Premise Capital 3rd Quarter Investment Commentary

Premise Investors,

	Q3 2016 Return	Q3 2016 Std Dev	1/1/16 - 9/30/16 Return	1/1/16 - 9/30/16 Std Dev
Barclays US Agg Bond TR USD	0.46	3.67	5.80	3.65
Barclays US Treasury US TIPS TR USD	0.96	5.49	7.27	5.38
Barclays US Treasury 20+ Yr TR USD	-0.30	14.87	15.47	15.09
Barclays US Corporate High Yield TR USD	5.55	3.46	15.11	6.81
S&P 500 TR USD	3.85	11.82	7.84	17.22
S&P MidCap 400 TR	4.14	14.81	12.40	20.32
MSCI EAFE NR USD	6.43	14.03	1.73	22.91
MSCI EM NR USD	9.03	16.63	16.02	21.87
FTSE NAREIT All Equity REITs TR	-1.21	17.90	12.31	19.78

The third quarter ended with us increasing the exposure to Developed International as we saw the recent strength in the class over the last quarter. Developed International became the last of the equity asset classes to be considered in an upward trend per our model. As the return table indicates, the Developed International index was up 6.43% for the quarter and was only topped by the strong Emerging Markets return of 9.03% which was already positioned in the portfolios. While the models' low equity exposure at the beginning of the year has caused us to still underperform a 'buy and hold' basket year to date, we have essentially been aligned with each model's respective strategic target equity position since the first quarter.

This reflects our philosophy that a diversified, global portfolio at a customer's risk tolerance is the baseline for allocation decisions, and that it is only in periods where we feel that there is a possibility of a prolonged period of negative returns that we make risk-off adjustments. Since the inception of our models in 2012, we have only moved down and along the efficient frontier to a risk-off equity allocation during the extreme volatility in the latter half of 2015, and the beginning of 2016.

The late September adjustment to the model had additional effects on the portfolios, which vary in scope depending on the risk tolerance. Per the framework of our methodology, we run a mean-variance optimization in order to achieve the optimal balance of risk and return in a diversified portfolio of equity and fixed income. As a result of the recent rebalance, the higher correlation of Developed International to Emerging Markets caused an increase in the latter as well.

Another result of the strength in Developed International was the increase in the overall equity exposure in relation to fixed income. This was the first time in quite a while that our trend indicators were positive for all equity classes. As you know, when all classes are considered to be in an upward trend, our portfolios move to the most aggressive level allowed in the model description. Incidentally, this is the only time that our allocations line up to their respective target benchmarks.

Along with the increase in Developed International and subsequent increase in Emerging Markets, there were additional changes from various classes across the frontier. Most of the corresponding reductions were in Intermediate Fixed Income, as we adjusted the equity to fixed income ratio, and there were slight reductions in Real Estate and Small/Midcap as well.

Looking forward to the end of the year, we are seeing weakness in Real Estate, as the return table above suggests, and the likelihood of increased volatility. Given the election cycle, the Fed and interest rate moves, high valuations, and other market headwinds, there are reasons for concern. After a 30 year bull market in fixed income and a seven year bull market in stocks, we believe strategies that may be more sensitive to market declines are critical. As always, we will continue to monitor the asset classes for changes in trends and adjust the portfolios' allocations to reflect changing expectations. Thank you for your continued trust in Premise.

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