

STRONG EQUITIES LEAD TO SOLID QUARTER, YEAR FOR PLAN SPONSORS



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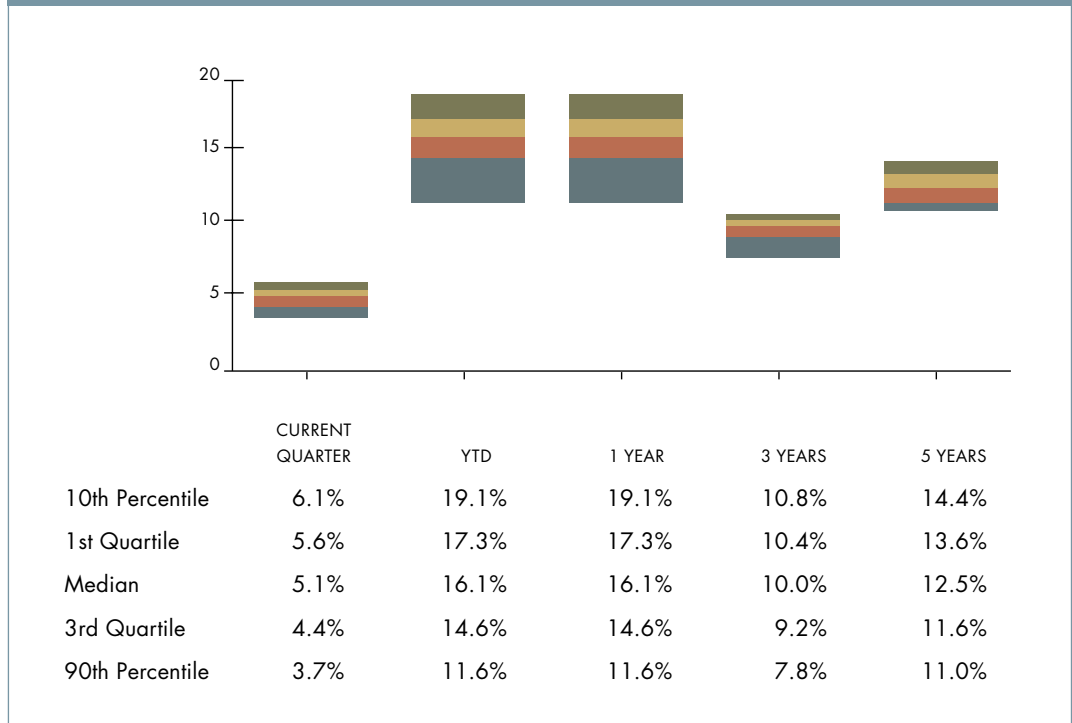
The Public Funds Universe posted another quarterly gain in the fourth quarter of 2013, with the median plan returning 5.1%. This is the sixth consecutive quarter that public funds have produced positive results, boosting longer time-period returns. The one-, three-, and five-year returns were 16.1%, 10.0% and 12.5%, respectively.

Within the Public Funds Universe, domestic equities comprise the largest allocation, at 32.9%, as of December 31, 2013. After months of uncertainty, the Fed finally announced that it would start winding down its asset purchasing program while also extending its promise of very low interest rates into 2015. This rate reassurance and the modest pull back in easing helped domestic equities surge

through the end of the year. Broad-based domestic equity indexes such as the S&P 500 and Russell 3000 ended the year with solid returns of 10.5% and 6.1%, respectively. Large cap stocks led the way, with large cap growth being the top-performing sub-asset class within U.S. equity. The Russell 1000 Growth index gained 10.4% in the fourth quarter.

International equity markets were also boosted by central bank comments. The ECB lowered its benchmark interest rate to a record-low 25 basis points and said it may consider additional measures if necessary. Both the MSCI EAFE and MSCI ACWI ex U.S. indexes finished the quarter with solid gains of 5.8% and 4.8%, respectively. Emerging market equities struggled to stay

PUBLIC FUNDS – TOTAL RETURNS DECEMBER 31, 2013



positive in the quarter, with Latin American countries pulling down the index. The MSCI Emerging Markets index posted a modest quarterly gain of 1.9%. As of December 31, 2013, the Public Funds composite allocation to international equities was 22.8%.

The domestic and foreign fixed income allocations within the Public Funds Universe were 19.4% and 3.9%, respectively, at the end of the fourth quarter. Domestic fixed income, represented by the Barclays Capital U.S. Aggregate Index, posted a narrow loss of 0.1% for the quarter. Foreign fixed income,

represented by the Citi-Group WGBI ex U.S. index, also had a loss in the quarter of 1.2%

Real estate and private equity allocations within the Public Funds composite were 4.4% and 6.0%, respectively, at the end of the quarter. Real estate markets declined for the third straight quarter, with the Wilshire REIT index returning -0.8%.

After six straight quarterly gains, public funds are happy to see their longer-period returns much closer or even exceeding their long-term return assumptions.

COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	33%	30%	35%	32%
Global/Non-U.S. Equity	23%	22%	20%	16%
U.S. Fixed Income	19%	22%	23%	27%
Global/Non-U.S. Bonds	4%	5%	5%	5%
Private Equity/Hedge Funds	10%	10%	8%	8%
Cash & Other	11%	11%	10%	12%

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If you would like to participate in our universe analysis and receive more in-depth information, please contact your relationship manager.

Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.