

# GHCF Pool Performance

June 01, 2011 - June 30, 2011

All Market Values Presented in United States Dollars

SLOCUM

## Return (Net of Fees)

Investment Pool	5 Year Standard Deviation	%	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception	Incept Date
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**Growth & Income** 61% -1.20% 0.30% 2.98% 13.72% - - - 13.72% Jun 30, 2010

Benchmark 7.20% -0.80% 0.12% 2.23% 11.77% 11.77%

Variance -0.40% 0.18% 0.75% 1.95% 0.00% 0.00% 0.00% 1.95%

Renewed market volatility and the escalation of geopolitical concerns, particularly European debt, were the headlines during Q2 as markets pulled back in May and June. The Growth and Income Pool outperformed the custom benchmark by 18 basis points for the second quarter. Active equity allocations were additive this quarter (25% of total pool), with domestic and international stocks trading slightly higher. Domestic large cap stocks outperformed their small cap counterparts for the first time in five quarters. Traditional long-only fixed income remained bullish during the second quarter as global macro events resulted in lower yields across the Treasury curve. Short and intermediate maturities were the best performers. Galliard which represents long-only fixed income exposure beat the Barclays Capital Aggregate Index by 12 Basis points during the quarter. Long/Short fixed income continued to exploit stressed corporate balance sheets and pricing inefficiencies to post another positive quarter.

**Growth** 10% -1.61% -0.36% 3.34% 17.18% - - - 17.18% Jun 30, 2010

Benchmark 10.10% -1.33% -0.51% 2.05% 15.41% 15.41%

Variance -0.28% 0.15% 1.29% 1.77% 0.00% 0.00% 0.00% 1.77%

The Growth Pool has 10% more equity and 20% less fixed income exposure than the Growth and Income pool and returns reflect this additional beta risk. Capital markets digested some disappointing economic news during Q2 and showed a growing concern about the continuation and strength of the U.S. recovery. Equity returns were mixed in May and June as many investors dialed down their risk appetites by seeking safer asset classes. Spread sectors in fixed income enjoyed another stellar quarter. All sectors of the fixed income market had positive total returns, yet most trailed Treasuries which returned +2.4% for the quarter. Commodities (10% of the Growth Pool) were a drag on relative performance, as the overriding theme of the second quarter was one of consolidation and correction, as virtually all commodities took a time out after what has, by most assessments, been an extraordinarily strong period.

**Income** 8% -0.55% 1.29% 3.75% 10.15% - - - 10.15% Jun 30, 2010

Benchmark 5.00% -0.48% 1.15% 2.90% 9.66% 9.66%

Variance -0.07% 0.14% 0.85% 0.49% 0.00% 0.00% 0.00% 0.49%

Pool Allocation is strongly tilted towards fixed income, representing 70% of the total pool. The Pool's collection of Long/Short fixed income managers (30% of total fixed income exposure) reduce interest rate risk, focus on pricing dislocations, and are considerably more opportunistic than Galliard. Galliard's performance was helpful during the second quarter, as lower yields bolstered performance. Galliard has now outperformed the Barclays Capital Aggregate Index by 60 basis points year to date. The probability of rising rates in the future will likely mute traditional long-only bond returns moving forward. Equity exposure, the majority of which is through Adage, was beneficial to the portfolio. Adage outperformed the S&P 500 index by 98 basis points in Q2.

**Passive Equity** 8% -1.46% 0.21% 4.33% 21.94% - - - 21.94% Jun 30, 2010

Benchmark 12.00% -1.27% 0.33% 3.97% 19.86% 19.86%

Variance -0.19% -0.12% 0.36% 2.08% 0.00% 0.00% 0.00% 2.08%

The Pool has a bias towards small cap stocks and the domestic equity market, which hurt performance during the second quarter. The S&P 500 Index and MSCI U.S. Small Cap 1750 Index posted mixed returns for Q2, +0.1% and -1.3%, respectively. International developed equity markets remained volatile on European sovereign debt concerns as the European Union (EU) agreed to a second bailout for Greece. Other European nations (Ireland, Portugal, and Spain) face high levels of debt and may need fiscal aid in the future. Passive fixed income boosted performance due to the heavy weightings of Treasuries and Agencies in domestic aggregate bond indices; long-only bonds produced positive returns for the second quarter as Treasuries were the best performing sector.

**Passive Income** 5% -0.86% 1.22% 3.71% 12.82% - - - 12.82% Jun 30, 2010

Benchmark 5.40% -0.51% 1.44% 3.49% 10.71% 10.71%

Variance -0.35% -0.22% 0.22% 2.11% 0.00% 0.00% 0.00% 2.11%

The Passive Income Pool has a 70% target to short-intermediate fixed income. Both passive indices performed in line with expectations, particularly as rates fell across the intermediate part of the yield curve. The 5-year Treasury ended the second quarter 52 basis points lower at 1.76% and the 10-year yield fell 31 basis points to 3.16%. Lower duration risk should provide some protection in the event interest rates rise. Passive equity exposure, the majority of which is allocated to the domestic small cap index, held back portfolio performance as small cap stocks underperformed large cap stocks.

**Money Market** 8% 0.01% 0.03% 0.06% 0.17% - - - 0.17% Jun 30, 2010

Benchmark 0.60% 0.01% 0.02% 0.06% 0.14% 0.14%

Variance 0.00% 0.01% 0.00% 0.03% 0.00% 0.00% 0.00% 0.03%

Rates remain heavily anchored at the short end of the curve; short-term Treasury yields for the quarter were relatively flat, with the 3-month yield decreasing 8 basis points and the 6-month yield falling 7 basis point. Cash vehicles, such as money market funds, continue to produce measly returns

• The following preliminary returns are net of fees for periods ending June 30, 2011. The returns have not been verified and are subject to change.