TELF

The Education Liquidity Fund

The Education Liquidity Fund Letter

October 2016

For institutional investors only. Not to be used for retail investors.

Events

October 27-28
Iowa Association of School Business Officers Fall School

Partners & Sponsors

Iowa Association of School Business Officials

IACCT

Holidays

Closed to transactions and participant inquiries.

Monday, October 10
Columbus Day

Friday, November 11
Veterans Day

Thursday, November 24
Thanksgiving Day

Monday, December 26
Crhstmas Day Observation

Professionals

Dan Zomermaand
Public Fund Services,
Market Consultant

Anita Tracy
Senior Fund Services
Administrator

Doug Earney, CFA
Director, Fixed Income
TELF Portfolio Manager

Amy Mitchell
Director, Public Fund Services

Gwen Gosselink
Chief Compliance Officer

Economy Improves as Volatility Drops

After a second quarter that saw the "Brexit" vote and subsequent volatility, the markets moderated for most of the third quarter. During the quarter, volatility fell to the lowest level of the year, rates rose across the maturity curve, and equity markets repeatedly tested all-time highs.

The Fed met twice during the quarter, voting to hold rates steady at each of the two meetings. The Summary of Economic Projections released with the September Fed minutes revealed that expectations for intermediate term GDP growth, unemployment and inflation remained steady quarter-over-quarter but the anticipated pace of interest rate increases slowed. The newest "dot plot", which depicts the Fed's expectations of future Fed Funds rates, now suggests only one rate increase still expected in 2016, and a more gradual pace of future increases.

Within the U.S., the consumer continues to lead the recovery as the labor market, housing growth, and equity markets all improved, which resulted in the highest consumer confidence reading since 2007. Job growth continues to remain robust, leading to an increased labor force participation rate and the lowest level of unemployment claims in the previous decade. Growth in new homes sales carried into the third quarter and were 22 percent higher than the third quarter of 2015, and national home prices were up by 5.1 percent. Expectations are for the trend to continue based on solid income levels, low interest rates, and continued job market strength. This is critical to sustained GDP growth as household spending accounts for more than two-thirds of economic growth here in the U.S.

Consistent with the trends that have been observed in recent years, the U.S. GDP growth rate improved in the second quarter following the annual slowness experienced during the 1st quarter. Second quarter 2016 grew at 1.4 percent, and the Atlanta Fed's GDPNow forecasted a third quarter growth rate of 2.4 percent. Consistent with this data and our longer-term view, we continue to believe we'll see a fairly stable GDP growth of 2 to 2.5 percent in the coming quarters. While not robust, U.S. growth has outpaced many of the developed markets.

Even though the waters seem to be relatively calm we are still watching for the proverbial iceberg ahead. A few events we are watching closely that could create more volatility include corporate earnings to confirm if they've turned the corner on growth, and of course the upcoming presidential election. While any of these or other events could create uncertainty and short term volatility, we believe the economic fundamentals continue to remain solid and expect the Fed to respond with a gradual and steady increase in rates going forward.

Scott McEachron, CFA
Senior Portfolio Manager, Fixed Income
(515) 224-2719 | smceachron@miles-capital.com

IPASonline Redesign Announcement

We are pleased to announce the launch of the newly redesigned IPASonline website coming in November. We have enhanced the underlying infrastructure of the site but strived to keep our participants firmly in mind and make your user experience a seamless transition. While the look will change, your functionality, navigation, and reporting will largely remain the same. Please contact us with any questions.

Dan Zomermaand
Public Fund Services,
Market Consultant

Dan Zomermaand
Public Fund Services, Market Consultant
(515) 224-2723 | dzomermaand@miles-capital.com

Market commentary presented herein reflects our opinion as of the date of this material, is subject to change without notice, and is provided for information purposes only.