GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

JUNE 2015

VOLUME 24, ISSUE 6

William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

The announcement of 233,000 jobs created in the last employment report was greeted positively by the markets as unemployment dipped by one tenth of a percent to 5.2% in the month of April. Economists generally consider an unemployment rate of 4.5% to be full employment and thus by this data point alone some might consider our economic recovery to be gaining steam. Progress is often very incremental in the short term and so it is helpful to step back and examine the data from a twelve month perspective. In April there were two million more civilians in the workforce than in April of 2014 and nearly three million more of them employed than a year ago. The growth in employment was almost all in the private sector as government payrolls remained flat for the year. U-6 unemployment shrank to 10.6%, representing a nearly 2% drop for the most vulnerable and often the first to be unemployed in recession and last to be hired in recovery. The average week's duration of unemployment fell to thirty weeks for the first time since our recovery began and was a full four week decline in the past twelve months. The majority of new jobs are created in the small business segment (less than 100 employees) and so the correlation between employment improvement and the small business optimism index registering 96.9% makes sense. As business owners see more demands for goods and services they take on more human capital costs.

Construction and housing led the way for the month, improving in almost every category suggesting that Q2 GDP will be much improved over Q1, which was a very disappointing 0.2 %

Building contracts, new housing starts, new permits, construction spending, non-residential spending and the home price index all improved for the month as well as year over year.

While construction and housing were improved, consumption, spending, orders, exports and trade all were soft and reflect the complexities and vulnerabilities of flat wage growth and a strong dollar. The trade deficit for the month was not unexpected and reflects the challenge that companies face in exporting product made more expensive by a strong U.S. currency. Consumer confidence rose to 95.5% recording a full 13% gain year over year, which is certainly consistent with the employment gains, yet the savings rate

Commentary, continued

also increased, consumer debt decreased which resulted in no increase in spending for the month or year over year. Inventories have also remained flat and the inventory to sales ratio has also not increased. Inventories are often increased either in the later stages of consistent demand periods or in the early stages of declining demand. Wholesale sales dipped during the month and for the year and retail sales were flat as well, but remember both of those indicators include oil and gas and thus can be somewhat misleading given the decline in energy prices. It seems clear though that the consumer hasn't yet been transferring the savings at the pump to discretionary purchases. For the year, personal income grew by 4% while personal savings grew by 47% to 5.4%. As we know, the consumer represents over 70% of GDP and as of now, even though significantly more confident than a year ago, seems more interested in saving than spending.

"There are many reasons for consumer caution yet the economy will not heat up without some of that caution waning."

There are many reasons for consumer caution yet the economy will not heat up without some of that caution waning. So what exactly is creating the reluctance to spend? As we have stated before and probably more often than some might prefer, this recovery has been prolonged and uneven and neither of those were a surprise. Most recoveries from recessions are uneven in strength and for segments of populations. Individuals and organizations alike who had strong balance sheets, skill-sets and or products that are in demand and have access to information as well as capital have fared well in this prolonged recovery. Unfortunately that description does not fit the majority of Americans. Those with fewer skills, less education and limited savings or businesses with poor balance sheets and me too product lines have not fared well and you can sense the angst about the understandable but very unpopular widening gap in wealth that resulted in the uneven results of economic recovery in our country. In periods of sustained high unemployment it is normal for wage growth to be very muted. The combination of available labor and low interest rates has helped to keep inflation low allowing purchasing power to remain stable even in the face of seven years of flat wage growth. While interest rates and energy prices are likely to keep inflation below 2% for the near term future, the average American who lives pay check to pay check is growing increasingly dissatisfied with their place in the recovery. Within every print or electronic media one can observe the growing clamor for not just incremental minimum wage growth but rather the establishment of $ 15.00 per hour minimums for municipal, federal contractors, food service, healthcare, and retail sales employees. This week the City Council of Los Angeles passed a resolution requiring employers within the city to pay a minimum wage of $ 12.00 per hour in 2016 and progressing to $ 15.00 per hour by 2019. The day after the Los Angeles announcement the mayors of New York City and

St. Louis announced that they would seek similar resolutions from their city councils. Recent polls conducted by the New York Times and CNN reveal growing angst and dissatisfaction with wealth and wage disparity among those asked. The results of the surveys strongly suggest that a majority of Americans feel that the rich have gotten richer and poor have gotten poorer and that the problem is systemic rather than circumstantial. Only 35% of those polled responded yes to the question "Can anyone get ahead in the United States?" When asked "Do you feel the distribution of wealth in the U.S. is fair?" 66% responded no.

What are the implications of decreasing unemployment, stagnant wage growth, increasing income inequality and growing dissatisfaction with the disparity of recovery results among the population? Whether through what will be sure to be a smaller labor pool as the recovery progresses or through a growing list of state and municipal efforts to regulate higher minimum wages we can expect to see some wage growth occurring in the future. We are also very likely to see income inequality to be a central issue in the 2016 Presidential election. There will be those that want to deny the condition altogether but the main argument will not be whether the condition exists but rather what the solution to the condition is. Those that will focus on the populist approach will argue for regulation and taxation of the wealthy. Those approaching the fix from the opportunity side of the ledger will argue for increasing opportunities for education, training, child care, and preschool. The populist approach appeals to those wanting immediate results while the opportunity approach will achieve goals in the much longer term. Political will of the population will determine which approach wins the argument, but with the evidence of the growth in the sentiment that opportunity in our country is fading for an increasing number of Americans, the issue or solutions will not be able to be ignored by either camp.

"We are also very likely to see income inequality to be a central issue in the 2016 Presidential election."

Michael F. Odar, CFA
President

The Next Generation

I am excited to announce that Greenleaf Trust was just named one of the 75 best employers in the country for Millennials! To find the best places to work for Millennials, The Center for Generational Kinetics in Austin, Texas partnered with the workplace excellence research firm Best Companies Group (BCG), which manages over 50 "Best Places to Work" programs around the globe. BCG analyzed data from the more than 4,000 US organizations that participated in its various programs. BCG also included policy and benefit offerings from the employer questionnaires, as well as employee engagement data from the more than 500,000 employee surveys conducted in the last 12 months to come up with the 75 best employers for Millennials.

The Center for Generational Kinetics defines Millennials as the segment of our society born between 1977 and 1994. Millennials represent about a third of our total US population and now outnumber Baby Boomers in our society. Although Millennials account for only 10% of the national workforce, they make up 45% of Greenleaf Trust's workforce.

"... Millennials [are] the segment of our society born between 1977 and 1994. Millennials represent about a third of our total US population and now outnumber Baby Boomers..."

They are young, diverse, educated, global minded, collaborative, and technologically savvy. When the award was announced company-wide by our Millennials, this is how they described themselves:

We are *hopeful*
We are *collaborators*
We are *connected*
We are *innovative*
We are *social*
We are cause *driven*
We are *loyal*
We are your *teammates*

The reward is particularly meaningful to us because it validates the type of workplace culture we work hard every day to nurture. Rather than having an old Gen X'er describe it, here is what five of our Millennials had to say:

"At Greenleaf Trust, part of our mantra is that just because we have historically done something a certain way, doesn't mean we should always do it that way. We continually look at new technology and progressive ways to enhance our business."

"Being part of Greenleaf Trust means I'm an active member of my community. As a company, we engage in both giving and volunteering events to enrich our local non-profit organizations. The

work we do for others makes us a stronger team."

"Greenleaf Trust allows me to create my own version of work-life balance. There are times when I may need to spend a little extra time with my family, or get my run in over lunch. By designing what work-life balance means for me, I can work with less distraction and worry. I am empowered to achieve and enjoy something every day."

"I didn't come to Greenleaf Trust because it was fun, but what a great perk! Our company actually has a budget and a dedicated team of our peers focused solely on employee engagement...through events, activities and creating an environment that nurtures this amazing culture! I laugh every day. These are my friends."

"As a Millennial at Greenleaf Trust, I often forget that I am a Millennial. That's because I work for a company that recognizes talent over age and experience. Through a supportive and collaborative team environment, Greenleaf Trust allows each person to have a voice and encourages candor and leadership at every level. When you open the doors for all employees to be a part of the vision of an organization like Greenleaf Trust, the possibilities are endless."

In closing, the Millennial group at Greenleaf Trust is smart, they work hard to meet goals and make an impact, they are dedicated and want to make a difference in the lives of others and they listen to learn and grow. Provided with an environment that supports all generations, we've seen amazing things from these teammates and we look forward to the future impact they will make as their knowledge increases through mentorship with others on our team and as their talents continue to be refined. They are the future of our organizations. We have chosen to embrace them and listen.

"Provided with an environment that supports all generations, we've seen amazing things from these teammates and we look forward to the future impact they will make..."

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The Role of Bonds in Your Portfolio

Mark A. Jackson, CFA
Wealth Management Advisor

Interest rates are at generational lows and have been low for several years. While this has benefited individuals and institutions who have borrowed funds, it has presented challenges for savers and investors who came to rely on the income and price appreciation from their bond or bond-like investments. In our May newsletter, Dan Haines discussed preparing for the next rise in interest rates. In this article, I will review the characteristics of fixed income securities, discuss why an investor may have an allocation to bonds even in a low and gradually rising interest rate environment, what this allocation may contribute to your portfolio, owning mutual funds versus individual bonds and how bonds trade.

Different terms are used to describe bond-like investments. In our discussions with clients, we use the phrase "fixed income" to include certificates of deposit, bonds, specific types of preferred stocks, as well as mutual funds and exchange traded funds (ETFs) that invest in fixed income. These investments may pay an annual, fixed rate of interest or a monthly, variable return, or some combination of returns. Typically, fixed income investments, including the underlying fixed income securities in a fund, return a fixed amount of principal at maturity and this maturity date may range from a few months to one hundred years, and anything in between. Some preferred stocks pay in perpetuity and never mature. The longer the time until the maturity of a bond with a fixed annual coupon return, the greater the potential for its market price to vary as interest rates change. Bond prices move inversely to interest rate movements, so as interest rates rise, bond prices fall and vice versa. Bonds considered investment grade have a rating from Moodys of Baa3 or higher or a rating from Standard & Poors of BBB- or higher. There are other credit rating services but these are two of the more widely quoted firms.

"Typically, fixed income investments… return a fixed amount of principal at maturity and this maturity date may range from a few months to one hundred years, and anything in between."

Interest rates are low and are likely to rise, so why own bonds? While the decision varies by client, here are important considerations and the investment strategies that we employ:

- Fixed income may provide diversification by exhibiting different price movements, at different times, than the equity markets, providing principal protection and reduced price volatility in your overall portfolio.
- We are currently employing a defensive interest rate strategy by building our bond portfolios to have an intermediate maturity structure. Prices would still decline if rates rose, but not to the same degree as if longer maturity bonds are held.

- We create well diversified portfolios, across many issuers and sectors.
- We see opportunities for additional diversification through our use of a bank loan fund and a global bond fund.
- Fixed income provides a predictable stream of pre-tax and after-tax income.
- Rising interest rates may provide an opportunity to reinvest cash flow into fixed income securities at increasingly higher rates.

Investors have been tempted to hold cash while waiting for interest rates to rise. This requires interest rates to actually rise, which has not occurred over the last several years. With the returns on cash investments at close to 0%, there is a cost to this timing strategy. The approach at Greenleaf Trust has been to maintain our clients' targeted allocation to fixed income and manage risk within the bond portfolios, while still earning a current return in excess of cash.

Our wealth management process begins with an understanding of the needs, objectives and constraints for a client. This includes determining a client's tolerance for price volatility in the value of her total portfolio. Bond prices may move in different directions than equity prices, or at least exhibit potentially less price volatility than equities, so there may be portfolio diversification benefits from owning bonds. When our wealth management process leads to an allocation to fixed income in a client's portfolio, these are the characteristics of the client and the fixed income investments that are considered:

- How are the investment returns of each security taxed?
- What are the client's expected marginal tax rates and do municipal bonds provide an after tax advantage over fully taxable securities?
- What are the income needs which fixed income can support?
- Are there cash needs which may be funded through specific bond maturities?
- Are there tax deferred accounts where holding fixed income securities allows taxable investment income to be deferred?
- What are the total return, income plus potential price change, opportunities from fixed income?

We use mutual funds or exchange traded funds for a portion of the fixed income allocation of a client's portfolio or in many cases, the entire fixed income allocation. Within Greenleaf Trust's Research Department, we have two fixed income specialists devoted to developing strategies for the most effective and tax efficient way to build our clients' fixed income portfolios and researching all of the individual securities and funds that we use in these portfolios. Identical to our process for using equity mutual funds, we use fixed income funds that have no sales charges and we pay close attention to the management fees of the funds. We use funds for the entire

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"… we have two fixed income specialists devoted to developing strategies for the most effective and tax efficient way to build our clients' fixed income portfolios…"

fixed income allocation for many clients. This allows those clients to benefit from owning funds diversified across many issuers, while still allowing us to target specific sectors of the bond market that our analysts believe offer value. We use funds for all clients when we make opportunistic investments, for example, the bank loan and global bond funds we are currently using in portfolios. Our fixed income management and research process is set by our four person Fixed Income Committee.

Buying and selling individual bonds is different than trading individual equities. There are computerized trading platforms or exchanges for bonds, but the process remains one of negotiating a price either directly with a seller or through a broker/dealer intermediary. Depending on the type of fixed income security and the position size, when we buy or sell on behalf of a client, we start by asking up to 15 broker/dealers to provide an offer (if we want to buy) or a bid (if we want to sell). Particularly when we are combining trades for a number of clients, we are able to buy or sell larger piece sizes and negotiate the best purchase or sale price. This is a meaningful contribution to our fixed income portfolio management process, since the execution price impacts a client's ultimate investment return. We expect and see the same best practices by the managers of the mutual funds and exchange traded funds we use in client portfolios.

Look for additional articles on fixed income in future newsletters. In the meantime, please call your Wealth Management Advisor if you want to discuss our fixed income strategies.

New Location for Our Traverse City Offices.

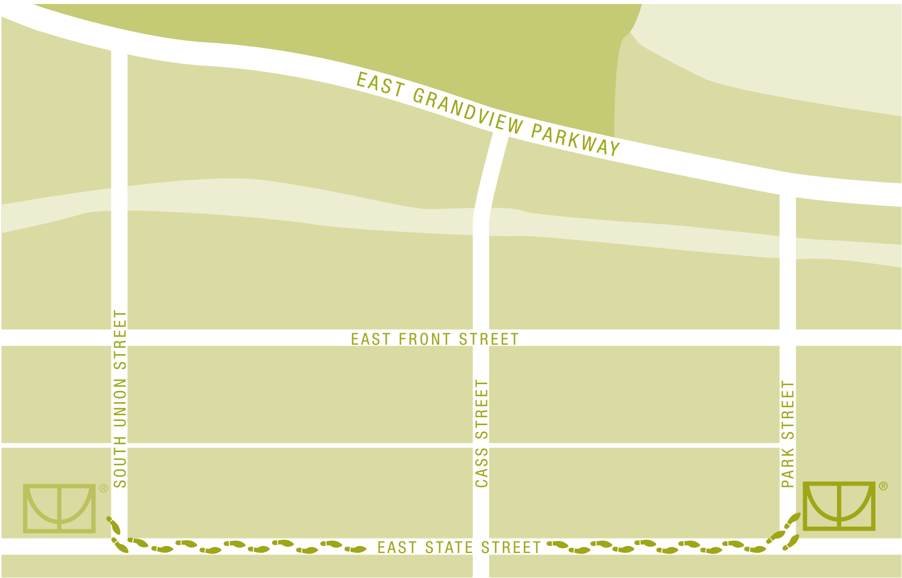
On May 11, 2015, we moved into our new Traverse City location at 125 Park Street, Suite 495.

Don't worry, we're in the same mailing code. (Heck, we're using the same mail carrier.)

“We've Moved”

Here, you'll find the same highly talented team providing the same high level of service, accessible at the same email address and phone number as always.

Our parking deck is free and convenient. We look forward to seeing you in our new location.



Josh D. Wheeler, CFA
Vice President,
Assistant Director of
Research, Equities

Wisdom from Omaha

I attended Berkshire Hathaway's annual shareholders meeting in Omaha several weeks ago. There's something special about lining up at six in the morning alongside other investors to pile into a stadium and listen to Warren Buffett and his partner, Charlie Munger, answer questions for the better part of six hours. For a professional investor, this is the big event. Football has the Super Bowl, golf has The Masters, and investors have the annual Berkshire meeting. Of course, as a long-time investor, I've read volumes of writing by Buffett and about Buffett, so there were no new revelations regarding the way he thinks about investing. Still, to have the concepts reinforced and reapplied to various current topics was rejuvenating and inspired me to come back and continue my relentless search for value on behalf of our clients.

"There's something special about lining up at six in the morning alongside other investors to pile into a stadium and listen to Warren Buffett..."

I thought I'd take this opportunity to highlight several of Warren Buffett's most famous investing principles, alluded to once again this year in Omaha, and how we strive to put them into practice here at Greenleaf Trust.

Long-Term Focus

"The Stock Market is designed to transfer money from the Active to the Patient." – Warren Buffett

Everything we do at Greenleaf Trust, from selecting stocks to hiring new talent, is done with a long-term horizon in mind. Buffett has always stressed the importance of not cutting corners to get rich quick or go for an easy win. It takes time to build things of enduring value – be it a wealth management practice or a stock portfolio – and that's how we think here. Trading in and out of a stock over a few weeks or months is more akin to speculating than investing, not to mention the inefficiencies of higher trading costs and taxes on short-term gains. As an equity analyst, when I am looking at a new company, I'm asking myself if I can be reasonably confident of its competitive position ten years down the road. There's no point in trying to guess what will happen next quarter because random factors play such a big role over shorter periods of time. But quality shines through, and is rewarded, over the long term.

Volatility is Not Risk

"Volatility is far from synonymous with risk. Popular formulas that equate the two terms lead students, investors and CEOs astray." – Warren Buffett

While many in the investment community and academia define risk as volatility, Buffett has often said this is a poor definition, and what investors should really avoid is the permanent loss of capital. Volatility is an easy thing to fear, right? We all remember the painful feeling of the market crashing in 2008. But those who held on through the volatility and didn't sell at the bottom (making the loss of capital permanent) have reached new highs in their portfolios.

In fact, the annualized total return on the S&P 500 for the ten-year period ending Friday the 22nd of May was 6.0% – that's including the -38% return in 2008.

Buffett (and every good investor) turns volatility on its head, using it as opportunity. He understands that price is different from value. Just because the market offers you 10% less for your company today than it did yesterday doesn't mean the intrinsic value of the business has declined by the same amount (or changed at all). The market is just in a different mood today. This year, during the Berkshire annual meeting, Buffett said he actually wants the price of his stocks to go down because it means he can buy more shares at a cheaper price. How's that for contrarian? But when you're investing for 5, 10, 20 years down the road, this is the right mindset. He knows that, eventually, the price of his investments will rise in accordance with the compounding value of his businesses. So he wants to use downside volatility to add to his positions at an attractive price.

Reputation is Everything

"We can afford to lose money–even a lot of money. But we can't afford to lose reputation–even a shred of reputation."
– Warren Buffett

Buffett talked again this year about how much he emphasizes the importance of reputation to his managers. He harkened back to 1991 when, while testifying in front of Congress as the recently appointed chairman of the embattled investment bank Salomon Brothers, he told legislators that part of his message to his employees was: "Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless." At Greenleaf Trust, sitting on the same side of the desk as our client is part of our culture. This principle has been driven by our founder since the inception of the firm and it's as strong as ever today. One tangible example is that we pay good money for top-tier software tools used for investment research, whereas some firms have those tools paid for by a broker as part of a trading arrangement. We do not accept any soft-dollar remuneration so as to ensure our clients are getting the most competitive commission rates.

Tying It All Together

Many of our clients at Greenleaf Trust endeavor to pass wealth down from generation to generation, so we think an extraordinarily long investment horizon is the right approach. We know the market will continue to exhibit volatility, sometimes severely, and we'll be right there to guide our clients through it. It's an honor to be entrusted with another's wealth, and we all feel the weight of that privilege and a responsibility to earn that trust. We thank you for your business and look forward to providing you with world-class service for many years to come.

"Many of our clients at Greenleaf Trust endeavor to pass wealth down from generation to generation, so we think an extraordinarily long investment horizon is the right approach."

Katherine M. Szymanski, J.D.
Team Service Coordinator

Early IRA Withdrawal Penalty: Nine Exceptions to the Rule

Save early and save often is a common maxim that encourages individuals to prepare for retirement. The advantages of tax deferred saving vehicles such as an Individual Retirement Account (IRA) are well documented. However, what happens when funds contributed to an IRA are needed before retirement? The good news is if you are over age 59½ there is no early withdrawal penalty. The bad news is, if you are not 59½ the penalty is 10% on top of any state and federal taxes that would be paid.

The IRS has recognized that sometimes people need to take funds initially allocated for retirement and has come up with nine exceptions. These are ways for people to use IRA money and only pay the state and federal taxes on the distribution without the additional 10% penalty. The nine exceptions are as follows:

"… what happens when funds contributed to an IRA are needed before retirement?"

1. Un-reimbursed Medical Expenses. While this exception sounds like something most everyone could meet, the parameters are quite narrow. The only expenses that qualify are those in excess of 10% of your Adjusted Gross Income (AGI). As an example, if Mr. Smith has an AGI of $100,000 and had $12,000 in medical bills that were not covered by insurance, the first $10,000 (10% of AGI) is not eligible for withdrawal without penalty, only the remaining $2,000 can be taken without triggering the early withdrawal penalty. [IRC § 72(t)(2)(B)]
2. Medical Insurance. The qualifier on this type of disbursement is unemployment. A person must have lost their job, received unemployment for a minimum of twelve consecutive weeks, the IRA distribution is taken within the year or following year of unemployment and a distribution is not received later than sixty days after becoming employed. [IRC § 72(t)(2)(D)]
3. Disability. This exception seems self-explanatory; however, IRA rules are much stricter than standard government disability requirements. In order to take this money free from penalty, a physician needs to certify that because of mental or physical disability a person is unable to hold any gainful employment. Additionally, this disability must be expected to result in death or to last for an indefinite period. [IRC § 72(t)(2)(A)(iii)]
4. Higher Education. These distributions can be taken without penalty to cover the cost of post-secondary educational expenses or vocational school for the IRA holder, their spouse, their children or grandchildren. However, only certain costs are covered by the

exception including: tuition, books/supplies and fees. [IRC § 72(t)(2)(E)]

5. Inherited IRAs. As the beneficiary of Inherited IRA assets, one can take distributions without early withdrawal penalties. This exception does not apply if you are a spouse-beneficiary and you roll those assets into your own personal non-Inherited IRA. When handling Inherited IRA assets it is always good to be aware of required minimum distribution amounts as well. [IRC § 72(t)(2)(A)(ii)]
6. Home Purchase. As with the other exceptions, there are stringent rules surrounding this one to avoid penalty. The IRA owner can only take $10,000 total, which includes closing costs. This is a lifetime limit and must be a first-time home purchase. The IRS defines a first-time home buyer as not owning a home within the prior two years. An additional $10,000 can be taken for a spouse who has not yet used their lifetime limit as well. [IRC § 72(t)(2)(F)]
7. Substantially Equal Periodic Payments. This is one of the most complex methods to take an early withdrawal penalty free as there are three ways to determine the amount, each of which has different rules. The short explanation is that the same amount, determined under one of the IRS's methods, must be taken until you either reach age 59.5 or for five years, whichever comes later. [IRC § 72(t)(2)(A)(iv)]
8. Levy. The eighth exception is one for which most people would not want to qualify. The money is taken as a result of an IRS levy. A levy is the seizure of property in order to satisfy a debt. Therefore, money from the IRA may be taken out to satisfy a debt without penalty. However, this does not apply if the IRA owner takes the early distribution for the purpose of paying the debt owed to avoid the levy. [IRC § 72(t)(2)(A)(vii)]
9. Active Duty Reservist. The last early withdrawal exception is for active duty reservists only. The rules for this type of distribution are: 1) funds must be distributed to a member of the reserves called to active duty for more than 179 days and 2) funds must be distributed beginning on the date the active duty begins and ends on the close of the active duty. [IRC § 72(t)(2)(G)]

It is important to remember that withdrawing funds from a traditional IRA is almost always a taxable event on the state and federal level. The additional 10% early withdrawal penalty on funds taken before age 59½ may be waived if the purpose for the withdrawal falls into one of the listed exceptions. As always, please consult with your Client Centric Team as well as your tax advisor prior to taking any early withdrawals.

"It is important to remember that withdrawing funds from a traditional IRA is almost always a taxable event on the state and federal level."

Christina E. Sharp
Retirement Plan Client Services Specialist

Qualified Retirement Plan Fiduciary Role

As a Plan Sponsor of a qualified retirement plan, it is extremely important to understand the fiduciary role and responsibilities. A fiduciary is anyone designated by the employer or board of directors who may exercise discretion in administering a plan and/or controlling the plan assets. For many plans, it will be a retirement plan committee with defined committee membership and specific responsibilities. A fiduciary may not have the expertise in a specific area such as investment selection, and thus may hire a fiduciary for support with fulfilling its fiduciary role. However, a fiduciary may never completely absolve themselves of fiduciary responsibilities.

Fiduciaries have the duty to act prudently and in the interest of the plan participants and their beneficiaries at all times. Prudence is shown by having a process for making fiduciary decisions, and documentation of the review and reason for final decisions. There should be a written plan document and monitoring to ensure the day-to-day operations follow the terms of the plan document. The mutual fund menu offered through a retirement plan should cover multiple asset classes to assure that participants have the ability to appropriately diversify their investments, and fiduciaries should document their evaluation of the investment offerings and selection. Plan fiduciaries should understand and monitor service providers and plan investment fees. And, fiduciaries should provide required notices to participants.

"A fiduciary is anyone designated by the employer or board of directors who may exercise discretion in administering a plan and/or controlling the plan assets."

Recognizing the fiduciary role involves specific responsibilities, a Plan Sponsor may ask "What are a few common areas of concern, and how does Greenleaf Trust (Greenleaf) support us in meeting our fiduciary obligations?"

Documentation

The fiduciary duty to act prudently is evidenced by having processes in place for making fiduciary decisions and the documentation of those decisions; not by the results. Greenleaf assists the Plan Sponsor by providing the annual Mutual Fund Due Diligence Report ensuring written documentation with regard to the selection and ongoing analysis of mutual funds recommended for client use for their fiduciary review. Additionally, Greenleaf provides an Investment Policy Statement, documenting the Plan's approved designated investment alternatives, qualified designated investment alternative, intention to comply with ERISA section 404(c), and the process/procedure for evaluating, selecting, monitoring and terminating investment options. Other documentation such as meeting minutes may demonstrate an employer is compliance oriented and aware of fiduciary duties.

Written Plan Document

Greenleaf Trust offers an IRS-approved prototype plan document for most clients. Upon a plan design change, such as adding a provision, or a change in legislation, Greenleaf will update the written plan document to ensure the written plan document reflects such changes. It is up to the fiduciary to monitor the day-to-day operations such as administration of automatic enrollment and the participant loan rules are followed. Since the plan document controls, we recommend the fiduciary periodically read the plan document and Summary Plan Description.

Investment Selection

In many instances, Greenleaf serves as a 3(21) fiduciary as defined in Section 3(21) of ERISA, at the direction of the Plan Sponsor. Greenleaf provides Mutual Fund Due Diligence Reports with regard to the selection and ongoing analysis of mutual funds recommended for the plan, and carries out recommended changes upon the direction/approval of the Plan Sponsor. If the Plan Sponsor desires Greenleaf to be the final decision maker on investment decisions, they may elect to have Greenleaf serve in the capacity as a 3(38) fiduciary. In this instance, Greenleaf assumes more fiduciary liability and responsibility for determining the mutual fund investment offerings within the retirement plan without the Plan Sponsor having to be responsible to evaluate, monitor and provide final investment direction decisions.

Plan Services and Fees

Fiduciaries should be aware of the services provided and related expense when hiring a service provider for the plan. Greenleaf provides documentation referred to as the Service Provider Agreement and Fee Disclosure, which details all services provided such as Trustee, Recordkeeping, Education and Compliance Testing to name a few. As far as investment expenses, the fund's expense ratio must be reasonable or below the average for the fund category. Greenleaf does not receive additional fees from mutual funds, such as load or commission fees, 12b-1 fees or mutual fund revenue sharing, which ensures no conflict of interest.

Participant Required Notices

By law, fiduciaries are required to provide disclosures of specific plan and investment information to participants. In many instances, Greenleaf provides notices on behalf of the Plan Administrator such as the quarterly and annual Participant Fee Disclosures and Qualified Default Investment Alternative notice. Additionally, the design of the plan may require annual Safe Harbor Notices or an Automatic Enrollment Notice.

Greenleaf is committed to assisting our clients to administer plans and fulfill their fiduciary duty. Although there are many additional components of fiduciary compliance, this is intended to provide Plan Sponsors with a better overview of their fiduciary responsibilities.

> "Fiduciaries have the duty to act prudently and in the interest of the plan participants and their beneficiaries at all times."

Stock Market Pulse

Index	5/31/2015	Total Return Since 12/31/2014
S&P 1500	488.03	3.42%
DJIA	18,010.68	2.06%
NASDAQ	5,070.03	7.57%
S&P 500	2,107.39	3.23%
S&P 400	1,524.67	5.59%
S&P 600	712.88	3.10%
NYSE Composite	11,056.31	2.00%
Dow Jones Utilities	586.98	-3.52%
Barclays Aggregate Bond	110.17	0.75%

P/E Multiples	5/31/2015
S&P 1500	18.1x
DJIA	14.7x
NASDAQ	20.8x
S&P 500	17.8x
S&P 400	20.0x
S&P 600	20.9x

Key Rates

Fed Funds Rate	0% to 0.25%
T Bill 90 Days	0.01%
T Bond 30 Yr	2.85%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	488.03	18.1x	1.98%
S&P 500	2,107.39	17.8x	2.04%
DJIA	18,010.68	14.7x	2.22%
Dow Jones Utilities	586.98	NA	3.43%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.87%

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