



Investment Synopsis

Third Quarter 2015

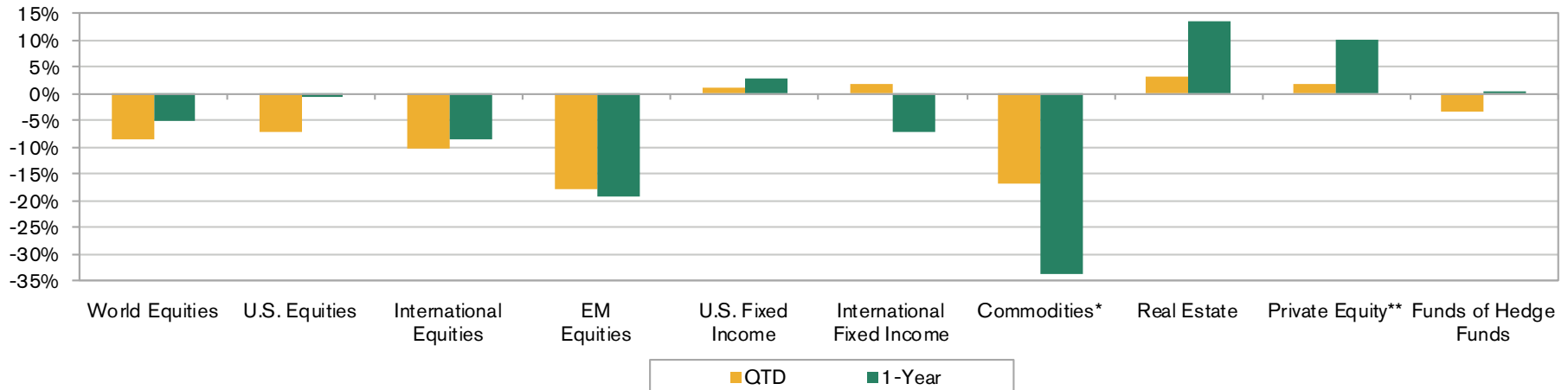
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Third Quarter 2015 Investment Performance: Summary by Asset Class

This section provides data on investment performance for select market indices mostly for the third quarter (Q3) 2015, as well as Rogerscasey's commentary.

Asset Class Summary: Quarter-to-Date (QTD) and One-Year Returns



Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Equities	MSCI World (Net of dividends)	-8.45	-6.04	-5.09	8.58	8.29	4.73
	Russell 3000	-7.25	-5.45	-0.49	12.53	13.28	6.92
	MSCI EAFE (Net of dividends)	-10.23	-5.28	-8.66	5.63	3.98	2.97
	MSCI EM (Net of dividends)	-17.90	-15.47	-19.28	-5.27	-3.58	4.27
Fixed Income	Barclays Capital Aggregate	1.23	1.13	2.94	1.71	3.10	4.64
	Citigroup Non-U.S. WGBI (Unhedged)	1.71	-4.22	-7.01	-4.59	-1.32	2.92
Other	Commodity Splice*	-16.89	-17.63	-33.87	-17.93	-9.34	-7.84
	NCREIF NPI	3.09	10.13	13.48	11.91	12.55	8.02
	Thomson Reuters Private Equity**	1.95	1.95	10.11	13.93	14.23	12.04
	HFRI Fund of Funds Composite	-3.28	-0.67	0.27	4.26	2.75	2.45

World equity markets were negative in Q3. On a global developed factor* basis, Sentiment and Quality generally performed well, while Risk performed poorly, and Value and Growth were mixed. International developed and emerging market equities underperformed the U.S.

U.S. and international fixed income performed positively in Q3. The Federal Reserve's decision to leave rates unchanged removed uncertainty and drew buyers.

Commodities ended Q3 in negative territory. All sectors fell, but Energy, Agriculture and Industrial Metals experienced the steepest declines.

Hedge fund of funds were negative during Q3. In direct hedge funds, Equity Hedge and Event-Driven had the worst performance, followed by Relative Value. Macro was on the cusp between slightly negative and flat.

*Factors are attributes that explain differences in equity performance. Stocks are sorted based on their exposure to a particular factor, with the factor return being the difference in returns between stocks with high exposure and low exposure to a particular attribute.

*Commodity Splice, a Rogerscasey index, blends the Bloomberg Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

**Performance reported as of Q1 2015 because Q2 2015 and Q3 2015 performance data is not yet available.
Sources: eVestment Alliance, Investment Metrics, Thomson One and Hedge Fund Research, Inc.

World Economy: Key Indicators

This section provides data on select U.S. and global economic indicators for Q3 2015 along with Rogerscasey's commentary.

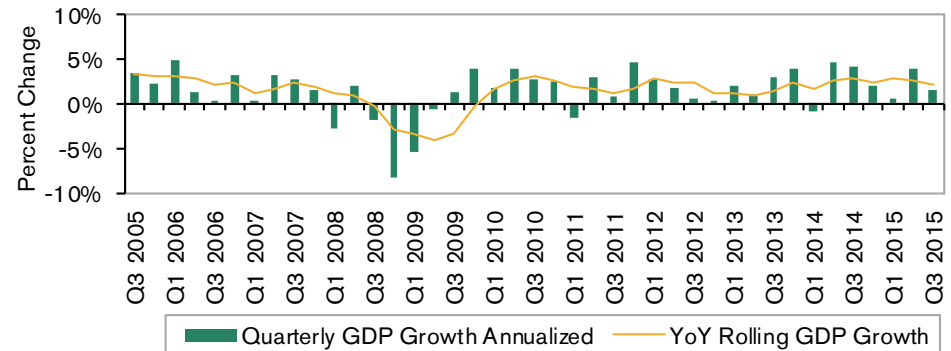
GDP Growth

Real GDP grew at an annualized rate of 1.5 percent in Q3. The adjacent graph shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP.

Positive contributors to GDP growth in Q3 included personal consumption expenditures, state and local government spending, nonresidential fixed investment, exports, and residential fixed investment. Private inventory investment and increased imports detracted from GDP during the quarter.

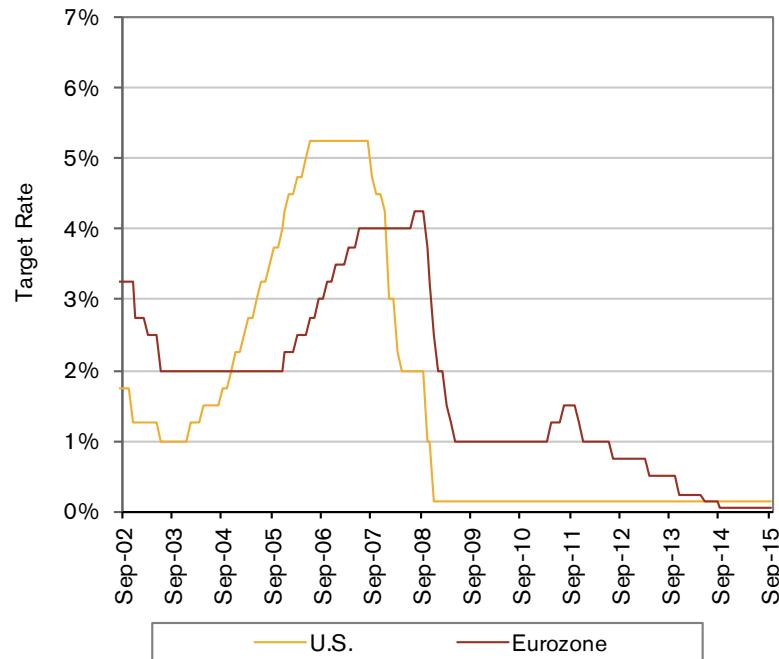
In Q3, personal disposable income grew 1.4 percent more than it did in Q2. The personal savings rate, or personal savings as a percentage of disposable personal income, ended Q3 at 4.7 percent – a slight increase over Q2.

U.S. GDP Growth: Annualized Quarterly and Year-over-Year (YoY) Rolling (%)



Source: Bureau of Economic Analysis

Target Rates: U.S. and Eurozone



Sources: Rogerscasey using data from the Federal Reserve Board and the European Central Bank

Monetary Policy

At its September meeting, the Federal Open Market Committee (FOMC) stated the following:

- Economic activity has been expanding at a moderate pace and labor market conditions continued to improve,
- Net exports remained weak,
- It is reasonably confident that inflation will rise toward 2 percent in the medium term,
- The Federal Funds Rate of 0.0 to 0.25 percent remains appropriate towards The Fed's objectives of maximum employment and price stability,
- The Fed will continue to reinvest principal payments from holdings of agency debt and agency mortgage-backed securities, and roll over maturing Treasury securities at auction to maintain an accommodative policy,
- The FOMC will keep accommodation in place as economic conditions warrant, but when it determines conditions are appropriate to remove accommodation it will take a balanced approach.

The European Central Bank (ECB) continued to hold its target refinancing rate at 0.05 percent, its marginal lending rate at 0.30, and its deposit rate at -0.20. The ECB's quantitative easing (QE) program consists of monthly purchases of public and private sector securities in the amount of €60 billion. It would continue QE through September 2016 and beyond if necessary.

The Bank of Japan (BoJ) maintained its quantitative and qualitative easing policy with the goal of increasing the monetary base by approximately ¥80 trillion on an annual basis.

World Economy: Key Indicators

This section provides data on select U.S. and global economic indicators for Q3 2015 along with Rogerscasey's commentary.

Inflation

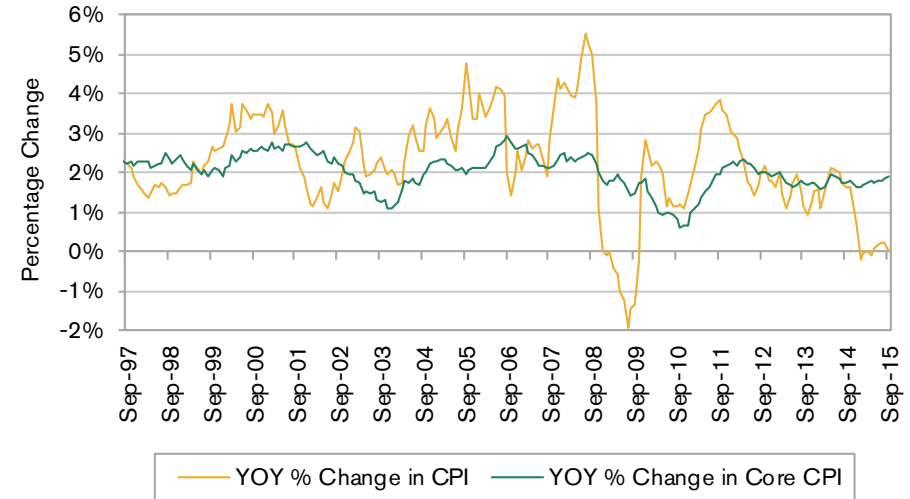
The headline seasonally adjusted Consumer Price Index (CPI)* was down 0.09 percent in Q3, and decreased 0.03 percent on a YoY basis.

Seasonally adjusted Core CPI, which excludes both food and energy prices, rose 0.42 percent in Q3, bringing the YoY core CPI increase to 1.89 percent.

On an unadjusted basis for the 12 months ending June 2015, the energy component (-18.4 percent) fell the most. Commodities less food and energy commodities was also slightly negative. Food and services less energy services were positive.

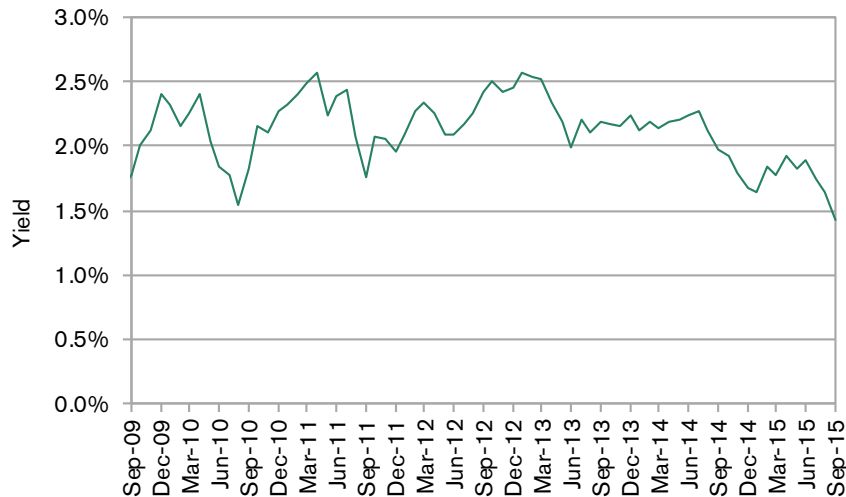
* Headline CPI is the CPI-U, the CPI for all urban consumers.

Headline CPI and Core CPI: Percentage Change YoY



Source: Bureau of Labor Statistics

10-Year Break-Even Inflation Rate



Source: Bloomberg

Break-Even Inflation

The adjacent graph shows the 10-year break-even inflation rate, which measures the difference in yield between a nominal 10-year Treasury bond and a comparable 10-year Treasury inflation-protected security bond (TIPS). The break-even inflation rate is an indicator of the market's inflation expectations over the horizon of the bond.

During Q3, the 10-year break-even rate decreased to 1.43 percent from Q2's 1.89 percent. As noted on page 2 (see "Monetary Policy"), the Fed expects inflation to gradually rise to 2 percent in the medium term.

World Economy: Key Indicators

This section provides data on select U.S. and global economic indicators for Q3 2015 along with Rogerscasey's commentary.

Labor Market and the Unemployment Rate

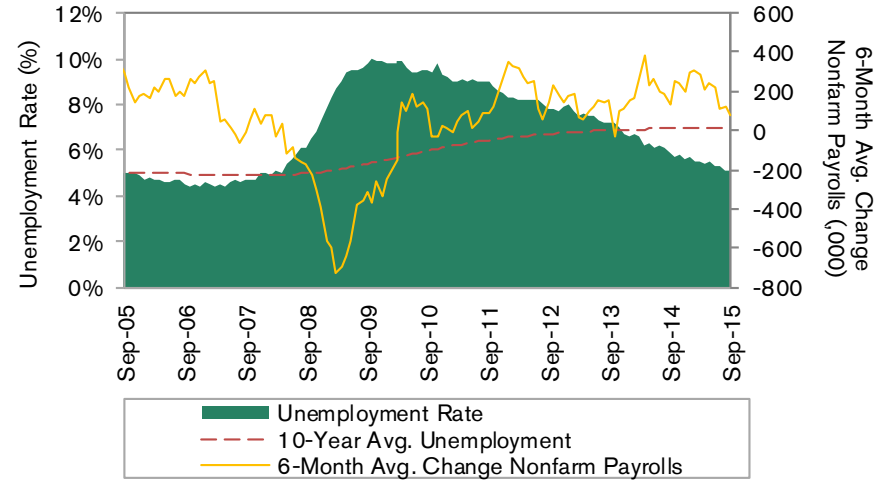
Unemployment fell from 5.3 percent at the end of Q2 to 5.1 percent at the end of Q3. Total nonfarm payrolls increased by 142,000 jobs in September. Employment increases occurred in healthcare and information, while mining jobs declined.

The one-month total private diffusion index* stood at 52.9 in September, down from 61.4 the prior year. The one-month manufacturing diffusion index was also down in September to 44.4 from 53.8 the prior year.

The labor force participation rate fell 0.2 percent from June, ending September at 62.4 percent.

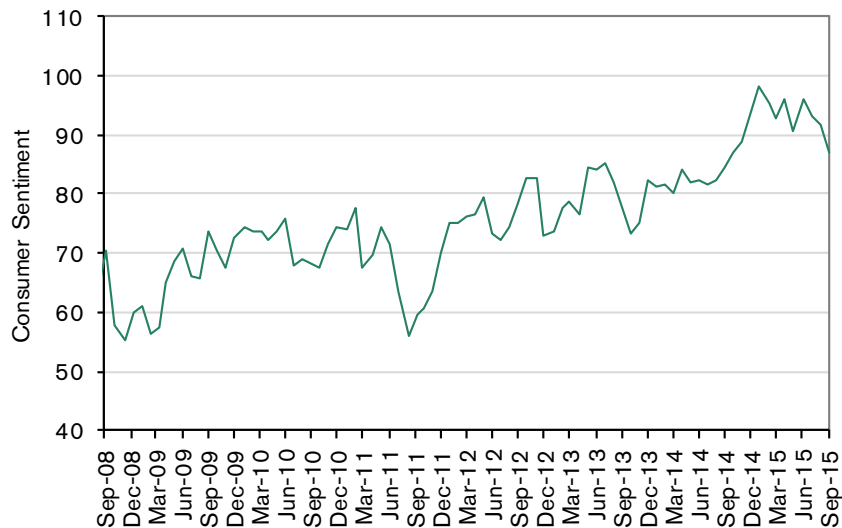
*Per the Bureau of Labor Statistics, figures represent the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

Unemployment and Nonfarm Payrolls



Source: Bureau of Labor Statistics

U.S. Consumer Sentiment



Source: Moody's Economy.com using data from the Thomson Reuters/University of Michigan Consumer Sentiment Index

Consumer Sentiment

The University of Michigan Index of U.S. Consumer Sentiment is an economic indicator that measures individuals' confidence in the stability of their incomes as well as the state of the economy. The Consumer Sentiment Index decreased from 96.1 in June to 87.2 in September. Views on present conditions and expectations fell in Q3 from Q2.

Stock market declines, weakening economic growth in China, and continued problems in Europe were negatives for consumer confidence.

Consumers anticipate lower job and wage growth going forward, and global economic influences are weighing more heavily on their minds.

Investor Sentiment: Mutual Fund Flows

This page presents mutual fund flows across equity and fixed-income funds. Flow estimates are derived from data collected covering more than 95 percent of industry assets and are adjusted to represent industry totals.

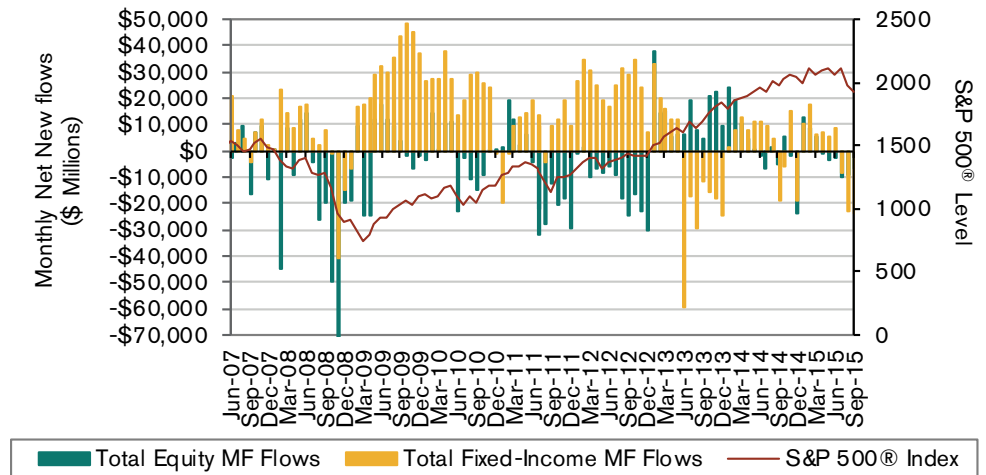
Net Mutual Fund Flows

The adjacent graph shows net flows into equity and fixed income mutual funds. In Q3, mutual funds experienced net outflows of approximately \$80.7 billion, a significant reversal from Q1 and Q2, which saw net inflows of \$59.6 billion and \$12.1 billion, respectively. Outflows during Q3 were primarily driven by fixed income mutual funds in August and September.

Due to global macroeconomic headwinds in Q3, investors sought the safety of U.S. Treasuries, which in turn pushed down rates and generated positive results for intermediate and long-term U.S. Treasuries. Overall, the Treasury yield curve flattened in Q3. The 10-year Treasury note closed at 2.06 percent, 27 basis points lower than at the end of Q2.

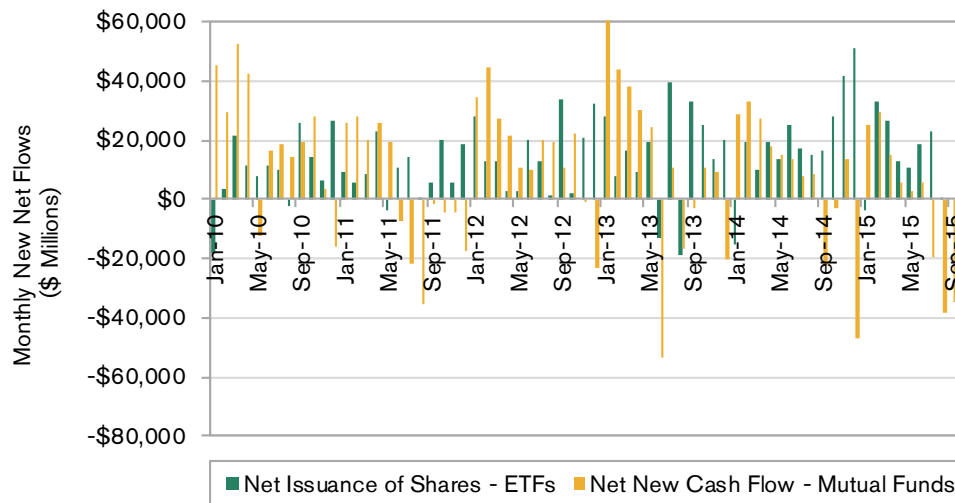
Equity mutual funds experienced around \$26.1 billion in outflows during Q3. International mutual funds lost \$57.6 billion in assets, while U.S. mutual funds received \$31.5 billion in net inflows. Hybrid mutual funds experienced outflows of \$12.3 billion.

Monthly Mutual Fund Net Flows (\$ Millions) Q3 2015



Source: Investment Company Institute <http://www.ici.org>

Mutual Fund Flows vs. ETFs (\$ Millions): New Net Cash Flows



Source: Investment Company Institute <http://www.ici.org>

Mutual Fund Flows vs. Exchange-Traded Funds

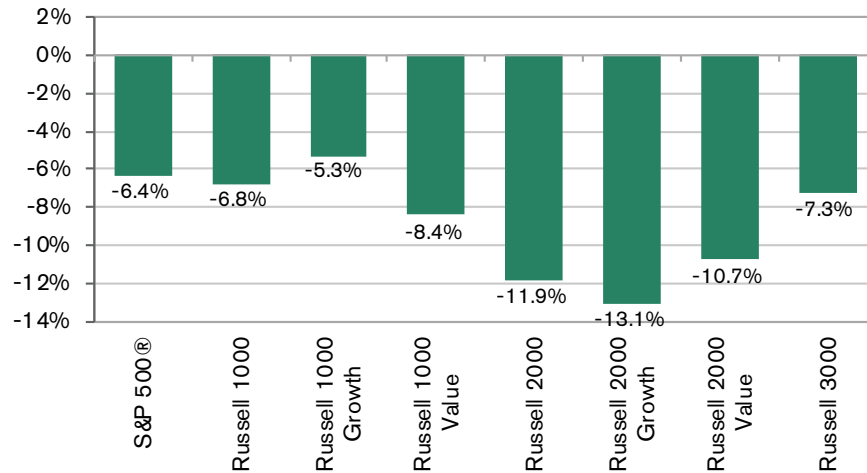
While mutual funds experienced \$80.7 billion of net outflows in Q3, ETFs experienced net inflows totaling \$23.7 billion during July and August 2015 (September numbers have not yet been reported). At the end of August, ETF assets totaled about \$2.0 trillion, up from around \$1.8 trillion in August 2014. All types of ETFs, including domestic equity, foreign equity, taxable bonds, municipal bonds, and hybrid mutual funds experienced inflows in July and August.

Investment Performance: U.S. Equities

This section presents data and Rogerscasey's commentary on U.S. equity index returns and sector performance for Q3 2015.

U.S. Equity Index Returns

The graph below illustrates Q3 2015 rates of return for selected U.S. equity indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year and 10-year annualized timeframes. All data in the table are percentages.



Equity Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500® Index	-6.44	-5.29	-0.61	12.40	13.34	6.80
Russell 1000	-6.83	-5.24	-0.61	12.66	13.42	6.95
Russell 1000 Growth	-5.29	-1.54	3.17	13.61	14.47	8.09
Russell 1000 Value	-8.40	-8.96	-4.42	11.59	12.29	5.71
Russell 2000	-11.92	-7.73	1.25	11.02	11.73	6.55
Russell 2000 Growth	-13.06	-5.47	4.04	12.85	13.26	7.67
Russell 2000 Value	-10.73	-10.06	-1.60	9.18	10.17	5.35
Russell 3000	-7.25	-5.45	-0.49	12.53	13.28	6.92

Sources: Standard & Poor's and Russell Investments

S&P 500 Index® Sector Performance – Q3 2015

	QTD (%)	YTD (%)
Consumer Discretionary	-2.6	4.1
Consumer Staples	-0.2	-1.0
Energy	-17.4	-21.3
Financials	-6.7	-7.1
Healthcare	-10.7	-2.1
Industrials	-6.9	-9.8
Information Technology	-3.7	-3.0
Materials	-16.9	-16.5
Telecommunications Services	-6.8	-3.9
Utilities	5.4	-5.9

This table shows quarter-to-date and year-to-date price changes for each sector.

Source: Standard & Poor's

Index and Sector Performance

The S&P 500® (-6.4 percent) suffered a tumultuous quarter, and major U.S. equity indices followed suit. Small cap indices were hit particularly hard. This period of volatility was triggered by the end of a stock market bubble in China, and concerns over the accompanying economic slowdown. Uncertainty persisted as the Fed maintained U.S. interest rates, despite several healthy domestic indicators, which impacted longer term investor confidence. As memories of the Global Financial Crisis recede, only the 10-year index returns shown in the table above incorporate those bad times; the 3- and 5-year returns are above very long term historical averages for U.S. equities.

Among large cap names, style was a differentiating factor, as quality went unrewarded. The Russell 1000 Growth outperformed the Russell 1000 Value by 3.1 percent during Q3. This is in contrast to small cap stocks, where the difference between the styles was 2.4 percent in favor of value.

At the sector level, Energy (-17.4 percent) and Materials (-16.9 percent) were the hardest hit as the commodity supercycle ended due to emerging market weakness. Less cyclical sectors fared better, such as Utilities (5.4 percent) and Consumer Staples (-0.2 percent) on the back of interest rates remaining lower for longer.

Investment Performance: U.S. Equities

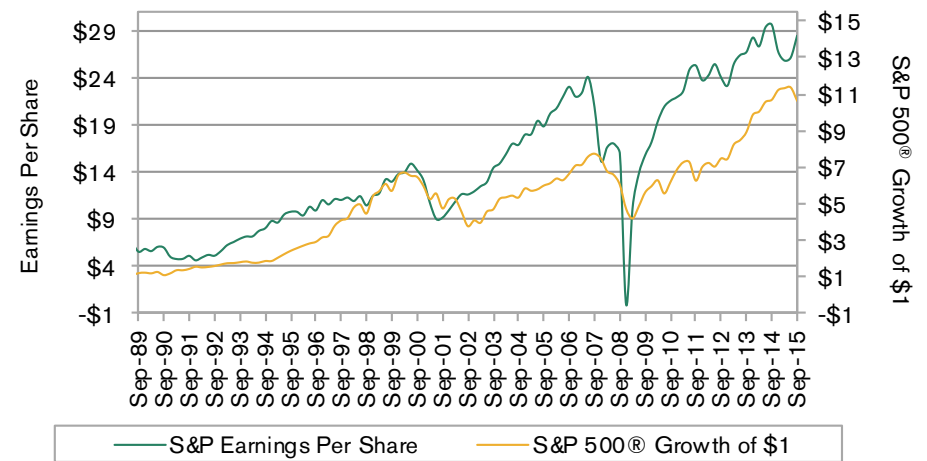
This section presents Rogerscasey's commentary on U.S. equity earnings and growth- vs. value-stock performance for Q3 2015.

U.S. Equity Market Earnings and Volatility

The adjacent graph compares the earnings per share of companies in the S&P 500® Index and the growth of \$1.00 since June 1989. While earnings per share growth does not align perfectly with the growth of stock prices, there does appear to be a directional linkage, which is something many investors count upon. It is interesting that earnings per share grew in Q3, while stock returns took a significant hit in a volatile market.

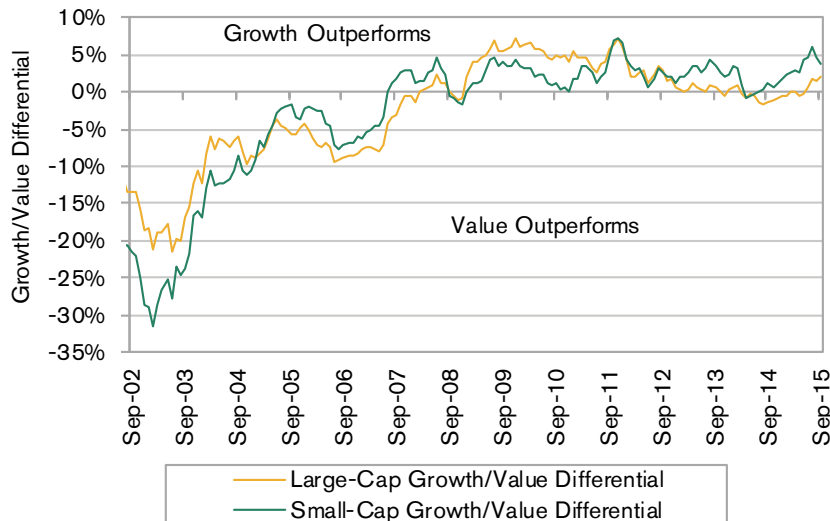
Earnings are perhaps the single most studied metric in a company's financial statements because they show a company's profitability. A company's quarterly and annual earnings are typically compared to analysts' estimates and guidance provided by the company itself. In most situations, when earnings do not meet either of those estimates, a company's stock price will tend to drop. On the other hand, when actual earnings beat estimates by a significant amount, the share price will likely surge. At the aggregate level, these swings tend to be more muted.

S&P 500® Index: Earnings Per Share and Growth of \$1



Source: Standard & Poor's

Growth Stocks vs. Value Stocks (Rolling 3-Year)



Source: Russell Investments

Growth vs. Value

The adjacent graph depicts the growth versus value differential for both large- and small-cap stocks over rolling three-year intervals. The large-cap calculation uses the Russell 1000 Growth (R1000G) versus the Russell 1000 Value (R1000V) and the small-cap differential is composed of the Russell 2000 Growth (R2000G) versus the Russell 2000 Value (R2000V).

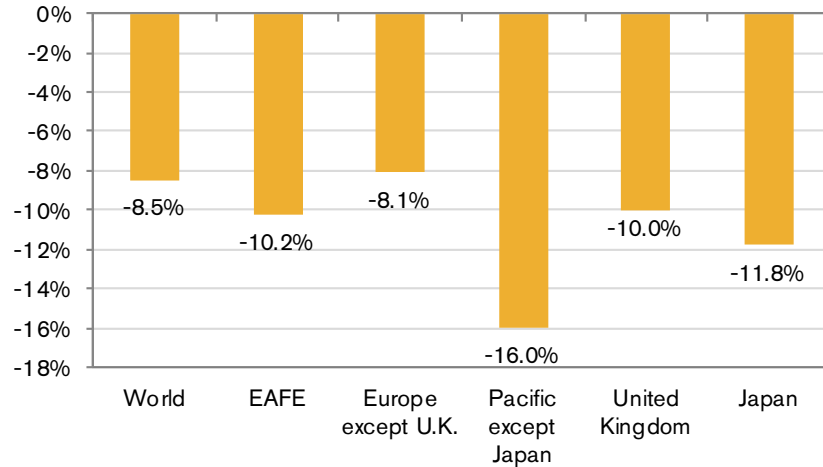
An interesting dynamic in recent years has been the fact that growth and value have largely been irrelevant in driving large cap equity returns, as the spread between the growth and value benchmarks has been quite narrow. Markets have shown a preference for growth stocks since the end of 2014, this bias been more exaggerated in small cap stocks than large cap stocks.

Investment Performance: Non-U.S. Equities

This section presents data and Rogerscasey's commentary on international equity returns and sector performance for Q3 2015.

MSCI Non-U.S. Equity Index Returns

The graph below illustrates Q3 2015 rates of return for selected non-U.S. equity indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year and 10-year annualized timeframes. All data in the table are percentages.



MSCI Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
World	-8.45	-6.04	-5.09	8.58	8.29	4.73
Europe, Australasia and Far East (EAFE)	-10.23	-5.28	-8.66	5.63	3.98	2.97
Europe except U.K.	-8.08	-3.79	-8.03	7.61	4.12	3.47
Pacific except Japan	-15.97	-15.48	-16.77	-2.00	0.87	5.15
United Kingdom	-10.02	-8.23	-12.12	2.96	4.53	2.99
Japan	-11.80	0.21	-2.22	8.96	4.91	1.14

Source: Morgan Stanley Capital International

MSCI EAFE Sector Performance – Q3 2015

	QTD (%)	YTD (%)
Consumer Discretionary	-11.3	-5.2
Consumer Staples	-2.0	1.4
Energy	-17.9	-21.9
Financials	-12.6	-8.7
Healthcare	-5.6	0.4
Industrials	-11.6	-7.4
Information Technology	-10.9	-6.5
Materials	-20.5	-20.0
Telecommunications Services	-10.1	-5.2
Utilities	-4.8	-9.7

This table shows quarter-to-date and year-to-date price changes for each sector.
Source: Morgan Stanley Capital International

Index and Sector Performance

Global equity markets experienced widespread losses in Q3. As in the U.S., signs of a faltering Chinese economy and its possible effects on global growth weighed on investors' minds. In addition, inaction by the Fed to raise interest rates contributed to investor uncertainty. Every developed country in the equity market fell in Q3, so it is unsurprising that both the EAFE (-10.2 percent) and World (8.5 percent) indices experienced losses. Pacific ex Japan saw the steepest decline, both on a quarterly (-16.0 percent) and YTD basis (-15.5 percent), as countries such as Singapore (-19.5 percent), Hong Kong (-16.2 percent), and Australia (-15.3 percent) were some of the market's worst performers. However, there were some bright spots in Q3. Worries about another Greek debt crisis were waylaid as Greece made debt payments to the ECB and IMF, and economic growth in the eurozone showed signs of improvement as Q2 GDP was revised upward.

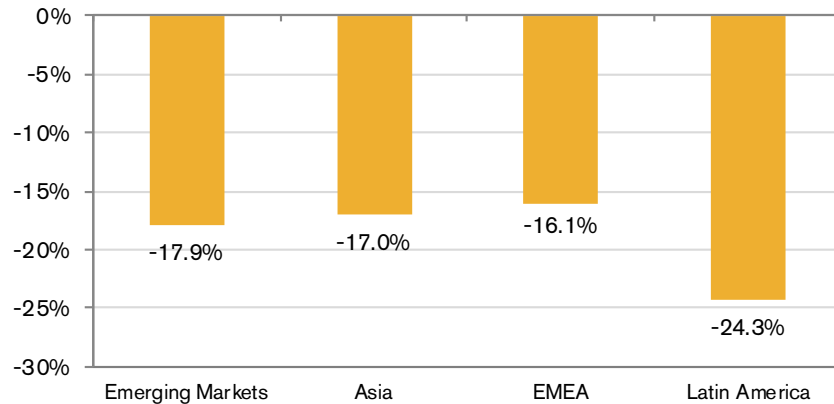
Like the broader market, all sectors of the MSCI EAFE benchmark fell in Q3. The Energy (-17.9 percent) and Materials (-20.5 percent) sectors plummeted amid concerns regarding slowing commodity demand. Financials (-12.6 percent) was another hard hit sector, as banks with major business operations in the emerging markets were punished. Companies like HSBC, Banco Santander and Standard Chartered all experienced significant share losses. Overall, it was the more defensive sectors, such as Consumer Staples (-2.0 percent) and Utilities (-4.9 percent), that fared better than their cyclical counterparts.

Investment Performance: Emerging Market Equities

This section presents data and commentary on emerging market (EM) equity returns and sector performance for Q3 2015.

MSCI Emerging Market Equity Index Returns

The graph below illustrates Q3 2015 rates of return for selected emerging market equity indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year, and 10-year annualized timeframes. All data in the table are percentages.



MSCI EM Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Emerging Markets (All)	-17.90	-15.48	-19.28	-5.27	-3.58	4.27
Asia	-17.01	-12.81	-13.05	-0.40	-0.09	6.29
Europe, Middle East and Africa (EMEA)	-16.13	-12.88	-21.74	-9.47	-5.59	0.62
Latin America	-24.29	-29.13	-38.65	-17.49	-12.94	1.78

Source: Morgan Stanley Capital International

MSCI EM Sector Performance – Q3 2015

	QTD (%)	YTD (%)
Consumer Discretionary	-13.9	-13.2
Consumer Staples	-11.4	-7.5
Energy	-25.3	-17.0
Financials	-21.4	-19.4
Healthcare	-9.5	-7.3
Industrials	-16.0	-14.0
Information Technology	-16.0	-12.5
Materials	-19.4	-20.1
Telecommunications Services	-15.6	-14.4
Utilities	-16.8	-19.7

This table shows quarter-to-date and year-to-date price changes for each sector.
Source: Morgan Stanley Capital International

Index and Sector Performance

The MSCI Emerging Markets (EM) Index fell sharply (-17.9 percent) in Q3. Slowing growth, a freer-floating renminbi, and the resulting market volatility in China (particularly in July and August), as well as uncertainty over the timing of a U.S. interest rate increase, geopolitical events, and weak commodity prices, led to risk aversion in many markets.

At the total index level, currency had a material negative impact on Q3 performance, with local currency returns coming in 5.8 percent better than the USD results. Several currencies such as the Brazilian real (USD returns were 18.7 percent worse than local returns), Colombian peso (USD returns 14.4 percent worse), Malaysian ringgit (USD returns 13.5 percent worse), and Russian ruble (USD returns 11.7 percent worse) hit multi-year lows against the USD following an unexpected devaluation of the Chinese renminbi in August.

From a regional perspective, Latin America (-24.3 percent) was the worst performing region in Q3 due to declining commodity prices and currencies; EMEA (-16.1 percent) and Asia (-17.0 percent) also registered double-digit losses. Greece (-35.8 percent) was the weakest performing country in Q3 despite a third bailout deal, as the imposition of capital controls required banks to substantially recapitalize. Brazil (-33.6 percent) also recorded a steep decline amid declining commodity prices, the corruption scandal involving Petrobras, and the deteriorating fiscal and economic outlook, which prompted Standard & Poors to downgrade the country's credit rating to junk status.

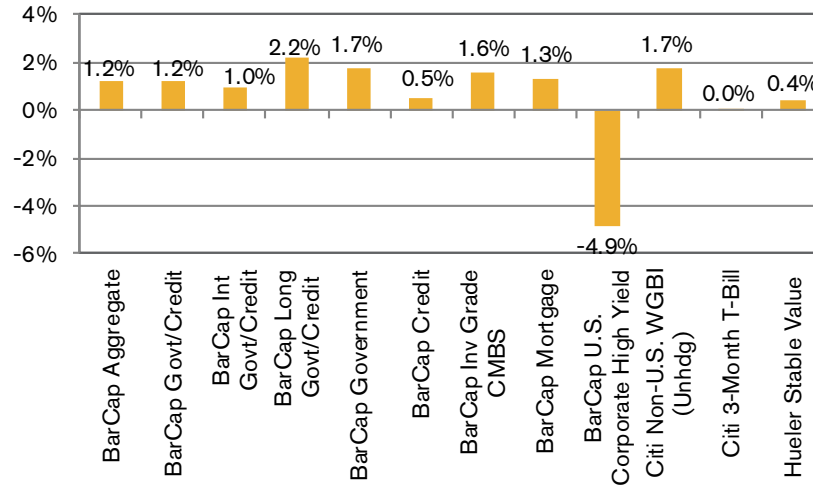
All sectors except for Healthcare (-9.5 percent) experienced double-digit losses in Q3, with cyclical sectors such as Energy (-25.3 percent), Financials (-21.4 percent), and Materials (-19.4 percent) dropping the most. Non-cyclical sectors such as Healthcare and Consumer Staples (-11.4 percent) fared better.

Investment Performance: U.S. Fixed Income

This section presents select U.S. fixed-income index data along with commentary on option-adjusted spreads (OAS) during Q3 2015.

U.S. Fixed Income Index Returns

The graph below illustrates Q3 2015 rates of return for selected U.S. fixed-income indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year and 10-year annualized timeframes. All data in the table are percentages.



Fixed-Income Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
BarCap* Aggregate	1.23	1.13	2.94	1.71	3.10	4.64
BarCap* Govt/Credit	1.20	0.90	2.73	1.59	3.09	4.61
BarCap* Int Govt/Credit	0.95	1.77	2.68	1.45	2.42	4.17
BarCap* Long Govt/Credit	2.18	-2.39	3.09	2.17	5.96	6.65
BarCap* Government	1.71	1.79	3.68	1.30	2.47	4.27
BarCap* Credit	0.53	-0.26	1.50	2.02	4.09	5.28
BarCap* Inv Grade CMBS	1.56	2.29	3.82	2.66	4.82	5.14
BarCap* Mortgage	1.30	1.61	3.43	1.98	3.03	4.71
BarCap* U.S. Corporate High Yield	-4.86	-2.45	-3.43	3.51	6.15	7.25
Citi Non-U.S. WGBI (Unhdg)	1.71	-4.22	-7.01	-4.58	-1.32	2.92
Citi 3-Month T-Bill	0.01	0.02	0.02	0.04	0.05	1.26
Hueler Stable Value	0.43	1.32	1.76	1.79	2.12	3.14

*Barclays Capital

Sources: Barclays Capital, Citigroup and Hueler Analytics

OAS* in Bps

	06/30/15	09/30/15	Change in OAS	10-Year Average
U.S. Aggregate Index	51	59	8	67
U.S. Agency (Non-mortgage) Sector	54	47	-7	43
Securitized Sectors:				
Mortgage-Backed Securities	26	31	5	53
Asset-Backed Securities	62	69	7	132
Commercial Mortgage-Backed Securities	101	108	7	229
Corporate Sectors:				
U.S. Investment Grade	145	169	24	167
Industrial	153	184	31	155
Utility	137	152	15	157
Financial Institutions	133	145	12	189
U.S. High Yield	476	630	154	561

*OAS is the yield spread of bonds versus Treasury yields taking into consideration differing bond options.

Source: Barclays Capital

Option-Adjusted Spreads

Nearly all sectors of the bond market experienced a spread expansion during Q3, which is consistent with what we saw in Q2. The exception was U.S. Agencies, which experienced a narrowing of spreads, and still remains one of the only sectors above its respective 10-year average spread of 43 bps.

Uncertainty centered on Greece and China, along with heavy supply during the early parts of Q3, resulted in corporate spread widening across all sectors. Additionally, falling commodity prices created spread widening, primarily within the industrial and high yield sectors, as both carry direct exposure to commodities. Global macro concerns remained high during Q3, pushing yield spreads to some of the widest levels in three years, causing some investors to gravitate to the safety of government guaranteed securities.

Investment Performance: U.S. Fixed Income

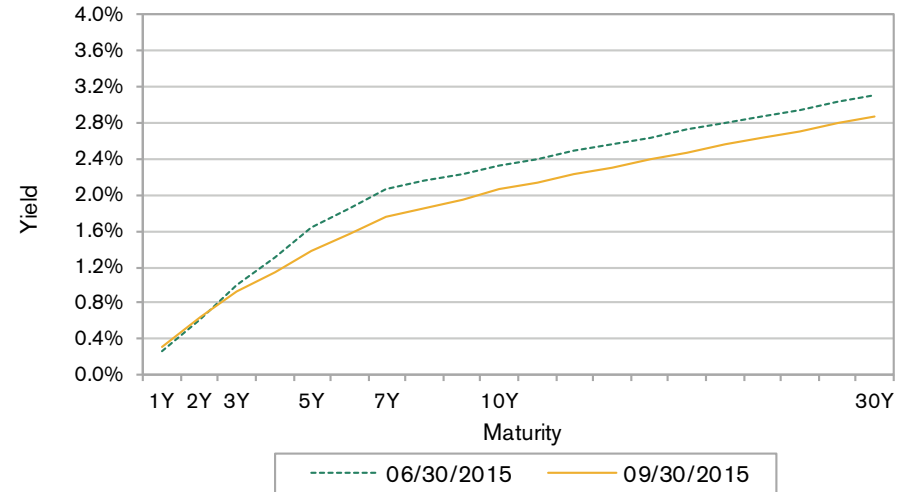
This section presents commentary on the U.S. Treasury yield curve and credit spreads during Q3 2015.

Yield Curve

The U.S. Treasury curve contracted during Q3, with the yield gap between 2-year and 10-year Treasuries decreasing from 1.70 percent to 1.42 percent. Yields declined across the curve in response to a continued slowdown in China, lower commodity prices, and uncertainty surrounding the Fed's timing of lift-off from their zero policy rate.

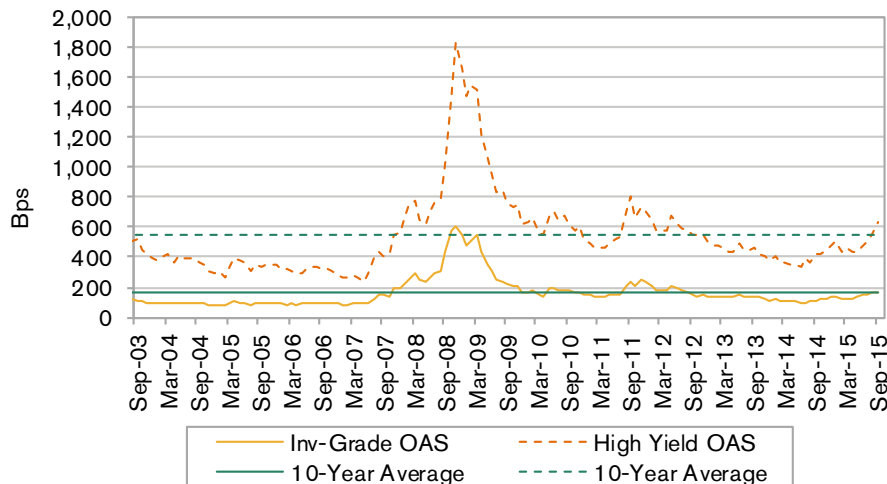
The 10-year U.S. Treasury yield ended Q3 at 2.06 percent, 27 bps below Q2.

U.S. Treasury Yield Curve



Source: Bloomberg

Barclays Capital Corporate Bond Spreads



Source: Barclays Capital

Credit Spreads

Investment grade corporate spreads widened by 24 bps during Q3 2015 and ended the quarter with an option-adjusted spread of 169 bps over Treasuries, as shown in the adjacent graph. From a historical perspective, spreads have widened to 2 bps above the 10-year average of 167 bps.

High yield bond spreads widened during Q3 by 154 bps, ending the quarter with an OAS of 6.30 percent, which is 69 bps above the 10-year average of 561 bps.

Investment Performance: Non-U.S. Fixed Income

This page focuses on international fixed-income asset class data and information on EM debt (EMD) for Q3 2015.

International Fixed Income

In Q3, global sovereign bonds, as measured by the Citigroup World Government Bond Index (WGBI), gained 1.9 percent in local currency terms, while also adding 1.6 percent in unhedged terms. The BarCap Global Aggregate Index, which includes spread sectors, gained 0.9 percent, trailing the sovereign-only Citigroup WGBI Index by roughly 86 bps on an unhedged basis. Non-U.S. government bonds, as measured by the Citigroup Non-U.S. WGBI, outperformed U.S. government bonds by roughly 28 bps in local currency terms, but trailed by 2 bps in unhedged currency terms.

On an unhedged basis, nearly all WGBI components finished the quarter in the positive, with Canada and Australia experiencing sizeable declines.

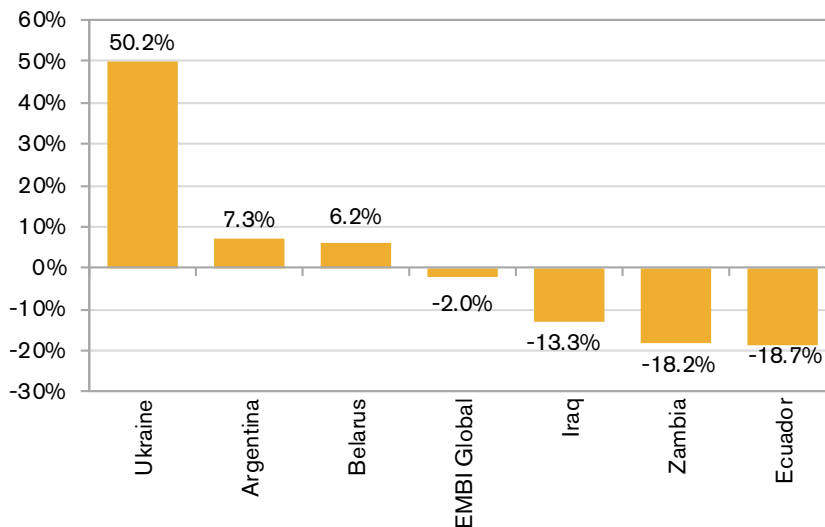
There were several notable outperformers during the quarter, with the U.S. (1.7 percent) and the eurozone (2.7 percent) being the most impactful on an unhedged basis. On a currency hedged basis, nearly all countries experienced positive performance, with the exception of Malaysia (-1.1 percent) and South Africa (-0.7 percent).

Citigroup WGBI: Returns of Major Constituents (%)

Country	Local Currency Return (Qtr)	Currency Effect	Unhedged Total Return (Qtr)
United States	1.7	0.0	1.7
Canada	0.9	6.8	-5.9
Australia	2.1	8.3	-6.2
Japan	1.0	-2.1	3.1
Austria	1.8	-0.1	1.9
Belgium	2.4	-0.1	2.5
France	2.0	-0.1	2.1
Germany	1.9	-0.1	2.0
Italy	4.2	-0.1	4.3
Netherlands	1.8	-0.1	1.9
Spain	2.9	-0.1	3.0
United Kingdom	3.2	3.7	-0.5
Non-U.S. Govt. Bond	2.0	0.3	1.7
World Govt. Bond	1.9	0.2	1.6

Sources: Citigroup and Barclays Capital

J.P. Morgan EMBI Global Index Best and Worst-Performing Markets



Source: J.P. Morgan

Emerging Market Debt

As shown in the adjacent graph, emerging markets debt (EMD) posted negative results in Q3 as measured by the JP Morgan Emerging Market Bond Index (-2.0 percent). Despite strong gains out of countries such as Ukraine (50.2 percent), more than half of the countries within the index posted poor results during Q3.

The corporate JPMorgan CEMBI Broad Diversified Index (-2.8 percent) fell, with Mongolia (-35.6 percent) and Zambia (-31.8 percent) being the most notable underperformers. Multiple ratings agencies expressed their concerns surrounding Zambia's finances during the quarter. Other detractors included Ghana (-18.4 percent), Brazil (-16.9 percent), and Nigeria (-11.4 percent).

The local JPMorgan GBI-EM Global Diversified Index (-10.5 percent) declined in USD unhedged terms, while only reporting a drawdown of 55 bps on a local currency basis. From a regional perspective, Asia, Europe, Latin America, and the Middle East/Africa all posted negative results, with Latin America being the most notable underperformer in USD unhedged terms.

Investment Performance: Commodities and Currencies

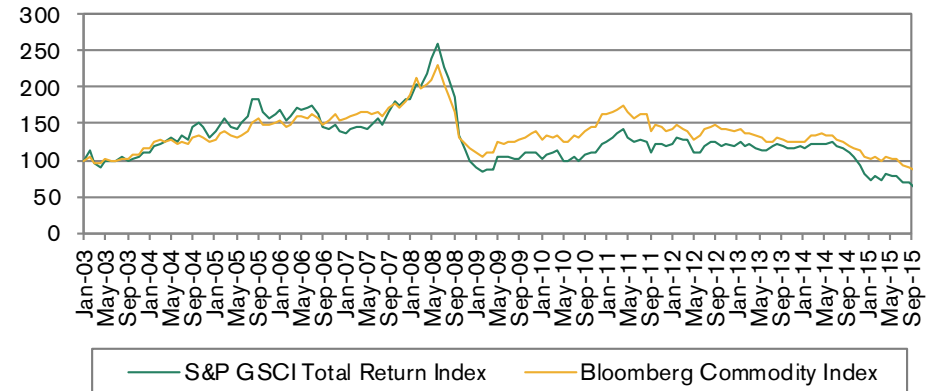
This section presents performance information about commodities and major world currencies as of Q3 2015.

Commodities

After posting gains in Q2, commodities, as represented by the Bloomberg Commodity Index (“BCOM”) (-14.5 percent) and the S&P GSCI (-19.3 percent) declined in Q3. This was the fifth worst quarter for the S&P GSCI since 1970, as 23 of the 24 commodities posted negative returns. The only other time in history that this many individual commodities lagged was in Q3 2008. The sole positive performer was Lean Hogs, which gained 13.4 percent.

All sectors in both indices suffered during Q3, but the weakest performers were Energy and Agriculture, which are the two largest components in each of the indices. These sectors fell significantly in July, with double-digit declines during that month. Commodities continue to face downward pressure due to a strong USD, oversupply, and slower demand. In particular, the slowdown in China, the largest purchaser of raw materials, has had a significant impact on pricing. In August, profits at Chinese industrial firms experienced their biggest fall in four years, which was one of the triggers of the decline experienced during Q3.

Monthly Commodity Returns, Growth of \$100: January 2003 – September 2015



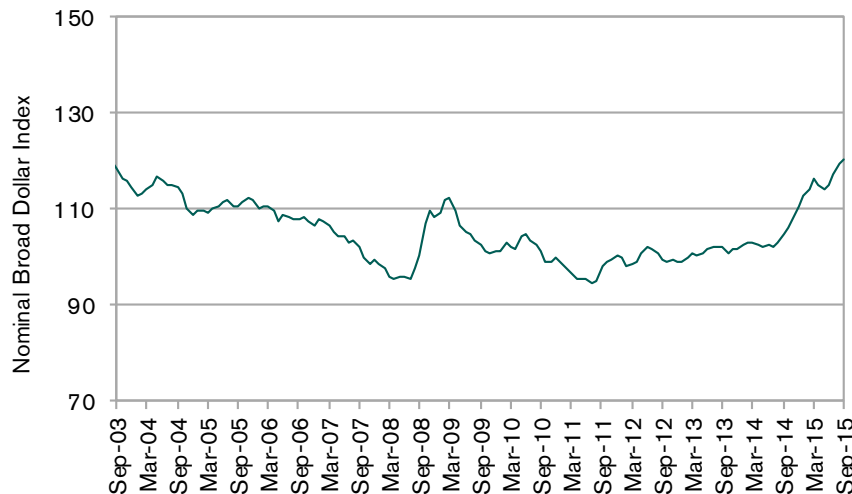
The graph above shows the major commodity indices, the S&P GSCI* Index and the Bloomberg Commodity Index**

* The S&P GSCI Index is calculated primarily on a world production-weighted basis and is composed of the principal physical commodities that are the subject of active, liquid futures markets.

** The Bloomberg Commodity Index is composed of futures contracts on physical commodities, with weighting restrictions on individual commodities and commodity groups to promote diversification.

Source: Investment Metrics

Nominal Broad Dollar Index: USD vs. Basket of Major Trading Partners



Sources: Federal Reserve and Bloomberg

Currencies

The adjacent graph shows the USD against a basket of 16 major market currencies, including those listed in the table below: the Canadian dollar (CAD), the euro (EUR), the Japanese yen (JPY), the Swiss franc (CHF), and the British pound-sterling (GBP).

In Q3, the U.S. nominal broad dollar index strengthened by 4.5 percent. The USD will continue to benefit from higher relative economic growth and potential for higher interest rates.

USD Major Trading Partners	Pairs	Q3 Level	YTD	5-Year Average
Canada	USD/CAD	1.3313	14.56%	1.0674
Eurozone	USD/EUR	0.8947	8.24%	0.7729
Japan	USD/JPY	119.8800	0.08%	95.0703
Switzerland	USD/CHF	0.9733	-2.11%	0.9232
U.K.	USD/GBP	0.6610	2.98%	0.6291

Investment Performance: Hedge Funds

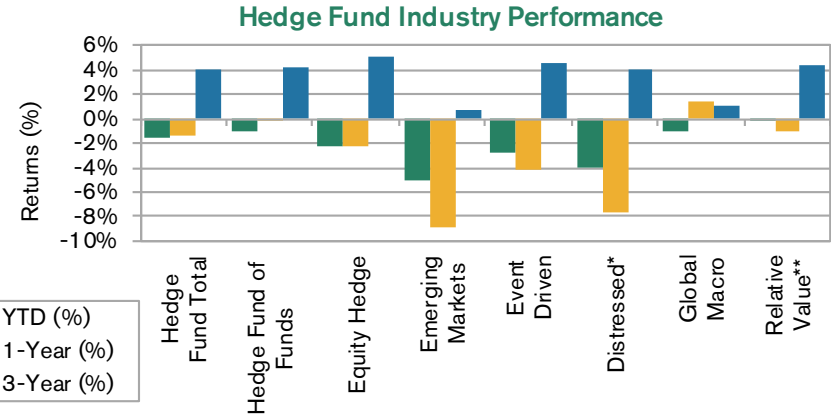
This section provides an overview of hedge fund results along with an analysis of strategy performance during Q3 2015.

Hedge Fund Overview

The Hedge Fund Research, Inc. (HFRI) Fund Weighted Composite Index (-4.0 percent) fell during Q3, posting losses each month during the period. All of the five major hedge fund strategies ended Q3 in negative territory. Global Macro (-0.6 percent) lost the least, followed by Relative Value (-2.7 percent), Event Driven (-5.1 percent), Equity Hedge (-5.9 percent) and Emerging Markets (-9.4 percent).

Longer-term results are positive. Hedge funds recorded a gain of 3.9 percent over the three-year period ending September 30, 2015, as measured by the HFRI Fund Weighted Composite Index.

Hedge funds of funds also posted losses in Q3, as represented by the HFRI Fund of Funds (FOF) Composite Index (-3.7 percent). The HFRI FOF: Conservative Index (-1.2 percent) and the HFRI FOF: Diversified Index (-3.0 percent) also fell.



* Distressed funds focus on companies that are close to or in bankruptcy.

**Relative-value funds focus on arbitrage opportunities between equity and fixed income securities

Source: Hedge Fund Research, Inc.

HFRI Index Returns – Q3 2015 (%)

	Jul	Aug	Sep	QTD	YTD
Fund of Funds Composite	0.2	-2.0	-1.9	-3.7	-1.1
FOF: Conservative	0.4	-0.9	-1.3	-1.8	0.3
FOF: Diversified	0.5	-1.7	-1.8	-3.0	-0.6
Fund Weighted Composite	-0.5	-2.3	-1.2	-4.0	-1.5
Equity Hedge (Total)	-1.1	-3.1	-1.8	-5.9	-2.3
Equity Market Neutral	0.3	-1.4	1.3	1.2	3.3
Short Bias	-1.4	3.6	1.0	3.2	-0.5
Event-Driven (Total)	-0.9	-2.2	-2.1	-5.1	-2.9
Distressed/Restructuring	-0.9	-2.6	-1.0	-4.5	-4.0
Merger Arbitrage	0.0	-0.7	-0.9	-1.6	1.5
Relative Value (Total)	-0.2	-1.3	-1.2	-2.7	-0.2
FI-Convertible Arbitrage	-0.6	-0.8	-0.2	-1.6	1.8
Global Macro (Total)	0.9	-1.6	0.1	-0.6	-1.0
Emerging Markets (Total)	-3.4	-5.0	-1.4	-9.4	-5.1

Source: Hedge Fund Research, Inc.

Strategy Analysis

The HFRI Global Macro Index (-0.6 percent) fell in Q3, but was the best performing major hedge fund strategy for the quarter. Systematic Diversified was the only underlying strategy that reported a positive quarterly result. Meanwhile, the Commodity Index was the worst-performing underlying index, followed by the Discretionary Thematic, Multi-Strategy, Currency, and Active Trading indices.

The HFRI Relative Value Index (-2.7 percent) declined. The underlying Volatility Index was the strongest performer for the period, finishing roughly flat. All other contributing indices posted negative results. The Yield Alternatives Index fared the worst, followed by Fixed-Income Corporate, Fixed-Income Sovereign, Fixed-Income Multi-Strategy, Fixed-Income Convertible Arbitrage, and Fixed-Income Asset Backed indices.

The HFRI Event-Driven Index (-5.1 percent) fell. All underlying indices contributed negative performance. The worst performer was the Activist Index followed by the Special Situations, Multi-Strategy, Distressed/Restructuring, Credit Arbitrage, and Merger Arbitrage indices.

The HFRI Equity Hedge Index (-5.9 percent) posted a loss. The Equity Market Neutral Index and Short Bias Index contributed positively to the Equity Hedge index in Q3, while all other contributing indices were negative. Energy/Basic Materials lost the most, followed by Fundamental Growth, Fundamental Value, Multi-Strategy, Technology/Healthcare, and Quantitative Directional.

The HFRI Emerging Markets Index (-9.4 percent) posted the steepest decline of all major hedge fund strategies. All underlying indices fell except India, which was flat. China was the worst-performing contributor, followed by Latin America, Asia ex-Japan, Russian/Eastern Europe, Global, and MENA (Middle East & North Africa).

Investment Performance: Private Equity

This section provides data on private equity industry performance, fundraising, buyout funds, initial public offering (IPO) activity and venture capital. The information in this section reflects the most recent private equity data available.

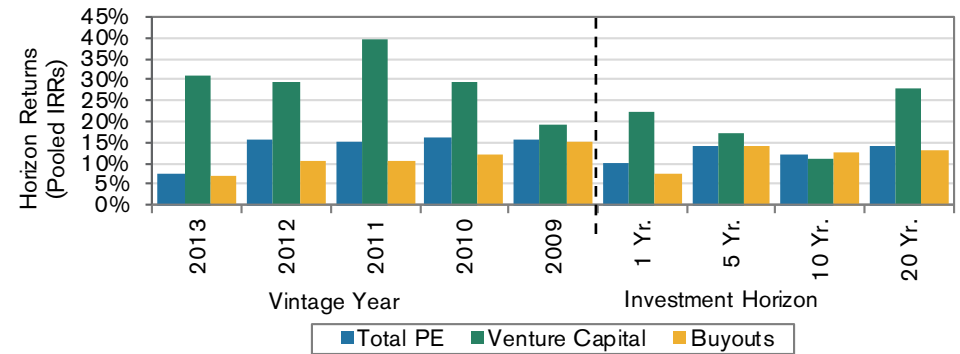
Private Equity Industry Performance

The adjacent graph shows private equity fund performance for Q1 2015, calculated as pooled internal rates of return (IRR) of funds reporting to Thomson One. Performance for 2009 through 2013 vintage-year* funds, as well as one-, five-, 10- and 20-year returns is calculated for funds in the following categories: all private equity, venture capital and buyouts.

Private equity funds for all regions returned approximately 2.0 percent in Q1 2015 and 10.1 percent over the one-year period. This includes performance across all private equity strategies. Over a 20-year period, all private equity, venture capital and buyout funds generated double-digit returns of 14.4 percent, 27.7 percent and 13.1 percent, respectively.

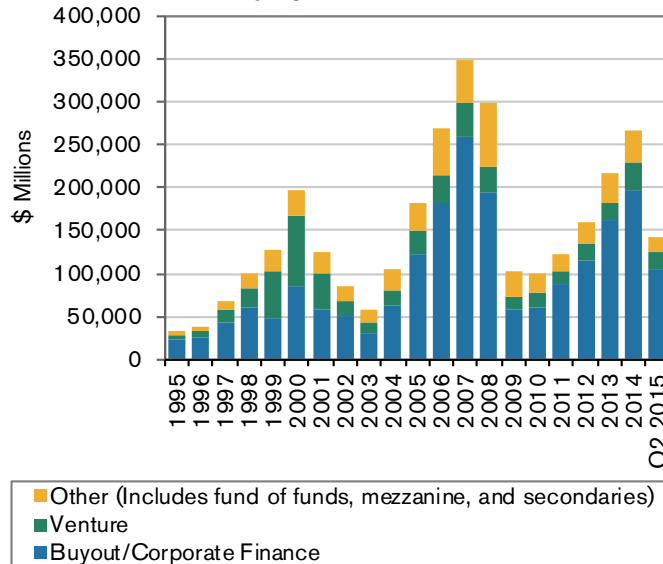
*"Vintage year" refers to the first year capital was committed in a particular fund. Vintage-year performance is calculated as the median percentile returns of all funds reporting as pooled IRRs.

Private Equity Performance by Vintage Year and Investment Horizon: All Regions



Source: Thomson Reuters

Private Equity Commitments: United States



Source: The Private Equity Analyst

Venture capital deal activity reached \$17.5 billion in 1,189 deals during Q2, which was 30 percent higher in dollar terms and 13 percent higher in number of deals versus Q1. This was the sixth consecutive quarter when more than \$10 billion was invested in venture capital during a single quarter. Software companies received approximately 42 percent of the total capital invested in venture capital during Q2. (See p.19 for a featured section on venture capital investments.) Dollar and deal volume in buyouts waned during Q2 (as of June 17) compared the same period one year prior due to inflated prices.

Private Equity Overview

According to *Private Equity Analyst*, private equity funds raised \$143.3 billion in the first half (1H) of 2015, which was 10 percent more than capital raised in 1H 2014, but the number of funds closed decreased from the same period last year. Industry experts attributed the slower pace of fund closings to a bifurcated market where some funds were open for much shorter time periods than others.

Buyout and corporate finance strategies together raised the most capital among private equity strategies in 1H 2015 at \$104.6 billion. Dollars raised were 15 percent higher than 1H 2014, but the number of fund closings fell by 30. Venture capital also experienced a 15 percent increase in dollars over 1H 2014, raising \$21.5 billion across 13 less funds. Fund of funds raised \$700 million more in 1H 2015 than in 1H 2014 across 6 less funds. Mezzanine and secondaries each fell in dollar terms from 1H 2014. While mezzanine raised less capital and also closed on less funds, the average fund size over the prior period was higher. The number of secondaries fund closings nearly doubled from the first half of the previous year, significantly reducing the average fund size by \$912.7 million.

As anticipated, venture-backed IPO activity in Q2 2015 increased significantly from Q1. The number of offerings at 27 was up 59 percent over Q1, and dollars raised more than doubled, ending Q2 at \$3.4 billion. Life sciences IPOs dominated the market with 70 percent of total listings in Q2. Of the 27 IPOs that took place during Q2, 23 were from U.S.-based companies. The largest IPO of Q2 was Fitbit, which raised \$841.2 million. Q2 venture-backed M&A activity was the slowest in number of deals since Q1 2003. Buyout exit activity was mixed between IPOs and M&A transactions. IPOs nearly tripled from Q1 to Q2, and the aggregate amount raised soared from \$1.1 billion to approximately \$6.6 billion. Conversely, M&A activity was flat in terms of deals and the overall deal value fell by just over \$1 billion.

Investment Performance: Real Estate

This page presents data and Rogerscasey's commentary on private and public real estate. The information below reflects the most recent data available.

Private Real Estate

The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI), which tracks private real estate in the U.S., gained 3.1 percent during Q3. The total return is composed of 1.2 percent income and 1.9 percent property-level appreciation. Over the trailing one-year period, the Index gained 13.5 percent, composed of 8.1 percent property-level appreciation and 5.1 percent income.

In the regions of the U.S., the West performed the best during Q3 and over the last 12 months, as shown in the adjacent table.

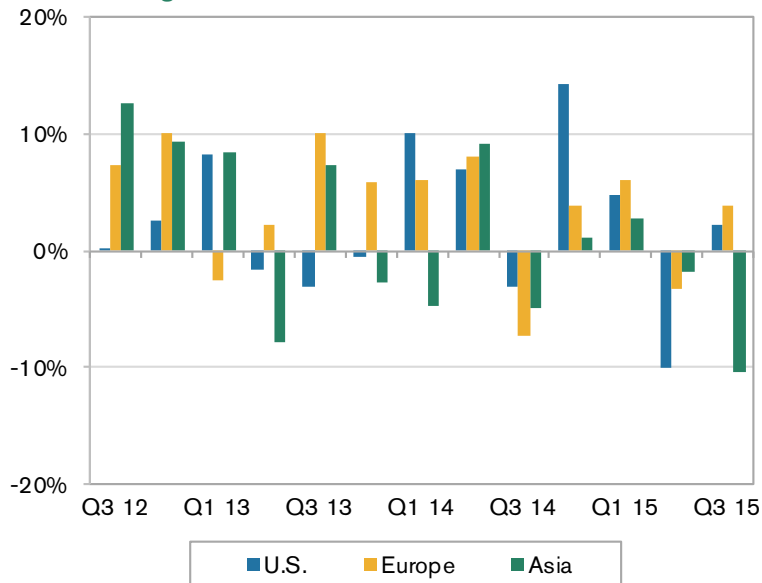
Property valuations continued to strengthen due to solid operating fundamentals, limited supply growth, and demand from investors for prime assets. The decline in interest rates during Q3 supported private core real estate values which are, on average, 20 percent above the peak levels reached in 2007. Supply is building in markets with strong tenant demand and rent growth but more slowly than previous cycles with the exception of the apartment sector where construction starts have risen to historical levels. There is also increasing supply in the office and industrial sectors as well as retail; however, mall supply growth is comprised primarily of expansions to existing assets.

National Property Index Sector and Region Performance

	Ending Weight (%)	Returns as of Q3 2015	
		QTD (%)	1 Year (%)
NCREIF NPI Total Return	100.0	3.1	13.5
Sector			
Apartment	24.1	2.9	12.0
Hotel	1.3	3.5	14.6
Industrial	13.1	3.7	15.6
Office	38.3	3.0	13.1
Retail	23.2	3.1	14.4
NCREIF Region			
East	34.2	2.6	11.5
Midwest	9.4	2.9	12.8
South	20.4	3.1	14.2
West	36.1	3.6	15.2

Source: National Council of Real Estate Investment Fiduciaries

Regional Real Estate Securities Performance



Source: National Association of Real Estate Investment Trusts

Public Real Estate

The FTSE EPRA/NAREIT Global Developed Real Estate Index total market capitalization remained at \$1.2 trillion in Q3, broken down as follows: North America \$691 billion, Europe \$222 billion, and Asia \$333 billion. Despite lower interest rates in the U.S., weak Asian industrial activity and poor demand for the region's exports led to a 1.4 percent loss on a global basis in Q3. Europe (3.8 percent) outperformed the U.S. (2.2 percent) and Asia (-10.3 percent), as measured by the FTSE EPRA/NAREIT indices. Sector performance in the U.S. was mixed: Self Storage (16.1 percent), Manufactured Home Communities (11.0 percent), Apartments (7.1 percent), Shopping Centers (4.4 percent), and Industrial (4.1 percent) outperformed the broader index while Lodging (-13.7 percent), Diversified/Financial (-8.5 percent), Secondary CBD/Suburban Office (-1.7 percent), Primary CBD Office (-1.5 percent), Net Lease (-1.3 percent), and Student Apartments (-0.6 percent) lagged the index.

Property stocks in Europe were supported by the prospect of additional stimulus as well as a lower level of concern over Greece, while Asia fell largely due to weak macroeconomic factors. In Europe, Germany (12.6 percent), Greece (8.4 percent), Sweden (7.9 percent), Austria (7.2 percent), and Spain (4.9 percent) outperformed in Q3, while Norway (-12.1 percent), Switzerland (-3.9 percent), France (0.3 percent), Finland (0.7 percent), and the U.K. (1.6 percent) underperformed the broader index's 3.8 percent return. In Asia, Japan (-4.5 percent), New Zealand (-5.4 percent), and Australia (-7.7 percent) declined, but fared better than Singapore (-19.0 percent) and Hong Kong (-17.3 percent).

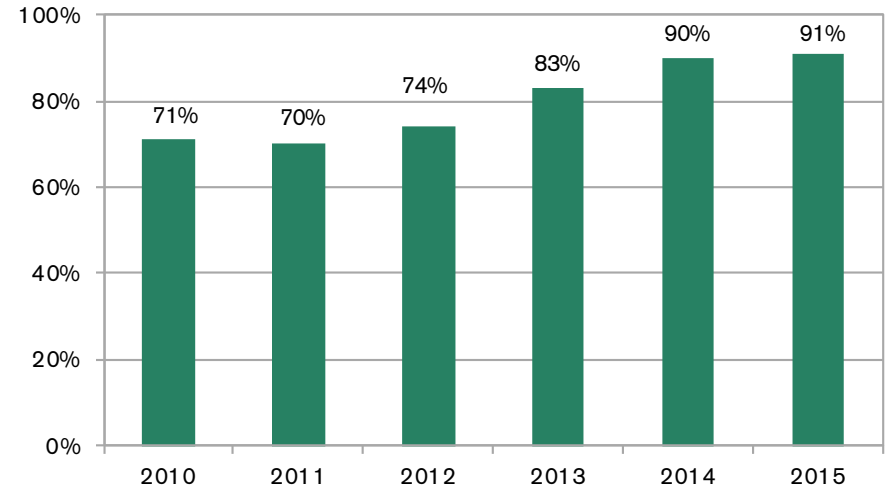
Investment Performance: Real Estate

This page presents data and Rogerscasey's commentary on value-added and opportunistic real estate. The information in this section reflects the most recent data available.

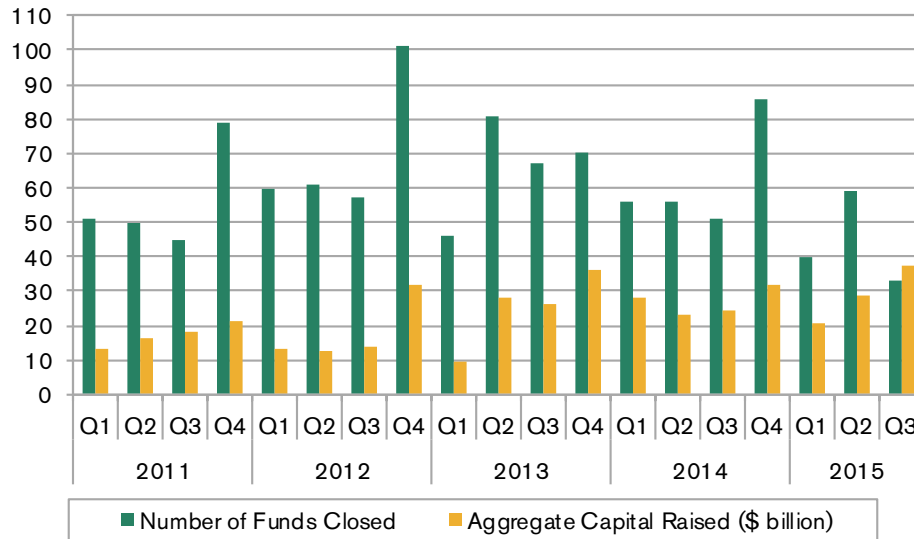
Value-Added and Opportunistic Real Estate

Value-added and opportunistic closed-end private real estate strategies continued to attract significant investor interest as exhibited by a continuation of the strong fundraising results of the last few years as well as through the end of Q3 2015. As shown in the graph below at left, during Q3, 33 closed-end private real estate funds closed raising \$37.5 billion, while, on a year-to-date basis, 132 funds closed raising \$86.9 billion. As shown in the graph below at right, opportunistic and value-added offerings continued to dominate the fundraising landscape in Q3 when 9 closed-end private opportunistic real estate funds closed raising \$28.2 billion, while 12 value-added funds closed raising \$5.1 billion, followed by 7 debt funds closing that raised \$2.8 billion. Lastly, as shown in the graph at right, pricing as a percentage of net asset value (NAV) in the real estate secondaries market has returned to a more traditional level over the past few years from the steep discounts available to investors prior to 2013. According to Preqin, pension funds represent the largest group of investors interested in purchasing fund interests at 34 percent and are significant sellers as well at 37 percent of the total.

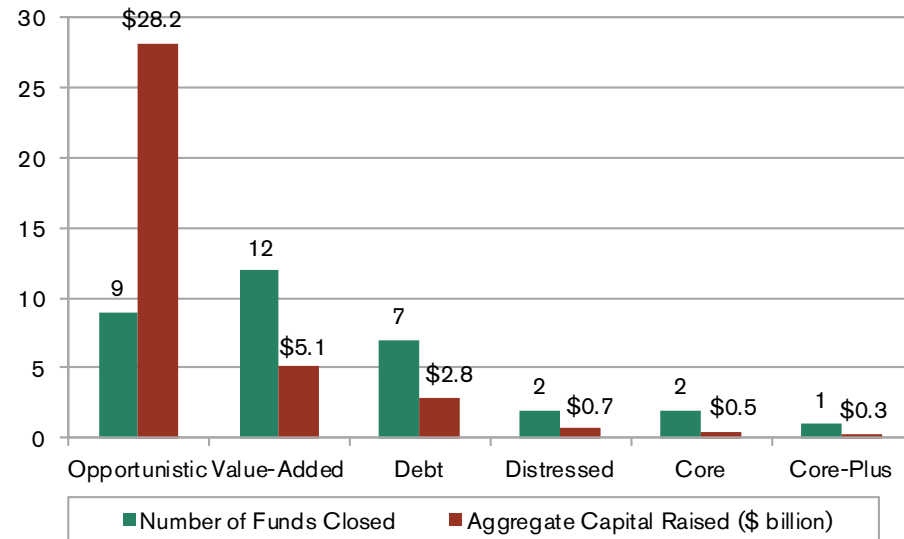
Historical Real Estate Secondaries Pricing (% of NAV)



Quarterly Closed-End Private Real Estate Fundraising



Closed-End Private Real Estate Fundraising in Q3 2015 by Strategy



Source (this page): Preqin Real Estate Online

Noteworthy Developments

Rogerscasey finds the developments discussed in this section to be noteworthy for investors.

Increasing Exposure to China in MSCI EM Index

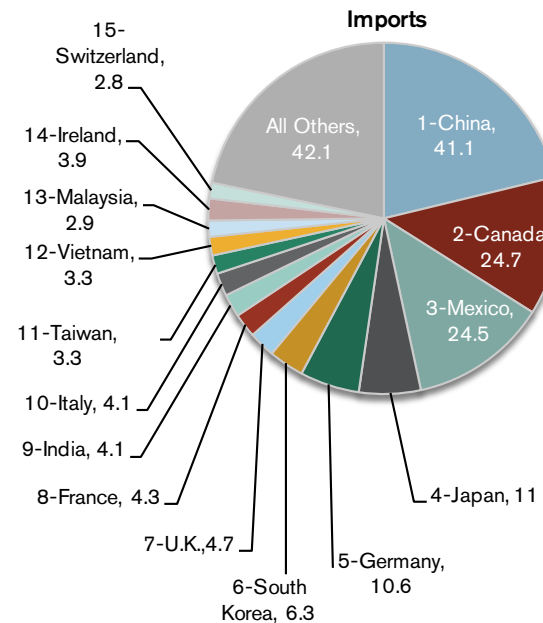
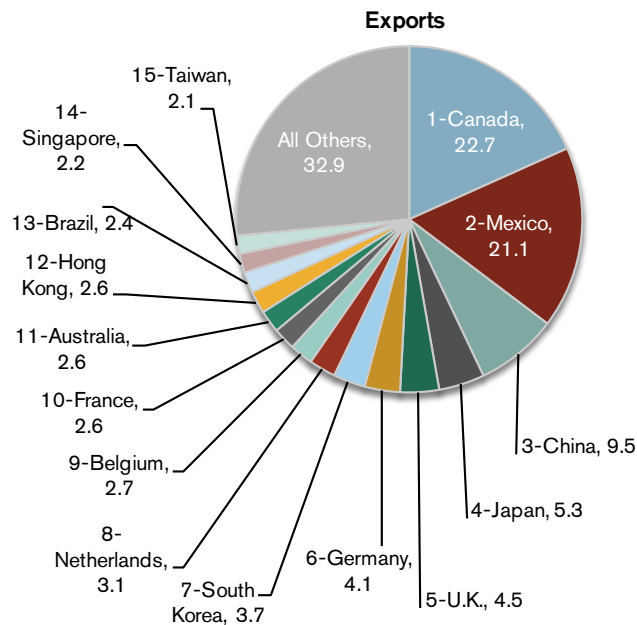
The adjacent table shows the percentage of the MSCI EM Index that a number of countries represent now and may possibly represent in the future. In the coming months and years, MSCI intends to include more stocks of Chinese origin, trading both on American exchanges as ADRs and on local Chinese markets via A-shares. The exercise at right attempts to estimate what the index will look like after each of the changes MSCI has signaled, though it assumes that all current issues and prices are frozen as of May 2015. Directionally, however, this assessment indicates that China is very likely to become an increasingly significant portion of the MSCI EM Index, reaching an estimated 42.6 percent of the benchmark by 2020. Should Chinese market appreciation and IPO issuance outpace the rest of the emerging markets in the next five years, China could take an even larger share. In addition, should Korea or Taiwan be upgraded to developed country status in the MSCI universe, China would grow to an even larger percentage. This situation may pose challenges to active investment managers who often find it difficult to identify quality sustainable companies in China. For those with a persistent underweight to this volatile market, performance differences from quarter to quarter will frequently be explained more by persistent underweights to China rather than bottom up stock picking.

MSCI EM Country Exposures through 2020

	Current Weighting	Nov 2015 (with ADR)	Mid-2017 (with ADR and 10% of A-share)	After 2020 (with ADR and 100% of A-share)
China H	24.9%	23.8%	23.2%	19.1%
China ADR	-	4.6%	4.5%	3.7%
China A	-	-	2.4%	19.8%
Korea	14.5%	13.8%	13.5%	11.1%
Taiwan	12.5%	11.9%	11.6%	9.5%
Brazil	8.1%	7.7%	7.5%	6.2%
India	6.7%	6.4%	6.3%	5.1%
Other	33.3%	31.8%	31.0%	25.5%

Sources: FactSet and Citi Research. Data as of May 2015.

U.S. Exports and Imports (\$ billions), Top 15 Countries of Destination



Source: U.S. Census Bureau

China's Effect on Exports and Imports

While a slowing economy in China is big news everywhere around the globe, the impact will vary depending upon each country and its characteristics. Using the U.S. as an example, we can see that in July 2015 the U.S. exported only \$9.5 billion in goods to China while importing over \$40 billion of Chinese products. With China's economy weakening we would expect that some portion of the U.S. exports will slow, but given that this affects less than 8 percent of the total, the result of a reduction is quite modest upon the overall U.S. economy. In addition, with a stronger U.S. dollar and a weakened Chinese yuan, the value of U.S. imports could decline, potentially improving the trade balance when viewed as a net of exports and imports. Other trading partners of China are likely to fare less well from the slowdown, as several countries, such as Australia and South Africa, export substantially more to China than they import.

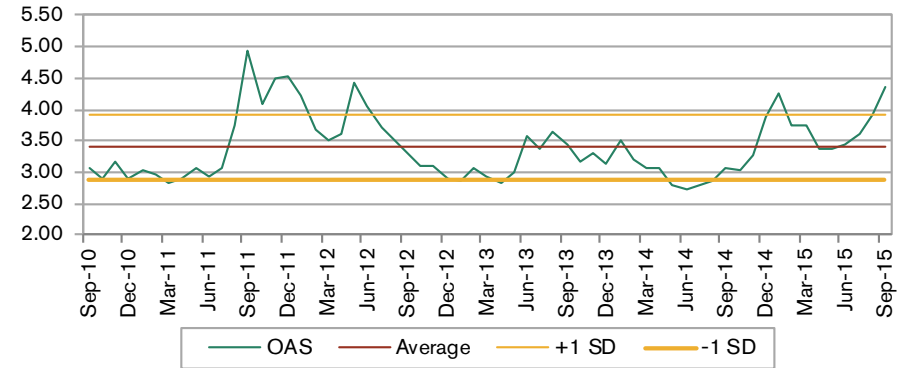
Noteworthy Developments

Rogerscasey finds the developments discussed in this section to be noteworthy for investors.

Emerging Market Bond Spreads Trending Upward

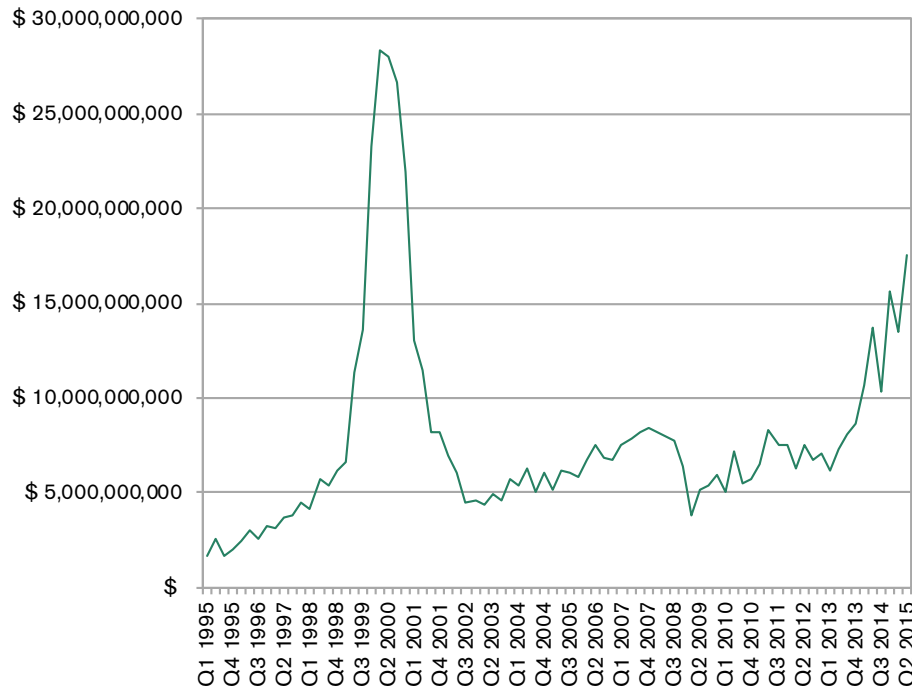
As the adjacent chart shows, dollar-denominated emerging market debt spreads have widened approximately 100 bps since June 1, 2015, and have been on a general upward trend since mid-2014. Relative to average spreads of 340 bps since 2010, the Q3 2015 level of 437 bps is approaching the 500 bps level reached in 2011, though nowhere near the 2008/2009 level of roughly 1,000 bps. Though not shown, it is worth noting that local currency yield spreads relative to that of the developed market were approximately 550 bps at quarter-end relative to an average of 410 bps, and much closer to the level of roughly 650 bps reached in 2008/2009. While there is no shortage of market-related concerns and risks that are negatively impacting returns and spreads, we believe these valuation levels are noteworthy.

Emerging Market Debt Spreads



Source: Barclays Capital

Aggregated Investment Dollars in Venture Capital



Source: PricewaterhouseCoopers and National Venture Capital Association Q2 2015 MoneyTree™ Report. Data from Thomson Reuters.

Venture Capital Investment Highest in Dollars Since Q4 2000

Investment in venture capital has been rising in dollar terms over the past several quarters. Q2 2015 was the sixth consecutive quarter that saw more than \$10 billion in venture capital invested in a single quarter, and at \$17.5 billion, the amount of dollars invested during Q2 was the highest since Q4 2000, a period during, but near the end of the dot com bubble.

The adjacent graph is from the PricewaterhouseCoopers (PwC) and National Venture Capital Association (NVCA) Q2 2015 MoneyTree™ Report, which measures cash-for-equity investments by the professional venture capital community in U.S. private emerging companies. The graph shows historical venture capital equity investment data dating back to the report's inception in 1995. According to PwC, venture capital in 2015 is on pace to "well exceed" the \$50 billion invested in all of 2014.

Software was the most funded with \$7.3 billion, or 42 percent of the total dollars invested in Q2. This was the highest total investment into software companies since the report's inception. According to the NVCA, this surge can be attributed to software companies "continuing to disrupt established industries and in some cases creating new industries all together." (Think of Uber revolutionizing the taxi industry.) Assuming valuations remain high and companies stay private longer, venture investment in software should continue to increase.

Ultimately, this scenario is positive. Venture capital is flourishing, fueling growth in exciting new businesses. We will keep a watchful eye when evaluating funds, however, to ensure the managers continue to prudently invest capital.