

November 2015 Investment Report

Monthly Report

Markets

- U.S. equities, represented by the Russell 3000 Index, rose a modest **0.6%** in November. The market paused from a strong October performance in light of uncertainty surrounding the Federal Reserve's (Fed) pending interest rates plans and weak domestic industrial production data. Reversing the trend from last quarter, small company stocks outperformed large company stocks and increased **3.3%** compared to the **0.3%** gain for the S&P 500 Index. Financials were the best performing Russell 3000 sector, gaining **1.8%**, while Utilities were again the worst performing Russell 3000 sector, decreasing **1.8%**.
- Non-US stocks declined **1.9%**, as measured by the MSCI ACWI World ex USA Investable Market Index. Developing market stocks decreased **3.7%** compared to the performance of developed country stocks as measured by the MSCI EAFE Index, which declined **1.6%**. Further pressure on crude oil prices weighed on commodity-driven markets such as Brazil and Canada, dragging performance of the EAFE Index down. Also, Chinese stocks declined over ongoing economic growth concerns.
- The U.S. Treasury yield curve rose and flattened during November amid increasing expectations that the Fed will raise short term interest rates in December. The 2-year note yield increased **0.2%** to **0.93%**, and the 10-year note yield increased **0.06%** to **2.21%**.
- U.S. Treasury securities, as measured by the Barclays U.S. Treasury Index, decreased **0.4%** in November. Investment-grade debt, as measured by the Barclays U.S. Credit Index, decreased **0.2%**. Below-investment-grade debt, as measured by the Barclays U.S. Corporate High-Yield Index, decreased **2.2%** and underperformed investment-grade debt during the month.
- The U.S. dollar strengthened **3.4%** in November, as measured by the U.S. Dollar Index. The euro and British pound decreased **4%** and **2.4%** relative to the dollar, respectively. Diverging global central bank policies contributed to dollar strength, as the Fed signaled it may soon raise interest rates. The International Monetary Fund (IMF) granted reserve currency status to the Chinese renminbi (yuan) by approving that currency's inclusion in the IMF's Special Drawing Rights basket. The yuan decreased **1.3%** relative to the dollar during November.
- Commodities, as represented by the Bloomberg Commodity Index, decreased **7.3%** in November. Petroleum was the weakest commodity sector and decreased **10.8%**. Industrial and Precious Metals declined **8.7%** and **7.5%** respectively amid signs of Chinese economic slowdown and low global inflation.

Economics Highlights

- November employment statistics continued to show underlying strength in the U.S. economy. The U.S. economy added 211,000 jobs in November and the October estimate was increased from 271,000 to 298,000. Both are above economist projections of 185,000 (October) and 200,000 (November). The unemployment rate of **5%** remained unchanged from the previous month. The labor force participation rate rose from **62.4%** to **62.5%**.
- The market continues to wait for robust growth in the new housing market. U.S. housing starts declined by **11%** in October to a seasonally adjusted rate of 1.06 million, a seven-month low. Multifamily starts declined by **25.1%** while single-family starts fell by **2.4%**. New applications for buildings permits, an indicator of future housing starts, rose by **4.1%** to a seasonally adjusted annual rate of 1.15 million. Multifamily permits increased **6.8%** (439,000 permits) and single-family increased **2.4%** (711,000 permits).
- Slower overseas sales due to the strength of the U.S. dollar have begun to impact U.S. industry. The Federal Reserve's U.S. Industrial Production Index declined by **0.2%** in October, which is the second consecutive monthly decline.
- Despite worries about slower world economic growth negatively affecting the U.S. economy, the second estimate of U.S. gross domestic product (GDP), released by the Bureau of Economic Analysis, increased at an annual rate of **2.1%** in the third quarter of 2015. The increase exceeded the advance estimate of **1.5%**.

Geopolitical Headlines

- Global markets experienced a short-term decline after multiple coordinated terrorist attacks occurred in Paris resulting in an estimated 130 fatalities. The Islamic State of Iraq and Syria (ISIS) claimed to have carried out the attacks as retaliation for French airstrikes in Syria and Iraq. France declared a state of emergency and instituted temporary border checks. They also increased their airstrikes, launching their biggest campaign to date against ISIS.
- Turkey, a NATO member, shot down a Russian military aircraft near its border with Syria which Turkey claimed violated its airspace. Russia reported that one of its two pilots was shot dead by ground fire from a Turkmen rebel brigade in Syria. Russia denied the aircraft violated Syria's airspace and is discussing setting sanctions against Turkey on agricultural imports, restricting travel to Turkey from Russia, and setting strict visa limits for Turkey. Estimates provided by the European Bank for Reconstruction and Development indicated that the sanctions could decrease Turkey's annual gross domestic product by 0.3% to 0.7%, if fully implemented over the next year.
- The 2015 United Nations Climate Change Conference, known as COP21, began in Paris. Diplomats from 195 countries are attending with the objective to create a universal agreement on climate change. Major hurdles that must be addressed include which agreements will be legally binding and funding of the transition in developing countries.

Sources: *Forbes, Reuters, Bloomberg, The Economist, Energy Information Administration, The Wall Street Journal, CBS News, FactSet, Barclays, Russell, CNBC, CNN, The New York Times, Associated Press, Bridgewater Associates, Wikipedia, NASDAQ and Bureau of Economic Analysis.*

Key Monthly Economic Statistics

This table contains a list of key monthly economic statistics.

	<p>Positive Statistics</p> <ul style="list-style-type: none"> • Durable Goods Orders, Oct: 2.9% (Sep: -0.8%); M/M-SA • Factory Orders, Oct: 1.5% (Sep: -0.8%); M/M-SA • New Home Sales, Oct: 10.7% (Sep: -12.9%); M/M-SAAR • Nonfarm Payrolls, Nov: 211,000 (Oct: 298,000) • Real Gross Domestic Product, Q3: 2.1% (Q2: 3.9%); Q/Q-SAAR • S&P/Case-Shiller 20-City Home Price Index, Sep: 5.5% (Aug: 5.1%); Y/Y • Unemployment Rate, Nov: 5.0% (Oct: 5.0%)
	<p>Neutral Statistics</p> <ul style="list-style-type: none"> • Consumer Price Index core, Oct: 0.2% (Sep: 0.2%); M/M-SA • Consumer Price Index, Oct: 0.2% (Sep: -0.2%); M/M-SA • Institute for Supply Management Index, Nov: 48.6 (Oct: 50.1) • Producer Price Index core, Oct: -0.3% (Sep: -0.3%); M/M-SA • Producer Price Index, Oct: -0.4% (Sep: -0.5%); M/M-SA • Retail Sales ex-auto, Oct: 0.2% (Sep: -0.4%); M/M-SA • Retail Sales, Oct: 0.1% (Sep: 0.0%); M/M-SA
	<p>Negative Statistics</p> <ul style="list-style-type: none"> • Consumer Confidence, Nov: 90.4 (Oct: 99.1) • Existing Home Sales, Oct: -3.4% (Sep: 4.7%); M/M-SAAR • Housing Starts, Oct: -11.0% (Sep: 6.7%); M/M-SAAR

M/M = Month-over-month (% change since last month)

Q/Q = Quarter-over-quarter (% change since last quarter)

Y/Y = Year-over-year (% change since the same month, last year)

SA = Seasonally Adjusted

SAAR = Seasonally Adjusted Annual Rate

Source: [FactSet](#)

Investment Fund Review: (Net of Fees Performance)

Historical returns are not indicative of future performance. Please refer to the [Investment Funds Description](#) for more information about the funds. This is not an offer to purchase securities. Offers will only be made through the Investment Funds Description. For historical returns of one year, three years, five years, 10 years and since inception periods, please visit our [Historical Funds Performance page](#).

Inflation Protection Fund

Fund	November	YTD
Inflation Protection Fund	-0.65%	-3.54%
Barclays Capital U.S. Government Inflation Linked Bond Index	-0.09%	-0.87%
Difference	-0.56%	-2.67%

Weakness in the prices of most commodities, especially oil, has led to fund losses and its poor benchmark-relative performance for both the month of November and year-to-date.

- The Inflation Protection Fund (IPF) declined **0.65%** in November and underperformed the fund's benchmark return by **0.56%**. The fund's 9% exposure to commodities futures contracts declined **7%** and accounted for nearly all of the fund's underperformance compared to the fund benchmark.
- For the year-to-date, the Inflation Protection Fund declined **3.54%** and underperformed the fund benchmark by **2.67%**. The fund's diversifying strategies of inflation-linked bonds from developing countries and commodities contributed most to the fund's underperformance as they declined **21.6%** and **13.7%** respectively. Both strategies have suffered due to investor perceptions of stagnant future world economic growth, especially in China and other developing countries. The fund's two floating rate strategies of senior secured loans and asset-backed securities gained **3.3%** and **3.8%** respectively, and positively contributed to benchmark-relative results. The fund's allocation to currency-hedged developed country inflation-linked bonds also positively contributed to benchmark-relative performance, gaining **1.4%**.

Fixed Income Fund

Fund	November	YTD
Fixed Income Fund	-0.69%	-0.95%
Barclays U.S. Universal (Ex MBS) Index	-0.44%	+0.75%
Difference	-0.25%	-1.70%

While the fund's allocation to positive social purpose loans has positively contributed to results for the Fixed Income Fund, the fund's exposure to non-dollar bonds and below-investment grade bonds have detracted from benchmark-relative performance in November.

- The Fixed Income Fund (FIF) declined **0.69%** in November and underperformed its benchmark return by **0.25%**. The fund's diversifying strategies of below-investment grade bonds and bonds denominated in foreign currencies declined **2.3%** and **1.7%** respectively, and detracted from benchmark-relative performance. Continued deteriorating oil prices and a negative earnings announcement from a major health services provider affected the fundamental outlook for several below-investment grade bond issuers. Dollar strength, particularly when compared to the euro,

adversely affected the value of foreign currency denominated bonds. The fund's 9% allocation to positive social purpose loans gained **0.5%** and positively contributed to benchmark-relative performance.

- For the year-to-date, the Fixed Income Fund lost **0.95%** and underperformed its benchmark return by **1.7%**. The fund's allocations to bonds denominated in currencies other than the U.S. dollar declined due to dollar strength, especially compared to the currencies of developing countries. The fund's allocation to bonds from developed countries lost **4%** and the fund's allocation to bonds from developing countries lost **5.8%**. The fund's allocation to positive social purpose loans gained **5.6%** and positively contributed to benchmark-relative performance.

Extended Term Fixed Income Fund

Fund	November	YTD
Extended Term Fixed Income Fund	-0.38%	-1.05%
Barclays U.S. Government/Credit Long Term Index	-0.56%	-1.73%
Difference	+0.18%	+0.68%

The Extended Term Fixed Income Fund declined in November due to greater confidence in future economic growth and the increasing likelihood that the Fed will raise interest rates.

- The Extended Term Fixed Income Fund declined **0.38%** in November and outperformed its benchmark return by **0.18%**. The fund benefitted from its intentional strategy of holding bonds with shorter-term maturities than the fund benchmark until interest rates return to historically normal levels. Interest rates for longer-term bonds increased as investors collectively expressed more optimism regarding future economic growth and the greater likelihood of a Fed increase in short-term lending rates in December.
- For the six months since the implementation of the fund, it declined **1.05%** and outperformed the fund benchmark by **0.68%**. As in November, the fund has benefitted since inception from our intentional strategy of holding bonds with shorter-term maturities until interest rates return to historically normal levels.

U.S. Equity Fund

Fund	November	YTD
U.S. Equity Fund	+1.02%	+2.71%
Russell 3000	+0.55%	+2.58%
Difference	+0.47%	+0.13%

Small and mid-sized companies positively contributed to the fund's benchmark-relative performance in November and the fund's alternative investments have produced strong results for the year-to-date.

- The U.S. Equity Fund (USEF) gained **1.02%** in November and outperformed the fund's Russell 3000 Index benchmark by **0.47%**. The fund's greater than benchmark allocation to small and mid-sized companies contributed positively to benchmark-relative performance as the Russell 2000 Index of small companies and the S&P 400 Midcap Index gained **3.2%** and **1.4%** respectively compared to the **0.6%** gain of the large company S&P 500 Index.

- For the year-to-date, the fund gained **2.71%** and modestly outperformed its benchmark return by **0.13%**. The fund benefitted from its diversifying allocations to private equity and private real estate, which recognized gains of **8.3%** and **13%** respectively. The fund's larger than benchmark allocations to small and mid-sized companies detracted from benchmark-relative performance as the Russell 2000 Index of small companies gained **0.6%** and the S&P 400 Midcap Index gained **2.1%** compared to the **2.6%** gain of the large company S&P 500 Index.

International Equity Fund

Fund	November	YTD
International Equity Fund	-1.64%	-4.04%
MSCI ACWI ex-US Investable Market Index	-1.88%	-3.03%
Difference	+0.24%	-1.01%

The fund's greater than benchmark exposure to stocks from developing countries has detracted from benchmark-relative results in the International Equity Fund for both the month and the year-to-date.

- The International Equity Fund (IEF) declined **1.64%** in November and outperformed its benchmark return by **0.24%**. The fund's higher than benchmark exposure to companies from developing economies detracted from benchmark-relative results. The MSCI Emerging Markets IMI Index declined **3.7%** compared to the developed country MSCI EAFE Index, which declined **1.6%**. However, the application of the fund's daily valuation policy more than offset the negative contribution from the fund's exposure to stocks from developing countries. The international daily valuation policy is described [here](#). The fund also benefitted from its modest exposure to private real estate, which gained **3.9%** in November.
- For the year-to-date, the fund declined **4.04%** and underperformed the fund benchmark by **1.01%**. The fund's higher than benchmark allocation to developing country stocks contributed most to the fund's below-benchmark relative performance as the MSCI Emerging Markets IMI Index declined **12.2%**. The fund's greater than benchmark allocation to small company stocks positively contributed to performance, gaining **4.3%**. In addition, the fund's modest 2% allocation to private equity gained **3.6%** and had a slight positive influence on results.

Multiple Asset Fund

Fund	November	YTD
Multiple Asset Fund	-0.22%	-0.52%
Composite Benchmark	-0.37%	+0.58%
Difference	+0.15%	-1.10%

The Multiple Asset Fund posted a modest loss for the month of November and year-to-date.

- For November, the Multiple Asset Fund (MAF) lost **0.22%**, but slightly outperformed its fund benchmark by **0.15%**. The fund's two equity strategies positively influenced the fund's benchmark-relative performance and the fund's two fixed income strategies negatively impacted benchmark-relative results.
- For the year-to-date, the Multiple Asset Fund returned **-0.52%** and underperformed its benchmark return by **1.1%**. Three of the fund's underlying strategies underperformed their respective benchmarks, with only the U.S. Equity Fund positively contributing to benchmark relative results.

Equity Social Values Plus Fund

Fund	November	YTD
Equity Social Values Plus Fund	-0.19%	+0.63%
MSCI World Custom ESG Special Weighted Index	-0.26%	+1.36%
Difference	+0.07%	-0.73%

- The Equity Social Values Plus Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses.

U.S. Equity Index Fund

Fund	November	YTD
U.S. Equity Index Fund	+0.55%	+1.96%
Russell 3000 Index	+0.55%	+2.58%
Difference	+0.00%	-0.62%

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses.

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Historical returns are not indicative of future performance. Fund returns are net of fees. Please refer to the [Investment Funds Description](#) for more information about the Funds. This is not an offer to purchase securities. Offers will only be made through the Investment Funds Description