BRIDGES INVESTMENT MANAGEMENT

Think Forward

Capital Markets Expectations

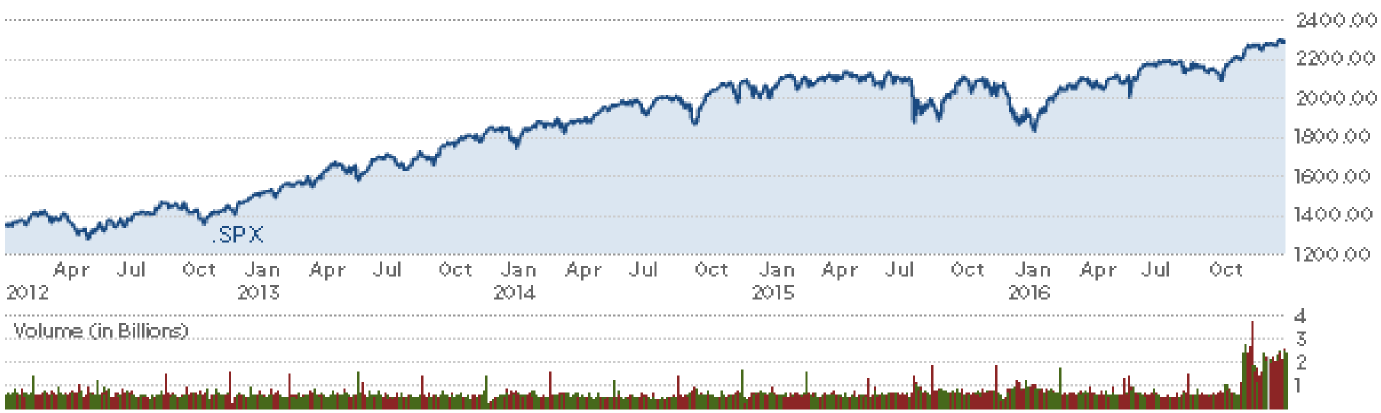
Current Levels: (12/31/2016) *S&P 500* 2238.83 *Ten Year Treasury* 2.50% *Inflation:* 2.10%

Long-Term Total Return Expectations:

Asset Class	**Current**	**Historic Range**
Cash	0-1%	2-3%
Treasuries	0-2%	3-5%
Investment Grd Corporates	1-3%	4-6%
High Yield Bonds	4-7%	6-7%
Preferred Stocks	4-6%	6-7%
U.S. Equities	6-9%	9-11%
U.S. Small-Midcap Equities	7-10%	9-12%
EAFE Equities	6-10%	9-11%
Emerging Market Equities	7-11%	9-12%
Alternative Investments	4-8%	4-9%

Long-Term Capital Markets Characteristics

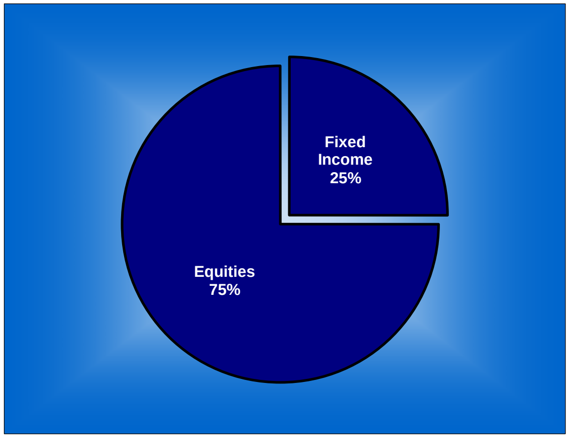
	Current	**Historic Range**
U.S. Investment Grade Credit Spread	50-100 bps	50-100 bps
U.S. Equity Risk Premium	3-5%	4-6%
U.S. Equity Dividend Yield	1.5-2.0%	1.5-3.0%
S&P 500 Long-Term Earnings Growth	4-7%	6-7%
Current P/E 2017 (S&P 500)	17.2x	
Current P/E 2018 (S&P 500)	15.4x	
Fair Value P/E	18.0x	15-17x



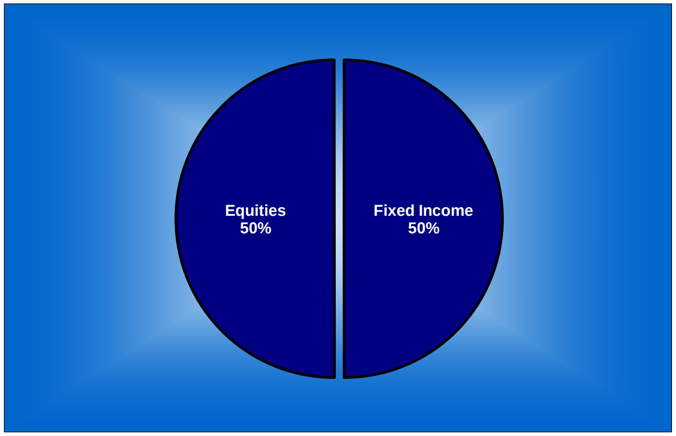
Capital Markets Forecasts 2017-2018

S&P 500 (2017)	Earnings	$128-135	Year-End Fair Value Target	2350-2425
S&P 500 (2018)	Earnings	$142-150	Year-End Fair Value Target	2475-2550
Ten Year Treasury	Range	2.00-3.25%	Year-End Target	3.00%

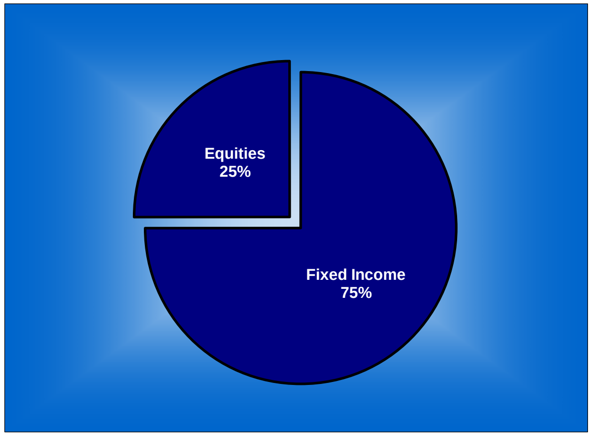
Long-Term Expected Returns by Asset Allocation



6.0% (2.25% yld, 3.75% appreciation)



5.0% (2.5% yld, 2.5% appreciation)



4.0% (2.75% yld, 1.25% appreciation)

Return assumptions for charts: Equities 5.0% appreciation, 2.0% yld; Fixed Income: 3% yld

Key Assumptions:

1. U.S. shows improving GDP growth 2017-18 at 2.0-2.75% annual rate
2. Interest rates rise on balance in 2017 as Fed continues to tighten
3. Corporate profit growth accelerates in 2017-18 as earnings headwinds of 2015-16 (weak commodity prices, low interest rates, strong dollar) moderate
4. Bonds remain less attractive than stocks given low nominal and real yields and risk of higher interest rates and inflation
5. Domestic stocks remain attractive long-term, within context of increasingly volatile capital markets environment
6. International equities are attractive based on valuation, despite sluggish profit growth outlook
7. We remain focused on companies with strong revenue, earnings, dividend, and free cash flow growth prospects and attractive valuation metrics