

Newtown Pension Committee

September 20, 2011

- **FY 2011 Portfolio Review: John Vaccaro, Rudy Polanski, Joe Tatusko**
- **Update from June 30, 2011 to September 15, 2011**
- **Rudy Polanski – GTAA Long Term Equity Performance**
- **Ted Strathdee – Introduction of New Portfolio Manager for GTAA**
- **August 19, 2011 Notification**
- **Investment Policy Statement Update**

FY 2011 Portfolio Review

	Consolidated	OPEB Trust
Beginning Value	\$24,708,381.79	\$170,034.88
Contributions	\$1,568,273.12	\$150,000.00
Withdrawals	\$(1,389,215.89)	\$(0.00)
Unrealized Gain (Loss)	\$726,966.15	\$9,666.49
Realized Gain (Loss)	\$2,385,332.12	\$16,211.28
Dividend Income	\$289,973.41	\$2,090.12
Interest Income	\$548,370.96	\$9,050.27
Management Fees	\$(145,080.03)	\$(1,590.89)
Other Expenses	\$(280.00)	\$0.00
Change in Accrued	\$(31,794.20)	\$(809.94)
Ending Value	\$28,660,927.43	\$354,662.21
Investment Gain	\$3,773,488.41	\$34,627.33

FY 2011 Portfolio Review

	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY12	FY 2011	5 Year*
Internal Rate of Return (net)	6.13	4.94	4.39	-1.26	14.88	5.15
Time Weighted (net)	6.13	4.94	4.39	-1.27	14.81	5.14
Benchmark	8.55	5.32	3.35	1.24	20.01	4.30
Difference	-2.39	-0.38	1.04	-2.51	-5.20	0.84

* Annualized returns

GTAA Equity Overview FY 2011

- Portfolio up by +21.38% vs benchmark + 30.76%
- Under performance primarily in Q1 and Q4.
- Fear of a European Financial Collapse has influenced the level of risk-taking and choice of investments throughout FY 2011
- Q1. + 8.80% vs + 12.61% Portfolio over-weighted in lower risk (lower Beta) sectors (Utilities, MLP's, High Yield and Cash)
- Q4 - 3.00% vs + 0.53% Slow to eliminate poor performing sectors (Energy, Industrials, Tech) Also, a sector which should have helped (Gold Miners) was down -13% while gold bullion was up +4.4%.

Fiscal Year 2012

- For Q1 2012, the portfolio is out-performing the benchmark through 9/15/2011.
- Portfolio is down -8.95% vs. benchmark of -10.03%
- Portfolio defensively positioned and over-weighted in Utilities, Consumer Staples, and Cash.

Fixed Income Overview FY 2011

- 5.21% net return on the fixed income portfolio for fiscal year 2011 versus 3.90% for the Barclay's Aggregate Bond Index.
- Average Moody's rating on portfolio is A3 and average duration is 4.59 years
- Average yield to maturity is 3.28%, which compares to 1.90% for the Barclay's Aggregate.
- The Newtown portfolio is over weighted in investment grade corporate bonds relative to the Barclay's Index, which is more heavily weighted in Treasuries. This is intended to generate more yield and greater current income. Treasuries currently earning negative real returns (i.e. inflation rate is greater than nominal yields), something we very much want to avoid.
- Recent activity: Swapped low yield (1% avg.) 2012 - 2013 maturity bonds for longer dated bonds that provide an approx. 4% average yield.
- Outlook: U.S. interest rates could remain unusually low through 2012, and perhaps well beyond. Very difficult environment to generate real returns on investment grade bonds. Will maintain an intermediate term average duration in anticipation of eventual higher interest rates, we remain wary of interest rate risk. Opportunistically focusing any new purchases on bonds that appear favorably mis-priced and offer greater relative value.