



Becker Capital Management, Inc.

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Everett School Employee Benefit Tr.

Investment Summary

December 31, 2015

EVERETT SCHOOL

JAN 29 2016

EMPLOYEE BENEFIT TRUST



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January 27, 2016

Everett School Employee Benefit Tr.
Darla Van Duren
PO Box 2098
Everett, Washington 98213

Dear Darla:

The US investment grade taxable bond market returned negative 0.7% in the fourth quarter of 2015. For the year, the return was a positive, but extremely modest, 0.3%. This was the fourth worst annual return for the index in 40 years. The intermediate market, consisting of bonds maturing in 1 to 10 years, performed better on the year with a 1.1% return.

Despite the headlines emanating from the high yield market, investment grade corporate bonds outperformed the government sector. And, in general, shorter maturing bonds performed better than bonds with longer maturities.

Municipal bonds were a brighter sector. The broad municipal market was up 1.7% in the quarter and up 3.6% on the year. The intermediate portion of the market was up 0.85% in the quarter and 2.34% on the year.

Your portfolio experienced a slight loss of 0.21% in the fourth quarter, not too different than the loss of 0.17% tallied in your short term benchmark. Your new longer term benchmark, the BAML 0 to 5 Year Treasury Index, lost 0.53%. A significant amount of cash accumulated in the account in December. We had earmarked these funds for CD purchases and the issuance of this product was low at year end. We have subsequently made purchases but there is still work to be done.

The US economy has been resilient in the face of multiple overseas challenges. The Chinese economy appears to be slowing and they are experiencing financial stress and have been targeting a lower currency. France was the victim of another terrorist attack. Commodities, led by energy, continued to decline. The US dollar began strengthening again, causing some to worry about our future export competitiveness.

Despite these worries, the Federal Reserve determined that the US economy was strong enough to allow for a baby step towards rate normalization. The federal funds rate had been pegged at 0.00% to 0.25% since 2008. In December, the Fed raised the target to between 0.25% and 0.50%. Many call this a tightening of policy but, since the rate still remains extremely low by historical standards, we view it as a modest removal of some accommodation. After the hike, the funds rate should still be quite simulative.

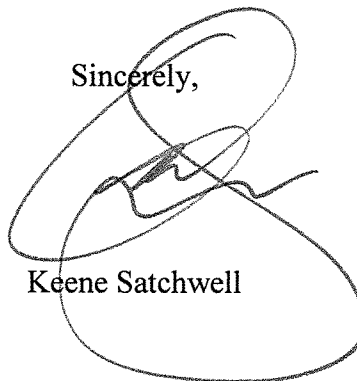
The Fed is also watching inflation. The overall, or headline, rate of inflation remains low, helped primarily by falling commodity prices. But the core rate of inflation is much higher, probably more than 2.0%. When commodity prices quit falling, the underlying inflation rate could be unmasked.

All this calls into question the path of Fed rate increases. The members of the Federal Open Market Committee forecast 4 increases of 0.25% by the end of 2016 bringing the funds rate to 1.255 to 1.50%. The financial markets have built in just 2 increases of 0.25%. If the Fed forecast is correct, the fixed income markets will be unpleasantly surprised.

We believe that 2016 may prove to be another tough year. The yield on the intermediate taxable market is a scant 2.05%; the intermediate municipal market's yield is 1.50%. Price appreciation, the only way to provide significantly better returns than the yield, would require yields to fall from already low levels. It is an old saw for us, but risk appears to outweigh reward. We continue to conservatively manage your fixed income assets.

If you have any questions or comments, please do not hesitate to contact any of us at Becker Capital.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Keene Satchwell', is written over the printed name. The signature is stylized with large, sweeping loops and a long horizontal stroke extending to the right.

Keene Satchwell

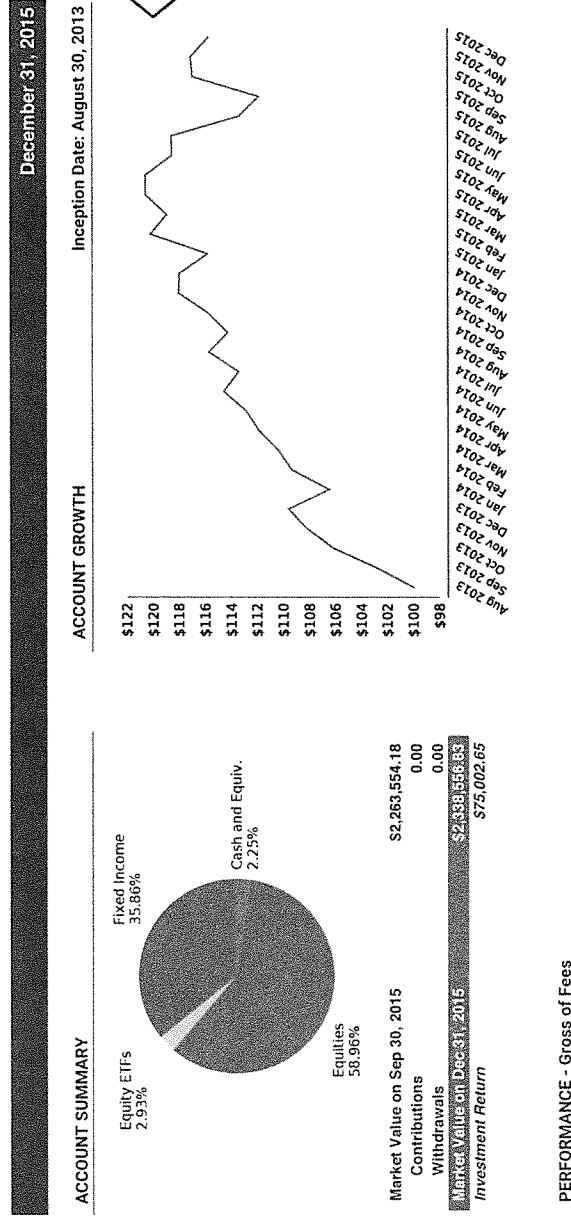


BECKER CAPITAL MANAGEMENT

At Becker Capital, the operations team has been hard at work refreshing our reports. Enclosed you will find your quarterly statements in a new enhanced format. This new format will contain much of the same information as previous reports. However, we have added a table of contents along with new pages containing color pie charts and graphs.

Please do not hesitate to call us if you have questions about these reports

Sample of our Account Performance Report



Account Summary

Shows total market value for the beginning of the quarter, contributions and withdrawals for the quarter, the current total market value and the investment return in dollars

Performance

Shows your account total return followed by asset class returns grouped with its corresponding index

Results are presented after the deduction of commissions but before the deduction of investment advisory fees. This past record is not meant to imply future results. Periods over 1 year annualized.



Becker Capital Management

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