

## Quarterly Investment Review

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**Period Ending:**  
March 31, 2016

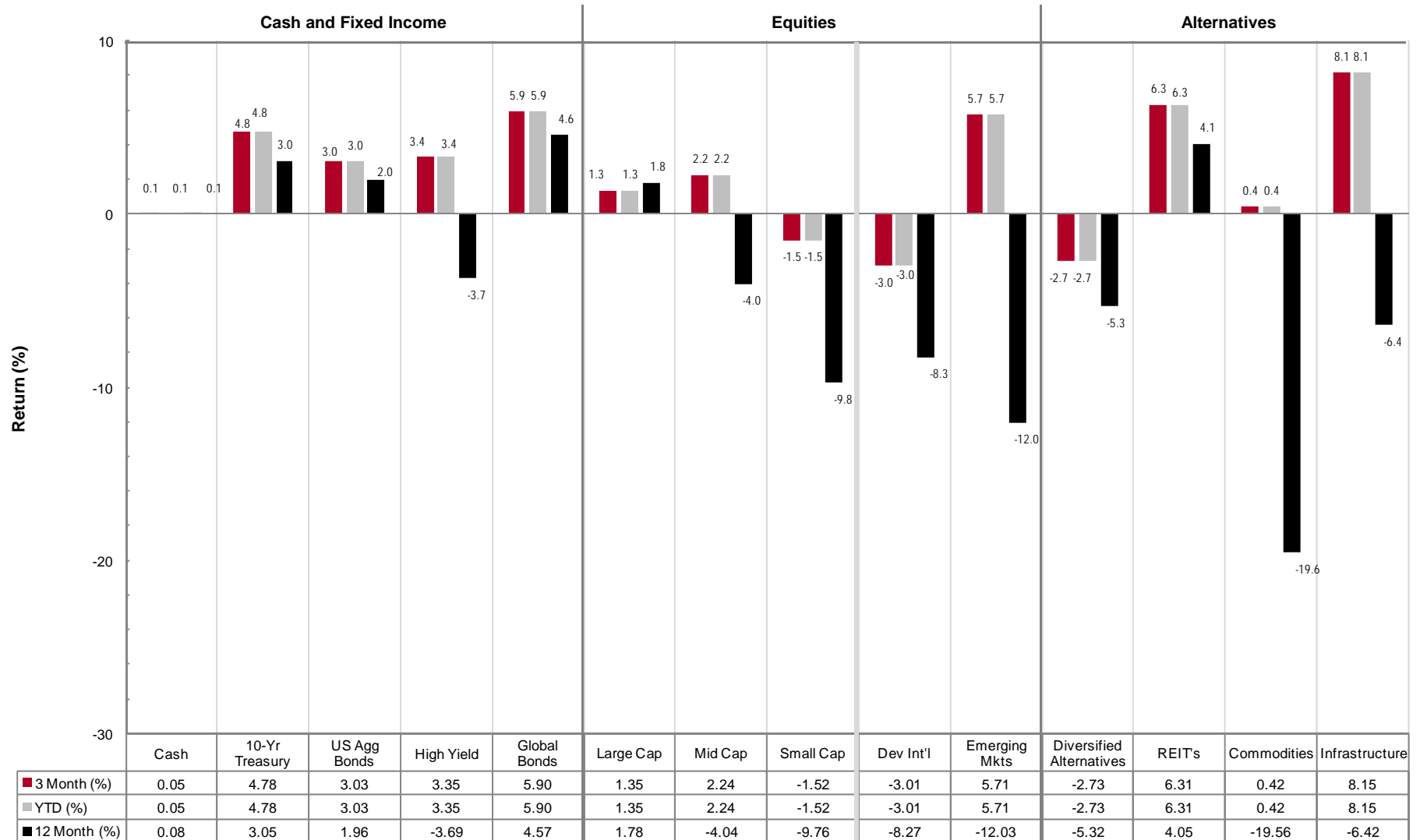


Investment Review  
Presented to:

**UNM Retiree Welfare Benefit Trust**

# Asset Class Returns

As of 03/31/2016



# Broad Capital Markets Performance

Returns, As of 3/31/16	Last Price	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
<b>Capital Markets</b>								
Dow Jones Industrial Avg	17,685.09	7.22%	2.20%	2.20%	2.08%	9.29%	10.27%	7.54%
S&P 500 Index	2,059.74	6.78%	1.35%	1.35%	1.78%	11.82%	11.58%	7.01%
S&P 500 Value Index	888.95	6.85%	2.20%	2.20%	-0.32%	9.45%	9.99%	5.42%
S&P 500 Growth Index	1,164.94	6.72%	0.53%	0.53%	3.53%	13.96%	13.06%	8.48%
Russell 1000® Index	1,138.84	6.97%	1.17%	1.17%	0.50%	11.52%	11.35%	7.06%
Russell 1000® Value Index	973.65	7.20%	1.64%	1.64%	-1.54%	9.38%	10.25%	5.72%
Russell 1000® Growth Index	1,003.25	6.74%	0.74%	0.74%	2.52%	13.61%	12.38%	8.28%
Russell Midcap® Index	1,624.07	8.19%	2.24%	2.24%	-4.04%	10.45%	10.30%	7.45%
Russell Midcap® Value Index	1,632.49	9.23%	3.92%	3.92%	-3.39%	9.88%	10.52%	7.23%
Russell Midcap® Growth Index	740.17	7.14%	0.58%	0.58%	-4.75%	10.99%	9.99%	7.43%
Russell 2000® Index	1,114.03	7.98%	-1.52%	-1.52%	-9.76%	6.84%	7.20%	5.26%
Russell 2000® Value Index	1,395.78	8.29%	1.70%	1.70%	-7.72%	5.73%	6.67%	4.42%
Russell 2000® Growth Index	672.73	7.66%	-4.68%	-4.68%	-11.84%	7.91%	7.70%	6.00%
MSCI EAFE Index	1,652.04	6.51%	-3.01%	-3.01%	-8.27%	2.23%	2.29%	1.80%
MSCI EAFE Value Index	2,457.79	6.60%	-3.97%	-3.97%	-12.82%	0.59%	0.82%	0.60%
MSCI EAFE Growth Index	1,354.42	6.42%	-2.07%	-2.07%	-3.70%	3.80%	3.70%	2.92%
MSCI Emerging Markets	836.80	13.23%	5.71%	5.71%	-12.03%	-4.50%	-4.13%	3.02%
MSCI US REIT Index	1,158.92	10.42%	6.31%	6.31%	4.05%	10.45%	11.85%	6.49%
Barclays Aggregate Bond Index	1,983.77	0.92%	3.03%	3.03%	1.96%	2.50%	3.78%	4.90%
Barclays Corporate High Yield Index	1,600.51	4.44%	3.35%	3.35%	-3.69%	1.84%	4.93%	7.01%
HFRI Fund of Funds Index*	5,446.63	1.07%	-2.73%	-2.73%	-5.32%	1.89%	1.37%	1.49%

Yields, As of 3/31/16	Last Yield	Prior Month	3 Months Ago	Year-End	1 Year Ago	3 Years Ago	5 Years Ago
<b>Cash &amp; Bond Markets</b>							
Fed Funds Target	0.25%	0.25%	0.25%	0.25%	0.00%	0.00%	0.00%
2-Year Treasury	0.75%	0.84%	1.05%	1.05%	0.54%	0.24%	0.80%
10-Year Treasury	1.77%	1.82%	2.27%	2.27%	1.86%	1.83%	3.44%
Municipal	2.14%	2.28%	2.24%	2.24%	2.31%	2.59%	3.62%

Prices, As of 3/31/16	Last Price	Prior Month	3 Months Ago	Year-End	1 Year Ago	3 Years Ago	5 Years Ago
<b>Commodities</b>							
Gold	\$1,219.95	\$1,232.07	\$1,061.42	\$1,061.42	\$1,203.90	\$1,599.52	\$1,428.80
Crude Oil	\$38.34	\$33.75	\$37.04	\$37.04	\$47.60	\$97.23	\$106.72
Gasoline	\$2.17	\$1.84	\$2.14	\$2.14	\$2.53	\$3.71	\$3.65

Source: Morningstar Direct (Capital Markets return data)

- After a rough start for the first six weeks of the year, the markets rallied in the latter part of the first quarter in 2016. March represented the first across-the-board monthly gains for the major asset classes in nearly two years. The S&P 500 Index was down 10.5% through mid-February but ended the quarter in positive territory. Generally positive economic data in the U.S., as well as the Federal Reserve's decision to remain accommodative in the near-term, helped to stabilize the markets.
- The domestic equity market, as represented by the S&P 500 Index, recorded a 1.35% gain for the quarter and a 1.78% gain for the year. The domestic fixed income market, as represented by the Barclays Aggregate Bond Index, posted a return of 3.03% for the quarter and returned 1.96% for the 1-year period.
- The 10-year Treasury yield ended the quarter at 1.77%, down from 2.27% at the beginning of the year.
- Domestic large cap equities outperformed small caps yet trailed mid cap equities during the first quarter. For the 1-year period, only the S&P 500 Index remained in positive territory as the Russell 2000® Index and Russell Midcap® Index posted losses.
- Developed international equities generally underperformed domestic equities during the quarter. The S&P 500 Index continued to outperform the MSCI EAFE Index for the 1-year period.
- Emerging market equities posted a return of 5.71% for the quarter. The 1-year return for the MSCI Emerging Markets Index was -12.03% as of 3/31/16.
- REITs continued to post strong returns, with a gain of 6.31% in the first quarter. Commodities were roughly flat for the quarter and were down almost -20% for the 1-year period.

# Annual Total Return of Key Asset Classes

Through 3/31/2016

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD
Comm. 25.9%	Emerging Markets 55.82%	Real Estate 31.49%	Emerging Markets 34.00%	Real Estate 35.92%	Emerging Markets 39.42%	Bonds 5.24%	Emerging Markets 78.5%	Real Estate 28.48%	Real Estate 8.69%	Emerging Markets 18.22%	Small Cap Blend 38.82%	Real Estate 30.38%	Large Cap Growth 5.67%	Real Estate 6.31%
Global Bonds 16.52%	Small Cap Blend 47.25%	Emerging Markets 25.55%	Comm. 21.36%	Emerging Markets 32.14%	Comm. 16.23%	Global Bonds 4.79%	High Yield 58.21%	Small Cap Blend 26.86%	Bonds 7.84%	Mid Cap Blend 17.88%	Mid Cap Blend 33.50%	S&P 500 13.69%	Real Estate 2.52%	Global Bonds 5.90%
Bonds 10.25%	Foreign Stocks 38.59%	Foreign Stocks 20.25%	Foreign Stocks 13.54%	Foreign Stocks 26.34%	Large Cap Growth 11.8%	Alternative -21.39%	Mid Cap Blend 37.38%	Mid Cap Blend 26.64%	Global Bonds 5.64%	Real Estate 17.77%	Large Cap Growth 33.48%	Large Cap Value 13.45%	S&P 500 138%	Emerging Markets 5.71%
Real Estate 3.64%	Real Estate 36.74%	Small Cap Blend 18.33%	Mid Cap Blend 12.56%	Large Cap Value 22.25%	Foreign Stocks 11.17%	High Yield -26.16%	Large Cap Growth 37.21%	Emerging Markets 18.88%	High Yield 4.98%	Large Cap Value 17.51%	Large Cap Value 32.53%	Large Cap Growth 13.05%	Bonds 0.55%	Mid Cap Blend 3.78%
Alternative 10.1%	Mid Cap Blend 35.62%	Large Cap Value 16.49%	Real Estate 12.13%	Small Cap Blend 18.37%	Alternative 10.26%	Small Cap Blend -33.79%	Foreign Stocks 31.78%	Comm. 16.83%	Large Cap Growth 2.64%	Foreign Stocks 17.32%	S&P 500 32.39%	Mid Cap Blend 9.77%	Alternative -0.39%	High Yield 3.35%
High Yield -14.1%	Large Cap Value 30.03%	Mid Cap Blend 16.48%	Alternative 7.50%	S&P 500 15.79%	Global Bonds 9.48%	Comm. -35.65%	Real Estate 15.79%	Large Cap Growth 16.71%	S&P 500 2.11%	Small Cap Blend 16.35%	Foreign Stocks 22.78%	Bonds 5.97%	Foreign Stocks -0.81%	Bonds 3.03%
Emerging Markets -6.17%	Large Cap Growth 29.75%	High Yield 11.33%	Large Cap Value 7.05%	High Yield 11.85%	Mid Cap Blend 7.98%	Mid Cap Blend -36.23%	Small Cap Blend 27.17%	Large Cap Value 15.51%	Large Cap Value 0.39%	S&P 500 16.00%	Alternative 8.96%	Small Cap Blend 4.89%	Mid Cap Blend -2.18%	Large Cap Value 16.4%
Mid Cap Blend -14.51%	High Yield 28.97%	S&P 500 10.88%	Large Cap Growth 5.26%	Alternative 10.39%	Bonds 6.97%	Large Cap Value -36.85%	S&P 500 26.46%	High Yield 15.12%	Mid Cap Blend -1.73%	High Yield 15.81%	High Yield 7.44%	Alternative 3.46%	Global Bonds -3.15%	S&P 500 135%
Large Cap Value -15.52%	S&P 500 28.68%	Global Bonds 9.27%	S&P 500 4.91%	Mid Cap Blend 10.32%	S&P 500 5.49%	S&P 500 -37.00%	Large Cap Value 19.69%	S&P 500 15.06%	Small Cap Blend -4.18%	Large Cap Growth 15.26%	Real Estate 2.47%	High Yield 2.45%	Large Cap Value -3.83%	Large Cap Growth 0.74%
Foreign Stocks -15.94%	Comm. 23.93%	Comm. 9.15%	Small Cap Blend 4.55%	Large Cap Growth 9.07%	High Yield 18.7%	Real Estate -37.97%	Comm. 18.91%	Foreign Stocks 7.75%	Alternative -5.72%	Alternative 4.79%	Bonds -2.02%	Global Bonds 0.59%	Small Cap Blend -4.41%	Comm. 0.42%
Small Cap Blend -20.48%	Global Bonds 12.51%	Alternative 6.87%	High Yield 2.74%	Global Bonds 6.64%	Large Cap Value -0.17%	Large Cap Growth -38.44%	Alternative 11.47%	Bonds 6.56%	Foreign Stocks -12.14%	Global Bonds 4.32%	Global Bonds -2.60%	Emerging Markets -2.19%	High Yield -4.47%	Small Cap Blend -1.52%
S&P 500 -22.10%	Alternative 11.62%	Large Cap Growth 6.30%	Bonds 2.43%	Bonds 4.33%	Small Cap Blend -15.7%	Foreign Stocks -43.38%	Global Bonds 6.93%	Alternative 5.69%	Comm. -13.32%	Bonds 4.22%	Emerging Markets -2.60%	Foreign Stocks -4.90%	Emerging Markets -14.92%	Alternative -2.73%
Large Cap Growth -27.89%	Bonds 4.10%	Bonds 4.34%	Global Bonds -4.49%	Comm. 2.07%	Real Estate -16.82%	Emerging Markets -53.33%	Bonds 5.93%	Global Bonds 5.54%	Emerging Markets -18.42%	Comm. -10.6%	Comm. -9.52%	Comm. -17.01%	Comm. -24.66%	Foreign Stocks -3.01%

Best Performing

Worst Performing

	Large Cap Blend: S&P 500 Index		Global Bonds: Barclays Global Aggregate Bond Index
	Large Cap Growth: Russell 1000 <sup>®</sup> Growth Index		High Yield: Barclays Corporate High Yield Index
	Large Cap Value: Russell 1000 <sup>®</sup> Value Index		Bonds: Barclays Capital U.S. Aggregate Bond Index
	Mid Cap Blend: S&P MidCap 400 Index		Alternatives: HFRI Fund of Fund Composite Index
	Small Cap Blend: Russell 2000 <sup>®</sup> Index		Commodities: Bloomberg Commodity Index
	Foreign Stocks: MSCI EAFE Index		Real Estate: MSCI US REIT Index
	Emerging Markets: MSCI Emerging Mkts		

Past performance is no guarantee of future results. Chart performance is derived from various unmanaged indices, is illustrative in nature and not representative of any specific fund. You cannot invest directly in an index.

Source: Morningstar Direct, Zephyr, Bloomberg

# Annual Total Return of Key Asset Classes

WITH THE S&P 500 INDEX AS A BASELINE

Through 12/31/2015

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
		Commodity													
		Global													
Real Estate		Bonds													
Bonds		Real Estate					Emerging	Bonds							
High Yield		Alternative	Emerging	Real Estate	Emerging		Commodity	Global	Emerging	Real Estate					
Alternative		High Yield	Small Cap	Emerging	Commodity		Foreign	Alternative	High Yield	Small Cap			Emerging		
Small Cap		Emerging	Foreign	Foreign	Foreign	Real Estate	Alternative	High Yield	Mid Cap	Mid Cap	Real Estate	Mid Cap			
Global		Mid Cap	Real Estate	Small Cap	Mid Cap	Emerging	Global	Small Cap	Foreign	Emerging	Bonds	Real Estate			
Mid Cap		Foreign	Mid Cap	Mid Cap	Real Estate	Foreign	Mid Cap	Commodity	Real Estate	Commodity	Global	Foreign	Small Cap		
Emerging		Small Cap	High Yield	High Yield	Alternative	Small Cap	Bonds	Mid Cap	Small Cap	High Yield	High Yield	Small Cap	Mid Cap	Real Estate	Real Estate
S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500
Commodity		Commodity	Global	Small Cap	High Yield	High Yield	Real Estate	Commodity	Foreign	Mid Cap	High Yield	Foreign	Mid Cap	Bonds	
Foreign		Global	Commodity	High Yield	Alternative	Small Cap	Foreign	Alternative	Bonds	Small Cap	Alternative	Alternative	Bonds	Alternative	
		Alternative	Alternative	Bonds	Mid Cap	Real Estate	Emerging	Global	Alternative	Global	High Yield	Small Cap	Foreign		
		Bonds	Bonds	Global	Global			Bonds	Global	Foreign	Bonds	Real Estate	Alternative	Mid Cap	
						Bonds					Commodity	Commodity	Bonds	High Yield	Global
						Commodity					Emerging		Global	Global	Small Cap
												Emerging	Emerging	High Yield	
												Commodity	Foreign	Emerging	
													Commodity	Commodity	

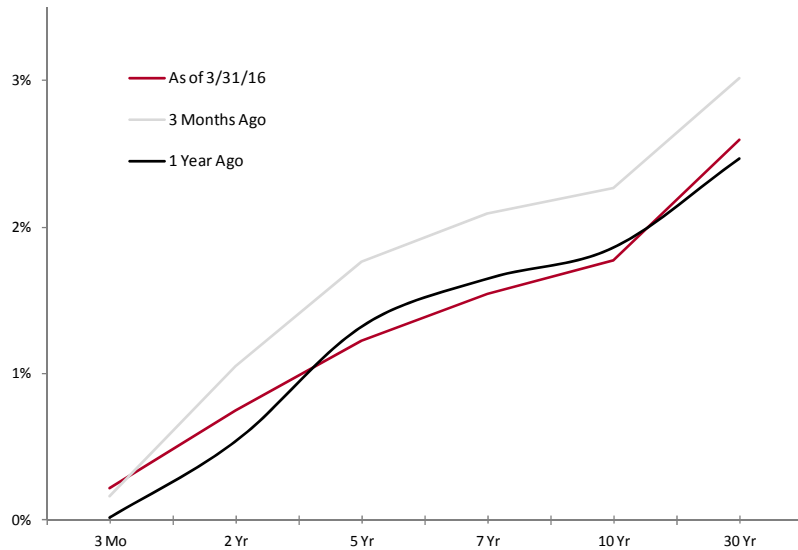
	Large Cap Blend: S&P 500 Index		Global Bonds: Barclays Global Aggregate Bond Index
	Mid Cap Blend: S&P MidCap 400 Index		High Yield: Barclays Corporate High Yield Index
	Small Cap Blend: Russell 2000® Index		Bonds: Barclays Capital U.S. Aggregate Bond Index
	Foreign Stocks: MSCI EAFE Index		Alternatives: HFRI Fund of Fund Composite Index
	Emerging Markets: MSCI Emerging Mkts		Commodities: Bloomberg Commodity Index
	Real Estate: MSCI US REIT Index		

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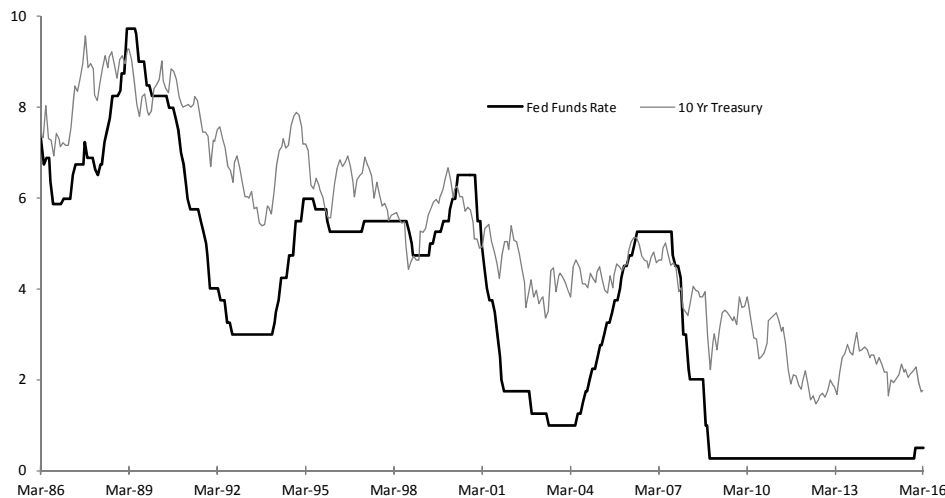
Source: Morningstar Direct, Zephyr, Bloomberg

# Fixed Income

## YIELD CURVE



## HISTORICAL FED FUNDS RATE VERSUS 10-YEAR TREASURY



- The 10-year Treasury yield decreased from 2.27% at the beginning of the quarter to end at 1.77%. The 10-year yield dipped to 1.63% in mid-February and climbed to around 2% in mid-March.
- The 2-year Treasury yield decreased from 1.05% to 0.75% during the quarter. The yield curve generally shifted lower from the prior quarter but short-term rates remain higher than where they stood one quarter and one year ago.
- The broad U.S. bond market generated a positive return in the first quarter, with the Barclays Aggregate Bond Index returning 3.03%. The 1-year return for the Index was 1.96% as of 3/31/16.
- High yield bonds rallied 3.35% during the first quarter yet trailed investment grade bonds on a 1-year basis, with a return of -3.69%. Global bonds overall posted a gain during the quarter, with returns for the 1-year period also in positive territory.
- At the March FOMC meeting, Fed officials revised their forecast for 2016 real GDP growth from 2.3-2.5% to 2.1-2.3%. The Fed left their unemployment rate projections for 2016 unchanged at 4.6-4.8%.
- After raising the fed funds rate by 0.25% at their December meeting, the Fed left rates unchanged in March. Comments from Chairwoman Janet Yellen remain dovish as the U.S. Central Bank will likely proceed cautiously with raising rates.
- The timing and pace of future Fed tightening will be dependent upon economic data over the coming months. We believe future rate hikes will be slow and measured.
- Currently, the Fed Funds rate is at 0.25%.

# Activity Summary

As of 03/31/2016

Time Period	This Quarter	Year-To-Date
<b>BEGINNING MARKET VALUE</b>	<b>\$12,410,699</b>	<b>\$12,410,699</b>
Net Contributions/Withdrawals	1,973,167	1,973,167
Fees	7,153	7,153
Investment Gain or Loss	481,352	481,352
<b>ENDING MARKET VALUE</b>	<b>\$14,858,064</b>	<b>\$14,858,064</b>

Since Inception	Portfolio Value
Net Contributions/Withdrawals	14,367,082
Market Value Gain/Loss	490,982
<b>ENDING MARKET VALUE</b>	<b>\$14,858,064</b>

This summary is for informational purposes only. Valuations are based on trade-date accounting which may differ from your chosen method. Please refer to your BOKF Financial statement for your official account record. Discrepancies should be discussed with your advisor.

# Investment Policy

As of 03/31/2016

## Asset Class Policy Targets & Ranges

The portfolio's assets shall be invested in accordance with the policy limits for each asset class listed below. The target allocation reflects the current long-term strategic positioning of the portfolio, as recommended and approved by the Investment Committee. The Investment Manager will review the portfolio's allocations relative to the policy limits on a quarterly basis and will have full discretion as to the timing and frequency of rebalancing the portfolio to the target allocations. However, compliance with minimum and maximum allocations must be maintained at each review.

<b>Asset Class</b>	<b>Current</b>	<b>Target</b>	<b>Maximum</b>
Large Cap US Equity	28%	25%	40%
Small/Mid Cap US	4%	10%	20%
Non-US Dvlp Markets	2%	15%	20%
Non-US Emrg Markets	1%	15%	20%
<b>Subtotal Equities</b>	<b>35%</b>	<b>65%</b>	<b>65%</b>
US Core Bonds	38%	35%	45%
Liquid Alternatives	4%	0%	15%
Cash	23%		
<b>Total</b>	<b>100%</b>	<b>100%</b>	

## Comments / Recommendations

- Implementation of the stock portfolio moved faster than expected in the first quarter due to opportunities available with the decline in the stock market.
- Further purchases of stocks will be periodic unless attractive entry points become available.
- Bond investments will be made as CD's mature



# Investment Policy as of January 2016

## Investment Policy Summary

The long-term objective of the Trust is to earn a return sufficient to preserve the purchasing power of the Trust to fund retirement benefits for contributing UNM employees. Ultimately, the goal is to achieve an annual total return, net of management and custodial fees that equals or exceeds the estimated annual benefit distributions, and inflation as measured by the U.S Department of Labor All Urban Consumer Price Index “CPI-U”.

Given the current significant unfunded status of the plan an intermediate return objective is established to reflect the return goal during the accumulation phase. The accumulation phase is defined as the time to achieve a trust balance sufficient to support 30% of the annual required contribution. During the accumulation phase the Trust has the ability to pursue a higher return since distributions are not allowed and regular contributions are expected to be significant relative to the current Trust balance. As such, the intermediate return objective is 7-8% over a full market cycle.

## Performance Objectives

Intermediate Absolute Return Objective	7-8%
Relative Performance Benchmark	Blended Benchmark <sup>1</sup>
Spending Rate	None at this time
Inflation Rate <sup>2</sup>	.79%

## Performance Summary

	3 Mos.	YTD	1 Yr.	3 Yrs.	5 Yrs.	Inception <sup>3</sup>
Total Portfolio	3.47%	3.47%	%	%	%	3.47%
Blended Benchmark	1.63%	1.63%	%	%	%	1.63%

<sup>1</sup> Blended benchmark: 25% S&P 500, 10% Russell 2500, 15% MSCI EAFE, 15% MSCI EM, 36% Barclays Aggregate Bond

<sup>2</sup> Inflation rate = 3-Year CPI for period ending March 2016

<sup>3</sup> Inception date: 1/1/16

# Performance Summary

As of 03/31/2016

## Equities

- Year to date return was 10.36% versus the S&P 500 return of 1.34%.
- Initial investments were made during market lows in February.

## Fixed Income

- Year to date return of .48% versus 3.03% for the Barclays Agg Index.
- Most of the fixed income investments remain in short term CD's.

## Alternatives

- Year to date return of -3.51% versus -2.73% for the HFRI Fund of Funds index.
- Alternative investment serve as a hedge or risk reducer in the portfolio, but can be a drag on performance during stock market recoveries.

<sup>1</sup> Ending market value includes Total Accrued Income of \$

## IMPORTANT INFORMATION

Unless otherwise indicated, Bloomberg was the data source for all data points presented herein.

The HFRI Fund of Funds Composite has been included to represent performance of diversified alternative investments. Performance is pulled from HFRI and may include preliminary returns.

## DISCLOSURES

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