



Investment Performance Review

Capital Markets Review

As of 6/30/2017

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Market Commentary

The U.S. Economy Keeps Plodding Along

- Real GDP grew at an annualized rate of 1.4% in Q1, slowing less sharply than initially expected (Q1 data is most recent available); the current economic expansion is in its 9th year, the 3rd longest expansion since the Civil War
- Core CPI, which strips out food and energy prices, decreased to 1.7% in May; it remains substantially below its 50-yr average of 4.1%
- The labor market is near full employment with the June unemployment rate at 4.4%; there are scant signs of wage pressures
- The trade deficit fell by 2.3% in May to a seasonally adjusted \$46.5 billion; U.S. exports rose modestly while imports fell slightly
- Consumer sentiment and spending have been a mixed bag in 2017, while the U.S. manufacturing index rose to its highest level in about 3 years

The Fed Raised Rates Again

- For the third time in less than a year, the Fed raised short-term rates by 25 basis points; the Fed believes economic growth will continue at its moderate pace, and inflation and unemployment will remain low; the yield curve continued to flatten despite the Fed raising rates
- 10- and 30-year Treasury bond yields declined modestly to 2.31% and 2.84% during the quarter
- Domestic fixed income markets reported positive returns in Q2 with the Bloomberg Barclays Aggregate Index increasing 1.45%
- Developed international and emerging markets fixed income increased 3.53% and 2.21%, respectively, in Q2
- High yield bonds reported strong returns at 2.23% for Q2, yielding 5.62% as of June 30

The U.S. Stock Market Continued to Rally

- The U.S. stock market continued to rally with the S&P 500 gaining 3.09% in Q2 and 9.3% year-to-date
- Healthcare stocks continues their comeback reporting a gain of 7.10% in Q2, the largest sector gain in the S&P 500
- Industrial stocks followed healthcare, gaining 4.73% for the quarter; telecom and energy stocks had negative returns again in Q2
- The forward P/E for the S&P 500 remained the same for Q2 at 17.5x, versus a 25-year average of 16.0x
- Large cap stocks continued to outperform small caps in Q2, a reversal from 2016; growth outperformed value for the quarter and year-to-date
- The VIX Volatility Index is at a low level signaling the market is comfortable with current levels, potentially setting the market up for disappointment

International Equities Outpaced Domestic Equities

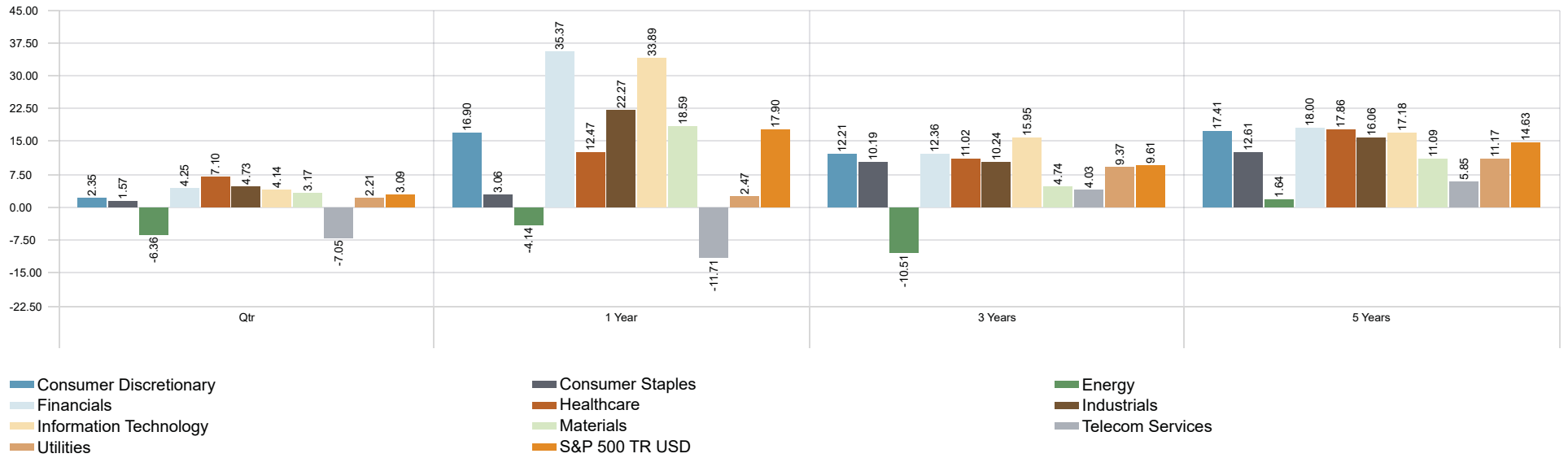
- Developed markets in Europe led the way in Q2, particularly in the Eurozone; currency is modestly helping returns given the weaker dollar
- Europe (ex-UK) gained 8.91% in U.S. dollars; the UK returned 4.74% for the period
- The emerging markets (EM) sector continued to rally strong, gaining 6.38% in Q2; EM Asia increased 8.74% while Latin America declined 1.61%
- Japan gained 5.23% in U.S. dollars while gaining almost 10% for year-to-date; also in Q2, Hong Kong gained 7.19% while Australia lost 1.81%

Commodities Continued to Weaken

- The Bloomberg Commodity Index lost 3% during Q2, the worst performing asset class for the quarter and year-to-date
- U.S. crude oil prices decreased 9% in Q2, finishing at \$46.04 per barrel; oil prices have dropped 14% year-to-date
- Gold prices were down less than 1% in Q2 finishing the quarter at \$1,243 per troy ounce
- REITs gained 3.4% in Q2 and 4.9% for year-to-date; net operating income growth for U.S. real estate was up 5.8% for Q1 (most recent available)

U.S. Equity Markets

Returns by Sector (S&P 500)



Returns by Style (Russell Indices)

Last Quarter

	Value	Blend	Growth
Large	1.33	3.20	4.83
Mid	1.37	2.70	4.21
Small	0.67	2.46	4.39

Last 1 Year

	Value	Blend	Growth
Large	15.36	18.65	21.62
Mid	15.93	16.48	17.05
Small	24.86	24.60	24.40

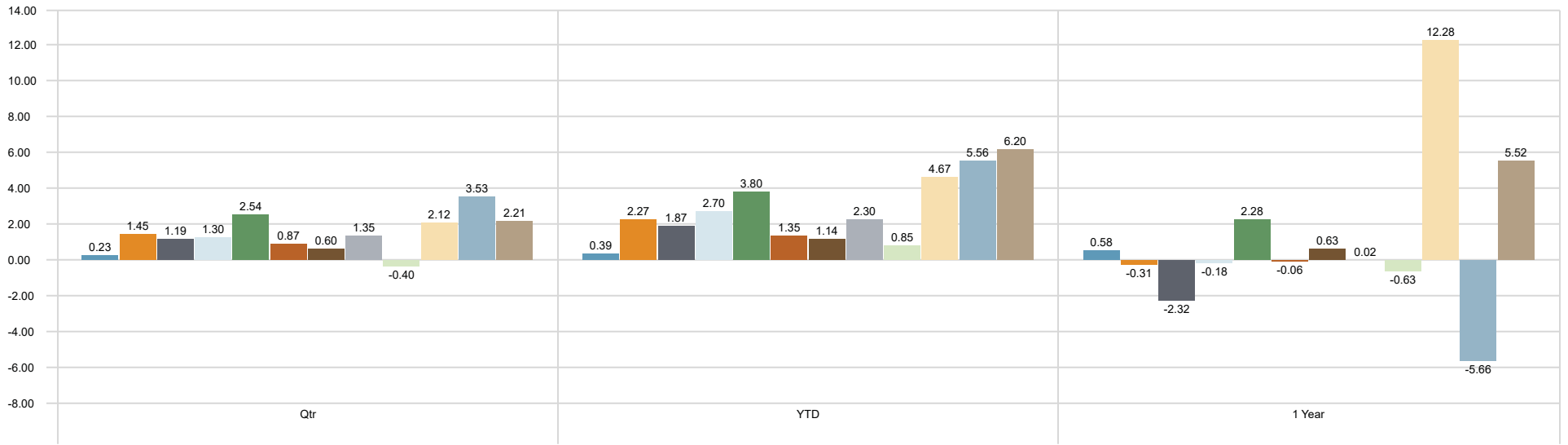
Last 3 Years

	Value	Blend	Growth
Large	7.32	9.93	12.44
Mid	7.46	7.69	7.83
Small	7.02	7.36	7.64

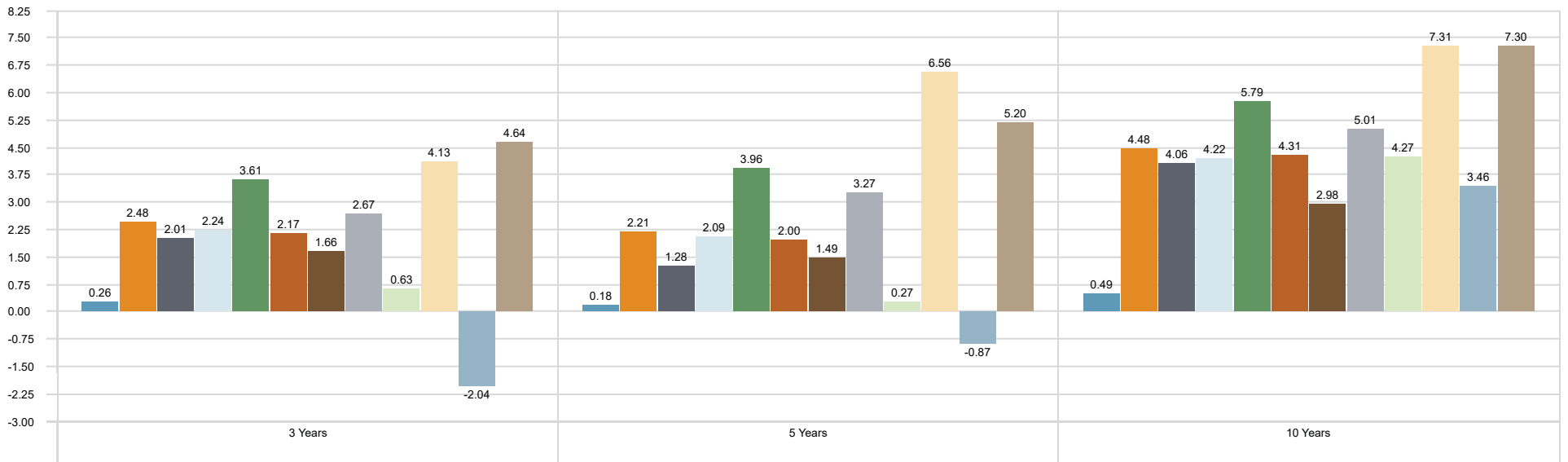
Last 5 Years

	Value	Blend	Growth
Large	13.42	14.64	15.76
Mid	15.14	14.72	14.19
Small	13.39	13.70	13.98

Fixed Income

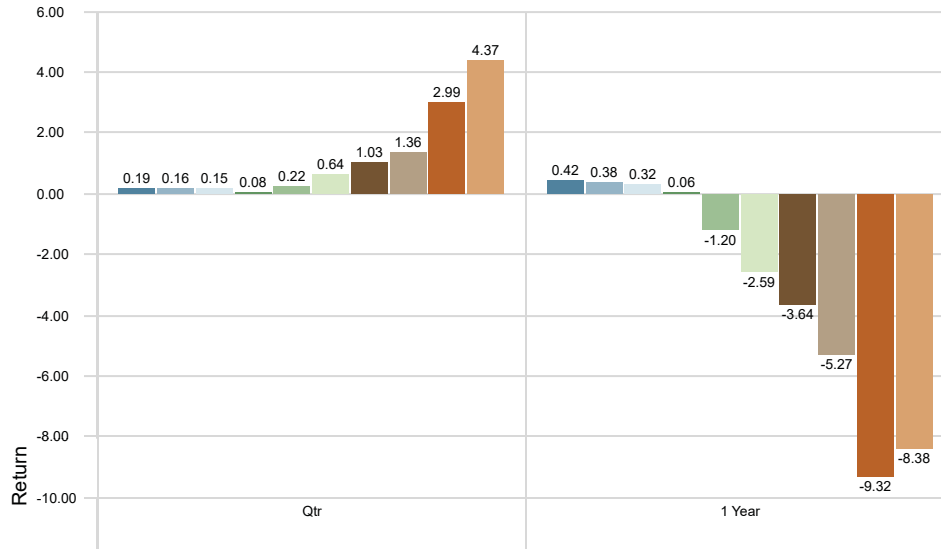


- 3-Month T-Bills
- Government-Related
- Asset-Backed Securities
- High Yield
- Aggregate Bonds
- Investment-Grade Corporate
- Commercial MBS
- Developed International
- Treasuries
- Mortgage-Backed Securities
- TIPS
- Emerging Markets



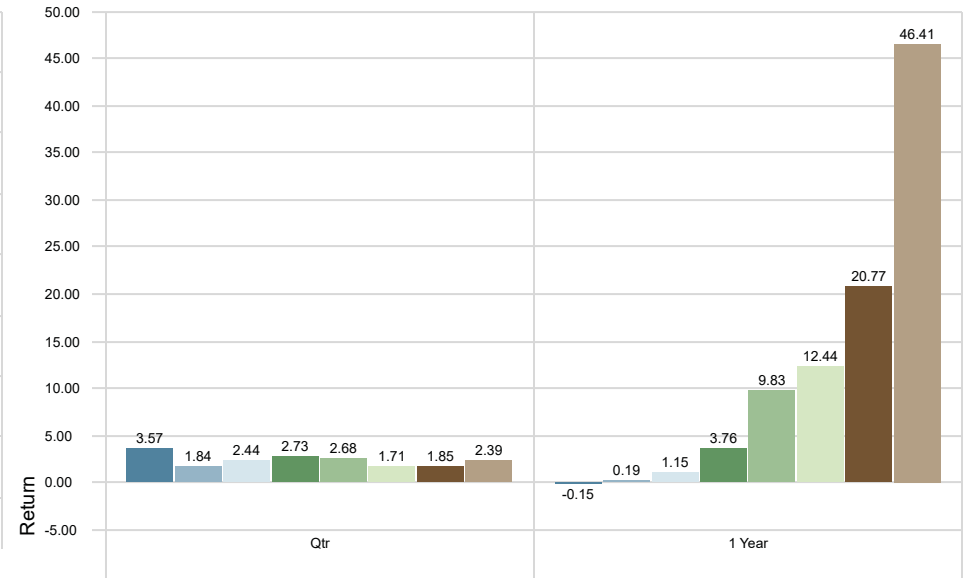
Fixed Income

Performance by Maturity



- USTREAS T-Bill Cnst Mat Rate 1 Mon
- USTREAS T-Bill Cnst Mat Rate 3 Mon
- USTREAS T-Bill Cnst Mat Rate 6 Mon
- USTREAS T-Bill Cnst Mat Rate 1 Yr
- USTREAS T-Bill Cnst Mat Rate 3 Yr
- USTREAS T-Bill Cnst Mat Rate 5 Yr
- USTREAS T-Bill Cnst Mat Rate 7 Yr
- USTREAS T-Bill Cnst Mat Rate 10 Yr
- USTREAS T-Bill Cnst Mat Rate 20 Yr
- USTREAS T-Bill Cnst Mat Rate 30 Yr

Performance by Credit Quality



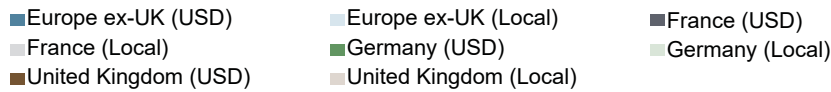
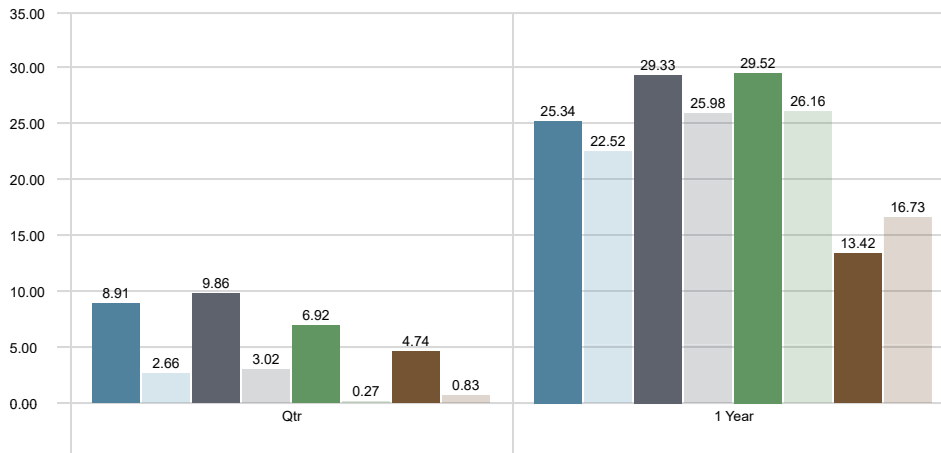
- Barclays US Corp Aaa TR USD
- Barclays US Corp Aa TR USD
- Barclays US Corp A TR USD
- Barclays US Corp Baa TR USD
- Barclays US HY Ba TR USD
- Barclays US HY B TR USD
- Barclays US HY Caa TR USD
- Barclays US HY Ca To D TR USD

Estimated Cost of \$1 of Lifetime Retirement Income at Age 65 (Adjusted for Cost of Living)

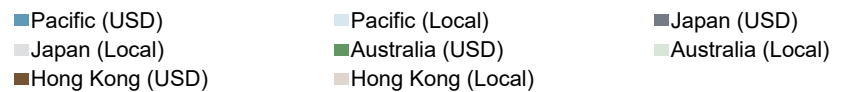
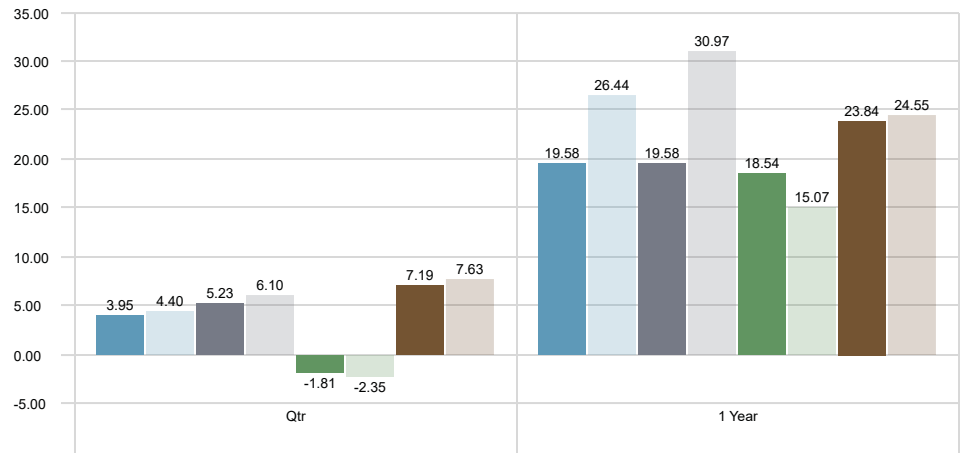
	BlackRock CoRI Retirement 2006	BlackRock CoRI Retirement 2008	BlackRock CoRI Retirement 2010	BlackRock CoRI Retirement 2012	BlackRock CoRI Retirement 2014	BlackRock CoRI Retirement 2016	BlackRock CoRI Retirement 2018	BlackRock CoRI Retirement 2020	BlackRock CoRI Retirement 2022	BlackRock CoRI Retirement 2024
6/30/2017		\$ 15.53	\$ 16.81	\$ 18.06	\$ 19.29	\$ 20.58	\$ 21.18	\$ 19.82	\$ 18.56	\$ 17.44
3/31/2017		\$ 15.45	\$ 16.68	\$ 17.90	\$ 19.09	\$ 20.27	\$ 20.51	\$ 19.09	\$ 17.73	\$ 16.55
12/30/2016		\$ 15.61	\$ 16.84	\$ 18.06	\$ 19.28	\$ 20.46	\$ 20.27	\$ 18.84	\$ 17.48	\$ 16.29
9/30/2016		\$ 16.74	\$ 18.12	\$ 19.50	\$ 20.91	\$ 22.22	\$ 22.09	\$ 20.81	\$ 19.55	\$ 18.45
12/31/2015	\$ 14.68	\$ 15.88	\$ 17.07	\$ 18.23	\$ 19.37	\$ 20.71	\$ 19.41	\$ 18.01	\$ 16.66	\$ 15.40
9/30/2015	\$ 15.20	\$ 16.45	\$ 17.69	\$ 18.93	\$ 20.14	\$ 20.91	\$ 19.62	\$ 18.17	\$ 16.78	\$ 15.56
6/30/2015	\$ 15.07	\$ 16.28	\$ 17.47	\$ 18.63	\$ 19.82	\$ 20.17	\$ 18.83	\$ 17.36	\$ 16.04	\$ 14.88

International Equity Markets

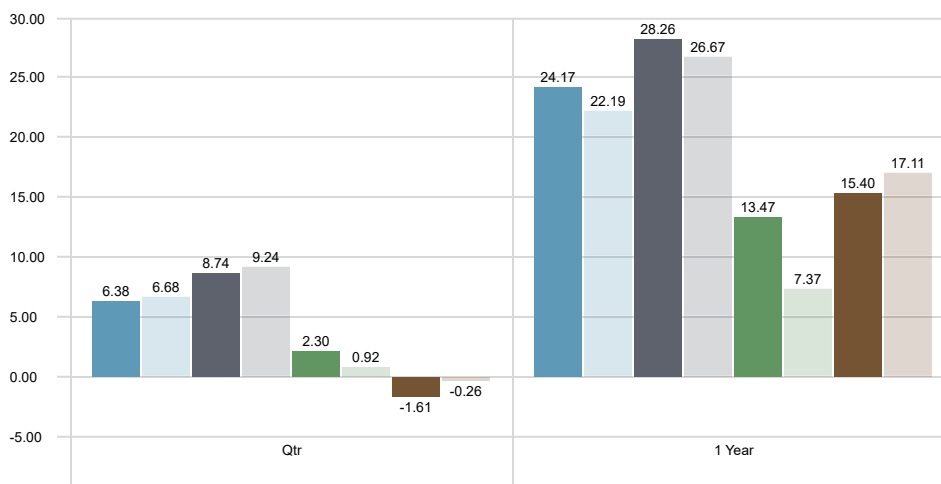
Developed Europe



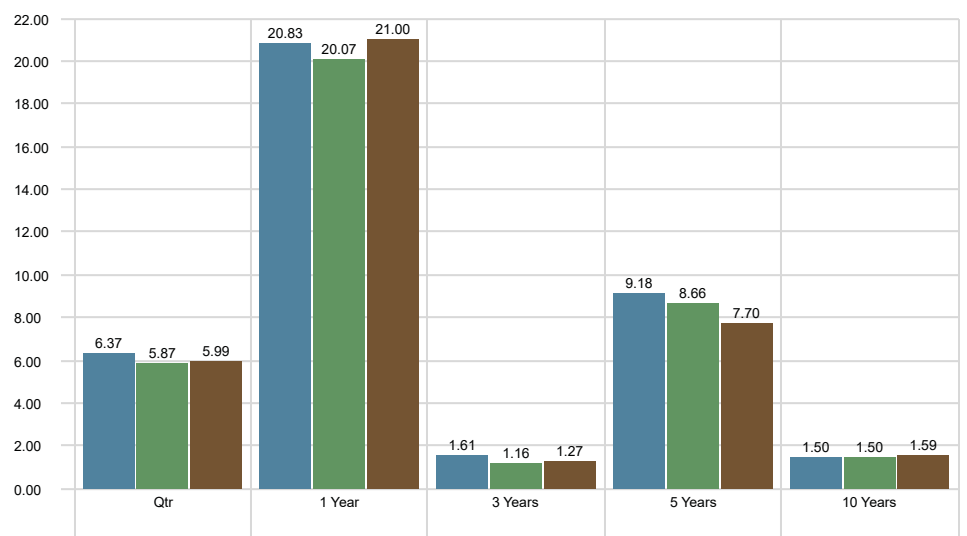
Developed Asia



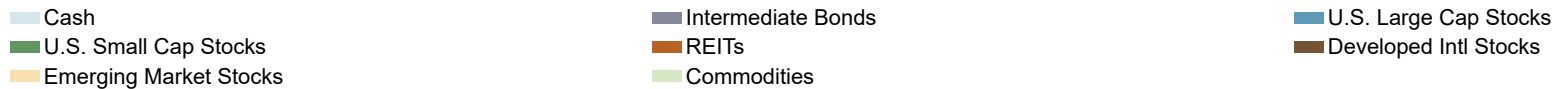
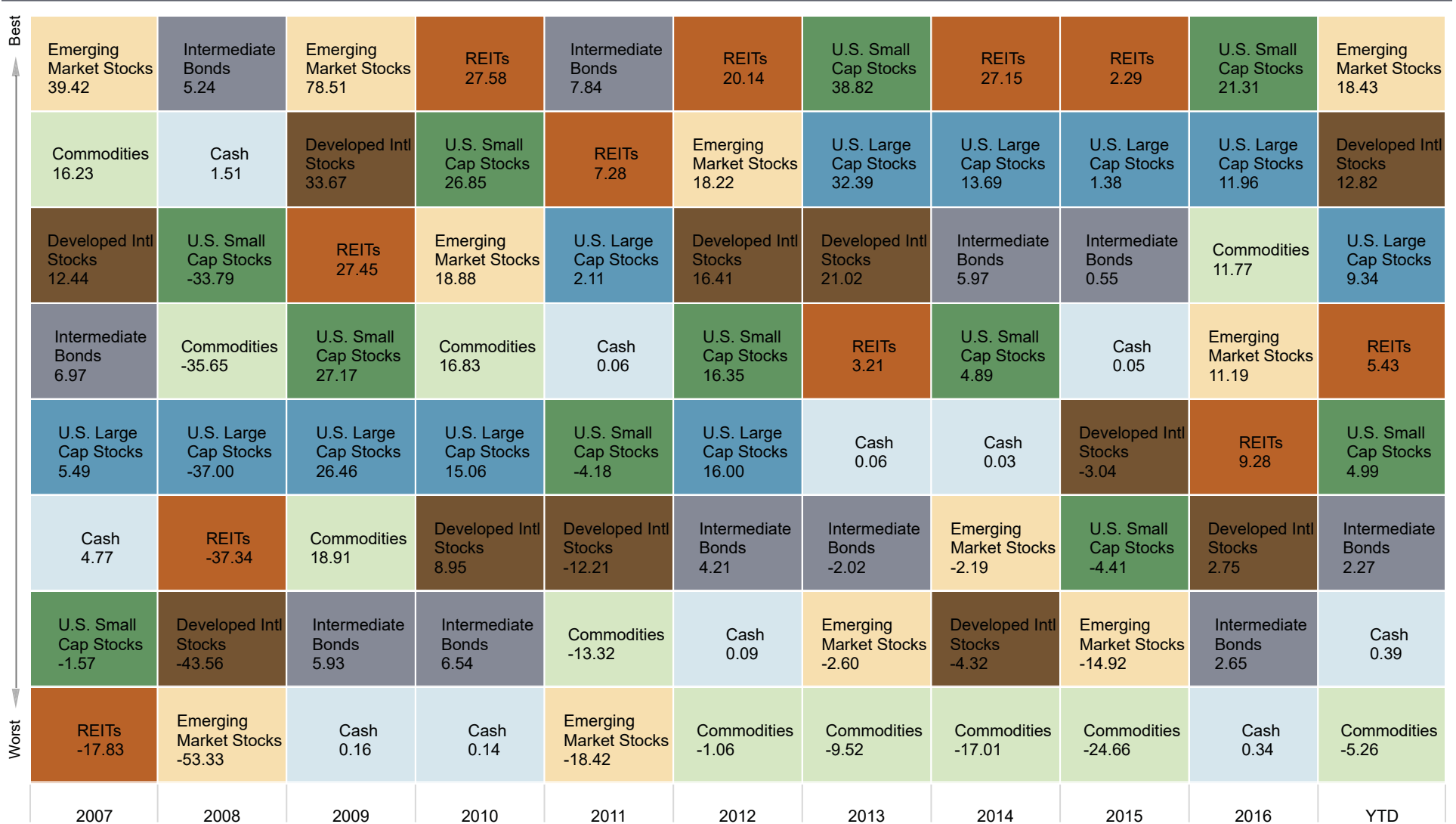
Emerging Markets



International Benchmarks

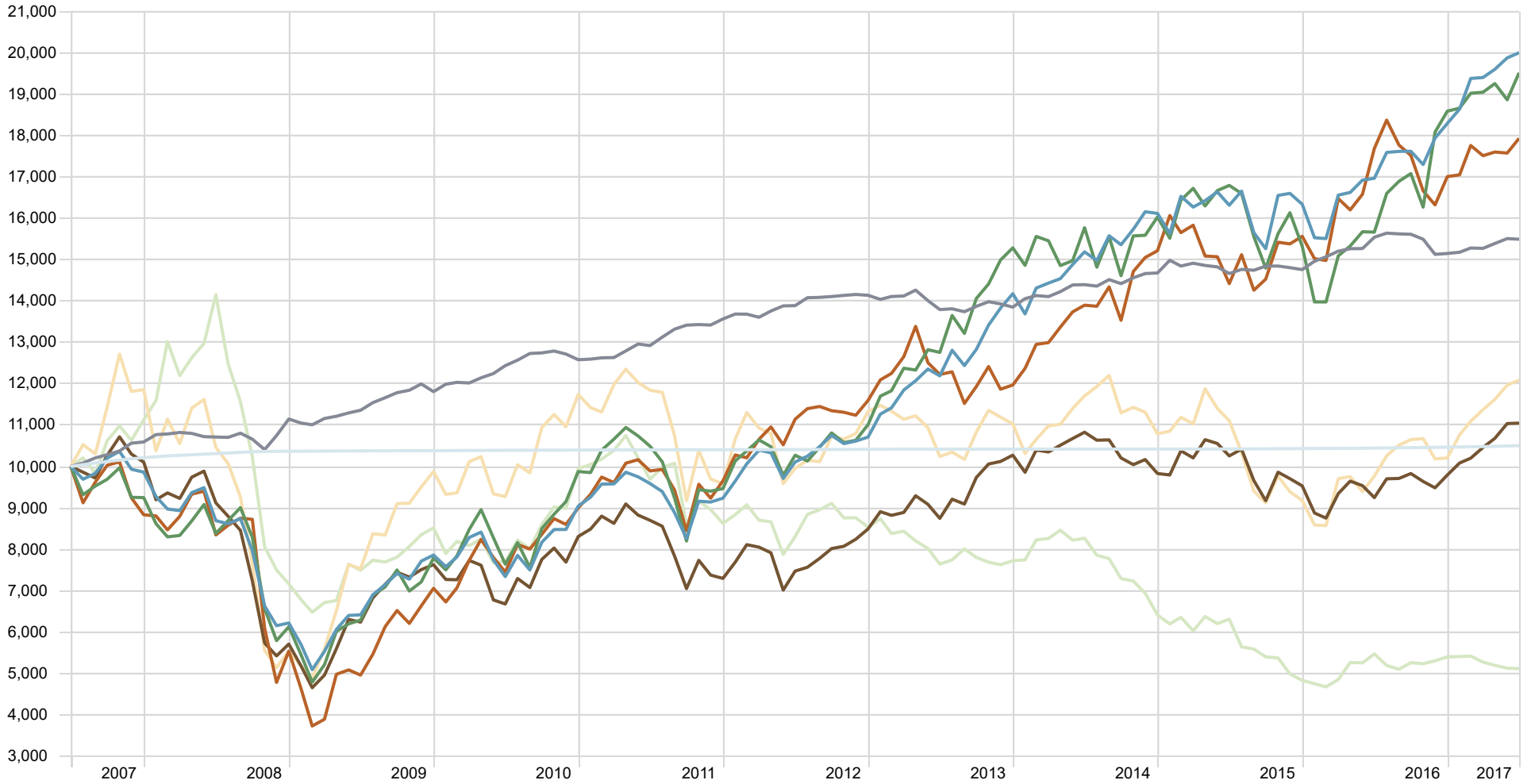


Unpredictability of Asset Class Returns



Growth of \$10,000

Time Period: 7/1/2007 to 6/30/2017

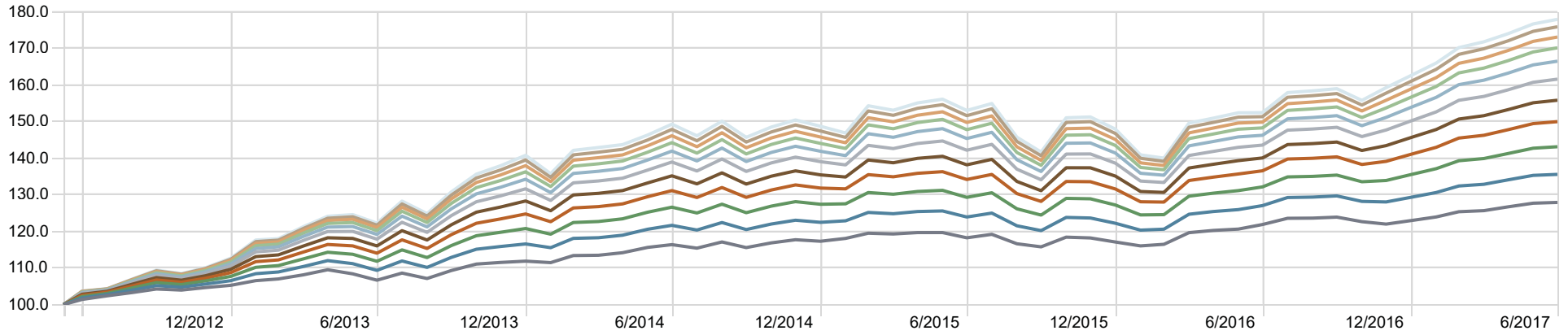


— Cash	10,503.97	— Intermediate Bonds	15,496.81	— U.S. Large Cap Stocks	20,007.98
— U.S. Small Cap Stocks	19,522.48	— REITs	17,937.25	— Developed Intl Stocks	11,048.30
— Emerging Market Stocks	12,087.60	— Commodities	5,110.52		

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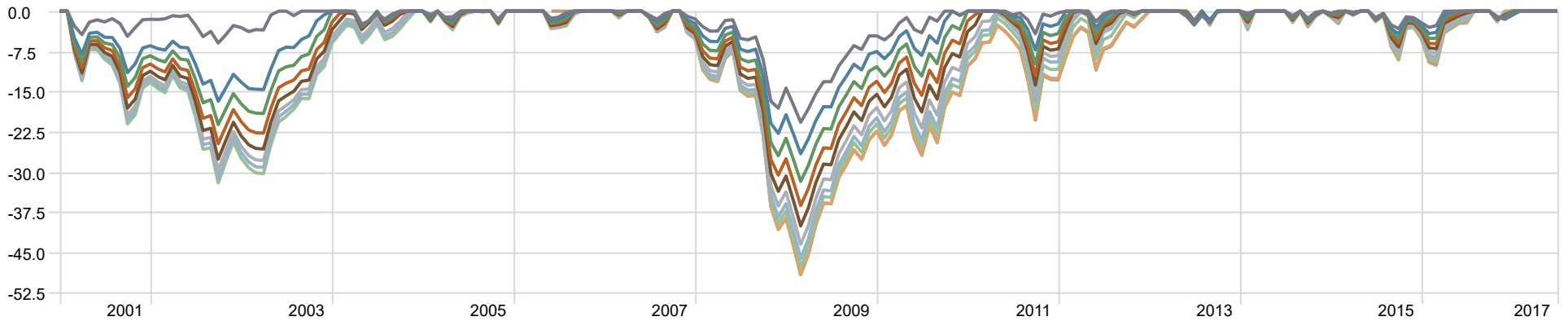
Target Date Investments

Growth of \$100



— S&P Target Date Retirement Income TR USD	127.9	— S&P Target Date 2010 TR USD	135.6	— S&P Target Date 2015 TR USD	143.2
— S&P Target Date 2020 TR USD	150.0	— S&P Target Date 2025 TR USD	155.9	— S&P Target Date 2030 TR USD	161.6
— S&P Target Date 2035 TR USD	166.5	— S&P Target Date 2040 TR USD	170.2	— S&P Target Date 2045 TR USD	173.2
— S&P Target Date 2050 TR USD	176.0	— S&P Target Date 2055+ TR USD	178.0		

Maximum Drawdown



— S&P Target Date Retirement Income TR USD	— S&P Target Date 2010 TR USD	— S&P Target Date 2015 TR USD
— S&P Target Date 2020 TR USD	— S&P Target Date 2025 TR USD	— S&P Target Date 2030 TR USD
— S&P Target Date 2035 TR USD	— S&P Target Date 2040 TR USD	— S&P Target Date 2045 TR USD
— S&P Target Date 2050 TR USD	— S&P Target Date 2055+ TR USD	

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