86% for the 1-year period.
- The 10-year Treasury yield ended the quarter at 2.42%, up from 1.86% at the beginning of the quarter and 2.17% at the beginning of 2015.
- Domestic large cap equities slightly trailed small cap equities but outperformed mid cap equities, which posted a loss during the second quarter. For the 1-year period, the S&P 500 Index outperformed the Russell Midcap® Index and the Russell 2000® Index.
- Developed international equities outperformed domestic equities for the second consecutive quarter, after underperforming for five consecutive quarters. However, the S&P 500 Index still outperformed the MSCI EAFE Index for the 1-year period.
- Emerging market equities posted a return of 0.69% for the quarter. The 1-year return for the MSCI Emerging Markets Index moved back into negative territory with a return of -5.12% as of 6/30/15.
- After posting strong results for several quarters, REITs experienced significant losses with a return of -10.44%. Commodities posted a gain of 4.66% for the quarter but are down more than -23% for the 1-year period.

## BROAD MARKET OVERVIEW

FOR QUARTER ENDED JUNE 30, 2015

### 1-YEAR CLOSE OF S&P 500 INDEX



Returns, As of 6/30/15	Last Price	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
<b>Capital Markets</b>								
Dow Jones Industrial Avg	17,619.51	-2.06%	-0.29%	0.03%	7.21%	13.77%	15.41%	8.32%
S&P 500 Index	2,063.11	-1.94%	0.28%	1.23%	7.42%	17.31%	17.34%	7.89%
S&P 500 Value Index	912.40	-1.97%	0.24%	-0.45%	4.57%	16.84%	16.01%	6.68%
S&P 500 Growth Index	1,143.56	-1.91%	0.31%	2.80%	10.07%	17.79%	18.65%	9.04%
Russell 1000® Index	1,152.64	-1.88%	0.11%	1.71%	7.37%	17.73%	17.58%	8.13%
Russell 1000® Value Index	1,009.87	-2.00%	0.11%	-0.61%	4.13%	17.34%	16.50%	7.05%
Russell 1000® Growth Index	991.78	-1.76%	0.12%	3.96%	10.56%	17.99%	18.59%	9.10%
Russell Midcap® Index	1,689.26	-2.07%	-1.54%	2.35%	6.63%	19.26%	18.23%	9.40%
Russell Midcap® Value Index	1,686.99	-2.56%	-1.97%	0.41%	3.67%	19.13%	17.73%	8.89%
Russell Midcap® Growth Index	775.08	-1.61%	-1.14%	4.18%	9.45%	19.24%	18.69%	9.69%
Russell 2000® Index	1,253.95	0.75%	0.42%	4.75%	6.49%	17.81%	17.08%	8.40%
Russell 2000® Value Index	1,520.08	0.13%	-1.20%	0.76%	0.78%	15.50%	14.81%	6.87%
Russell 2000® Growth Index	782.76	1.34%	1.98%	8.74%	12.34%	20.11%	19.33%	9.86%
MSCI EAFE Index	1,842.46	-2.83%	0.62%	5.52%	-4.22%	11.97%	9.54%	5.12%
MSCI EAFE Value Index	2,885.13	-3.09%	0.22%	4.11%	-7.09%	11.80%	8.93%	4.37%
MSCI EAFE Growth Index	1,438.48	-2.58%	1.01%	6.91%	-1.33%	12.11%	10.09%	5.80%
MSCI Emerging Markets	972.25	-2.60%	0.69%	2.95%	-5.12%	3.71%	3.68%	8.11%
MSCI US REIT Index	1,030.08	-4.59%	-10.44%	-6.19%	3.93%	8.71%	14.29%	6.96%
BARCLAYS AGG	1,912.89	-1.09%	-1.68%	-0.10%	1.86%	1.83%	3.35%	4.44%
High Yield	1,661.94	-1.49%	0.00%	2.53%	-0.40%	6.81%	8.61%	7.89%
HFRI Fund of Funds Index*	5,899.44	-1.16%	0.10%	2.58%	3.85%	6.24%	4.08%	3.20%

Yields, As of 6/30/15	Last Yield	Prior Month	3 Months Ago	Year-End	1 Year Ago	3 Years Ago	5 Years Ago
<b>Cash &amp; Bond Markets</b>							
Fed Funds Target	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
2-Year Treasury	0.68%	0.64%	0.54%	0.66%	0.46%	0.30%	0.63%
10-Year Treasury	2.42%	2.18%	1.86%	2.17%	2.56%	1.64%	2.95%
Municipal	2.42%	2.34%	2.30%	2.32%	2.46%	2.90%	3.69%

Prices, As of 6/30/15	Last Price	Prior Month	3 Months Ago	Year-End	1 Year Ago	3 Years Ago	5 Years Ago
<b>Commodities</b>							
Gold	\$1,168.99	\$1,189.10	\$1,203.90	\$1,184.86	\$1,326.39	\$1,597.40	\$1,198.95
Crude Oil	\$59.47	\$60.30	\$48.68	\$53.27	\$105.37	\$84.96	\$75.63
Gasoline	\$2.89	\$2.86	\$2.54	\$2.39	\$3.78	\$3.49	\$2.81

## SIZE AND STYLE

FOR QUARTER ENDED JUNE 30, 2015

3-MONTHS				YTD				1-YEAR			
	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth		
Large	0.1	0.1	0.1	-0.6	1.7	4.0	4.1	7.4	10.6		
Mid	-2.0	-1.5	-1.1	0.4	2.4	4.2	3.7	6.6	9.5		
Small	-1.2	0.4	2.0	0.8	4.8	8.7	0.8	6.5	12.3		
Int'l	0.2	0.6	1.0	4.1	5.5	6.9	-7.1	-4.2	-1.3		

3-YEAR				5-YEAR			
	Value	Core	Growth	Value	Core	Growth	
Large	17.3	17.7	18.0	16.5	17.6	18.6	
Mid	19.1	19.3	19.2	17.7	18.2	18.7	
Small	15.5	17.8	20.1	14.8	17.1	19.3	
Int'l	11.8	12.0	12.1	8.9	9.5	10.1	

Represents percent return in Russell indexes and MSCI EAFE Indexes. Boxes shown in red represent returns below 0%. Gray boxes represent returns between 0% and 10%. Returns above 10% are shown in black. Source: Morningstar Direct

- Equities posted mixed results for the 3-month period, with only domestic large cap and developed international providing positive returns across the style spectrum shown above.
- International equity markets outperformed domestic equity markets for the second quarter of 2015. However, international equities still trailed for the 1-, 3- and 5-year periods. Domestic large cap core stocks, returned 17.7% for the 3-year period and international core stocks returned 12.0%, a difference of 5.7%.
- During the quarter, domestic growth stocks performed in line with their value counterparts within the large cap space, but growth outperformed value in both mid cap and small cap. Domestic growth stocks significantly outperformed value stocks for the 1-year period and lead for the 3- and 5-year periods as well.
- International value stocks lagged their growth counterparts in the second quarter. With four consecutive quarters of underperformance, international value stocks underperformed international growth stocks for the 1-year period ending 6/30/15.
- Small cap core stocks outperformed large cap core stocks during the quarter by 0.3%. However, small caps continued to lag large cap stocks for the 1-year period ending 6/30/15. Returns for the 3- and 5-year periods are roughly in-line between large cap core and small cap core stocks.
- Health Care, Consumer Discretionary and Financials were among the strongest-performing sectors for the quarter while Energy, Industrials and Utilities were among the weakest performing.

# ANNUAL TOTAL RETURNS OF KEY ASSET CLASSES

Through 6/30/2015

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	YTD
Real Estate 12.83%	Comm. 25.91%	Emerging Markets 55.82%	Real Estate 31.49%	Emerging Markets 34.00%	Real Estate 35.92%	Emerging Markets 39.42%	Bonds 5.24%	Emerging Markets 78.51%	Real Estate 28.48%	Real Estate 8.69%	Emerging Markets 18.22%	Small Cap Blend 38.82%	Real Estate 30.38%	Foreign Stocks 5.52%
Bonds 8.44%	Global Bonds 16.52%	Small Cap Blend 47.25%	Emerging Markets 25.55%	Comm. 21.36%	Emerging Markets 32.14%	Comm. 16.23%	Global Bonds 4.79%	High Yield 58.21%	Small Cap Blend 26.86%	Bonds 7.84%	Mid Cap Blend 17.88%	Mid Cap Blend 33.50%	S&P 500 13.69%	Small Cap Blend 4.75%
High Yield 5.28%	Bonds 10.25%	Foreign Stocks 38.59%	Foreign Stocks 20.25%	Foreign Stocks 13.54%	Foreign Stocks 26.34%	Large Cap Growth 11.81%	Alternative -21.39%	Mid Cap Blend 37.38%	Mid Cap Blend 26.64%	Global Bonds 5.64%	Real Estate 17.77%	Large Cap Growth 33.48%	Large Cap Value 13.45%	Mid Cap Blend 4.20%
Alternative 2.80%	Real Estate 3.64%	Real Estate 36.74%	Small Cap Blend 18.33%	Mid Cap Blend 12.56%	Large Cap Value 22.25%	Foreign Stocks 11.17%	High Yield -26.16%	Large Cap Growth 37.21%	Emerging Markets 18.88%	High Yield 4.98%	Large Cap Value 17.51%	Large Cap Value 32.53%	Large Cap Growth 13.05%	Large Cap Growth 3.96%
Small Cap Blend 2.49%	Alternative 1.01%	Mid Cap Blend 35.62%	Large Cap Value 16.49%	Real Estate 12.13%	Small Cap Blend 18.37%	Alternative 10.26%	Small Cap Blend -33.79%	Foreign Stocks 31.78%	Comm. 16.83%	Large Cap Growth 2.64%	Foreign Stocks 17.32%	S&P 500 32.39%	Mid Cap Blend 9.77%	Emerging Markets 2.95%
Global Bonds 1.57%	High Yield -1.41%	Large Cap Value 30.03%	Mid Cap Blend 16.48%	Alternative 7.50%	S&P 500 15.79%	Global Bonds 9.48%	Comm. -35.65%	Real Estate 28.61%	Large Cap Growth 16.71%	S&P 500 2.11%	Small Cap Blend 16.35%	Foreign Stocks 22.78%	Bonds 5.97%	Alternative 2.58%
Mid Cap Blend -0.61%	Emerging Markets -6.17%	Large Cap Growth 29.75%	High Yield 11.13%	Large Cap Value 7.05%	High Yield 11.85%	Mid Cap Blend 7.98%	Mid Cap Blend -36.23%	Small Cap Blend 27.17%	Large Cap Value 15.51%	Large Cap Value 0.39%	S&P 500 16.00%	Alternative 8.96%	Small Cap Blend 4.89%	High Yield 2.53%
Emerging Markets -2.62%	Mid Cap Blend -14.51%	High Yield 28.97%	S&P 500 10.88%	Large Cap Growth 5.26%	Alternative 10.39%	Bonds 6.97%	Large Cap Value -36.85%	S&P 500 26.46%	High Yield 15.12%	Mid Cap Blend -1.73%	High Yield 15.81%	High Yield 7.44%	Alternative 3.46%	S&P 500 1.23%
Large Cap Value -5.59%	Large Cap Value -15.52%	S&P 500 28.68%	Global Bonds 9.27%	S&P 500 4.91%	Mid Cap Blend 10.32%	S&P 500 5.49%	S&P 500 -37.00%	Large Cap Value 19.69%	S&P 500 15.06%	Small Cap Blend -4.18%	Large Cap Growth 15.26%	Real Estate 2.47%	High Yield 2.45%	Bonds -0.10%
S&P 500 -11.89%	Foreign Stocks -15.94%	Comm. 23.93%	Comm. 9.15%	Small Cap Blend 4.55%	Large Cap Growth 9.07%	High Yield 1.87%	Real Estate -37.97%	Comm. 18.91%	Foreign Stocks 7.75%	Alternative -5.72%	Alternative 4.79%	Bonds -2.02%	Global Bonds 0.59%	Large Cap Value -0.61%
Comm. -19.51%	Small Cap Blend -20.48%	Global Bonds 12.51%	Alternative 6.87%	High Yield 2.74%	Global Bonds 6.64%	Large Cap Value -0.17%	Large Cap Growth -38.44%	Alternative 11.47%	Bonds 6.56%	Foreign Stocks -12.14%	Global Bonds 4.32%	Global Bonds -2.60%	Emerging Markets -2.19%	Comm. -1.56%
Large Cap Growth -20.42%	S&P 500 -22.10%	Alternative 11.62%	Large Cap Growth 6.30%	Bonds 2.43%	Bonds 4.33%	Small Cap Blend -1.57%	Foreign Stocks -43.38%	Global Bonds 6.93%	Alternative 5.69%	Comm. -13.32%	Bonds 4.22%	Emerging Markets -2.60%	Foreign Stocks -4.90%	Global Bonds -3.08%
Foreign Stocks -21.44%	Large Cap Growth -27.89%	Bonds 4.10%	Bonds 4.34%	Global Bonds -4.49%	Comm. 2.07%	Real Estate -16.82%	Emerging Markets -53.33%	Bonds 5.93%	Global Bonds 5.54%	Emerging Markets -18.42%	Comm. -1.06%	Comm. -9.52%	Comm. -17.01%	Real Estate -6.19%

Best Performing

Worst Performing

Large Cap Blend: S&P 500 Index	Global Bonds: Barclays Global Aggregate Bond Index
Large Cap Growth: Russell 1000® Growth Index	High Yield: Barclays Corporate High Yield Index
Large Cap Value: Russell 1000® Value Index	Bonds: Barclays Capital U.S. Aggregate Bond Index
Mid Cap Blend: S&P MidCap 400 Index	Alternatives: HFRI Fund of Fund Composite Index
Small Cap Blend: Russell 2000® Index	Commodities: Bloomberg Commodity Index
Foreign Stocks: MSCI EAFE Index	Real Estate: MSCI US REIT Index
Emerging Markets: MSCI Emerging Mkts	

Past performance is no guarantee of future results. Chart performance is derived from various unmanaged indices, is illustrative in nature and not representative of any specific fund. You cannot invest directly in an index.

Source: Morningstar Direct

# ANNUAL TOTAL RETURNS OF KEY SECTORS

Through 6/30/2015

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	YTD	
Materials 1.0%	Con Staples -4.9%	Info Tech 46.2%	Energy 30.7%	Energy 30.1%	Telecom Services 37.2%	Energy 34.9%	Con Staples -15.6%	Info Tech 61.4%	Cons Discret. 30.4%	Utilities 19.6%	Financials 28.3%	Cons Discret. 43.1%	Utilities 29.0%	Health Care 9.6%	Best Performing ↑ ↓ Worst Performing
Cons Discret. -1.9%	Materials -7.8%	Cons Discret. 40.3%	Telecom Services 27.9%	Utilities 17.9%	Energy 24.3%	Materials 29.6%	Health Care -22.2%	Materials 51.5%	Industrials 27.7%	Con Staples 12.9%	Cons Discret. 24.5%	Health Care 41.5%	Health Care 25.3%	Cons Discret. 6.8%	
Con Staples -6.3%	Energy -12.1%	Materials 36.4%	Utilities 24.2%	Health Care 7.3%	Utilities 20.6%	Utilities 20.1%	Utilities -29.7%	Cons Discret. 43.7%	Materials 23.4%	Health Care 12.1%	Health Care 19.1%	Industrials 40.7%	Info Tech 20.1%	Telecom Services 3.2%	
Industrials -7.6%	Financials -14.3%	Industrials 32.8%	Industrials 18.0%	Financials 6.1%	Cons Discret. 19.8%	Info Tech 16.8%	Cons Discret. -34.3%	S&P 500 26.5%	Energy 20.6%	Cons Discret. 5.3%	Telecom Services 18.8%	Financials 35.6%	Con Staples 16.0%	S&P 500 1.2%	
Energy -8.5%	Health Care -20.5%	Financials 30.2%	Cons Discret. 15.1%	S&P 500 4.9%	Financials 19.7%	Con Staples 14.5%	Energy -35.7%	Industrials 22.3%	Telecom Services 18.8%	Telecom Services 4.3%	S&P 500 16.0%	S&P 500 32.4%	Financials 15.2%	Info Tech 0.8%	
Financials -9.0%	S&P 500 -22.1%	S&P 500 28.7%	Materials 12.1%	Con Staples 4.9%	S&P 500 15.8%	Industrials 12.8%	Telecom Services -36.0%	Health Care 20.2%	S&P 500 15.1%	Energy 3.0%	Industrials 15.7%	Info Tech 28.4%	S&P 500 13.7%	Materials 0.5%	
S&P 500 -11.9%	Industrials -27.7%	Energy 25.9%	Financials 11.1%	Materials 4.1%	Materials 15.6%	Telecom Services 8.4%	S&P 500 -37.0%	Financials 17.1%	Con Staples 14.2%	Info Tech 2.6%	Materials 15.2%	Con Staples 26.1%	Industrials 9.8%	Financials -0.4%	
Health Care -14.4%	Cons Discret. -29.5%	Utilities 24.1%	S&P 500 10.9%	Info Tech 3.0%	Con Staples 14.6%	Health Care 6.5%	Industrials -41.1%	Telecom Services 16.6%	Financials 13.4%	S&P 500 2.1%	Info Tech 15.0%	Materials 25.6%	Cons Discret. 9.7%	Con Staples -0.8%	
Telecom Services -18.5%	Utilities -31.7%	Telecom Services 18.8%	Con Staples 8.7%	Industrials 2.5%	Industrials 14.0%	S&P 500 5.5%	Info Tech -42.5%	Energy 16.4%	Info Tech 10.1%	Industrials -0.5%	Con Staples 10.7%	Energy 25.1%	Materials 6.9%	Industrials -3.1%	
Info Tech -28.6%	Info Tech -37.8%	Health Care 15.9%	Health Care 1.8%	Telecom Services -2.1%	Info Tech 7.9%	Cons Discret. -11.0%	Materials -46.6%	Con Staples 14.7%	Utilities 5.3%	Materials -9.3%	Energy 4.6%	Utilities 13.2%	Telecom Services 3.0%	Energy -4.7%	
Utilities -35.1%	Telecom Services -38.6%	Con Staples 13.0%	Info Tech 1.6%	Cons Discret. -6.9%	Health Care 7.8%	Financials -16.6%	Financials -53.4%	Utilities 12.6%	Health Care 3.0%	Financials -16.4%	Utilities 1.4%	Telecom Services 11.5%	Energy -7.8%	Utilities -10.7%	

Consumer Discretionary	Financials	Consumer Staples
Information Technology	Industrials	Health Care
Telecommunication Services	Energy	Utilities
S&P 500 Benchmark	Materials	

	Early Cyclicals				Late Cyclicals		Defensive			
	Cons Discr	Financials	Technology	Industrials	Materials	Telecom	Energy	Health Care	Cons Stap	Utilities
<b>2Q 2015</b>										
<b>Weights</b>										
S&P 500	12.1%	16.6%	19.7%	10.4%	3.2%	2.3%	8.4%	14.2%	9.8%	3.2%
Russell 1000® Growth	21.0%	5.4%	27.0%	11.1%	3.9%	1.8%	1.0%	18.3%	10.5%	0.0%
Russell 1000® Value	5.4%	29.6%	11.0%	10.2%	3.0%	2.5%	14.2%	11.8%	6.7%	5.7%

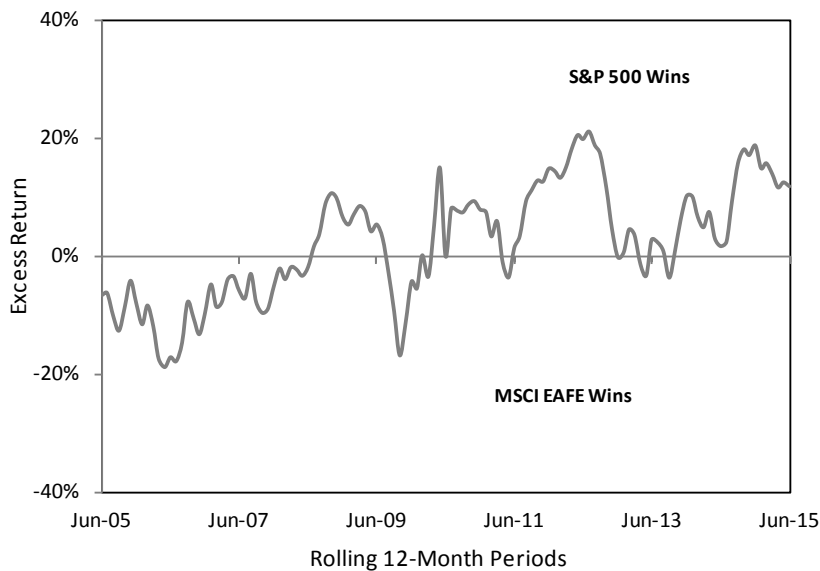
Past performance is no guarantee of future results. Chart performance is derived from various unmanaged indices, is illustrative in nature and not representative of any specific fund. You cannot invest directly in an index.

Source: Morningstar Direct, Zephyr, Bloomberg

## INTERNATIONAL EQUITY

FOR QUARTER ENDED JUNE 30, 2015

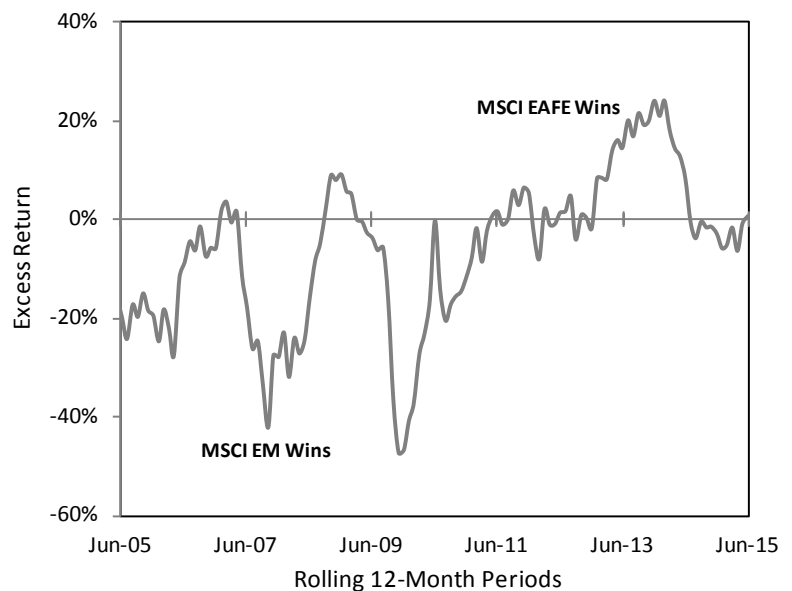
### U.S. VERSUS INTERNATIONAL



- International equity stocks outperformed domestic equity stocks by 0.34% in the second quarter.
- The spread in 1-year rolling returns between domestic equity and international equity continued to contract during the second quarter of 2015. However, the S&P 500 Index still outperformed the MSCI EAFE Index over the 1-year period, with a return of 7.42% versus -4.22% as of 6/30/15.
- Despite the ongoing issues with Greece, the economy in both the Eurozone and Japan continued to recover. Overseas central banks remained focused on accommodative monetary policies. Developed international stocks, as represented by the MSCI EAFE Index, gained 0.62% in the second quarter.

### DEVELOPED VERSUS EMERGING MARKETS

- The MSCI Emerging Markets (EM) Index posted a gain of 0.69% for the second quarter.
- The MSCI EAFE Index, representing international developed markets, outperformed the MSCI Emerging Markets Index for the 1-year period.
- The MSCI EAFE Index led the MSCI Emerging Markets Index on a rolling 1-year basis since the beginning of 2013 until July 2014. This reversed in May 2015 when the MSCI EAFE Index began outperforming the MSCI Emerging Markets Index on a rolling 1-year basis.
- The MSCI Emerging Markets Index has outperformed the MSCI EAFE Index in 7 of the past 10 calendar years.
- Developed international markets still outperform emerging markets for the 3- and 5-year periods ending 6/30/15 as significant underperformance experienced in 2011 and 2013 continues to weigh on emerging market equity results.

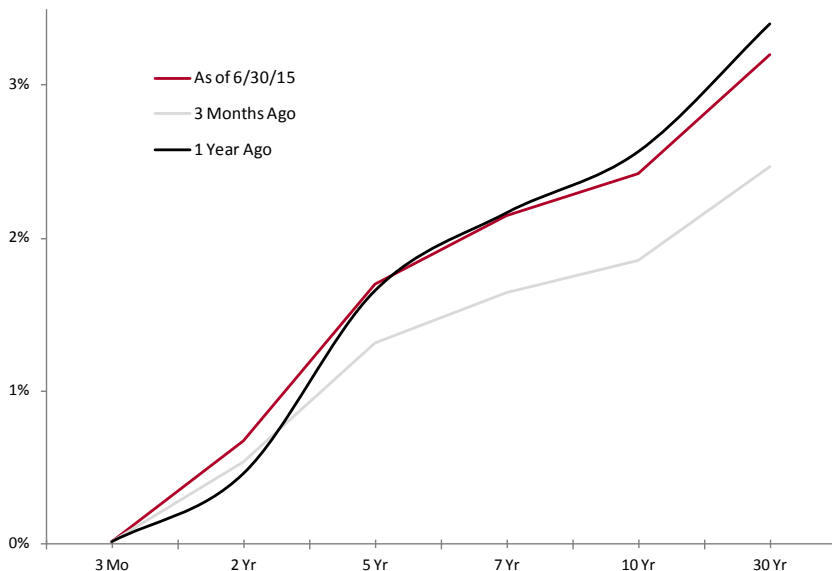


## FIXED INCOME

Yields, As of 6/30/15	Last Yield	Prior Month	3 Months Ago	Year-End	1 Year Ago	3 Years Ago	5 Years Ago
<b>Cash &amp; Bond Markets</b>							
Fed Funds Target	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
2-Year Treasury	0.68%	0.64%	0.54%	0.66%	0.46%	0.30%	0.63%
10-Year Treasury	2.42%	2.18%	1.86%	2.17%	2.56%	1.64%	2.95%
Municipal	2.42%	2.34%	2.30%	2.32%	2.46%	2.90%	3.69%

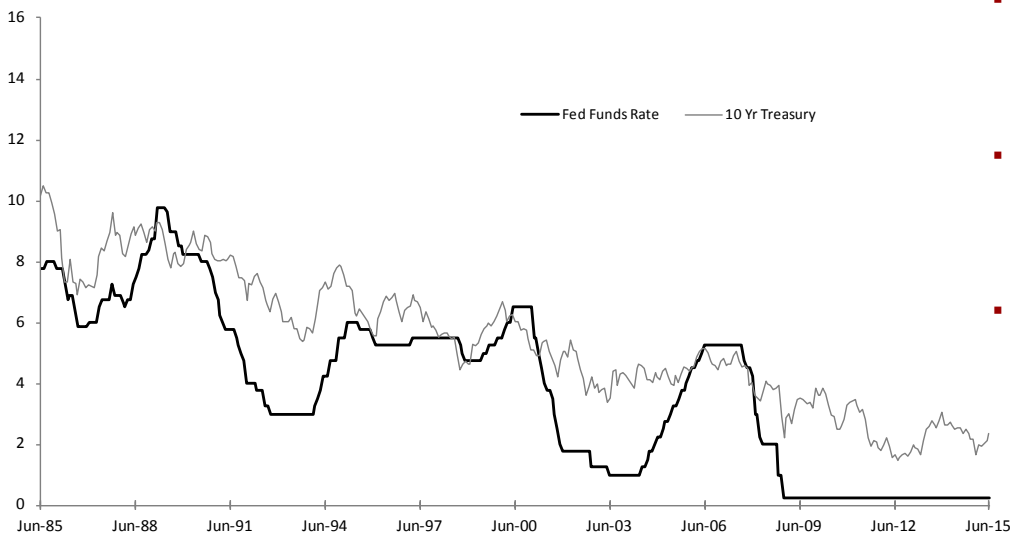
- The 10-year Treasury yield increased from 1.86% at the beginning of the quarter to end at 2.42%. Yields were less volatile than in the previous quarter.
- The 2-year Treasury yield increased from 0.54% to 0.68% during the quarter. As a result, the entire yield curve shifted upward, almost reversing the downward shift that occurred in the first quarter.
- The broad U.S. bond market generated a negative return in the second quarter, with the Barclays Aggregate Bond Index posting a loss of -1.68%. The 1-year return for the Index was 1.86% as of 6/30/15.
- High yield bonds were flat for the quarter but still trailed investment grade bonds on a 1-year basis, with a return of -0.40%. Global bonds posted a loss during the quarter, with returns remaining in negative territory for the 1-year period as well.

## TREASURY YIELD CURVES







- At the June FOMC meeting, Fed officials revised their forecast for 2015 real GDP growth from 2.3-2.7% to 1.8-2.0%. The Fed updated their unemployment rate projections for 2015 from 5.0-5.2% to 5.2-5.3%.
- Market consensus expectations continue to signal the first Fed Funds rate hike occurring in September 2015. We believe rates will remain lower for a longer period of time than anticipated at the beginning of the year.

## HISTORICAL FED FUNDS RATE VS 10-YEAR TREASURY



- The timing and pace of Fed tightening will be dependent upon economic data over the coming months.
- Assuming the Fed starts tightening in 2015, it will be the first time in nine years that the Fed has raised rates.
- Currently, the Fed Funds rate remains pegged at 0.0 to 0.25%.

## TACTICAL ASSET ALLOCATION

<b>Bonds vs Stocks</b>  	<p>With an outlook for continued modest economic growth, contained inflation and an environment of slowly increasing interest rates, we continue to recommend a slight overweight to equities versus fixed income. We believe equities, from a broad perspective are not necessarily inexpensive but they are not grossly overvalued either. This is particularly true considering the levels of interest rates and inflation compared to historical data.</p>
<b>U.S. vs Intl</b>  	<p>We slightly favor international equities, especially developed markets, due to accommodative monetary policies and improving economic growth.</p>
<b>Developed vs Emerging</b>  	<p>While emerging markets appear attractive from a long-term fundamental and valuation perspective, we remain concerned about the shorter-term risks as tighter monetary policies in the U.S. could create more volatility in their currencies and markets. We are slightly overweighting the developed regions versus emerging markets.</p>
<b>Active vs Passive</b>  <b>NEUTRAL</b>	<p>The past few years have proved to be difficult for active managers as equity markets have been highly correlated and largely driven by macro events. The lengthy period of artificially low interest rates has not favored many active managers that incorporate fundamental factors into their strategies. We favor a combination of active and passive strategies and recognize that the environment could be improving for active managers in general.</p>
<b>Growth vs Value</b>  	<p>At this stage in the economic cycle, we believe growth offers better opportunities than value in the large cap space. We are still neutral between growth and value in mid cap and small cap equities.</p>
<b>Duration</b>  <b>Shorter than benchmark</b>	<p>We anticipate rates will move higher in the coming months. We have favored a shorter duration than the benchmark for quite some time. While this has limited returns as yields have declined, we are more concerned about the negative impacts on bond prices as interest rates rise. Diversification remains key in fixed income, along with a focus on quality managers in their respective fixed income areas.</p>

## OTHER INVESTMENT THEMES

- We continue to recommend the implementation of alternative investment strategies as a risk management tool to diversify portfolios and reduce the volatility of returns.

## RISKS TO OUR OUTLOOK

- Economic growth that is faster or slower than expected could impact the timing and pace of Fed action and interest rate normalization.
- Higher or lower inflation than expected could also generate uncertainty regarding monetary policy. An unexpected spike in inflation or a deflationary environment could present a risk to sustainable economic growth.
- Greater than anticipated international unrest could contribute to global macro uncertainties.
- While economic conditions have improved around the globe, unexpected international financial stresses could impact global markets.
- Lack of actual earnings growth in excess of, or equal to, the increase in interest rates could dampen continued equity value improvements.



## KEY ECONOMIC INDICATORS<sup>1</sup>

### GDP GROWTH

<u>Quarter-End</u>	<u>Previous Quarter</u>
-0.20%	2.20%

### HEADLINE INFLATION (Y/Y CPI)

<u>Month-End</u>	<u>Previous Month</u>
0.00%	-0.20%

### CORE INFLATION (Y/Y CPI)

<u>Month-End</u>	<u>Previous Month</u>
1.70%	1.80%

### UNEMPLOYMENT RATE

<u>Month-End</u>	<u>Previous Month</u>
5.30%	5.50%

### CONSUMER CONFIDENCE

<u>Month-End</u>	<u>Previous Month</u>
96.10	90.70

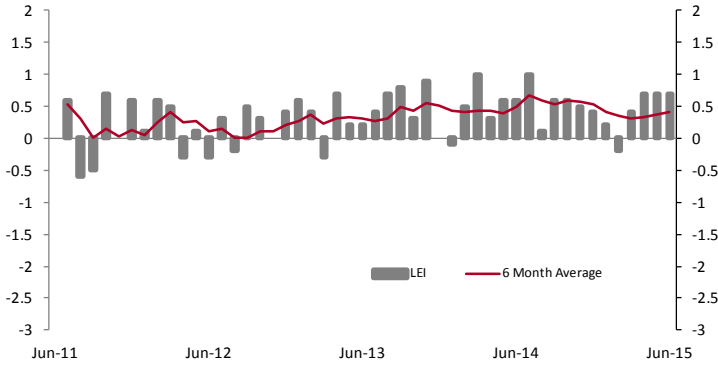
### CRUDE OIL (WTI)

<u>Quarter-End</u>	<u>1 Yr Ago</u>
\$59.47	\$105.37

- First quarter 2015 GDP estimates showed a contraction of -0.2%, compared to growth of 2.2% in the fourth quarter of 2014.
- We expect GDP growth to be in the 2% - 3% range for the remainder of 2015.
- With energy prices remaining under pressure, recent CPI readings, 0.0% in May, have shown no signs of inflation. Food and energy prices are excluded from core inflation due to the volatile nature of their respective prices. At 1.7% year/year, core inflation remains below the 2% lower-end of the Federal Reserve's targeted range and well below the long-term average of roughly 4%.
- The unemployment rate dropped to 5.3% in June from 5.5% in May. The unemployment rate remained below the 50-year average of 6.1%.
- The broader U-6 unemployment rate declined to 10.5% in June from 10.8% in May. This measure includes total unemployed, plus those that are employed part-time but want to be employed full-time, as well as those that are neither working or looking for work but indicate they are willing and available for a job and have looked for work within the past 12 months.
- The University of Michigan consumer confidence reading was at 96.1 in June, up 16.5% from a year ago.
- Oil prices rose over 22% in the second quarter of 2015 but are still down over 43% from a year ago.

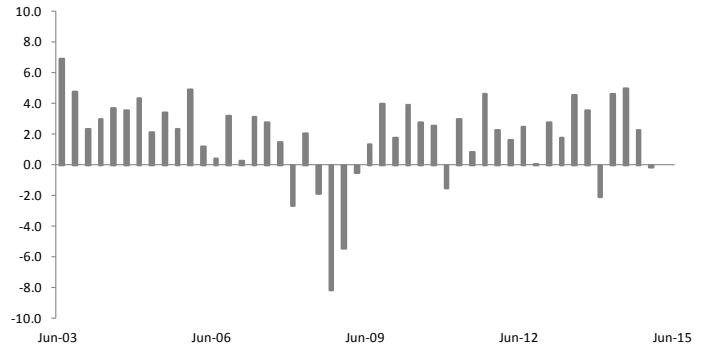
# A LOOK AT KEY ECONOMIC INDICATORS OVER TIME

## LEADING INDICATORS



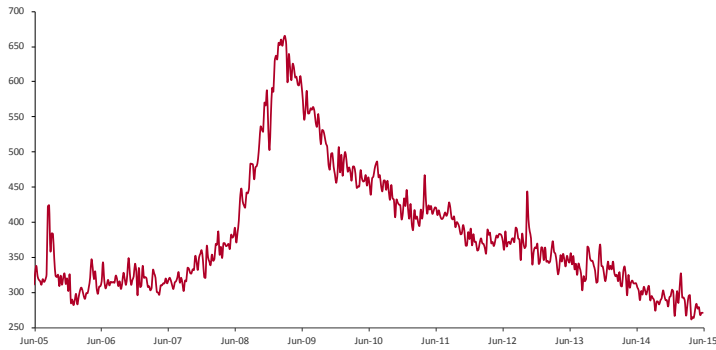
Source: Bloomberg

## REAL GDP GROWTH



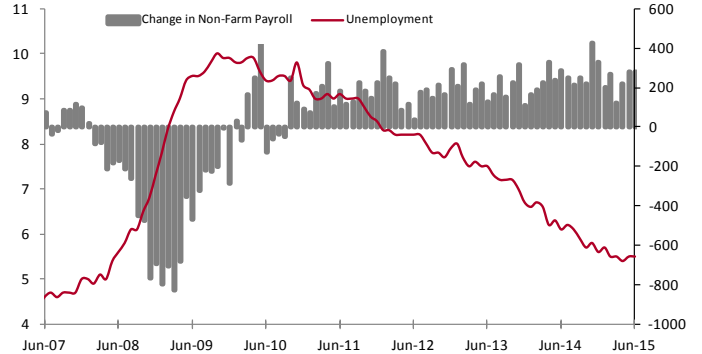
Source: U.S. Department of Commerce: Bureau of Economic Analysis/FRED

## WEEKLY JOBLESS CLAIMS (In 000s)



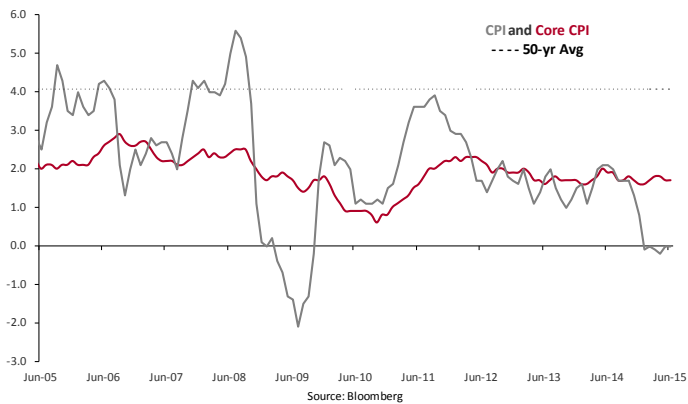
Source: Bloomberg

## LABOR MARKET & UNEMPLOYMENT



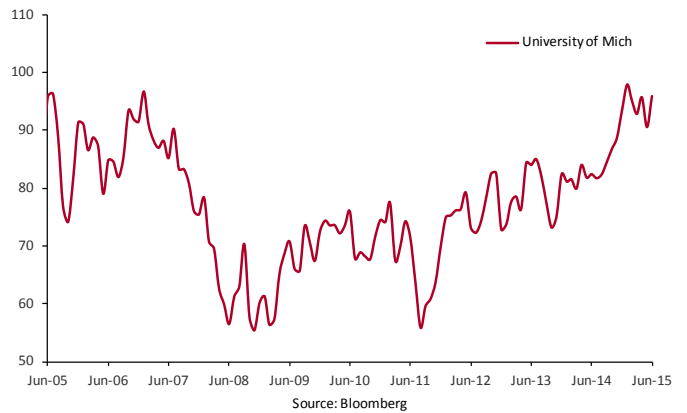
Source: Bloomberg

## HEADLINE VS CORE INFLATION



Source: Bloomberg

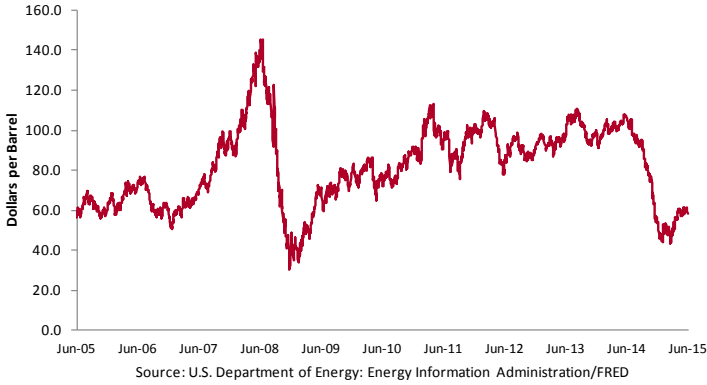
## CONSUMER CONFIDENCE



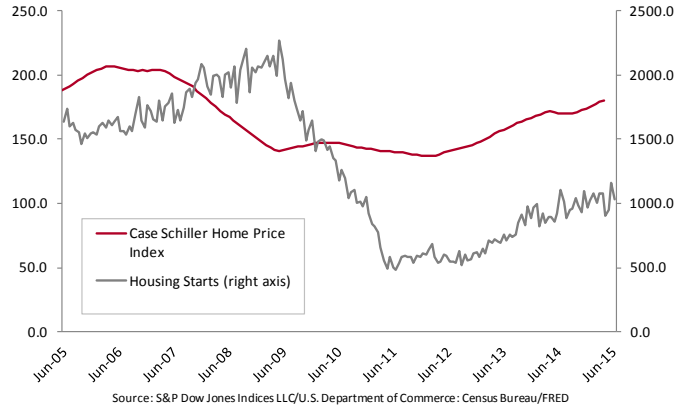
Source: Bloomberg

## A LOOK AT VARIOUS ECONOMIC DATA POINTS

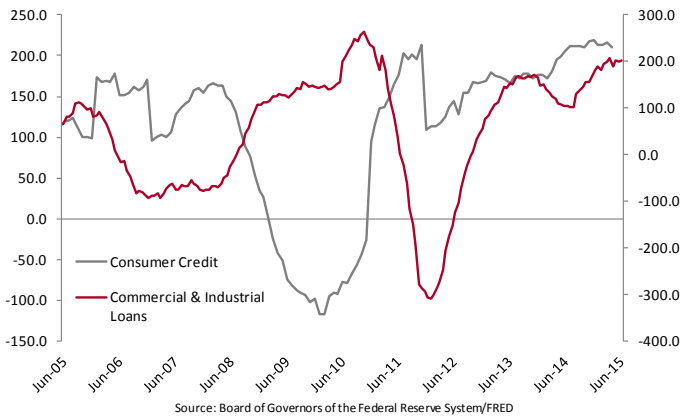
### OIL PRICES (WTI)



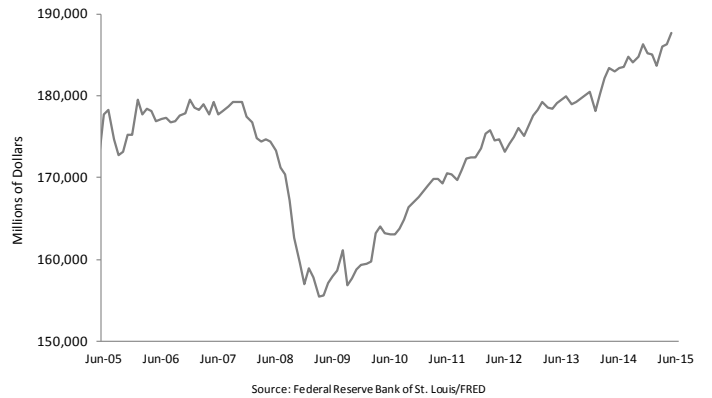
### HOUSING



### CONSUMER & COMMERCIAL CREDIT



### RETAIL SALES



### TRADE WEIGHTED U.S. DOLLAR INDEX



## IMPORTANT INFORMATION

Unless otherwise indicated, Bloomberg was the data source for all data points presented herein.

The HFRI Fund of Funds Composite has been included to represent performance of diversified alternative investments. Performance is pulled from HFRI and may include preliminary returns.

<sup>1</sup>Key economic indicators reflect information available as of July 2, 2015.

## DISCLOSURES

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