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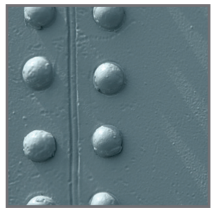
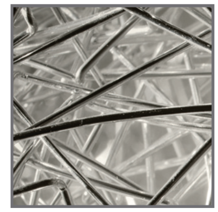
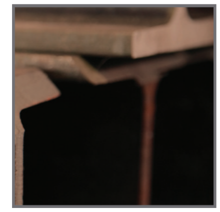
INVESTMENT MANAGEMENT



June 24, 2016

Market Update: Impact of BREXIT Vote Results

Global markets and currencies experienced significant volatility throughout last night and into today as a result of British citizens voting in favor of the UK leaving the European Union (EU), an action that media outlets and investors have termed "BREXIT." While much has already been written regarding the overall potential consequences of this decision and impact to global markets, we wanted to ensure that our clients, and the consultants we work with, received the following review of our positioning within the McMorgan Managed Account Platform and the McMorgan Infrastructure Fund.

The Brexit Decision to Leave the EU

The citizens of the United Kingdom (UK) on June 23, 2016 voted to leave the European Union (an event known as "Brexit"), which has sent shock waves through global capital markets. Immediately following the announcement, global equity markets sold off sharply with US markets down well over 3% for the day. Simultaneously, safe haven investments, such as US Treasuries, have rallied. While the steep sell-off was not a surprise given the outcome of the referendum, we were encouraged by the lack of indiscriminate panic selling that many had predicted.

While markets have reacted swiftly to last night's referendum vote, it is important to remember that the long-term impact of these events are uncertain and will take time to develop. The UK must now work through negotiations of exit terms with 27 other European Union member states, a lengthy process that many expect to last for two years, if not longer.

Impact to Capital Markets

With the UK's "exit" vote catching many by surprise and still being fresh in the minds of investors, we in turn expect heightened volatility over the short term. However, over the long term, we believe cooler heads will prevail and that the ultimate result of the "exit" decision will have a minimal impact on global capital markets. Given this unprecedented event, we will continue to carefully monitor the situation as it unfolds. In the days ahead, we anticipate the following:

- Heightened volatility in equity markets that will soon subside
- A fall in interest rates as investors shift to safe-haven US Treasury and similar low-risk securities
- A general strengthening of the US Dollar as a safe-haven currency
- The Federal Reserve to refrain from raising short-term interest rates with a move now not likely until late 2016, if not later
- Other Central Banks maintaining or increasing their respective loose monetary policy programs
- Global reserve banks providing capital market liquidity backstops, as necessary

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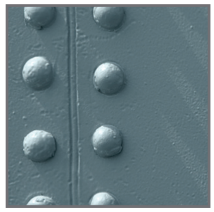

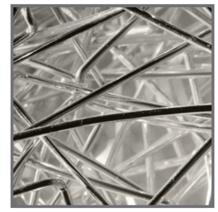
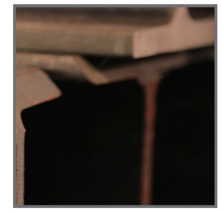

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Impact to MAP Portfolios

While we expect modest performance headwinds for our Managed Account Program (MAP) portfolios over the near term, we believe that we are well positioned and do not anticipate making any portfolio allocation changes at this time. The current positioning has a number of favorable attributes that should prove advantageous in the near term:

- A hedge on all non-US dollar exposure, specifically with respect to our modest overweight to global equities, will likely have a positive impact on relative performance should the US dollar continue to rise in value
- A meaningful reduction in fixed income portfolio exposure to credit made earlier this month. This decision should prove beneficial given the anticipated increase in volatility
- A meaningful allocation to Liquid Alternative Investments, an asset class that we believe will provide important diversification benefits and act as a buffer against heightened volatility

Impact on McMorgan Infrastructure Fund

Global economic implications of the UK's vote to leave the European Union are likely to prove less significant than many have predicted. Adverse economic effects felt by the UK on a national scale should be minimal for the following reasons:

- The Bank of England is likely to continue holding interest rates low and, if necessary, may announce further policy easing. The European Central Bank will also have to consider extending its asset purchasing program, as well as potentially increasing its size
- Consumer confidence should remain strong given that 52% of the electorate voted to leave the EU
- While a sustained drop in the value of the British Pound would lead to higher import prices, inflation is expected to remain low given past standards and a more competitive currency would boost exports

At the Fund level, we are fully hedged against currency risk. Drastic movements in the British Pound and Swedish Krona resulting from the British vote have not affected performance as losses on portfolio assets due to currency movement are offset by gains on the portfolio's currency hedges.

With regard to the Fund's UK-based investment, Associated British Ports, it is too early to judge the long-term impact of Brexit. The business remains the UK's leading ports operator with a network of 21 ports, leaving it solidly positioned to benefit from increased exports driven by a more competitive currency, helping to offset import reductions. As previously stated, we remain fully hedged against currency depreciations in the Pound, mitigating near-term volatility, and will continue to monitor this investment along with the rest of the Fund's portfolio holdings closely.

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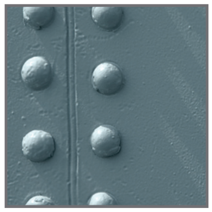

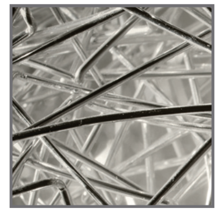
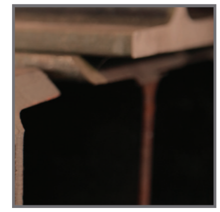

Disclosures