

GBOPHB FTSE KLD 400 Social Index – Third Quarter 2009

The FTSE KLD 400 Social Index returned 16.21% for the quarter. Large capitalization stocks, as represented by the S&P 500 index, returned 15.61% for the third quarter of 2009. Small capitalization stocks (Russell 2000) along with mid capitalization stocks (S&P 400) also had positive returns for the quarter posting 19.28% and 19.98% respectively.

The strong rally that started in March saw no signs of slowing down during the third quarter of 2009. By the end of September the S&P 500 index climbed 58.25% from the bottom on March 9. Some economic data supported the strong market recovery. Second quarter GDP came initially at -1%, a big improvement from -6.4% for the first quarter. It was further revised upwards to -0.7%. The housing sector may not experience a rebound yet but shows signs of stabilization. The S&P/Case-Shiller US National Home Price Index rose 2.9% in the second quarter and new home sales rose 11% in June for the third consecutive month. Performance during the quarter was boosted by several companies which reported earnings exceeding expectations. However, some dark spots still exist, among the most prominent one is US unemployment. During the FOMC meeting on September 23rd the Fed kept interest rates untouched and while stating that “Conditions in financial markets have improved further, and activity in the housing sector has increased”, the Fed acknowledged the risk posed by rising unemployment. At 9.8% for September, some worry that we may experience a jobless recovery.

In the FTSE KLD 400 Social Index, Financials was the best performing sector for the quarter posting a +23.70% return with an average index weight of 15.86%. Telecommunications Services was the worst performing sector for the quarter posting a -1.68% return with an average index weight of 2.37%.

There were 10 additions and 10 deletions to the FTSE KLD 400 Social index during the second quarter. Of the 10 deletions, 1 was taken out of the index due to an acquisition, 7 were removed due to lack of social representation, and 2 were removed because they were no longer in the eligible universe. At the close of business September 18, 2009, we incorporated into the Portfolio the index’s quarterly share changes. 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 FTSE KLD 400 Social Index.

*Source: Factset