



RIVERPOINT  
CAPITAL MANAGEMENT  
INVESTMENT ADVISORS

# Girl Scouts of Western Ohio

OCTOBER 12, 2011

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# Investment Policy Statement

**Girl Scouts of Western Ohio**  
*Investment Policy Statement Summary*

**ASSET ALLOCATION**

Investment Class	Target	Range Return	Benchmark
Cash	0%	0-20%	N/A
Fixed Income	35%	25-70%	ML 1-10 Yr Govt/Corp Index
Equities	65%	25-70%	S&P 500 Index, MSCI EAFE

**PROHIBITED INVESTMENTS**

Futures, short-sales, naked puts and calls, trading on margin, IPOs, illiquid investments, non-marketable securities

**EQUITY DIVERSIFICATION**

No sector shall comprise more than 2 times that of benchmark or more than 30% of the equities

**ANY INDIVIDUAL SECURITY**

Limited to 5% of portfolio except U.S. Government

**FIXED INCOME SECURITIES**

Must be rated investment grade or higher, with maturities no longer than 30 years

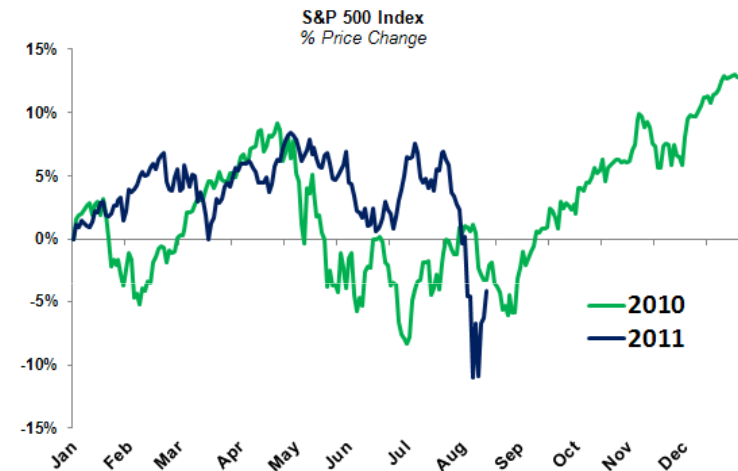
**SOCIAL RESPONSIBILITY**

Avoid investment in companies whose products are restricted by law to adults when the nature of such products represents a temptation and threat to the health of youth

## 2011 Financial Market Review

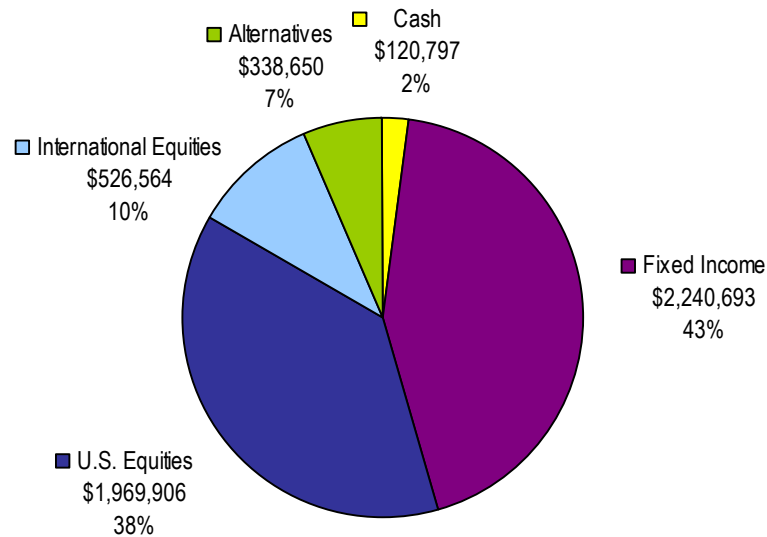
*We Have Seen This Picture Before... And Hopefully It Will End The Same Way*

- In 2010, the stock market got off to a great start in the first quarter only to see the gains wiped out in the second quarter. **2011 has started off in almost identical fashion with a strong first quarter followed by a lousy second quarter.**
- **The summer of 2010 was also volatile and through August, the market was down around 6%** only to see a monster rally in the fourth quarter and finished the year up 15%.
- And, believe it or not, the reasons for the turnabout are the same; the risk of default by the PIIGS (Portugal, Ireland, Italy, Greece and Spain). Good news may be near as European leaders continue to meet to try and put this issue behind them. We will keep you posted on any new developments.
- **Volatility has also escalated as S&P downgraded the U.S. from AAA to AA+.** This was really more a reflection of the lack of confidence in Washington to get anything done than our ability to service our debts. **We have used this volatility to increase the overall income of the portfolio with some solid dividend yielding stocks like Emerson Electric (3% dividend) and Rogers Communication (4% dividend).**
- **We remain optimistic that 2011 could finish in a similar fashion if all goes well.** Our focus will be on a positive resolution to the European debt situation as well as the "Super Commission" recommendation on \$1.5 trillion in spending cuts by November 23<sup>rd</sup>.
- **Stock market valuations meanwhile remain extremely attractive and corporate earnings remain strong.** Bonds only offer nominal returns at these levels and many stocks have higher yields than most bonds.



# Asset Allocation

*Girl Scouts of Western Ohio*  
*As of September 30, 2011*



### Asset Allocation Summary

Cash	\$ 120,797	2%
Fixed Income	2,240,693	43%
U.S. Equities	1,969,906	38%
International Equities	526,564	10%
Alternatives	338,650	7%
<b>TOTAL</b>	<b>\$5,196,610</b>	<b>100%</b>
<b>Estimated Annual Income</b>		<b>\$ 179,212</b>

## Performance Summary

*Girl Scouts of Western Ohio*

*As of September 30, 2011*

	YTD 9/30/11	2010	2009	2008	2007	2006
<b>Total Portfolio</b>	<b>-8.0%</b>	<b>11.4%</b>	<b>22.8%</b>	<b>-29.0%</b>	<b>9.4%</b>	<b>11.4%</b>
<i>Combined Index <sup>(1)</sup></i>	<i>-3.9%</i>	<i>12.2%</i>	<i>18.2%</i>	<i>-23.8%</i>	<i>6.3%</i>	<i>11.6%</i>
<b>Total Equities</b>	<b>-14.8%</b>	<b>13.6%</b>	<b>31.4%</b>	<b>-42.6%</b>	<b>11.7%</b>	<b>13.5%</b>
<i>S&amp;P 500 Index</i>	<i>-8.7%</i>	<i>15.1%</i>	<i>26.5%</i>	<i>-37.0%</i>	<i>5.5%</i>	<i>15.8%</i>
<b>Total Fixed Income</b>	<b>2.1%</b>	<b>8.2%</b>	<b>16.8%</b>	<b>1.5%</b>	<b>5.4%</b>	<b>4.3%</b>
<i>ML 1-10 Yr G/C Bond Index</i>	<i>5.1%</i>	<i>5.5%</i>	<i>2.9%</i>	<i>6.0%</i>	<i>7.8%</i>	<i>4.0%</i>

(1) Combined Index = 65% S&P 500 Index, 35% ML 1-10 Yr G/C Bond Index

## Portfolio Summary

*Girl Scouts of Western Ohio*

*As of September 30, 2011*

	<i>INCOME</i>	<i>FEES</i>	<i>REALIZED GAINS/LOSSES</i>	<i>COST BASIS</i>	<i>MARKET VALUE</i>
<b>2011 YTD</b>	\$117,976	\$ 21,465	\$ 22,942	\$ 5,360,496	\$ 5,196,610
<b>2010</b>	\$162,112	\$ 26,844	\$ 28,323	\$ 5,046,539	\$ 5,668,692
<b>2009</b>	\$ 76,408	\$ 15,303	(\$359,843)	\$ 4,882,920	\$ 5,112,448
<b>2008</b>	\$ 76,987	\$ 19,347	(\$231,923)	\$ 3,033,865	\$ 2,400,563
<b>2007</b>	\$111,689	\$ 20,708	\$ 171,023	\$ 3,208,687	\$ 3,403,054
<b>2006</b>	\$ 86,705	\$ 17,751	\$ 261,722	\$ 2,943,049	\$ 3,122,828

## Top 10 Holdings

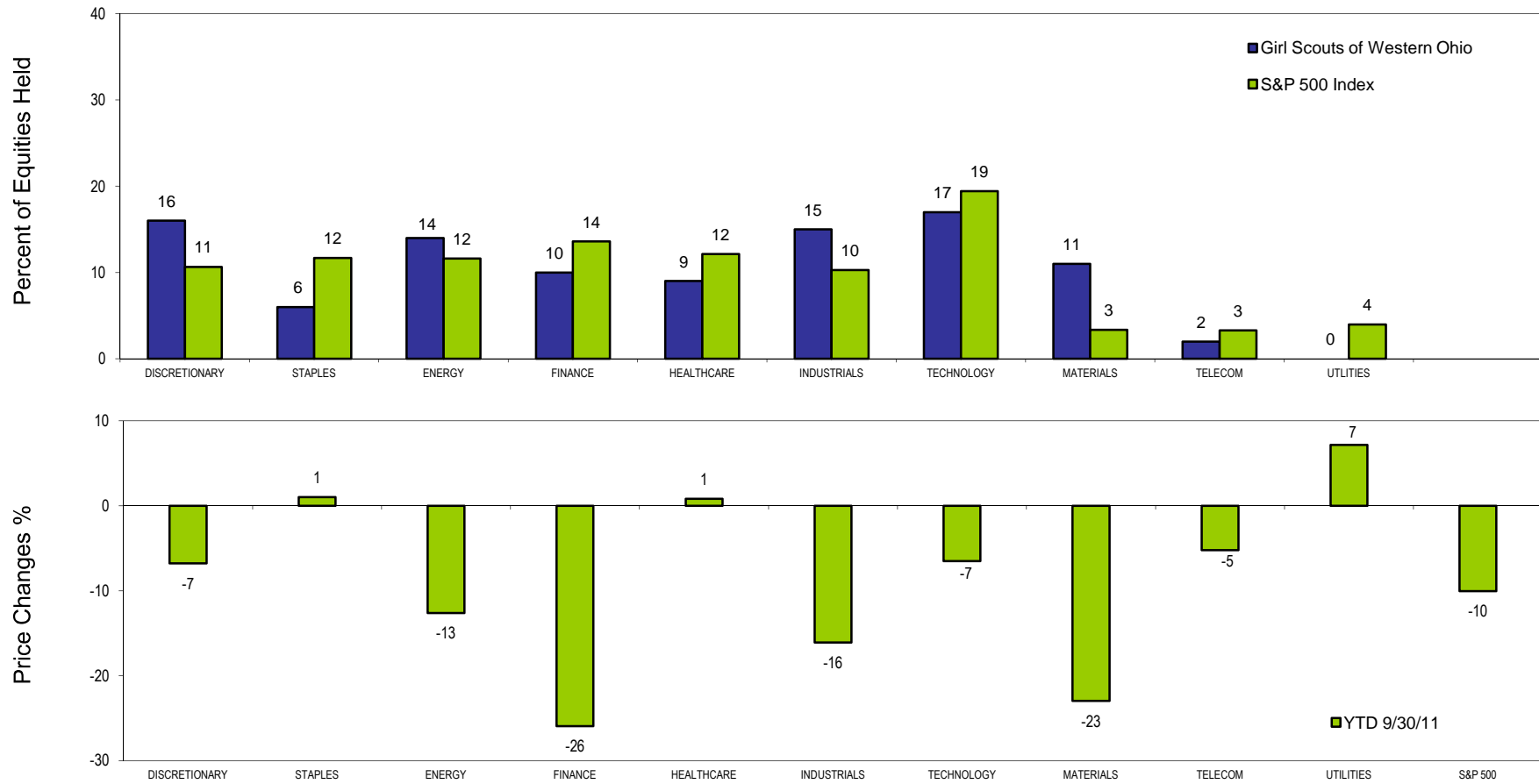
*Girl Scouts of Western Ohio*

*As of September 30, 2011*

<b>Security Name</b>	<b>Industry</b>	<b>Total Cost</b>	<b>Market Value</b>	<b>Percent</b>
O'Reilly Automotive Inc	Discretionary	\$47,546	\$61,633	3.5%
Big Lots Inc	Discretionary	\$55,418	\$59,211	3.4%
Merck & Co Inc	Healthcare	\$61,968	\$58,860	3.4%
Jabil Circuit Inc	Technology	\$64,313	\$58,707	3.4%
Crown Holdings	Materials	\$46,641	\$55,098	3.2%
Abbott Labs	Healthcare	\$54,045	\$54,975	3.2%
Dr Pepper Snapple Group Inc	Staples	\$49,730	\$54,292	3.1%
Broadcom Corp	Technology	\$61,015	\$54,096	3.1%
Procter & Gamble Co	Staples	\$51,397	\$53,703	3.1%
Maxim Integrated Products	Technology	\$48,840	\$53,076	3.0%
<b>TOTAL TOP TEN EQUITIES</b>		<b>\$540,913</b>	<b>\$563,651</b>	<b>32.3%</b>
<b>TOTAL ACCOUNT EQUITIES</b>			<b>\$1,743,625</b>	

# Equity Diversification

As of September 30, 2011

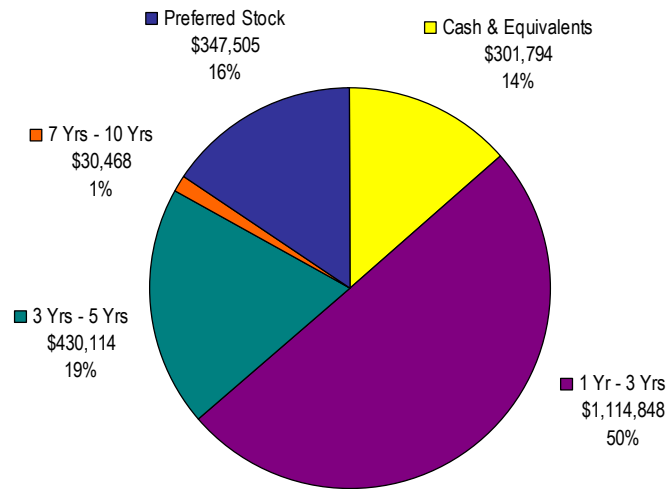




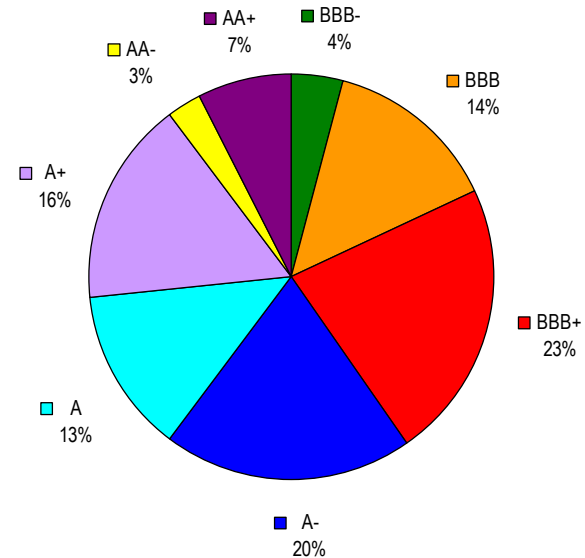
# Bond Review

*Girl Scouts of Western Ohio*  
 As of September 30, 2011

Maturity Distribution



Quality Rating



**Total Fixed Income: \$2,224,729**

## Income Oriented Securities

*Girl Scouts of Western Ohio*

*As of September 30, 2011*

<i>PREFERRED STOCK</i>	<i>CURRENT YIELD</i>	<i>COST</i>	<i>MARKET VALUE</i>	<i>ANNUAL INCOME</i>
BAC Cap Trust II 7.0 Pfd	8.5%	\$ 90,081	\$ 93,015	\$ 7,875
Everest Re Cap II 6.20 Pfd	6.2%	72,233	81,840	5,115
National City Cap IV 8.0 Pfd	7.9%	122,379	140,085	11,000
Wachovia Cap Trust IV 6.375 Pfd	6.4%	28,954	32,565	2,072
<b>TOTAL</b>		<b>\$313,647</b>	<b>\$347,505</b>	<b>\$26,062</b>

<i>ALTERNATIVE INVESTMENTS</i>	<i>CURRENT YIELD</i>	<i>COST</i>	<i>MARKET VALUE</i>	<i>ANNUAL INCOME</i>
Hospitality Properties Trust	8.5%	\$ 95,626	\$ 84,920	\$ 7,200
Kinder Morgan Management LLC	7.8%	113,787	151,525	11,876
Steelpath MLP Select 40 Fund	6.3%	100,000	102,204	6,473
<b>TOTAL</b>		<b>\$309,413</b>	<b>\$338,649</b>	<b>\$25,549</b>

# Economic & Financial Market Outlook

*October 2011*

## **REASONS TO BE POSITIVE**

- Corporate earnings continue to surprise on the upside
- Federal Reserve maintains easy monetary policy
- Stock market valuations remain attractive at 12x earnings
- Stock dividend yields are higher than many bond yields
- Cash levels at the corporate level remain elevated
- Oil has fallen from \$98 to \$85 a barrel resulting in lower prices at the pump

## **CHALLENGES**

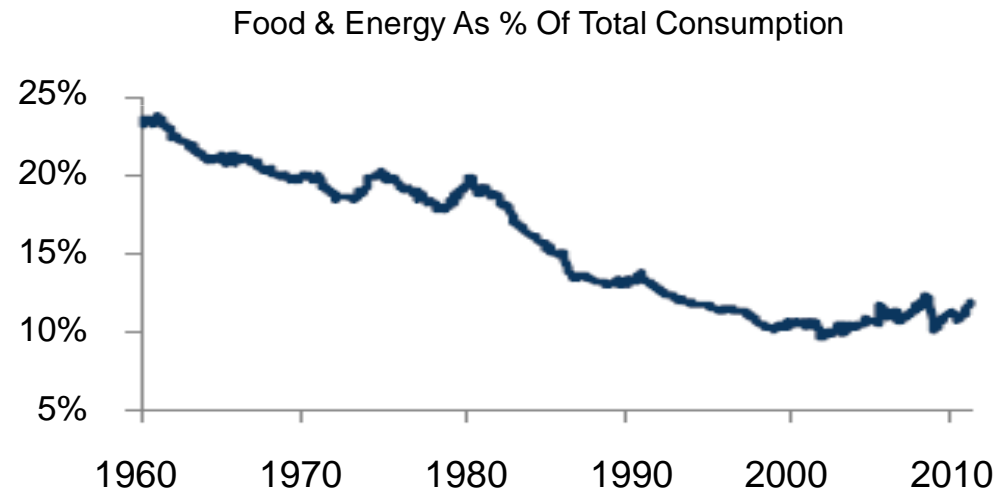
- Europe continues to struggle badly
- Confidence in our political system has reached a new low as reflected in S&P's downgrade from AAA to AA+
- The odds of a recession have increased to 30-35% as the economy appears to be decelerating but still remains positive
- Consumer confidence has hit a new low
- State & local governments struggle to balance their budgets
- Housing remains sluggish

## Financial Markets Outlook

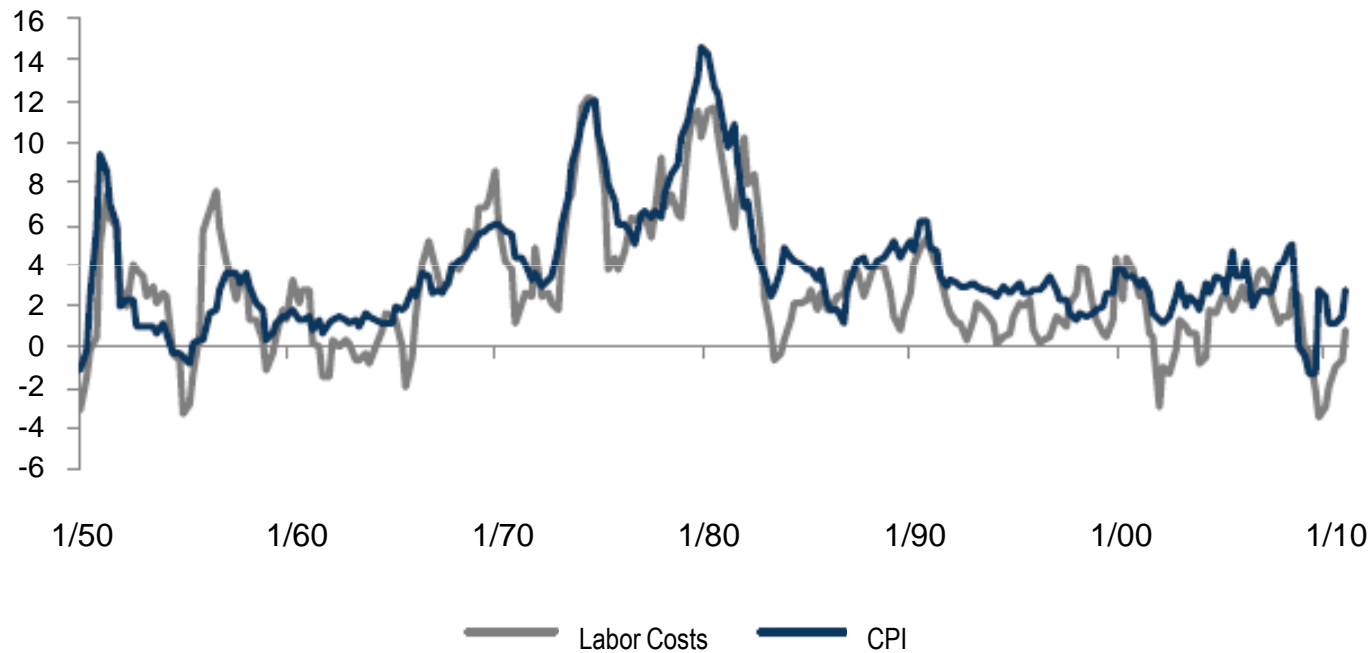
	<u>Positive</u>	<u>Neutral</u>	<u>Negative</u>
U.S. Treasury Bonds			✓
Corporate Bonds		✓	
Municipal Bonds		✓	
U.S. Stocks	✓		
Large Cap Stocks	✓		
Mid Cap Stocks		✓	
Small Cap Stocks		✓	
International	✓		
Emerging Markets	✓		
Trust Preferred Stocks	✓		
MLPs	✓		

## U.S. Food & Energy Costs Are Much Lower As A Percentage Of Total Consumption Than In The Emerging Markets

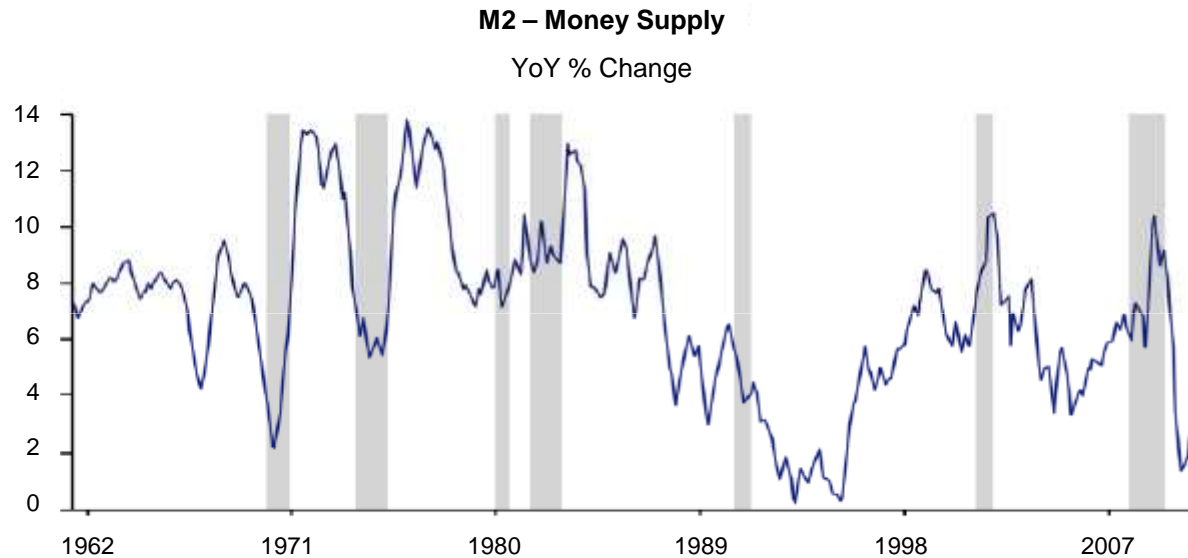
*Food & Energy Have Become Less Important Consumption Components*



## Labor Costs Typically Drive Inflation And They Remain Subdued



## Money Supply Growth Remains Manageable



### **Money supply growth remains relatively low**

Even with the record amount of liquidity that the Fed has injected into the system, money supply growth has been relatively low in recent months. As the above chart illustrates, current money supply growth is well below the double-digit growth rates exhibited during the two stagflationary periods of the mid-to-late 1970s and even below its long-term average since 1960. Therefore, this is another reason that we believe the threat of inflation is relatively low – almost all inflationary environments are accompanied by rapid money supply growth, something that is not currently the case.

## S&P 500 Index: Forward P/E Ratio





## S&P 500 Historical Annual Returns 1928-2010

S&P 500 Annual Total Returns

