

# Land Administration

## Investment Portfolio Quarterly Performance

*As of June 30, 2012*

*GDB Asset Management*

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## MARKET COMMENTARY

Global equities retreated in the second quarter of 2012 as fears surrounding European sovereign debt once again took center stage. Growing concerns that Greece may exit the eurozone and the specter of a banking crisis in Spain underpinned a rise in risk aversion among investors. Contributing to the risk off tone in the markets was fading momentum in global economic data, including lackluster US jobs reports and evidence of slowing growth in China. Some relief was granted in late June after the EU summit provided a measure of clarity on support for troubled banks in Spain and elsewhere in the region, although significant challenges remain. In addition, Greek parliamentary elections put in place a coalition government that is more likely to support the existing bailout agreement, alleviating investors' fears of an imminent euro breakup. Emerging markets (-5.1%) trailed their developed market (-4.0%) counterparts for the seventh consecutive quarter. US equities (-2.8%) outperformed non-US stocks (-5.1%) for the eighth quarter in a row.

In stark contrast to the opening months of 2012, anxiety over Europe's worsening debt crisis and deteriorating global growth led to a broad sell off in risk assets across fixed income markets during the second quarter. Credit spreads widened, while yields of sovereigns, which are perceived as safe havens, touched new lows. Uncertainty about the outlook for the euro area, a crisis of confidence in Spanish banks, and a host of sovereign and corporate debt downgrades undermined investors' sentiment. Currency markets also responded to intensifying sovereign turmoil in the euro area. The US dollar and Japanese yen, regarded as less risky, rallied versus most other currencies.

After bolting higher in the first quarter, US equities (-2.8%) pulled back in the second quarter. For the first half of the year, US stocks rose 9.5%. Three consecutive months of weaker than expected employment data contributed to concerns that the economic expansion is cooling and to a general increase in risk aversion among investors. Early in the quarter, equities fell modestly as disappointing employment and GDP data outweighed continued strength in corporate earnings. Stocks plunged in May as investors focused on a deteriorating political environment in Europe and the possibility of Greece exiting the eurozone. The unexpected multibillion-dollar trading loss announced by JPMorgan Chase added to investors' pessimism. First-quarter GDP climbed 1.9%, below a 2.2% prior estimate, reflecting smaller gains in inventories and bigger government cutbacks. US markets rebounded in June amid favorable policy developments in Europe. The housing market demonstrated some encouraging signs of stabilization aided by record-low mortgage rates. Monetary policy remained supportive; the Federal Reserve Bank voted to extend Operation Twist in order to keep downward pressure on longer-term interest rates.

Overall, the results for the quarter showed the resurgence of uncertainty in the markets. As corporate results and the general economy continue to exhibit slowing growth or outright decline, expectations are taking a similar hit and investors are seeking more safety and less risk. For the U.S. economy appears to be on track for continued growth, although at a slower rate than in the first quarter. The slowing rate has introduced additional uncertainty about future gains, and this may have contributed to the loss of investors' risk appetite.

## *INVESTMENT OBJECTIVES*

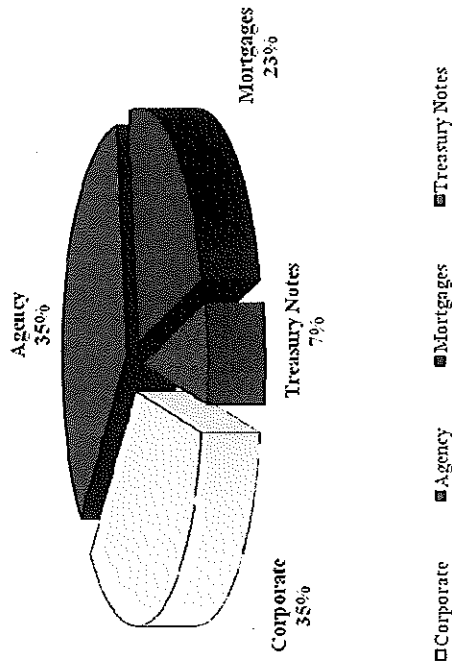
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- Maximize total return on investment portfolio while minimizing risk through asset class and security diversification.
- Average duration of portfolio will range between three and five years.
- Credit quality AA or higher.
- Only securities allowable by Investment Policies and Guidelines.

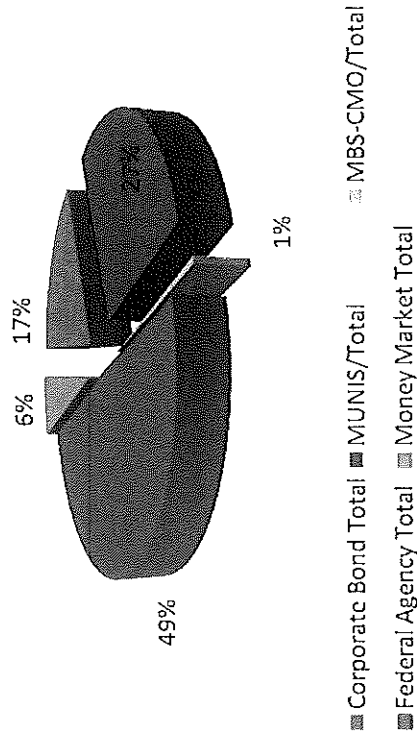
# PORTFOLIO ASSET ALLOCATION

As of June 30, 2012

Target Policy Mix



Actual Mix



Corporate

Agency

Mortgages

Treasury Notes

Corporate Bond Total

MUNIS/Total

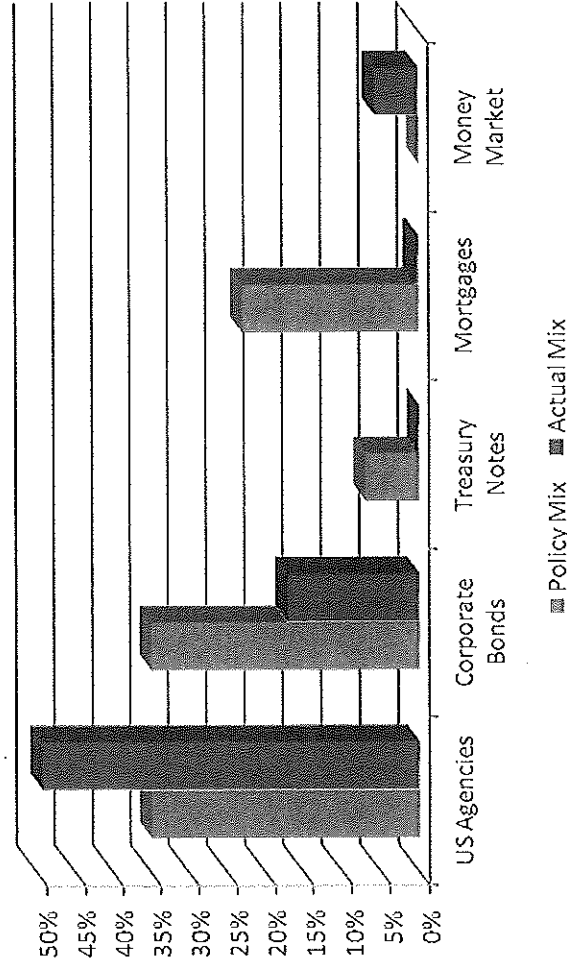
MBS-CMO/Total

Federal Agency Total

Money Market Total

# PORTFOLIO ASSET ALLOCATION

As of June 30, 2012



- US Agency Securities- A debt security issued by a US agency.
- Corporate Bonds- A debt security issued by a corporation.
- Treasury Notes- Intermediate maturity U.S. Government debt securities, coming due in not less than two years nor more than 10 years at time of issue.
- Mortgage-Backed Securities- A bond backed by mortgages on property, frequently issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, Payments to investors are made from interest and principal payments from the underlying mortgages.

**PORTFOLIO HOLDINGS BY ASSET TYPE\***

As of June 30, 2012

Mortgages		
FNMA 7.00 8/01/15	\$	60,729.81
	\$	60,729.81
Federal Agency		
FNMA 1% 9/21/15	\$	1,004,057.78
FHFB Note Debenture 12/27/13	\$	2,016,054.44
FFCB 1.125 2/27/14	\$	3,050,235.00
	\$	6,070,347.22
Corporate Bonds		
Walmart 3.20 05/15/14	\$	1,053,728.89
Sherwin-Williams 3.125 12/15/14	\$	1,050,938.89
	\$	2,104,667.78
Municipalities		
Arizona St Wtr .8710 10/1/15	\$	1,111,206.98
Wayne CNTY MI 3% 9/15/13	\$	1,012,690.00
NY ST URBAN DEV 2.482 12/15/13	\$	1,236,243.73
	\$	3,360,140.71
Money Market		
Project Globe & IBA	\$	40,993.90
Time Open	\$	659,597.71
	\$	700,591.61
<b>TOTAL</b>	<b>\$</b>	<b>12,296,477.13</b>

\* All values are composed of market valuation plus accrued income.

# PORTFOLIO VALUATION

As of June 30, 2012

Security Type	Book Value	Market Value	Accrued Income	Unrealized Appreciation/ Depreciation	Unrealized Gain/Loss	% of Portfolio
FNMA 7.00 8/01/15	\$ 56,649.10	\$ 60,398.74	\$ 331.07	\$ 3,975.28	\$ 3,749.64	0.49%
FHLB Note Debenture .8750 12/27/13	\$ 1,997,960.00	\$ 2,015,860.00	\$ 194.44	\$ 16,054.44	\$ 17,900.00	16.40%
FFCB 3YR 1.1250 2/27/14	\$ 2,991,000.00	\$ 3,038,610.00	\$ 11,625.00	\$ 50,235.00	\$ 47,610.00	24.81%
Sherwin Williams Co. 3.125% 12/15/14	\$ 1,007,490.00	\$ 1,049,550.00	\$ 1,388.89	\$ 50,938.89	\$ 42,060.00	8.55%
Walmart Store 3.20% 05/15/14	\$ 999,870.00	\$ 1,049,640.00	\$ 4,088.89	\$ 53,728.89	\$ 49,770.00	8.57%
FNMA 1% 9/21/15	\$ 999,250.00	\$ 1,001,280.00	\$ 2,777.78	\$ 4,057.78	\$ 2,030.00	8.17%
Arizona St Wtr .8710 10/1/15	1,111,000.00	\$ 1,108,173.00	\$ 3,033.98	\$ 11,206.98	\$ (2,827.00)	9.04%
Wayne CNTY MI 3% 9/15/13	1,009,330.00	\$ 1,010,690.00	\$ 2,000.00	\$ 12,690.00	\$ 1,360.00	8.24%
NY ST URBAN DEV 2.482 12/15/13	1,238,868.00	1,234,920.00	\$ 1,323.73	\$ 36,243.73	\$ (3,948.00)	10.05%
Time Open	\$ 659,561.07	\$ 659,561.07	\$ 36.64	\$ -	\$ -	5.36%
IBA, PRGITF	40,987.84	\$ 40,987.84	\$ 6.06	\$ -	\$ -	0.33%

Market Value	\$ 11,569,121.74
Accrued Income	\$ 26,806.48
Money Market	\$ 700,548.91
Total Portfolio	<u>\$ 12,296,477.13</u>



# PORTFOLIO CHARACTERISTICS

As of June 30, 2012

## Statistics

	Land
<b>Maturity</b>	1.87
<b>Duration</b>	1.84
<b>Yield To Maturity</b>	0.72%
<b>Coupon</b>	1.71%

## Yield

<b>Land Administration</b>	<b>0.72%</b>
<b>Treasury Cons Mat 2yr</b>	<b>0.33%</b>

- **Maturity:** The date in which payment of a financial obligation is due.
- **Yield:** The annual return on a bond held to maturity when interest payments and price appreciation or depreciation are considered.
- **Coupon:** The annual interest paid on a debt security.