

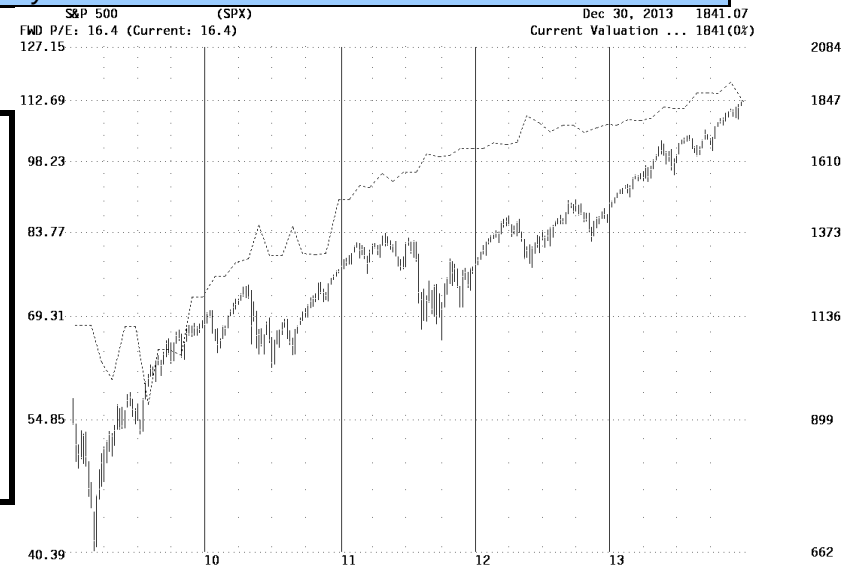


## Capital Markets Expectations

Current Levels: (12/31/13) S&P 500 1841.07 Ten Year Treasury 3.03% Inflation: 1.20%

### Long Term Total Return Expectations:

Asset Class	Current	Historic Range
Cash	0-1%	2-4%
Treasuries	0-2%	4-6%
Investment Grd Corporates	2-4%	5-7%
Preferred Stocks	5-6%	7-8%
U.S. Equities	6-9%	9-11%
U.S. Small-Midcap Equities	7-10%	9-12%
EAFE Equities	7-10%	9-11%
Emerging Market Equities	8-12%	9-12%



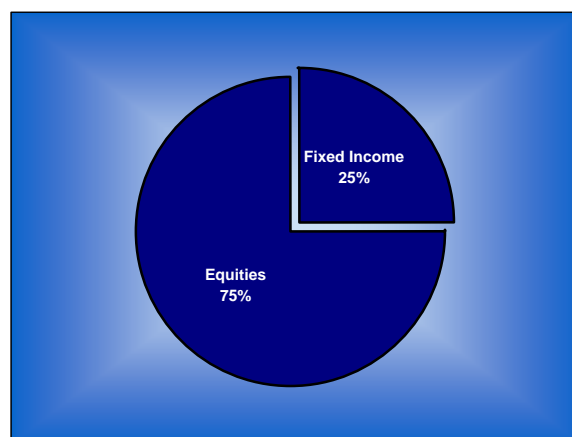
### Long Term Capital Markets Characteristics

	Current	Historic Range
U.S. Investment Grade Credit Spread	75-125 bps	50-100 bps
U.S. Equity Risk Premium	4-6%	4-6%
U.S. Equity Dividend Yield	1.5-2.0%	1.5-3.0%
S&P 500 Long Term Earnings Growth	5-8%	7-8%
Current P/E 2014 (S&P 500)	15.4x	
Current P/E 2015 (S&P 500)	14.2x	
Fair Value P/E	16x	15-16x

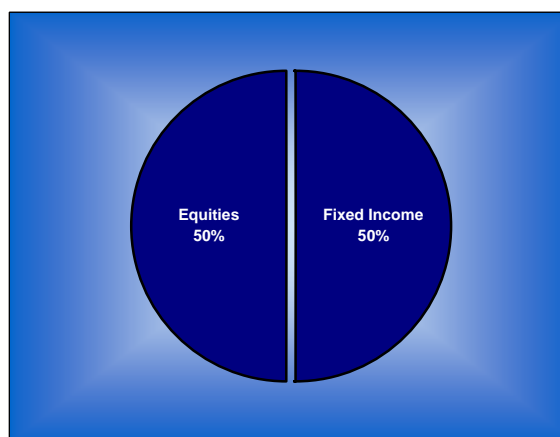
## Capital Markets Forecasts

S&P 500 (2014)	Earnings	\$118-122	Year End Target	1950-2025
S&P 500 (2015)	Earnings	\$128-134	Year End Target	2100-2250
Ten Year Treasury	Range	2.5-4.0%	Year End Target	3.75%

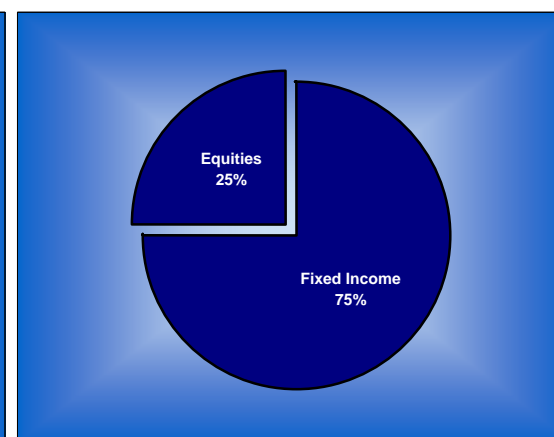
## Long Term Expected Returns by Asset Allocation



7.0% (2.5% yld, 4.5% appreciation)



6.0% (3.0% yld, 3.0% appreciation)



5.0% (3.5% yld, 1.5% appreciation)

Return assumptions for charts: Equities 6.0% appreciation, 2.0% yld; Fixed Income: 4.0% yld

### Key Assumptions:

- \* U.S. shows modest GDP growth in 2014-15 at 2.5-3.0% annual rate
- \* Expect higher interest rates in 2014 as market discounts eventual end to Fed easing
- \* Corporate profit growth remains positive in 2014-15
- \* Fixed Income remains less attractive than equities given low yields and risk of higher interest rates and inflation
- \* Domestic equities remain attractive long term
- \* International and emerging market equities are also attractive, but have greater earnings growth uncertainty
- \* We prefer economically sensitive companies over defensive companies given the expectation of continued GDP improvement