



# Investment Committee Report

*Richard Abramson, Chairman*

*Rod Hennek*

*William Jennings, PHD*

*Lou Kingsland*



# Agenda

---

- Resumes of Committee Members
- Performance Review
- Investment Guidelines including:
  - Asset Allocation
  - Spending Policy

# Investment Committee Members

---

- Richard Abramson, Class of '68, MBA, CFA
  - 30 years with Bernstein Global Wealth Management
  - Grew the firm from \$60 million under management to \$500 billion today
  - Member of 10 investment charity committees with assets of \$6 billion under management

## Investment Committee Members

---

- Roderick E. Hennek, Class of '75, MBA
  - 23 years with Morgan Keegan
  - Chairman of the Investment Management Consulting Group's Advisory Council
  - Sits on the Fifth Congressional District of Georgia U.S. Service Academy Selection Board

## Investment Committee Members

---

- William W. Jennings, PhD, CFA, CPA
  - Professor of Finance and Investments - U.S. Air Force Academy, overseeing instruction to over 1,800 cadets per year
  - Member of various investment committees with assets over \$20 billion in pension and endowment funds
  - Co-author of *Integrating Investments and the Tax Code*

# Investment Committee Members

---

- Louis Kingsland, Class of '59, M.S., Engineering
  - Chairman Investment Policy Committee, Strategic Investment Solutions, Inc. (a money management consulting firm)
  - Investment Management Consultant with Wilshire Associates, Callan Associates with expertise in asset allocation, investment style evaluation, manager structure analysis and performance attribution.
  - Executive VP Mellon Capital Markets in charge of investment technology.
  - Deputy Mission Director of NASA's Viking Mars Lander



# Investments: Dollar Summary

Balance	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Since Inception
Beginning Value*	18,952,000	20,441,123	23,159,847	29,595,119	33,878,973	31,392,472	18,952,000
Money Added/(Withdrawn)	19,585	524,912	3,335,376	(947,414)	(780,998)	0	2,151,461
Gain/Loss	1,469,538	2,193,812	3,099,896	5,231,268	(1,705,503)	(8,925,868)	1,363,143
Ending Value	20,441,123	23,159,847	29,595,119	33,878,973	31,392,472	22,466,604	22,466,604
<b>Dollar Gain (Loss)</b>							
Real Estate/REITs	205,651	653,801	440,590	420,757	(174,265)	(1,219,912)	326,622
US Stocks	686,633	788,641	895,533	1,371,749	(999,535)	(2,003,267)	739,754
International Stocks	380,776	409,622	1,162,265	1,906,779	(823,786)	(2,088,310)	947,346
Bonds	64,103	142,363	59,263	413,782	349,559	917,361	1,946,431
Alternatives	131,154	197,752	537,493	1,116,810	(57,640)	(4,528,701)	(2,603,132)
Cash	1,221	1,633	4,752	1,391	164	(3,039)	6,122
Total Fund	1,469,538	2,193,812	3,099,896	5,231,268	(1,705,503)	(8,925,868)	1,363,143

# Total Assets Including Cash Held for Operations, Library and Superintendent

---



Operating Cash	\$1,374,331
Friends of the Library	\$1,094,081
<u>Superintendent Funds</u>	<u>\$2,210,809</u>
Total	\$4,679,221



# Investments: Performance

	<b>Annualized Return</b>	<b>Benchmark</b>
FY 2009		
Trailing 1 yr	<b>(24.7) %</b>	<b>(19.1) %</b>
Trailing 3 yr	<b>(5.7)%</b>	<b>(3.7)%</b>
Trailing 5 yr	<b>0.8 %</b>	<b>1.5 %</b>

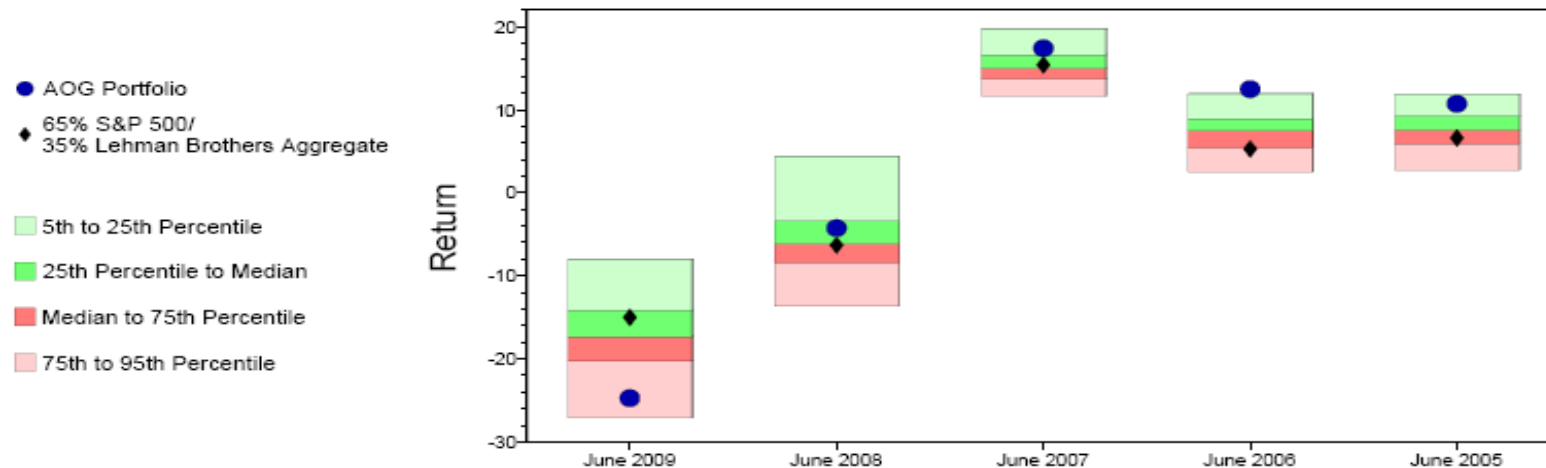
	<b>Annual Return</b>	<b>Benchmark</b>
FY 2009	<b>(24.7) %</b>	<b>(19.1) %</b>
FY 2008	<b>(4.5) %</b>	<b>(5.9) %</b>
FY 2007	<b>16.5 %</b>	<b>17.3 %</b>
FY 2006	<b>12.6 %</b>	<b>9.9 %</b>
FY 2005	<b>10.6 %</b>	<b>9.9 %</b>
Nov 2003 – Jun 2009	<b>2.1 %</b>	<b>2.7 %</b>

## Returns

Zephyr StyleADVISOR: Morgan Keegan & Company

### Fiscal Year (ending June) Return

Morningstar Moderate Allocation



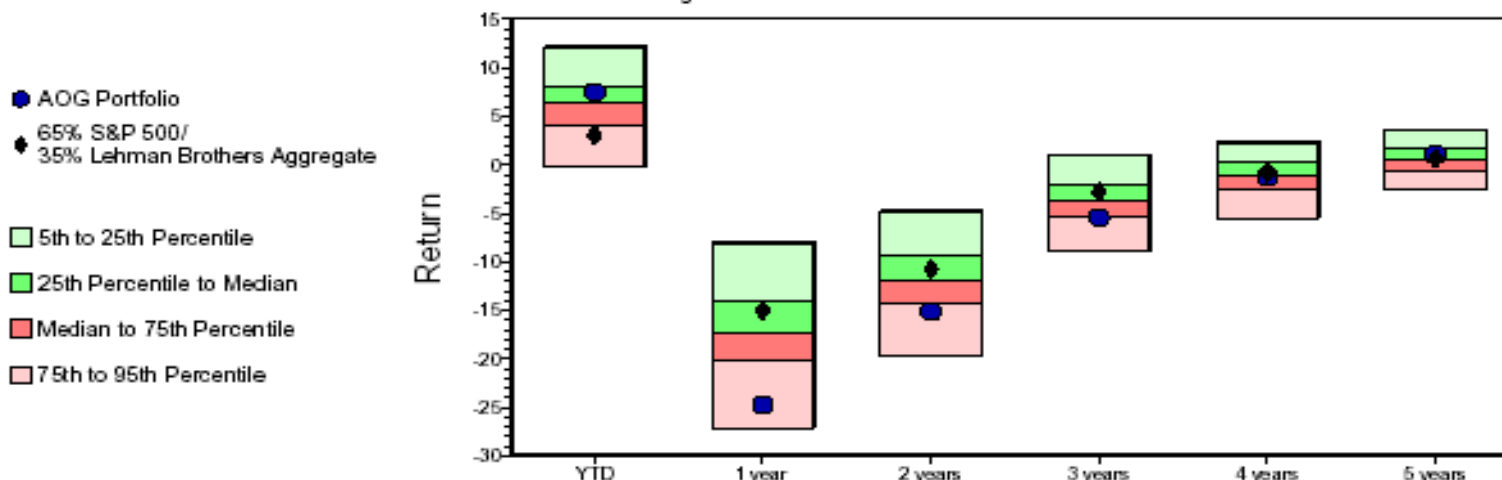
	Jun 2009	Jun 2008	Jun 2007	Jun 2006	Jun 2005
	300 mng	280 mng	258 mng	244 mng	226 mng
5th Percentile	-8.05%	4.31%	19.72%	11.88%	11.83%
25th Percentile	-14.15%	-3.38%	16.58%	8.91%	9.25%
Median	-17.34%	-6.13%	15.01%	7.48%	7.57%
75th Percentile	-20.27%	-8.43%	13.71%	5.41%	5.94%
95th Percentile	-27.12%	-13.67%	11.61%	2.51%	2.74%
AOG Portfolio	-24.74%	-4.26%	17.41%	12.48%	10.71%
65% S&P 500/ 35% Lehman Brothers Aggregate	-15.02%	-6.31%	15.41%	5.28%	6.60%

## Returns

Zephyr StyleADVISOR: Morgan Keegan & Company

# Annualized Return through June 2009

Morningstar Moderate Allocation



	YTD	1 year	2 years	3 years	4 years	5 years
	300 mng	300 mng	279 mng	257 mng	243 mng	225 mng
5th Percentile	12.13%	-8.05%	-4.80%	0.89%	2.28%	3.55%
25th Percentile	8.05%	-14.15%	-9.43%	-2.05%	0.25%	1.70%
Median	6.42%	-17.34%	-11.81%	-3.69%	-1.00%	0.58%
75th Percentile	4.15%	-20.27%	-14.22%	-5.25%	-2.41%	-0.62%
95th Percentile	-0.10%	-27.12%	-19.61%	-8.99%	-5.49%	-2.44%
AOG Portfolio	7.48%	-24.74%	-15.12%	-5.42%	-1.24%	1.05%
65% S&P 500/ 35% Lehman Brothers Aggregate	3.08%	-15.02%	-10.77%	-2.78%	-0.83%	0.62%



# Investments: Asset Allocation

	<b>Jun-09</b>	<b>Dec-08</b>	<b>Policy</b>	<b>Maximum</b>	<b>Actual</b>
<b>Real Estate</b>	<b>5.6%</b>	<b>6.6%</b>	<b>5.0%</b>	<b>15%</b>	<b>0.6%</b>
<b>US Stocks</b>	<b>23.0%</b>	<b>21.4%</b>	<b>33.0%</b>	<b>60%</b>	<b>-10.0%</b>
<b>Int'l Stocks</b>	<b>24.0%</b>	<b>21.6%</b>	<b>32.0%</b>	<b>50%</b>	<b>-8.0%</b>
<b>Bonds</b>	<b>23.9%</b>	<b>23.1%</b>	<b>20.0%</b>	<b>30%</b>	<b>3.9%</b>
<b>Alternatives</b>	<b>20.6%</b>	<b>24.3%</b>	<b>10.0%</b>	<b>20%</b>	<b>10.6%</b>
<b>Cash &amp; Equivalents</b>	<b>2.9%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>10%</b>	<b>2.9%</b>

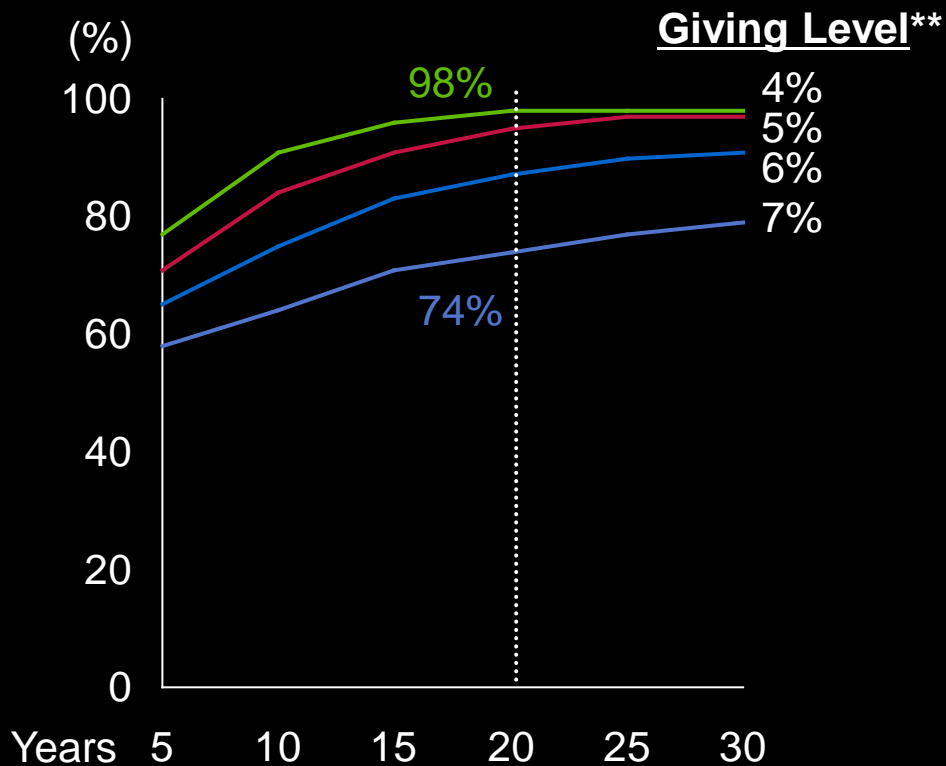
Includes Hudson investment at redemption value, which may be subject to clawback; includes Caxton which is in liquidation.



# What Level of Giving Is Sustainable?

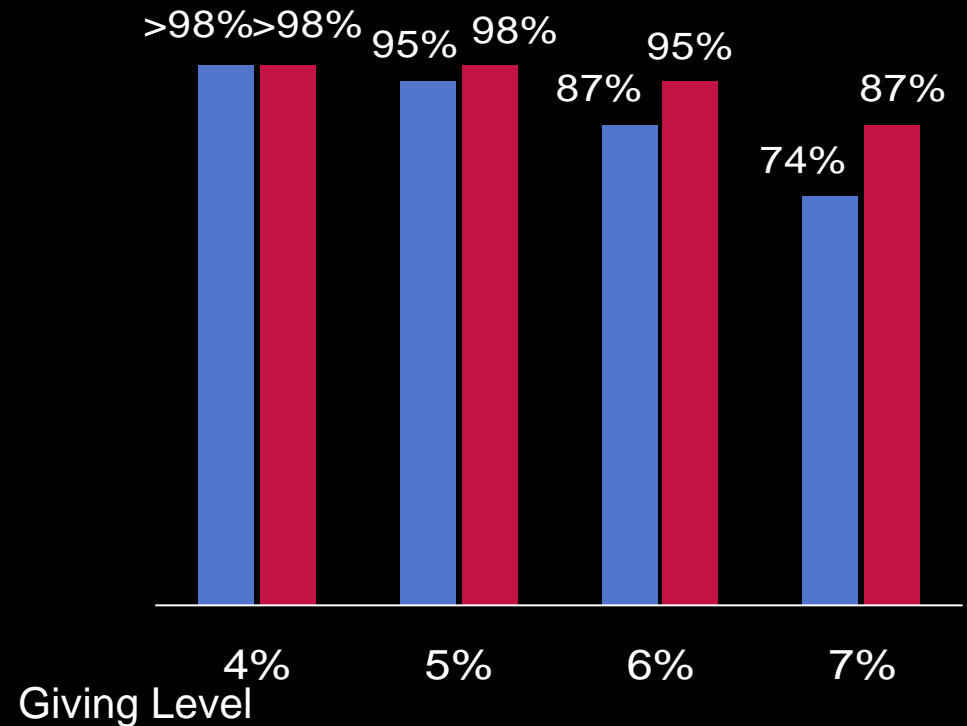
## Probability of Maintaining Original Value

60% Stocks / 40% Bonds\*



## Year 20

Market Return\*  
1% Premium to the Market



\*Represents globally diversified balanced portfolio: 21% US growth stocks, 21% US value stocks, 15% developed international stocks, 3% emerging markets stocks, 40% intermediate taxable bonds

\*\*Giving level is calculated as a percentage of annual assets. Based on AllianceBernstein's estimates of the range of returns for the applicable capital markets over the next 30 years.



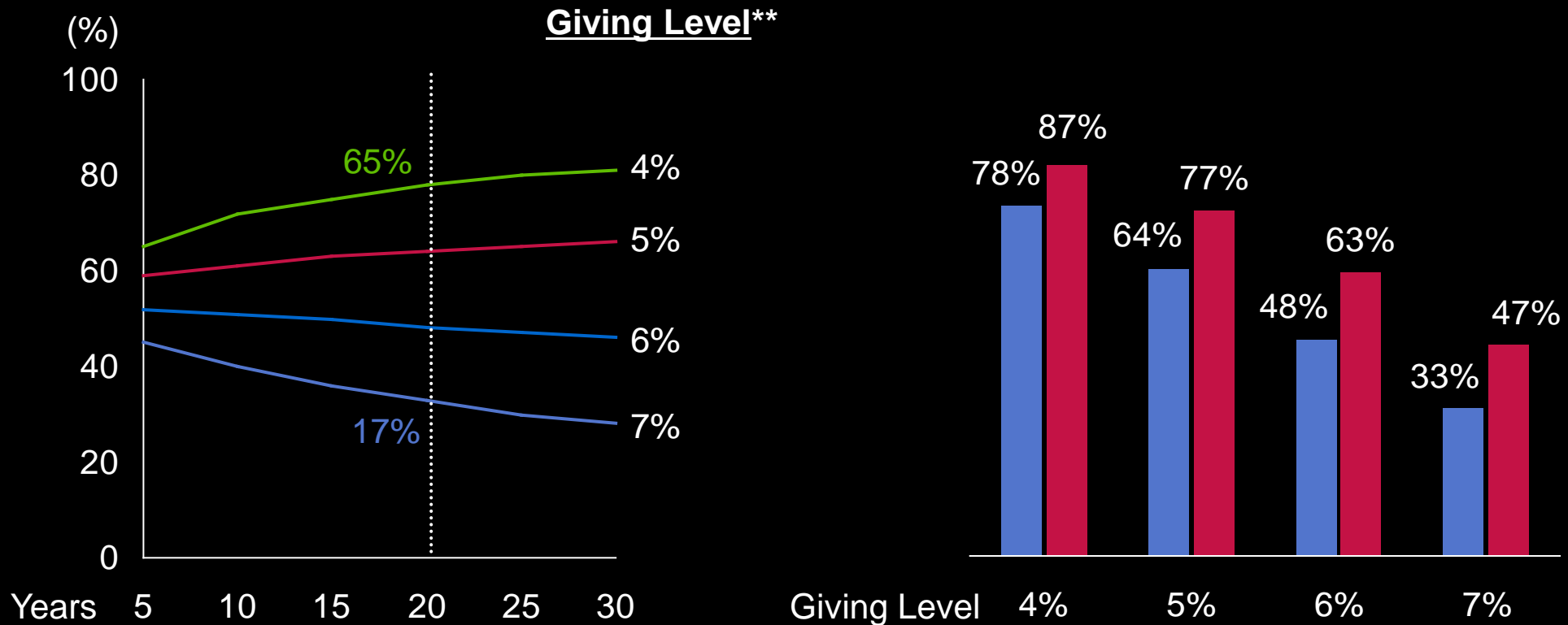
# What Level of Giving Is Sustainable?

## Probability of Keeping Up with Inflation

60% Stocks / 40% Bonds\*

## Year 20

Market Return\*  
1% Premium to the Market



\*Represents globally diversified balanced portfolio: 21% US growth stocks, 21% US value stocks, 15% developed international stocks, 3% emerging markets stocks, 40% intermediate taxable bonds

\*\*Giving level is calculated as a percentage of annual assets. Based on AllianceBernstein's estimates of the range of returns for the applicable capital markets over the next 30 years.



# Performance During Down Stock Market Years

1951–2008

	30% Stocks/ 70% Bonds	40/60	50/50	60/40	70/30	100% Stocks
1953	2.3%	1.9%	1.4%	0.9%	0.5%	(1.0)%
1957	1.9	0.1	(1.8)	(3.6)	(5.4)	<b>(10.8)</b>
1962	1.5	0.1	(1.4)	(2.8)	(4.3)	(8.7)
1966	(0.6)	(1.0)	(2.5)	(4.1)	(5.6)	<b>(10.1)</b>
1969	(3.3)	(4.1)	(4.9)	(5.6)	(6.4)	(8.8)
1973	(1.6)	(3.5)	(5.4)	(7.3)	(9.1)	<b>(14.7)</b>
1974	(4.5)	(7.8)	<b>(11.1)</b>	<b>(14.3)</b>	<b>(17.4)</b>	<b>(26.5)</b>
1977	(0.1)	(1.1)	(2.1)	(3.1)	(4.1)	(7.2)
1981	2.9	1.8	0.7	(0.5)	(1.6)	(4.9)
1990	5.4	4.2	3.0	1.8	0.6	(3.1)
2000	5.3	3.2	1.1	(1.0)	(3.0)	(9.1)
2001	2.4	0.4	(1.7)	(3.7)	(5.8)	<b>(11.9)</b>
2002	0.0	(3.3)	(6.6)	(9.8)	<b>(13.0)</b>	<b>(22.1)</b>
2008	(9.2)	<b>(13.7)</b>	<b>(17.9)</b>	<b>(22.1)</b>	<b>(26.0)</b>	<b>(37.0)</b>
1951–2008*	7.7	8.1	8.6	9.0	9.4	10.5
<b>Growth of</b>						
<b>\$100,000</b>	<b>\$7.3 Mil.</b>	<b>\$9.4 Mil.</b>	<b>\$11.9 Mil.</b>	<b>\$14.8Mil.</b>	<b>\$18.3 Mil.</b>	<b>\$32.1 Mil.</b>

\*Compound annualized return

US stocks are represented by Ibbotson through 1974 and the S&P 500 thereafter; bonds are represented by US long-term government bonds from 1926 to January 1962, US five-year Treasuries from February 1962 to 1975 and Barclays Capital US Aggregate Index 1976 and thereafter.

Source: Barclays Capital, Compustat; Roger G. Ibbotson and Rex A. Sinquefeld, "Stocks, Bonds, Bills, and Inflation: Year-by-Year Historical Returns," University of Chicago Press *Journal of Business* (January 1976); Standard & Poor's; and AllianceBernstein

# The Severity of Deep Bear Markets: Peak to Trough

	100% Bonds	30/70	40/60	50/50	60/40	70/30	100% Stocks
Dec 1968–Jun 1970	2.2%	(8.1)%	(11.4)%	(14.6)%	(17.6)%	(20.6)%	(29.1)%
Jan 1973–Sep 1974	4.3	(12.2)	(17.3)	(22.0)	(26.6)	(30.9)	(42.6)
Sep 1987–Nov 1987	2.2	(7.9)	(11.1)	(14.3)	(17.5)	(20.6)	(29.6)
Apr 2000–Mar 2003	31.4	4.7	(3.1)	(10.5)	(17.4)	(23.9)	(40.9)
Nov 2007–Feb 2009	6.1	(15.1)	(21.3)	(27.1)	(32.5)	(37.6)	(51.0)

**Past performance does not guarantee future results.**

US stocks are represented by Ibbotson through 1974 and the S&P 500 thereafter; bonds are represented by US long-term government bonds from 1926 to January 1962, US five-year Treasuries from February 1962 to 1975 and US Barclays Capital Index 1976 and thereafter.

Source: Barclays Capital; Compustat; Roger G. Ibbotson and Rex A. Sinquefeld, "Stocks, Bonds, Bills, and Inflation: Year-by-Year Historical Returns," University of Chicago Press *Journal of Business* (January 1976); Standard & Poor's and AllianceBernstein

The Historic Perspective

The following chart shows the history of the Funds' returns, since inception, compared to ten other indices. All returns are inclusive of dividends with the exception of the Wilshire 5000. The chart shows the total return, compound annual rate of return, standard deviation as a measure of risk and the growth of \$1.

YEAR	Barclays												
	Debt A	HFRI FoF	3 Mo T-Bill	High Yield	S&P 500	Nasdaq	Dow	Wilshire	FTSE	DAX	CAC	Nikkei	Hang Seng
1997	14.11%	16.20%	5.25%	12.77%	33.36%	21.64%	24.91%	31.29%	24.69%	46.24%	29.50%	-21.19%	-20.29%
1998	14.59%	-5.11%	5.06%	1.87%	28.58%	39.63%	18.14%	23.43%	14.55%	18.42%	31.47%	-9.29%	-6.29%
1999	13.81%	26.47%	4.74%	2.39%	21.04%	85.59%	27.21%	23.56%	17.81%	39.10%	51.12%	36.79%	68.80%
2000	11.20%	4.07%	5.96%	-5.86%	-9.11%	-39.29%	-4.84%	-10.89%	-10.21%	-7.54%	-0.54%	-27.19%	-11.00%
2001	10.03%	2.80%	4.09%	5.28%	-11.88%	-21.05%	-5.43%	-10.96%	-16.15%	-19.79%	-21.97%	-23.52%	-24.50%
2002	5.37%	1.02%	1.70%	-1.36%	-22.10%	-31.53%	-15.00%	-20.86%	-24.48%	-43.94%	-33.75%	-18.63%	-18.21%
2003	16.47%	11.61%	1.07%	28.96%	28.68%	50.01%	28.26%	31.65%	13.62%	37.08%	16.12%	24.45%	34.92%
2004	11.34%	6.86%	1.24%	11.14%	10.88%	8.59%	5.32%	12.62%	7.54%	7.34%	7.40%	7.81%	13.15%
2005	7.26%	7.49%	3.00%	2.74%	4.91%	1.37%	1.74%	6.32%	16.71%	27.07%	23.40%	40.24%	4.54%
2006	10.84%	10.39%	4.76%	11.87%	15.79%	9.52%	19.06%	15.87%	10.71%	21.98%	17.53%	6.92%	34.20%
2007	5.93%	10.25%	4.74%	1.88%	5.49%	9.81%	8.87%	5.74%	3.80%	22.29%	1.31%	-11.13%	39.31%
2008	-28.93%	-20.68%	1.80%	-26.15%	-37.00%	-40.54%	-31.93%	-37.34%	-31.33%	-40.37%	-42.66%	-42.12%	-48.27%
June 2009	9.23%	5.25%	0.09%	30.43%	3.16%	16.36%	-2.01%	4.99%	-4.17%	-0.03%	-2.41%	12.40%	27.74%
Total Return	143.24%	96.31%	53.07%	85.89%	53.88%	42.14%	70.63%	59.75%	3.18%	66.51%	35.60%	-48.56%	36.62%
Compound Annual Return	7.37%	5.47%	3.46%	5.08%	3.51%	2.85%	4.36%	3.82%	0.25%	4.16%	2.47%	-5.18%	2.53%
Standard Deviation	5.40%	6.62%	0.52%	10.32%	16.59%	27.80%	16.30%	16.98%	14.92%	24.53%	20.50%	20.16%	26.29%
Growth of \$1	\$ 2.43	\$ 1.96	\$ 1.53	\$ 1.86	\$ 1.54	\$ 1.42	\$ 1.71	\$ 1.60	\$ 1.03	\$ 1.67	\$ 1.36	\$ 0.51	\$ 1.37