

## 2016 SUMMARY REPORT FOR THE CHARITABLE TRUST PROGRAM

### Performance *for the year ended December 31, 2016*

TRUST PORTFOLIO	Typical Trust <sup>1,2</sup>	Blended Benchmark <sup>1,3</sup>	65/35 Benchmark <sup>1,4</sup>
85/15 Trust Composite	10.3%	10.5%	8.7%

- 1 Trust performance is net of investment management and trust administration fees. Benchmark returns are gross of fees*
- 2 Typical trust represents 85% equities/15% fixed income asset allocation*
- 3 Blended benchmark represents a weighted average of individual benchmark returns. Since January 2014, the benchmark has been 30.8% Wilshire 5000 / 26.0% MSCI Emerging World Excluding US / 13.2% MSCI Emerging Markets / 5.0% Morgan Stanley REIT / 10.0% MSCI ACWI Commodity Producers / 15.0% Barclays Aggregate Bond Index*
- 4 65/35 Benchmark represents what an investor would earn from a less diversified, more traditional portfolio invested in the US equity and fixed income market indices, rebalanced annually. 65% S&P 500 and 35% Barclays Aggregate Bond*

### Performance Narrative

Equity markets had a volatile ride in 2016. After a rocky start to the year (with markets falling double digits within the first two months), markets rebounded as concerns over China's slowing economy eased and oil prices began to recover. Stocks also quickly bounced back after a sharp decline in June, following the United Kingdom's referendum to leave the European Union. The year ended with the U.S. equity markets rising to new highs. While U.S. stocks posted strong gains during the year, fixed income investments were hurt by rising interest rates in the latter half of the year. Particularly notable were commodity-related categories which posted double-digit positive returns on rising oil prices as metals and mining equities rallied.

The typical Princeton trust generated strong returns for calendar year ending December 31, 2016, gaining 10.3% (net of both investment management and administrative fees). The blended benchmark returned a similar gain of 10.5% (gross of fees) for the same period. Both the portfolio and blended benchmark outperformed the 8.7% gain of the 65/35 U.S. focused benchmark, highlighting that diversification was rewarded this year. Indeed, the portfolio was led by significant gains within Emerging Markets (up 16.4%) and Resource stocks (up 44.0%), aided by strong stock selection by our equity manager in both categories. Fixed income realized modest gains and slightly underperformed its benchmark during the year. Our fixed income manager continues to position the portfolio conservatively, positioning that we believe is prudent given the risk of loss if interest rates rise. While the positioning led to lower income during the year, it aided results during the latter half of the year as interest rates rose.

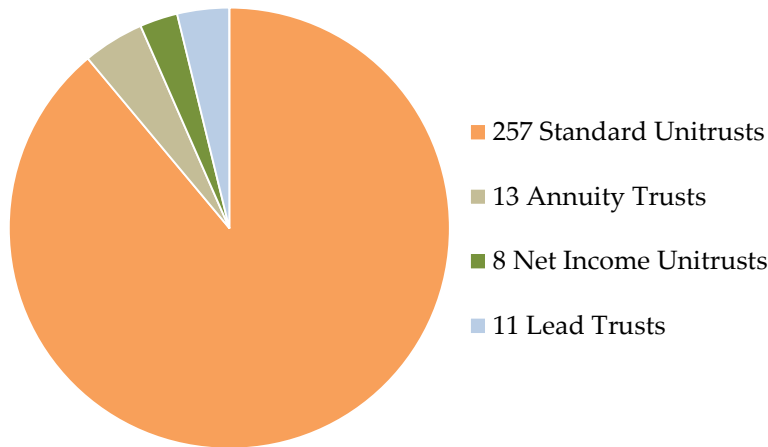
### Investment Approach

A committee led by the Vice President for Finance and Treasury with representation from the offices of Asset Administration, Development, PRINCO, and General Counsel provides fiduciary oversight and hires expert investment managers for the program. Investment management services are provided by Grantham, Mayo, Van Otterloo & Co (GMO) for the equity portion and by John W. Bristol & Co., Inc. (Bristol) for the fixed-income portion. The committee meets regularly to review the planned giving program in its support of charitable purposes including the review of general administration, long-term asset allocations, investment managers, and performance.

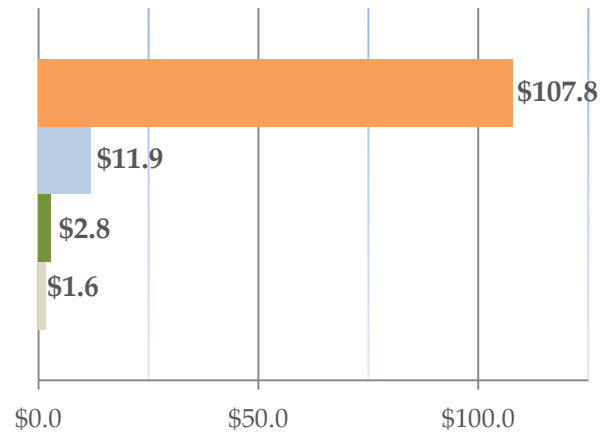
The approach of our equity investment manager is to seek value for the long-term by employing both quantitative tools and fundamental research across an array of countries, sectors, and stocks. We believe this high level of diversification is the best course to preserve and create value over a variety of market conditions. For example, real assets provide a hedge against unexpected inflation to maintain purchasing power. International equities broaden our opportunity set.

Program Profile

Charitable Trust Accounts



Charitable Trust Assets (in millions)

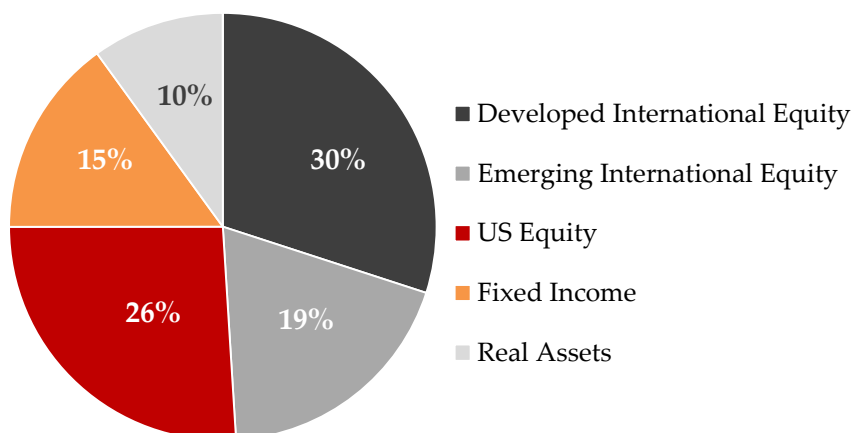


Asset Allocation

Asset allocation involves deciding what share of the portfolio should be placed in the various broad asset categories. The table at right illustrates the charitable trust portfolio’s asset allocation targets under normal market conditions and ranges within which exposure can be adjusted in response to mid-term market opportunities. On rare occasions, exposures may move outside of these ranges based upon market movements, highly unusual opportunities, and/or risks. The asset allocation targets and ranges are regularly reviewed and subject to change.

ASSET ALLOCATION TARGETS			
Asset Class	Long-term Allocation Targets	Minimum Typical Weight	Maximum Typical Weight
Equities			
US Equity	31%	19%	45%
Developed International Equity	26%	19%	35%
Emerging International Equity	13%	8%	19%
Real Assets	15%	5%	25%
Fixed Income	15%		

Actual Trust Allocation



The standard asset allocation for the trust program is a *growth* strategy with 85% allocated to equities and 15% allocated to fixed income—a strategy that we believe best balances the interests of current income beneficiaries and charitable remainder beneficiaries of the trusts. The trusts are invested for total return and this mix provides the opportunity for principal growth which, with respect to unitrusts, also allows the income to grow with trust appreciation. Within the equity portion of the portfolio, the asset allocation reflects our belief in the benefits of diversification. International equities and real assets, such as public real estate and natural resource securities, bolster this diversification to help control risk in most environments.