COMMUNITY FOUNDATION OF GREATER DES MOINES
INVESTMENT EDUCATION SESSION

FEBRUARY 9, 2017

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MERCER CONSULTANT

Elizabeth M. Monticelli
Principal
18+ years with Mercer, 23+ years of investment experience

Elizabeth is a Principal assigned to Mercer's St. Louis office in Investments where she has worked for over 17 years consulting to institutional investors. She works with non-profit institutions that include endowments, foundations, and trusts.

She received an MA degree in International Trade from George Mason University and a BA in Economics from the University of Virginia. She has prior experience with The Witan Company, a financial reporting firm for families of high net worth and before that, she was an accountant and performance analyst for the Scripps family office (SLN Service Co.).

Elizabeth currently is a member of the St. Louis Zoo's Executive Board and serves as the Chair of the Zoo's Investment Oversight Committee. She is on the Board of the Ladue Education Foundation, chaired the Foundation's Partnership Committee and is a member of the CFA Institute and the St. Louis Society of Financial Analysts. Previously, Elizabeth served as the Co-Chair of the St. Louis Chapter of Families for Russian and Ukrainian Adoption.

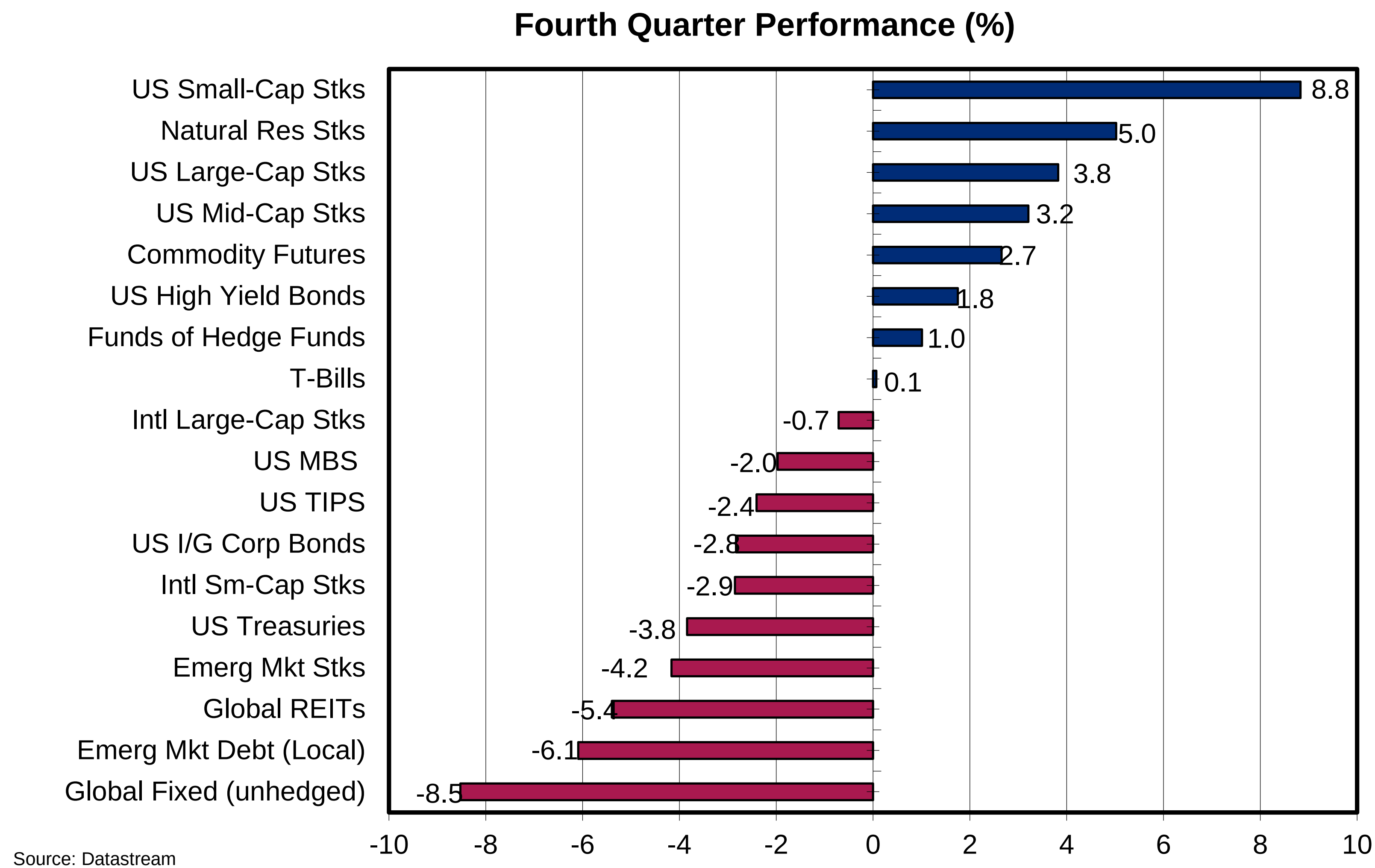
MERCER CONSULTANT

Chris Kohler, MBA
Principal
2+ years with Mercer, 11+ years of investment experience

Chris is a Principal and Senior Investment Consultant in Mercer's investment consulting practice, focusing on endowments and foundations in the US. Chris has 10 years of experience advising non-profit institutions with assets ranging from $50 million to $2 billion in OCIO and traditional consulting capacities. In September 2014, Chris joined Mercer from a large hedge fund-of-funds, where he was a product specialist on the consultant relations team. Earlier in his career, he held senior consultant and research roles with Aon Hewitt and Cambridge Associates.

Chris received a Master of Business Administration from Carnegie Mellon's Tepper School of Business and a Bachelor of Science in Economics from Pennsylvania State University.

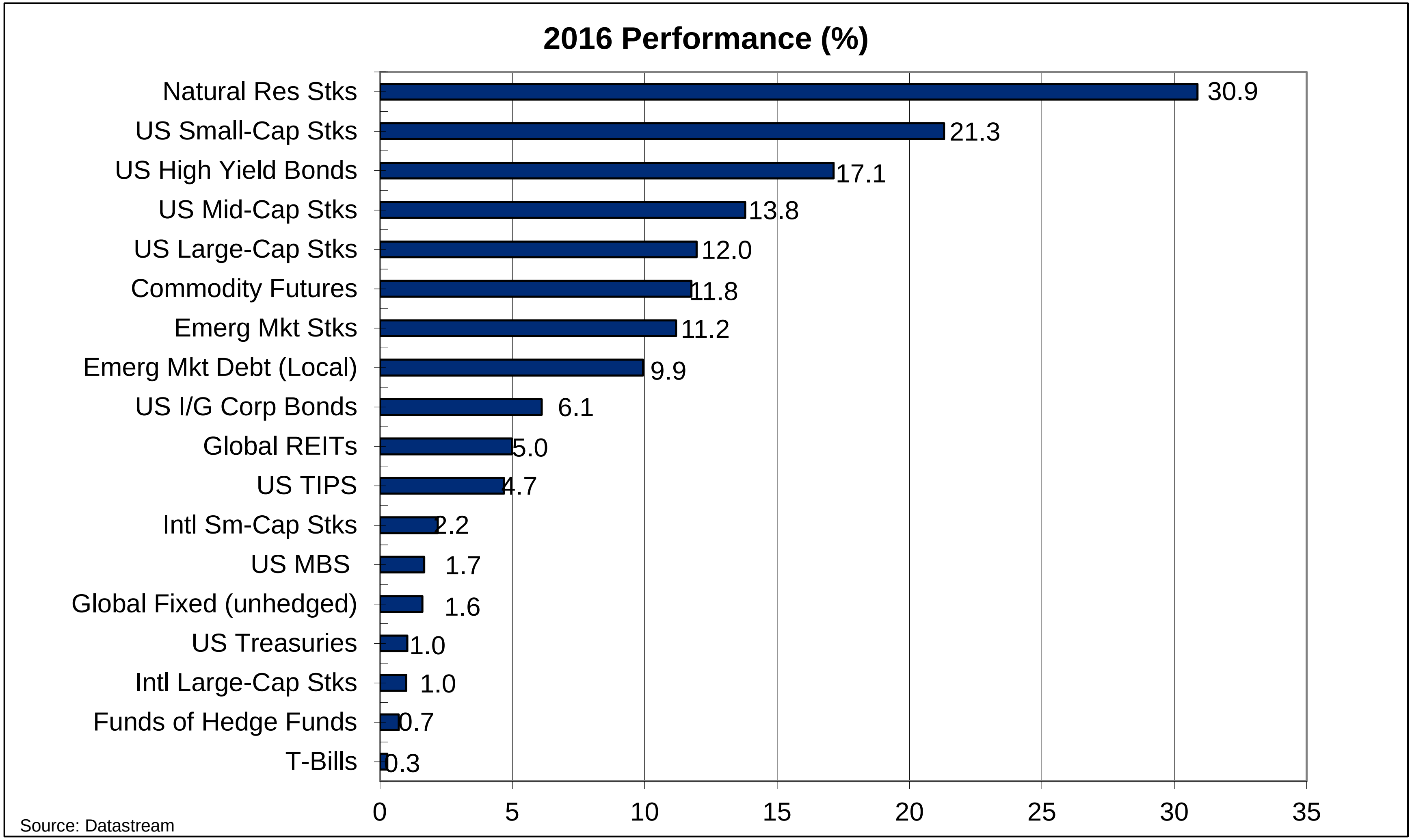
MARKET ENVIRONMENT OVERVIEW
Q4 - EQUITIES ENJOYED A POST-ELECTION BOUNCE, WHILE BONDS STUMBLED



Source: Datastream

Past performance is no guarantee of future results. Please see Important Notices for further information.

PERFORMANCE SUMMARY
2016 WAS A SOLID YEAR



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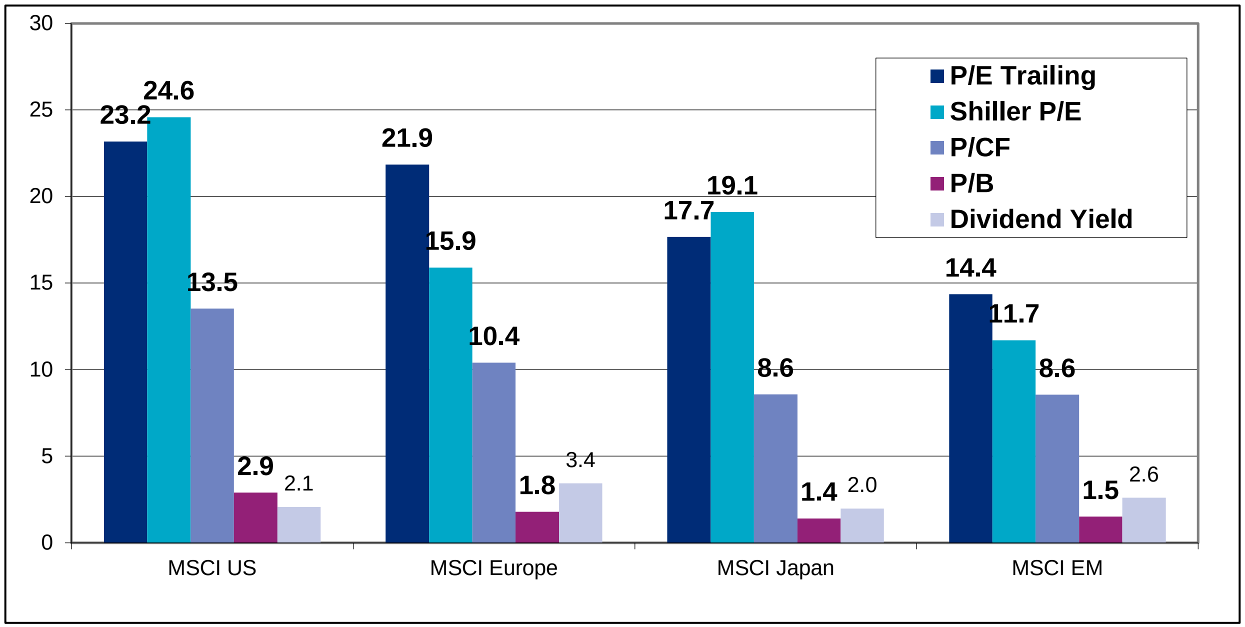
Global Equities

- Markets posted modest returns during the fourth quarter, driven mostly by US stock returns. The MSCI ACWI index increased 1.2% during the fourth quarter and finished the year up 7.9%.
- International developed stocks saw modest currency-driven declines during the fourth quarter. Both European and Japanese stocks saw declines in $US terms during the fourth quarter due to currency weakness.
- Emerging market stocks saw declines during the fourth quarter as dollar strength and the potential for a decline in global trade weighed on markets.

Global Valuations



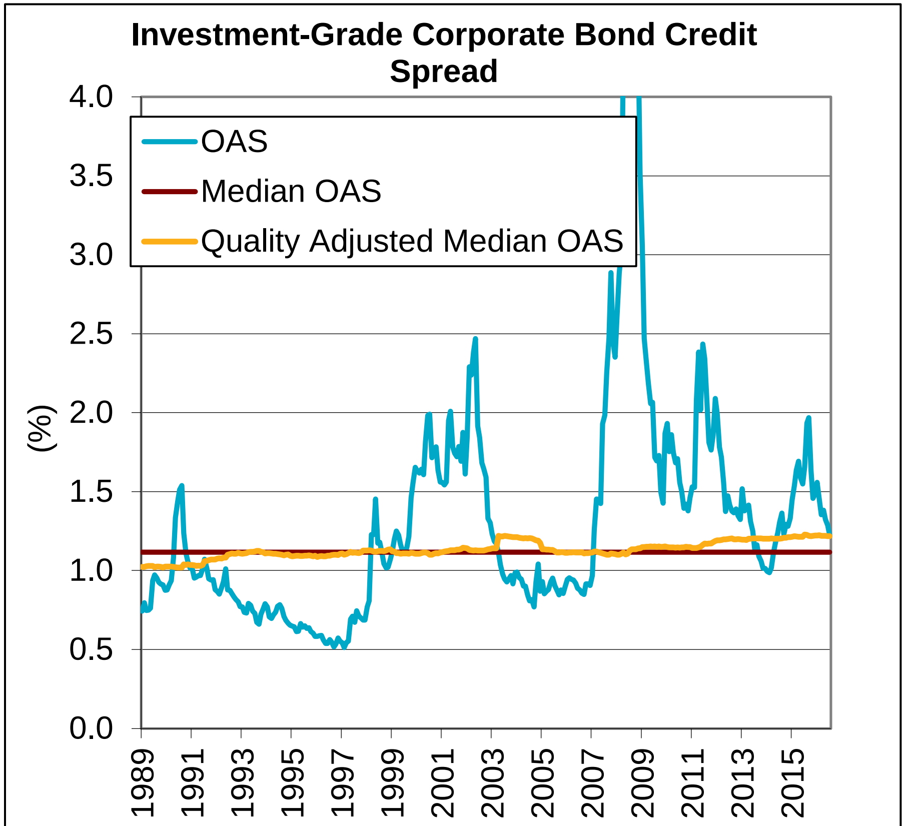
Macro Environment

- The **global economy** expanded by an estimated 2.3% in 2016, the slowest pace since the financial crisis.
    - Increased fiscal stimulus should support higher growth this year, but a potential rise in protectionism and populism pose risks to the outlook.
- In the **US**, economists forecast growth to improve to 2.2% in 2017.
- The **Eurozone** continues to grow at an above-trend pace and indicators suggest that the Eurozone economy has not been significantly affected by the Brexit vote.
    - Recent euro weakness should improve competitiveness and steps to improve the banking sector could help to alleviate some structural issues.
- The growth outlook for **emerging market economies** is clouded as anti-trade sentiment is picking up momentum around the globe.
    - Continued dollar strength could drive a renewed round of currency declines and capital outflows.
    - Stability in Chinese growth and commodity prices should provide investors with some level of comfort.

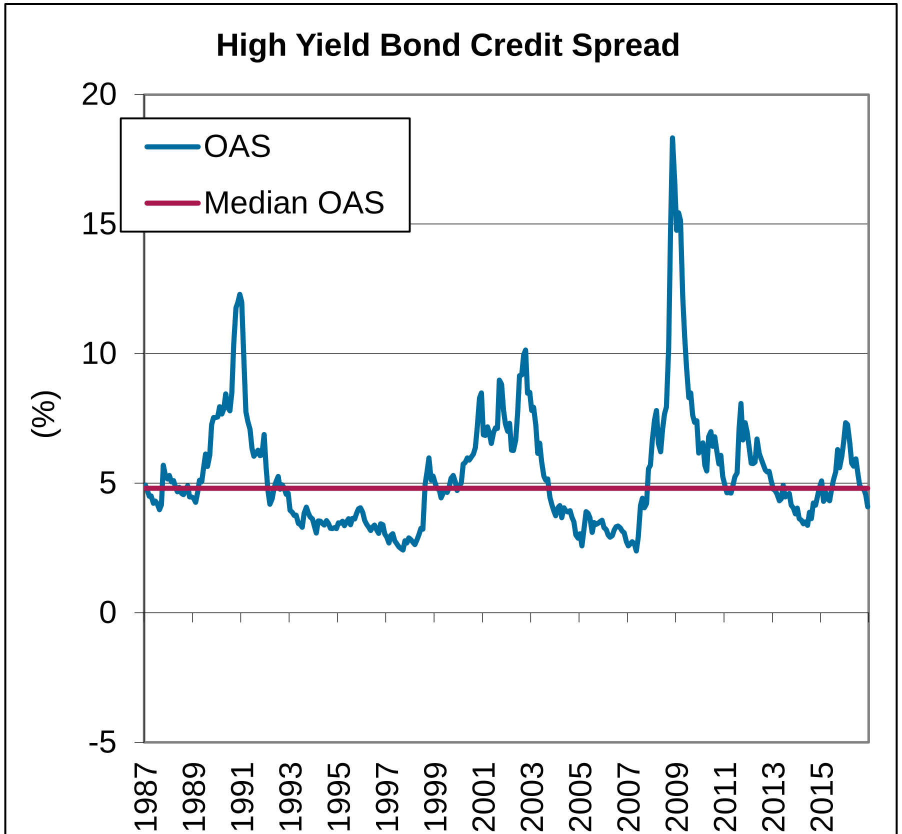
Source: Bloomberg

Source: MSCI, Bloomberg

LIMITED SCOPE FOR FURTHER SPREAD COMPRESSION



Source: Barclays, Mercer



Source: Bloomberg Barclays

Community Foundation of Greater Des Moines

Investment Objective:

"The primary investment objective of the Foundation is to provide a real rate of return over inflation sufficient to support in perpetuity the mission of the Foundation. It is particularly important to grow the assets in real terms to enable the Foundation to maintain the purchasing power of the spending on grants and administration without eroding the real value of the principal corpus of the Foundation."[1]

[1] *Source: Statement of Investment Policy for Greater Des Moines Community Foundation*

Components of Return Need	
Distribution Rate	5.0%
Inflation Rate	2.2%
Real Portfolio Growth	0.0 - 1.0%
Net Long Term Return Need	7.2 - 8.2%
10-Year Horizon Expected Return	**6.7%**

- We project that the Long-Term Growth Portfolio will gain 6.7% per annum over the intermediate-term, less than the spending and inflation target of 7.2% and falling short of the Foundation's aspiration for 1.0% real growth. Manager alpha may improve performance beyond that projected above. There is some flexibility in the distribution rate.
- Since Oct. 2002, the Long-Term Growth Portfolio has earned 7.1%, annualized and net of fees.
- In addition to meeting the distribution rate, inflation, and providing some growth, the Community Foundation also charges an administrative fee. The fee schedule collects about 100 basis points from most fund types and 50 basis points from agency funds.

Source: Community Foundation of Greater Des Moines Administration

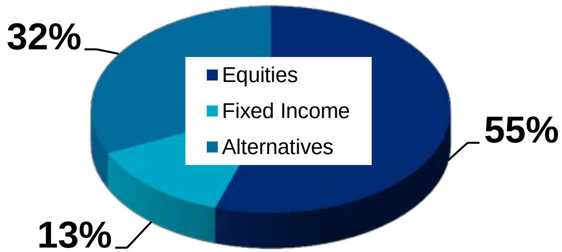
ASSET ALLOCATION - TARGET POLICY
LONG-TERM GROWTH PORTFOLIO - STRATEGIC VIEW

Policy Strategic Objectives					
Growth	**62%**	**Risk Reduction**	**30%**	**Inflation Protection**	**8%**
US Equities	28.0%	US Fixed Income	11.0%	Real Assets	8.0%
Intl Equities	27.0%	Global Fixed Income	2.0%		
Private Equity	7.0%	Hedge Funds/Absolute Return	17.0%		

- Viewed strategically, the Long-Term Growth Portfolio has a 62% allocation to growth assets and a 30% allocation to risk reduction assets. Therefore, the Portfolio should be able to perform better than the equity market during periods of market decline.
- The Portfolio also has an 8% allocation to inflation protection assets, which should help the it retain purchasing power during inflationary periods. Inflation is not a pressing concern in the current market environment but may be in the future.

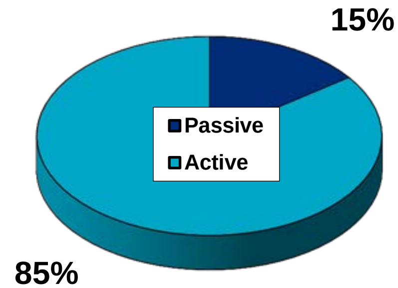
ASSET ALLOCATION - TARGET POLICY
LONG-TERM GROWTH PORTFOLIO - TRADITIONAL VIEW

Equity/Fixed Income/Alternatives

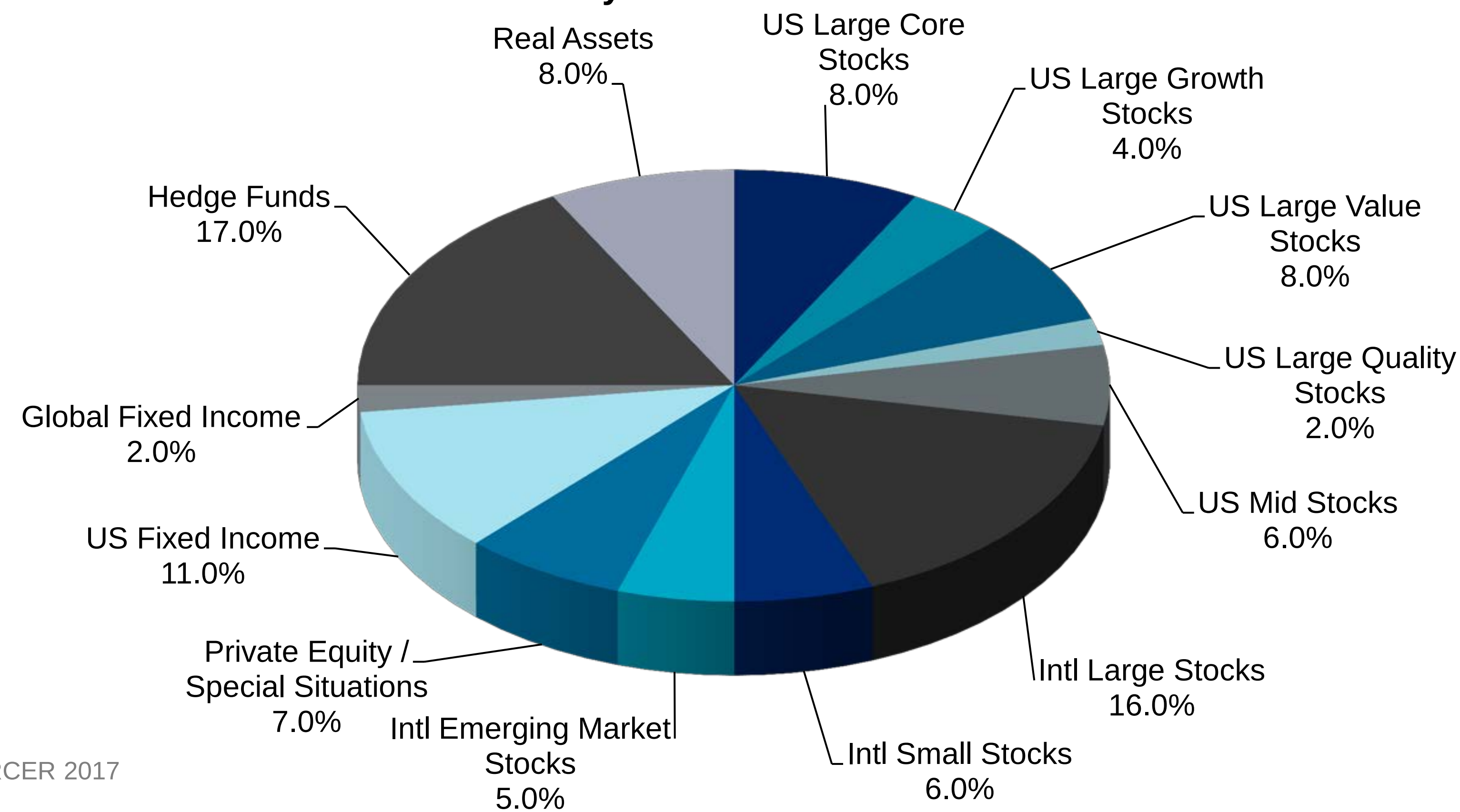


Domestic/International Equities

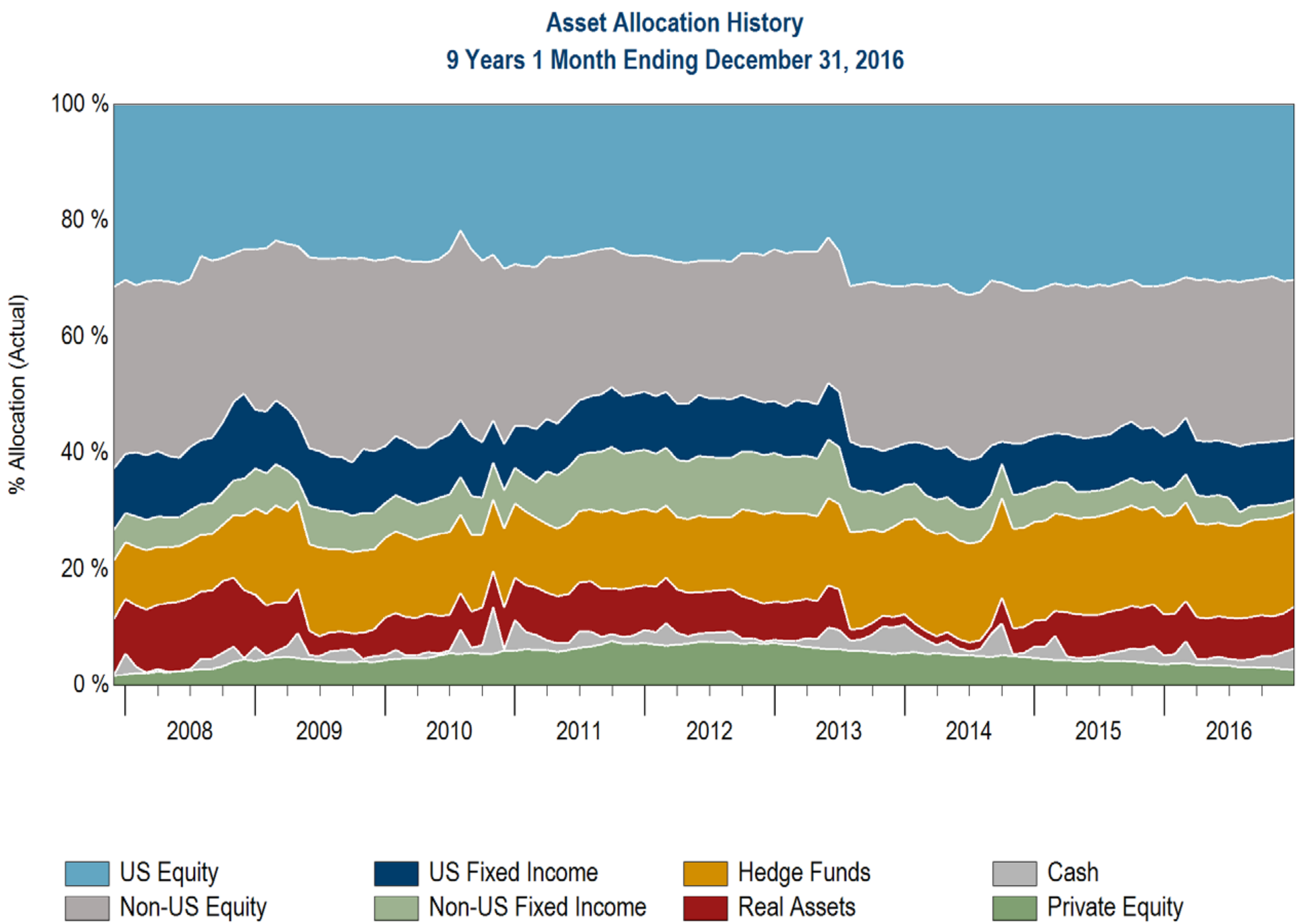
Active/Passive



Policy Asset Allocation

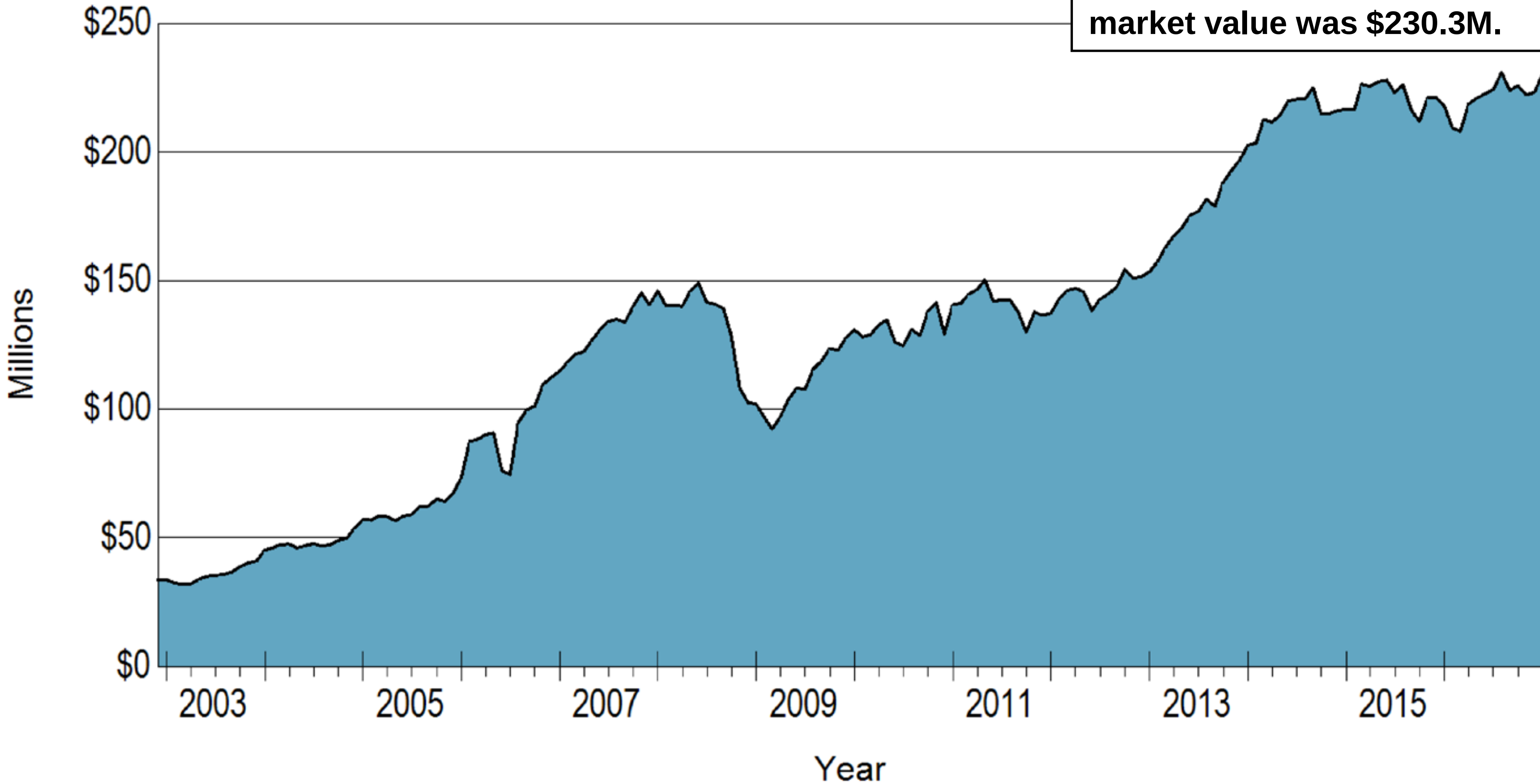


ASSET ALLOCATION HISTORY
LONG-TERM GROWTH PORTFOLIO



MARKET VALUE HISTORY
LONG-TERM GROWTH PORTFOLIO

The Foundation's 12/31/16 market value was $230.3M.



Beginning Value $33.7 million	12/31/16 Value $230.3 million	Annualized Return 7.1%

PERFORMANCE REVIEW - LONG-TERM GROWTH

AS OF DECEMBER 31, 2016

- The Community Foundation of Greater Des Moines Long-Term Growth Portfolio, valued at $230.3 million, earned 5.3% in calendar-year 2016, net of fees.
- The Marketable Securities Composite (which excludes private equity and private real assets) returned 5.6%, net of fees, in 2016. In comparison, global equities gained 7.9% while bonds rose 2.6%.

				Ending December 31, 2016							Inception	
	Market Value ($)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
CF OF GREATER DES MOINES	**230,271,477**	**100.0**	**100.0**	**1.3**	**-0.6**	**5.3**	**5.3**	**3.0**	**7.0**	**4.2**	**7.1**	**Oct-02**
Blended Historical Benchmark				*1.6*	*-0.1*	*6.4*	*6.4*	*3.2*	*7.1*	*3.8*	*--*	*Oct-02*
TOTAL MARKETABLE SECURITIES*	**223,187,435**	**96.9**	**96.0**	**1.3**	**-0.6**	**5.6**	**5.6**	**2.9**	**6.9**	**--**	**6.4**	**Sep-08**
TOTAL EQUITY	**132,284,967**	**57.4**	**58.0**	**1.4**	**-0.3**	**7.7**	**7.7**	**3.8**	**--**	**--**	**9.4**	**Jul-12**
MSCI ACWI				*2.2*	*1.2*	*7.9*	*7.9*	*3.1*	*--*	*--*	*9.0*	*Jul-12*
TOTAL DOMESTIC EQUITY	**69,508,354**	**30.2**	**29.5**	**1.1**	**2.0**	**9.5**	**9.5**	**7.4**	**13.1**	**6.7**	**8.6**	**Aug-02**
Dow Jones U.S. Total Stock Market				*1.9*	*4.1*	*12.6*	*12.6*	*8.4*	*14.6*	*7.2*	*9.2*	*Aug-02*
TOTAL INTERNATIONAL EQUITY	**62,776,613**	**27.3**	**28.5**	**1.7**	**-2.6**	**6.1**	**6.1**	**-0.2**	**6.6**	**3.7**	**7.6**	**Dec-01**
MSCI ACWI ex USA				*2.6*	*-1.3*	*4.5*	*4.5*	*-1.8*	*5.0*	*1.0*	*5.9*	*Dec-01*
TOTAL FIXED INCOME	**29,215,514**	**12.7**	**13.0**	**0.7**	**-1.8**	**6.4**	**6.4**	**1.5**	**2.4**	**5.1**	**4.5**	**Aug-02**
BBgBarc US Aggregate TR				*0.1*	*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*4.3*	*4.3*	*Aug-02*
TOTAL CASH	**8,418,176**	**3.7**	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**	**0.8**	**1.3**	**Dec-02**
TOTAL HEDGE FUNDS	**37,859,133**	**16.4**	**17.0**	**1.2**	**1.5**	**0.5**	**0.5**	**1.9**	**4.1**	**2.6**	**3.4**	**Jun-06**
HFR Fund of Funds				*1.1*	*1.1*	*0.7*	*0.7*	*1.3*	*3.5*	*1.3*	*1.8*	*Jun-06*
TOTAL REAL ASSETS	**16,286,070**	**7.1**	**8.0**	**2.4**	**-5.4**	**2.9**	**2.9**	**5.0**	**5.8**	**-4.6**	**-1.7**	**Jan-06**
Real Assets Blended Index				*2.3*	*-3.4*	*7.0*	*7.0*	*9.1*	*8.3*	*--*	*--*	*Jan-06*
TOTAL ILLIQUID REAL ASSETS	**876,424**	**0.4**	**--**									
TOTAL PRIVATE EQUITY	**6,207,618**	**2.7**	**4.0**	**1.4**	**0.2**	**0.7**	**0.7**	**4.6**	**8.7**	**6.1**	**5.0**	**Jan-06**
Burgiss Global Private Equity Index				*0.0*	*1.8*	*3.4*	*3.4*	*12.6*	*10.6*	*10.3*	*11.3*	*Jan-06*

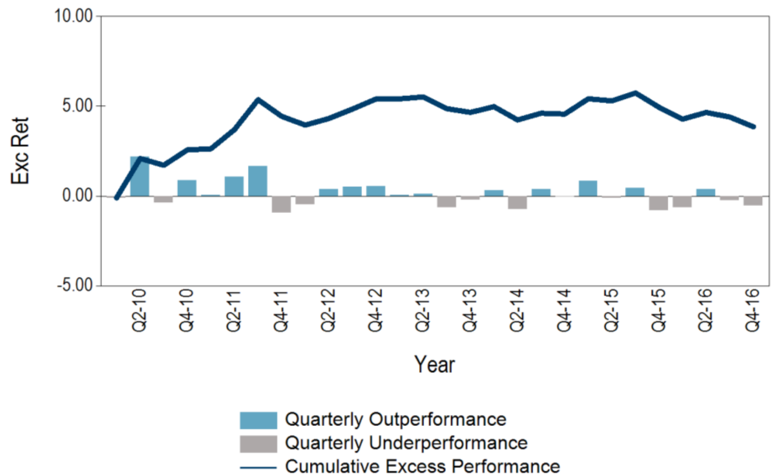
The less diversified benchmark mentioned above reflects the broad asset allocation of global equities and US broad fixed income existing during the period, e.g., 70%/30%, 68%/32%, etc. Any return greater than one year is annualized. All returns are net of fees.

RISK AND RETURN ANALYSIS
LONG-TERM GROWTH PORTFOLIO

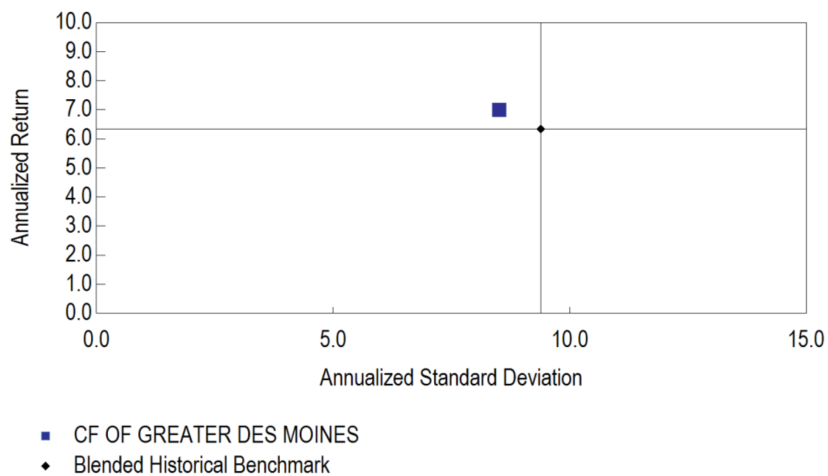
- We performed a risk and return analysis for the Long-Term Growth Portfolio for the seven-year period ending December 31, 2016. A less diversified blended benchmark of global equities and US broad fixed income was used as a market proxy, e.g., 70%/30%, 68%/32%, etc. The statistics are based on 84 monthly observations.
- In summary, the portfolio generated an annualized return of 7.0% while incurring annual volatility of +/- 8.5% (standard deviation). In comparison, the blended benchmark returned 6.3% over the same period and exhibited a higher standard deviation of +/- 9.4%.
- Relative to the blended benchmark, the Portfolio had a beta of 0.90 which means it was less sensitive to overall market movements.
- The Portfolio generated a higher Sharpe ratio (0.81 versus 0.66) which implies higher risk-adjusted returns (greater return per each unit of risk taken).
- **In summary, for the seven-year period, the Long-Term Growth Portfolio generated higher returns than the blended benchmark while taking less risk.**
- **The diversification within the Foundation allowed the Portfolio to capture most of the return potential in rising markets while protecting capital in market downturns.**

RISK AND RETURN ANALYSIS
LONG-TERM GROWTH PORTFOLIO

Quarterly and Cumulative Excess Performance



Annualized Return vs. Annualized Standard Deviation
7 Years Ending December 31, 2016



RISK RETURN STATISTICS

January 01, 2010 Through December 31, 2016

	CF OF GREATER DES MOINES	Blended Historical Benchmark
RETURN SUMMARY STATISTICS		
Number of Periods	84	84
Maximum Return	6.49	7.00
Minimum Return	-6.03	-6.38
Annualized Return	7.00	6.34
Total Return	60.53	53.76
Annualized Excess Return Over Risk Free	6.90	6.24
Annualized Excess Return	0.66	0.00
RISK SUMMARY STATISTICS		
Beta	0.90	1.00
Upside Deviation	5.61	6.29
Downside Deviation	5.75	5.92
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	8.51	9.39
Alpha	0.10	0.00
Sharpe Ratio	0.81	0.66
Excess Return Over Market / Risk	0.08	0.00
Tracking Error	1.64	0.00
Information Ratio	0.40	--
CORRELATION STATISTICS		
R-Squared	0.98	1.00
Correlation	0.99	1.00

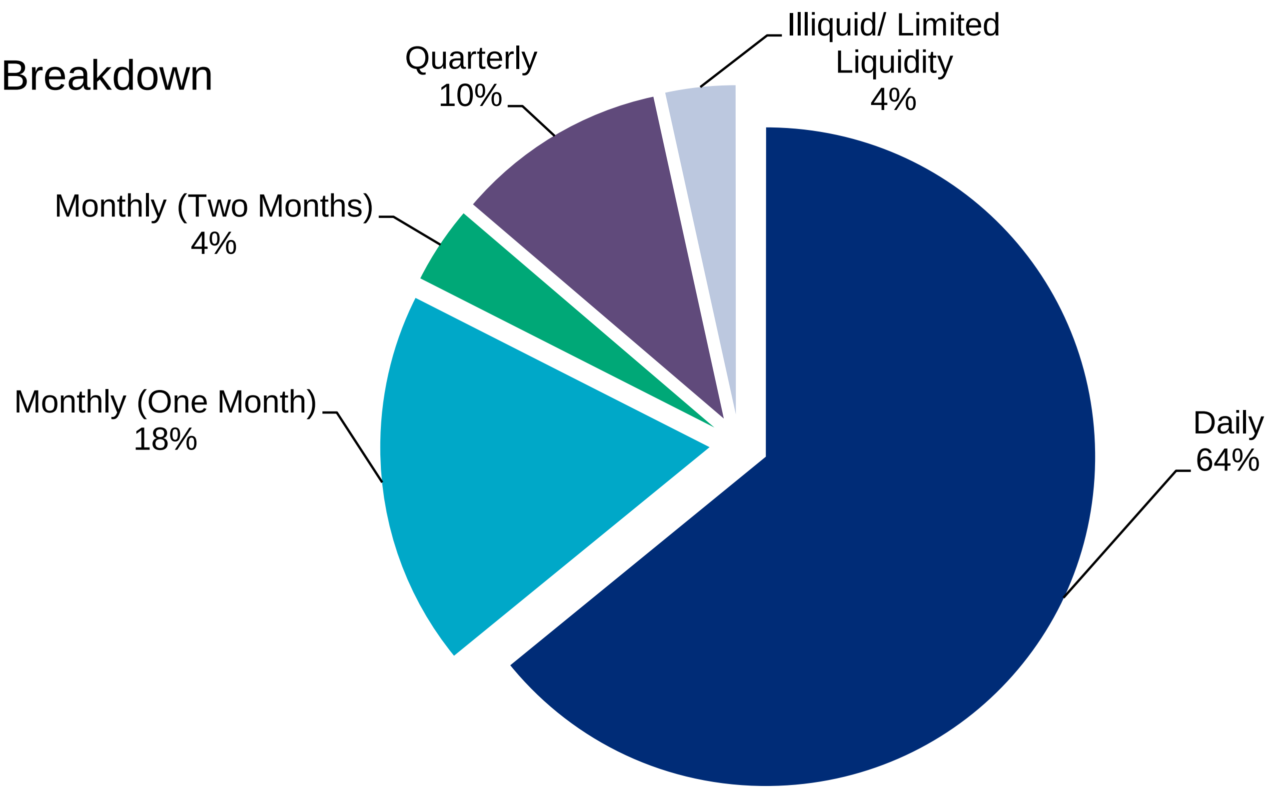
Market Proxy: Blended Historical Benchmark
Risk-Free Proxy: 91 Day T-Bills

LIQUIDITY ANALYSIS

AS OF DECEMBER 31, 2016 - LONG-TERM GROWTH PORTFOLIO

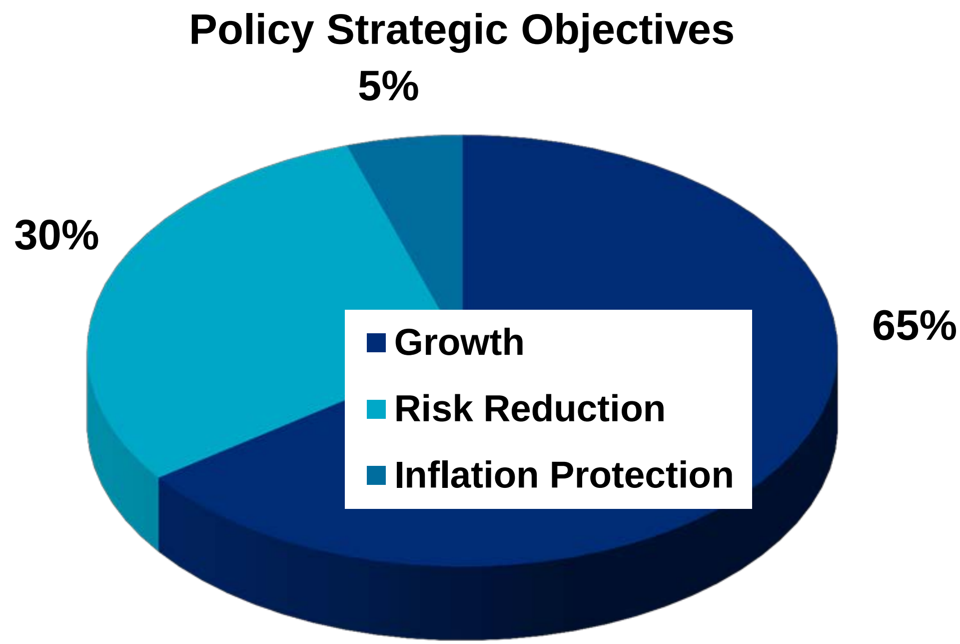
- The Long-Term Growth Portfolio has **64%** of the assets that can be liquidated daily.
- Another **18%** of the portfolio is liquid within one month.
- In total, **86%** of the assets could be available within 60 days.
- The private equity and real assets portion of the portfolio is illiquid.

Liquidity Breakdown



ASSET ALLOCATION - TARGET POLICY

INDEXED GROWTH PORTFOLIO - STRATEGIC VIEW



Policy Strategic Objectives					
Growth	**65%**	**Risk Reduction**	**30%**	**Inflation Protection**	**5%**
US Equities	33.0%	US Fixed Income	26.0%	Real Assets	5.0%
Intl Equities	32.0%	Global Fixed Income	4.0%		

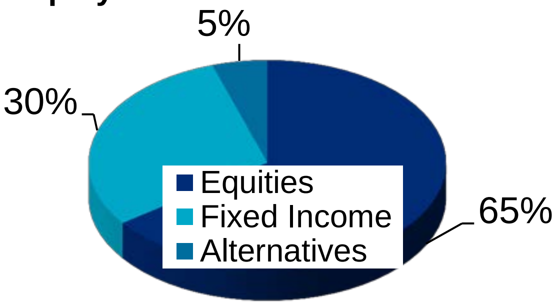
- Viewed strategically, the Indexed Growth Portfolio has a 65% allocation to growth assets and a 30% allocation to risk reduction assets. Therefore, the portfolio should be able to perform better than the equity market during periods of market decline.

- The Portfolio also has an 5% allocation to inflation protection assets, which should help the it retain purchasing power during inflationary periods. Inflation is not a concern in the current market environment but may be in the future.

ASSET ALLOCATION - TARGET POLICY

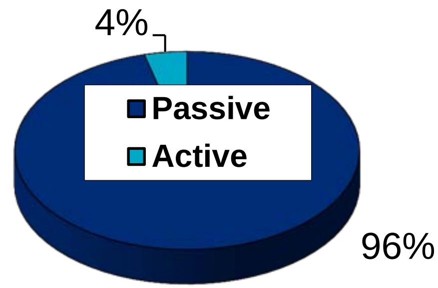
INDEXED GROWTH PORTFOLIO - TRADITIONAL VIEW

Equity/Fixed Income/Alternatives

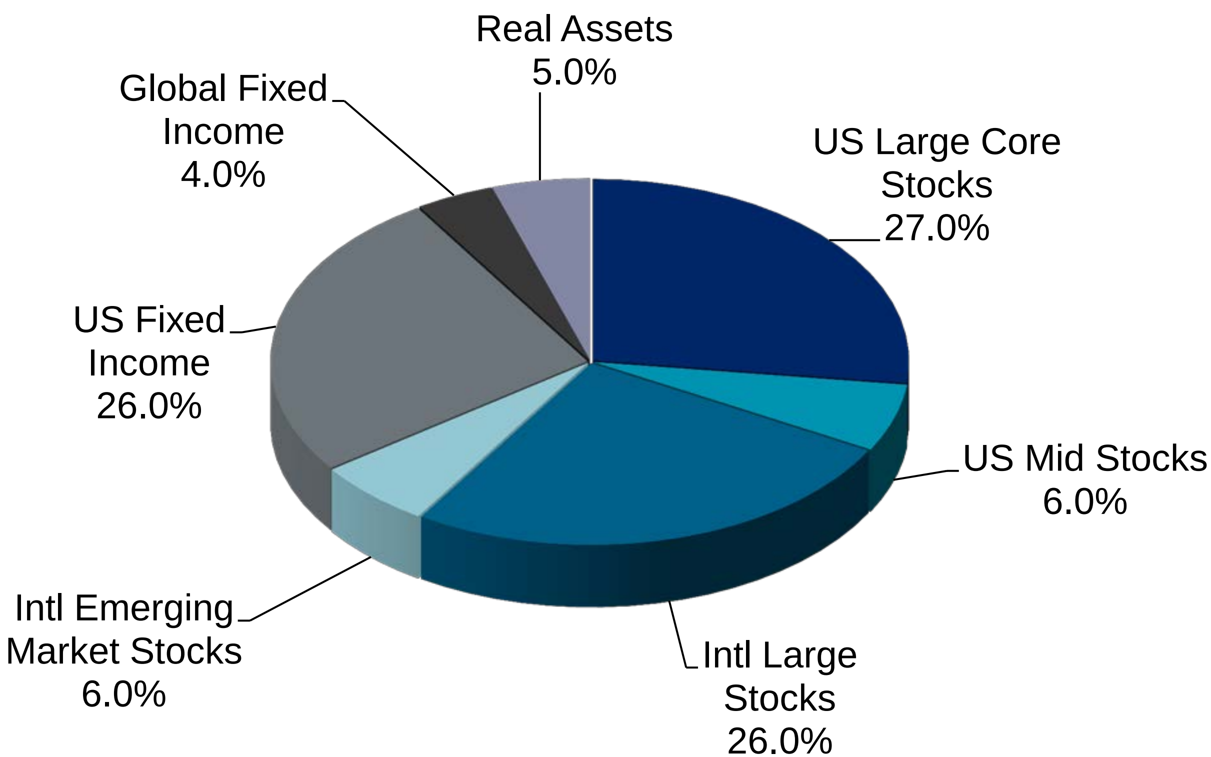


Domestic/International Equities

Active/Passive



Policy Asset Allocation



PERFORMANCE

INDEXED GROWTH PORTFOLIO

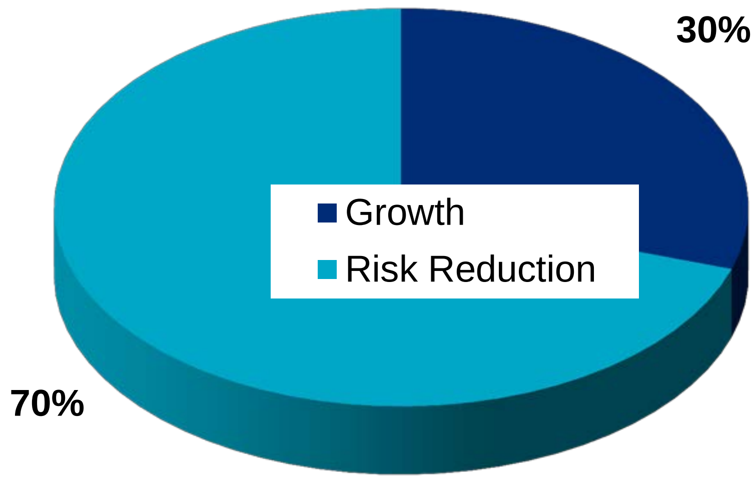
	Market Value ($)	% of Portfolio	Ending December 31, 2016						Inception	
			1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
INDEXED GROWTH PORTFOLIO	**28,632,781**	**100.0**	**1.5**	**-0.3**	**6.2**	**6.2**	**2.8**	**6.4**	**7.0**	**Jun-10**
70% MSCI ACWI(net)/30% BBgBarc Agg			*1.6*	*-0.1*	*6.4*	*6.4*	*3.2*	*7.3*	*7.7*	*Jun-10*
TOTAL EQUITY	**17,941,420**	**62.7**	**2.0**	**1.8**	**8.8**	**8.8**	**3.5**	**9.3**	**5.9**	**May-11**
MSCI ACWI			*2.2*	*1.2*	*7.9*	*7.9*	*3.1*	*9.4*	*5.7*	*May-11*
TOTAL DOMESTIC EQUITY	**9,118,491**	**31.8**	**1.8**	**4.7**	**13.2**	**13.2**	**8.8**	**14.4**	**11.7**	**May-11**
Dow Jones U.S. Total Stock Market			*1.9*	*4.1*	*12.6*	*12.6*	*8.4*	*14.6*	*11.6*	*May-11*
Vanguard Institutional Index	7,504,064	26.2	2.0	--	--	--	--	--	2.0	Nov-16
S&P 500			*2.0*	--	--	--	--	--	*2.0*	*Nov-16*
iShares S&P Mid Cap 400 Value	594,925	2.1	1.9	9.7	26.2	26.2	--	--	9.0	May-14
S&P 400 MidCap Value			*2.0*	*9.8*	*26.5*	*26.5*	--	--	*9.2*	*May-14*
Vanguard Mid Cap Index Inst	1,019,501	3.6	0.7	2.1	11.2	11.2	--	--	7.0	May-14
CRSP US Mid Cap TR USD			*0.7*	*2.1*	*11.2*	*11.2*	--	--	*7.1*	*May-14*
TOTAL INTERNATIONAL EQUITY	**8,822,929**	**30.8**	**2.1**	**-0.6**	**5.1**	**5.1**	**-1.1**	**5.3**	**1.0**	**May-11**
MSCI ACWI ex USA			*2.6*	*-1.3*	*4.5*	*4.5*	*-1.8*	*5.0*	*0.8*	*May-11*
Vanguard Developed Mkts Index Adm	5,273,358	18.4	2.5	-1.4	2.4	2.4	-1.2	6.9	6.8	Jun-10
Vanguard Spliced Developed Markets Index			*3.1*	*-0.9*	*2.3*	*2.3*	*-1.0*	*6.9*	*6.7*	*Jun-10*
iShares Currency Hedged MSCI EAFE	1,930,634	6.7	4.1	6.7	6.4	6.4	--	--	-1.6	May-15
MSCI EAFE 100% Hedged USD (net)			*4.5*	*6.9*	*3.1*	*3.1*	--	--	*-3.6*	*May-15*
Vanguard FTSE Emerging Mkts ETF	1,618,938	5.7	-0.7	-4.5	12.2	12.2	-1.9	1.4	1.8	Jun-10
Vanguard Spliced Emerging Markets Index			*0.2*	*-3.0*	*11.8*	*11.8*	*-1.4*	*1.6*	*1.8*	*Jun-10*
TOTAL FIXED INCOME	**8,052,674**	**28.1**	**0.2**	**-3.6**	**1.7**	**1.7**	**1.5**	**2.3**	**2.2**	**May-11**
BBgBarc US Aggregate TR			*0.1*	*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.8*	*May-11*
Vanguard Total Bond Index Admiral	7,128,845	24.9	0.3	-3.2	2.6	2.6	2.9	2.1	3.0	Jun-10
BBgBarc US Aggregate TR			*0.1*	*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*3.1*	*Jun-10*
Brandywine Global Fixed Income Portfolio CTF	923,829	3.2	0.1	-6.5	1.9	1.9	-0.4	--	-1.3	Mar-13
Citi WGBI			*-0.7*	*-8.5*	*1.6*	*1.6*	*-0.8*	--	*-1.0*	*Mar-13*
TOTAL CASH	**1,221,172**	**4.3**	**0.1**	**0.1**	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**May-11**
Cash	1,221,172	4.3	0.1	0.1	0.2	0.2	0.1	0.2	0.1	May-11
91 Day T-Bills			*0.0*	*0.1*	*0.3*	*0.3*	*0.1*	*0.1*	*0.1*	*May-11*
TOTAL REAL ASSETS	**1,417,515**	**5.0**	**3.6**	**-4.6**	**3.9**	**3.9**	**--**	**--**	**2.9**	**Aug-14**
Dow Jones Global Select RESI (gross)			*3.9*	*-4.2*	*4.7*	*4.7*	--	--	*3.7*	*Aug-14*
SPDR Dow Jones Global Real Estate ETF	1,417,515	5.0	3.6	-4.6	3.9	3.9	--	--	2.9	Aug-14
Dow Jones Global Select RESI (gross)			*3.9*	*-4.2*	*4.7*	*4.7*	--	--	*3.7*	*Aug-14*

Any return greater than one year is annualized. All returns are net of fees.

ASSET ALLOCATION - TARGET POLICY

DEFENSIVE GROWTH PORTFOLIO - STRATEGIC VIEW

Policy Strategic Objectives

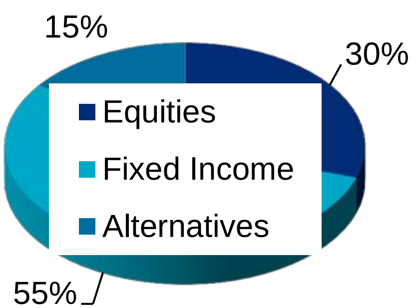


Policy Strategic Objectives			
Growth	**30%**	**Risk Reduction**	**70%**
US Equities	15.0%	US Fixed Income	46.0%
Intl Equities	15.0%	Global Fixed Income	9.0%
		Absolute Return	15.0%

- Viewed strategically, the Defensive Growth Portfolio has a 30% allocation to growth assets and a 70% allocation to risk reduction assets.

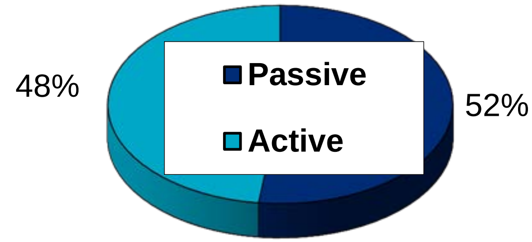
ASSET ALLOCATION - TARGET POLICY
DEFENSIVE GROWTH PORTFOLIO - TRADITIONAL VIEW

Equity/Fixed Income/Alternatives

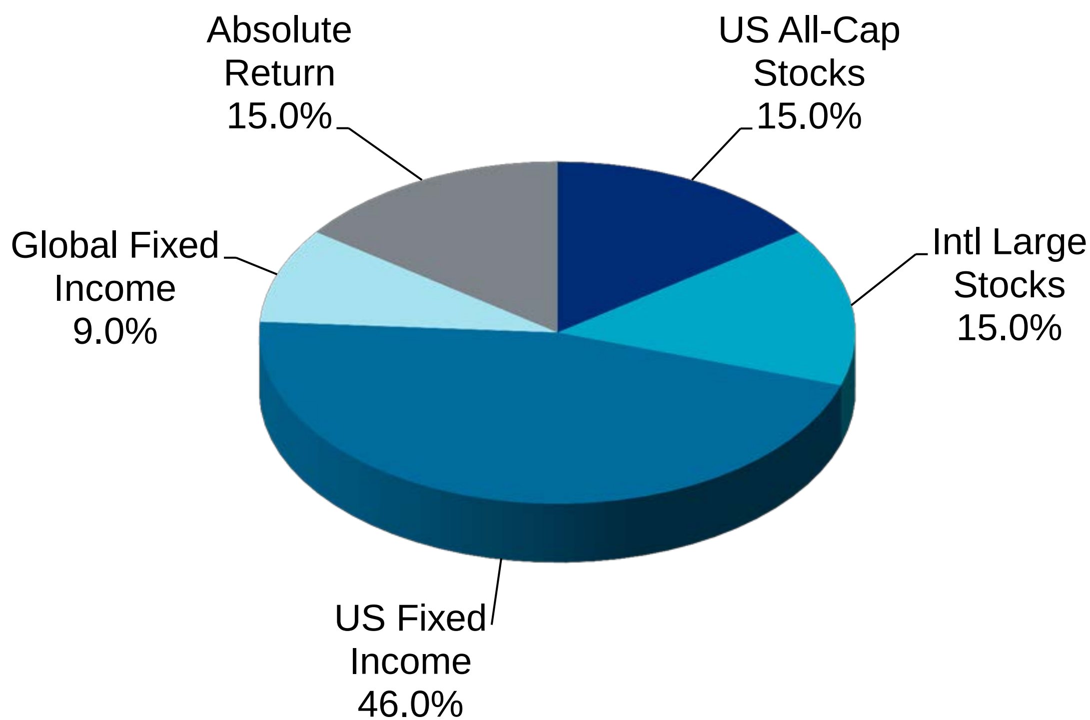


Domestic/International Equities

Active/Passive



Policy Asset Allocation



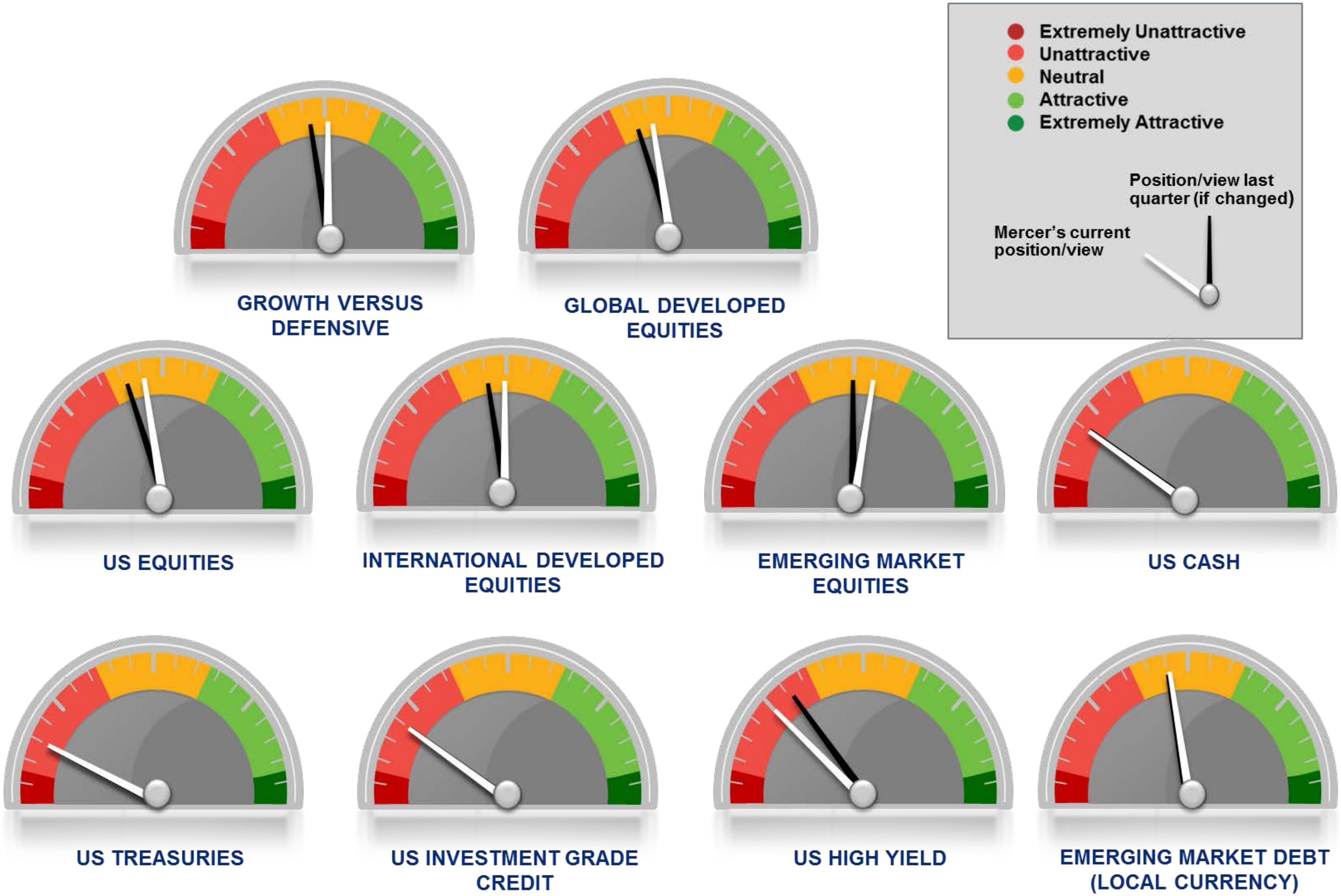
PERFORMANCE

DEFENSIVE GROWTH PORTFOLIO

	Market Value ($)	% of Portfolio	Ending December 31, 2016						Inception	
			1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
DEFENSIVE GROWTH PORTFOLIO	**10,214,770**	**100.0**	**1.4**	**1.0**	**3.6**	**3.6**	**1.8**	**4.8**	**5.2**	**Jun-10**
30% MSCI ACWI(net)/70% BBgBarc Agg			*0.7*	*-1.7*	*4.3*	*4.3*	*3.2*	*4.5*	*5.2*	*Jun-10*
TOTAL EQUITY	**2,842,936**	**27.8**	**2.4**	**2.3**	**7.8**	**7.8**	**3.4**	**10.4**	**6.7**	**May-11**
MSCI ACWI			*2.2*	*1.2*	*7.9*	*7.9*	*3.1*	*9.4*	*5.7*	*May-11*
TOTAL DOMESTIC EQUITY	**1,437,113**	**14.1**	**1.9**	**4.1**	**12.7**	**12.7**	**8.4**	**14.6**	**15.0**	**Jun-10**
Dow Jones U.S. Total Stock Market			*1.9*	*4.1*	*12.6*	*12.6*	*8.4*	*14.6*	*15.0*	*Jun-10*
Vanguard Total Stock Market Index Adm.	1,437,113	14.1	1.9	4.1	12.7	12.7	8.4	14.6	15.0	Jun-10
Vanguard Spliced Total Stock Market			*1.9*	*4.1*	*12.7*	*12.7*	*8.4*	*14.7*	*15.1*	*Jun-10*
TOTAL INTERNATIONAL EQUITY	**1,405,823**	**13.8**	**2.9**	**0.3**	**3.0**	**3.0**	**-1.0**	**7.0**	**6.9**	**Jun-10**
MSCI ACWI ex USA			*2.6*	*-1.3*	*4.5*	*4.5*	*-1.8*	*5.0*	*5.0*	*Jun-10*
Vanguard Developed Markets Index Adm.	1,110,588	10.9	2.5	-1.4	2.4	2.4	-1.2	6.9	6.8	Jun-10
Vanguard Spliced Developed Markets Index			*3.1*	*-0.9*	*2.3*	*2.3*	*-1.0*	*6.9*	*6.7*	*Jun-10*
iShares Currency Hedged MSCI EAFE	295,234	2.9	4.1	6.7	6.4	6.4	--	--	-1.6	May-15
MSCI EAFE 100% Hedged USD (net)			*4.5*	*6.9*	*3.1*	*3.1*	*--*	*--*	*-3.6*	*May-15*
TOTAL FIXED INCOME	**4,777,015**	**46.8**	**0.9**	**0.1**	**3.8**	**3.8**	**1.4**	**2.8**	**2.3**	**May-11**
BBgBarc US Aggregate TR			*0.1*	*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.8*	*May-11*
Vanguard Total Bond Market	739,026	7.2	0.3	-3.2	--	--	--	--	-2.8	Jun-16
BBgBarc US Aggregate TR			*0.1*	*-3.0*	*--*	*--*	*--*	*--*	*-2.5*	*Jun-16*
Metropolitan West Total Return Bond	1,337,326	13.1	0.1	-2.6	2.5	2.5	--	--	1.6	Oct-14
BBgBarc US Aggregate TR			*0.1*	*-3.0*	*2.6*	*2.6*	*--*	*--*	*1.8*	*Oct-14*
Bain Capital High Income Partnership, L.P.	488,634	4.8	2.0	3.1	14.5	14.5	--	--	2.9	Jan-14
50% BofA ML High Yield/50% S&P LSTA Leveraged Loan			*1.6*	*2.1*	*13.8*	*13.8*	*--*	*--*	*4.0*	*Jan-14*
Vanguard Short-Term Corp Bond Fund	1,332,718	13.0	0.2	-0.9	2.6	2.6	1.9	--	2.2	Aug-13
BBgBarc US Govt/Credit 1-5 Yr. TR			*0.1*	*-1.1*	*1.6*	*1.6*	*1.3*	*--*	*1.4*	*Aug-13*
Templeton Global Bond Fund ADV	879,311	8.6	3.4	8.3	6.6	6.6	1.4	4.4	4.4	Jun-10
Citi WGBI			*-0.7*	*-8.5*	*1.6*	*1.6*	*-0.8*	*-1.0*	*1.1*	*Jun-10*
TOTAL CASH	**1,154,212**	**11.3**	**0.0**	**0.1**	**0.2**	**0.2**	**0.1**	**0.1**	**0.2**	**May-11**
Cash	1,154,212	11.3	0.0	0.1	0.2	0.2	0.1	0.1	0.2	May-11
91 Day T-Bills			*0.0*	*0.1*	*0.3*	*0.3*	*0.1*	*0.1*	*0.1*	*May-11*
TOTAL HEDGE FUNDS	**1,440,608**	**14.1**	**1.8**	**1.7**	**-2.5**	**-2.5**	**1.0**	**--**	**2.2**	**Aug-13**
HFR Fund of Funds			*1.1*	*1.1*	*0.7*	*0.7*	*1.3*	*--*	*2.6*	*Aug-13*
JHancock2 Global Absolute Return Strategies I	1,440,608	14.1	1.8	1.7	-2.5	-2.5	1.0	--	2.2	Aug-13
HFR Fund of Funds			*1.1*	*1.1*	*0.7*	*0.7*	*1.3*	*--*	*2.6*	*Aug-13*

Any return greater than one year is annualized. All returns are net of fees.

US DAA DASHBOARD – JANUARY 2017



CORE ASSET CLASS VIEWS

Asset Class	20-Year Expected Return	Jan 2016 View	Apr 2016 View	July 2016 View	Oct 2016 View	Jan 2017 View	Commentary
Global developed equities	7.3%	Neutral	Neutral	Neutral	Neutral	Neutral	Under our base case, improved earnings should lead to modest equity returns in 2017. However, uncertainties over the new administration, the global growth trajectory, Fed policy and European elections have made the potential for both outsized gains and losses more likely than usual.
US equities	*6.3%*	*Neutral*	*Neutral*	*Neutral*	*Neutral*	*Neutral*	US equities remain expensive based on most valuation measures. Earnings should begin to recover in 2017, although wage growth will continue to pressure margins. A faster than anticipated pace of Fed rate hikes is a risk.
International developed equities	*7.7%*	*Attractive*	*Neutral*	*Neutral*	*Neutral*	*Neutral*	International developed stocks are reasonably valued and growth appeared to pick up during the second half of 2016. However, political risks are heightened with 2017 elections in France, Germany and the Netherlands.
Emerging market equities	9.1%	Neutral	Neutral	Neutral	Neutral	Neutral	Economic growth appears to be rebounding, helped by improved competiveness and rising commodity prices. However, dollar strength and protectionism are potential risks.
Global REITs	6.7%	Neutral	Neutral	Neutral	Neutral	Neutral	Property fundamentals remain solid, but rising interest rates are likely to pose a headwind.
US high yield bonds	4.7%	Neutral	Neutral	Neutral	Unattractive	Unattractive	Spreads have fallen to 4.1%, below the long-term median level of 4.8%. Default rates should remain low over the short-term given solid economic growth, but current spreads would provide limited protection for the next recession.
Emerging market local currency debt	6.1%	Unattractive	Unattractive	Neutral	Neutral	Neutral	Real yields are relatively high and improving fundamentals should support currencies in 2017. However, protectionist policies and a faster than expected pace of Fed tightening are risks to the outlook.

CORE ASSET CLASS VIEWS

Asset Class	20-Year Expected Return	Jan 2016 View	Apr 2016 View	July 2016 View	Oct 2016 View	Jan 2017 View	Commentary
US cash	2.8%	Unattractive	Unattractive	Unattractive	Unattractive	Unattractive	Real yields are negative making cash unattractive on an absolute basis. Recent regulations have driven a rotation out of prime MMFs, and into government MMFs. Investors with a tolerance for floating NAVs could pick up additional yield by utilizing a prime MMF.
US Treasuries	3.2%	Unattractive	Unattractive	Unattractive	Unattractive	Unattractive	While the rise during the quarter was significant, rates ended the year roughly where they began it. It is likely that interest rates have bottomed, with the Fed projecting 3 rate hikes in 2017. With inflationary pressures rising, risks are tilted toward a more hawkish Fed than a dovish one.
US TIPS	3.2%	Unattractive	Unattractive	Unattractive	Unattractive	Unattractive	The real yield on 10y TIPS, while higher than a quarter ago, remains low at 0.5%. The inflation breakeven rate for 10-year TIPS rose to 2.0% during the fourth quarter, slightly below the recent core CPI inflation rate of 2.2%.
US I/G corp	4.0%	Unattractive	Unattractive	Unattractive	Unattractive	Unattractive	Investment-grade credit held up relatively well during Q4 due to a decline in credit spreads. However, credit spreads have returned to their median level, after adjusting for the declining credit quality of the universe, limiting the scope for further contraction. Current yields suggest low prospective returns.
Non-US govt. Bonds	2.0%	Unattractive	Unattractive	Unattractive	Unattractive	Unattractive	Non-US bonds continue to offer low yields, relative to both history and those available on US bonds. Monetary policy divergence is likely to continue, suggesting the potential for further dollar strength. While many central banks have begun acknowledging the downside risks of negative rate policies, the ECB and BOJ are likely to remain highly accommodative over the intermediate-term.

CROSS ASSET VIEWS

Asset Class	Jan 2016 View	Apr 2016 View	July 2016 View	Oct 2016 View	Jan 2017 View	Commentary
Global equities/ growth assets vs. defensive assets	Attractive	Neutral	Neutral	Neutral	Neutral	Global equities offer a reasonable risk premium to bonds and should be supported by higher economic growth. However, global risks stemming from China, European elections and protectionism remain elevated. Interest rate normalization is likely to pressure both bonds and equities as low interest rates have also helped support stock prices over the past few years.
International developed vs. US equities	Attractive	Attractive	Neutral	Neutral	Neutral	International developed stocks are more reasonably valued than US stocks, and the outlook for earnings is better as countries are in the earlier stages of their economic cycles. However, growth remains weaker overseas and political surprises could weigh on markets.
Emerging market vs. developed market equities	Unattractive	Neutral	Neutral	Attractive	Attractive	EM stocks trade at a sizable discount to developed market stocks and should benefit from stronger economic fundamentals. However, caution is warranted as downside risks stemming from high debt levels, the strong dollar and a rise in protectionism remain elevated. We view EM stocks as relatively attractive with our level of conviction higher the longer the time horizon.
High yield bonds vs. global equities	Neutral	Neutral	Neutral	Neutral	Unattractive	The sharp decline in the credit spread on high yield bonds over the past year has made valuations less favorable relative to equities. While equities have more downside risk than bonds, they also have more upside potential since high yield spreads have limited room to fall further.
Developed foreign currencies vs. the US dollar				Unattractive	Unattractive	The dollar remains expensive based on most valuation measures, but its interest rate advantage could drive further dollar appreciation.

RELATIVE VIEWS – EQUITIES

Asset Class	Jan 2016 View	Apr 2016 View	July 2016 View	Oct 2016 View	Jan 2017 View	Commentary
Global low volatility vs. broad	Unattractive	Unattractive	Neutral	Neutral	Unattractive	Low volatility stocks continue to look expensive relative to the broad market as yield-seeking investors have used them as an alternative to fixed income. A rising rate environment will likely reduce their appeal.
US high quality vs. low quality	Attractive	Attractive	Attractive	Attractive	Neutral	US high quality equities appear fair to slightly overvalued relative to the broader US equity market. While the downside protection offered by high quality stocks remains appealing, President Trump's policies are more likely to benefit more domestically-oriented cyclical stocks than multinational companies that dominate the high quality universe.
US large growth vs. large value	Neutral	Neutral	Neutral	Neutral	Neutral	Valuation levels remain in line with historic norms and macro conditions do not clearly favor one style over the other. We do not recommend a style bias in US equity portfolios relative to strategic targets.
US small caps vs. large caps	Unattractive	Unattractive	Unattractive	Unattractive	Neutral	Following the post-election bounce, small-cap stocks appear moderately expensive relative to large-caps, but the expected policy objectives of the Trump Administration should favor small-caps. Corporate tax reform could help small-cap stocks more because they tend to pay higher marginal rates than large-cap firms. Protectionist measures will also favor small-cap over large-cap multinationals since small-caps garner a larger portion of their sales domestically.
International small caps vs. large caps	Neutral	Neutral	Neutral	Neutral	Neutral	Valuations on international small-caps remain elevated relative to large-caps. International small-caps generally have more exposure to domestic macro conditions. This could benefit small-caps in the event of a European earnings recovery, or it could weigh on small cap stocks in the event of a political crisis.

RELATIVE VIEWS – FIXED INCOME

Asset Class	Jan 2016 View	Apr 2016 View	July 2016 View	Oct 2016 View	Jan 2017 View	Commentary
Short-term fixed vs. T-bills	Attractive	Attractive	Attractive	Attractive	Attractive	The dislocation in short-term fixed income markets driven by recent money market regulation also appears to be affecting the yields on other short-dated fixed income securities. As such, there appears to be relative value within short-term corporate bonds, and modestly extending duration through credit offers an attractive risk-adjusted return.
Intermediate-term fixed vs. T-bills	Neutral	Neutral	Neutral	Neutral	Neutral	It is difficult to justify extending duration via Treasuries, as the forward looking term premium is arguably negative. Intermediate-term credit has more attractive yields and a fair risk-adjusted return expectation.
Long-term fixed vs. T-bills	Unattractive	Unattractive	Unattractive	Unattractive	Unattractive	The risk-to-return of extending duration to the long end of the curve appears unattractive outside of liability-hedging purposes.
Investment grade vs. Treasuries	Attractive	Attractive	Attractive	Attractive	Neutral	The spread on investment-grade corporate bonds declined during Q4 to 1.2%, which is in-line with the long-term median after adjusting for the declining quality of the universe. While we expect investment-grade bonds to continue to outperform Treasuries over the short-term, we are growing more concerned about the intermediate-term outlook due to deteriorating fundamentals. Investors with overweight exposure to credit should begin to pare back.
High yield vs. Treasuries	Attractive	Attractive	Attractive	Neutral	Neutral	Spreads on high yield bonds plummeted 250 bps to 4.1% during the year, which is below the long-term median level of 4.8%. The economic environment could justify below normal spreads over the short-term, but intermediate-term risks are tilted to the downside because current spreads provide only limited protection against the next recession.
TIPS vs. Treasuries	Attractive	Attractive	Attractive	Attractive	Attractive	The 10-year inflation breakeven rate rose during the quarter to 2.0%, converging with the core inflation rate of 2.2%. While the shift in inflation breakeven rates has reduced the attractiveness of TIPS, they remain attractive relative to Treasuries as inflation risks are tilted toward the upside.

DYNAMIC ASSET ALLOCATION SUMMARY

RETURN EXPECTATIONS

	Equilibrium Return	Standard Deviation	20-Year Horizon Return	10-Year Horizon Return	High Vol Standard Deviation
Growth Assets					
US Large Stocks	7.2	18.1	6.8	6.0	27.1
US Large Value Stocks	7.2	18.1	6.8	6.0	27.1
US Large Growth Stocks	7.2	18.1	6.8	6.0	27.1
US Large Quality Stocks	7.2	13.7	6.9	6.2	20.6
US Mid Stocks	7.4	19.6	7.0	6.0	29.5
US Small Stocks	7.7	22.1	7.2	6.2	33.2
Intl Large Stocks	7.1	20.3	7.2	7.3	30.4
Intl Large Quality Stocks	7.1	13.9	7.2	6.5	20.9
Intl Small Stocks	7.5	22.4	7.6	7.7	33.6
Emerging Market Stocks	8.5	26.3	9.1	9.1	39.5
Emerging Market Debt (Local)	5.1	10.4	6.1	6.1	15.6
US High Yield Fixed	6.0	9.7	5.4	4.8	14.6
Private Debt	7.0	10.7	6.6	6.1	16.0
Private Equity / Special Situations	10.3	26.9	10.2	9.5	40.3
Risk Reduction Assets					
Cash	3.2	2.0	2.5	1.7	3.0
US Treasuries	4.1	6.0	2.7	1.3	8.9
US Long Treasuries	4.3	16.5	2.1	0.0	24.7
US I/G Corporate Bonds	4.9	7.0	3.6	2.4	10.5
US Long I/G Corp	4.9	13.6	3.5	2.0	20.4
US MBS	4.6	4.8	3.1	1.5	7.2
US Broad Fixed Income	4.6	5.3	3.2	1.8	8.0
US Municipal Bonds	4.4	7.7	2.9	1.6	11.6
Global Fixed Income	4.3	6.4	2.4	0.6	9.6
Hedge Funds	6.7	8.0	6.5	5.8	12.0
Liquid Absolute Return	6.0	8.0	5.8	5.0	12.0
Inflation Protected Assets					
US Inflation Protected Fixed	4.0	5.4	3.0	1.9	8.1
Liquid Real Assets	6.9	16.4	6.8	6.1	29.9
Private Real Assets	9.0	14.7	8.9	8.3	28.5

Equilibrium Expected Return: The long-term expectations represent the expected returns of asset classes at equilibrium. They are an estimate of what investors require to invest in each asset class, given the risk, in a normal interest rate environment. They are not affected by current valuations.

10-Year Horizon Return: The 10-year mean reversion return represents Mercer's best estimate of returns over the next 10 years. We assume that normalized P/E ratios and interest rates revert to their equilibrium levels over the next 10-years.

20-Year Horizon Return: Our long-term expected returns are based on what asset classes are expected to return over the next 20 years. They incorporate current interest rates and assume rates return to equilibrium over five years.

Standard Deviation: This statistic quantifies the expected variability of returns around their mean. Both returns above and below the expected return are included in this risk measure. There is roughly a two out of three chance that the return in any given year will fall within the range bounded by the expected return plus or minus the standard deviation. The standard deviation expectations are based on a combination of realized historical results and an examination of current conditions. The high volatility regime expectations represent our estimate of risk in an environment where volatility spikes and correlations between assets increase significantly.

Mercer's approach to developing equilibrium expected returns blends realized historical results and an examination of current conditions. In developing the forecasts, we begin by averaging historical data for the longest period available to determine how much investors have been rewarded for exposure to risk factors in the past. We then use internal and external research to identify structural reasons that risk premiums in the future might be different than those experienced in the past, and adjust our forecasts accordingly. This methodology generally results in lower return forecasts, particularly for equity asset classes, than have been experienced in the past. The return expectations do not include manager alpha except for absolute return strategies. The expected return in excess of cash for absolute return strategies consists mostly of expected alpha.

CORRELATION ASSUMPTIONS

	US Large Stocks	US Mid Stocks	US Small Stocks	Intl Large Stocks	Intl Small Stocks	Emerging Market Stocks	US Broad Fixed Income	US High Yield Fixed	US Municipal Bonds	US Inflation Protected Fixed	Cash	Emerging Market Debt (Local)	Global Fixed Income	Global Real Estate - Private	Global Real Estate - REITS	Private Equity / Special Situations	Infrastructure - Listed	Infrastructure - Private	Hedge Funds	Natural Resources- Listed	Natural Resource Stocks - Private	Private Debt
US Large Stocks	1.00	0.97	0.91	0.77	0.73	0.73	0.11	0.69	0.07	0.12	-0.01	0.58	0.07	0.42	0.66	0.96	0.82	0.69	0.68	0.61	0.61	0.69
US Mid Stocks		1.00	0.98	0.75	0.79	0.71	0.10	0.67	0.07	0.12	-0.01	0.56	0.07	0.40	0.67	0.93	0.80	0.67	0.67	0.59	0.59	0.68
US Small Stocks			1.00	0.70	0.80	0.67	0.10	0.62	0.06	0.11	-0.01	0.53	0.07	0.38	0.66	0.87	0.75	0.63	0.62	0.55	0.55	0.64
Intl Large Stocks				1.00	0.94	0.76	0.03	0.60	0.01	0.04	-0.11	0.60	0.31	0.48	0.67	0.74	0.74	0.62	0.53	0.58	0.59	0.56
Intl Small Stocks					1.00	0.72	0.04	0.58	0.02	0.05	-0.01	0.57	0.28	0.46	0.69	0.71	0.71	0.60	0.50	0.54	0.56	0.55
Emerging Market Stocks						1.00	-0.02	0.58	-0.03	0.01	-0.03	0.86	0.13	0.39	0.57	0.71	0.66	0.55	0.50	0.56	0.58	0.55
US Broad Fixed Income							1.00	0.31	0.74	0.63	0.14	0.14	0.71	0.30	0.25	0.10	0.15	0.13	0.07	-0.04	-0.11	0.01
US High Yield Fixed								1.00	0.20	0.15	0.00	0.53	0.20	0.37	0.53	0.66	0.61	0.51	0.47	0.43	0.42	0.59
US Municipal Bonds									1.00	0.50	0.11	0.10	0.54	0.23	0.19	0.06	0.11	0.09	0.05	-0.05	-0.10	-0.01
US Inflation Protected Fixed										1.00	0.09	0.10	0.47	0.22	0.20	0.11	0.14	0.12	0.09	0.11	0.08	0.02
Cash											1.00	0.00	0.00	0.04	0.03	-0.01	0.00	0.00	-0.01	-0.03	-0.04	-0.03
Emerging Market Debt (Local)												1.00	0.28	0.36	0.48	0.56	0.50	0.42	0.40	0.47	0.48	0.43
Global Fixed Income													1.00	0.42	0.34	0.07	0.13	0.11	0.05	0.12	0.08	0.00
Global Real Estate - Private														1.00	0.90	0.40	0.63	0.53	0.29	0.30	0.28	0.28
Global Real Estate - REITS															1.00	0.63	0.77	0.65	0.45	0.43	0.42	0.45
Private Equity / Special Situations																1.00	0.79	0.66	0.66	0.58	0.58	0.67
Infrastructure - Listed																	1.00	0.83	0.56	0.49	0.48	0.57
Infrastructure - Private																		1.00	0.47	0.41	0.40	0.48
Hedge Funds																			1.00	0.42	0.42	0.47
Natural Resources- Listed																				1.00	0.77	0.45
Natural Resource Stocks - Private																					1.00	0.45
Private Debt																						1.00

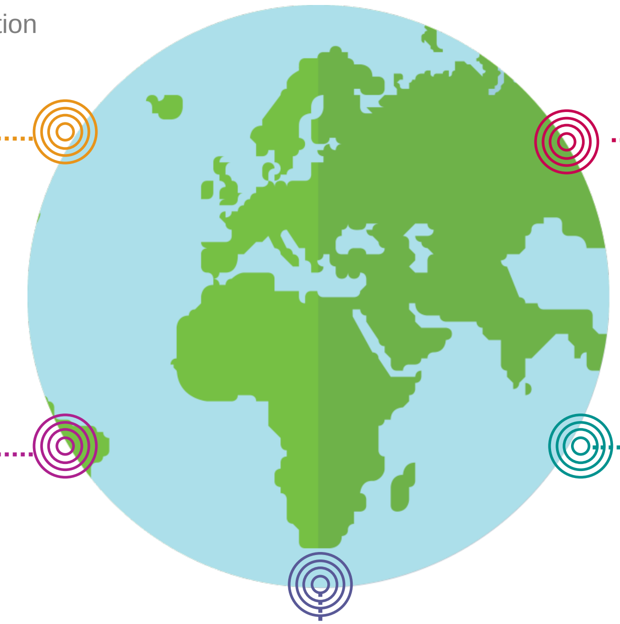
Correlation coefficients measure the degree of co-movement between two asset classes. A correlation of 1.00 indicates that both assets move in lock-step with one another, while a correlation of (1.00) suggests that the assets move in opposite directions. A correlation of 0 means that there is no relation.

Diversified portfolios take advantage of the tendency of asset classes to behave in different ways relative to each other. Asset classes with low correlations to one another can be combined to produce portfolios with less risk than any specific asset class displays on a stand-alone basis.

GLOBAL RESEARCH AT A GLANCE

DEPTH AND BREADTH OF OUR GLOBAL RESEARCH RESOURCES: There are over 130 staff* directly involved in the research process, in addition there are multiple Investments Professionals globally involved in the research process.

FOUR SPECIALIST BOUTIQUES: EQUITY, FIXED INCOME, HEDGE FUNDS AND REAL ESTATE operating independently but with a consistent philosophy/framework. Provides all the benefits of a focused boutique, with the resources of a large, global consultancy.



SPECIALIZED MERCER PRIVATE MARKETS GROUP dedicated to private markets manager research, portfolio management, and investment operations.

RESEARCH SPECIALISTS HAVE AN AVERAGE OF 18 YEARS OF EXPERIENCE in the financial services industry.

THE MAJORITY (79%) OF RESEARCH SPECIALISTS HAVE AN MBA, CFA®, ACTUARIAL, MASTERS AND/OR RELEVANT QUALIFICATIONS.

*** Including central leadership and support/admin staff**

GLOBAL RESEARCH NETWORK

MANAGERS COVERED	STRATEGIES COVERED	STRATEGIES RATED	STRATEGIES RATED A
5,884	29,861	9,908	2,703

NORTH AMERICA

320+ Investment Professionals

59 Research Specialists

EUROPE

430+ Investment Professionals

50 Research Specialists

GROWTH MARKETS (Asia & Middle East & Latin America)

50+ Investment Professionals

10 Research Specialists

PACIFIC

60+ Investment Professionals

11 Research Specialists

Data as of 31 March 2016
Investment Professionals exclude Financial Services
Research Specialists excludes 14 central support /admin staff

WHAT'S NEW AT MERCER

READ AND LISTEN TO THOUGHTS ON THE ECONOMY AND ASSET CLASSES

Recent Publications

- Research Perspectives - Vol 4, Issue 3
  - US Election: What's Next for Investors
  - Investing in a Low (or No) Yield Environment
  - How Diversity Impacts Mercer's Manager Ratings
  - Robo-Advice and its Impact on Wealth Management
- Top Priorities for 2017
- 2017 Themes and Opportunities
- Economic and Market Outlook 2017 and Beyond
- Mercer Market Environment Report – January 2017
- Mercer Market Summary – October, November, December 2016
- Mercer Market Environment Webcast Recording
  – Available on www.mercer.com/webcasts
- Dynamic Asset Allocation Report – DAA 1Q2017

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