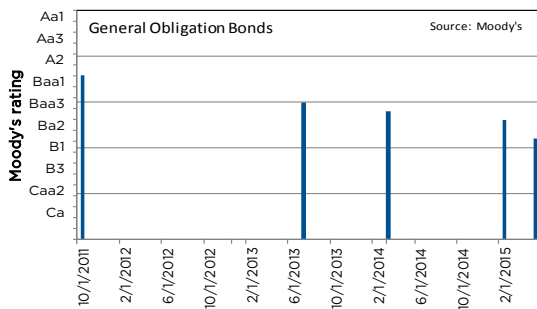


ECONOMIC REVIEW MAY 2015

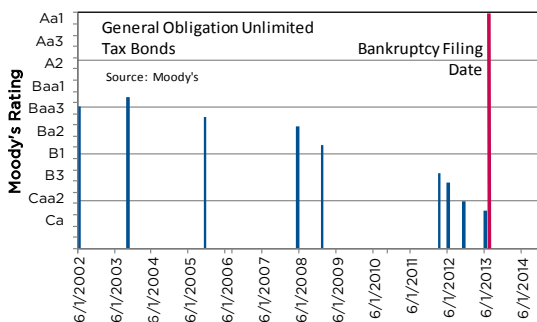
As U.S. GDP growth slipped into negative territory, Asia and Europe worked to keep their economies from following suit. China cut its lending and deposit rates by 25 bps amidst domestic weakness and slowing exports to Europe. The European Central Bank will speed up bond purchases in the coming weeks as the bank tries to sidestep an annual summer slowdown in bond trading, when diminished selling volume would drive bond prices higher. The U.S. dollar strengthened in May against most major currencies. Oil prices steadied, though gasoline prices continued to rise. Greek debt repayment and OPEC's ability to maintain oil production amidst increasing terrorist threats represent the biggest uncertainties. State and municipal pension funding shortages are arguably the most pressing fiscal issues at home. Twenty months after Detroit filed for bankruptcy, Moody's lowered Chicago's credit rating to junk status. A final ruling by the Illinois Supreme Court affirmed the right of public workers to collect the pension benefits promised on day one of their employment, and no less. Years of pension holidays by the city and state, borrowing to fund pension payments, low worker contributions, poor investment returns and a low interest rate environment have brought the underfunding to a critical level. Because of the downgrade, Chicago faces early repayment covenants on rate swaps, which puts further pressure on the city to conjure funds for years of mandated catch-up pension contributions. In addition, the public school teachers' contract expires this year and the city appears to be in for a long battle between taxpayers and public workers.

Chicago GO Bond Ratings



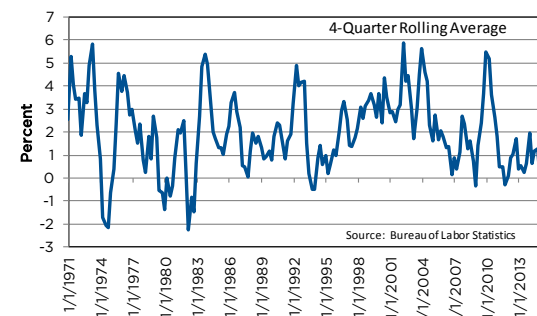
First quarter U.S. GDP was lowered to -0.7%, following sharp revisions to exports, imports and inventories. Attributing the greater-than-expected drop to a stronger dollar, cold weather and the west coast ports shutdown, forecasters expect the latter two items to wane over the second quarter. Retailers and manufacturers especially were injured as goods sat on cargo ships and docks awaiting unloading and loading while the longshoremen's union and port operators dragged out negotiations. Port strikes in 2002, 2012 and 2015 tremendously harmed the economy and have placed vast power to control commerce in a concentrated segment of trade. Clothing retailers saw seasonal items languish in the ports and only recently began receiving items meant to sell in late winter, while electronics retailers ran low on inventory and delayed or lost transactions.

Detroit GOULT Bond Ratings



GDP slowed as productivity gains stagnated at low levels. Following a short-lived bounce after the last recession ended, quarterly productivity gains have exceeded 2% only five of the last 21 quarters, with an average quarterly gain of 0.7%. There are several reasons why output per worker is lagging historical averages: older, more skilled workers are leaving the workforce faster than they are being replaced; manufacturing and value-added occupations are giving way to service industry jobs; companies are spending less on capital than expected and regulations have raised costs. Companies increasingly are returning earnings to shareholders more than increasing research and development or buying capital. Factset reported that S&P 500 companies spent nearly \$565 billion on share buybacks in 2014, which was an 18% gain over 2013. The figure represents 3.2% of GDP. Because much middle-class wealth, excluding residences, is held in retirement accounts, the gain in equities from buybacks does not spread to the general economy. Together with slow wage growth, increasing taxes and rising education costs, the economy is unlikely to grow strongly until businesses have incentives to invest in long-term growth.

U.S. Productivity Lackluster



California's drought worsened as Governor Brown pleaded with farmers to voluntarily cut water consumption. The state has little leverage to curtail agricultural water usage, even as reservoirs shrink and groundwater extraction caused the ground to sink several feet in many areas. Meanwhile, Texas and Oklahoma saw some of the worst flooding in decades. Both extremes affect areas that produce large amounts of the nation's food. Along with the bird flu affecting chickens in the midwest, food prices are heading higher in the near-term.

Market Returns

	As of May 31, 2015		
	May	3 Months	YTD
S&P 500	1.3%	0.6%	3.2%
Russell 1000 Value	1.2%	0.8%	1.4%
Russell 1000 Growth	1.4%	0.8%	5.8%
Russell 2000	2.3%	1.4%	4.0%
MSCI EAFE	-0.5%	2.0%	8.6%
Emerging Markets	-4.0%	1.9%	5.7%
Barclays Agg	-0.2%	-0.1%	1.0%
3-Month T-Bills	0.0%	0.0%	0.0%

Section 215 of the Patriot Act lapsed as Congress could not pass legislation authorizing its continuation. Section 215 is the controversial provision that allowed the NSA to collect bulk phone and business records without the need for warrants. The provision likely will be reinstated, though wider citizen protections may be incorporated to reflect privacy concerns.

Time Warner Cable quickly garnered another suitor after a failed takeover bid by Comcast. Charter Communications tendered an offer to buy Time Warner and Brighthouse and, if successful, would become the second largest TV and broadband provider.