

# Quarterly Investment Report

## For the Quarter Ending June 30, 2009

The purpose of this report is to help you evaluate the recent performance of General Board investment funds. It also compares the investment performance for each of the funds to the performance of similar mutual funds monitored by Lipper, a leading provider of investment data and analysis of mutual funds. Returns reported for all General Board Funds are net of all investment management and fund administration fees and expenses.

### Performance for the Quarter and Year Ending June 30, 2009

The world equity market rally that began in early March continued for most of the second quarter, helping investment returns finish the first half of 2009 in positive territory. The U.S. stock market as represented by the S&P 500 and the Russell 3000 equity indices advanced 15.9% and 16.8%, respectively, in the quarter. Year-to-date, the two indices are up 3.2% and 4.2%, respectively. International stocks remained well ahead of U.S. stocks. The MSCI All Country World ex-US index advanced 27.6% for the quarter and 13.9% year-to-date. Interestingly enough, stocks from developing countries represented by the MSCI Emerging Market index recorded their largest quarterly gain ever of 34.7% and posted even more impressive performance year-to-date with a gain of 36%.

Mohamed El-Erian, co-chief investment officer at Pimco, coined the phrase “new normal” during the second quarter to describe a world characterized by heightened government regulation, slower growth and rising unemployment. Two prominent examples of the government’s increasing involvement in the economy, both of which occurred in the quarter, were the comprehensive financing plans proposed for car manufacturers Chrysler and General Motors. In both cases, the government directed the companies through a bankruptcy-filing process, restructured the ownership and selected new management and board members.

Similar to last quarter, the U.S. economy remained in a severe recession during the second quarter, although there were signs that the downturn may be slowing. Specifically, Gross Domestic Product (GDP) contracted at a decelerating rate of -5.5% during the first quarter, compared with -6.3% in the fourth quarter of 2008. The economic slowdown kept constant pressure on U.S. employment, with about 6.5 million jobs lost since the recession began in December 2007. The unemployment rate rose from 8.9% in April to 9.5% at quarter-end, marking the highest level for this critical indicator since 1983. Many economists predict that the unemployment rate could reach—or even surpass—10% by year-end.

During the quarter, the Federal Reserve (Fed) maintained low short-term interest rates and continued to buy U.S. Treasury and mortgage bonds in an effort to keep long-term rates from rising and jeopardizing a recovery. Despite the Fed’s bond purchases, the yield on the benchmark 10-year U.S. Treasury note rose from 2.7% at the end of the first quarter to 4% in early June before settling back to 3.5% by quarter’s end. The U.S. dollar weakened against major currencies: Japanese yen (down: 2.3%), euro (down: 5.3%) and British pound sterling (down: 13%), implying a future increase in the price of imported goods and services. Commodity markets saw significant increases in the prices of key components. Oil prices rose rapidly throughout the quarter, from \$50 per barrel on March 31 to \$70 per barrel at the end of June—a rise of 40%, but significantly below its all-time record high of \$145.29 per barrel on July 3, 2008. The Dow Jones UBS Commodity index, a broad measure of commodity prices, finished up at 11.7% for the quarter and 4.6% year-to-date. In fact, as

the third quarter opened, commodity prices were starting to reverse direction due to concerns over the strength of the economic recovery. At this point in the business cycle, the Fed's view seems to be that deflation is more of a threat than inflation.

In the U.S., households demonstrated a tendency to consume less and save more during the quarter, as the savings rate reached 6.9%, its highest level in 15 years. The primary drivers behind the increase in savings among households were a noticeable surge in payments from government benefit programs, such as Social Security, and tax credits related to the Obama stimulus plan.

The U.S. housing market remains extremely sluggish. According to Freddie Mac, the bellwether 30-year fixed-rate mortgage climbed from its low of 4.8% at the beginning of April to finish the quarter at 5.4%, clearly impeding a previously positive trend in refinancing activity. The rate of decline in home prices appears to have flattened, with the Case-Shiller Home Price Index for April down 18.1% from one year ago, but on the same level with declines witnessed in the first quarter. On average, home prices are down about 33% from their peak in July 2006.

For the second quarter of 2009, the low-risk Stable Value Fund credited participants with interest of 0.9%. In addition, the highest-performing daily priced fund for the quarter was the International Stock Fund, which returned 29.8%, driven by strong performance in stocks of developing countries. Four of seven funds outperformed their respective benchmarks, while three modestly underperformed. The Inflation Protection Fund outperformed its respective benchmark by the widest margin—3.5%.

## Fund and Benchmark Performance for Periods Ended June 30, 2009, Net of Fees

<u>General Board Funds</u>	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>Inception</u>
Multiple Asset <sup>1</sup>	13.6%	7.7%	-16.4%	-10.2%	-1.8%	3.0%	N/A	4.3%
Custom Benchmark <sup>2</sup>	14.1%	6.5%	-18.0%	-11.4%	-2.9%	1.8%	N/A	3.3%
Domestic Bond	6.4%	6.5%	3.9%	5.5%	6.4%	5.0%	5.8%	5.7%
Barclays Capital U.S. Universal (blend) <sup>3</sup>	4.1%	3.5%	2.5%	4.0%	4.8%	4.1%	5.4%	5.4%
Inflation Protection Fund <sup>4</sup>	4.1%	6.0%	-7.8%	3.2%	3.4%	3.7%	N/A	3.7%
BCGI Inflt-n-Lnkd Indx	0.6%	5.3%	-1.2%	6.7%	5.8%	4.9%	N/A	4.9%
Stable Value Fund <sup>5</sup>	0.9%	1.8%	3.9%	4.2%	4.3%	4.1%	N/A	3.9%
Ryan Labs GIC Index	1.2%	2.3%	4.8%	4.8%	4.6%	4.0%	N/A	3.7%
Balanced Social Values Plus	10.2%	4.9%	-10.4%	-7.6%	-1.4%	0.5%	0.3%	2.5%
Custom Benchmark <sup>6</sup>	9.9%	4.5%	-10.1%	-8.2%	-1.2%	1.9%	1.5%	3.6%
Domestic Stock	14.0%	3.8%	-24.7%	-18.3%	-7.1%	-1.1%	-1.1%	1.9%
Russell 3000 Index	16.8%	4.2%	-26.6%	-19.9%	-8.3%	-1.8%	-1.5%	1.6%
International Stock	29.8%	18.7%	-29.4%	-19.5%	-4.9%	4.0%	2.7%	5.3%
MSCI Blend <sup>7</sup>	28.6%	15.4%	-30.5%	-19.5%	-5.7%	3.8%	1.9%	3.6%

<sup>1</sup> Inception for the Multiple Asset Fund is 5/1/2002.

<sup>2</sup> On January 1, 2006, the benchmark for the Multiple Asset Fund became 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA Index, 25% Lehman U.S. Universal Index ex-Mortgage Backed Securities, and 10% U.S. Barclays Capital Global Inflation Linked Bond Index. Prior to this date, the benchmark had been 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets

Index, and 35% Lehman U.S. Universal Index. The benchmark data reported above are blends of the two benchmarks based on the period for which the respective benchmark applies.

<sup>3</sup> The benchmark for the Domestic Bond Fund became the Lehman Universal ex-MBS Index on January 1, 2006 and in September 2008 was renamed Barclays Capital Universal ex-MBS index. Prior to this date, the benchmark had been the Lehman Aggregate Bond Index from January 1, 2003 through December 31, 2005, and the Lehman Intermediate Aggregate Bond Index prior to January 1, 2003. The benchmark data reported above are blends of the three benchmarks based on the period for which each respective benchmark applies.

<sup>4</sup> Inception for the Inflation Protection Fund is 12/31/2003.

<sup>5</sup> Inception for the Stable Value Fund is 11/30/2002.

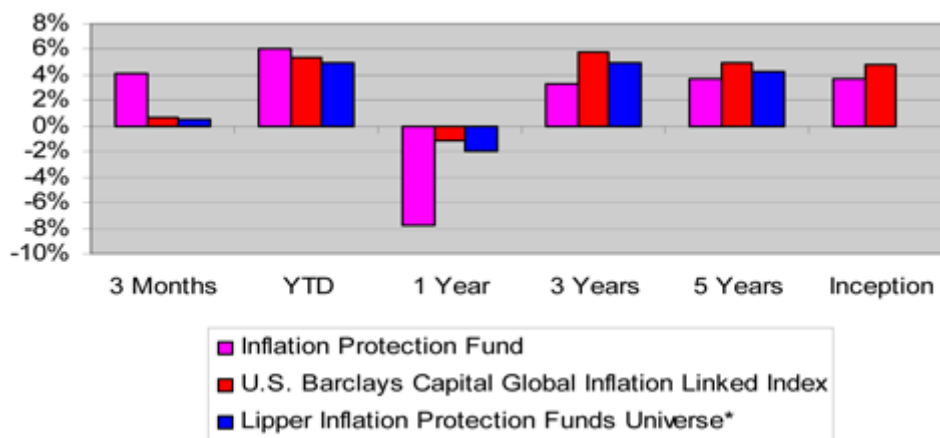
<sup>6</sup> From 12/31/1997 (the inception of the Balanced Social Values Plus Fund) to 09/30/2007, the benchmark for the Balanced Social Values Plus Fund was 60% Russell 3000 Index, 30% Lehman Aggregate Bond Index and 10% Merrill Lynch 3 month Treasury Bills Index. As of 10/01/07, the benchmark composition is 60% Domini 400 Social Index, 30% Lehman Mortgaged Backed Securities Index and 10% Merrill Lynch 90-day Treasury Bill Index.

<sup>7</sup> The benchmark for the International Stock Fund became the MSCI All Country World Index ex USA IMI (MSCI ACWI ex USA IMI) on January 1, 2008. From January 1, 2006 to December 31, 2007, the benchmark for the International Stock Fund had been the MSCI All Country World Index ex USA (MSCI ACWI ex USA). Prior to January 1, 2006, the benchmark had been the MSCI EAFE Index. The benchmark data reported above are blends of the three benchmarks based on the period for which each respective benchmark applies.

The charts below compare the performance of each of the General Board's funds (except for the Stable Value Fund, for which there are no comparable data) with similar funds reported in Lipper's universe of mutual fund returns. The row titled "Number of Funds" indicates how many mutual funds similar to the General Board's fund appear in Lipper's database. The row titled "Rank" indicates the percentile rank of the General Board's fund when compared to similar mutual funds. For example, a rank of 30% means that the General Board's fund performed in the top 30% of a universe of similar mutual funds.

## **Recent and Long-Term Returns: Inflation Protection Fund Compared with Lipper's Universe**

The Inflation Protection Fund generated gains of 4.1% for the quarter and 6.0% for the year and is meaningfully outperforming its benchmark, primarily due to the fund's diversification strategies, including inflation-linked bonds from developing countries and commodities.



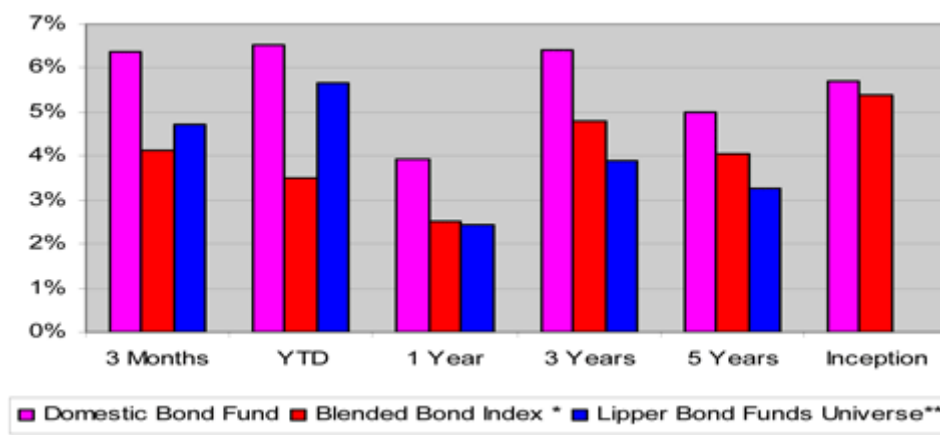
Compound Annual Returns for the Periods Ending June 30, 2009, Net of Fees	3 Months	YTD	1 Year	3 Years	5 Years	Inception
Inflation Protection Fund	4.1%	6.0%	-7.8%	3.4%	3.7%	3.7%
U.S. Barclays Capital Global Inflation Linked Index	0.6%	5.3%	-1.2%	5.8%	4.9%	4.9%
Lipper Inflation Protection Funds Universe*	0.5%	4.9%	-2.0%	5.0%	4.3%	
Number of Funds	136	135	134	112	63	
Rank	3%	20%	92%	87%	87%	

\* The comparison universe is derived from Wilshire's Lipper predefined "Objectives" of "TIPS Funds."

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## Recent and Long-Term Returns: Domestic Bond Fund Compared with Lipper's Universe

The Domestic Bond Fund generated a positive return of 6.4% for the quarter and 6.5% for the year. The fund exceeded its benchmark by 2.3% for the quarter. This positive outcome was a result of strong April and May performance. The fund benefited from its overweight exposure to credit-related sectors as investors in general sought additional risk in their fixed-income portfolios.



Compound Annual Returns for the Periods	3 Months	YTD	1 Year	3 Years	5 Years	Inception
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### Ending June 30, 2009, Net of Fees

Domestic Bond Fund	6.4%	6.5%	3.9%	6.4%	5.0%	5.7%
Blended Bond Index *	4.1%	3.5%	2.5%	4.8%	4.1%	5.4%
Lipper Bond Funds Universe **	4.7%	5.7%	2.4%	3.9%	3.3%	
Number of Funds	1,328	1,317	1,272	1,080	940	
Rank	32%	39%	35%	10%	9%	

\* On January 1, 2006, the benchmark for the Domestic Bond Fund became the Lehman Universal ex-MBS Index. From January 1, 2003 through December 31, 2005, the benchmark had been the Lehman Aggregate Bond Index, and for dates prior to January 1, 2003, the benchmark had been the Lehman Intermediate Aggregate Bond Index. The benchmark data reported above are blends of the three benchmarks based on the period for which each respective benchmark applies.

\*\* Five of Wilshire Compass's predefined universes were combined to assemble the Bond Funds Universe. These universes consisted of mutual funds found in the Lipper "Classification" of "A-Rated Corporate Debt," "BBB-Rated Corporate Debt," "Intermediate Investment-Grade Debt," "Short-Intermediate Investment-Grade Debt" and "Short Investment-Grade Debt."

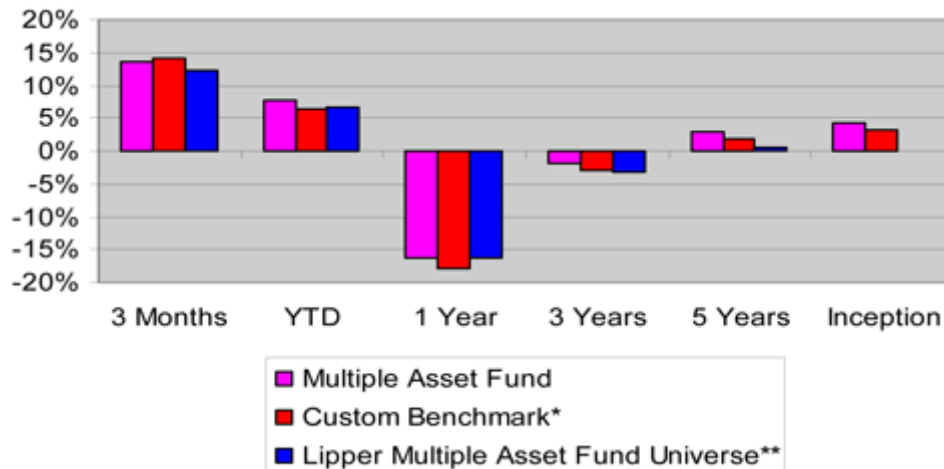
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## Recent and Long-Term Returns: Multiple Asset Fund Compared with Lipper's Universe

The Multiple Asset Fund represents a prespecified mix of four of the General Board funds with a target allocation of 45% Domestic Stock Fund, 20% International Stock Fund, 25% Domestic Bond Fund and 10% Inflation Protection Fund. The results of the Multiple Asset Fund are directly attributable to the performance of the four composite funds relative to their benchmarks for the quarter and year.

For the quarter ending June 30, 2009, the Multiple Asset Fund trailed its benchmark by a margin of 0.5% as a result of the below-benchmark performance of the Domestic Stock Fund, which was partially offset by the better-than-benchmark performance of the other three funds comprising the Multiple Asset Fund.

Fund inception for the Multiple Asset Fund is May 1, 2002.



<b>Compound Annual Returns for the Periods Ending June 30, 2009, Net of Fees</b>	<b>3 Months</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Inception</b>
Multiple Asset Fund	13.6%	7.7%	-16.4%	-1.8%	3.0%	4.3%
Custom Benchmark *	14.1%	6.5%	-18.0%	-2.9%	1.8%	3.3%
Lipper Multiple Asset Fund Universe**	12.4%	6.5%	-16.1%	-3.2%	0.6%	
Number of Funds	2,163	2,155	2,097	1,549	1,076	
Rank	38%	33%	51%	31%	8%	

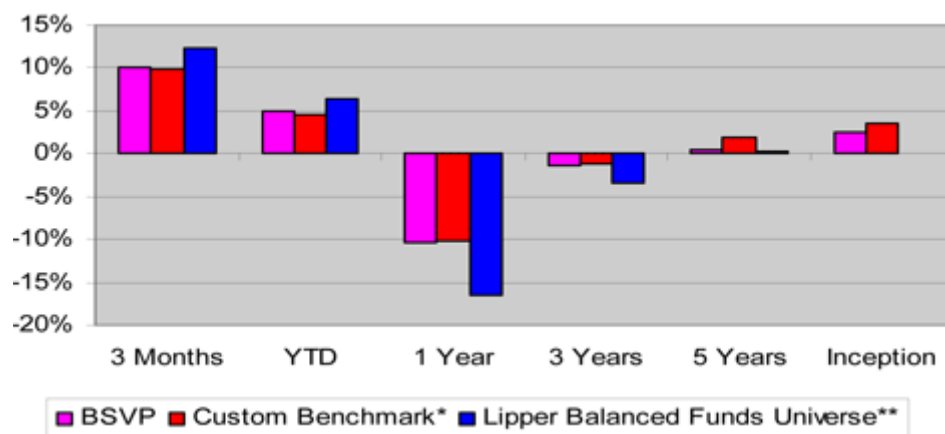
\* On January 1, 2006, the benchmark for the Multiple Asset Fund became 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA Index, 25% Lehman U.S. Universal Index ex-Mortgage Backed Securities, and 10% U.S. Barclays Capital Global Inflation Linked Bond Index. Prior to this date, the benchmark had been 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index, and 35% Lehman U.S. Universal Index. The benchmark data reported above are blends of the two benchmarks based on the period for which the respective benchmark applies.

\*\* The comparison universe is derived from the Wilshire Compass Lipper "Asset Class" of "Balanced" mutual funds.

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## Recent and Long-Term Returns: Balanced Social Values Fund Compared with Lipper's Universe

For the second quarter of 2009, the Balanced Social Values Plus Fund gained 10.2% and outperformed its benchmark by 0.3%. Despite strong benchmark-relative performance, these results place the fund in the bottom 20% of all balanced funds in its universe for the quarter. This performance is attributable to the fund's lack of any international investments and the fact that it holds bonds that fund affordable housing. The equity portion of the fund invests in the Domini 400 Index, which is a socially responsible investment index.



<b>Compound Annual Returns for the Periods Ending June 30, 2009, Net of Fees</b>	<b>3 Months</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Inception</b>
Balanced Social Values Plus Fund	10.2%	4.9%	-10.4%	-1.4%	0.5%	2.5%
Custom Benchmark*	9.9%	4.5%	-10.1%	-1.2%	1.9%	3.6%
Lipper Balanced Funds Universe **	12.3%	6.3%	-16.6%	-3.5%	0.4%	
Number of Funds	837	835	819	681	516	

Rank 83% 67% 7% 15% 46%

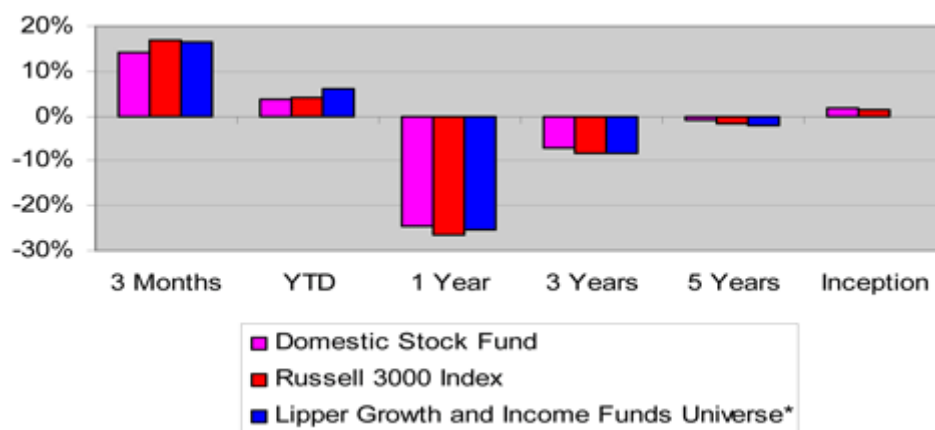
\* Prior to October 1, 2007, the benchmark for the Balanced Social Values Plus Fund was 60% Russell 3000 Index, 30% Lehman Aggregate Bond Index and 10% Merrill Lynch 3 month Treasury Bills Index. As of October 1, 2007, the benchmark composition is 60% Domini 400 Social Index, 30% Lehman Mortgaged Backed Securities Index and 10% Merrill Lynch 90-day Treasury Bill Index.

\*\* The comparison universe includes all Wilshire Compass mutual funds included in the predefined universe of Lipper "Objectives" for "Balanced" mutual funds.

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## Recent and Long-Term Returns: Domestic Stock Fund Compared with Lipper's Universe

For the quarter ending June 30, 2009, the Domestic Stock Fund lagged its benchmark due to the negative contribution to performance from private real estate and private equity investments. These returns impaired the otherwise strong performance of the fund's active public equity managers.



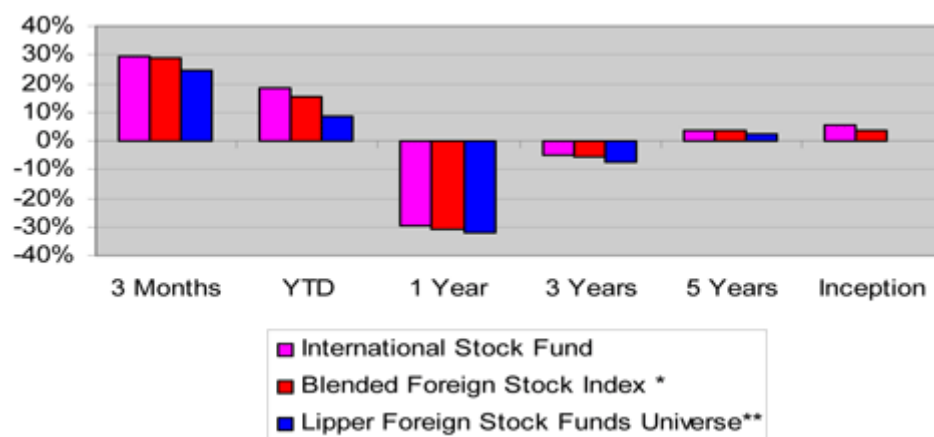
Compound Annual Returns for the Periods Ending June 30, 2009, Net of Fees						
	<u>3 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Inception</u>
Domestic Stock Fund	14.0%	3.8%	-24.7%	-7.1%	-1.1%	1.9%
Russell 3000 Index	16.8%	4.2%	-26.6%	-8.3%	-1.8%	1.6%
Lipper Growth and Income Funds Universe*	16.5%	5.9%	-25.5%	-8.4%	-2.0%	
Number of Funds	2,078	2,031	1,826	1,264	930	
Rank	78%	68%	44%	33%	32%	

\* The comparison universe incorporates funds from the following Wilshire Compass's Lipper "Objectives" of "Growth and Income" mutual funds.

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## Recent and Long-Term Returns: International Stock Fund Compared with Lipper's Universe

For the second quarter of 2009, the International Stock Fund gained 29.8% and modestly outperformed its benchmark by a margin of 1.2%. Stocks from developing countries represented by the MSCI Emerging Market index contributed to above-benchmark performance with strong gains in April and May. Similarly, stocks of international real estate investment trusts rose by more than 35% for the quarter, also contributing to the fund's outperformance. The fund ended the quarter in the top 15% of the Lipper universe of 616 similar foreign stock funds.



**Compound Annual Returns for the Periods Ending June 30, 2009, Net of Fees**

	<u>3 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Inception</u>
International Stock Fund	29.8%	18.7%	-29.4%	-4.9%	4.0%	5.3%
Blended Foreign Stock Index *	28.6%	15.4%	-30.5%	-5.7%	3.8%	3.6%
Lipper Foreign Stock Funds Universe**	24.6%	8.9%	-31.9%	-7.7%	2.3%	
Number of Funds	616	609	561	389	262	
Rank	15%	12%	31%	19%	20%	

\* The benchmark for the International Stock Fund became the MSCI All Country World Index ex USA IMI (MSCI ACWI ex USA IMI) on January 1, 2008. From January 1, 2006 to December 31, 2007, the benchmark for the International Stock Fund had been the MSCI All Country World Index ex USA (MSCI ACWI ex USA). Prior to January 1, 2006, the benchmark had been the MSCI EAFE Index. The benchmark data reported above are blends of the three benchmarks based on the period for which each respective benchmark applies.

\*\* The comparison universe contains all Wilshire Compass mutual funds included in the predefined universe of Lipper "Objectives" of "International".

For further information on the General Board's investment strategy fund returns, please see the [Investment Funds Description](#) booklet, available on the General Board's Web site.

**Disclosure:** *Past performance is not a predictor of future results. The General Board highly recommends that participants consult with a fee-only financial planner to develop a savings plan that is best suited to the participant's individual life circumstance and risk tolerance.*

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