



Town of Fountain Hills Quarterly Investment Review Quarter Ended December 31, 2015



The PFM Group
Financial & Investment Advisors

1820 East Ray Road
Chandler, AZ 85225
855-885-9621
brantl@pfm.com/woop@pfm.com

U.S. Treasury Yields

2-Year Treasury Yield
December 31, 2014 – February 29, 2016



Source: Bloomberg.

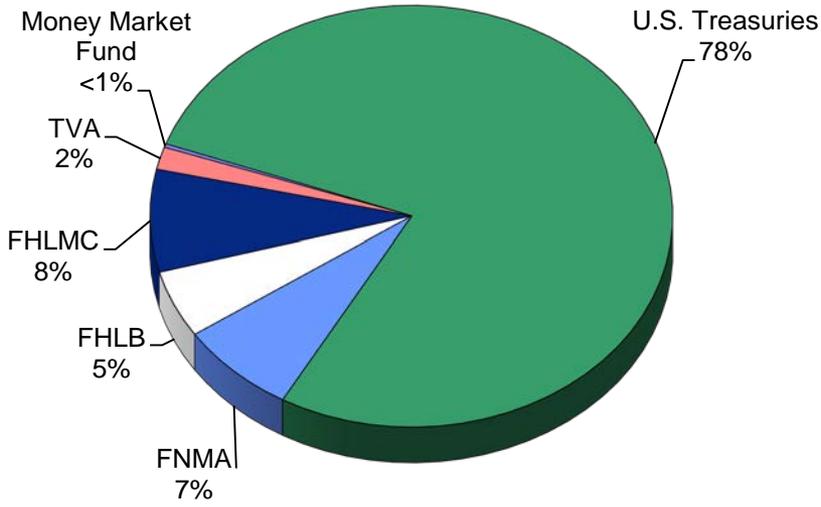
Fourth Quarter Strategy Recap

- While Treasury yields across the curve ended the quarter higher, the path towards higher rates varied by maturity.
 - Short-maturity yields rose steadily throughout the quarter as expectations for a December FOMC rate hike increased with an inflow of modestly strong economic data.
 - After increasing during the first half of the quarter, longer maturities leveled off as market participants priced in moderate growth expectations.
 - These factors combined to produce a flatter yield curve.
- Market reaction after the FOMC's announcement to raise the target range for the federal funds rate was relatively subdued, evidence that the action was in line with market expectations.
- PFMAM maintained a defensive duration position as rates trended higher. As rates approached the upper end of recent ranges, we extended duration from short of the benchmark's duration to a near-neutral position.
- The yield relationship between U.S. Treasury and federal agency securities remained stable throughout the fourth quarter. Our relative value analysis of these sectors continued to favor investments in U.S. Treasuries.

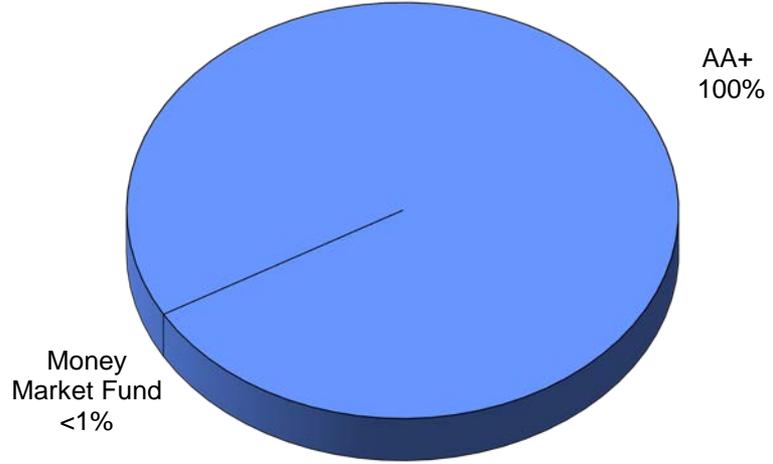
Portfolio Composition and Credit Quality Characteristics

Security Type ¹	December 31, 2015	% of Portfolio	% Change From Prior Quarter	Permitted by Policy
U.S. Treasuries	\$11,904,261.46	78%	+3%	100%
Federal Agencies	\$3,384,399.71	22%	-3%	100%
<i>FNMA</i>	\$1,125,025.10	7%	-	-
<i>FHLB</i>	\$794,318.18	5%	-	-
<i>FHLMC</i>	\$1,201,248.48	8%	-3%	-
<i>TVA</i>	\$263,807.95	2%	-	-
Money Market Fund	\$41,799.03	<1%	-	-
Total	\$15,330,460.20	100%		

Portfolio Composition



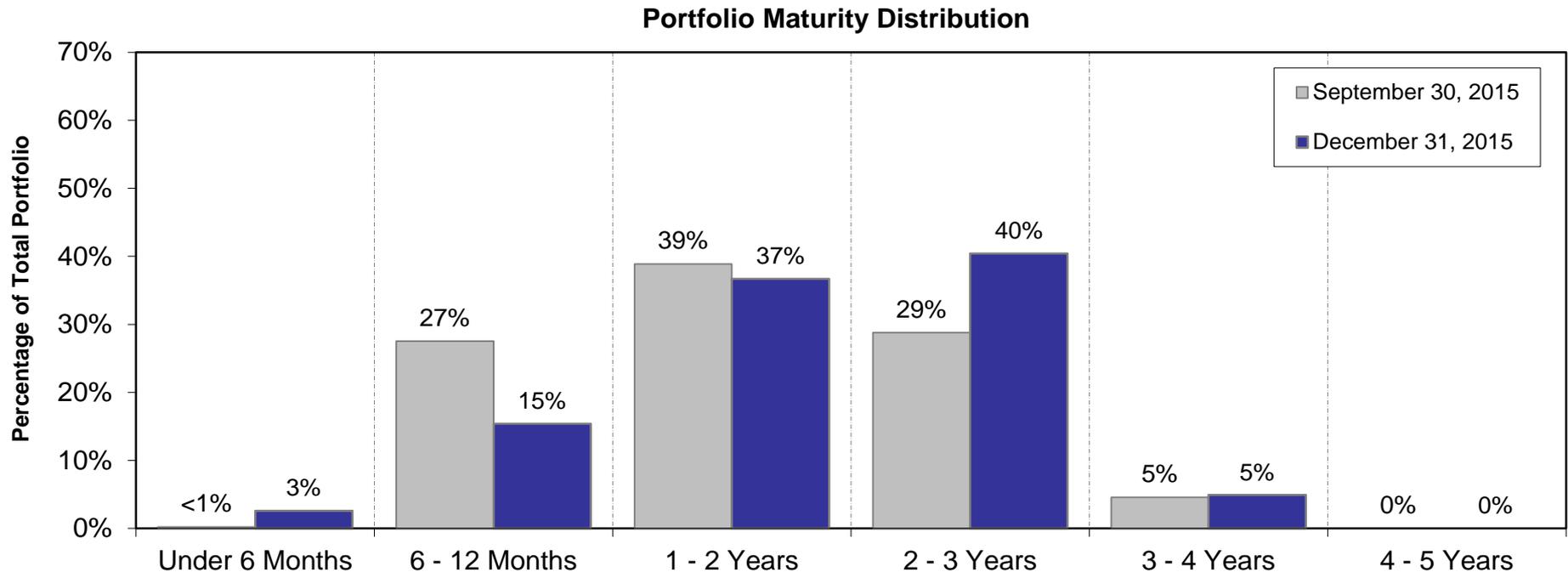
Portfolio Credit Quality Distribution²



1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
 2. Ratings by Standard and Poor's.

Portfolio Maturity Distribution

Maturity Distribution	December 31, 2015	September 30, 2015
Under 6 Months	\$396,369.43	\$33,217.81
6 - 12 Months	\$2,359,921.04	\$4,240,212.73
1 - 2 Years	\$5,627,008.32	\$5,983,499.38
2 - 3 Years	\$6,193,732.25	\$4,432,310.57
3 - 4 Years	\$753,429.16	\$703,573.85
4 - 5 Years	\$0.00	\$0.00
Totals	\$15,330,460.20	\$15,392,814.34



Individual Portfolio Yield Summary

Core Funds

Liquid Funds

Date	Market Value ¹	Core Funds		Liquid Funds	
		Portfolio Yield (Cost)	1-3 Year Treasury/Agency Index Yield ²	AZ-LGIP Pool 7 ³	Wells Fargo MMF Yield ⁴
Jan-15	\$15,288,391	0.61%	0.47%	0.08%	0.01%
Feb-15	\$15,251,169	0.66%	0.63%	0.08%	0.01%
Mar-15	\$15,297,198	0.71%	0.57%	0.09%	0.01%
Apr-15	\$15,288,916	0.72%	0.59%	0.11%	0.01%
May-15	\$15,298,473	0.74%	0.61%	0.08%	0.01%
Jun-15	\$15,320,962	0.74%	0.64%	0.09%	0.01%
Jul-15	\$15,314,600	0.76%	0.67%	0.09%	0.01%
Aug-15	\$15,345,933	0.77%	0.75%	0.11%	0.01%
Sep-15	\$15,358,979	0.77%	0.64%	0.11%	0.01%
Oct-15	\$15,334,572	0.79%	0.74%	0.12%	0.01%
Nov-15	\$15,294,943	0.83%	0.95%	0.12%	0.01%
Dec-15	\$15,301,604	0.89%	1.07%	0.21%	0.01%

1. Excludes accrued interest and includes balance in the custody account MMF.

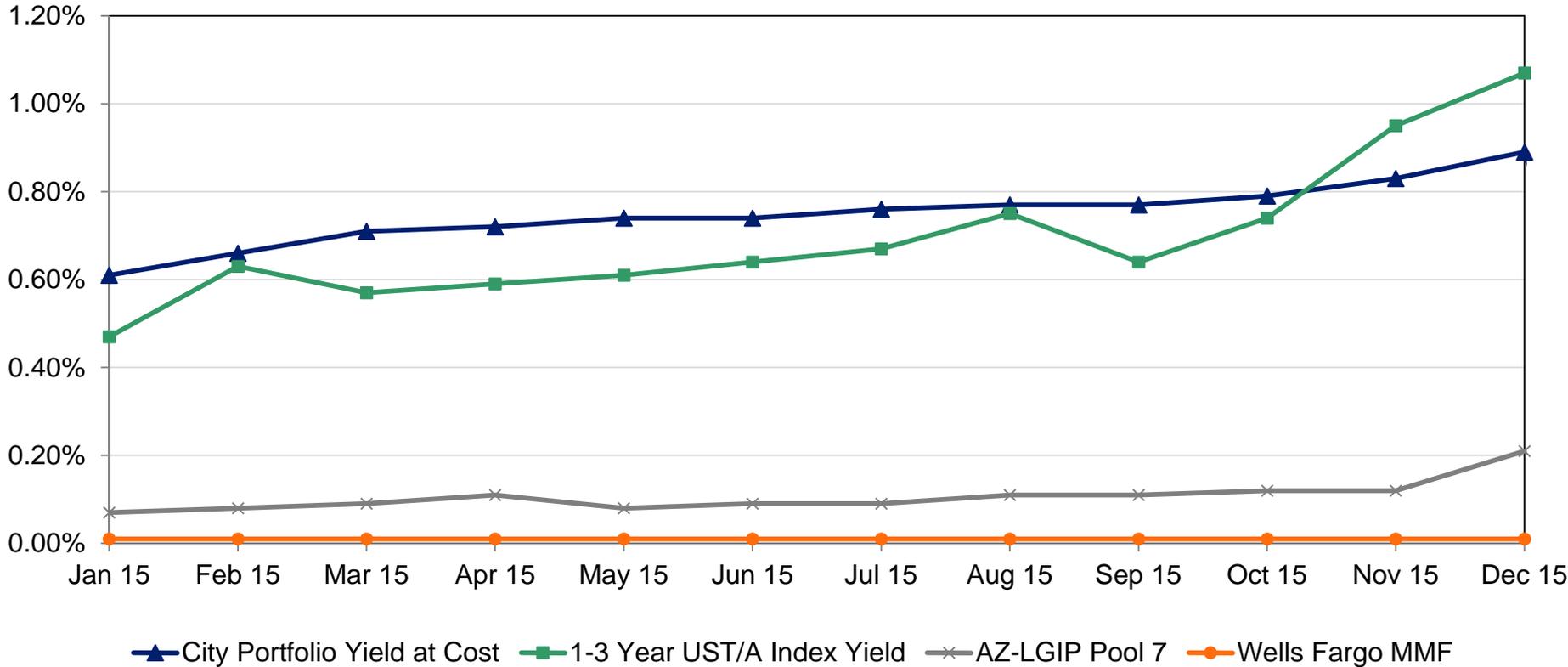
2. Rate represents the Merrill Lynch 1-3 Year U.S. Treasury/Agency Index month-end yield (G1A0). Source: Bloomberg.

3. Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.

4. Rate represents the Wells Fargo Advantage Government Money Market Service Fund.

Individual Portfolio Yield Summary (Continued)

Comparison of Combined Portfolio Yield to Various Benchmarks^{1,2,3}



1. Rate represents the Merrill Lynch 1-3 Year U.S. Treasury/Agency Index month-end yield (G1A0). Source: Bloomberg.
 2. Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.
 3. Rate represents the Wells Fargo Advantage Government Money Market Service Fund.

Capitalized on Rising Treasury Yields

- Interest rates gradually increased throughout the quarter, pricing in rate hike expectations leading up to the FOMC meeting. We locked in attractive longer-term Treasury yields where we saw the opportunity, selling out of shorter-term and lower-yielding securities.
- These trades served both to generate additional earnings and to extend duration in line with the target.

Trade Date	Trade Type	Security	Maturity	Par Value	Yield
10/8/15	Buy	U.S. Treasury Notes	9/30/18	\$500,000	0.94%
11/5/15	Buy	U.S. Treasury Notes	11/30/18	\$825,000	1.18%
12/1/15	Buy	U.S. Treasury Notes	12/31/18	\$750,000	1.22%
12/28/15	Buy	U.S. Treasury Notes	1/31/18	\$675,000	1.11%

3-Year U.S. Treasury Yields
December 31, 2012 – December 31, 2015



Source: Bloomberg.

Reinvestment into Historically Higher Rates

- As expected in a rising rate environment, current holdings in the portfolio decrease in market value and can result in a realized loss when sold.
- However, reinvesting in the higher yields now available will ultimately provide greater earnings for the Town in the long term.

Trade Date: 12/1/15				
Trade Type	Securities	Par Value	Yield on Cost	Earnings Through 6/30/16
Buy	U.S. Treasury Notes	\$750,000	1.22%	\$5,129
Sell	U.S. Treasury Notes	\$500,000	0.41%	(\$1,185)
Sell	U.S. Treasury Notes	\$225,000	0.44%	(\$572)
				(\$418)
Total benefit of trade				\$2,954

< earnings on purchased security
 < earnings giving up by selling
 < earnings giving up by selling
 < realized loss on sale

Trade Date: 12/28/15				
Trade Type	Securities	Par Value	Yield on Cost	Earnings Through 6/30/16
Buy	U.S. Treasury Notes	\$675,000	1.11%	\$3,670
Sell	U.S. Treasury Notes	\$650,000	0.55%	(\$1,746)
				(\$69)
Total benefit of trade				\$1,855

< earnings on purchased security
 < earnings giving up by selling
 < realized loss on sale

Fixed-Income Returns

Overall rising interest rates
and Fed rate hike

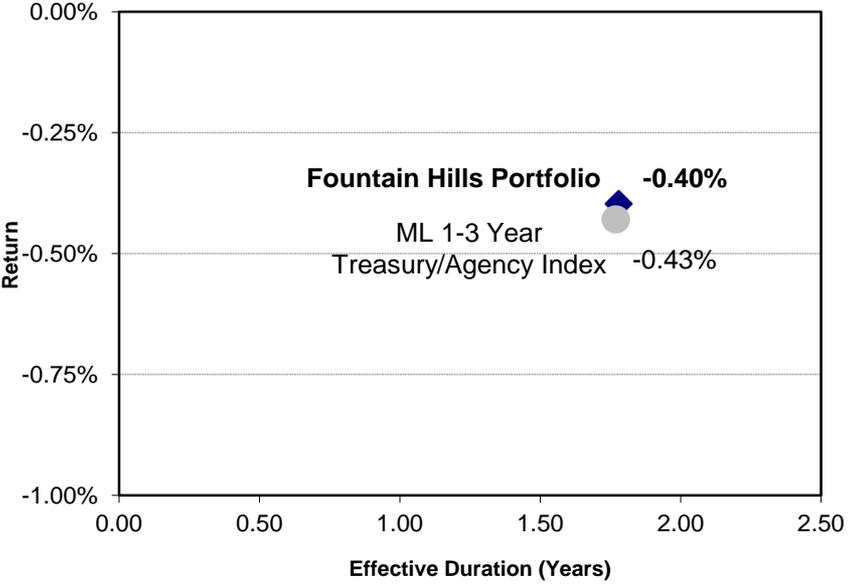
December 31, 2015	Effective Duration	Yield	YTD	1 Month	3 Month	1 Year	3 Years	5 Years
1-3 Year Indices								
U.S. Treasury	1.87	1.06%	0.54%	(0.09%)	(0.44%)	0.54%	0.51%	0.70%
Agency	1.73	1.14%	0.69%	(0.13%)	(0.37%)	0.69%	0.61%	0.84%
Corp A-AAA	1.90	1.82%	1.16%	(0.16%)	(0.05%)	1.16%	1.22%	1.85%
MBS (0 to 3 Years)	1.89	1.46%	1.68%	0.10%	0.98%	1.68%	1.20%	1.67%
Municipals	1.84	0.96%	0.76%	(0.02%)	(0.08%)	0.76%	0.85%	1.19%
1-5 Year Indices								
U.S. Treasury	2.70	1.29%	0.98%	(0.15%)	(0.66%)	0.98%	0.67%	1.25%
Agency	2.20	1.31%	0.97%	(0.16%)	(0.49%)	0.97%	0.76%	1.22%
Corp A-AAA	2.71	2.13%	1.52%	(0.26%)	(0.16%)	1.52%	1.59%	2.62%
MBS (0 to 5 Years)	3.35	2.23%	1.22%	(0.04%)	0.16%	1.22%	1.69%	2.52%
Municipals	2.52	1.15%	1.20%	0.03%	0.08%	1.20%	1.24%	1.80%
Master Indices (Maturities 1 Year and Greater)								
U.S. Treasury	6.19	1.77%	0.83%	(0.16%)	(0.93%)	0.83%	1.09%	2.99%
Agency	3.75	1.69%	0.99%	(0.25%)	(0.65%)	0.99%	1.05%	2.16%
Corp A-AAA	6.64	3.08%	0.67%	(0.42%)	(0.09%)	0.67%	1.97%	4.40%
MBS (0 to 30 Years)	4.53	2.63%	1.46%	(0.03%)	(0.06%)	1.46%	2.00%	2.93%
Municipals	6.74	2.34%	3.55%	0.79%	1.72%	3.55%	3.35%	5.65%

Source: BofA Merrill Lynch Indices. Returns greater than one year are annualized.

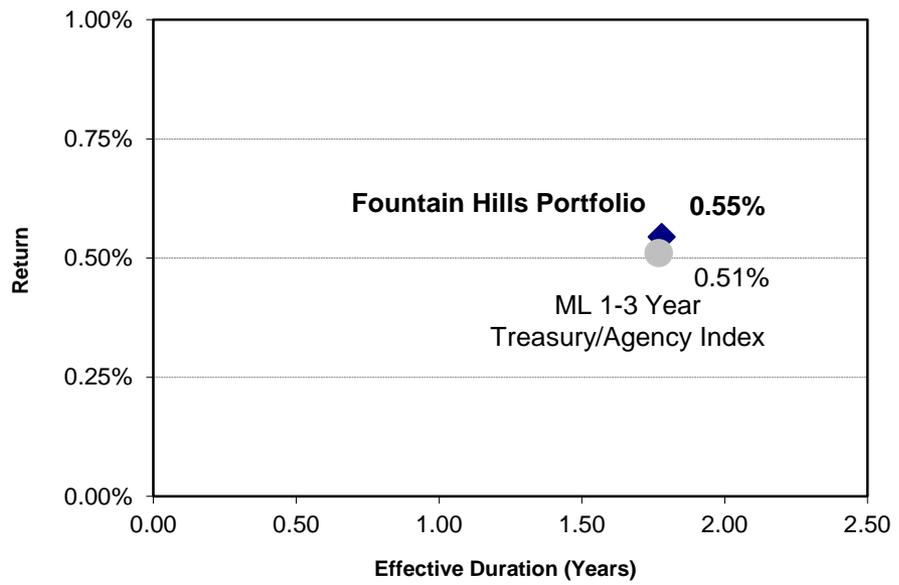
Portfolio Performance

Total Return ^{1,2,3,4}	Quarter Ended December 31, 2015	Past 12 Months	Past 2 Years	Past 3 Years	Since Inception
Fountain Hills Portfolio	-0.40%	0.56%	0.57%	0.48%	0.55%
ML 1-3 Year Treasury/Agency Index	-0.43%	0.56%	0.59%	0.52%	0.51%
Effective Duration	December 31, 2015	September 30, 2015	Yields	December 31, 2015	September 30, 2015
Fountain Hills Portfolio	1.78	1.64	Yield at Market	1.05%	0.58%
ML 1-3 Year Treasury/Agency Index	1.79	1.77	Yield on Cost	0.89%	0.77%

Quarter Total Return Comparison



Since Inception Total Return Comparison



1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.
4. Inception date is December 31, 2011.

First Quarter Investment Strategy

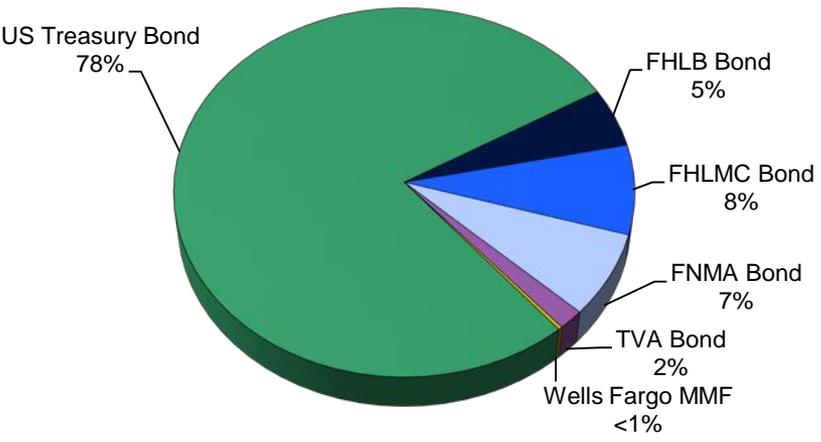
- We will continue to monitor any spillover effect that modest global growth and muted inflation may have on the U.S. economy.
- Recent FOMC projections indicate that Committee members anticipate that three or four rate hikes may be appropriate in 2016—projections that most market participants believe to be overstated. We believe:
 - Expectations for low inflation will limit this year’s rate hikes to two or three;
 - Short-term yields will trend only modestly higher in the near term; and,
 - Long-term rates will remain within modest ranges, resulting in further flattening of the yield curve.
- Given the low likelihood that rates will move significantly higher in the near-term, we started the new quarter with the portfolio’s duration positioned closer to the benchmark’s duration
- Because of narrow yield spreads, federal agencies currently have limited appeal relative to comparable-maturity U.S. Treasuries.
 - We will monitor the yield relationship between the two sectors and take advantage of opportunities that may arise—opportunities that are most likely to occur with new-issue securities.

Town of Fountain Hills Portfolio Summary

Summary By Type	Book Value	Market Value ¹	Days to Maturity	% of Portfolio	% Allowed per Policy	YTM @ Cost
U.S. Treasury Bond	\$11,937,958	\$11,904,261	691	77.65%	100%	0.91%
FHLB Bond	\$795,692	\$794,318	298	5.18%	100%	0.58%
FHLMC Bond	\$1,204,623	\$1,201,248	512	7.84%	100%	0.82%
FNMA Bond	\$1,128,517	\$1,125,025	737	7.34%	100%	1.01%
TVA Bond	\$264,961	\$263,808	715	1.72%	100%	1.01%
Wells Fargo MMF	\$41,799	\$41,799	1	0.27%	N/A	0.01%
Total including cash	\$15,373,550	\$15,330,460	659	100.00%		0.89%
Total without cash	\$15,331,751	\$15,288,661				0.89%

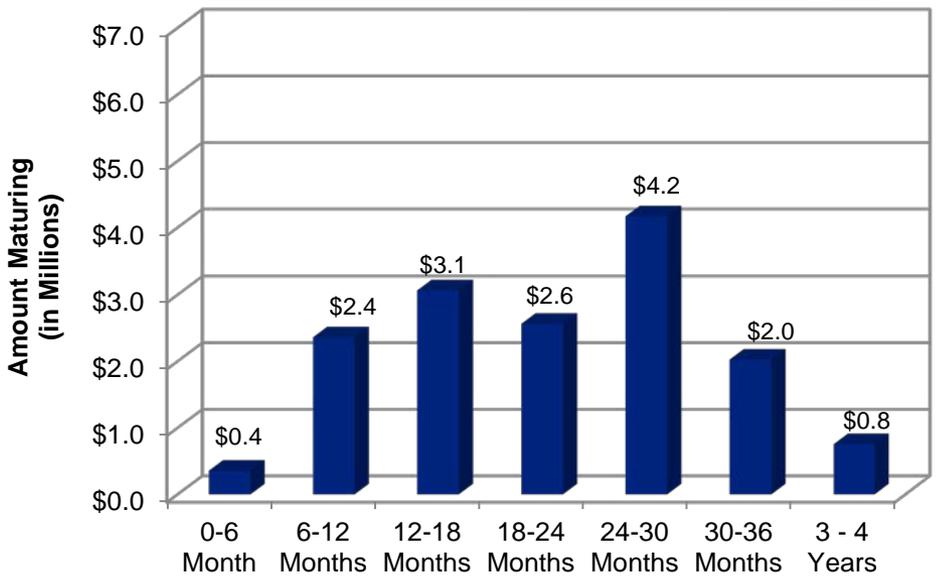
Summary by Issuer	Book Value	% of Portfolio
U.S. Treasury	\$11,937,958	77.65%
FHLB	\$795,692	5.18%
FHLMC	\$1,204,623	7.84%
FNMA	\$1,128,517	7.34%
TVA Bond	\$264,961	1.72%
Wells Fargo	\$41,799	0.27%
Total	\$15,373,550	100%

Issuer Distribution



Weighted Average Maturity (in years)	1.81
Duration Allowed by Policy	5.00
Current Portfolio Duration Including Cash	1.78
Current Portfolio Duration Without Cash	1.78

Maturity Distribution²



1. Market values of portfolio holdings include accrued interest.
 2. Excludes Money Market Balance.



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	100,000.00	AA+	Aaa	05/24/13	05/31/13	108,320.31	0.53	8.93	101,351.19	101,296.90
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	250,000.00	AA+	Aaa	05/22/13	05/24/13	271,591.79	0.44	22.32	253,481.05	253,242.25
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	285,000.00	AA+	Aaa	02/27/14	03/03/14	288,595.90	0.49	963.05	285,959.53	285,578.84
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	400,000.00	AA+	Aaa	12/03/13	12/04/13	403,578.13	0.57	306.01	401,098.82	400,234.40
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	450,000.00	AA+	Aaa	10/31/13	11/01/13	453,480.47	0.62	344.26	451,038.41	450,263.70
US TREASURY NOTES DTD 01/03/2012 0.875% 12/31/2016	912828RX0	100,000.00	AA+	Aaa	12/05/14	12/09/14	100,375.00	0.69	2.40	100,182.26	100,062.50
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	525,000.00	AA+	Aaa	03/19/14	03/21/14	526,209.96	0.92	1,334.02	525,502.04	525,820.05
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	650,000.00	AA+	Aaa	10/02/14	10/06/14	653,173.83	0.80	1,651.64	651,599.87	651,015.30
US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	825,000.00	AA+	Aaa	06/02/14	06/03/14	820,423.83	0.81	450.82	822,825.80	821,358.45
US TREASURY NOTES DTD 07/02/2012 0.750% 06/30/2017	912828TB6	550,000.00	AA+	Aaa	10/30/14	11/03/14	549,441.41	0.79	11.33	549,684.36	548,281.25
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	50,000.00	AA+	Aaa	02/06/15	02/10/15	49,582.03	0.84	104.62	49,731.67	49,621.10
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	130,000.00	AA+	Aaa	07/01/14	07/07/14	128,197.26	0.96	272.01	129,063.73	129,014.86
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	700,000.00	AA+	Aaa	02/02/15	02/04/15	697,785.16	0.63	1,464.67	698,588.79	694,695.40
US TREASURY NOTES DTD 09/30/2010 1.875% 09/30/2017	912828PA2	625,000.00	AA+	Aaa	09/02/14	09/04/14	640,673.83	1.04	2,977.72	633,971.44	633,813.75



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 12/31/2012 0.750% 12/31/2017	912828UE8	300,000.00	AA+	Aaa	12/01/14	12/03/14	298,535.15	0.91	6.18	299,044.46	297,972.60
US TREASURY NOTES DTD 01/31/2013 0.875% 01/31/2018	912828UJ7	675,000.00	AA+	Aaa	12/28/15	12/30/15	671,677.73	1.11	2,471.64	671,686.36	671,625.00
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	950,000.00	AA+	Aaa	02/26/15	02/27/15	941,613.28	1.04	1,810.45	943,875.42	941,502.25
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	1,100,000.00	AA+	Aaa	03/26/15	03/27/15	1,092,007.81	1.00	2,096.31	1,094,017.00	1,090,160.50
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	275,000.00	AA+	Aaa	04/28/15	04/30/15	272,787.11	0.90	292.75	273,276.61	271,465.70
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	900,000.00	AA+	Aaa	05/28/15	05/29/15	891,281.25	0.96	958.10	893,028.58	888,433.20
US TREASURY NOTES DTD 09/30/2011 1.375% 09/30/2018	912828RH5	500,000.00	AA+	Aaa	10/08/15	10/09/15	506,406.25	0.94	1,746.93	505,918.02	501,562.50
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	825,000.00	AA+	Aaa	11/05/15	11/09/15	826,675.78	1.18	901.64	826,599.12	823,614.00
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	750,000.00	AA+	Aaa	12/01/15	12/04/15	756,357.42	1.22	30.91	756,204.89	753,398.25

Security Type Sub-Total		11,915,000.00					11,948,770.69	0.91	20,228.71	11,917,729.42	11,884,032.75
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Federal Agency Bond / Note											
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	170,000.00	AA+	Aaa	10/01/13	10/03/13	172,510.90	0.75	548.96	170,628.70	170,616.08
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	255,000.00	AA+	Aaa	10/01/13	10/03/13	258,826.56	0.74	823.44	255,958.04	255,924.12
FHLB NOTES DTD 08/07/2014 0.500% 09/28/2016	3130A2T97	420,000.00	AA+	Aaa	08/06/14	08/07/14	419,055.00	0.61	542.50	419,671.33	419,262.90
FHLB NOTES DTD 11/17/2014 0.625% 11/23/2016	3130A3J70	375,000.00	AA+	Aaa	01/21/15	01/22/15	375,471.59	0.56	247.40	375,230.51	374,265.38



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

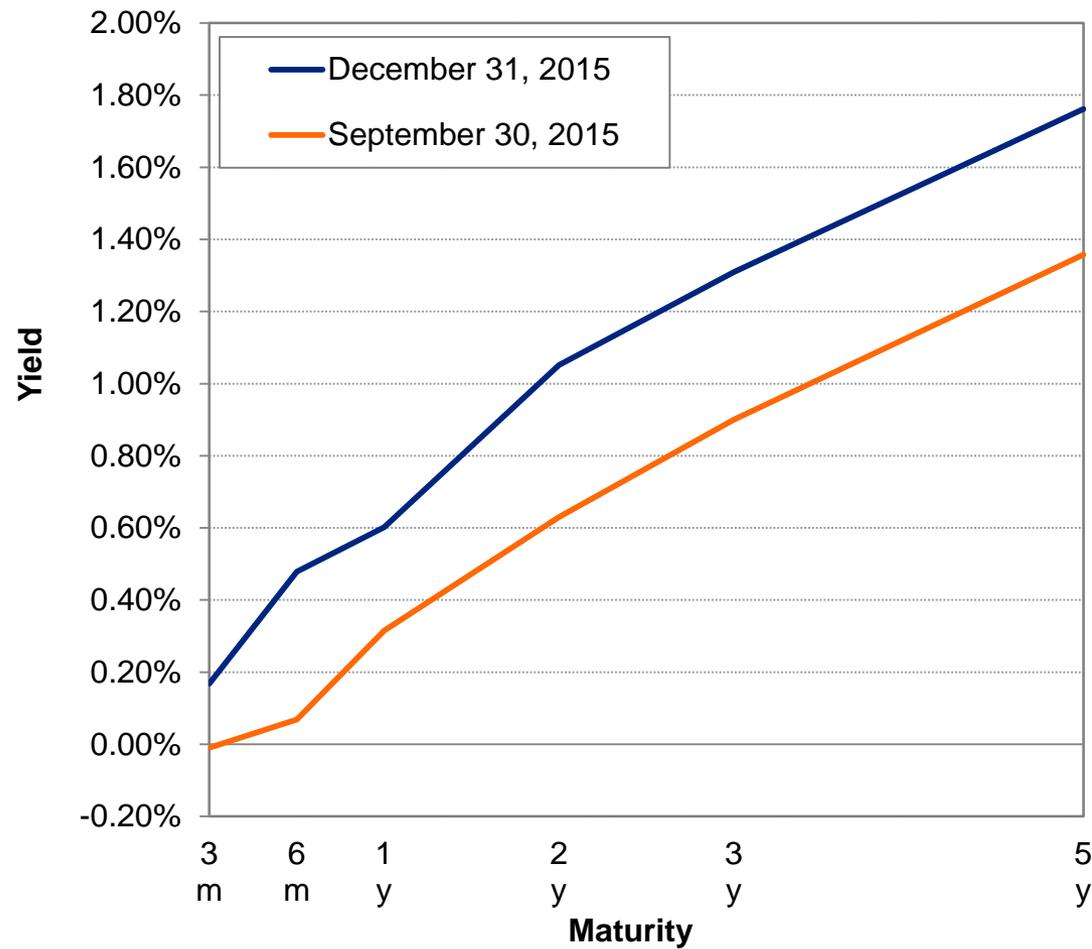
Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FHLMC REFERENCE NOTE DTD 01/16/2015 0.500% 01/27/2017	3137EADU0	415,000.00	AA+	Aaa	01/15/15	01/16/15	414,273.75	0.59	887.64	414,615.51	413,330.04
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	350,000.00	AA+	Aaa	03/19/15	03/20/15	351,190.00	0.85	1,487.50	350,798.76	349,417.95
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	435,000.00	AA+	Aaa	08/12/14	08/14/14	434,970.86	1.00	1,848.75	434,984.60	434,276.60
TENNESSEE VALLEY AUTHORITY NOTES DTD 12/22/1997 6.250% 12/15/2017	880591CU4	240,000.00	AA+	Aaa	08/18/15	08/19/15	268,794.24	1.01	666.67	264,294.79	263,141.28
FNMA BENCHMARK NOTE DTD 09/01/2015 1.125% 10/19/2018	3135G0E58	700,000.00	AA+	Aaa	08/27/15	09/01/15	698,866.00	1.18	1,575.00	698,982.77	695,537.50
Security Type Sub-Total		3,360,000.00					3,393,958.90	0.84	8,627.86	3,385,165.01	3,375,771.85
Managed Account Sub-Total		15,275,000.00					15,342,729.59	0.89	28,856.57	15,302,894.43	15,259,804.60
Securities Sub-Total		\$15,275,000.00					\$15,342,729.59	0.89%	\$28,856.57	\$15,302,894.43	\$15,259,804.60
Accrued Interest											\$28,856.57
Total Investments											\$15,288,661.17



Economic Update

Interest Rates Rose Across the Curve in Q4

U.S. Treasury Yield Curves



	9/30/15	12/31/15	Change
3 Month	-0.02%	0.17%	+0.19%
6 Month	0.07%	0.48%	+0.41%
1 Year	0.31%	0.60%	+0.29%
2 Year	0.63%	1.05%	+0.42%
3 Year	0.90%	1.31%	+0.41%
5 Year	1.36%	1.76%	+0.40%
10 Year	2.04%	2.27%	+0.23%
30 Year	2.85%	3.02%	+0.17%

Source: Bloomberg.

At Last! Fed Raises Interest Rates

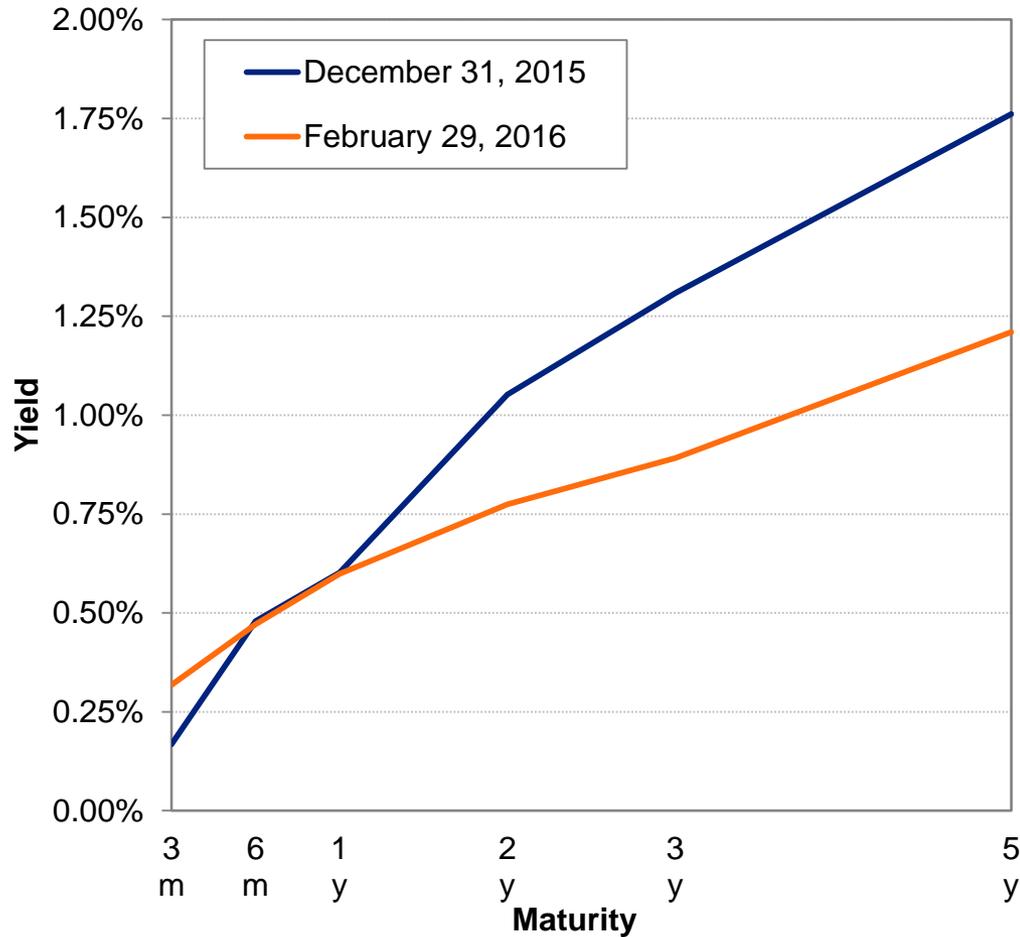
FOMC December 15-16 Statement



- A range of recent labor market indicators, including ongoing job gains and declining unemployment, shows further improvement and confirms that **underutilization of labor resources has diminished appreciably since early this year.**
- Inflation has continued to run below the Committee's 2% longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports . . . Some survey-based measures of longer-term inflation expectations have edged down . . . [the Committee] is reasonably **confident that inflation will rise, over the medium term, to its 2% objective.**
- Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to **raise the target range for the federal funds rate to 0.25 – 0.50%** . . . the stance of monetary policy remains accommodative.
- In light of the current shortfall of inflation from 2%, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only **gradual increases in the federal funds rate.**

Yields Down Sharply Since Year End

U.S. Treasury Curves

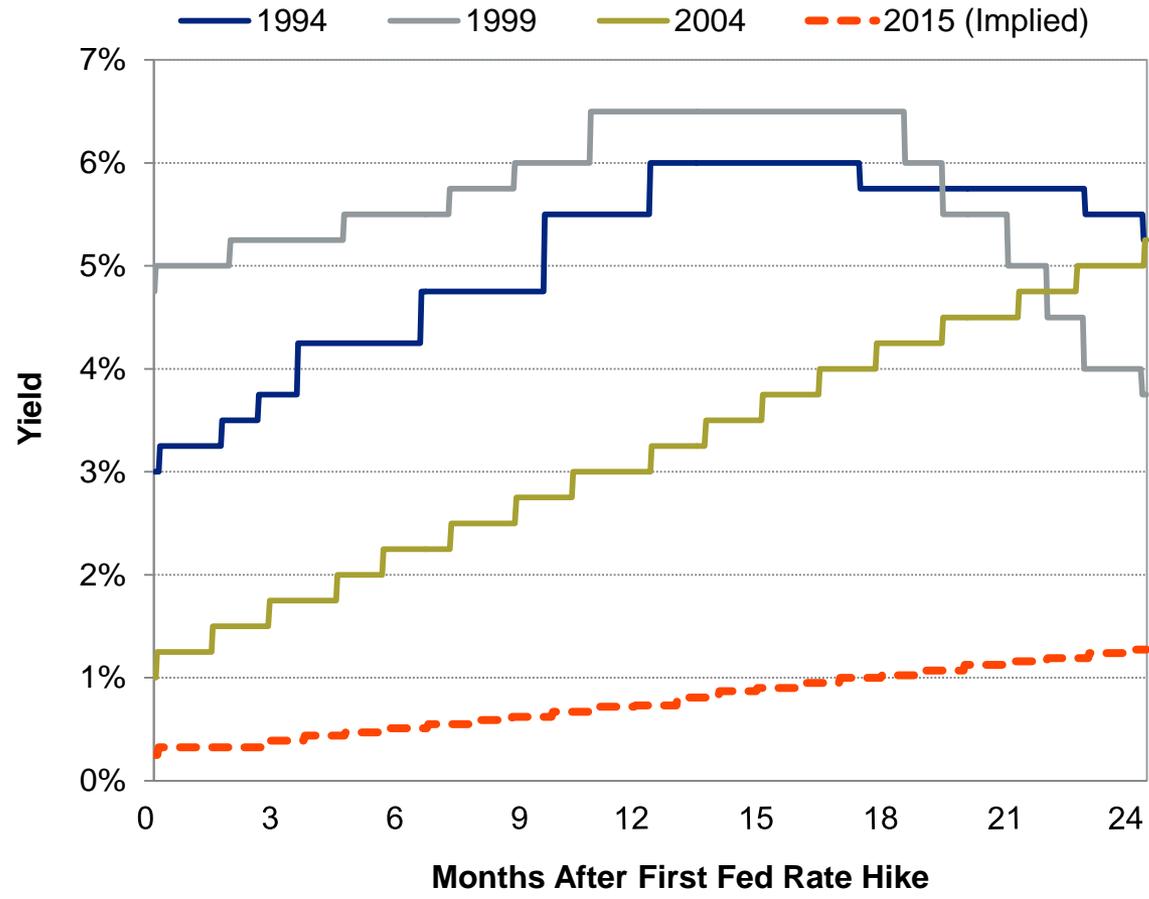


	12/31/15	2/29/16	Change
3 Month	0.17%	0.32%	+0.15%
6 Month	0.48%	0.47%	-0.01%
1 Year	0.60%	0.60%	0.00%
2 Year	1.05%	0.77%	-0.28%
3 Year	1.31%	0.89%	-0.42%
5 Year	1.76%	1.21%	-0.55%
10 Year	2.27%	1.73%	-0.54%
30 Year	3.02%	2.60%	-0.42%

Source: Bloomberg.

A New Path for the Fed

Federal Funds Target Rate

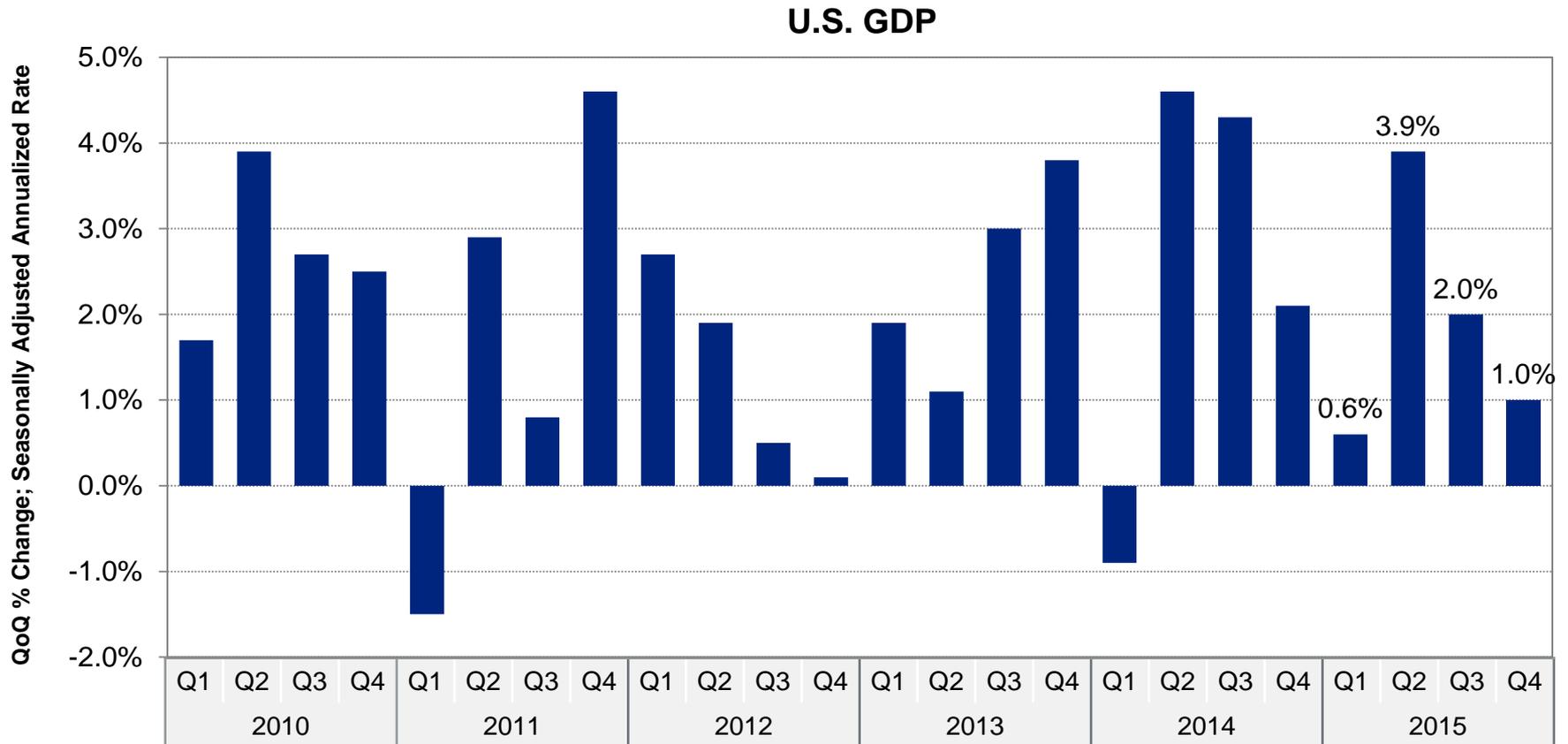


United States	
1) Overview	
2) Future Implied Probabilities	
Current Implied Probabilities	
Dates	Meeting <input checked="" type="radio"/> Calculated <input type="radio"/>
Meeting	Prob Of Hike
03/16/2016	4.0%
04/27/2016	9.8%
06/15/2016	18.8%
07/27/2016	20.4%
09/21/2016	26.8%
11/02/2016	28.3%
12/14/2016	41.1%
02/01/2017	41.1%

Source: Bloomberg as of 2/18/16. 2015 forecast is based on federal funds futures contracts as of 2/18/16.

U.S. Economy Cooled in Fourth Quarter

- The second reading of fourth quarter GDP indicated the economy expanded at 1.0%, and is continuing to cool from the rate of expansion seen in the second and third quarters.
- For 2015, GDP expanded 2.4% for a second year in a row, led by the biggest gain in consumer spending in a decade.

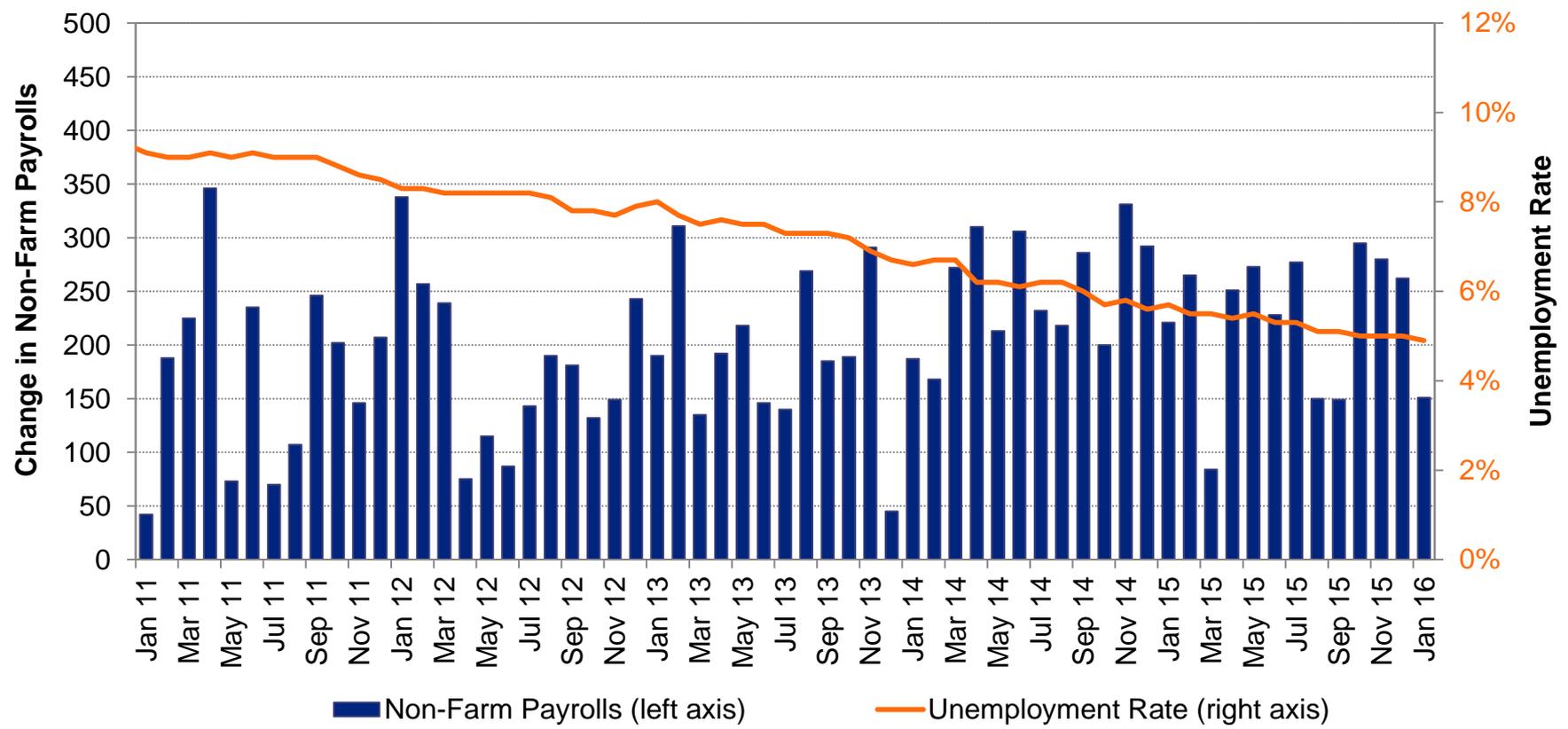


Source: Bureau Of Economic Analysis; Bloomberg.

U.S. Economy Continued to Create Jobs

- The U.S. labor market added an average 222,000 jobs per month over the past year.
- The unemployment rate is at 4.9%, which is considered to be near “full employment.”

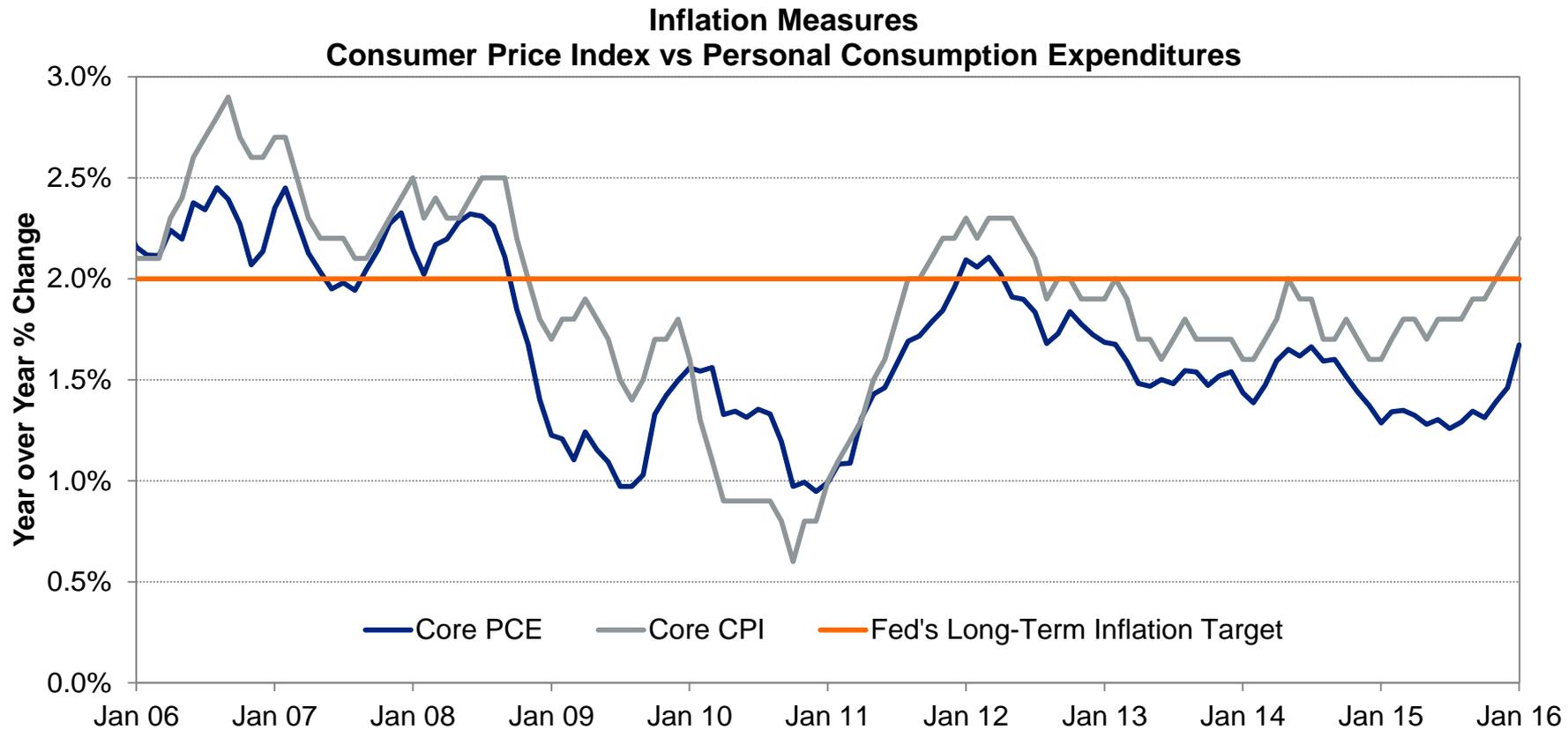
Monthly Change in Non-Farm Payrolls and Unemployment Rate



Source: Bureau of Labor Statistics, Bloomberg.

Inflation Remained Muted

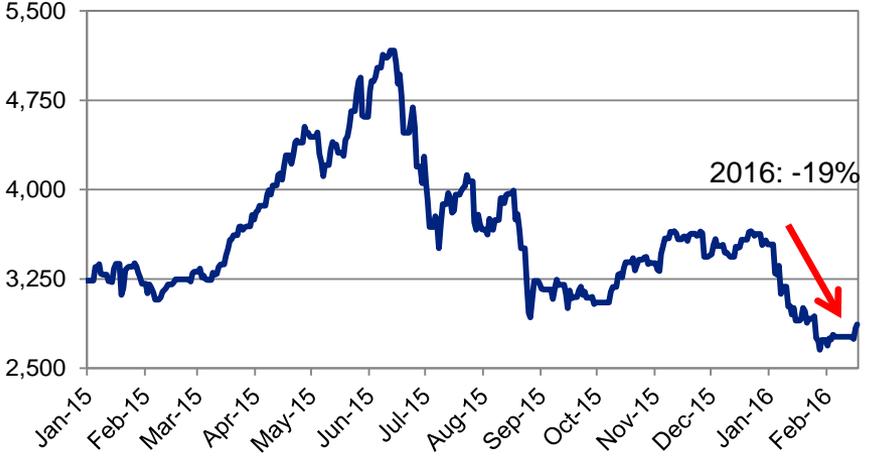
- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, remained under the 2% target; it advanced 1.7% year-over-year through January.



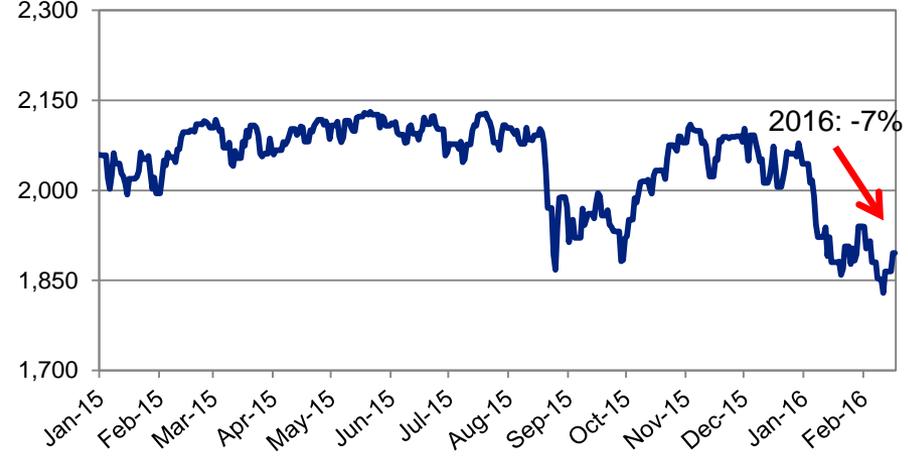
Source: Bloomberg.

Significant Volatility Across the Financial Markets

Shanghai Composite



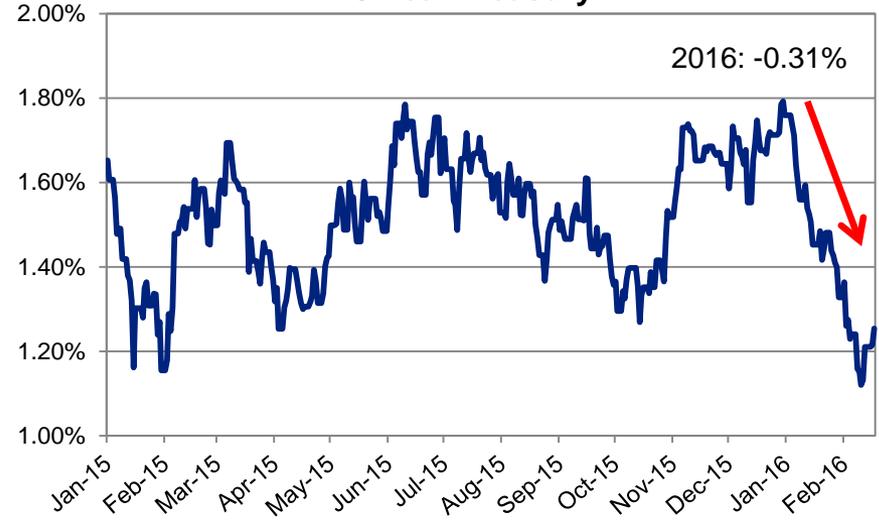
S&P 500



WTI Crude Oil (per barrel)

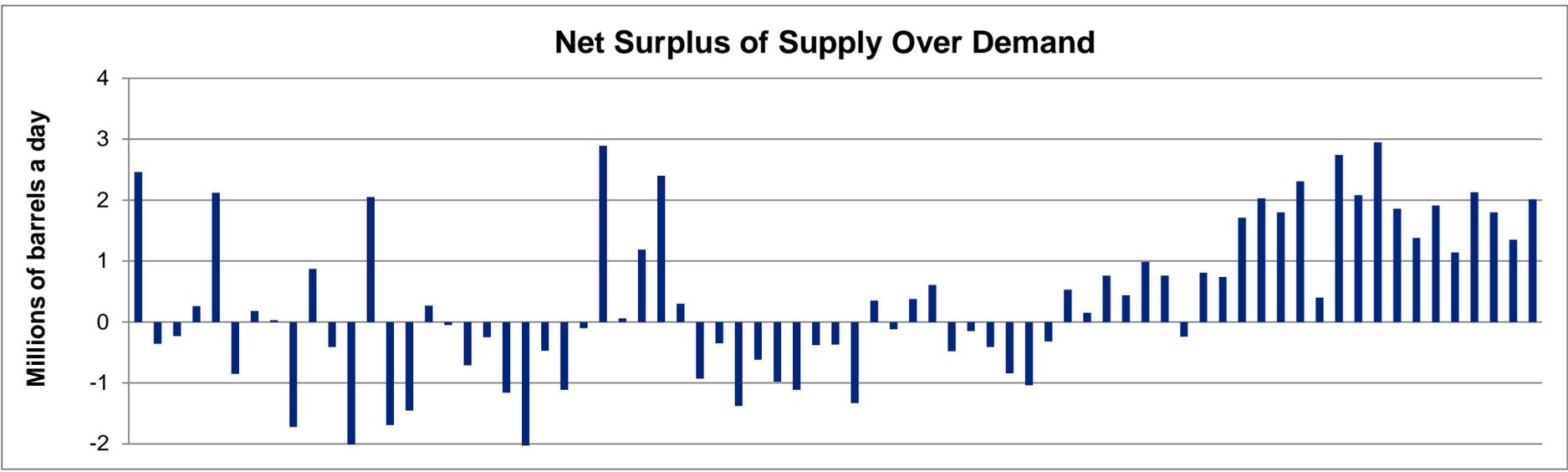
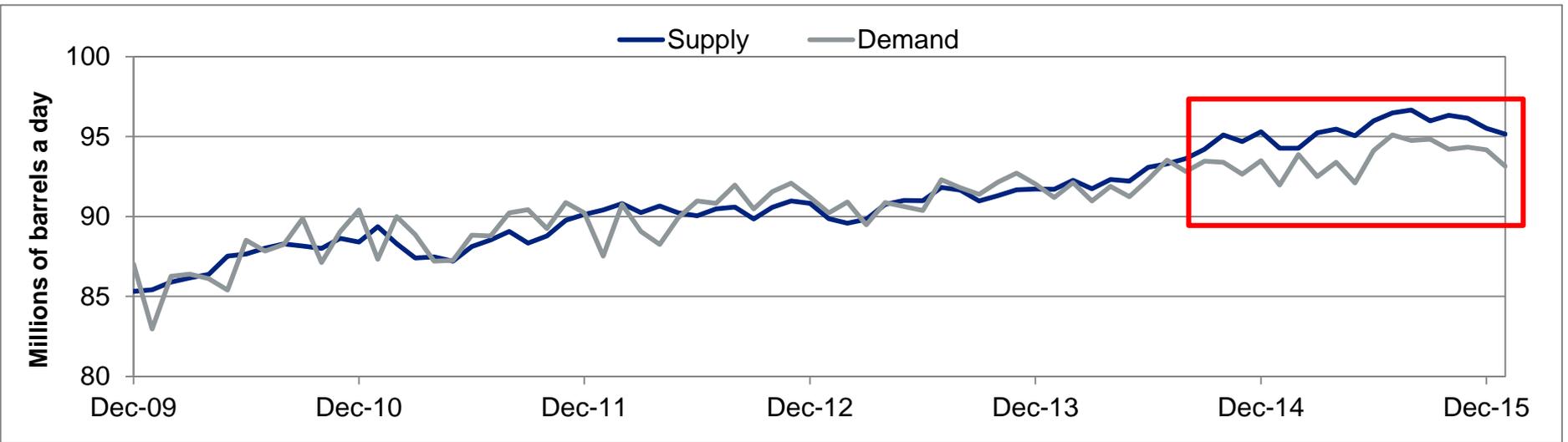


5-Year Treasury



Source: Bloomberg, as of 2/16/16.

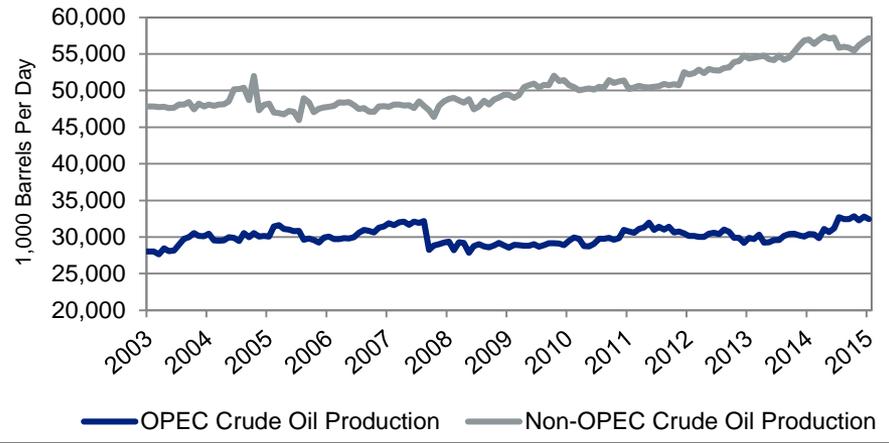
Supply-Demand Imbalance in Oil



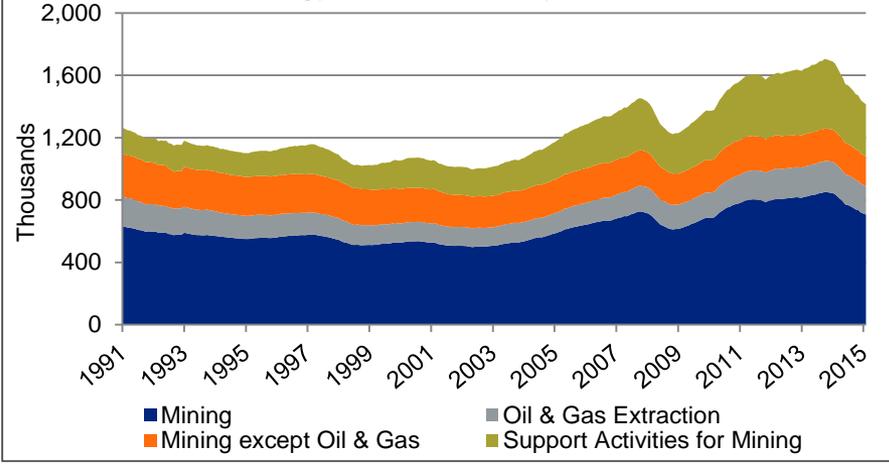
Source: Bloomberg, U.S. Department of Energy.

Far-Reaching Effects of Oil Market Performance

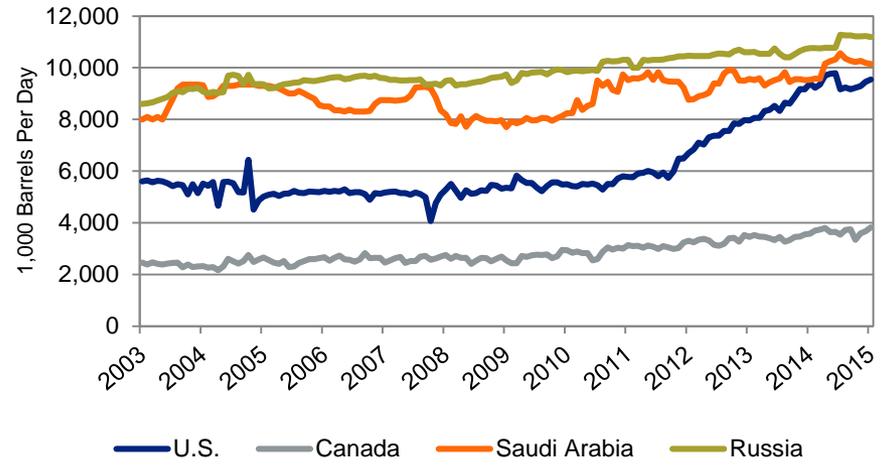
OPEC vs Non-OPEC Crude Production



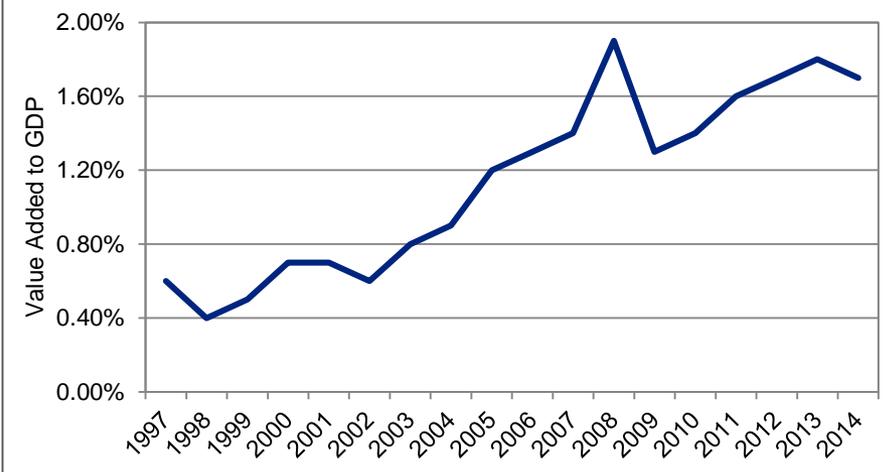
Energy-Related Employment in U.S.



Crude Oil Production



U.S. Oil and Gas Extraction as % of U.S. GDP



Source: Bloomberg. Energy Intelligence Group.