

***INVESTMENT  
SECTION***

# INVESTMENT SECTION

## INVESTMENT CONSULTANT'S REPORT

### **Introduction**

This report, prepared for the Baltimore County Employees' Retirement System (the "System") by New England Pension Consultants (NEPC), is based on accounting information supplied by the System's custodian, BNYMellon. NEPC relies on this source for security pricing, calculation of accruals, and all transactions. NEPC reconciles the monthly rates of return provided by BNYMellon with those calculated by each investment manager. NEPC exercises reasonable professional care in preparing the performance report. The rates of return are calculated using a time-weighted rate of return methodology based upon market values. The returns are reported on both net of fees and gross of fees to provide comparisons with the appropriate benchmarks.

### **Distinction of Responsibilities**

The Board of Trustees (the "Trustees") of the System is responsible for establishing the investment goals and objectives for the System's Retirement Fund (the "Fund") and sets the appropriate risk levels and asset allocation policies. The criteria used in developing the System's investment policy include: actuarial information, such as funded status, the actuarial return assumption and benefits obligations; risk and return expectations of the capital markets; the financial condition of the County; and practices of similar types of funds. The investment policy has been developed after the Trustees have given careful consideration of the potential financial implication of a wide range of investment policies. The policy describes the degree of pension fund risk that the Trustees, as System fiduciaries, deem appropriate.

In carrying out their duties the Trustees follow acceptable standards of prudence. These standards include: 1) acting for the exclusive benefit of the Fund participants and beneficiaries; 2) exercising skill, care and diligence of a prudent person acting in a similar capacity; and 3) diversifying investments to minimize the risk of large losses. The investment managers required to execute the policy will invest System assets in accordance with the established policy and with their judgments concerning relative investment values. In particular, the investment managers are accorded full discretion to select individual securities, make periodic strategic adjustments and diversify their portfolios.

### **Investment Policy/Structure**

The System's investment policy was designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and minimize the risk of large losses to the System. In addition, asset allocation ranges have also been implemented to maintain compliance with the investment policy and ensure the System will achieve its long-term risk and return objectives.

The System's investment policy is shown below for the broad investment categories:

**Investment Policy as of 6/30/09**

| <i>Asset Class</i>             | <i>Allocation Target</i>  | <i>Allocation Range</i> |
|--------------------------------|---------------------------|-------------------------|
| <i>U. S. Equities</i>          | <i>32%</i>                | <i>27 - 37%</i>         |
| <i>International Equities</i>  | <i>13%</i>                | <i>9 - 17%</i>          |
| <i>Private Equities</i>        | <i>5%</i>                 | <i>0 - 7%</i>           |
| <i>Fixed Income</i>            | <i>25%</i>                | <i>20 - 30%</i>         |
| <i>Hedge FOF</i>               | <i>5%</i>                 | <i>0 - 7%</i>           |
| <i>Real Estate</i>             | <i>5%</i>                 | <i>0 - 7%</i>           |
| <i>Global Asset Allocation</i> | <i><u>15%</u></i>         | <i>10 - 13%</i>         |
| <b><i>Total</i></b>            | <b><i><u>100%</u></i></b> |                         |

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Within each asset class, the Trustees have employed several investment managers to further diversify the investment approach and minimize style bias. The Trustees have employed both active and passive investment strategies in order to obtain the desired asset allocation mix in the most cost effective and efficient manner.

## Investment Objective

The System's long-term investment objective is to achieve a total rate of return that exceeds the Policy Index, defined here as the actual asset allocation for each asset class invested in its respective index. The Trustees recognize that there will be short-term deviations from these long-term investment objectives, and therefore, have developed performance expectations for the Fund and individual investment managers.

The overall Fund is also compared to the Independent Consultants Cooperative (ICC) Public Funds Universe, one of the largest, most representative universes of actual institutional performance results in the industry. At June 30, 2009, this universe contained actual public fund data for 162 public plans with an aggregate market value of \$426 billion.

## Market Overview

During the fiscal year ended June 30, 2009, investors witnessed one of the swiftest and steepest market downturns since the great depression as well as record recovery. The first three quarters of the fiscal year marked the first time in 34 years that the U.S. economy posted three consecutive quarters of negative GDP growth. Unemployment approached 10%, housing prices fell 32% from their peak in second quarter 2006, consumer sentiment weakened and Federal debt reached unprecedented levels. During the first half of the fiscal year, there was extreme turmoil and volatility in the credit and equity markets, as investors witnessed the collapse of the real estate bubble, the demise of the investment banking system, massive deleveraging on the part of hedge funds and evaporation of credit by lending institutions. Stock and bond markets across the globe plummeted as the credit crisis spread globally and the US slipped into recession.

Although economic conditions remain weak, the financial markets showed signs of stabilization in the last quarter of the fiscal year. The bear market came to halt on March 9<sup>th</sup> largely in response to aggressive fiscal and monetary policies. The US expansion of the treasury's Troubled Asset Relief Program (TARP), announcement of the Public Private Investment Partnership (PPIP) and the Fed's action to keep short-term interest rates at a record lows stimulated investor confidence. Equity markets rallied strongly in March and continued the momentum through June in response to these efforts.

Despite the strong returns over the quarter, the trailing returns across all major assets remained in negative territory for the fiscal year. Global equity markets, as measured by the MSCI World Index posted a 20.8% return for the quarter and a (29.5%) return for the fiscal year ending June 30, 2009. The global bond market, as measured by the Citigroup World Government Bond Index posted a 3.5% return for the quarter and a 4.0% return for the fiscal year.

Domestic stocks rallied strongly over the last four months of the fiscal year with the Wilshire 5000 posting a 16.8% return for the quarter and a (26.4%) return for the fiscal year ended June 30, 2009. Financial stocks, which led the downturn in 2008, led the upturn in 2009 with a 35.8% return for the fiscal year. Growth stocks outperformed value stocks over the year, with the Russell 1000 Growth posting a (24.5%) return for the year compared to a (29.0%) return for the Russell 1000 Value. Small cap stocks outperformed large cap stocks in the quarter with the Russell 2000 posting a (25.0%) return and the S&P 500, the barometer for large stocks, returned a (26.2%) return. All sectors in the S&P 500 lost ground over the fiscal year. Energy (40.7%), financials (38.7%) and materials (38.8%) were the weakest performing sectors over the fiscal year.

Developed international equity markets benefited from fiscal stimulus packages as well as a weak dollar. For the quarter the MSCI EAFE Index posted a 25.4% return, the strongest quarter in over 20 years, and a (31.4%) return for the fiscal year in US dollar terms. The European Central Bank pumped a record \$615 billion into the financial system offering unlimited one-year loans at an interest rate of 1%. The emerging markets posted an even stronger quarter with a 34.7% return and a (28.1%) for the year.

The rebound in credit markets rewarded bonds across the credit spectrum, with robust returns in investment grade (8.8%), leveraged loan (18.0%), and high yield corporate bonds (23.1%). In general, lower quality bonds out-

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performed higher quality bonds by a large margin over the quarter, reversing previous trends. The Barclays Aggregate Index posted a 1.8% return for the quarter and a 6.1% return for the full year. Benefiting from the flight to quality, US government bonds, which led in 2008, lagged in the recent market rally. US Government bonds posted a (2.2%) return for the quarter and a 6.6% return for the fiscal year. Global bonds posted a 3.5% return in the quarter benefitting from a decline in the dollar.

Hedge funds were not immune to credit crisis but fared better than equities over the fiscal year. Hedge funds, as measured by the CS Tremont Hedge Fund Index, returned 6.3% for the fourth quarter of the fiscal year and (13.7%) for the full fiscal year. Private equity and real estate markets continued to be challenged by falling prices, refinancing and lack of liquidating opportunities. These challenges, however, have created opportunities for mezzanine, secondary and distressed lenders.

## Investment Performance

For the fiscal year ended June 30, 2009, the System's investment portfolio lost 17.9%, including dividends and interest income, unrealized gains and losses, and management fees and expenses.

The System's domestic equity portfolio posted a (27.1%) net of fee return over the fiscal year as compared to a (26.4%) return of the broad U.S. equity market, as measured by the Wilshire 5000 Index. Weak performance among the small cap managers detracted from overall domestic equity return over the full year. The System's non-US equity portfolio's net of fee return of (26.5%) exceeded the return of the international equity benchmark due to strong performance from the growth international equity manager. The fixed income portfolio returned 2.9% on a net of fee basis over the fiscal year and lagged the broad domestic bond market. Active management typically fares poorly in environments where stock and bond prices are driven by fear, distrust and panic selling rather than fundamentals.

To gauge how the overall fund did relative to other public funds, the System's gross of fee return for the fiscal year was compared to the median public fund in the ICC Universe of Public Funds. The System's gross of fee return of (17.5%) ranked in the 59<sup>th</sup> percentile of the ICC Public Funds Universe for the fiscal year. The market value of the System's combined assets decreased from \$2.063 billion on June 30, 2008 to \$1.596 billion on June 30, 2009. This decline resulted from investment losses of approximately \$434 million plus net withdrawals of approximately \$34 million.

The net of fee returns for the fiscal year ending June 30, 2009 are shown in the following table.

|                        | Market Value<br>(in Millions) | Percent of<br>Total | Fiscal Year Rate of Return |           |
|------------------------|-------------------------------|---------------------|----------------------------|-----------|
|                        |                               |                     | System                     | Benchmark |
| U S Equities           | \$ 520.2                      | 32.6%               | (27.1%)                    | (26.2%)   |
| International Equities | 189.6                         | 11.9                | (26.5)                     | (30.9)    |
| Private Equity         | 73.9                          | 4.5                 | (22.6)                     | (21.0)    |
| Hedge Funds            | 89.4                          | 5.6                 | (16.2)                     | (15.2)    |
| Real Estate            | 69.7                          | 4.4                 | (37.7)                     | (30.7)    |
| Fixed Income           | 397.8                         | 25.0                | 2.9                        | 4.9       |
| GAA                    | 251.1                         | 15.7                | (20.4)                     | (14.7)    |
| Cash                   | 4.3                           | 0.3                 | 1.3                        | 1.0       |
| Total Fund*            | \$1,596.0                     | 100.0%              | (17.9%)                    | (14.4%)   |

\*The Total Fund shown above in the amount of \$1,596.0 includes short-term investments of \$35.6, accrued interest and dividends receivable of \$4.5, receivables for investment sold of \$11.0 and payables of \$27.2. These items are separately reported from "Total Investments" in the Statement of Plan Net Assets.

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## **Investment Strategies**

During the fiscal year, the Trustees conducted an annual asset allocation review and considered an allocation to a credit manager to take advantage of the opportunities in the credit market. In addition the Trustees hired a global asset allocation manager for 5% of the Fund and continued to build out the private equity program by committing \$5 million each to a Mezzanine Fund, a Secondary Fund and a Distressed Debt Fund.

Doris Ewing  
Partner, New England Pension Consultants

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## Outline of Investment Policies

**Investment Policy.** As provided in Article 5 Title 1 of the Baltimore County Code, the Board of Trustees of the Employees' Retirement System of Baltimore County (the "Board") is empowered to invest the System's assets and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines and the achievement of objectives.

The Board has carefully exercised these responsibilities by diversifying the assets into common stocks (domestic and foreign), fixed income, real estate, hedge funds and private equity. The investment policy targets are 32% in U.S. equities, 13% in international equities, 25% in core-plus fixed income investments, 5% in real estate, 5% in hedge funds, 5% in private equity and 15% to global asset allocation strategies. The investment policy authorizes the allocation targets to be maintained within the allocation ranges specified in the Investment Consultant's report.

A pension investment consultant has been appointed to advise and consult with the Board and the System staff, prepare recommendations on investment policies, investment management structure and asset allocation, and to monitor and evaluate the performance of the investment managers and the asset custodian.

The Board authorizes the managers to vote all proxies related to stocks in which they invest pension assets. The Board expects the managers to cast votes solely in the best interest of plan beneficiaries. Managers are required to report annually to the Board on its proxy-voting policies and activities on the System's behalf.

## Investment Results

The following schedule compares rates of return, gross of fees, for the System portfolio with a comparative index, market indices and the inflation rate.

The market indices shown below are the Wilshire 5000 Stock Index, Morgan Stanley Capital International All Country World Ex-U.S. Index, the Barclays Universal Index, 60% MSCI World/40% WGBI blended index, the NCREIF Index, HFRI Fund of Funds Index and the Venture Capital Economics Private Equity Index.

The Balanced Index is a blend of market indices and is reflective of the total System's portfolio policy for each time period. The Balanced Index was changed in February 2005 to reflect the results of an asset/liability study conducted on behalf of the System's portfolio. Prior to February 2005, the Policy Index was comprised of 50% Wilshire 5000 Stock Index, 15% MSCI All-Country World Ex-U.S. Index, (MSCI ACWXUS), 33.5% Barclays Aggregate Bond Index and 1.5% Cambridge Venture Capital Index.

From February 2005 through June 30, 2007, the Balanced Index is comprised of 30% S&P 500; 7% Russell 2000 Index; 12% Morgan Stanley EAFE Index; 3% Morgan Stanley Emerging Markets Free Index; 16% Barclays Aggregate Bond Index; 8% Citigroup World Government Bond Index; 5% Barclays High Yield Index; 5% NACREIF Index; 5% Cambridge Venture Capital Index; 5% HFRI Fund of Fund Index. From October 2006 the Cambridge Venture Capital Index was replaced with the Venture Economics Private Equity Index.

Beginning FY 2008, the Balanced Index is comprised of 30% S&P 500; 7% Russell 2000 Index; 10% Morgan Stanley EAFE Index; 3% Morgan Stanley Emerging Markets Free Index; 25% Barclays Universal Bond Index; 3% MSCI World /2% WGBI and 5% - 90 day T-Bills plus 6%; 5% Barclays High Yield Index; 5% NACREIF Index; 5% Venture Economics Private Equity Index; 5% HFRI Fund of Fund Index.

The rate of return measure for the financial asset class managers is time weighted. This investment measure eliminates the influence of contributions and withdrawals that are beyond the control of the investment managers. This investment measure is an effective means of appraising a fund manager's ability to make assets perform.

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## Investment Return Summary (Percentage Change)

| <u>Rates of Return</u>                                 | <u>FY<br/>2005</u> | <u>FY<br/>2006</u> | <u>FY<br/>2007</u> | <u>FY<br/>2008</u> | <u>FY<br/>2009</u> | <u>Annualized<br/>Rate Over<br/>3 Years</u> | <u>Annualized<br/>Rate Over<br/>5 Years</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---|---|
| U.S. Common Stock                                      | 8.5%               | 9.2%               | 19.8%              | (13.2%)            | (26.8%)            | (8.7%)                                      | (2.0%)                                      |
| Wilshire 5000 Stock Index                              | 8.2                | 9.9                | 20.5               | (12.5)             | (26.4)             | (8.1)                                       | (1.6)                                       |
| International Common Stock                             | 14.0               | 25.5               | 32.5               | (5.9)              | (26.0)             | (2.7)                                       | 5.7   |
| MSCI ACWIXUS   | 16.5               | 27.9               | 29.6               | (6.6)              | (30.9)             | (5.8)                                       | 4.5   |
| GAA  | -                  | -                  | -                  | 3.1                | (20.2)             | -   | -   |
| 60% MSCI World / 40% WGBI &<br>90- day T-Bills plus 6% | -                  | -                  | 15.1               | (3.7)              | (14.7)             | (1.8)                                       | 2.6   |
| Fixed Income   | 7.6                | 0.1                | 6.2                | 4.0                | 3.2                | 4.4   | 4.2   |
| Barclays Universal*                                    | 6.8                | (0.8)              | 6.6                | 6.2                | 4.9                | 5.9   | 5.0   |
| Real Estate  | -                  | -                  | 19.4               | 6.4                | (37.0)             | (7.2)                                       | -   |
| NCREIF Index**   | -                  | -                  | 17.2               | 9.2                | (30.7)             | (4.2)                                       | (4.0)                                       |
| Hedge Funds  | -                  | -                  | 15.9               | (0.2)              | (15.7)             | (0.8)                                       | -   |
| Hedge Fund-of-Funds Index                              | -                  | -                  | 13.6               | (0.3)              | (15.2)             | (1.1)                                       | 2.6   |
| Private Equity   | 28.5               | 12.8               | 20.7               | 18.1               | (16.8)             | N/A   | N/A   |
| Private Equity Benchmark***                            | 29.2               | 15.5               | 54.4               | 16.0               | (21.0)             | N/A   | N/A   |
| Total System Portfolio                                 | 9.4                | 9.2                | 17.2               | (4.5)              | (17.5)             | (2.6)                                       | 2.0   |
| <b><u>Comparative Index</u></b>                        |                    |                    |                    |                    |                    |   |   |
| Balanced Index   | 9.2                | 10.1               | 17.6               | (3.8)              | (14.4)             | (1.2)                                       | 2.9   |
| <b><u>Inflation Rate</u></b>                           |                    |                    |                    |                    |                    |   |   |
| Consumer Price Index                                   | 2.4                | 4.3                | 2.7                | 4.9                | (1.2)              | 2.1   | 2.6   |

Note: Performance is gross of fees.

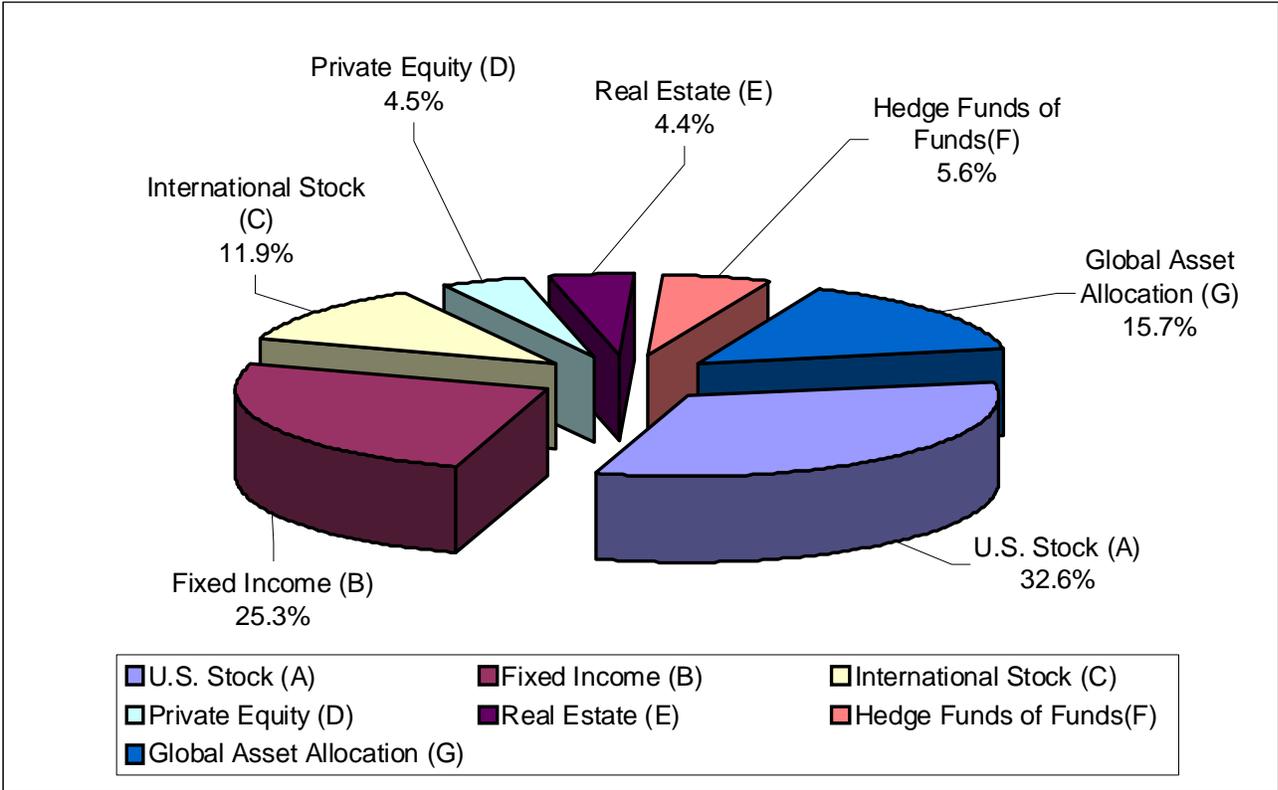
\*The Lehman Brothers Universal Index was used for the FY2007 Fixed Income composite index. Prior to FY2007, the Lehman Brothers Aggregate Index was used as the benchmark. For FY 2009 Barclays Universal Index replaced the Lehman Brothers Universal Index.

\*\*The benchmark was changed to the NCREIF Index in February 2005.

\*\*\*The benchmark was the Wilshire 5000 + 5% through April 1, 2004 when it was changed to the Cambridge Venture Capital Index. In October 2006, the benchmark changed to the Venture Economics Private Equity Index.

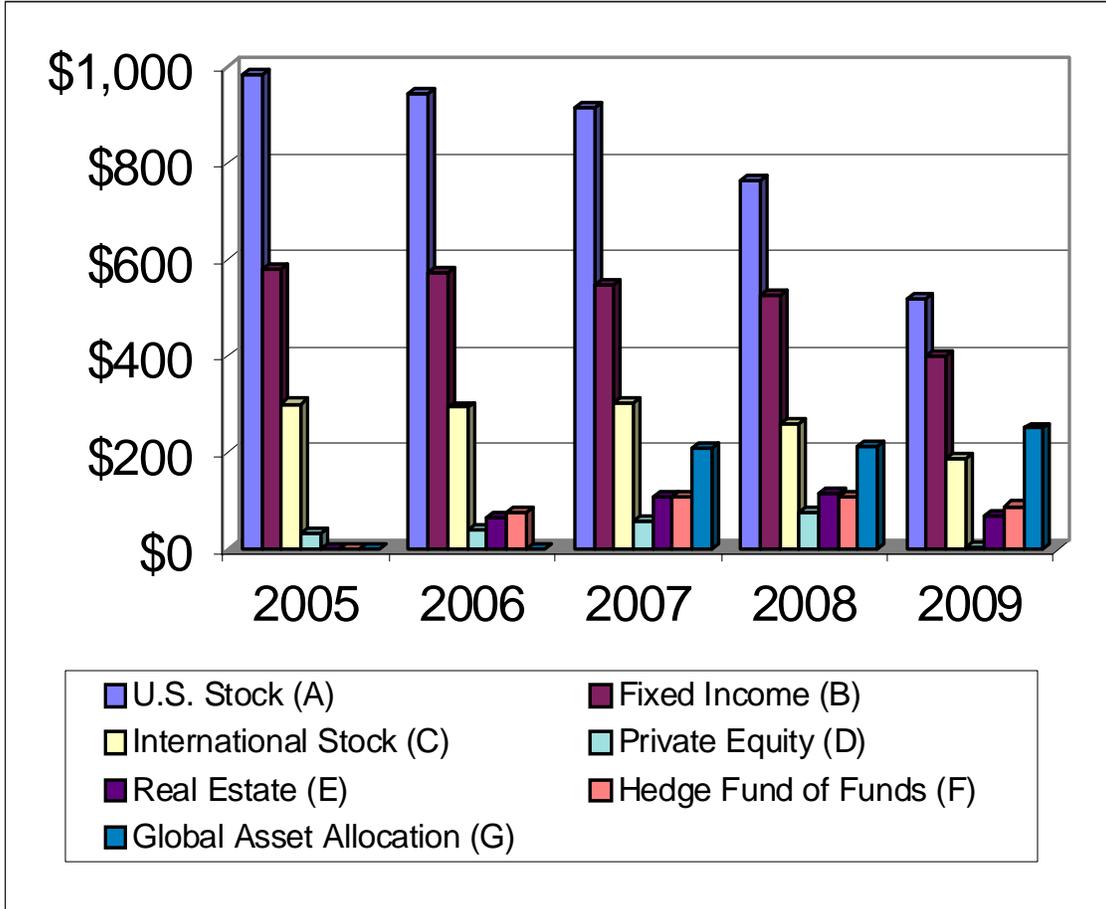
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**Portfolio Composition by Manager Type  
Market Value of Investments  
Percent of Total Fund  
As of June 30, 2009**



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**Portfolio Composition by Manager Type  
Market Value of Investments  
Percent of Total Fund  
As of June 30, 2005, 2006, 2007, 2008 & 2009  
(Expressed in Millions)**



| Investment Type         | 2005             |               | 2006             |               | 2007             |               | 2008             |               | 2009             |               |
|-------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| U.S. Stock (A)          | \$984.9          | 51.9%         | \$943.1          | 47.2%         | \$914.8          | 40.7%         | \$764.4          | 37.0%         | \$520.2          | 32.6%         |
| Fixed Income (B)        | 579.0            | 30.5%         | 574.4            | 28.9%         | 547.7            | 24.3%         | 525.6            | 25.5%         | 402.1            | 25.3%         |
| International Stock (C) | 301.2            | 15.9%         | 294.2            | 14.7%         | 304.9            | 13.5%         | 261.0            | 12.7%         | 189.6            | 11.9%         |
| Private Equity (D)      | 32.8             | 1.7%          | 40.3             | 2.0%          | 58.5             | 2.6%          | 76.8             | 3.7%          | 73.9             | 4.5%          |
| Real Estate (E)         | 0.0              | 0.0%          | 67.4             | 3.4%          | 108.8            | 4.8%          | 115.4            | 5.6%          | 69.7             | 4.4%          |
| Hedge Fund of Funds (F) | 0.0              | 0.0%          | 76.6             | 3.8%          | 109.0            | 4.8%          | 107.5            | 5.2%          | 89.4             | 5.6%          |
| Global Asset Alloc. (G) | 0.0              | 0.0%          | 0.0              | 0.0%          | 209.3            | 9.3%          | 212.4            | 10.3%         | 251.1            | 15.7%         |
| <b>Total</b>            | <b>\$1,897.9</b> | <b>100.0%</b> | <b>\$1,996.0</b> | <b>100.0%</b> | <b>\$2,253.0</b> | <b>100.0%</b> | <b>\$2,063.1</b> | <b>100.0%</b> | <b>\$1,596.0</b> | <b>100.0%</b> |

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## List of Largest Assets Held (June 30, 2009)

| <b>Ten Largest Equity Holdings<br/>(STOCKS)</b>                  |                                | PAR VALUE/<br>SHARES | MARKET<br>VALUE  |                      |                 |
|--|--------------------------------|----------------------|------------------|----------------------|-----------------|
| 1)   | Mastercard, Inc                | 20,669               | \$3,458,179      |                      |                 |
| 2)   | Berkshire Hathaway Inc.        | 1,161                | 3,361,769        |                      |                 |
| 3)   | Wellpoint, Inc                 | 54,783               | 2,787,893        |                      |                 |
| 4)   | Canadian Natl. Railway Co.     | 62,085               | 2,667,183        |                      |                 |
| 5)   | Kinder Morgan MGMT             | 58,232               | 2,630,333        |                      |                 |
| 6)   | Burlington North Santa FE Corp | 35,329               | 2,598,095        |                      |                 |
| 7)   | Disney Walt Co                 | 105,555              | 2,462,587        |                      |                 |
| 8)   | Kraft Foods Inc                | 92,033               | 2,332,115        |                      |                 |
| 9)   | Occidental Pete Corp           | 34,145               | 2,247,102        |                      |                 |
| 10)  | Google, Inc                    | 5,026                | 2,118,991        |                      |                 |
| <b>Ten Largest Fixed Income Holdings<br/>(NOTES &amp; BONDS)</b> |                                | INTEREST<br>RATE     | MATURITY<br>DATE | PAR VALUE/<br>SHARES | MARKET<br>VALUE |
| 1)   | US Treasury Note               | 1.125%               | 6/30/2011        | 7,416,359            | \$7,419,252     |
| 2)   | US Treasury Note               | 0.875                | 5/31/2011        | 7,379,938            | 7,355,768       |
| 3)   | FNMA Pool                      | 5.000                | 3/01/2038        | 5,929,531            | 6,046,361       |
| 4)   | US Treasury – CPI Inflation    | 3.875                | 4/15/2029        | 2,657,249            | 3,378,028       |
| 5)   | US Treasury – CPI Inflation    | 2.125                | 1/15/2019        | 3,241,862            | 3,352,280       |
| 6)   | Citigroup Banking Inst.        | 8.500                | 5/22/2019        | 2,745,282            | 2,792,611       |
| 7)   | FNMA Pool                      | 5.500                | 11/01/2037       | 2,126,958            | 2,196,486       |
| 8)   | Hawaii Superferry Inc.         | 5.730                | 4/30/2028        | 2,008,057            | 2,163,560       |
| 9)   | DOT Headquarters II            | STEP                 | 12/07/2021       | 1,939,597            | 2,078,918       |
| 10)  | Ford Motor                     | 7.735                | 10/28/2009       | 1,866,610            | 1,850,613       |

\*A complete list of the portfolio holdings is available upon request.

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## Supplementary Supporting Schedules Schedule of Fees

(Year Ended June 30, 2009)

| <u>Investment Services</u>       | <u>Assets Under Management*</u> | <u>Fees</u>         |
|----------------------------------|---------------------------------|---------------------|
| Domestic Equity Managers         | \$520,230,688                   | \$2,047,090         |
| International Equity Managers    | 189,590,986                     | 1,106,587           |
| Fixed Income Managers            | 397,844,554                     | 1,606,945           |
| Private Equity Managers          | 73,867,746                      | 1,434,591           |
| Real Estate Managers             | 69,663,445                      | 1,067,023           |
| Hedge Fund of Funds Managers     | 89,358,629                      | 892,964             |
| Global Asset Allocation Managers | 251,115,876                     | 1,825,466           |
| Short-Term Investment Manager    | 4,343,401                       | 49,598              |
| Other Investment Service Fees:   |                                 |                     |
| Custodian                        |                                 | 292,271             |
| Security lending                 |                                 | 2,030,205           |
| Investment consultant            |                                 | 223,584             |
| Total                            | <u>\$1,596,015,325</u>          | <u>\$12,576,324</u> |

\* "Asset Under Management" shown above in the amount of \$1,596,015,325 includes short-term investments of \$35,629,960, accrued interest and dividends receivable of \$4,539,048, receivables for investment sold of \$11,026,445 and payables of \$27,201,545. These items are separately reported from "Total Investments" in the Statement of Plan Net Assets.

## Supplementary Supporting Schedules Schedule of Commissions

(Year Ended June 30, 2009)

| <u>Investment Broker Firms</u>     | <u>Number of Shares Traded</u> | <u>Total Commissions</u> | <u>Commission Per Share</u> |
|------------------------------------|--------------------------------|--------------------------|-----------------------------|
| Goldman Sachs & Co.                | 829,231                        | \$ 34,614                | 0.04                        |
| Credit Suisse                      | 1,931,414                      | 26,213                   | 0.01                        |
| Bloomberg Tradebook, LLC, New York | 704,636                        | 24,949                   | 0.04                        |
| Merrill Lynch Pierce Fenner Smith  | 499,180                        | 19,291                   | 0.04                        |
| BNY Convergenx, New York           | 428,813                        | 15,264                   | 0.04                        |
| Morgan JP Secs inc, New York       | 239,498                        | 15,127                   | 0.06                        |
| MAGNA Sec Corp, New York           | 488,386                        | 15,061                   | 0.03                        |
| Stifel Nicolaus                    | 360,575                        | 13,201                   | 0.04                        |
| Sanford C. Bernstein & Co Inc.     | 337,298                        | 12,574                   | 0.04                        |
| Citigroup Global Markets Inc.      | 394,377                        | 12,224                   | 0.03                        |
| Barclays Capital LE                | 337,053                        | 12,175                   | 0.04                        |
| Morgan Stanley & Co., Inc          | 493,455                        | 12,121                   | 0.02                        |
| Liquidnet, Inc.                    | 503,550                        | 11,472                   | 0.02                        |
| Jefferies & Co Inc.                | 380,862                        | 10,500                   | 0.03                        |
| Miscellaneous (Under \$10,000)     | <u>12,229,607</u>              | <u>216,222</u>           | 0.03                        |
| Total                              | <u>\$20,157,935</u>            | <u>\$451,008</u>         |                             |

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## Investment Summary

(June 30, 2009)

| TYPE OF INVESTMENTS                   | FAIR<br>VALUE   | % of FAIR<br>VALUE |
|---------------------------------------|-----------------|--------------------|
| Fixed Income:                         |                 |                    |
| U.S. Government & Agencies Securities | \$88,197,841    | 5.6%               |
| Corporate Bonds                       | 143,819,202     | 9.1                |
| Foreign Bonds                         | 34,157,136      | 2.2                |
| Bond Mutual Funds                     | 121,548,717     | 7.7                |
| Total Fixed Income                    | 387,722,896     | 24.7               |
| Common Stock:                         |                 |                    |
| Basic Industries                      | 12,106,540      | 0.8                |
| Consumer Durable Goods                | 3,871,189       | 0.2                |
| Consumer Non-Durables                 | 17,748,434      | 1.1                |
| Consumer Services                     | 34,562,182      | 2.2                |
| Energy                                | 24,800,719      | 1.6                |
| Financial Services                    | 45,247,441      | 2.9                |
| Health Care                           | 35,334,712      | 2.2                |
| MEDIA                                 | 6,882,710       | 0.4                |
| Technology                            | 54,822,895      | 3.5                |
| Transportation                        | 6,621,205       | 0.4                |
| Utilities                             | 3,379,872       | 0.2                |
| General Business                      | 86,941,751      | 5.5                |
| Total Common Stock                    | 332,319,650     | 21.0               |
| Other Investments:                    |                 |                    |
| Stock Mutual Funds                    | 367,974,695     | 23.4               |
| Real Estate Equity Funds              | 69,663,222      | 4.4                |
| Hedge Funds                           | 89,357,333      | 5.7                |
| Private Equity Funds                  | 73,867,746      | 4.7                |
| Global Asset Allocation Funds         | 251,115,876     | 16.0               |
| Total Other Investments               | 851,978,872     | 54.2               |
| Total Investments at fair value       | \$1,572,021,418 | 100.0%             |