

Wespath MSCI KLD 400 Social Index – Fourth Quarter 2011

The MSCI KLD 400 Social Index returned 11.23% for the quarter. Large capitalization stocks, as represented by the S&P 500 index, returned 11.82% for the fourth quarter of 2011. Small capitalization stocks (Russell 2000) along with mid capitalization stocks (S&P 400) also had strong positive returns for the quarter posting 15.47% and 12.98% respectively.

US stocks advanced in the fourth quarter, as headlines out of Europe continued to dominate trading in global equity markets. Governments were toppled in Greece, Italy, and Spain, as Europe began to slip into an economic downturn. Investors remained concerned about surging Italian and Spanish bond yields, as well as uncertainty about bailout payments to Greece. Although markets responded positively to efforts in December by European leaders to develop a comprehensive and permanent solution to the sovereign debt crisis, there remained a great deal of uncertainty related to the future of the European Union. In addition to news out of Europe, growing concern of a slowdown in developing economies, most notably China weighed on equity markets. US economic data showed modest improvement, as initial jobless claims dipped well below the 400,000 level, and the unemployment rate fell to 8.6%. Despite this improvement, the Fed decided to continue its program to extend the average maturity of its holdings and reinvest principal payments from mortgage securities, noting strains in global financial markets, as well as moderating inflation. The US government remained at an impasse over fiscal policy, briefly threatening a government shutdown amid an argument over the extension of payroll tax cuts.

In the MSCI KLD 400 Social Index all sectors with the exception of Telecommunication Services had positive performance for the fourth quarter. Industrials was the best performing sector for the quarter posting a 17.69% return with an average index weight of 9.27%. Telecommunication Services was the worst performing sector for the quarter posting a -3.70% return with an average index weight of 0.68%.

There were 6 additions and 6 deletions to the MSCI KLD 400 Social index during the third quarter. These changes were incorporated into the account to maintain proper tracking vs. the index.

Going forward, we will continue to employ an optimized strategy that matches the risk and return characteristics of the MSCI KLD 400 Social Index.

*Source: Factset