

## Benchmark Returns for the Period Ended June 30, 2011

	Annualized				Since 1/1/73
	Quarter	1 Year	5 Year	10 Year	
US Treasury Bills	0.04%	0.16%	2.00%	2.13%	5.96%
Barclays Capital US Gov't/Credit Inter Bond	2.12%	3.77%	6.08%	5.35%	7.79%
Standard & Poor's 500	0.10%	30.69%	2.94%	2.72%	9.85%
Russell 1000 Value (large cap value)	-0.50%	28.94%	1.15%	3.98%	N/A
Russell 2000 (small cap)	-1.61%	37.41%	4.08%	6.27%	N/A
Morgan Stanley Europe, Australia and Far East (EAFE)	1.83%	30.93%	1.96%	6.12%	9.60%
Wilshire REIT	3.88%	35.57%	1.77%	10.59%	N/A

Source for returns: Dimensional Fund Advisors and Morningstar™ as of 6/30/11.

### Quarterly Commentary

The equity markets saw little change in the second quarter of 2011, as domestic concerns over persistently high unemployment, slowing economic growth and a double dip in residential housing somewhat suppressed demand for equities. Internationally, the fear of a possible Greek debt default took center stage. The Standard & Poor's 500 was flat in the second quarter, and remained in positive territory on a year-to-date basis. Although bad news seems to have monopolized attention, S&P 500 corporations delivered outstanding first-quarter earnings of \$23.50 per share, representing healthy double digit growth over the year-ago quarter. The S&P 500 is now on track to earn \$98 per share this year. Accordingly, the index is trading at roughly 13.5 times earnings, below the historical average of 15.

Relative gains in international stocks could not outweigh the relative weakness in domestic small cap and value securities. Over the previous twelve months, the S&P 500 had advanced 32.8%. Fixed income returns were healthy in the second quarter, as fears of a slowing economy pushed the yield on the Ten-Year Treasury note down from 3.4% to 3.2% by the end of the quarter. The QE2 stimulus measure ended on June 30, and now the Treasury must find a buyer other than the Federal Reserve for its debt. Although this may push up yields, that remains to be seen.

On the economic front, GDP decelerated in the second quarter of 2011 posting annualized economic growth of 1.9%, relative to 3.1% growth in the first quarter. The employment picture remains cautious as unemployment remains persistently high at 9.1%. Private sector hiring is struggling to offset the weakness in the public sector, which continues to shed jobs as a result of budgetary concerns. US nonfarm productivity advanced by a sustainable 1.8%, while the Consumer Price Index advanced 0.2% in May and rose 3.6% over the previous twelve months.

By the time you read this commentary, America will have celebrated its 235th birthday. Recently a political activist unintentionally maligned one of Boston's favorite sons, Paul Revere, not knowing whether his ride was to warn the British or to warn the American Minutemen. Fear not Bean Town, for you still have the 2011 Stanley Cup world champion Bruins in hockey, or is that baseball? Nonetheless, the reasons that a country's citizens will risk life and limb to fight for a better future may vary, but the underlying desire for basic human rights and dignity are likely at the core of the revolt. The same type of upheaval is now taking place across many countries in Northern Africa and the Arabian Peninsula.

While it is too early to determine how these events will unfold, the current struggles for change are hopefully not a temporary movement but more of a long-term ideological shift brought upon by less extremism and more tolerance exhibited by younger generations. Sir Francis Bacon said, "Things alter for the worse spontaneously, if they are not altered for the better designedly." If this is true, then change, "political or economic", should be embraced and not feared. Happy Birthday America and long live change!

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