PNC INSTITUTIONAL ASSET MANAGEMENT

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Review for the Period Ending December 31, 2015

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Executive Summary

The Federal Open Market Committee's decision to begin interest rate normalization at the December 16 meeting concluded an unprecedented seven-year period of zero-interest-rate policy in the United States. The initial increase in the fed funds rate conveyed the Federal Reserve's (Fed) belief that economic and financial conditions in the U.S. have significantly improved.
However, its forward guidance suggests that accommodative policies are still warranted due to relatively weak growth prospects. Further monetary policy tightening will be dependent on the Fed's continued assessment of improvements in a variety of inflation and labor market indicators, as well as global financial developments.

While the U.S. has begun monetary policy tightening, other major advanced economies remain highly accommodative and have taken additional steps to fight deflation. The divergences in monetary policies have contributed to further strength in the U.S. dollar, which has appreciated against many advanced and emerging-market currencies. Continued global deflationary concerns, largely originating from the slowdown in the world's second-largest economy, China, has led to another leg down in the prices of energy and industrial metal commodities and increased stress on emerging-market economic growth.

Capital market volatility significantly increased throughout the second half of the year. Declines in commodity prices have led to a global manufacturing recession and companies with end markets tied to the energy and material industries have seen significant declines in the prices of both equity and debt securities. Other corporate sectors have not been immune to the deterioration in corporate fundamentals, such as bond yield spreads, but have experienced it to a lesser degree. As a result, asset class returns across many risk assets during the year have been quite anemic.

Last year, our outlook on the economy and capital markets was based on three themes:

- Diverging monetary policies among major developed nations
- Strengthening of the U.S. dollar versus other nations
- Sharp declines in oil and other commodity prices

We believe these themes will continue to be the main drivers of capital market performance during 2016. For global growth prospects to improve in 2016, commodity markets and the dollar would need to begin to stabilize, which may take time to play out. As a whole, investors should expect capital markets to remain volatile and return expectations should be tempered once again.

Markit® Purchasing Managers Index

	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15	May-15	Apr-15	Mar-15	Feb-15	Jan-15	Dec-14
Global	53.7	53.1	52.8	53.9	53.7	53.1	53.6	54.2	54.8	53.9	53.0	52.4
Developed Markets	54.8	54.1	54.0	55.1	54.7	54.2	54.4	55.1	55.9	54.6	53.5	52.7
United States	55.9	55.0	55.0	55.7	55.7	54.6	56.0	57.0	59.2	57.2	54.4	53.5
United Kingdom	55.8	55.4	53.3	55.2	56.7	57.4	55.8	58.4	58.6	56.6	56.7	55.3
Japan	52.3	52.3	51.2	52.9	51.5	51.5	51.6	50.7	49.4	50.0	51.7	51.9
Eurozone	54.2	53.9	53.6	54.3	53.9	54.2	53.6	53.9	54.0	53.3	52.6	51.4
Germany	55.2	54.2	54.1	55.0	53.7	53.7	52.6	54.1	55.4	53.8	53.5	52.0
France	51.0	52.6	51.9	50.2	51.5	53.3	52.0	50.6	51.5	52.2	49.3	49.7
Italy	54.3	53.9	53.4	55.0	53.5	54.0	53.7	53.9	52.4	51.0	51.2	49.4
Spain	56.2	55.0	54.6	58.8	58.3	55.8	58.3	59.1	56.9	56.0	56.9	54.3
Ireland	60.2	57.7	59.5	59.7	61.8	60.9	60.8	59.7	59.8	60.7	60.4	61.0
Emerging Markets	50.1	49.7	48.9	49.6	50.1	49.6	50.6	51.2	51.5	51.8	51.3	51.7
Brazil	44.5	42.7	42.7	44.8	40.8	41.0	42.9	44.2	47.0	51.3	49.2	49.2
Russia	50.5	49.0	50.9	49.3	50.9	49.5	51.6	50.8	46.8	44.7	45.6	47.2
India	50.2	52.6	51.5	52.6	52.0	49.2	51.2	52.5	53.2	53.5	53.3	52.9
China	50.5	49.9	48.0	48.8	50.2	50.6	51.2	51.3	51.8	51.8	51.0	51.4

Source: Bloomberg, Markit PMI

Economic and Capital Market Review

Fourth Quarter 2015

Economic Review

Outside of the U.S., economic growth continues to struggle, especially in many emerging-market countries. The declines in commodity prices have placed additional stress on deflationary conditions already in place across both developed- and emerging-market countries. China is partially responsible for sluggish growth among many commodity exporters due to its slowing consumption of industrial metal commodities such as iron, copper, aluminum, and nickel used in infrastructure production over the past decade.

Chinese growth is beginning to stabilize as it continues to rebalance from fixed-asset investments and exports to a consumer- and services-led economy. During the third quarter, GDP growth was inline with the International Monetary Fund's (IMF) 2015 growth projections, rising 6.9% year over year.

While Chinese monetary authorities have made continual small changes in monetary policy by gradually lowering interest rates and bank reserve requirements, they have not followed their developed market counterparts with a wholesale quantitative-easing program to spark growth. Moreover, the anti-corruption campaign and inquiries directed at certain top executives in government, finance, and industry seems to have exacerbated the slowdown via a new hesitancy to draw attention to one's activities. At the same time, we believe the Bank of China will continue to remain accommodative and allow the yuan, which will be added to the IMF's Special Drawing Right (SDR) basket on October 1, 2016, to continue to depreciate slowly against the dollar. This should help the Chinese export sector.

The developed markets outside of the U.S. remain in different stages of economic recovery, but sluggish growth, weak currencies relative to the dollar, and accommodative monetary policies are consistent themes. In Europe, we believe a weak euro, lower energy prices, and strong private consumption are all cyclical tailwinds and monetary stimulus will continue to steadily improve economic growth. Business confidence is also improving leading to increased loan activity, which may drive capital spending.
Risks in the Eurozone continue to be political with the rise of the anti-austerity movements in Greece, Portugal, and Spain.

GDP growth in Japan turned positive during the second half of the year. However, the country has hardly shaken deflationary concerns with core inflation below 1.0%. Despite the massive stimulus and significant deprecation in the yen, Abenomics has struggled to deliver meaningful results. The Bank of Japan will continue to provide monetary stimulus and that should support Japanese export activity, which has been under pressure in recent months.

Despite, the bleak economic activity in Japan, our international equity team believes both Europe and Japan have attractive investment opportunities due in part to relatively attractive valuations versus the United States. Additionally, corporate profit margins are not near cyclical peaks and could lead to further earnings growth. A stronger dollar would pose a risk of investing in international equities. As it relates to emerging-market investing, we believe commodity-related markets (e.g. Brazil, Russia, etc.) and countries with trade imbalances pose the biggest risk. Policy makers are likely hamstrung by depreciating currencies and growth will remain subdued even as weaker currencies boost exports and improve current-account balances, but also make the U.S. dollar-denominated debt more burdensome.

U.S. GDP growth was frustratingly sluggish in 2015, hovering slightly above an annual rate of 2%. This modest growth can be attributed the strength of the U.S. consumer and a modestly improving housing market, while headwinds to growth came from manufacturing and net exports. Net exports were negatively impacted by lower foreign demand, as well as strength from the dollar. The manufacturing recession was impacted by the unprecedented drop in the energy sector and the sector's competitive weakness as a result of the stronger dollar.

Almost seven years to the day since cutting the fed funds target rate to a range of 0 to 25 basis points (bps) in the depths of the financial crisis, the Fed increased the target rate by 25 bps. The underlying strength of the domestic economy no longer warrants an emergency rate and we don't believe that having short-term rates at 0.50% truly threatens domestic economic growth.

We believe the Fed's accommodative policies have been successful. U.S. labor markets have stabilized and sent household net worth back to pre-recession levels, driven by the recovery in both housing prices and financial markets. Consumer confidence is also back near pre-recession levels. These conditions, along with low energy prices, provide a strong backdrop for continued growth in consumer spending.

Economic and Capital Market Review

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The Fed continues to emphasize that the pacing of further increases will remain data dependent. And while labor market conditions have improved materially, the Fed believes there is room for further improvement. The unemployment rate is near long-run projections, but some cyclical weakness remains. The labor-force participation rate remains low, while involuntary part-time employment remains elevated and wage growth has been unable to show sustained acceleration.

Core inflation measures have stabilized, but remain below the Fed's stated 2% target and the rout in commodity prices continues to restrain headline inflation measures. The Fed emphasized the expectation that inflation will rise once the transitory factors of low energy prices and low import prices begin to fade. Stabilization may take time, as oil prices dropped below $40 per barrel in the weeks following the Fed rate decision.

Looking ahead, we expect much of the same tepid growth conditions. GDP growth in the U.S. should continue to remain in the 2.0% to 2.5% range in 2016, with the possibility of growing at a faster pace being dependent on the stabilization of the Energy sector and the fading effects of a strong dollar. The Fed's projections for the fed funds rate at the end of 2016 implies four more rate hikes during the year. Market expectations, however, are still well below Fed projections and imply one or two increases during the coming year.

Capital Market Review

The year 2015 will likely be remembered as the end of the zero-interest-rate policy in the U.S., but may also be remembered for increasing levels of capital market volatility and poor investment returns. Returns of most risk assets were low or negative during the year. During the fourth quarter, global equities generally recovered losses incurred during the third quarter, while most fixed- income indices posted negative returns as interest rates increased and spreads widened. Most of the stress in the capital markets was focused on emerging markets and sectors with exposures to commodities.

During 2015, the Goldman Sachs Commodity Index fell -33%. Energy-related commodities produced the greatest losses with crude oil falling nearly -45%, and natural gas falling -39%. Industrial and precious metals performed better, but still produced losses of -24% and -11%, respectively. Agricultural and livestock commodities posted losses in between energy and metals, returning -17% and -18%, respectively.

Global equity markets were generally lower during the year, as the strength in the dollar served as a headwind for investment returns outside of the U.S. The MSCI All Country World Index (ACWI) returned -1.8% in dollar terms, but rose 1.8% in local currency

Domestic & International Equity Indices

	Current					Total Return						
As of: 12/31/2015	Last Price	P/E CY2016	EPS CY2016	EPS Δ% 16/15	Dividend Yield	Trailing 1 Month	Trailing 3 Months	Trailing 1 Year	Trailing 3 Year*	Trailing 5 Year*	Trailing 10 Year*	Trailing 15 Year*
S&P 500	2,043.9	17.4x	$ 124.3	11.0%	2.1%	-1.58%	7.04%	1.38%	15.13%	12.57%	7.31%	5.00%
Consumer Discretionary	621.0	20.1x	33.5	15.0%	1.6%	-2.78%	5.79%	10.11%	20.00%	17.84%	10.87%	8.07%
Consumer Staples	518.4	21.1x	25.8	3.5%	2.6%	2.86%	7.64%	6.60%	15.96%	14.51%	11.04%	8.05%
Energy	448.4	25.6x	16.2	-27.8%	3.7%	-9.87%	0.20%	-21.12%	-3.10%	-0.07%	4.04%	6.49%
Financials	321.7	14.6x	24.0	9.3%	2.0%	-2.12%	5.96%	-1.53%	15.45%	10.45%	-0.66%	0.79%
Health Care	833.2	17.4x	52.0	37.7%	1.6%	1.78%	9.22%	6.89%	23.75%	20.29%	10.68%	6.17%
Industrials	463.5	16.3x	29.8	4.1%	2.3%	-2.00%	8.00%	-2.53%	14.62%	11.54%	7.27%	5.51%
Information Tech.	721.5	17.0x	44.1	14.7%	1.6%	-2.29%	9.17%	5.92%	17.78%	13.95%	9.40%	3.75%
Materials	273.6	17.0x	17.6	5.5%	2.4%	-4.16%	9.69%	-8.38%	7.15%	5.00%	6.23%	7.42%
Telecommunications	149.9	12.6x	12.2	10.5%	5.1%	1.75%	7.61%	3.40%	5.88%	8.34%	7.49%	2.47%
Utilities	220.0	16.0x	14.3	4.0%	3.9%	2.17%	1.07%	-4.85%	11.59%	11.03%	7.41%	4.09%
Russell 1000	1,131.9	17.8x	67.4	13.0%	2.1%	-1.80%	6.50%	0.92%	15.01%	12.44%	7.40%	5.25%
Growth	1,000.1	19.6x	54.4	18.8%	1.6%	-1.47%	7.32%	5.67%	16.83%	13.53%	8.53%	4.33%
Value	964.6	16.2x	62.8	8.2%	2.6%	-2.15%	5.64%	-3.83%	13.08%	11.27%	6.16%	5.86%
Russell Mid-Cap	1,596.2	19.6x	86.2	17.3%	1.8%	-2.68%	3.62%	-2.44%	14.18%	11.44%	8.00%	8.15%
Russell 2000	1,135.9	27.9x	48.7	70.6%	1.5%	-5.02%	3.59%	-4.41%	11.65%	9.19%	6.80%	7.28%
Growth	707.4	38.3x	22.7	108.0%	0.7%	-4.77%	4.32%	-1.38%	14.28%	10.67%	7.95%	6.03%
Value	1,380.6	21.7x	74.7	54.5%	2.3%	-5.27%	2.88%	-7.47%	9.06%	7.67%	5.57%	8.17%
Russell 3000	1,206.1	18.3x	70.3	15.2%	2.0%	-2.05%	6.27%	0.48%	14.74%	12.18%	7.35%	5.39%
MSCI All Country World (USD)	399.4	15.3x	26.1	34.8%	2.7%	-1.76%	5.15%	-1.84%	8.26%	6.66%	5.31%	4.67%
Ex. United States	242.4	14.0x	17.4	65.2%	3.3%	-1.85%	3.30%	-5.25%	1.94%	1.51%	3.38%	4.46%
MSCI EAFE (USD)	1,716.3	15.0x	114.5	27.1%	3.4%	-1.33%	4.75%	-0.39%	5.46%	4.07%	3.50%	3.98%
Growth	1,391.5	17.8x	78.0	21.1%	2.5%	-0.76%	6.70%	4.47%	7.21%	4.97%	4.39%	3.67%
Value	2,583.4	12.7x	203.0	141.8%	4.3%	-1.91%	2.72%	-5.22%	3.65%	3.11%	2.53%	4.18%
MSCI Emerging Markets (USD)	794.2	11.1x	71.5	n/a	3.1%	-2.17%	0.73%	-14.60%	-6.42%	-4.47%	3.95%	8.87%

*Source: Factset Data Systems, Bloomberg, Standard & Poors, Russell Investments, MSCI; * Annualized* terms. Emerging markets were lower by -14.6% in dollar terms, and a less severe -5.4% in local currency terms. While all regions were impacted negatively by local currency returns, the dollar's strength detracted even more significantly. Latin American emerging-market equities fell -8.5%, in local currency terms, but fell nearly -31% when currency was taken into consideration.

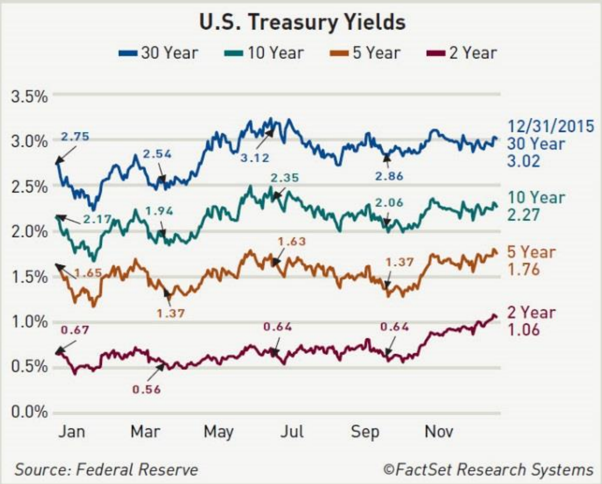
More developed markets also faced currency headwinds, but not as severe as the emerging markets. The MSCI EAFE Index returned -0.4% in dollar terms, but produced gains of 5.8% for the year in local currency terms. The yen was relatively unchanged versus the dollar during 2015 and the MSCI Japan Index performed rather well, returning 9.9% in dollar terms and 10.3% in local currency terms. The euro on the other hand weakened versus the dollar and positive returns of 5.5% in local currency terms on the MSCI Europe Index converted to modest losses of -2.3% in dollar terms.

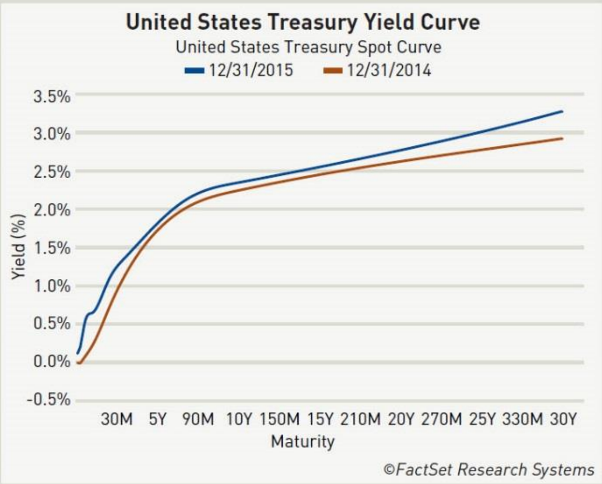
Domestic large-cap equities performed better than their international peers, as the S&P 500 returned a modest 1.4%. Similar to 2011, total returns were mostly comprised of dividend yields, while the price index finished the year roughly unchanged. Within large-cap equities, the Russell 1000 Growth Index produced strong returns of 5.7%, while the Russell 1000 Value Index produced losses of -3.8%.

Within the sectors of the S&P 500, the outperforming sectors had end markets exposed to the fairly healthy consumer segments of the economy: Consumer Discretionary (+10.1%), Health Care (+6.9%), Consumer Staples (+6.6%), Information Technology (+5.9%), and Telecommunications (+3.4%). As many would expect, the underperforming sectors had end markets exposed to the commodity markets and were more interest-rate sensitive: Energy (-21.1%), Materials (-8.4%), Utilities (-4.9%), Industrials (-2.5%), and Financials (-1.5%). During the year, many real estate investment trusts (REITs) outperformed the domestic large-cap indices, such as the FTSE/NAREIT All REIT Index, which produced return gains of 2.3%. Please note that in August 2016, the REIT sector, which is currently classified under Financials, will be promoted to its own GICS sector.

Small-cap equities were underperformers compared to large caps during the year. The Russell 2000 Index fell -4.4% during the year. The growth and value themes in large-cap stocks were also consistent in small caps, as the Russell 2000 Growth Index produced modest losses of -1.4%, while the Russell 2000 Value Index fell -7.5%.

Returns in fixed-income markets were mixed during the year as the Treasury yield curve underwent a positive butterfly shift in which the front end and the long end of the yield curve rose more than the intermediate portion of the yield curve. Most of the increase in the front end occurred between October and December, as the probability of Fed action at the December meeting increased. Yields on the 10-year and 30-year U.S. Treasury maturities actually moved higher through the first half of the year before peaking in June. The Barclays U.S. Treasury Index returned 0.84% during the year, with the Barclays Intermediate Treasury Index outperforming the Long Treasury Index. The Barclays Aggregate Index returned 0.55% for the year.





Economic and Capital Market Review

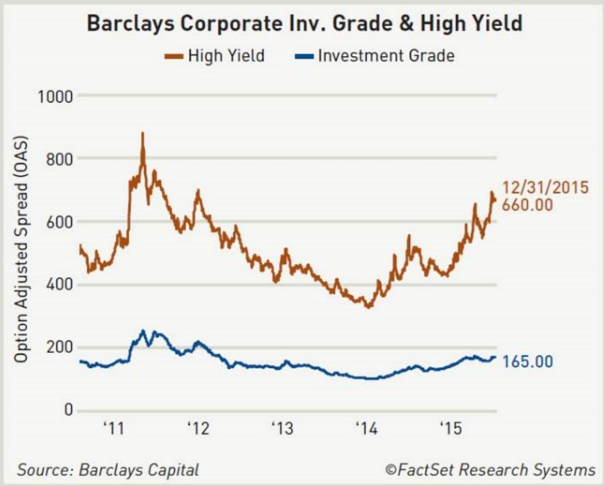
Fourth Quarter 2015

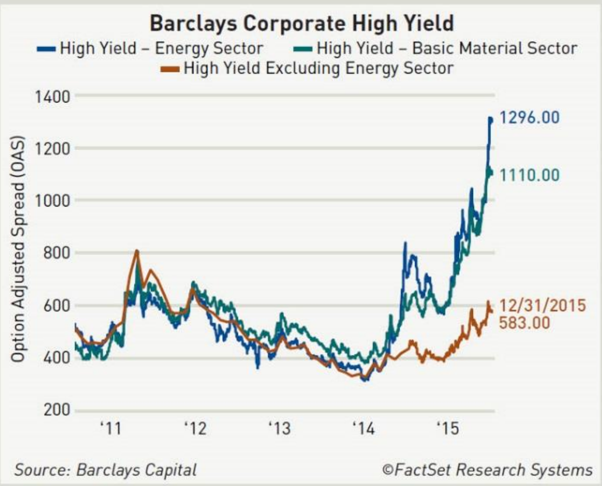
Fixed Income Indices

As of: 12/31/2015	Current			Trailing One Month			Trailing Three Months			Trailing One Year			Total Return (Annualized)			
	Yield to Worst	OAS (BPS)	Duration	Total Return	BPS Change in: YTW	BPS Change in: OAS	Total Return	BPS Change in: YTW	BPS Change in: OAS	Total Return	BPS Change in: YTW	BPS Change in: OAS	Trailing 3 Year	Trailing 5 Year	Trailing 10 Year	Trailing 15 Year
US Aggregate	2.59%	56	5.7	-0.32%	11	3	-0.57%	28	-3	0.55%	34	8	1.44%	3.25%	4.51%	4.97%
Intermediate	2.32%	43	4.2	-0.24%	12	4	-0.51%	31	-2	1.21%	32	7	1.41%	2.74%	4.26%	4.67%
US Govt/Credit	2.51%	68	6.2	-0.43%	12	4	-0.74%	32	-1	0.15%	40	14	1.21%	3.39%	4.47%	5.01%
1 to 3 Year	1.37%	30	1.9	-0.13%	15	5	-0.36%	41	2	0.65%	48	10	0.69%	0.98%	2.74%	3.21%
Intermediate	2.06%	49	4.0	-0.33%	14	4	-0.69%	37	-1	1.07%	39	11	1.10%	2.58%	4.04%	4.53%
US Treasury	1.73%	1	5.9	-0.16%	10	1	-0.94%	37	1	0.84%	30	1	1.00%	2.91%	4.18%	4.57%
Intermediate	1.53%	1	3.9	-0.19%	11	1	-0.86%	40	1	1.18%	29	1	0.79%	2.11%	3.75%	4.02%
Long	2.89%	0	17.3	-0.02%	2	0	-1.38%	14	0	-1.21%	25	0	2.57%	7.74%	6.73%	6.96%
US TIPS	2.25%	0	4.9	-0.79%	11	0	-0.64%	39	0	-1.44%	27	0	-2.27%	2.55%	3.93%	5.51%
US Agency	1.66%	21	3.6	-0.27%	14	7	-0.64%	36	4	1.01%	28	5	1.05%	2.02%	3.72%	4.30%
Intermediate	1.46%	15	2.6	-0.21%	15	7	-0.52%	38	5	1.18%	27	4	0.90%	1.63%	3.50%	4.06%
Long	3.31%	73	11.6	-0.78%	9	7	-1.54%	24	5	-0.50%	35	15	2.16%	6.48%	6.20%	6.99%
US Credit	3.54%	155	6.9	-0.77%	15	8	-0.52%	25	-5	-0.77%	53	30	1.49%	4.38%	5.18%	5.82%
US Corporate Invest. Grade	3.67%	165	7.0	-0.78%	17	10	-0.58%	25	-4	-0.68%	56	34	1.67%	4.53%	5.29%	5.89%
Industrials	3.91%	183	7.4	-1.11%	20	13	-0.96%	27	-1	-1.75%	64	43	0.97%	4.11%	5.45%	6.05%
Utilities	3.84%	150	9.3	-0.42%	10	5	-0.66%	21	-2	-1.47%	55	31	2.06%	5.30%	6.16%	5.86%
Financial Institutions	3.16%	134	5.7	-0.25%	12	5	0.14%	21	-11	1.51%	40	17	2.84%	5.17%	5.13%	5.88%
US Corporate High Yield	8.74%	660	4.3	-2.52%	72	58	-2.07%	70	30	-4.47%	213	177	1.69%	5.04%	6.96%	7.59%
Non-Corporates	2.97%	110	6.3	-0.71%	6	-1	-0.24%	19	-12	-1.12%	32	7	0.83%	3.79%	4.88%	5.67%
Supranationals	1.65%	21	3.6	-0.25%	14	4	-0.85%	43	4	0.87%	43	8	1.00%	2.15%	3.95%	4.48%
Yankee	3.08%	129	5.5	-0.92%	13	6	-0.59%	22	-10	-1.13%	42	19	0.69%	3.27%	4.77%	5.55%
US Securitized	2.77%	31	4.5	-0.09%	8	2	-0.18%	19	-6	1.47%	21	-2	1.97%	3.02%	4.57%	4.88%
Fixed Rate MBS	2.78%	24	4.5	-0.03%	6	1	-0.10%	16	-7	1.51%	17	-4	2.02%	2.99%	4.67%	4.93%
ABS	1.88%	72	2.3	-0.19%	16	7	-0.57%	41	3	1.25%	41	14	0.95%	2.31%	3.29%	4.00%
CMBS	2.97%	121	5.0	-0.89%	30	19	-1.24%	52	13	0.97%	64	23	1.68%	4.09%	5.20%	5.79%
Short Municipal	1.06%	n/a	1.9	-0.01%	6	n/a	0.00%	17	n/a	0.88%	28	n/a	1.00%	1.43%	n/a	n/a
Short-Intermediate Muni.	1.45%	n/a	3.3	0.20%	2	n/a	0.51%	6	n/a	1.96%	12	n/a	1.88%	2.84%	n/a	n/a
Intermediate Municipal	2.03%	n/a	4.8	0.62%	-5	n/a	1.36%	-7	n/a	3.27%	2	n/a	3.04%	4.89%	n/a	n/a

Source: Factset Datasystems, Barclays Capital for Taxable Fixed Income Indices

Outside of Treasury debt, the structured or securitized and the municipal fixed-income markets performed well in 2015. During the year, the Barclays U.S. MBS Fixed Rate Index returned 1.5%, the U.S. ABS Index returned 1.3%, and the Barclays U.S. CMBS Index returned 1.8%. In the municipal markets, the S&P Short Municipal Index returned 0.9%, and the Intermediate Municipal Index returned 3.3%. Long-dated municipals returned over 4.0% for the year.





Credit-centric fixed-income markets, particularly the high-yield market, experienced significant volatility during the year as interest rates increased and spreads versus comparable Treasury issues widened.

The Barclays Credit Index returned -0.8% during the year and the Barclays Corporate Investment Grade Index returned -0.7%. Generally speaking, the higher credit quality indices in the investment-grade index outperformed the lower-quality indices, such as the BA-Rated Index, which returned -2.3% versus the AA-Rated Index +0.9%. In terms of sectors, the financial index, which posted positive returns, outperformed the industrial and utility indices, which were negatively impacted by energy, basic materials, electric, and natural gas subsectors. Relatively speaking, most other industrial subsectors posted positive returns.

Economic and Capital Market Review

Fourth Quarter 2015

Several of the same trends that impacted the investment-grade market also impacted the high-yield market, but to a most significant degree. Spreads on the Barclays High Yield Index widened 177 bps from the beginning of the year as the index returned -4.5%. Like investment-grade issues, the higher credit quality indices within the high-yield index outperformed the lower credit quality indices, but all the sub-indices produced losses during the year. Also, like the investment-grade issues, the Financial sector outperformed the Industrial and Utilities sectors. Returns of the energy and basic materials sub-sectors were hammered during the year, returning -23.5% and -17.6%, respectively.

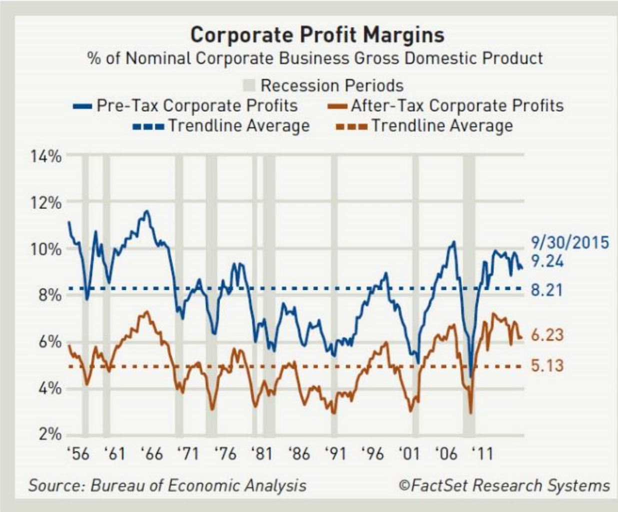
Outlook:

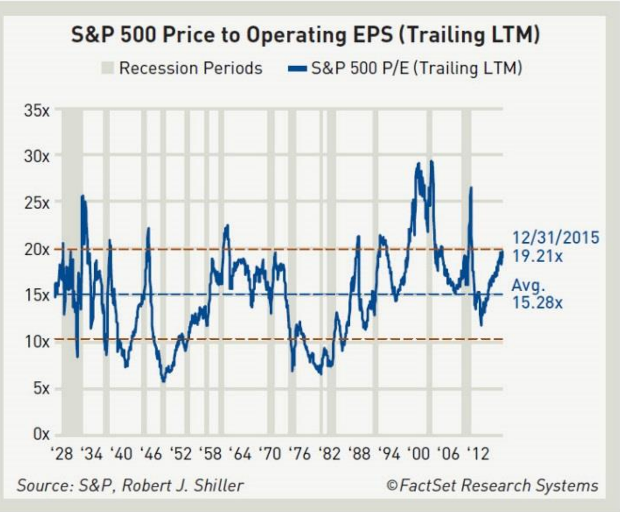
Last year, our outlook on the economy and capital markets was based on three themes:

- **Diverging monetary policies** among major developed nations
- **Strengthening of the U.S. dollar** versus other nations
- **Sharp declines in oil and other commodity prices**

We believe these themes will continue to be the main drivers of capital market performance during 2016, but would also look for a few themes to play out during the year.

- **Inflation:** Core inflation has been stable, but headline inflation has been weighed down by the plunge in energy prices. The one-year anniversary of the low energy prices may put upward pressure on headline inflation.
- **Corporate Profit Margin Pressures:** Tightening labor markets may put upward pressure on wage growth. With profit margins already near cyclical peaks, further cost cutting amidst a weak growth backdrop may deteriorate corporate profitability.
- **Waning Dollar Strength:** Despite the diverging monetary policies, the Japanese yen was mostly unchanged versus the dollar during 2015, after significant devaluation during 2014. We believe that the dollar may continue to strengthen versus emerging-market nations, but the strengthening in the dollar versus other developed-market currencies may be nearing an end.
- **Expansionary Fiscal Policy:** The recently passed 2016 budget deal expanded the debt ceiling through 2016 and allows for a greater budget deficit in the coming fiscal year. After several years of fiscal retrenchment, the government sector of the U.S. economy may be additive to GDP growth.





Economic and Capital Market Review

Fourth Quarter 2015

For global growth prospects to improve in 2016, commodity markets and the dollar would need to begin to stabilize, which may take time to play out. As a whole, investors should expect capital markets to remain volatile, and return expectations should be tempered once again.

- Domestic equity market index valuations are trading above long-term averages and profit margins are near cyclical peaks. From a technical perspective, several domestic indices are trading at or near all-time highs and returns over the past few years have been above longer-term averages. We remain selective in the small-cap space with the focus on long-term business fundamentals

- Developed international equity markets have the potential to outperform domestic markets on a local currency basis. Valuations are relatively less expensive compared to domestic markets and profit margins have room for further expansion as the economic environment improves. Our international equity team favors European and Japanese equities.

- As it relates to emerging-market investing, we believe commodity-related markets (e.g. Brazil, Russia, etc.) and countries with trade imbalances pose the biggest risks. Policy makers are likely hamstrung by depreciating currencies and growth will remain subdued even as weaker currencies boost exports and improve current-account balances.
A stronger dollar would serve as a risk of investing in international equities.

- The Fed's projections for the fed funds rate at the end of 2016 implies four more rate hikes during the year. Market expectations are still well below the Fed's projections and imply one or two increases during the year. We believe that the sluggish growth environment favors a slower pace of rate increases.

- The U.S. Treasury Yield curve is likely to flatten as short-term and intermediate rates rise, while longer-term Treasuries remain somewhat anchored by longer-term inflation expectations. Quantitative easing in international markets and demand from U.S. corporate pension plans, may keep longer-term rates anchored near current levels.

Investment Guidelines

CLEVELAND PUBLIC LIBRARY INVESTMENT POLICY

I. Introduction

The purpose of this investment policy is to establish priorities and guidelines regarding the investment management of the Library's investment funds [hereinafter referred to as the "Portfolio" (section II)] and the Library's endowment funds [hereinafter referred to as the "Endowments" (section III)]. Overall priorities and guidelines for the Portfolio are based upon *Ohio Revised Code* Chapter 135.14 and prudent money management. Guidelines for the Endowments are based upon *Ohio Revised Code* Chapter 2109.37 and 2109.371 as delineated by a 1975 Cuyahoga County Probate Court Order and a ruling from the Cuyahoga County Prosecutor's Office.

The effective date of this policy is March 20, 2014 and represents a revision to the previously submitted policy, September 15, 2005. It is the third revision to the original submitted policy dated June 17, 2000 (1st revision September 18, 2003; 2nd revision September 15, 2005). This policy includes [totally or partially] sections of the statute in order to describe eligible investments. In some sections, the policy places further limits upon the use of eligible investments or investment transactions.

II. The Portfolio

A. Investment Objectives

The investment objectives of the Portfolio, in priority order, include:

1. ***Compliance with all Federal and State laws***

2. ***Safety of principal***

Safety of principal is the most important objective. The investment of Library funds shall be conducted in a manner that seeks to ensure the preservation of capital within the context of the following criteria:

Credit Risk

Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest. Eligible investments, pursuant to Chapter 135.14 ORC, affected by credit risk include certificates of deposit, commercial paper, and bankers acceptances. Credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required, minimum credit quality ratings exist prior to the purchase of commercial paper and bankers acceptances; and (3) maintaining adequate collateralization of certificates of deposit and other deposit accounts pursuant to the method as determined by the Fiscal Officer.

EXHIBIT 2

CLEVELAND PUBLIC LIBRARY

Finance Committee
March 18, 2014

RESOLUTION REVISING THE LIBRARY'S INVESTMENT POLICY

WHEREAS, On September 15, 2005, the Board of Library Trustees approved the Library's Investment Policy; and

WHEREAS, It is now deemed necessary to amend the Library's Investment Policy; now therefore be it

RESOLVED, That the Board of Library Trustees approves the attached Cleveland Public Library Investment Policy to become effective March 20, 2014; and be it further resolved

RESOLVED, That the Fiscal Officer obtain the required acknowledgments and convey this policy to the Auditor of State.

<u>**Market risk**</u>

The market value of securities in the Library's portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be mitigated by (1) maintenance of adequate liquidity so that current obligations can be met without a sale of securities; (2) diversification of maturities; (3) diversification of assets.

3. ***Liquidity***

The portfolio shall remain sufficiently liquid to meet all current obligations of the Library. Minimum liquidity levels [as a percentage of average investable funds] may be established in order to meet all current obligations. The portfolio may also be structured so that securities mature concurrently with cash needs.

4. ***Yield***

The portfolio shall be managed to consistently attain a market rate of return throughout budgetary and economic cycles. Whenever possible, and consistent with risk limitations and prudent investment management, the Library will seek to augment returns above the market average through the implementation of active portfolio management strategies.

B. Authorized Investments (itemized)

-U.S. Treasury Bills, Notes, and Bonds; various federal agency securities including issues of Federal National Mortgage Assn. (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the United States. Eligible investments include securities that may be "called" [by the issuer] prior to the final maturity date. Any eligible investment may be purchased at a premium or a discount. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

-Interim deposits in the eligible institutions applying for interim moneys as provided in Section 135.08 ORC.

-No-load money market mutual funds, as defined in 135.14(B)(5), rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division B(1) or B(2) under 135.14 ORC, and repurchase agreements secured by such obligations. Eligible money market funds shall comply with 135.01 ORC, regarding limitations and restrictions.

-Repurchase agreements with any eligible institution mentioned in section 135.03 ORC, or any eligible securities dealer pursuant to (M) of 135.14 ORC of this section, except that such eligible securities dealers shall be *restricted to primary government securities dealers.* Repurchase agreements will settle on a delivery vs payment basis with repo collateral held at a qualified custodian or agent, designated by the Library. Eligible repo collateral is restricted to securities listed in division (B)(1) or (B)(2) under 135.14 ORC. The market value of securities subject to a repurchase agreement must exceed the principal value of the repo amount by at least 2%. Prior to the execution of any repo transaction, a master repurchase agreement will be signed by the Library and the eligible parties.

-Commercial paper notes issued by companies incorporated under the laws of the United States and bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations regarding the investment in commercial paper and bankers acceptances apply as defined under 135.14 (B)(7) ORC.

-The state treasurer's investment pool [STAROHIO], pursuant to Section 135.45 ORC, and any other investment alternative offered to political subdivisions by the Treasurer of State.

-The use of derivative securities, as defined in 135.14 (C), is expressly prohibited.

-All eligible investments will mature within five years from the date of settlement, unless the investment is matched to a specific future obligation or debt of the Library, and the investment is specifically approved by the Board of Trustees.

C. Safekeeping and Custody

Securities purchased for the Library will be held in safekeeping by a qualified trustee [hereinafter referred to as the "Custodian"), as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safekeep the Library’s securities in (1) Federal Reserve Bank book entry form; (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank; or (3) Non-book entry (physical) securities held by the custodian or the custodian's correspondent bank. All securities transactions will settle using standard delivery-vs-payment (DVP) procedures. The records of the custodian shall identify such securities in the name of the Library. Under no circumstances will the Library's investment assets be held in safekeeping by a broker/dealer firm, or a firm acting on behalf of a broker/dealer firm.

D. The Board of Trustees of the Library

The Library Board of Trustees shall meet as necessary to review the Portfolio. Specific areas of review include the investment inventory, transactions for the period, and realized income. The Fiscal Officer may also recommend changes to the existing investment policy.

Any amended policy that has been approved by the Library Board shall be filed with the Auditor of State.

E. Portfolio Reporting

The Library shall maintain an inventory of all portfolio assets. A description of each security will include security type, issue/issuer, cost [original purchase cost or current book value], par value [maturity value], maturity date, settlement date [delivery versus payment date of purchased or sold securities], and any coupon [interest] rate. The investment report will also include a record of all security purchases and sales. Regularly issued reports will include a monthly portfolio report and a quarterly portfolio report to the Library detailing the *current* inventory of all securities, all investment transactions, any income received [maturities, interest payments, and sales], and any expenses paid. The report will also include the purchase yield of each security, the average-weighted yield and average-weighted maturity of the portfolio.

The portfolio report shall state the name(s) of any persons or entity effecting transactions on behalf of the investing authority.

F. Investment Advisors, Qualified Dealers and Financial Institutions

The Library may retain the services of a registered investment advisor. The investment advisor will manage the Library's portfolio and will be responsible for the investment and reinvestment of such investment assets, including the execution of investment transactions.

Upon the request of the Fiscal Officer, the investment advisor will attend meetings and will discuss all aspects of the Library's portfolio, including bond market conditions affecting the value of the Library's investments. The investment advisor will be required to issue portfolio reports as defined under section II-E of this investment policy ["Portfolio Reporting"].

The investment advisor may transact business (execute the purchase and/or sale of securities) with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities, to transact business in the State of Ohio.

Under no circumstances will brokers or broker/dealer firms act as an investment advisor or in a similar capacity as an investment advisor, either directly or indirectly, if such broker/dealer participates in transaction business (purchase and sale of securities) with the Fiscal Officer or the Fiscal Officer's investment advisor.

All persons or entities transacting investment business with the Library are required to sign the approved investment policy as an acknowledgment and understanding of the contents of said policy.

G. Sale of Securities Prior to Maturity

Portfolio securities may be "redeemed or sold" prior to maturity under the following conditions:

(1) To meet additional liquidity needs
(2) To purchase another security to increase yield or current income
(3) To lengthen or shorten the portfolio's average maturity (average duration)
(4) To realize any capital gains and/or income
(5) To adjust the portfolio's asset allocation

Such transactions may be referred to as a "sale and purchase" or a "bond swap". For purposes of this section, redeemed shall also mean "called" in the case of a callable security.

H. Procedures for the Purchase and Sale of Securities

Securities will be purchased or sold through approved broker/dealers on a "best price and execution" basis. All such investment transactions will be communicated by electronic transmission to the Fiscal Officer or to an authorized representative, designated by the Fiscal Officer. A purchase or sale of securities will be represented by transaction advices issued by the Library's investment advisor, which will describe the transaction, including par value, coupon (if any), maturity date, and cost. A facsimile transmission will also be sent to the Library's designated custodian bank and will serve as an authorization to said custodian to receive or deliver securities versus payment. Confirmation advices, representing the purchase or sale of securities, will be issued by the eligible broker/dealer and sent to the investing authority. Copies of such advices will be sent to the Library's investment advisor.

III. The Endowment

A. Investment Objectives

The Library seeks to maximize the long-term total return of its Endowments. As a result, the maintenance and growth of the funds are the primary objectives. The Library's ability to achieve these returns will depend upon the acceptance of moderate risk, recognizing that a reasonable degree of volatility in market value is necessary to achieve long-term capital appreciation.

B. Authorized Investments

In recognition of the expected returns and volatility from financial assets, the Library will be invested in the following ranges with the target allocation noted:

	Range	Target
Equities	50%-70%	60%
Fixed Income	30%-50%	40%
Cash Equivalents	0%-10%	

The midpoints of the above ranges will be considered the long-term or policy allocation. Any deviations beyond this mix of securities must have prior approval by the Board of Library Trustees. Allocations to cash equivalents are to be considered a subset of the Fixed Income allocation. Likewise, Convertible Assets and Real Estate allocations will be considered a part of the Fixed Income allocation.

Within the above ranges, the Library's Endowment Fund Manager will make all tactical asset allocation decisions (over-and-under-weights). Deviations outside of the above ranges require prior approval from the Library.

C. Equity Guidelines

Objective – Achieve long term returns which exceed those of the overall equity market. Specialty equities (styles differing from the S&P 500) have been incorporated into this policy with the intention of delivering superior long-term performance and improved diversification.

In evaluating long term (full market cycle) performance, overall equity returns will be compared to the indices noted below.

In recognition of the expected returns and volatility provided by different segments of the equity market, equity assets will be invested in the following ranges with the policy allocation noted:

	Range	% Allocation
Large-Cap Stocks	50-100%	60%
Mid-Cap Stocks	0-30%	15%
Small-Cap Stocks	0-30%	15%
International Equities	0-20%	10%

Equity assets will be managed in accordance with the following:

- Equity investments should be broadly diversified. The equity investment in any single company should not exceed 5 percent of the equity portfolio, based on market value. Investments in mutual funds would not be subject to this limit. Short sales, private securities, letter stock, commodities, and put and call contracts are expressly prohibited.

- Investments in Small Cap and International Equities may be made through the use of mutual funds. Mutual funds selected will be diversified and generally conform to the above-mentioned company and industry guidelines.

- The equity benchmark is the S&P 500.

D. Fixed Income Guidelines

Objective – Achieve returns that exceed those of the investment grade aggregate bond market and to provide additional long-term performance. The Fixed Income Investment style returns will be compared to the Barclays Intermediate Government/Credit Bond Index.

Fixed income assets will be managed in accordance with the following:

- Minimum criteria for direct investment in a bond:

Par Value of issue	$100 million outstanding at time of purchase
Quality of issue	A or better by Standard & Poor's Or A2 or better by Moody's

- The Market value of the aggregate holdings of an individual corporate debtor should not exceed 5% of the organization's debt related assets.

- The average maturity of the bond portfolio should be within the range of the Barclays Intermediate Government/Credit Bond Index. The investment manager will have full discretion to determine the average maturity within this range.

- The maximum maturity for individual U.S. Treasuries, Agencies, and corporate bonds will be 20 years.

- Individual mortgage-backed securities (MBS) and asset-backed securities (ABS) may have maturities of greater than 20 years but the duration should not exceed 12 years.

- Fixed Income mutual funds may be used to further enhance diversification, provide better coverage of the yield curve, and/or improve liquidity.

- Real Estate investment will be implemented through REIT investments or through the use of a REIT-based mutual fund.

E. Liquidity Guidelines

Objective – Cash equivalents will be invested in an appropriate cash-equivalent fund. Returns should be equal to or better than the 90-day Merrill-Lynch Treasury Bill Index.

Investments in cash equivalents must be made in high quality in obligations of the U.S. Government and its Agencies. Money market mutual funds may be used, so long as these mutual funds meet the high standards suitable for the funds of this nature.

F. Prohibited Investments

The investment manager is prohibited from investments in the followings:

- Fixed Income securities not denominated in U.S. Dollars or Eurodollars
- Venture Capital
- Guaranteed Insurance Contracts
- Commodities
- Precious Metals or Gems
- Options, futures, or any contract whose value is derived from the price of an underlying asset or index (Derivatives)
- Short-selling and other hedging strategies
- Private Placements or "restricted" stock
- No investments in securities deemed to be in violation of prohibited transaction standard of ERISA.

G. Investment Review

Objective – Achieve financial returns for the Library which preserve the principal asset value and are competitive relative to those offered by the financial markets.

Review – The Investment Committee will compare the investment performance of the Investment Manager to the following benchmarks:

- The blended performance of 60% S&P500/40% Barclays Intermediate Government/Credit policy benchmark over a full market cycle.

In addition, the Investment Committee will compare the various asset classes to the following benchmarks:

1. The annual total return of U.S. equity securities will be compared to the S&P 500 measured over a three to five year time period.
2. Within each equity allocation/style, performance will be compared to the aforementioned benchmarks.
3. The annual total return of fixed income securities will be compared to the Barclays Intermediate Government/Credit Bond Index over a three to five year time period.
4. Real Estate investment will be compared to the NAREIT Index; Convertible Assets will be compared to Merrill Lynch Investment Grade Convertible Securities index.
5. The annual total return of cash equivalents will be compared to the Merrill Lynch 90 day T-Bill Index.

H. Endowment Fund Manager

The Board of Library Trustees shall select an endowment fund manager and custodian for the Library's Endowments by authorizing Board resolution. The Board of Library Trustees shall approve a separate written agreement with its selected endowment fund manager governing terms of service, compensation, and related issues.

IV. Statements of Compliance

This investment policy has been approved by the investing authority and the governing board and filed with the Auditor of State, pursuant to *Ohio Revised Code* 135.14 (N)(1).

All brokers, dealers, and financial institutions executing transactions initiated by the Library or the Library's investment advisor have signed the approved investment policy. Investment policies [signed by such brokers, dealers, and financial institutions] are filed with the Fiscal Officer of the Library.

The Library's Portfolio and Endowment investment advisors are registered with the Securities and Exchange Commission and possesses public funds investment management experience, specifically in the area of state and local government investment portfolios. The investment advisor has additionally signed the approved investment policy and the signed policy is filed with the Fiscal Officer of the Library.

Any amendments to this policy will be filed with the Auditor of State [Attn: Clerk of the Bureau, P.O. Box 1140, Columbus, OH, 43216-1140] within fifteen days of the effective date of the amendment.

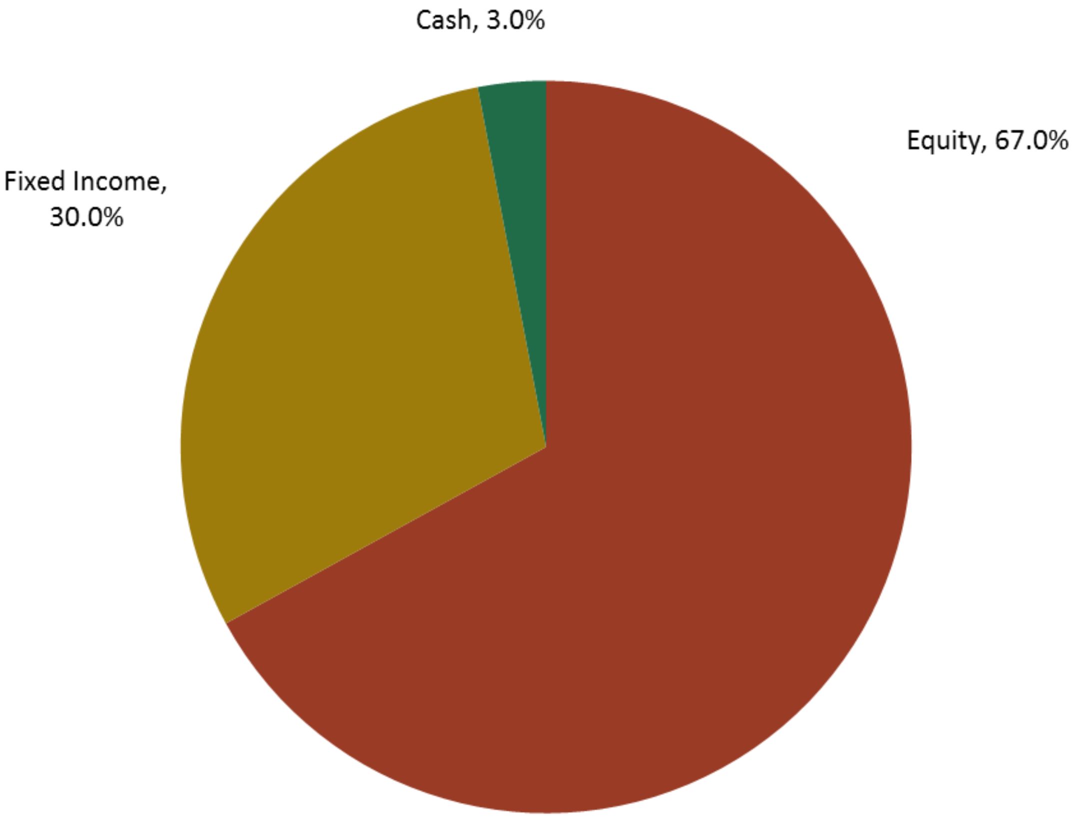
The following broker/dealer/financial institution/investment advisor or endowment fund manager has signed, herein, this approved investment policy, having read the policy's contents thereby acknowledging comprehension and receipt:

For.______________________________________ ______________________________________
Name of Broker/Dealer/Bank Advisor/Manager Date

______________________________________ ______________________________________
Signature of Register Representative or Financial Institution Representative
Type Name of Registered Representative or Financial Institution Representative

Account Review

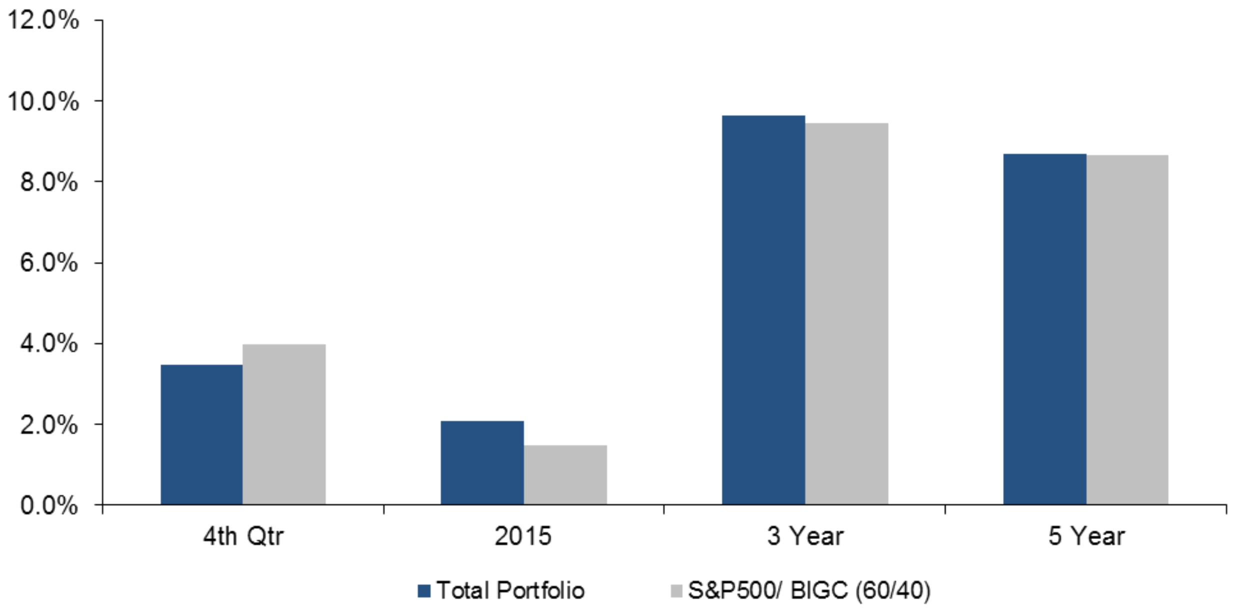
Asset Allocation Summary *(as of 12/31/2015)*



	Market Value	Current Weight	Target Range	Neutral Position	Difference
Equity	**$14,147,618**	**67%**	**50% - 70%**	**60%**	**+7%**
Fixed Income	**$6,250,714**	**30%**	**30% - 50%**	**40%**	**-10%**
Cash	**$527,988**	**3%**	**0% - 10%**	**0%**	**+3%**
Total Portfolio	**$20,926,319**	**100%**	**100%**		

PNC INSTITUTIONAL ASSET MANAGEMENT

Portfolio Performance *(as of 12/31/2015)*



	4Q15	2015	3 Year	5 Year
Total Portfolio Performance - Gross	**3.48%**	**2.09%**	**9.64%**	**8.70%**
Total Portfolio Performance - NET	**3.41%**	**1.81%**	**9.34%**	**8.40%**
S&P 500 / Barclays Int Govt/Credit (60/40)	*3.97%*	*1.49%*	*9.46%*	*8.65%*

Total Equities	**5.32%**	**2.50%**	**14.03%**	**11.89%**
S&P 500 Index	*7.04%*	*1.38%*	*15.13%*	*12.57%*
MSCI EAFE Index (Net)	*4.71%*	*-0.81%*	*5.01%*	*3.60%*
MSCI Emerging Market Net	*0.66%*	*-14.92%*	*-6.76%*	*-4.81%*
Russell 2000 Index	*3.59%*	*-4.41%*	*11.65%*	*9.19%*

Total Fixed Income	**-0.38%**	**1.21%**	**0.96%**	**2.38%**
Barclays Intermediate Govt/Credit Index	*-0.69%*	*1.07%*	*1.10%*	*2.58%*

PNC INSTITUTIONAL ASSET MANAGEMENT

Manager Performance *(as of 12/31/2015)*

	Equity Allocation	4Q15	2015	3 Year	5 Year
PNC Adv Large Cap SMA* *S&P 500*	56.9%	**6.07%** *7.04%*	**3.36%** *1.38%*	**15.25%** *15.13%*	**N/A%** *12.57%*
iShares Russell Midcap ETF** *Russell Midcap*	13.9%	**3.59%** *3.62%*	**-2.57%** *-2.44%*	**13.99%** *14.18%*	**11.27%** *11.44%*
PNC Small Cap Fund Core Fund *Russell 2000*	13.7%	**4.09%** *3.59%*	**4.78%** *-4.41%*	**15.56%** *11.65%*	**13.94%** *9.19%*
PNC International Equity Fund *MSCI EAFE Net*	10.5%	**4.39%** *4.71%*	**1.00%** *-0.81%*	**7.57%** *5.01%*	**5.46%** *3.60%*
T Rowe Price Real Estate Fund *NAREIT All Equity Reits Index*	5.0%	**7.31%** *7.68%*	**4.78%** *2.83%*	**11.98%** *10.63%*	**12.01%** *11.91%*

Performance data is presented on a fiscal year basis. Returns for periods greater than one year have been annualized. The mutual fund performance reflects the performance of the Fund and may not be representative of actual holding periods or portfolio returns.

**iShares Russell Midcap ETF Inception 1/15/2013

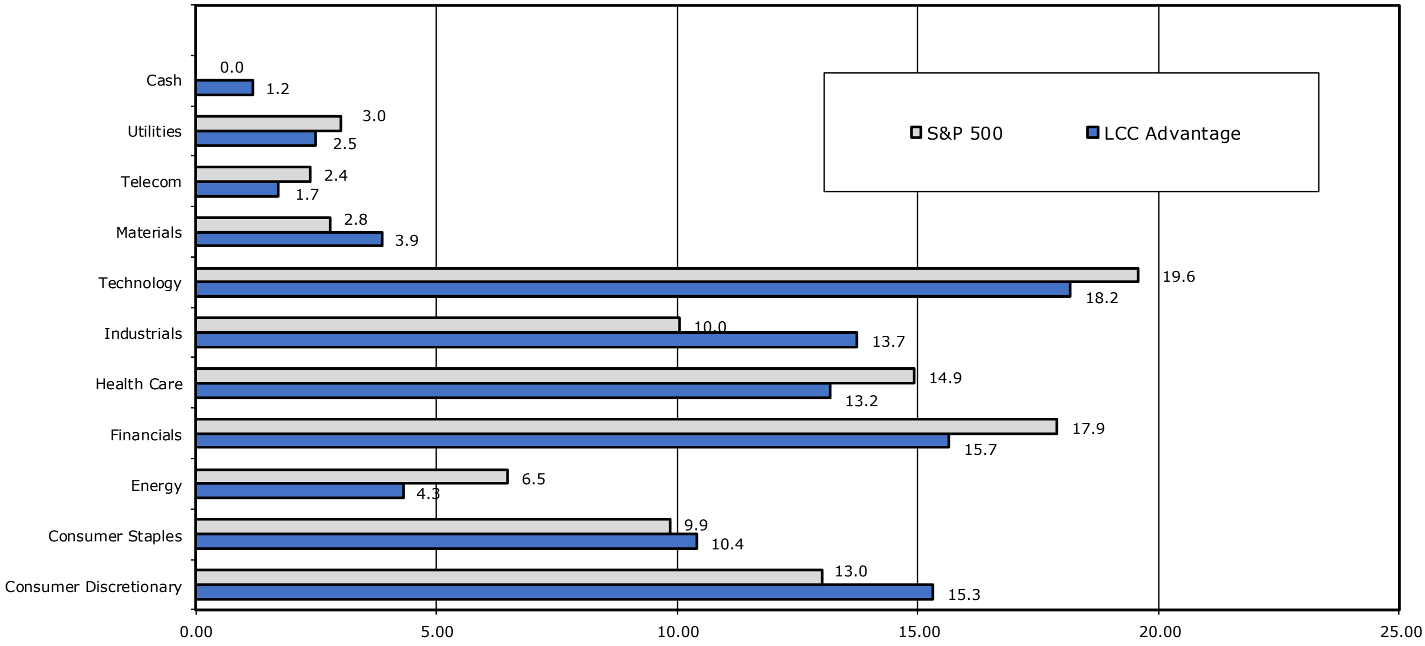
* PNC Adv Large Cap SMA preliminary performance.

Portfolio Statistics *(as of 12/31/2015)*

Portfolio Valuation

	Number of Holdings	Dividend Yield
PNC Large Cap Core Advantage	65	1.95%
S&P 500	504	2.12%

Sector Allocation

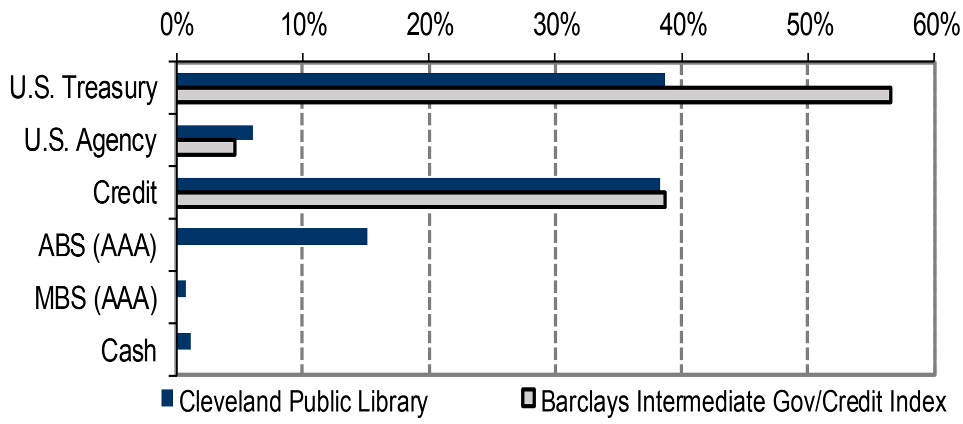


Top 10 Holdings

	Security Name	Wgt.
1	Apple Inc	4.38%
2	Alphabet Inc	3.05%
3	JP Morgan Chase & Co	2.98%
4	Cisco Systems Inc	2.37%
5	Wells Fargo & Co	2.24%

	Security Name	Wgt.
6	Amgen Inc	2.11%
7	Kroger Co	2.11%
8	Home Depot	2.10%
9	Northrop Grumman Corp	2.07%
10	Pfizer Inc	2.02%

Fixed Income Allocation *(as of 12/31/2015)*



	Market Value	Current Weight	Index Weight*	Difference
U.S. Treasury	$2,437,314	38.7%	56.6%	**-17.9%**
U.S. Agency	$374,613	6.0%	4.6%	**+1.4%**
Credit	$2,412,841	38.3%	38.7%	**-0.4%**
ABS (AAA rated)	$950,890	15.1%	0.0%	**+15.1%**
MBS (AAA rated)	$45,157	0.7%	0.0%	**+0.7%**
Cash	$78,138	1.2%	0.0%	**-+1.2%**
Total Portfolio	**$6,298,955**	**100.0%**	**100.0%**	**-**

*Barclays Intermediate Gov/Credit Index

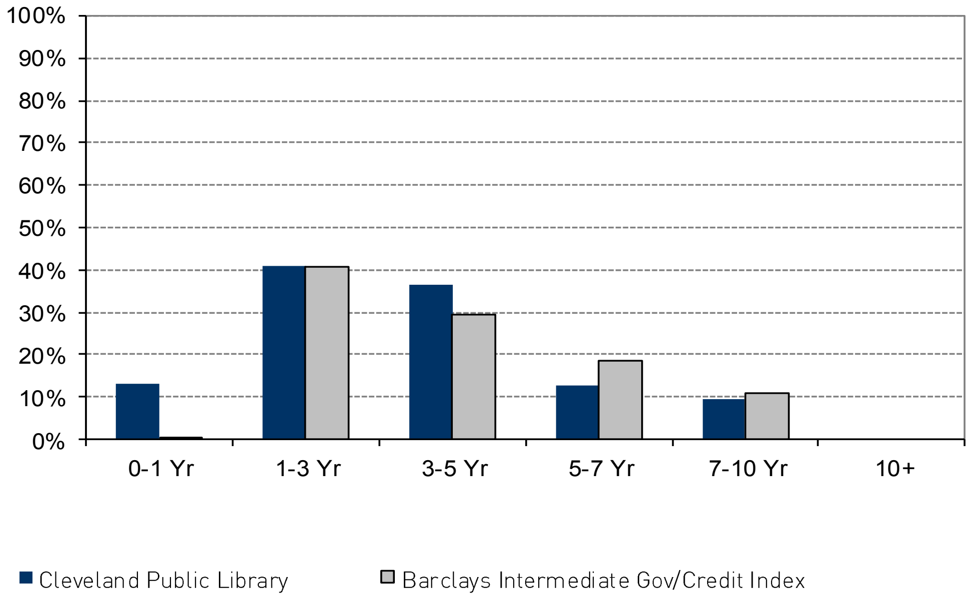
PNC INSTITUTIONAL ASSET MANAGEMENT

Fixed Income Structure *(as of 12/31/2015)*

Portfolio Statistics

	Duration	YTM	Avg. Life	Avg. Coupon
Cleveland Public Library	3.62 yrs	1.94%	4.06 yrs	2.19%
Barclays Intermediate Gov/Credit Index	3.96 yrs	2.06%	4.31 yrs	2.51%

Effective Duration Buckets



Quality Allocation

	AAA	AA	A	BBB	Avg.
Cleveland Public Library	68%	8%	22%	2%	AA1
Barclays Intermediate Gov/Credit Index	66%	4%	14%	16%	AA1

Portfolio Holdings

Portfolio Holdings by Asset Class *As of December 31, 2015*

SHARES (UNITS)	TICKER	SECURITY DESCRIPTION	VALUE	RECENT PRICE	ANNUAL DIVIDEND	ANNUAL INCOME	% ASSET YIELD	% OF CLASS
CASH								
349,670		PNC TREASURY - Principal MONEY MARKET	349,670	1.00	0.00	1,007	0.3%	66.2%
178,300		PNC TREASURY - Income MONEY MARKET	178,300	1.00	0.00	514	0.3%	33.8%
STOCKS								
12,240	IWR	ISHARES RUSSELL MID-CAP ETF	1,960,603	160.18	2.55	31,200	1.6%	13.9%
1		PCA ADVANTAGE LARGE CAP BLEND	8,047,743	-	-	162,584	2.0%	56.9%
80,326	PIUIX	PNC INTERNATIONAL EQUITY FUND	1,491,650	18.57	0.37	29,801	2.0%	10.5%
88,815	PPCIX	PNC SMALL CAP FUND CLASS I	1,937,953	21.82	0.03	2,736	0.1%	13.7%
25,815	TRREX	T ROWE PRICE REAL ESTATE FUND	709,662	27.49	0.62	16,005	2.3%	5.0%
BONDS								
1		PNC CAPITAL ADVISORS INTERMEDIATE	6,250,709	-	-	134,696	2.2%	100.0%

Market Outlook

PNC's Market Outlook

Positives (+), Negatives (-), and Uncertainties (~) in the Current Environment

Economy	+	▪ We expect sustainable global and U.S. GDP growth for 2016, while downside risks remain. ▪ The unemployment rate was 5.0% as of December 2015, within the Federal Reserve (Fed) target range. ▪ We forecast continued moderate U.S. economic growth in 2016, with real GDP growth of 2.5%.
Interest Rates	~	▪ Rates and yield-curve slope remain stimulative. Long-term interest rates remain low, with a flight-to-safety market response to global growth concerns. The Fed remains supportive of maintaining low short-term rates even as the unemployment rate has dropped below 6.5%. ▪ Credit markets are functioning well; rising rates could slow the pace of issuance for less-established or lower-quality credits if investors become more selective.
Inflation	+	▪ We expect the lack of inflation pressures to keep the rate below the Fed's 2% target. ▪ Muted wage growth suggests a containment of inflation and subdued core inflation. ▪ Commodity prices are not posing an inflationary threat near term, in our view.
Earnings	+	▪ We estimate earnings growth for S&P 500® companies in the low- to mid-single digits for 2016. ▪ Fourth-quarter 2015 estimates have S&P 500 earnings declining year over year, largely caused by the Energy sector. ▪ While the level of outperformance could decline, we believe that on an absolute basis companies have room to beat expectations. The wild card likely will be the Energy sector.
Valuation	~	▪ Valuations remain supportive relative to bonds and cash. ▪ Modest inflation and low interest rates help support a higher market multiple on normalized earnings.
Supply/Demand	~	▪ Share buybacks and significant positive dividend actions have continued partly because companies have amassed large liquid asset levels. ▪ Appetite for deals picked up in 2015, aided by record cash on balance sheets.

PNC INSTITUTIONAL ASSET MANAGEMENT

Summary Disclosure

PNC Capital Advisors, LLC ("PNC Capital") is a subsidiary of The PNC Financial Services Group, Inc. ("PNC"). PNC is one of the nation's largest diversified financial services organizations. PNC provides investment and wealth management, fiduciary services, FDIC-insured banking products and services and lending and borrowing of funds through its subsidiaries. PNC Capital is registered with the SEC as an investment adviser. PNC Capital does not provide legal, tax or accounting advice. For a copy of PNC Capital's Form ADV Part II please contact PNC Capital at (216) 222-8699. The information contained in this report was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy, timeliness or completeness by PNC Capital. The information contained in this report and the opinions expressed herein are subject to change without notice. Past performance is no guarantee of future results. Neither the information in this report nor any opinion expressed herein constitutes an offer to buy or sell, nor a recommendation to buy or sell, any security or financial instrument. Accounts managed by PNC Capital and its affiliates may take positions from time to time in securities recommended and followed by PNC affiliates. **Securities are not bank deposits, nor are they backed or guaranteed by PCA or any of its affiliates, and are not issued by, insured by, guaranteed by, or obligations of the FDIC, the Federal Reserve Board, or any government agency. Securities involve investment risks, including possible loss of principal.**

Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

Opinions, estimates, forecasts and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. The views and strategies described may not be suitable for all investors. Indices do not include fees or operating expenses and are not available for actual investment. The information contained herein employs proprietary projections of expected returns, as well as estimates of their future volatility.
The relative relationships and forecasts contained herein are based upon proprietary research, developed through analysis of historical data and capital markets theory. These estimates have certain inherent limitations and, unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees or other costs. References to future net returns are not promises or even estimates of actual returns that a client portfolio may achieve. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

Performance results are gross of investment management fees and do not reflect the deduction of custody fees, where applicable. All returns are net of execution costs and exclude the effect of any income taxes. The deduction of an advisory fee reduces an investor's return. Actual account performance will vary depending on individual portfolio security selection and the applicable fee schedule. Performance results are shown based on time weighted rates of return calculated on a monthly basis. The monthly rate of return for an eligible account is the percentage change in the market value of the account during the month, taking into account the effect of any cash additions or withdrawals that occur during the month.

The value of investments and the income from them may fluctuate and your investment is not guaranteed. Past performance is no guarantee of future results. Please note current performance may be higher or lower than the performance data shown. Please note that investments in foreign markets are subject to special currency, political and economic risks. Exchange rates may cause the value of underlying overseas investments to go down or up. Investments in emerging markets may be more volatile than other markets and the risk to your capital is therefore greater. Also, the economic and political situations may be more volatile than in established economies and these may adversely influence the value of investments made.

Performance results reflect the reinvestment of interest, dividends and realized capitals gains, and include cash, cash equivalents, convertible securities, and preferred securities, if applicable. Trade-date accounting methods are used. The U.S. dollar is the currency used to calculate performance. Dividends and interest are recorded on an accrual basis, and are net of all applicable foreign withholding taxes, if any. Investments are priced using an independent pricing service.

When mutual fund performance is presented in this review, it is annualized performance data presented on a fiscal year basis. It is represented by the largest portfolio managed under the fund style, as of the stated date, and is for illustration purposes only. Returns for periods greater than one year have been annualized. The mutual fund performance reflects the performance of the Fund and may not be representative of actual holding periods or portfolio returns. Portfolio holdings are subject to change at any time.