

4Q2015 IAC Meeting Materials

IAC Meeting – February 16, 2016

Public Markets Presentation



Public Markets: Economic and Market Overview

February 16, 2016

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Public Markets Recap – 4Q15

■ Market Environment:

- Federal Reserve capped off the year with the first hike to its key policy rate in more than nine years
- Amidst improved labor market conditions, oil prices fell to eleven-year lows
- China's slowing economic growth contributed to depressed commodity prices and weighed on the global economy

SBI Public Markets Performance	Periods Ended 12/31/15	
	Last Quarter	Last Year
SBI Domestic Stock Portfolio	5.9%	0.3%
Russell 3000 Index	6.3%	0.5%
SBI International Stock Portfolio	3.8%	-2.9%
MSCI ACWI Free ex USA (net) Index	3.2%	-5.7%
SBI Fixed Income Portfolio	-0.3%	0.7%
Barclays Aggregate Bond Index	-0.6%	0.5%

Domestic Equity Market

- Volatility and mixed economic signals continue
 - Equity markets ended a challenging 2015 with positive returns in the fourth quarter
 - A strong October rally gave way to volatility in November and December
 - All sectors positive, other than Energy

Russell Index	Periods ended 12/31/15	
	Last Quarter	Last Year
Russell 3000	6.3%	0.5%
Russell 1000	6.5%	0.9%
Russell 1000 Growth	7.3%	5.7%
Russell 1000 Value	5.6%	-3.8%
Russell 2000	3.6%	-4.4%
Russell 2000 Growth	4.3%	-1.4%
Russell 2000 Value	2.9%	-7.5%

SBI Domestic Equity Quarterly Performance

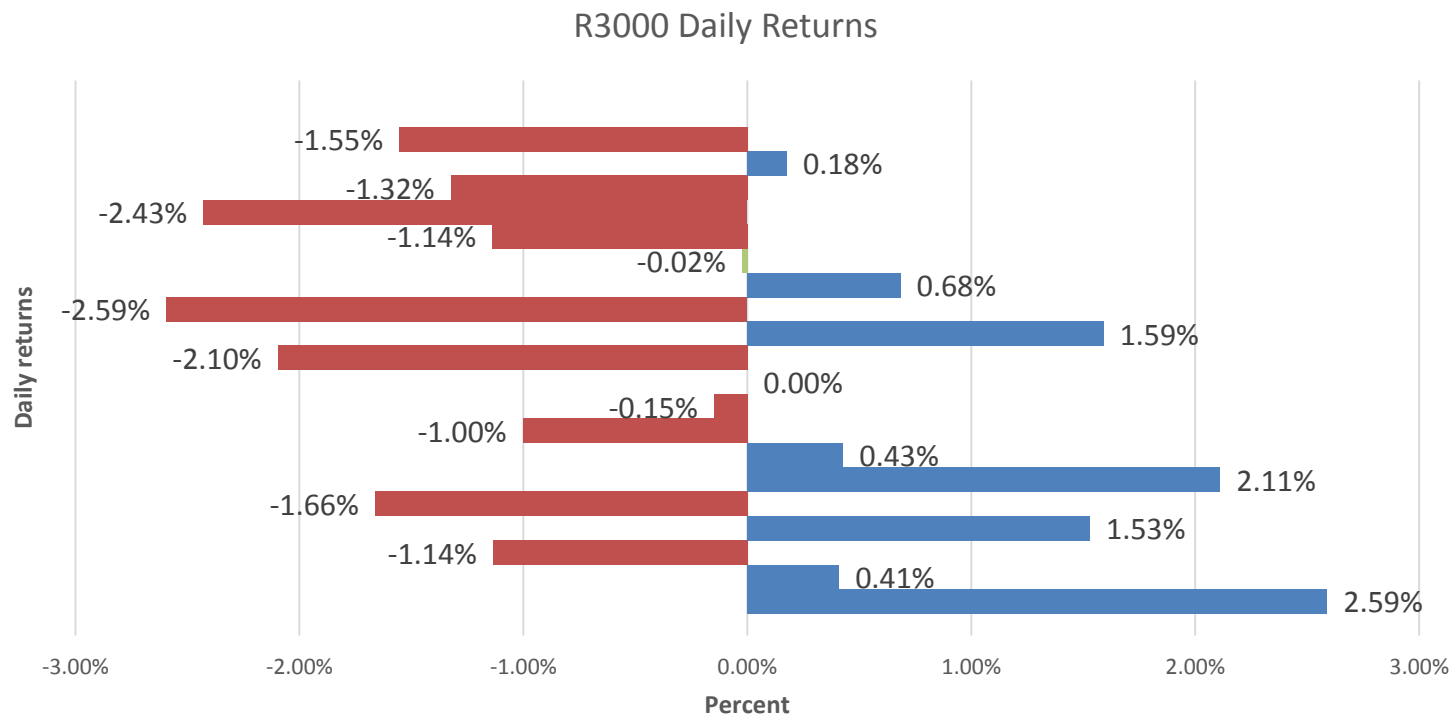
- Active SBI Aggregate: Trailed Benchmark
 - Stock Selection and overweight to the Consumer Discretionary Sector
 - Stock Selection in Health Care Sector
- Semi-Passive: Trailed Benchmark
 - Stock Selection in Producer Durables
 - Stock Selection in other sectors was slightly negative
- Passive: In Line With Benchmark
- Total Domestic Equity Portfolio: Trailed Benchmark
 - Overall Stock Selection, led by Health Care and Consumer Discretionary

January 2016

SBI Domestic Equity Portfolio	Period Ending January 31, 2016	
	January	Fiscal year to date
Active Managers*	-8.1%	-11.8%
Benchmark	-5.6%	-7.0%
Semi-Passive Managers*	-5.4%	-6.3%
Benchmark	-5.4%	-6.1%
Passive Manager*	-5.6%	-7.0%
Benchmark	-5.6%	-7.0%
Total Domestic Program*	-6.2%	-8.1%
Russell 3000 Benchmark	-5.6%	-7.0%

*unaudited

January 2016 Russell 3000 Volatility



International Equity Market Environment

- Positive Returns in Fourth Quarter, Due To Strong Performance in October:
 - Strength Of U.S. Dollar had a Significant Negative Impact on Returns
 - Growth Outperformed Value and Small Cap Outperformed Large/Mid Cap (Standard MSCI Index)
 - Materials & Energy Sectors Weak Performers, IT & Consumer Discretionary Sectors Strong Performers
 - Emerging Markets Lag Developed Markets
 - China Continues Stimulus Measures To Offset Decelerating Economy

International Index Performance	Periods Ending 12/31/15			
	Last Quarter		Last Year	
Currency:	USD	Local	USD	Local
DM: MSCI World ex. U.S. (net)	3.9%	5.7%	-3.0%	4.0%
EM: MSCI Emerging Markets (net)	0.7%	1.5%	-14.9%	-5.8%
All Country: MSCI ACWI ex. U.S. (net)	3.2%	4.8%	-5.7%	1.9%
Style:	Growth	Value	Growth	Value
DM: MSCI World ex. U.S. (net)	5.6%	2.2%	1.7%	-7.7%
EM: MSCI Emerging Markets (net)	2.7%	-1.5%	-11.3%	-18.6%
Small Capitalization:	USD		USD	
DM: MSCI World ex. U.S. Small Cap (net)	5.8%		5.5%	
EM: MSCI Emerging Markets Small Cap (net)	3.3%		-6.9%	

SBI International Equity Quarterly Performance

- **Active Developed Markets (DM) Aggregate: Exceeded Benchmark**
 - Strong Stock Selection in the Health Care, Industrials, and Consumer Discretionary Sectors
 - Strong Stock Selection in Japan and Canada and Weighting Decisions in Both Markets
- **Active Emerging Markets (EM) Aggregate: Exceeded Benchmark**
 - Benefitted from underweight to South Africa and Stock Selection in China, Russia and South Africa
 - Solid Stock Selection in Financials and Information Technology Sectors
- **Semi-Passive (DM) and Passive (DM & EM): Exceeded & Matched Benchmark**
 - Semi-Passive: Positive Stock Selection in Materials and Financials Sectors
 - Passive: Tracking Error for Both Passive Portfolios was Within Expectation
- **Total International Equity Portfolio: Exceeded Benchmark**
 - Strong Stock Selection in Financials, Healthcare and Information Technology Sectors
 - Strong Stock Selection in Japan and South Africa and an Overweight and Underweight Respectively

January 2016

SBI International Equity Portfolio	Periods Ending January 29, 2016	
	January	FYTD
Developed Markets Active Manager Aggregate	-7.1%	-10.7%
Benchmark	-6.9%	-13.5%
Developed Markets Semi-Passive Manager Aggregate	-7.3%	-12.7%
Benchmark	-6.9%	-13.5%
Developed Markets Passive Manager Aggregate	-6.9%	-13.3%
Benchmark	-6.9%	-13.5%
Emerging Markets Active Manager Aggregate	-8.2%	-13.5%
Benchmark	-6.5%	-22.7%
Emerging Markets Passive Manager Aggregate	-6.4%	-22.4%
Benchmark	-6.5%	-22.7%
TOTAL INTERNATIONAL EQUITY	-7.2%	-14.3%
BENCHMARK	-6.8%	-15.5%

SBI International Equity Attribution

FYTD Through 01/29/2016

Performance Attribution

All FE Managers vs. MSCI All Country World Ex-United States

6/30/2015 to 1/29/2016

U.S. Dollar

MNSBI Sector	All Int'l Equity Managers			MSCI ACWI ex. U.S.			Variation			Attribution Analysis			
	Average Weight	Total Return	Contribution To Return-USD	Average Weight	Total Return	Contribution To Return-USD	Average Weight	Total Return	Contribution To Return	Allocation Effect-USD	Selection Effect-USD	Interaction Effect	Total Effect-USD
Financials	24.92	-19.79	-5.15	27.22	-21.12	-6.00	-2.30	1.33	0.85	0.15	0.39	-0.03	0.51
Consumer Discretionary	14.04	-12.10	-1.67	12.00	-14.29	-1.71	2.04	2.19	0.05	0.03	0.27	0.04	0.35
[Cash]	1.94	1.78	0.04	--	--	--	1.94	1.78	0.04	0.33	--	--	0.33
Energy	4.98	-20.77	-0.97	6.38	-22.61	-1.39	-1.41	1.84	0.41	0.10	0.14	-0.03	0.21
Health Care	10.51	-8.56	-0.99	9.50	-9.68	-1.00	1.01	1.12	0.01	0.05	0.10	0.01	0.16
Industrials	12.40	-12.54	-1.58	11.20	-13.38	-1.51	1.21	0.84	-0.07	0.02	0.08	0.01	0.12
Information Technology	7.16	-10.96	-0.77	7.59	-12.79	-0.96	-0.43	1.82	0.20	-0.01	0.13	-0.00	0.12
Telecommunication Services	4.88	-10.22	-0.50	5.25	-11.92	-0.64	-0.37	1.70	0.14	-0.01	0.09	-0.01	0.07
[Unassigned]	1.02	-16.95	-0.17	--	--	--	1.02	-16.95	-0.17	-0.01	--	--	-0.01
Materials	6.34	-28.91	-1.98	6.77	-27.82	-2.01	-0.42	-1.09	0.02	0.06	-0.09	0.01	-0.03
Utilities	2.39	-8.78	-0.20	3.49	-8.50	-0.28	-1.10	-0.28	0.08	-0.08	-0.01	0.00	-0.09
Consumer Staples	9.43	-1.08	-0.03	10.61	-0.60	0.00	-1.18	-0.48	-0.03	-0.18	-0.04	0.01	-0.21
Total	100.00	-13.97	-13.97	100.00	-15.49	-15.49	--	1.52	1.52	0.46	1.06	0.00	1.52

Holdings Data As Of

All FE Managers 1/29/2015 through 1/28/2016

MSCI All Country World Ex-United States 7/01/2015 through 1/29/2016

Developed Markets Index Performance

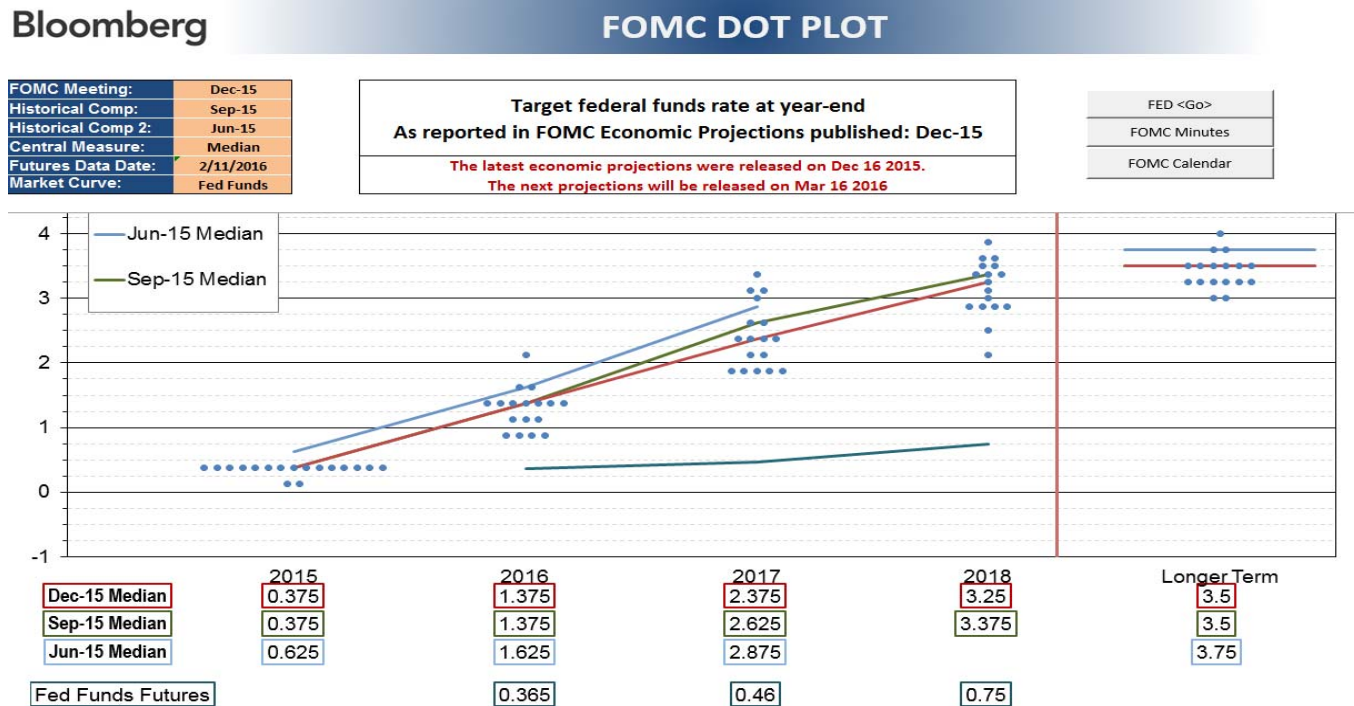


Emerging Markets Index Performance



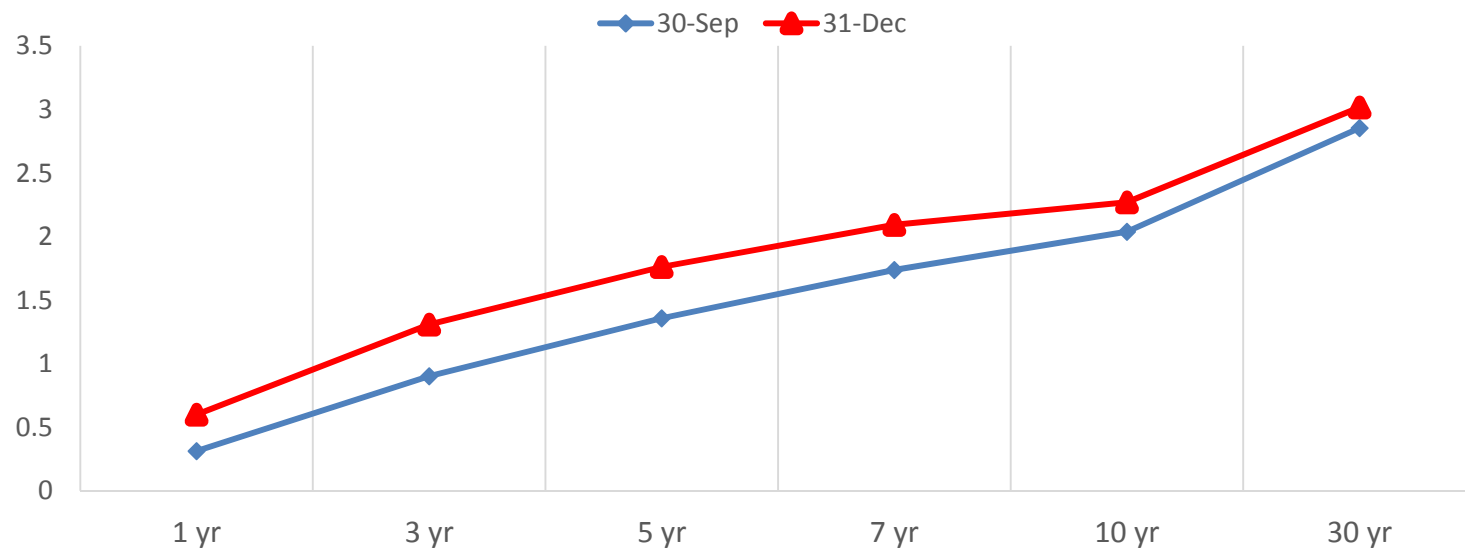
Fixed Income Market Review – 4Q 2015

- First Fed Rate Hike since 2006



Fixed Income Market Review – 4Q 2015

US Treasury Yield Curve Change



Performance and Index Breakdown Ending 12/31/15

	<u>Last 3 Mos.</u>	<u>1-Yr</u>
SBI Fixed Income	-0.3	0.7
Barclays Aggregate Index	-0.6	0.5
Index Return by Quality		
Aaa	-0.59	1.12
A	-0.10	0.55
Baa	-1.01	-2.71
High Yield	-2.07	-4.47
Index Return by Sector		
Treasury	-0.94	0.84
Corporate	-0.58	1.08
Agency MBS	-0.10	1.51



SBI 4Q and 1yr Primary Drivers of Out-Performance

- Defensive duration positioning against interest rate risk
- Underweight US Treasury securities
- In Q4, exposure to US TIPS as breakevens fell across the curve
- Security selection in Investment Grade Corp

Performance and Index Breakdown Ending 01/31/16

	<u>Last Month</u>	<u>Fiscal YTD</u>
SBI Fixed Income	1.06	1.54
Barclays Aggregate Index	1.38	2.04
Index Return by Quality		
Aaa	1.73	
A	0.96	
Baa	-0.20	
High Yield	-1.61	
Index Return by Sector		
Treasury	2.13	
Corporate	0.35	
Agency MBS	1.30	
