

Quarterly Investment Review

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Period Ending:
March 31, 2017

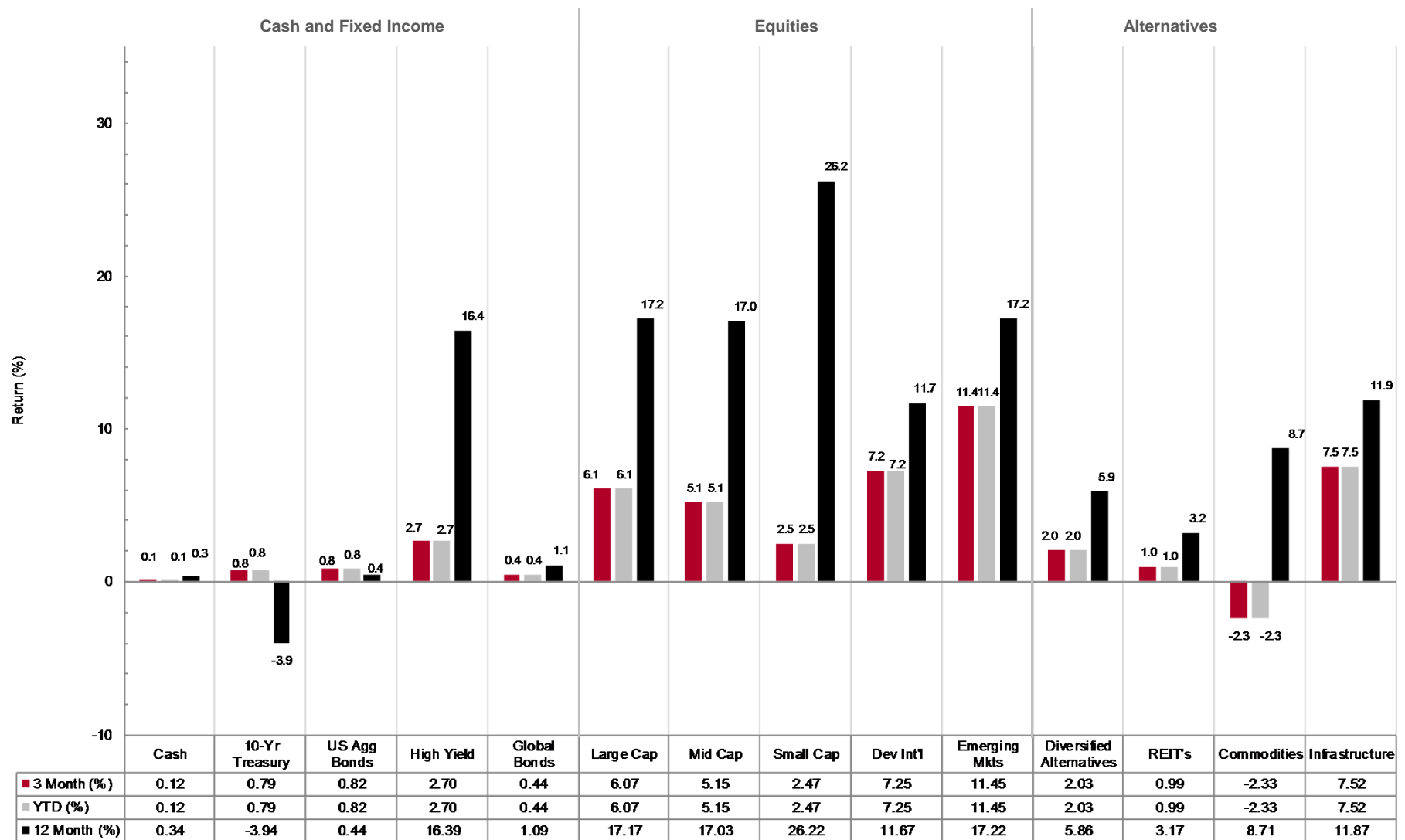


Investment Review
Presented to:

UNM Retiree Welfare Benefit Trust

Asset Class Returns

As of 03/31/2017



Broad Capital Markets Performance

As of 03/31/2017

| Returns | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|--|---------|---------|--------|--------|---------|--------|---------|
| Capital Markets | | | | | | | |
| Dow Jones Industrial Avg | -0.60% | 5.19% | 5.19% | 19.91% | 10.61% | 12.15% | 8.10% |
| NASDAQ 100 Index | 2.05% | 12.09% | 12.09% | 22.77% | 16.21% | 16.06% | 12.99% |
| S&P 500 Index | 0.12% | 6.07% | 6.07% | 17.17% | 10.37% | 13.30% | 7.51% |
| Domestic Large Cap Equities | | | | | | | |
| Russell 1000® Index | 0.06% | 6.03% | 6.03% | 17.43% | 9.99% | 13.26% | 7.58% |
| <i>Russell 1000® Value Index</i> | -1.02% | 3.27% | 3.27% | 19.22% | 8.67% | 13.13% | 5.93% |
| <i>Russell 1000® Growth Index</i> | 1.16% | 8.91% | 8.91% | 15.76% | 11.27% | 13.32% | 9.13% |
| Domestic Mid Cap Equities | | | | | | | |
| Russell Midcap® Index | -0.16% | 5.15% | 5.15% | 17.03% | 8.48% | 13.09% | 7.94% |
| <i>Russell Midcap® Value Index</i> | -0.73% | 3.76% | 3.76% | 19.82% | 8.94% | 14.07% | 7.47% |
| <i>Russell Midcap® Growth Index</i> | 0.55% | 6.89% | 6.89% | 14.07% | 7.88% | 11.95% | 8.13% |
| Domestic Small Cap Equities | | | | | | | |
| Russell 2000® Index | 0.13% | 2.47% | 2.47% | 26.22% | 7.22% | 12.35% | 7.12% |
| <i>Russell 2000® Value Index</i> | -0.85% | -0.13% | -0.13% | 29.37% | 7.62% | 12.54% | 6.09% |
| <i>Russell 2000® Growth Index</i> | 1.18% | 5.35% | 5.35% | 23.03% | 6.72% | 12.10% | 8.06% |
| International Equities | | | | | | | |
| MSCI EAFE Index | 2.75% | 7.25% | 7.25% | 11.67% | 0.50% | 5.83% | 1.05% |
| <i>MSCI EAFE Value Index</i> | 2.80% | 6.05% | 6.05% | 15.98% | -0.61% | 5.56% | 0.05% |
| <i>MSCI EAFE Growth Index</i> | 2.71% | 8.52% | 8.52% | 7.45% | 1.50% | 6.00% | 1.98% |
| MSCI Emerging Markets | 2.52% | 11.45% | 11.45% | 17.22% | 1.18% | 0.81% | 2.72% |
| Cash & Fixed Income | | | | | | | |
| 3-Month T-Bill | 0.04% | 0.12% | 0.12% | 0.34% | 0.15% | 0.11% | 0.61% |
| Bloomberg Barclays Agg Bond Index | -0.05% | 0.82% | 0.82% | 0.44% | 2.68% | 2.34% | 4.27% |
| Bloomberg Barclays Global Agg Hdgd Index | -0.05% | 0.44% | 0.44% | 1.09% | 3.60% | 3.43% | 4.31% |
| Bloomberg Barclays Corp HY Index | -0.22% | 2.70% | 2.70% | 16.39% | 4.56% | 6.82% | 7.46% |
| Alternatives | | | | | | | |
| HFRI Fund of Funds Index* | 0.07% | 2.03% | 2.03% | 5.86% | 1.68% | 3.15% | 1.20% |
| MSCI US RETI Index | -2.37% | 0.99% | 0.99% | 3.17% | 10.05% | 9.82% | 4.71% |
| Bloomberg Commodity Index | -2.66% | -2.33% | -2.33% | 8.71% | -13.91% | -9.54% | -6.22% |

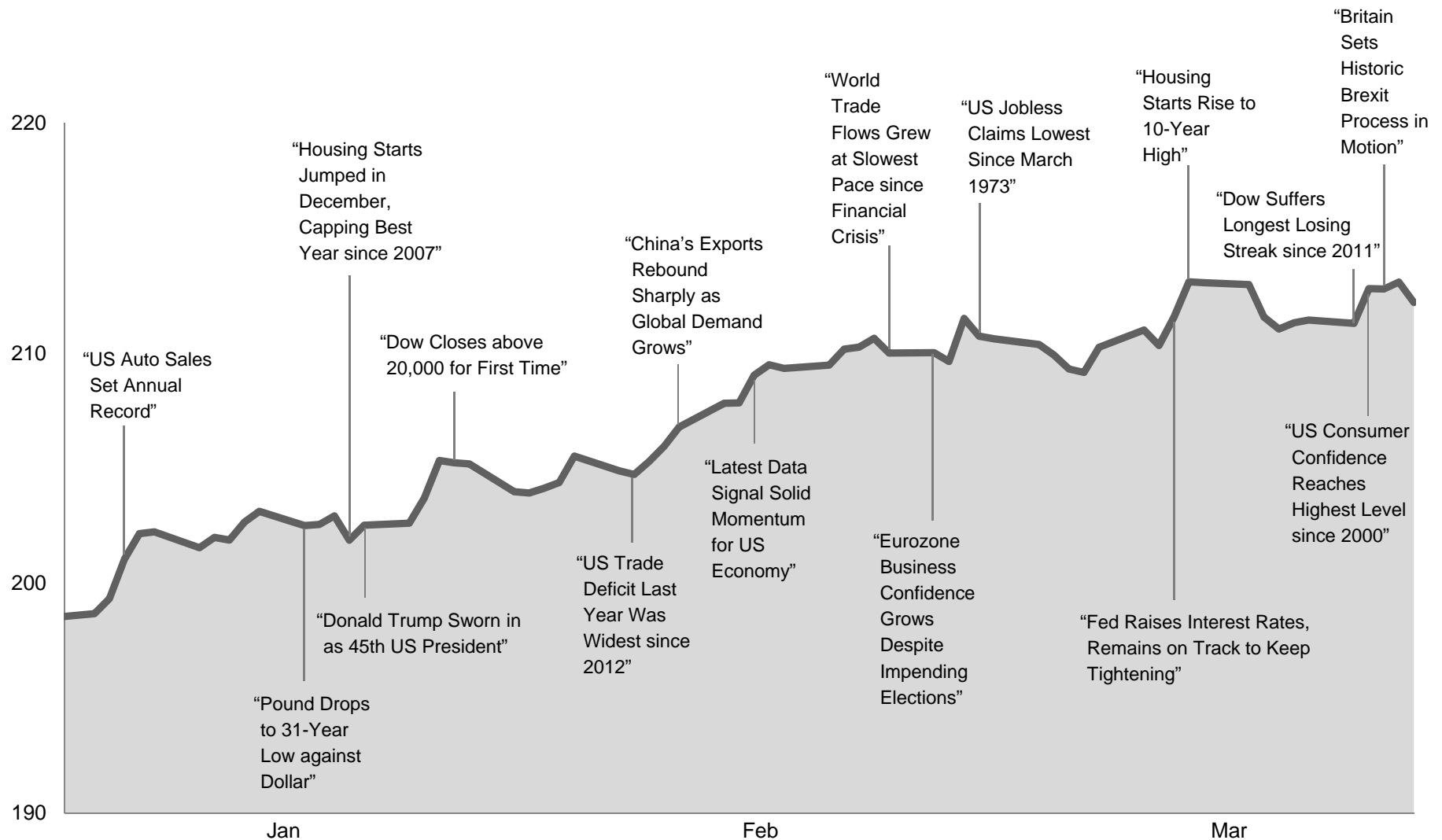
| Yields | Last Yield | Prior Month | 3 Months Ago | Year-End | 1 Year Ago | 3 Years Ago | 5 Years Ago |
|------------------|------------|-------------|--------------|------------|------------|-------------|-------------|
| Fed Funds Target | 0.75-1.00% | 0.50-0.75% | 0.50-0.75% | 0.50-0.75% | 0.25-0.50% | 0-0.25% | 0-0.25% |
| 2-Year Treasury | 1.24% | 1.31% | 1.23% | 1.23% | 0.75% | 0.45% | 0.37% |
| 10-Year Treasury | 2.40% | 2.36% | 2.45% | 2.45% | 1.78% | 2.79% | 2.29% |
| Prices | Last Price | Prior Month | 3 Months Ago | Year-End | 1 Year Ago | 3 Years Ago | 5 Years Ago |
| Gold | \$1,255.40 | \$1,253.52 | \$1,158.82 | \$1,158.82 | \$1,214.65 | \$1,287.00 | \$1,644.83 |
| Crude Oil | \$50.60 | \$50.27 | \$52.33 | \$52.33 | \$35.70 | \$100.29 | \$104.01 |
| Gasoline | \$2.43 | \$2.43 | \$2.48 | \$2.42 | \$2.17 | \$3.65 | \$4.00 |

Source: Morningstar Direct (Capital Markets return data)

- Continued strength in economic data, consumer confidence and optimism regarding legislative reform in the U.S. pushed equity markets higher in the first quarter of 2017.
- Looking at broad market indices, emerging markets was one of the best performing areas of the market, while commodities were one of the worst performing areas.
- The domestic equity market outperformed the domestic fixed income market in 1q17, as the S&P 500 Index posted a return of 6.07% versus the Bloomberg Barclays Aggregate Bond Index return of 0.82%.
- Domestic large cap equities outpaced mid cap and small cap equities during the first quarter, but small cap equities still led for the 1-year period.
- International equities, both developed and emerging, outperformed the S&P 500 Index during the quarter. After trailing for several years, developed international equities are starting to close the performance gap for the trailing 12 months.

World Stock Market Performance

MSCI All Country World Index with Selected headlines for Q1 2017

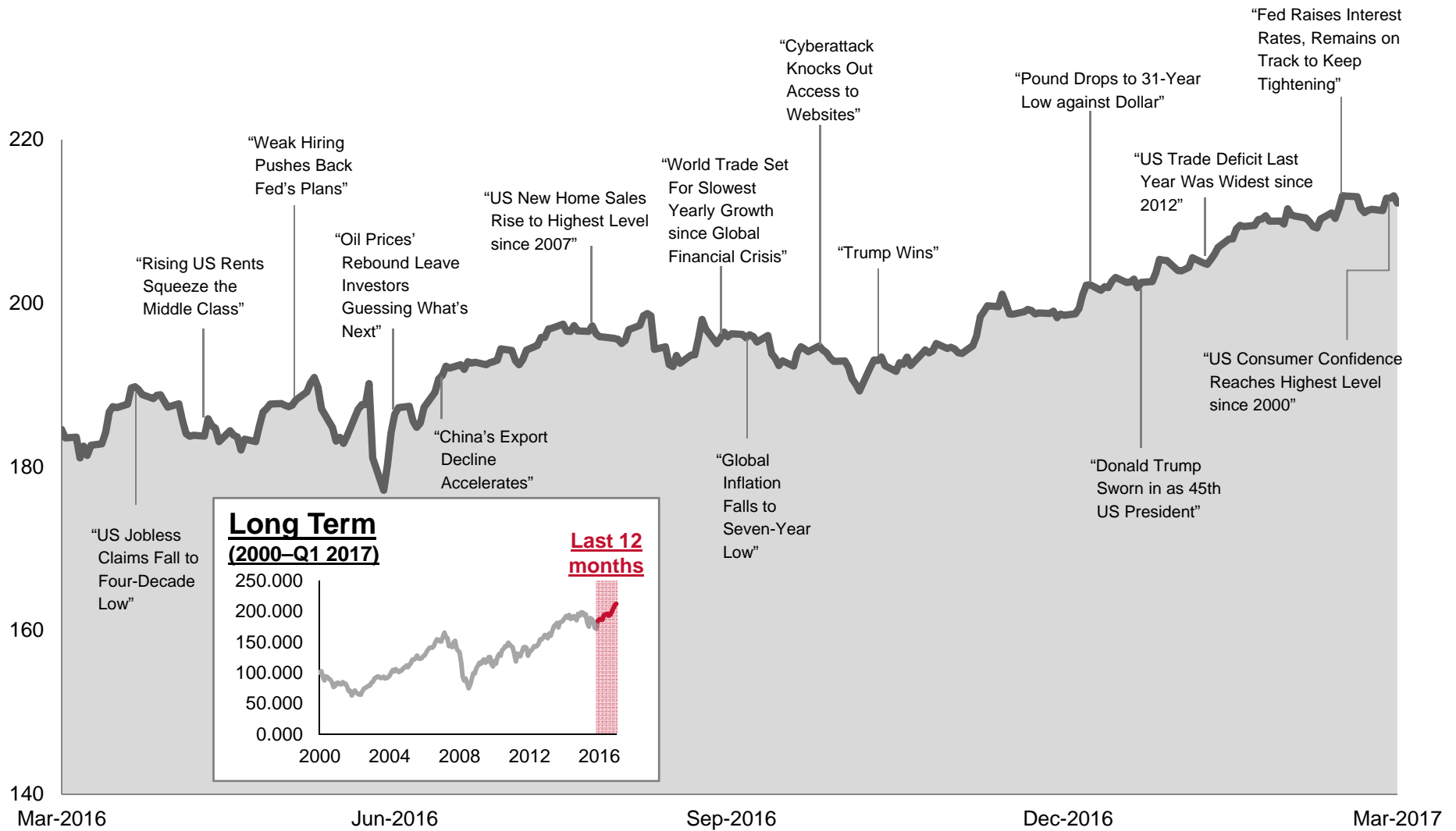


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

World Stock Market Performance

MSCI All Country World Index with Selected headlines from past 12 months



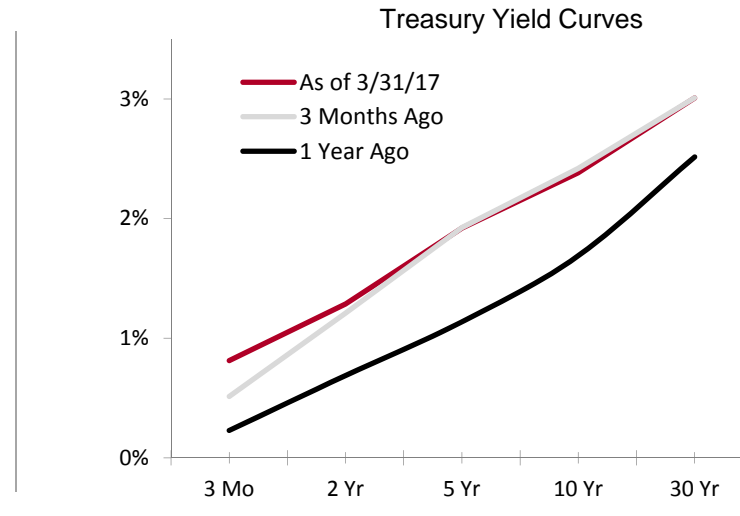
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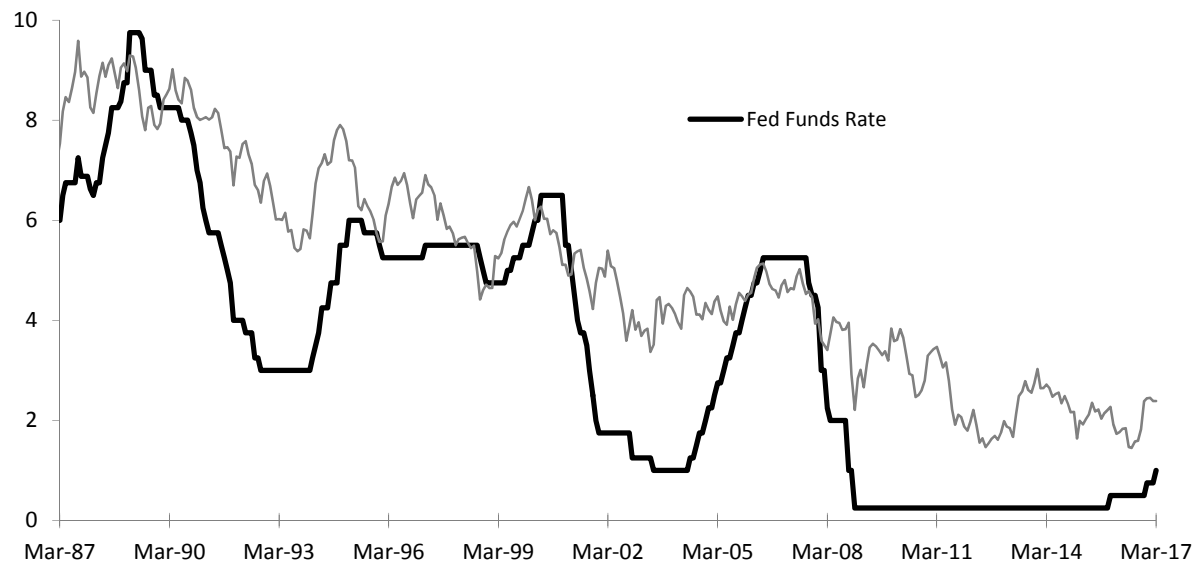
Fixed Income

As of 3/31/17

- Interest rate changes were mixed across the US fixed income market during the first quarter of 2017. The yield on the 2-year Treasury note slightly increased, ending at 1.24%. The yield on the 10-year Treasury note decreased 5 basis points (bps) to 2.40%. The 30-year Treasury bond yield decreased 4 bps to 3.02%.
- The Federal Reserve raised the Fed Funds rate by 25 bps at their March meeting, bringing the current target range to 0.75-1.00%.



Historical Fed Funds Rate vs 10-Year Treasury Yield



Activity Summary

| Time Period | This Quarter | 2016 |
|---------------------------------|------------------------|---------------------|
| BEGINNING MARKET VALUE | \$19,097,989 | \$12,410,699 |
| Net Contributions/Withdrawals | 1,764,968 | 5,570,349 |
| Fees | 9,124 | 30,314 |
| Investment Gain or Loss | 993,009 | 1,147,255 |
| ENDING MARKET VALUE | \$21,846,842 | \$19,097,989 |
| Since Inception (1/1/16) | Portfolio Value | |
| Net Contributions/Withdrawals | 19,689,795 | |
| Market Value Gain/Loss | 2,157,047 | |
| ENDING MARKET VALUE | \$21,846,842 | |

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 BOK Financial statement for your official account record. Discrepancies should be discussed with your advisor.

Investment Policy

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.

| Asset Class | Current | Target | Maximum |
|--------------------------|----------------|---------------|----------------|
| Large Cap US Equity | 22% | 25% | 40% |
| Small/Mid Cap US | 12% | 10% | 20% |
| Non-US Dvlp Markets | 15% | 15% | 20% |
| Non-US Emrg Markets | 15% | 15% | 20% |
| Subtotal Equities | 63% | 65% | 65% |
| US Core Bonds | 30% | 35% | 45% |
| Liquid Alternatives | 5% | 0% | 15% |
| Cash | 3% | | |
| Total | 100% | 100% | |

Comments / Recommendations

- Completed implementation of the international stock allocations
- Reduced alternative investments from 10% to 5% to fund stock purchases

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 ¹ |
| Spending Rate | None at this time |
| Inflation Rate ² | 1.59% |

Performance Summary

| | 3 Mos. | YTD | 2016 | 3 Yrs. | 5 Yrs. | Inception ³ |
|-------------------|--------|-------|-------|--------|--------|------------------------|
| Total Portfolio | 4.94% | 4.94% | 7.34% | % | % | 10.00% |
| Blended Benchmark | 4.98% | 4.98% | 7.52% | % | % | 10.18% |

¹ Blended benchmark: 25% S&P 500, 10% Russell 2500, 15% MSCI EAFE, 15% MSCI EM, 35% Barclays Aggregate Bond

² Inflation rate = Since inception

³ Inception date: 1/1/16

Performance Summary

Equities

- Q1 return was 7.89% versus 6.06% for the S&P 500 and 7.25% for the MSCI EAFE
- Strong performance from growth oriented US funds and emerging markets

Fixed Income

- Q1 return of .75% versus .82% for the Barclays Agg Index.
- Roughly 1/3 of the fixed income investments remain in short term CD's. The fixed income portfolio may continue to lag the broader bond market if interest rates decline.

Alternative Investments

- Q1 return of 3.03%
- The returns from these investment are expected to add diversification to the portfolio and provide a return between bonds and stocks over the long term.

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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