

## Foundation Funds

### Quarterly Performance Summary

June 30, 2016

#### Capital Markets Overview

##### U.S. Equity Market

- The S&P 500 managed to end June modestly positive, returning 2.5% in the second quarter. The Russell 2000 had a strong quarter as 9 out of the 10 economic sectors registered positive returns. From a sector basis, the more defensive sectors led the market higher with Energy, Telecommunications, Utilities and Health Care. Sectors lagging in the quarter were Consumer Discretionary, Information Technology, and Industrials.

##### Non-U.S. Equity Market

- Across the developed world, equity markets declined following the UK's decision to leave the EU, then rallied in the final days of the quarter. Ireland and Italy led developed markets lower, selling off 9.9% and 9.7% respectively. In local terms, Japanese equity markets declined nearly 7%. While, for US dollar investors, Japan equities returned a positive 1% as the Yen approached a 2-year high against the dollar. The Yen has rallied considerably for the year and continues to benefit from its perceived safe-haven status. Similar to the US, energy was the top sector in developed markets, returning roughly 11.5% while consumer discretionary stocks were one of the weakest returning -8.2% for the quarter. Within emerging markets, investors looked past the Brexit fears and recognized ongoing positive developments. Latin America was a particular focus, where favorable election results in Peru and further progress in the impeachment process in Brazil led to those markets returning 16.9% and 13.3%, respectively. In contrast, China equity markets continued to waver, trailing the broader benchmark with a return of -1.7%. From a sector perspective, consumer staples stocks performed the best, returning 4.2% for the quarter.

##### Fixed Income Market

- The second quarter illustrated the current dichotomy within fixed income: safe-haven assets rallied significantly, while risky assets also outperformed as investors continued to search for yield. Globally, the 10-year German bund broke into negative territory, falling 28 bps to -0.13%. In Japan, 10-year bond yields continued to move lower, settling at -0.22%. At home, the U.S. 10-year Treasury yield compressed 29 bps, nearing its all-time low at 1.49%. The Barclays Aggregate returned 2.2%, while US High Yield returned 5.5% for the quarter. Overall, credit was broadly supported by lower quality sectors. Non-credit risk assets also performed well, as emerging market local debt returned 2.7% in the quarter after a strong rebound in June of 5.9%. For the year, emerging local debt remains one of the best performing risk assets in fixed income, returning over 14%.

## Performance Overview

### Foundation Standard Funds

	3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
Standard-Equity	1.19%	-2.53%	7.05%	7.07%	5.85%	Jan-97
<i>Standard-Equity Policy</i>	1.18%	-3.36%	6.85%	6.77%	6.60%	Jan-97
Standard-Fixed Income	2.69%	5.12%	4.18%	4.38%	4.79%	Jan-97
<i>Standard-Fixed Income Policy</i>	2.61%	5.08%	4.13%	4.17%	5.82%	Jan-97
Standard-Conservative Balanced	2.37%	3.13%	4.88%	5.11%	5.58%	Dec-01
<i>Standard-Conservative Balanced Policy</i>	2.26%	3.10%	4.93%	4.98%	5.69%	Dec-01
Standard-Moderate Balanced	1.98%	1.71%	6.10%	6.20%	5.79%	Jan-97
<i>Standard-Moderate Balanced Policy</i>	1.90%	1.02%	6.13%	6.06%	6.62%	Jan-97
Standard-Aggressive Balanced	1.58%	-0.76%	6.41%	6.50%	5.73%	Dec-01
<i>Standard-Aggressive Balanced Policy</i>	1.55%	-1.12%	6.29%	6.28%	6.03%	Dec-01

### Foundation Preference Funds

	3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
Domestic Equity Fund	2.35%	2.07%	11.10%	11.69%	5.33%	Nov-99
International Equity Fund	-0.15%	-8.03%	1.85%	0.94%	3.74%	Nov-99
Core Bond Fund	2.44%	6.29%	4.28%	4.11%	5.28%	Nov-99
High Yield Bond Fund	3.92%	0.69%	3.96%	5.72%	6.81%	Nov-99
Money Market Fund	0.11%	0.28%	0.14%	0.09%	1.81%	Nov-99
<i>Wilshire 5000 Total Market</i>	2.77%	2.95%	11.27%	11.64%	5.22%	Nov-99
<i>S&amp;P 500</i>	2.46%	3.99%	11.66%	12.10%	4.61%	Nov-99
<i>Russell 2000</i>	3.79%	-6.73%	7.09%	8.35%	7.53%	Nov-99
<i>MSCI ACWI ex USA</i>	-0.64%	-10.24%	1.16%	0.10%	3.32%	Nov-99
<i>MSCI EAFE</i>	-1.46%	-10.16%	2.06%	1.68%	2.70%	Nov-99
<i>MSCI Emerging Markets</i>	0.66%	-12.05%	-1.56%	-3.78%	7.02%	Nov-99
<i>Barclays Treasury Long Term</i>	6.44%	19.30%	10.46%	10.32%	8.20%	Nov-99
<i>Barclays Aggregate</i>	2.21%	6.00%	4.06%	3.76%	5.45%	Nov-99
<i>BofA Merrill Lynch US High Yield BB-B Rated</i>	4.60%	2.06%	4.59%	5.87%	6.56%	Nov-99
<i>Barclays High Yield</i>	5.52%	1.62%	4.18%	5.84%	7.12%	Nov-99
<i>Credit Suisse Leveraged Loans</i>	2.86%	0.93%	3.04%	4.00%	4.63%	Nov-99
<i>Citi 3mth Treasury Bill</i>	0.06%	0.14%	0.07%	0.06%	1.77%	Nov-99

## Domestic Equity Fund Summary

- The **Domestic Equity Fund** returned 2.35% over the past three months, underperforming the custom Domestic Equity Index return of 2.66%. Annualized returns over the last 3- and 5-year periods are 11.11% and 11.69% respectively. The 3-year fund return lagged the benchmark return of 11.13% while the 5-year return outperformed its benchmark return of 11.56%. Since inception the Fund has returned 5.33%, ahead of the benchmark return of 5.19% for this period.

<u>Fund Composition</u>	<u>Investment Style</u>	<u>as % of fund</u>
<b>BlackRock Russell 1000</b>	<b>Large Cap Core</b>	<b>48.8</b>
<b>INTECH</b>	<b>Large Cap Enhanced</b>	<b>20.9</b>
<b>Jacobs Levy</b>	<b>Large Cap Core</b>	<b>21.0</b>
<b>BlackRock Russell 2000</b>	<b>Small Cap Core</b>	<b>0.0</b>
<b>Peregrine</b>	<b>Small Cap Growth</b>	<b>4.6</b>
<b>Wellington</b>	<b>Small Cap Value</b>	<b>4.4</b>
<b>Cash</b>	<b>n/a</b>	<b>0.2</b>

- The Domestic Equity Fund trailed the benchmark this quarter by 31 basis points. Peregrine Small Cap Growth and Wellington Small Cap Value were added to the portfolio in April. The BlackRock Russell 1000 Index Fund, Jacob Levy, and Wellington Small Cap underperformed their benchmarks for the quarter. INTECH, BlackRock Russell 2000 Index Fund, and Peregrine Small Cap all outperformed their benchmarks.

CHARACTERISTICS		
	Portfolio	Russell 3000
Number of Holdings	2,985	3,007
Weighted Avg. Market Cap. (\$B)	101.7	106.3
Median Market Cap. (\$B)	2.3	1.3
Price To Earnings	22.6	23.3
Price To Book	4.6	3.6
Price To Sales	3.3	3.1
Return on Equity (%)	18.6	15.9
Yield (%)	2.0	2.0
Beta	1.0	1.0
R-Squared	1.0	1.0

TOP 10 HOLDINGS	
APPLE	2.6%
MICROSOFT	2.0%
JOHNSON & JOHNSON	1.4%
EXXON MOBIL	1.3%
AMAZON.COM	1.3%
WELLS FARGO & CO	1.2%
ALPHABET 'C'	1.2%
AT&T	1.2%
BERKSHIRE HATHAWAY 'B'	1.0%
GENERAL ELECTRIC	1.0%

SECTOR ALLOCATION		
	Portfolio	Russell 3000
Energy	6.48	6.80
Materials	2.60	3.30
Industrials	10.74	10.50
Consumer Discretionary	13.53	12.88
Consumer Staples	9.54	9.36
Health Care	13.00	14.17
Financials	17.20	17.39
Information Technology	20.37	19.21
Telecommunications	2.73	2.66
Utilities	3.54	3.73

## International Equity Fund Summary

- The **International Equity Fund** posted a return of -0.15% over the last three months, outperforming the benchmark, MSCI ACWI ex-US, return of -0.64%. Annualized returns over the last 3- and 5-year periods are 1.85% and 0.94% respectively, ahead of the benchmark's 1.16% and 0.16% returns, respectively. Since inception the Fund has returned 3.74%, ahead of the benchmark return of 3.29%.

<u>Fund Composition</u>	<u>Investment Style</u>	<u>as % of fund</u>
<b>BlackRock</b>	<b>MSCI World ex US</b>	<b>26.3</b>
<b>BlackRock Canada</b>	<b>MSCI Canada</b>	<b>6.0</b>
<b>MFS</b>	<b>EAFE</b>	<b>16.1</b>
<b>Marathon</b>	<b>EAFE</b>	<b>15.5</b>
<b>AQR International</b>	<b>EAFE Small Cap</b>	<b>9.9</b>
<b>Aberdeen</b>	<b>Emerging Markets</b>	<b>13.1</b>
<b>OFI International</b>	<b>Emerging Markets</b>	<b>12.9</b>
<b>Cash</b>	<b>n/a</b>	<b>0.2</b>

- International Equity Fund outperformed the benchmark this quarter by 49 basis points. BlackRock MSCI World ex-US, MFS International Research Equity, and Aberdeen International Equity outperformed their respective benchmarks for the quarter, Aberdeen by 368 basis points. BlackRock Canada matched its benchmark for the quarter while the remaining three managers trailed their benchmarks, Marathon International by 162 basis points.

CHARACTERISTICS		
	Portfolio	MSCI ACWI ex USA
Number of Holdings	2,152	1,859
Weighted Avg. Market Cap. (\$B)	39.4	48.1
Median Market Cap. (\$B)	4.9	6.5
Price To Earnings	20.5	18.8
Price To Book	3.3	2.4
Price To Sales	2.8	2.3
Return on Equity (%)	15.9	13.9
Yield (%)	2.8	3.2
Beta	1.0	1.0
R-Squared	1.0	1.0

TOP 10 HOLDINGS	
CASH - USD	1.3%
TAIWAN SEMICON.MNFG.	1.2%
AIA GROUP	1.2%
ROCHE HOLDING	1.1%
NOVARTIS 'R'	1.1%
NESTLE 'R'	1.1%
HOUSING DEVELOPMENT FIN.	1.1%
BP	0.7%
INFOSYS	0.7%
TENCENT HOLDINGS	0.7%

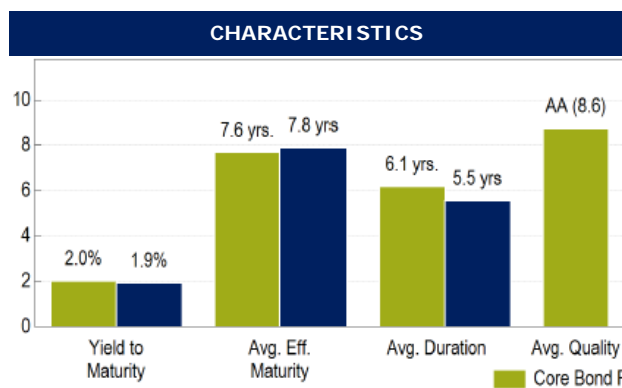
SECTOR ALLOCATION		
	Portfolio	MSCI ACWI ex USA
Energy	5.78	6.86
Materials	6.99	7.14
Industrials	12.06	11.21
Consumer Discretionary	13.77	11.41
Consumer Staples	12.24	11.60
Health Care	8.39	9.40
Financials	23.70	24.45
Information Technology	9.68	9.05
Telecommunications	3.46	5.32
Utilities	1.86	3.57

## Core Bond Fund Summary

- The **Core Bond Fund** posted a return of 2.44% over the past three months, outperforming its benchmark, the Barclays Aggregate Index, return of 2.21%. Annualized returns over the last 3- and 5-year periods are 4.29% and 4.11% respectively. Both the 3-year return and the 5-year return outperformed their benchmark returns of 4.07% and 3.77% respectively. Since inception the Fund has returned 5.28%, behind the benchmark return of 5.35% for this period.

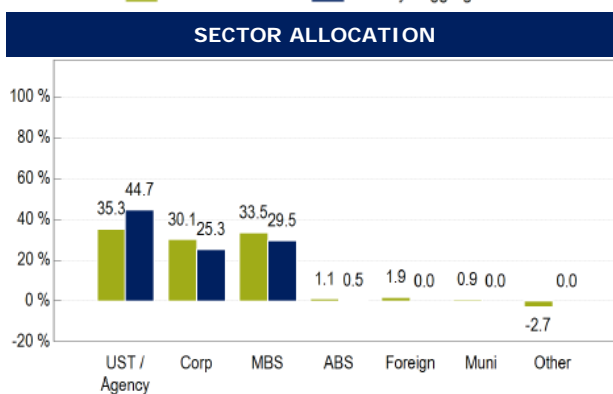
<u>Fund Composition</u>	<u>Investment Style</u>	<u>as % of fund</u>
<b>JP Morgan Core</b>	<b>Core Bond</b>	<b>50.0</b>
<b>Prudential Core</b>	<b>Core Bond</b>	<b>49.9</b>
<b>Cash</b>	<b>n/a</b>	<b>0.1</b>

- Core Bond Fund outperformed its benchmark this quarter by 14 basis points. JP Morgan Core outperformed the Barclays Aggregate Index for the quarter with a return of 2.36% versus 2.21% for the index. Prudential Core outperformed the Barclays Aggregate Index for the quarter with a return of 2.38%



**TOP 10 HOLDINGS**

FNMA CONV 30 YR SF	2.60%
FNMA ACTUAL/360 BALLON DUS	2.02%
UST 2.375 08/15/24	1.39%
UST 2.875 04/15/43	1.36%
UST 1.500 10/31/19 When Iss	1.22%
UST 2.625 11/15/20	1.19%
UST 0.875 01/15/18	1.14%
UNITED STATES TREASURY	1.03%
UST 1.000 05/31/18	1.02%
FNMA ACTUAL/360 BALLON	0.96%

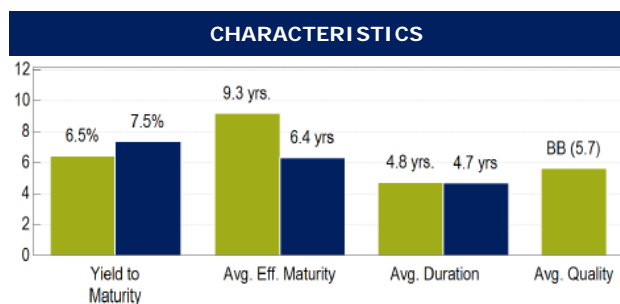


## High Yield Bond Fund Summary

- The **High Yield Bond Fund** posted a return of 3.92% over the past three months, underperforming the custom High Yield Bond Fund Index return of 4.17%. Annualized returns over the last 3- and 5-year periods are 3.96% and 5.72% respectively. The 3-year return underperformed the benchmark return of 3.97% and the 5-year return outperformed the benchmark return of 5.71%. Since inception the Fund has returned 6.81%, underperforming the benchmark return of 6.98% for this period.

<u>Fund Composition</u>	<u>Investment Style</u>	<u>as % of fund</u>
<b>Fort Washington</b>	<b>High Yield Bond</b>	<b>35.2</b>
<b>Nomura Clydesdale</b>	<b>High Yield Bond</b>	<b>35.2</b>
<b>Credit Suisse</b>	<b>Leveraged Loan</b>	<b>29.4</b>
<b>Cash</b>	<b>n/a</b>	<b>0.1</b>

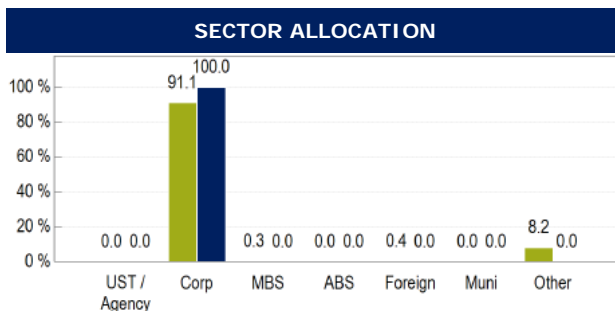
- High Yield Bond Fund underperformed its benchmark by 2 basis points this quarter. Nomura Clydesdale underperformed the ML US High Yield BB/B Constrained Index for the quarter with a return of 4.38% versus 4.61% for the index. Fort Washington also underperformed the ML US High Yield BB/B Constrained Index for the quarter with a return of 4.17% versus 4.61% for the index. Credit Suisse outperformed the Credit Suisse Leveraged Loan Index for the quarter with a return of 2.95% versus 2.86% for the index.



**TOP 10 HOLDINGS**

CASH - USD	7.70%
UNIVISION COMMUNICATIONS INC	1.00%
CLRX 5.000 09/15/22	0.83%
SLM 6.125 03/25/24 MTN	0.82%
NRG 7.875 05/15/21 '16	0.82%
FRONTIER COMMUNICATIONS CORP	0.78%
NXP BV	0.76%
COMM 5.000 06/15/21	0.76%
NEPTUNE FINCO CORP	0.74%
SERVICE CORP INTERNATIONAL/US 5.375% 05/15/2024 DD 05/12/14	0.74%

■ High Yield Bond Fund ■ BofA Merrill Lynch High Yield Cash Pay



- Bank loans are included in the fund characteristics.

## Standard Funds Summary

- The **Equity Standard Fund** posted a return of 1.19% over the past three months slightly ahead of the custom policy benchmark return of 1.18%. Annualized performance over the last 3- and 5-year periods are 7.05% and 7.07% respectively, outperforming the 3- and 5-year policy returns of 6.85% and 6.77%. Since inception the Fund has returned 5.85%, behind the policy return of 6.60%.

<u>Composition of Equity Fund</u>	<u>Actual</u>	<u>Target</u>
<b>Domestic Equity Pref. Fund</b>	<b>53.4%</b>	<b>55.0%</b>
<b>International Pref. Fund</b>	<b>43.9%</b>	<b>45.0%</b>
<b>Cash</b>	<b>2.7%</b>	<b>0.0%</b>

- The **Fixed Income Standard Fund** posted a return of 2.69% over the past three months versus a custom policy benchmark return of 2.61%. Annualized performance over the last 3- and 5-year periods are 4.18% and 4.38% respectively, outperforming the 3- and 5-year policy returns of 4.13% and 4.17%, respectively. Since inception the Fund has returned 4.79%, behind the policy return of 5.82%.

<u>Composition of Fixed Income Fund</u>	<u>Actual</u>	<u>Target</u>
<b>Core Bond Pref. Fund</b>	<b>78.1%</b>	<b>80.0%</b>
<b>High Yield Bond Pref. Fund</b>	<b>19.4%</b>	<b>20.0%</b>
<b>Cash</b>	<b>2.5%</b>	<b>0.0%</b>

- The **Conservative Balanced Standard Fund** posted a return of 2.37% over the past three months versus a custom policy benchmark return of 2.26%. Annualized performance over the last 3- and 5-year periods are 4.88% and 5.11% respectively, underperforming the 3-year policy return of 4.93% and outperforming the 5-year policy return of 4.98%. Since inception the Fund has returned 5.58%, behind the policy return of 5.69%.

<u>Composition of Conservative Balanced Fund</u>	<u>Actual</u>	<u>Target</u>
<b>Domestic Equity Pref. Fund</b>	<b>14.3%</b>	<b>13.8%</b>
<b>International Pref. Fund</b>	<b>11.2%</b>	<b>11.2%</b>
<b>Core Bond Pref. Fund</b>	<b>62.6%</b>	<b>60.0%</b>
<b>High Yield Bond Pref. Fund</b>	<b>15.4%</b>	<b>15.0%</b>
<b>Temporary Investments</b>	<b>-3.8%</b>	<b>0.0%</b>
<b>Cash</b>	<b>0.2%</b>	<b>0.0%</b>



- The **Moderate Balanced Standard Fund** posted a return of 1.98% over the past three months versus a custom policy benchmark return of 1.90%. Annualized performance over the last 3- and 5-year periods are 6.10% and 6.20% respectively, underperforming the 3-year policy return of 6.13% and the 5-year policy return of 6.06%. Since inception the Fund has returned 5.79%, behind the policy return of 6.62%.

<u>Composition of Moderate Balanced Fund</u>	<u>Actual</u>	<u>Target</u>
<b>Domestic Equity Pref. Fund</b>	<b>28.3%</b>	<b>27.5%</b>
<b>International Pref. Fund</b>	<b>24.0%</b>	<b>22.5%</b>
<b>Core Bond Pref. Fund</b>	<b>42.8%</b>	<b>40.0%</b>
<b>High Yield Bond Pref. Fund</b>	<b>10.7%</b>	<b>10.0%</b>
<b>Temporary Investments</b>	<b>-5.9%</b>	<b>0.0%</b>
<b>Cash</b>	<b>0.2%</b>	<b>0.0%</b>

- The **Aggressive Balanced Standard Fund** posted a return of 1.58% over the past three months versus a custom policy benchmark return of 1.55%. Annualized performance over the last 3- and 5-year periods are 6.41% and 6.50% respectively, outperforming the 3- and 5-year policy returns of 6.29% and 6.28%. Since inception the Fund has returned 5.73%, behind the policy return of 6.03%.

<u>Composition of Aggressive Balanced Fund</u>	<u>Actual</u>	<u>Target</u>
<b>Domestic Equity Pref. Fund</b>	<b>36.8%</b>	<b>41.3%</b>
<b>International Pref. Fund</b>	<b>30.5%</b>	<b>33.7%</b>
<b>Core Bond Pref. Fund</b>	<b>18.8%</b>	<b>20.0%</b>
<b>High Yield Bond Pref. Fund</b>	<b>4.7%</b>	<b>5.0%</b>
<b>Cash</b>	<b>9.3%</b>	<b>0.0%</b>





## Notes

Domestic Equity Fund Benchmark: Since Inception through 12/31/2015: Wilshire 5000; 1/1/2016 to present: 90% Russell 1000/10% Russell 2000.

International Equity Fund Benchmark: Since Inception through 12/31/2011: 75% MSCI ACWI ex-U.S. Index/25% MSCI EAFE Index; 1/1/2012 to 6/30/2016: 100% MSCI ACWI ex-U.S. Index.

Core Fixed Income Fund Benchmark: Since Inception through 9/30/2007: 75% Barclays U.S. Aggregate Intermediate Index/25% Barclays U.S. Aggregate Index. 10/1/2007 to 6/30/2016: 100% Barclays U.S. Aggregate Index

High Yield Bond Fund Benchmark: Since Inception through 3/31/2015: Citi High Yield Cash Pay Capped Index. 4/1/2015 to present: 75% BofA ML US HY BB-B Constrained/25% Credit Suisse Leveraged Loans thereafter.