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## Wespath Investment Management Stable Value Fund

### Quarterly Investment Manager Review from BNY Mellon Cash Investment Strategies Fourth Quarter 2011

Far and away the most compelling story line throughout the fourth quarter continued to be the Eurozone situation – seemingly reaching a major climax on any given day. Sovereign nations such as Greece, Italy, Spain and Portugal continue to teeter on the verge of a disorderly government default. Exacerbating the problem, the European banking sector continues to face a mountain of funding related issues while Eurozone consumer confidence approaches a two-year low. Yet another European summit at the end of January may or may not shed light on progress toward various bailout mechanisms and fiscal restructurings – keeping the broader global markets on high alert.

Domestically, the US economy is quietly showing progress toward recovery. Employment gains have become more encouraging and the unemployment rate ended the year at 8.5%, down from 9.4% to start the year. Although the housing sector continues to languish, consumer confidence increased each month throughout the fourth quarter and inflation remains in check with core consumer price inflation slightly greater than 2.0%. For the quarter, intermediate term interest rates declined marginally as the two-year US Treasury note yield was unchanged at 0.24% and the five-year US Treasury note yield fell 12 basis points to 0.83%.

Within the stable value market place the focus continues to be on the availability of book value wrap capacity. Insurance company separate account products are becoming more widely implemented given book value synthetic wrap constraints. Additional wrap capacity may be on the horizon, however. As many as five institutions are preparing product offerings in one form or another for the stable value market in 2012.

The Stable Value Fund ended the fourth quarter with 10.9% in short-term investments (cash), 2.4% in traditional Guaranteed Investment Contracts (“GICs”), 7.2% in fixed maturity synthetic GICs and 79.5% in constant duration synthetic GICs. Positive Social Purpose investments constitute approximately 2.9% of Fund assets.

*Data Source: Bloomberg*

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