



Caissa Investments: What are we up to?

While some in the industry spent a fair bit of their time trying to understand and learn how to acclimate to the Department of Labor's (DOL's) new fiduciary standards, we didn't need to spend much time on it. We have already been providing this level of fiduciary service to our clients since the beginning and we don't take commissions on any investments so it will have very little impact on Caissa and our clients.

Regarding the markets, the last eight months have been tough. While 2015 got off to a rocket start, the markets gave up most of their gains for the year domestically and internationally it was a terrible year – down between 5-13% depending on the investment.

On average our clients ended the year 2015 slightly in the positive while our average portfolio benchmark (index) having 70% equities was down -1.13%. So our portfolios being structured to have downside protection is working. The hard part is that clients that have been with us 5+ years have returns that can absorb these down turns and are averaging high single digit returns since inception while those who may have joined us in the last couple of years are feeling the pain of the up and down volatility.

While it is hard to push through, we know from past experience that we need to stay focused on the long term goals we set forth in the plans.

What Worked

American Century Market Neutral was a recent add to our portfolios in 2015. They have done a spectacular job protecting the downside and adding value on the upside. At one point in 2015, when the S&P 500 and other indexes lost a tremendous amount of returns, they were in the positive. They also held up well throughout the first quarter in 2016 being up 2.87% YTD, of which most of the gain was in January and February when the markets were in negative territory.

With the inflationary pressures upon us and a slightly weakening dollar, PIMCO All Asset made a great comeback in the first quarter

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of the year up 5.2%. PIMCO has had a tough couple of years with a strong dollar and China having troubles but their exposure to foreign local currency was very helpful so far this year.

Reinhart Mid Cap Value has killed it YTD being ahead of its relative benchmark, the Russell Mid Cap Value index, by 2.53% and ending the quarter UP 6.45%. The mid cap value space does not come without risks as they were down in 2015 about -3.28% but their index was down -4.78%. This is why we keep mid caps in our Tranche 3 – to absorb volatility and Reinhart is clearly managing their portfolio exceptionally for upside and downside capture.

American Century Equity is up 6.18% YTD vs the S&P 500 up only 1.35% so they have had great positive attribution.

Detractors

While TCW Select Equities posted a 12.19% return in 2015 when the S&P 500 was up only 1.38%, 2016 is a different story. The fund is down -7.93% for the year to date. They hold a fairly concentrated portfolio of stock and the stock selection was their main positive attribute last year. This year, is a different story.

Gratry is having a tough year in international markets ending the quarter down about -5.05%. We typically pair up Gratry with First Eagle Sogen and Oppenheimer Developing Markets which were up 4.19% and 4.6% respectively.

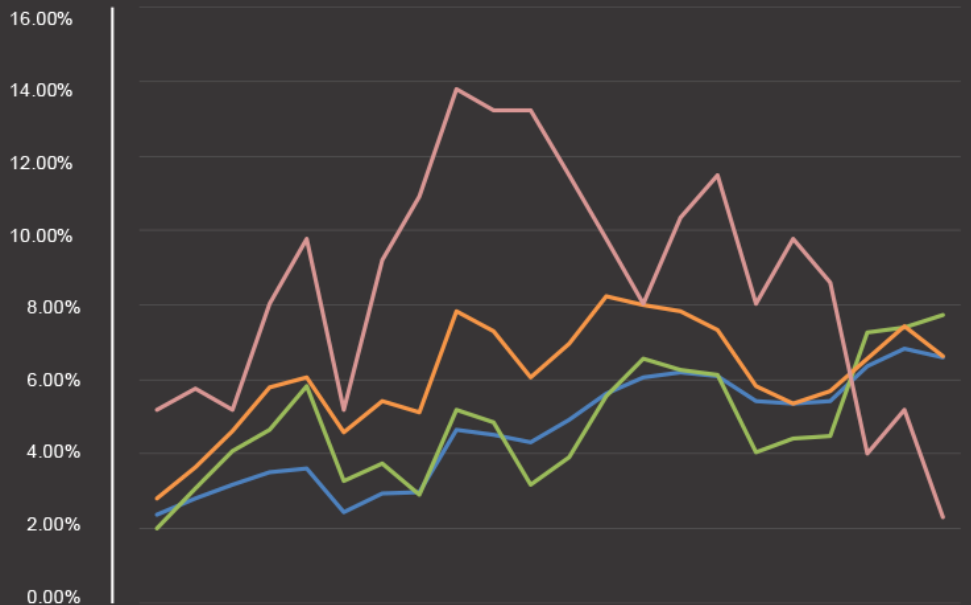
All in all, our managers have done a great job navigating through these tough times keeping our returns about 1.3% ahead of the blended benchmark. Our overall allocation to large cap domestic equities has paid off and we don't see a major asset allocation change in the near future. We are keeping our eye on international equities for a better entry point. Now we look forward to the summer months and then into a fall that could be as turbulent as our elections!

- Kelly Pedersen

the market at a glance

MARCH

 U.S. Large Cap (S&P 500)	2,059.74 (6.60%) ▲
 U.S. Mid/Small (Russell 2000)	1,114.03 (7.75%) ▲
 International Large (NYSE International 100)	4,620.50 (6.63%) ▲
 U.S. Treasuries (U.S. 10-Year Treasury Yield Rate)	1.78% (2.30%) ▲



Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

The market in action

- As part of its continuing effort to spur economic growth, the European Central Bank lowers its overnight funds rate to -0.4 percent and increases its quantitative easing program to 80 billion euros of monthly bond purchases.
- Saudi Arabia seeks an external loan for the first time in over a decade. The loan, which may be as high as \$8B, will be used to fill government deficits created by low oil prices.
- Boeing Company makes plans to cut as many as 8,000 jobs by the end of 2016. Boeing's cuts will affect jobs at all levels, from executives to floor workers.
- European stock exchanges Deutsche Boerse AG and London Stock Exchange make a \$30B agreement to link their trading systems. The deal is designed to help the two European exchanges compete with the United States.
- Credit rating agencies Moody's and Standard & Poor's downgrade their outlook on Chinese government debt to "negative," citing potential problems with growth and reform. However, the agencies did not downgrade the country's credit rating.
- The U.S. Bureau of Labor Statistics reports that 242,000 jobs were created in February. This marks 72 consecutive months of net job growth in the United States.
- Avon Products, Inc. announces plans to cut 2,500 positions and relocate its headquarters to Great Britain. The move is expected to save the company approximately \$50M in payroll and operations expenses in the United States.
- Athletic retailer Sports Authority, Inc. files for bankruptcy and announces it will immediately begin the process closing up to 40 percent of its stores and distribution centers.
- Taiwanese electronics giant Foxconn agrees to buy Japanese tech company Sharp Corp. for \$3.5B. It is the largest foreign acquisition of a Japanese technology company in history.