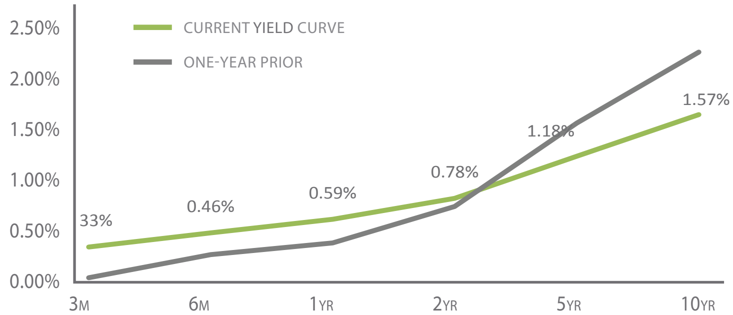
PMA™
PRUDENT MAN ADVISORS

PRUDENT MAN ADVISORS MARKET UPDATE

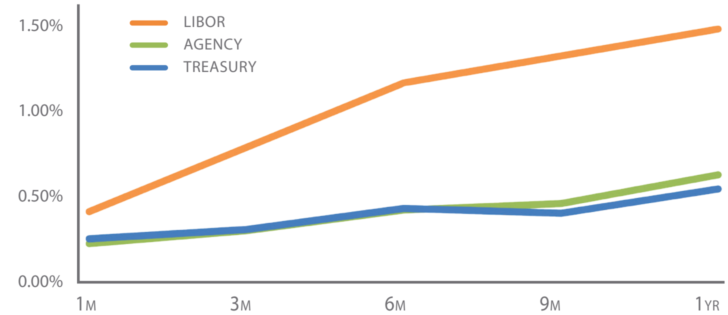
SEPTEMBER 2016

Historical Yield Curve



Source: Bloomberg Finance L.P. 9/1/16

Indicative Rates



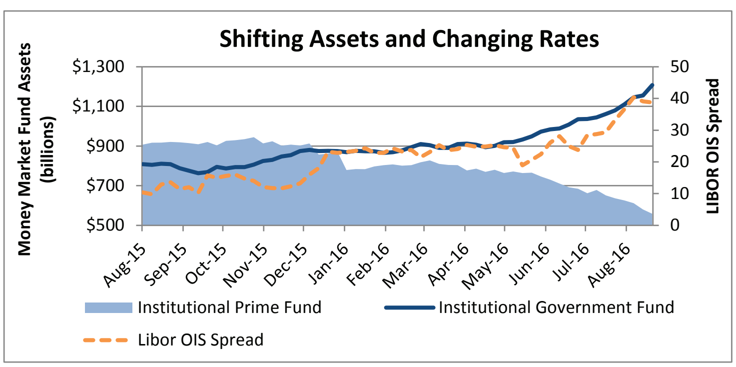
Source: Bloomberg Finance L.P. 9/1/16
Rates do not reflect transaction fees.

FEATURED ECONOMIC INDICATOR

Higher LIBOR Rates Benefit Investors

The London Interbank Offered Rate (LIBOR), which measures the cost of short-term interbank borrowing, has been rising. While that measure spiked during the financial crisis due to credit concerns, the recent rise in LIBOR rates appear very different. Changes in SEC Rule 2a7 have caused investment fund balance movement from prime to government money-market mutual funds. This has caused money funds to reduce their holdings of bank debt, therein pressuring LIBOR rates higher. As bank credit risk has declined and capital buffers have increased, fundamental credit quality remains very sound. Investors that have certificates of deposit or obligations tied to the LIBOR rates have benefitted materially from this move to higher levels.

Source: Bloomberg, Wall Street Journal



Source: Bloomberg

RECENT NEWS

Fed Makes Case in Jackson Hole

Fed Chair Janet Yellen spoke at a Federal Reserve symposium in Jackson Hole on August 26. During her speech, which was largely focused on tools available to the Fed in a future economic downturn, she also made a case for an increase in the federal funds rate in the weeks or months ahead. She cited "solid" consumer spending and a job market rebound after a spring slowdown. The futures market currently places a 58% probability for a raise in rates by December. We believe the Fed is likely to increase monetary policy once more in 2016.

Source: www.federalreserve.gov, Bloomberg, Prudent Man Advisors, Inc.

U.S. Economic Indicators

Event	Event Date		Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	08/16/16	JUL	0.9%	0.8%	1.0%
Core CPI (YoY)	08/16/16	JUL	2.3%	2.2%	2.3%
New Home Sales	08/23/16	JUL	580K	654K	582K (R)
Existing Home Sales	08/24/16	JUL	5.51m	5.39m	5.57m
Durable Goods Orders Ex. Transportation (MoM)	08/25/16	JUL	0.4%	1.5%	-0.3% (R)
Consumer Confidence	08/30/16	AUG	97.0	101.1	96.7 (R)
ISM Manufacturing	09/01/16	AUG	52.0	49.4	52.6
Change in Nonfarm Payrolls	09/02/16		180K	--	255K
Unemployment Rate	09/02/16	AUG	4.8%	--	4.9%

Source: Bloomberg Finance L.P. 9/1/16

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