

# Quarterly Investment Report

## For the Quarter Ending September 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.

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## Fund and Benchmark Performance for Periods Ended September 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>	12.5%	21.2%	3.2%	-6.0%	0.9%	5.4%	N/A	5.8%
Custom Benchmark <sup>2</sup>	12.9%	20.2%	2.3%	-7.2%	-0.2%	4.2%	N/A	4.9%
Domestic Bond	7.5%	14.5%	15.1%	8.2%	7.5%	5.9%	6.5%	6.2%
Barclays Capital U.S. Universal (blend) <sup>3</sup>	5.6%	9.3%	11.3%	5.5%	5.4%	4.5%	5.9%	5.7%
Inflation Protection Fund <sup>4</sup>	4.4%	10.7%	3.0%	3.1%	4.0%	3.8%	N/A	4.3%
BCGI Inftn-LnkD Indx	3.1%	8.6%	5.7%	5.9%	5.6%	4.8%	N/A	5.2%
Stable Value Fund <sup>5</sup>	1.0%	2.7%	3.8%	4.1%	4.3%	4.1%	N/A	3.9%
Ryan Labs GIC Index	1.2%	3.5%	4.7%	4.7%	4.6%	4.1%	N/A	3.7%
Balanced Social Values Plus	10.2%	15.6%	1.4%	-4.4%	0.9%	3.1%	1.5%	3.3%
Custom Benchmark <sup>6</sup>	10.2%	15.3%	1.5%	-4.4%	0.8%	3.9%	2.9%	4.4%
Domestic Stock	13.3%	17.6%	-8.5%	-13.7%	-4.4%	1.8%	0.8%	2.9%
Russell 3000 Index	16.3%	21.2%	-6.4%	-14.3%	-5.1%	1.6%	0.7%	2.8%
International Stock	21.7%	44.5%	9.7%	-12.9%	0.1%	8.4%	3.8%	6.9%
MSCI Blend <sup>7</sup>	20.1%	38.5%	7.3%	-13.8%	-1.0%	7.7%	3.3%	5.2%

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

Despite concerns about the global economy, the world equity markets advanced in the third quarter, extending their rally since the March 9, 2009 low. The U.S. stock market, as represented by the S&P 500 and the Russell 3000 equity indices, gained 15.6% and 16.3%, respectively, for the quarter. Year-to-date, the two indices are up 19.3% and 21.2%, respectively. The S&P 500's combined return for the second and third quarter represented the best back-to-back quarterly performance for the index since 1975, and the index has registered a cumulative 56.3% gain since March 9. International stocks remained well ahead of U.S. stocks. The MSCI All Country World ex-US Index advanced 19.7% for the quarter and 36.4% year-to-date. Stocks in developing countries, as represented by the MSCI Emerging Market Index, posted another solid quarterly gain (+20.9%) and are now ahead 64.5% year-to-date, continuing their trend of outpacing the stocks of companies in developed countries.

Following the worst recession in the post-World War II era, it appears that the U.S. economy is recovering despite lingering economic difficulties, such as excessive debt and high unemployment. According to the Bureau of Economic Analysis, real Gross Domestic Product (GDP) declined at an annual rate of 0.7% during the second quarter, marking a significant improvement over the first quarter's contraction of 6.4%. Federal, state and local government spending were positive contributors to the quarter's narrow decline, as was a decrease in imports. The economic slowdown continued to pressure U.S. employment with 7.2 million jobs lost since the recession began in December 2007—the largest loss of jobs during any 21-month period since 1939. The unemployment rate rose from 9.5% in July to 9.8% at quarter-end, the highest level for this critical indicator since 1983. Even in a best-case scenario, the unemployment rate is likely to reach 10% by the end of this year. History suggests that once unemployment begins to fall, it will do so slowly by about 1% per year, implying that a return to a “full-employment” unemployment rate of about 5% is years away.

During the quarter, the Federal Reserve (Fed) issued a positive prognosis on the economy when it stated that “economic activity has picked up following its severe downturn.” The central bank maintained its very low target range for its short-term bank Fed Funds lending rate (i.e., 0.0% to 0.25%) and advised that short-term interest rates will remain “exceptionally low” for an “extended period.” Moreover, the Fed provided additional details about its plans to expand purchases of government agency mortgage-backed securities and longer-dated Treasuries to facilitate a full recovery in the economy and among financial institutions. Primarily because of the Fed's purchases, the yield on nominal 10-year Treasury notes fell to 3.3% at quarter-end, after briefly reaching 3.9% during the quarter. Yields may not stay this low for long given the nascent economic recovery and surging federal debt.

The U.S. dollar continued to weaken significantly relative to other major currencies. The dollar's decline contributed to a rise in commodity prices. The Dow Jones UBS Commodity Index, a broad measure of commodity prices, advanced 4.3% for the quarter and 9.1% year-to-date. Relatively stable energy prices and the deflationary impact of high unemployment should hold inflation in check, at least in the near term. Some worry about higher inflation in the longer term, due to expansionary monetary policy by the Fed and unprecedented government stimulus programs. However, core inflation, which excludes the volatile items of food and energy, remained benign at 0.1% in August, unchanged from July. The core Consumer Price Index (CPI), which excludes increases or decreases in food and energy prices, seems unlikely to rise before a return to full employment. Similar to last quarter, the Fed's view is that deflation is more of a threat than inflation at this point in the business cycle.

Turning to the U.S. housing market, it has clearly been a beneficiary of the Obama housing tax credit of up to \$8,000 for first-time homebuyers, although the tax credit is set to expire at the end of November. In fact, in the month of August, new home sales and housing starts gained 0.7% and 1.5%, respectively. According to housing lender Freddie Mac, the bellwether 30-year fixed-rate mortgage declined from 5.3% at the beginning of July to finish quarter-end at 5.0%. This contributed to a positive trend in home buying and refinancing activity amid historically low mortgage rates that averaged 5.2% during the quarter. The rate of decline in home prices appears to have flattened, with the S&P Case-Shiller Home Price Index advancing by more than 1.6% in July, marking the third consecutive monthly increase. The index nevertheless indicates that housing prices are down 13.3% year-over-year through July.

Similar to last quarter, the highest-performing daily priced fund for the third quarter was the International Stock Fund, which advanced 21.7%, driven by strong performance in stocks of developing countries. Three of seven funds outperformed their respective benchmarks, while three modestly underperformed and one matched its benchmark. The Domestic Bond Fund outperformed its respective benchmark by the widest margin— 1.9%. The low-risk Stable Value Fund credited participants with interest of 1.0%.

<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.

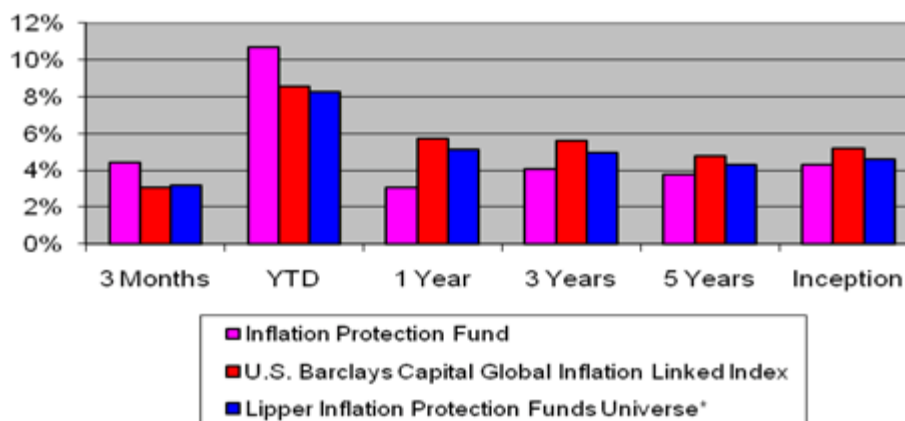
<sup>6</sup> From 12/31/1997 (the inception of the Balanced Social Values Plus Fund) to 09/30/2007, the benchmark for the Balanced Social Values Plus Fund was 60% Russell 3000 Index, 30% Lehman Aggregate Bond Index and 10% Merrill Lynch 3 month Treasury Bills Index. As of 10/01/07, the benchmark composition 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) to 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 with 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 4.4% for the quarter and 10.7% for the year and is meaningfully outperforming its benchmark, primarily due to the diversifying holdings of commodities and inflation-linked bonds from developing countries.



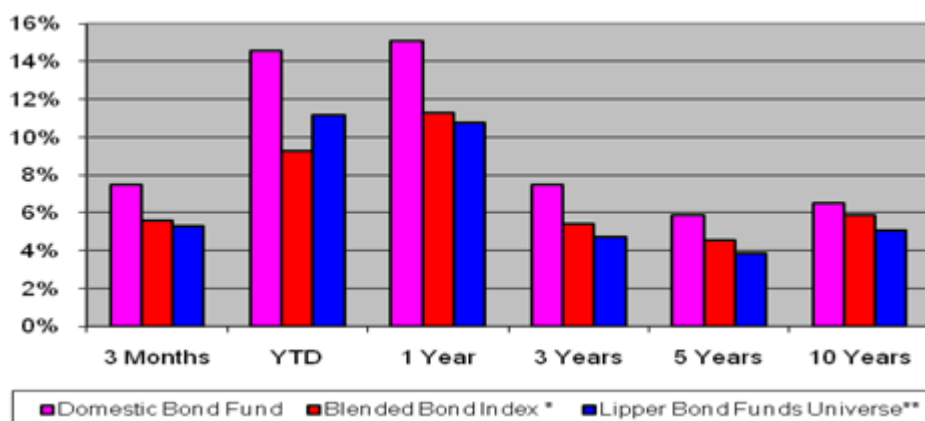
Compound Annual Returns for the Periods Ending September 30, 2009, Net of Fees						
	<u>3 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Inception</u>
Inflation Protection Fund	4.4%	10.7%	3.0%	4.0%	3.8%	4.3%
U.S. Barclays Capital Global Inflation Linked Index	3.1%	8.6%	5.7%	5.6%	4.8%	5.2%
Lipper Inflation Protection Funds Universe*	3.2%	8.3%	5.1%	5.0%	4.3%	4.6%
Number of Funds	133	131	130	110	63	48
Rank	11%	12%	86%	75%	79%	64%

\* 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 7.5% for the quarter and 14.5% for the year. In the third quarter, the fund exceeded its benchmark by 1.9%, primarily due to an overweight exposure to non-U.S. Treasury sectors as investor demand for riskier investments continued to strengthen.



### Compound Annual Returns for the Periods

Ending September 30, 2009, Net of Fees	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Domestic Bond Fund	7.5%	14.5%	15.1%	7.5%	5.9%	6.5%
Blended Bond Index *	5.6%	9.3%	11.3%	5.4%	4.5%	5.9%
Lipper Bond Funds Universe **	5.3%	11.2%	10.8%	4.7%	3.9%	5.1%
Number of Funds	1,299	1,278	1,262	1,054	919	506
Rank	22%	26%	17%	5%	6%	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."

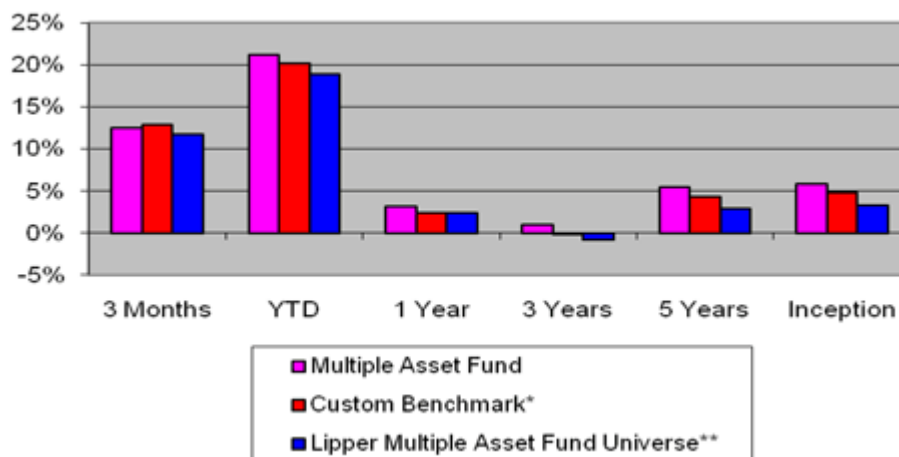
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## Recent and Long-Term Returns: Multiple Asset Fund Compared with Lipper's Universe

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 September 30, 2009, the Multiple Asset Fund trailed its benchmark by a margin of 0.4% 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.



Compound Annual Returns for the Periods Ending September 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>
Multiple Asset Fund	12.5%	21.2%	3.2%	0.9%	5.4%	5.8%
Custom Benchmark *	12.9%	20.2%	2.3%	-0.2%	4.2%	4.9%
Lipper Multiple Asset Fund Universe**	11.7%	18.9%	2.4%	-0.8%	2.8%	3.3%
Number of Funds	2,136	2,105	2,073	1,558	1,115	656
Rank	40%	35%	43%	26%	3%	5%

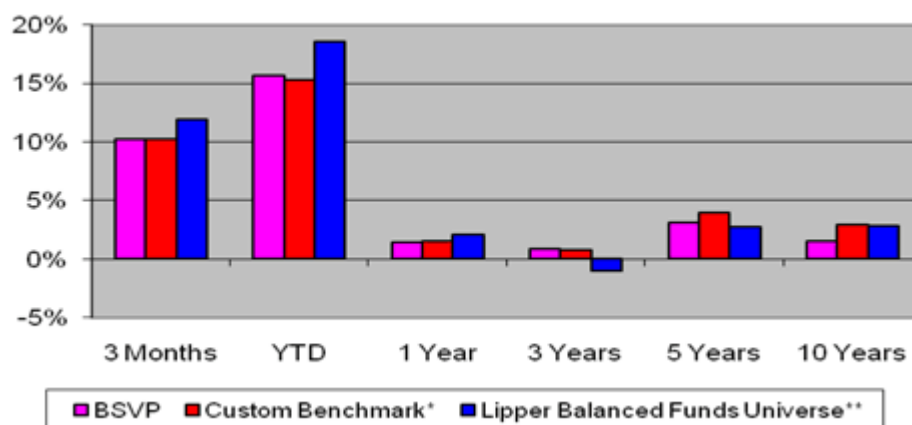
\* On January 1, 2006, the benchmark for the Multiple Asset Fund became 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA Index, 25% Lehman U.S. Universal Index ex-Mortgage Backed Securities, and 10% U.S. Barclays Capital Global Inflation Linked Bond Index. Prior to this date, the benchmark 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 third quarter of 2009, the Balanced Social Values Plus Fund gained 10.2% and matched its benchmark, placing the fund in the bottom 19% 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.



Compound Annual Returns for the Periods Ending September 30, 2009, Net of Fees	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Balanced Social Values Plus Fund	10.2%	15.6%	1.4%	0.9%	3.1%	1.5%
Custom Benchmark*	10.2%	15.3%	1.5%	0.8%	3.9%	2.9%
Lipper Balanced Funds Universe **	11.9%	18.6%	2.1%	-1.0%	2.7%	2.8%
Number of Funds	808	800	793	674	526	264
Rank	81%	77%	56%	16%	40%	73%

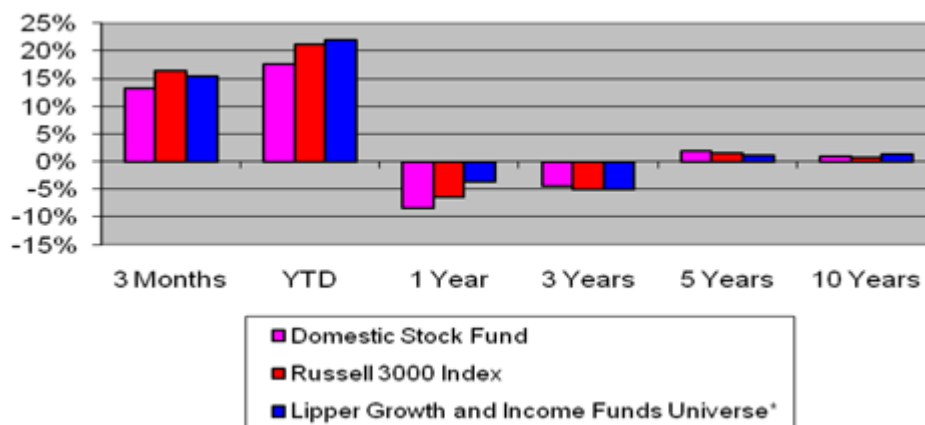
\* Prior to October 1, 2007, the benchmark for the Balanced Social Values Plus Fund was 60% Russell 3000 Index, 30% Lehman Aggregate Bond Index and 10% Merrill Lynch 3 month Treasury Bills Index. As of October 1, 2007, the benchmark composition is 60% Domini 400 Social Index, 30% Lehman Mortgaged Backed 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 September 30, 2009, the Domestic Stock Fund lagged its benchmark due to the negative contribution to performance from private real estate and private equity investments. The valuations of these nonmarketable investments typically tend to lag the performance of the public securities markets. These returns impaired the otherwise strong performance of the fund's active public equity managers.



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

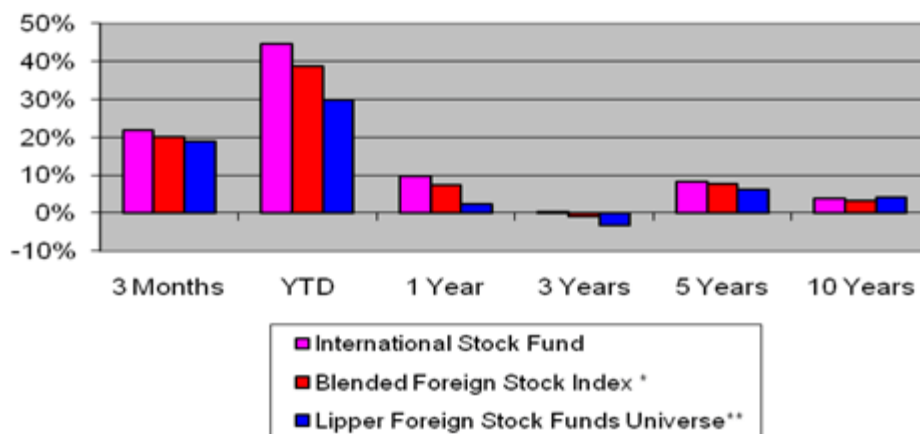
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Domestic Stock Fund	13.3%	17.6%	-8.5%	-4.4%	1.8%	0.8%
Russell 3000 Index	16.3%	21.2%	-6.4%	-5.1%	1.6%	0.7%
Lipper Growth and Income Funds Universe*	15.5%	22.0%	-3.6%	-5.0%	1.2%	1.4%
Number of Funds	2,002	1,926	1,839	1,263	924	558
Rank	81%	75%	81%	42%	37%	60%

\* 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 third quarter of 2009, the International Stock Fund gained 21.7% and modestly outperformed its benchmark by a margin of 1.6%. Stocks from developing countries, such as Brazil and China, as represented by the MSCI Emerging Market Index contributed to above-benchmark performance due to continuing optimism of recovery in their economies. The fund ended the quarter in the top 12% of the Lipper universe of 589 similar foreign stock funds.



Compound Annual Returns for the Periods

3 Months	YTD	1 Year	3 Years	5 Years	10 Years
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**Ending September 30, 2009, Net of Fees**

International Stock Fund	21.7%	44.5%	9.7%	0.1%	8.4%	3.8%
Blended Foreign Stock Index *	20.1%	38.5%	7.3%	-1.0%	7.7%	3.3%
Lipper Foreign Stock Funds Universe**	18.8%	29.9%	2.4%	-3.3%	6.2%	4.0%
Number of Funds	589	567	539	367	245	125
Rank	12%	10%	17%	15%	16%	52%

\* 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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