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Investment
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for
Institutions



Life'sPlan, Inc.

Individual Trust
Services

Asset Allocation Analysis

July 2014



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Tab 1

Asset Allocation Alternatives



Investment Allocation Alternatives

	Conservative	Moderate (Pooled Trusts)	Growth & Income	Growth
Target allocation	20% stocks/80% bonds	50% stocks/50% bonds	60% stocks/40% bonds	80% stocks/20% bonds
Large Cap Equity	5.0%	10.0%	10.0%	25.0%
Defensive Equity	10.0%	20.0%	20.0%	10.0%
Small Cap Equity	0.0%	0.0%	5.0%	15.0%
International Equity	5.0%	10.0%	15.0%	20.0%
Commodities	0.0%	5.0%	5.0%	5.0%
Real Estate	0.0%	5.0%	5.0%	5.0%
Core Fixed Income	45.0%	20.0%	18.0%	9.0%
High Yield Bonds	12.5%	10.0%	9.0%	4.0%
Emerging Mkt. Debt	12.5%	10.0%	9.0%	4.0%
<u>Cash & Equivalents</u>	<u>10.0%</u>	<u>10.0%</u>	<u>4.0%</u>	<u>3.0%</u>
Total Portfolio	100%	100%	100%	100%



Projected Returns (next 10 years)

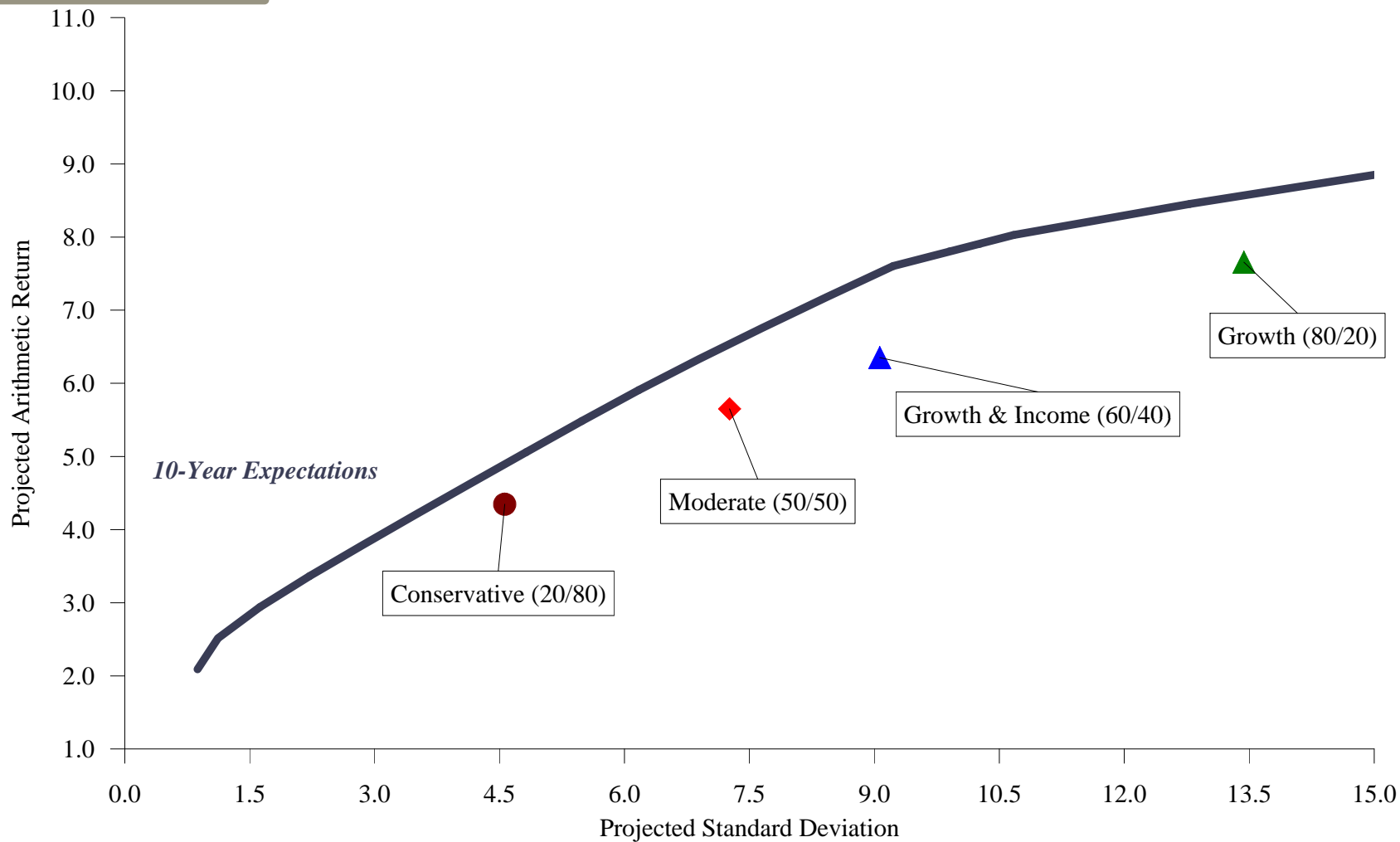
Portfolio Component	Conservative (20/80)	Moderate (50/50)	Growth & Income (60/40)	Growth (80/20)
Large Cap	5.0%	10.0%	10.0%	25.0%
Defensive Equity	10.0%	20.0%	20.0%	10.0%
Small/Mid Cap	0.0%	0.0%	5.0%	15.0%
International Equity	5.0%	10.0%	15.0%	20.0%
Commodities	0.0%	5.0%	5.0%	5.0%
Real Estate	0.0%	5.0%	5.0%	5.0%
Domestic Fixed	45.0%	20.0%	18.0%	9.0%
High Yield	12.5%	10.0%	9.0%	4.0%
Non US Fixed	12.5%	10.0%	9.0%	4.0%
Cash Equivalents	10.0%	10.0%	4.0%	3.0%
Totals	100.0%	100.0%	100.0%	100.0%
10 Yr. Geometric Mean Return	4.32%	5.51%	6.09%	6.96%
Projected Standard Deviation	4.56%	7.26%	9.07%	13.44%
Projected Sharpe Ratio	0.51%	0.50%	0.48%	0.42%



Market Assumptions (next 10 Years)

Asset Class	Projected Arithmetic Return	Projected Standard Deviation	Projected Yield	Projected Sharpe Ratio	10 Yr. Geometric Mean Return
Large Cap	8.90%	18.30%	2.20%	0.38%	7.49%
Defensive Equity	7.75%	9.50%	2.75%	0.61%	7.52%
Small/Mid Cap	10.15%	22.95%	1.40%	0.36%	7.83%
International Equity	9.25%	20.20%	3.00%	0.36%	7.48%
Commodities	4.65%	18.25%	2.00%	0.15%	3.06%
Real Estate	7.35%	16.50%	5.00%	0.32%	6.17%
Domestic Fixed	3.05%	3.75%	4.00%	0.28%	3.02%
High Yield	5.60%	11.45%	7.00%	0.31%	5.06%
Non US Fixed	3.15%	9.40%	3.80%	0.12%	2.75%
Cash Equivalents	2.00%	0.90%	2.00%	0.00%	2.01%

Efficient Frontier



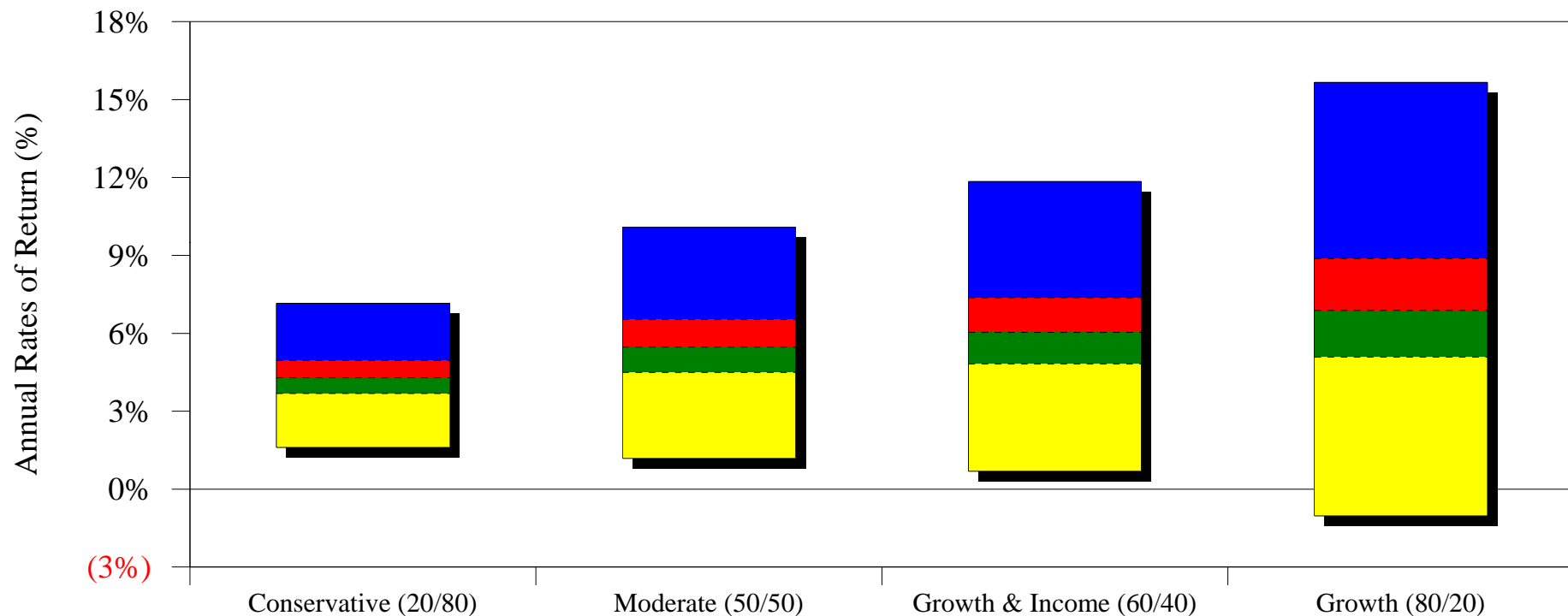


Tab 2

Projected Outcomes



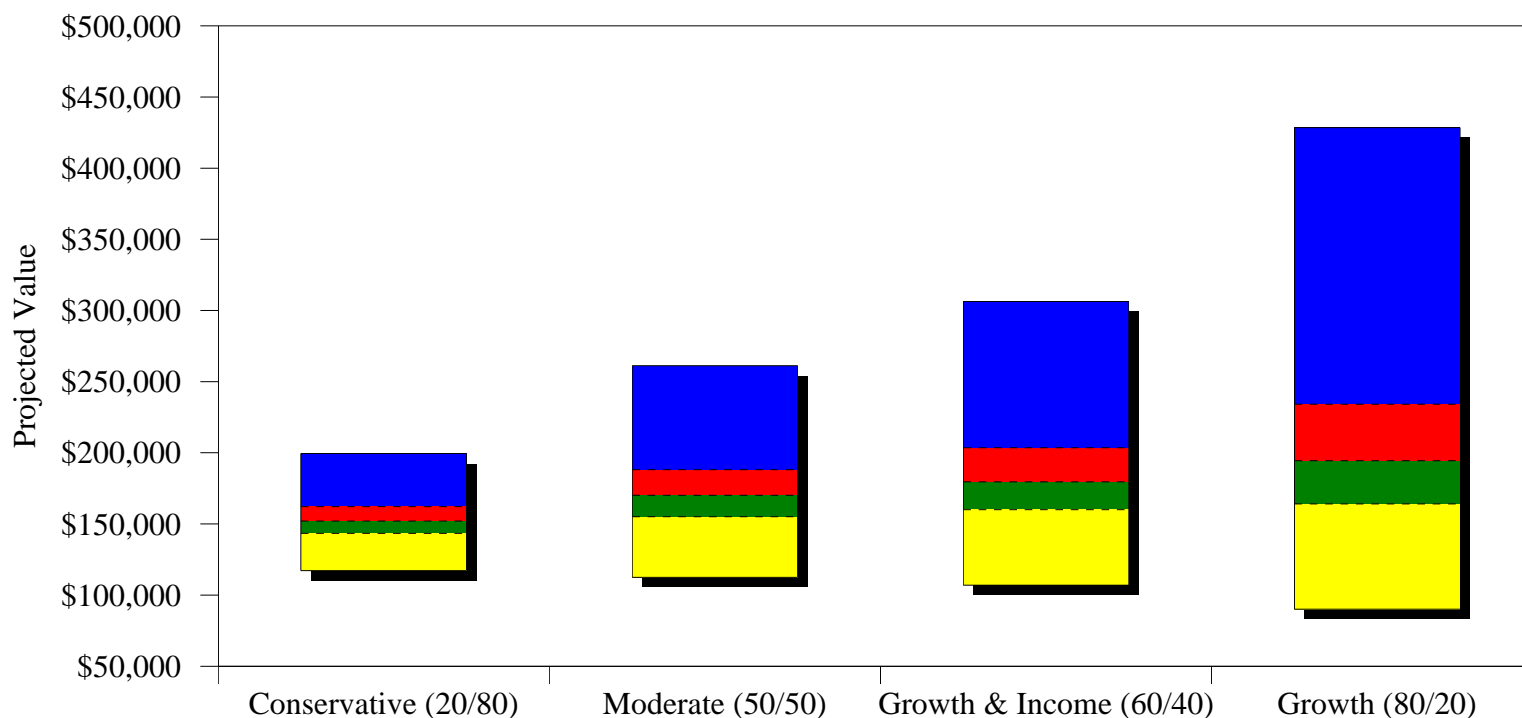
Projected Range of Returns (next 10 Years)



3rd Percentile	7.2%	10.1%	11.8%	15.7%
33rd Percentile	5.0%	6.5%	7.4%	8.9%
Median	4.3%	5.5%	6.0%	6.9%
66th Percentile	3.7%	4.5%	4.8%	5.1%
97th Percentile	1.6%	1.2%	0.7%	(1.0%)



Potential Growth of \$100,000 (next 10 Years)*

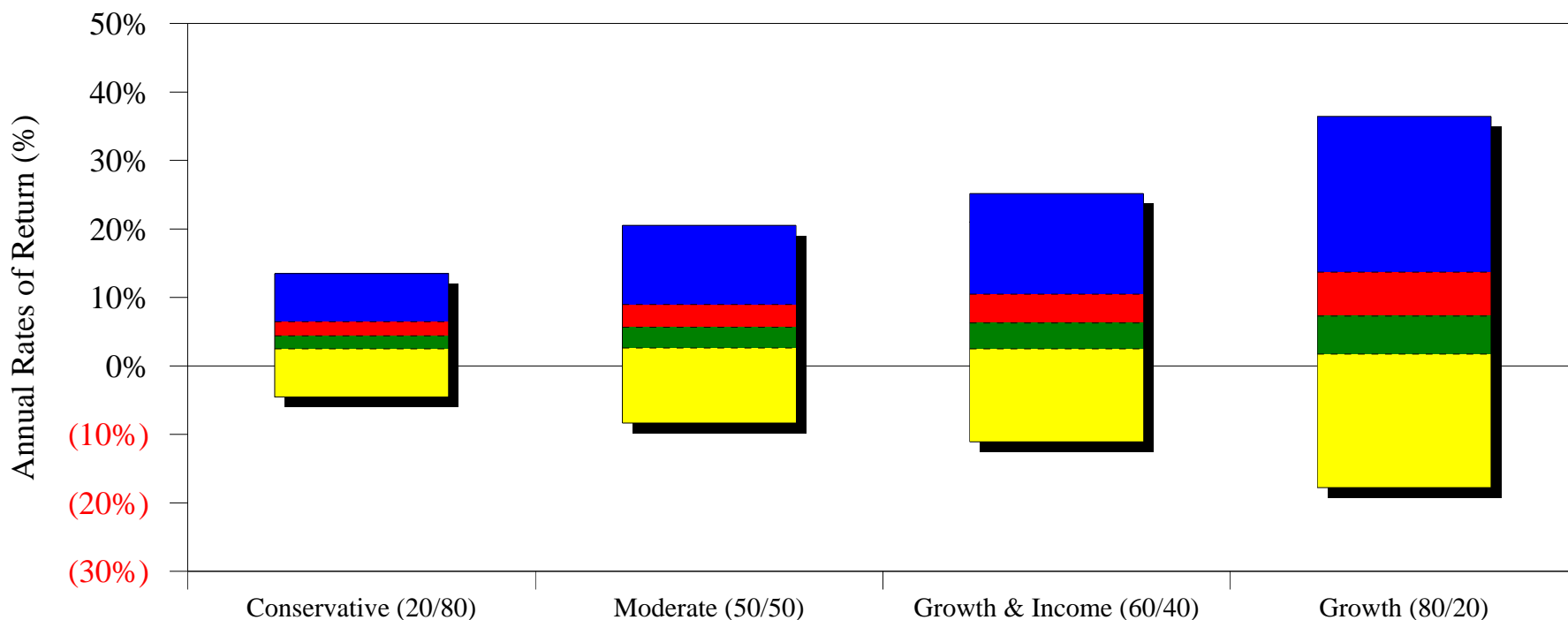


3rd Percentile	\$199,545.82	\$261,175.81	\$306,417.15	\$428,538.14
33rd Percentile	\$162,173.21	\$188,210.94	\$203,577.82	\$234,084.07
Median	\$152,211.26	\$170,239.93	\$179,681.81	\$194,519.92
66th Percentile	\$143,527.39	\$155,132.86	\$160,120.01	\$164,178.65
97th Percentile	\$117,272.57	\$112,498.59	\$107,068.51	\$90,170.73

*Assuming no contributions or withdrawals.

Past performance is no guarantee of future results. See Disclosure Statement on page 14.

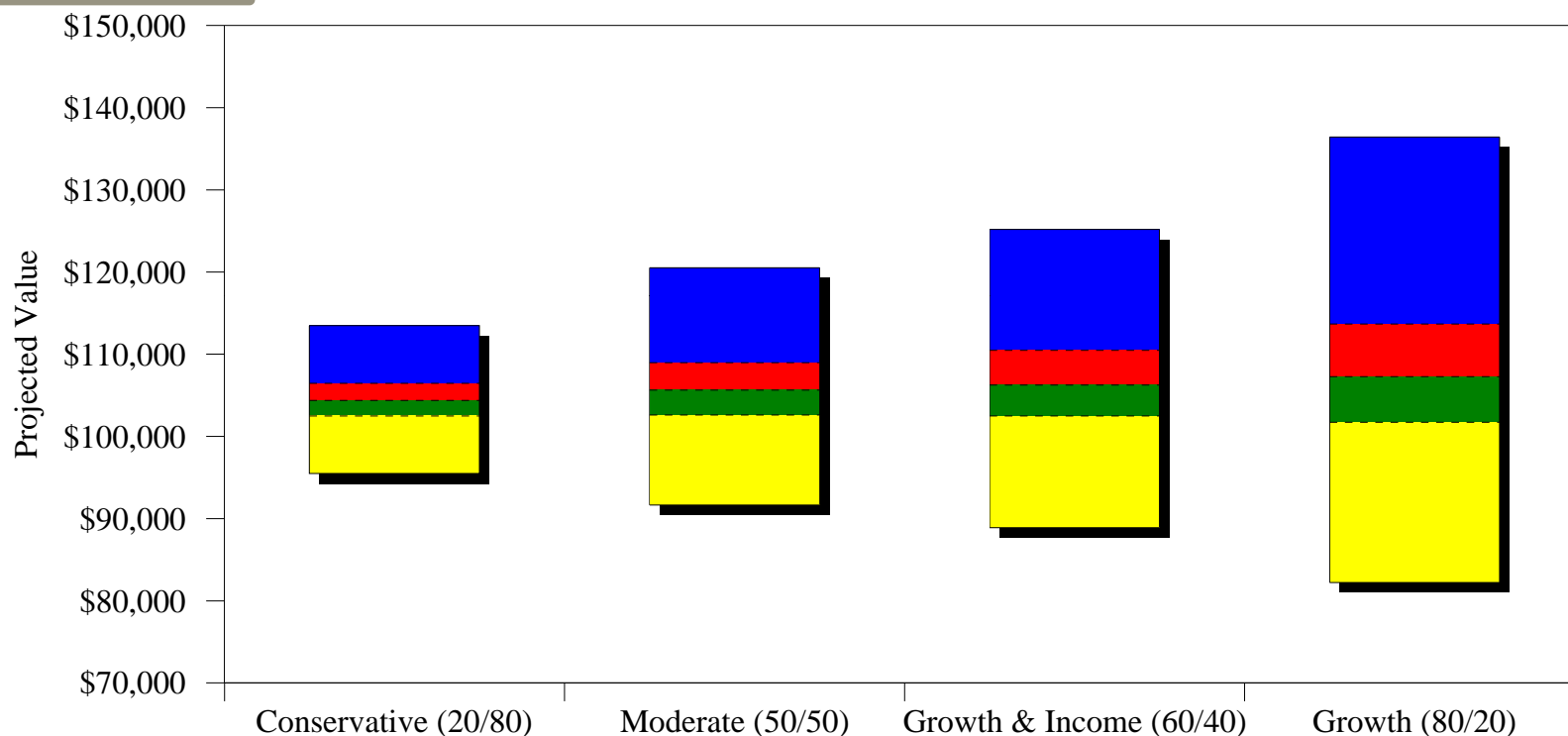
Potential Losses In Any Given Year



3rd Percentile	13.5%	20.5%	25.2%	36.4%
33rd Percentile	6.4%	9.0%	10.5%	13.7%
Median	4.4%	5.6%	6.3%	7.3%
66th Percentile	2.5%	2.6%	2.5%	1.7%
97th Percentile	(4.5%)	(8.3%)	(11.1%)	(17.8%)



Potential Losses in Any Given Year (\$100,000 starting portfolio value)*



3rd Percentile	\$113,487.51	\$120,523.68	\$125,185.33	\$136,429.31
33rd Percentile	\$106,449.91	\$108,973.01	\$110,477.02	\$113,693.86
Median	\$104,386.96	\$105,643.97	\$106,261.56	\$107,278.96
66th Percentile	\$102,500.96	\$102,622.55	\$102,500.27	\$101,724.37
97th Percentile	\$95,489.52	\$91,656.15	\$88,913.40	\$82,225.47

*Assuming no contributions or withdrawals.

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Tab 3

Current Investment Environment

Investment Environment – Next 10 Years

Inflation

- Currently low
- Deflationary expectations remain in effect but then give way to monetary re-flation and inflationary fears toward the end of 10 year period

Interest Rates

- Investment grade bond returns over the next 10 years will follow today's low current yields

Equities

- Stocks are not cheap on an absolute basis. Thus, below average expected returns
- Stocks are attractive relative to bonds with equity risk premium near average level

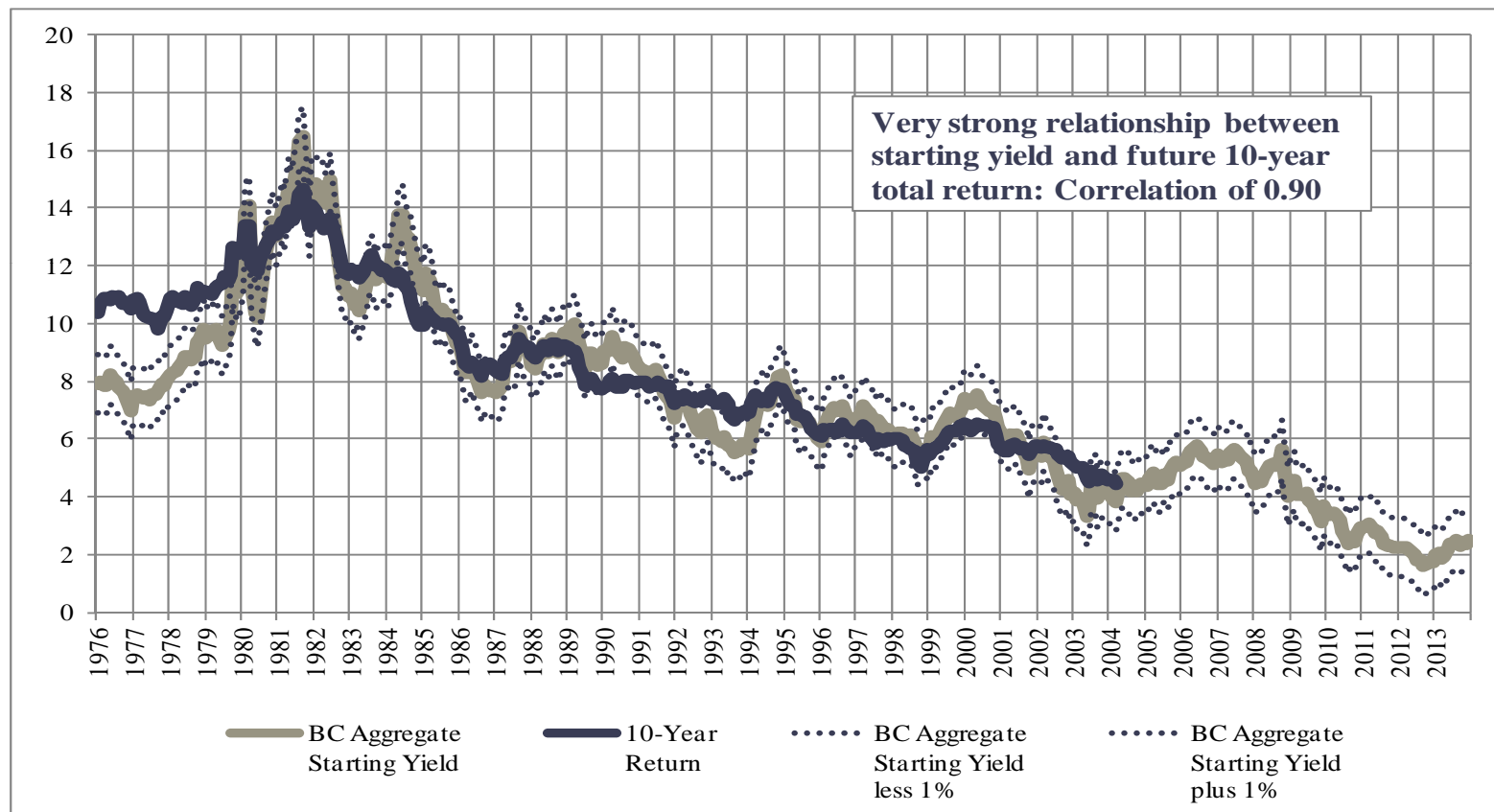


10 Yr Return Expectations

<u>Asset Class</u>	<u>Comp. Return</u>	<u>Stand. Dev.</u>
Inflation	2.50%	N/A
Cash Returns	2.00%	0.90%
Developed Market Int'l Bonds	2.75%	6.25%
U.S. Investment Grade Bonds	3.00%	3.75%
Emerging Mkt. Bonds	4.90%	10.50%
High Yield Bonds	5.00%	11.45%
Hedge Funds	5.50%	10.00%
Real Estate	6.25%	16.50%
U.S. Large-Cap Equity	7.50%	18.30%
Developed Int'l Equity	7.50%	20.10%
U.S. Small/Mid Cap Equity	7.85%	22.90%
Emerging Int'l Equity	8.00%	27.75%

Bond Market: 10 Year Expectations

Returns Follow Yield



Yielding 2.40% as of 3/31/14

Yield @ 3/31/04 = 3.80%

10 Year Return @ 3/31/14 = 4.46%



Bond Market: 5 & 10 Year Expectations

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019- 2023</u>
Beg. Of Yr. Net Yield	2.85%	3.85%	4.85%	4.85%	4.85%	5.35%
Duration (Years)	5.00	5.00	5.00	5.00	5.00	5.00
Interest Rate Change	<u>+1.0%</u>	<u>+1.0%</u>	<u>0%</u>	<u>+0%</u>	<u>+0.5%</u>	<u>0%</u>
Income Return	2.85%	3.85%	4.85%	4.85%	4.85%	5.35
Principal Return	<u>-5.00%</u>	<u>-5.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>-2.50%</u>	<u>0.00%</u>
Total Return	-2.15%	-1.15%	4.85%	4.85%	2.35%	5.35%

Compounded returns from your investment grade bond portfolio over the next **5 years** are approximately **1.7% annualized** in this scenario.

Compounded returns for the **10 years** are **3.5% annualized**.

Equity Market Expectations – 5-7%

	Historical Annualized Return	Annual Std Dev	Methodology	Expected Return
Dividend Yield	4.6%	2.0%	Current Dividend Yield of S&P 500 Index (3/31/2014)	2.1%
Expected Inflation	2.1%	6.0%	10-Year Breakeven Inflation (3/31/2014) (10-yr Treasury – 10-yr TIPS)	2.1%
Real EPS Growth	1.7%	33.0%	Historical Average of Real Earnings Growth (Shiller)	1.7%
Valuation Multiple Expansion	0.3%	34.0%	Shiller 10-Year Cyclically-Adjusted P/E (CAPE or PE 10) Ratio	?? (-)
Historical Return (1870 – 2010)	8.9%	19.0%	Nominal Expected Return	5.9%

Dividend yield and inflation are largest and most stable components of return. Real EPS growth is very volatile but mean reverting. P/E expansion provides modest return and also is very volatile.



Statement of Disclosure

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