

# **YANNI • BILKEY**

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## **Metropolitan St. Louis Sewer District Deferred Compensation Plan**

**Performance Analysis  
Through June 30, 2000**

# Table of Contents

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<b>Overview and Benchmarks</b>	<b>1</b>
<b>Glossary</b>	<b>2</b>
<b>Market Background</b>	<b>3</b>
<b>Report Highlights</b>	<b>5</b>
<b>Market Sensitivity</b>	<b>8</b>
<b>Performance History – GRID<sup>®</sup> Comparison</b>	<b>11</b>
<b>Appendix</b>	
<b>-- Investment Manager Fees</b>	

# Overview and Benchmarks

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## Overview

Yanni•Bilkey Investment Consulting was retained by Metropolitan St. Louis Sewer District to measure the ongoing performance results of the Deferred Compensation Plan. Measuring and diagnosing performance is a key link in the fund management process. It provides information that can be used to evaluate and appraise managers, rethink investment policy, and plan portfolio strategies. Investment monitoring also serves as the basis for a continuing dialogue with your investment managers.

## Benchmarks for Comparison

We concentrate our industry-standard comparisons in four fundamental areas. Specifically, we show performance relative to:

- stated investment objectives,
- appropriate market indices,
- the amount of risk taken, and
- other professionally managed funds.

Unless otherwise indicated, the following market benchmarks are used throughout this report:

For equities:	BARRA Value Index BARRA Growth Index S&P 500 Stock Index Russell 2000 Stock Index MSCI Europe, Australia, & Far East (EAFE) Index
For bonds:	Lehman Brothers Aggregate Index (LB Agg) Merrill Lynch 1-3 Year Government Index (ML 1-3)
For balanced:	Target Market Index (TMI) constructed from the S&P 500, LB Agg and the three month T-Bill Indices weighted according to the target asset allocation of individual fund.
For cash reserves:	Three Month T-Bill Rate (T-Bill)

In addition, the Consumer Price Index (CPI) is used as a benchmark for inflation.

# Glossary

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## Alpha (Manager Impact)

Alpha, a measure of the manager's contribution to performance, is expressed as an annual compounded rate of return, adjusted for risk. Alpha represents the difference between the actual performance and the expected performance of a fund given its volatility (or risk). The expected value for alpha is zero. If positive, the fund has achieved a return above that expected for its volatility. A negative alpha reflects fund performance below that expected for its volatility.

## Beta (Volatility)

Beta measures the sensitivity of a fund's return to changes in the S&P 500 Index. It is commonly referred to as "market-related risk". A fund's beta measures the historical percentage change in the fund's rate of return accompanying a 1% change in the index return. Funds with a beta of 1.00 are, by definition, as volatile as the market index. Funds with a beta of 0.50 are half as volatile.

## Cash and Equivalents

Cash and equivalents include all money market funds (sweep accounts), bonds and debentures that have a maturity of less than one year at a time of purchase, and cash held in the income and principal accounts.

## Diversification Factor

Diversification measures the correlation between a fund's performance and the performance of a comparable index. This correlation identifies the amount of variability that is derived from the market. A value of 1.00 means that all variability is due to the market while a value of 0.85 means that only 85% of the variability can be traced to the market.

## Equities

Equities include all common stocks, convertible preferred stock, convertible bonds and debentures, and warrants.

## Fixed Income

Fixed income includes all bonds and debentures that have a maturity greater than one year at time of purchase. When a fixed-income issue's maturity has become less than one year, it remains in the fixed-income section.

## Market

For comparative purposes, the term "market" normally refers to the S&P 500 for equities and to one of the Lehman Brothers Government/Corporate Bond Indices (LB G/C or LB G/C I) for fixed-income securities. For the total fund, a composite index is constructed from the S&P 500 Index, the Bond Index and the three-month Treasury Bill rates in the same target mix allocation for the fund.

## Rates of Return

All returns are time weighted. Returns for less than one year are not annualized. Returns for periods greater than one year are presented as annual-compounded rates.

## Selection

Selection measures the manager's ability to select investments that outperform a comparable index. Selection is calculated as the difference between your fund's return and the return of a hypothetical composite market index which has the same asset allocation.

## Standard Deviation (Variability)

Standard deviation measures the dispersion of monthly returns around their average. The higher the variability, the greater the total risk associated with the portfolio.

## Timing

Timing measures the manager's ability to add value by altering asset mix. Shifting assets into markets that are rising results in positive timing, while shifting assets into markets that are falling results in a negative timing impact.

## Total Fund

Total fund includes equities, fixed-income securities, cash equivalents, and any other investments such as real estate, international, etc.

# Market Background

## Stocks

The second quarter began by giving up the gains achieved late in the first quarter. The volatility of U.S. stock indices this quarter, like a roller coaster, brought investors back to where they boarded, although a bit rattled. Large caps, mid caps, and small caps turned in similar returns for the quarter, though some took a rather roundabout way to get there.

Equity market performance in the second quarter of 2000 proved to be more notable for volatility than return. For the second quarter, the Yanni•Bilkey GRID® Large-Cap Equity Universe median manager outperformed the S&P 500 Index, -2.6% versus -2.7%. The GRID® Large-Cap Growth Equity Universe median manager returned -3.3% versus the BARRA Growth Index of -1.5%. The GRID® Large-Cap Value Equity Universe median manager posted -2.2% versus -4.3% for the BARRA Value Index.

Indices revealed a similar pattern among growth and value issues. Both large cap value stocks and small cap value stocks significantly underperformed their growth counterparts from the beginning of the year through March 10<sup>th</sup>. But the positive performers turned negative and vice versa through May 26<sup>th</sup>, when the earlier pattern took hold again.

At first glance, a look at the stock market's performance over the first half of this year may seem unsettling. Major indices were down this year, with their biggest losses coming in the second quarter. Considering the market's furious run last year, a mild correction was inevitable. The stock market was on an unsustainable course with the S&P 500 Index rising over 20% in each of the last five years. This was a major stimulus for the economy's surging performance – consumer confidence reached new heights, spurring rapid consumer spending and setting the stage for an overheated economy and the resurgence of inflation. These emerging economic trends can be partially attributed to the stock market's pullback. However, by quarter end, reports showed the economy was still expanding at a strong pace. Increasing consumer spending and moderating inflationary pressures evidences this.

The raging speculation that fueled the dot-com boom appears to have fizzled for now, taking away a lot of the market's steam. Investor's patience has begun to wear out for companies that don't deliver earnings. Tech stocks were one of the most overvalued sectors, and the second-quarter plummet offered investors better opportunities for other sectors.

The S&P 500 index's major drug stocks posted a 30% first half gain, most of which occurred when tech stocks began to plunge in March and April. Also, the "OSX" index of 15 major oil companies gained 40% in the first half of the year, as oil and gas prices rose substantially from their new record lows.

Many technology stocks made a rebound in the past month, with investors revisiting stocks that had substantially lower prices than they did in the Spring. It appears investors may be feeling the sting of tech stock volatility. The feeding frenzy of momentum investing – buying stocks because they are rising – may be taking a breather. Those investors who were badly burned by the NASDAQ's abrupt fall in April and May will likely proceed more cautiously.

**TABLE I: Total Return Statistics for Equity Market Indices**

	Second Quarter 2000	First Quarter 2000
S&P 500 (cap weighted)	-2.7%	2.3%
S&P 500 (equal weighted)	0.1	-0.3
Russell 2000 Index	-3.8	7.1
First Boston Convertible Index	-9.7	6.5
EAFE (International Index)	-4.0	-0.1
IFC Emerging Markets	-10.2	1.3

**TABLE II: S&P 500 Sector Performance & Allocation**

Second Quarter 2000	Performance	Allocation
Health Care	23.0%	10.6%
Utility	6.7	2.5
Consumer Staples	6.3	10.0
Energy	2.4	5.5
Capital Goods	-1.5	8.1
Transportation	-2.2	0.6
Financials	-2.7	12.9
Technology	-9.1	33.4
Consumer Cyclicals	-11.1	7.5
Communication Services	-14.0	7.0
Basic Materials	-14.5	1.9

# Market Background

The performance of global equity markets during the second quarter of 2000 showed continued volatility. The European Central Bank has succeeded in maintaining a low inflation rate while consumer price increases are holding at a rate lower than that in the U.S. The weak Euro continues to be a major problem in Europe. Investor faith in a single monetary policy, and the promise of sustainable economic growth and corporate profitability across the entire Euro zone, seems to be what is lacking as equity markets suffer in Europe. The MSCI Europe, Australia and Far East (EAFE) Index lagged the S&P 500 Index. There were, however, strong returns in Australia, Belgium, and Norway. The IFC Emerging Markets Index returned -10.2% for the quarter. With the lackluster performance of the Japanese market, the Far East and Asia markets are feeling the strain on performance. Even with this, certain Latin American countries (Brazil, Colombia, & Mexico) as well as a few Asian countries (China and Korea) had a strong quarter.

Investors will have to keep a close eye on the economy, looking for more signs that growth is slowing. Despite all of the concern over the stock market's first and second quarter performance, a repeat in the second half of the year would not be all that bad. That is, it would not be bad if investors continue to diversify their portfolios across a wide range of market sectors, and if the market as a whole were to continue experiencing a mild pullback in the face of higher interest rates and slower economic growth. This would be much more favorable than the alternative of rampant speculation and an overheating economy.

## Bonds

The Federal Reserve became more aggressive in May in its attempts to slow economic growth, raising the Federal Funds rate by 50 basis points. Investors continue to struggle with the question of just how high the Fed will want to raise this rate in order for the economy to slow to a more sustainable pace. Through its public speeches, the Fed has communicated its monetary policy intentions clearly enough so that future rate increases have had an opportunity to be priced into the market well before the actual event. Despite the FOMC's June meeting announcement, that policy remains in place with a tightening bias, the effects of higher interest rates appear to have finally slowed the red hot, demand-driven economy to one of moderately strong growth. Also, one thing to keep in mind, as we enter the Fall Campaign, the political landscape will become an increasingly important influence in the financial markets as the Federal Reserve attempts to maneuver the economy toward a soft landing.

The Lehman Brothers Government/Corporate (LB G/C) Index returned 1.5% for the quarter, while the Aggregate Index returned 1.7%. The Lehman Brothers Government/Corporate Intermediate (LB G/C I) and 1-3 Year Treasury Indexes returned 1.7% and 1.7%, respectively.

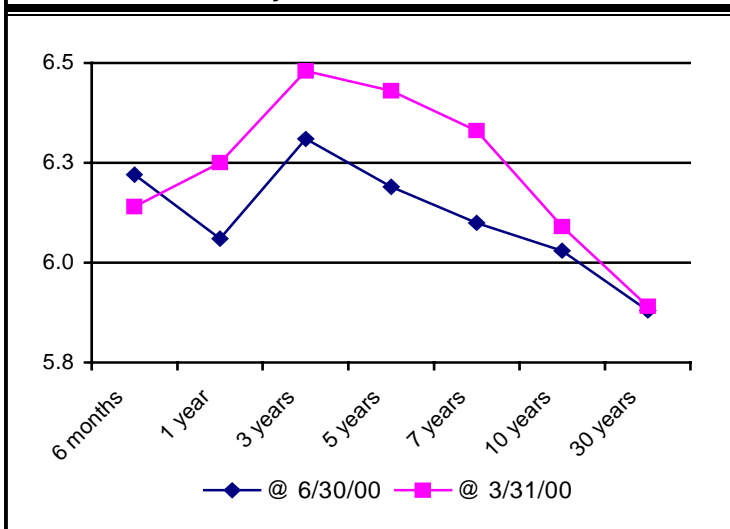
The international bond market continues to mirror the U.S. market. Japan's economy continues to show only modest signs of picking up, yet there are early indicators that the Bank of Japan may raise short term interest rates from 0 to 10-15 basis points in the face of 1% expected growth. Europe's outlook remains opportunistic with increasing economic activity and the prospect of a further gradual monetary tightening by the European Central Bank. With these factors, the Salomon Non-Dollar Government Bond Index returned -0.8% for the quarter. With the extreme volatility of the emerging markets, investors will have to be extremely patient in this sector.

**TABLE III: Bond Market Total Returns**

	Second Quarter 2000	First Quarter 2000
LB G/C*	1.5%	2.7%
LB Aggregate	1.7	2.2
LB G/C I**	1.7	1.5
LB 1-3 Year Treasury	1.7	1.3
Treasury Bills	1.4	1.3
First Boston High Yield	0.5	-1.3
Salomon Non-Dollar Gov't.	-0.8	-1.2

\*Lehman Brothers Government/Corporate  
\*\*Lehman Brothers Government/Corporate Intermediate

**CHART I: Treasury Yield Curve at 6/30/00 and 3/31/00**



# Report Highlights

## Investment Performance Ending June 30, 2000

	<u>Quarter</u>	<u>Year To Date</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Seven Years</u>
Equity Funds						
Vanguard Windsor II	-0.5%	-0.5%	-15.0%	8.2%	16.5%	15.0%
BARRA Value Index	-4.3	-4.1	-5.1	11.4	17.7	16.0
Vanguard US Growth	0.3	5.6	21.2	25.1	27.2	23.3
BARRA Growth Index	-1.5	2.6	18.5	27.0	29.3	24.8
Vanguard S&P 500 Index Fund	-2.6	-0.4	7.2	N.A.	N.A.	N.A.
S&P 500 Index	-2.7	-0.4	7.2	19.7	23.8	20.6
Small-Cap Index Fund	-3.0	3.6	N.A.	N.A.	N.A.	N.A.
Russell 2000 Index	-3.8	3.0	14.3	10.6	14.3	13.6
Int'l Growth Fund	-3.2	2.6	N.A.	N.A.	N.A.	N.A.
EAFE Index	-4.0	-4.1	17.2	10.2	11.4	10.8
Balanced Funds						
Vanguard Balanced Index	-2.0	1.2	N.A.	N.A.	N.A.	N.A.
Combined Balanced	-2.0	1.2	7.2	11.9	14.6	N.A.
TMI (60/40/0)	-0.9	1.4	7.2	13.3	15.1	13.3
Life Strategy Income Fund	0.6	3.6	N.A.	N.A.	N.A.	N.A.
TMI (18/62/20)	0.9	3.0	5.3	8.4	9.2	8.4
Life Strategy Conservative Growth Fund	-0.5	2.6	N.A.	N.A.	N.A.	N.A.
TMI (38/42/20)	0.0	2.2	6.0	11.2	12.7	11.3
Life Strategy Moderate Growth Fund	-1.6	1.8	N.A.	N.A.	N.A.	N.A.
TMI (58/42/0)	-0.8	1.5	6.4	14.2	16.4	14.5
Life Strategy Growth Fund	-2.7	0.7	N.A.	N.A.	N.A.	N.A.
TMI (78/22/0)	-1.7	0.6	6.8	16.9	20.0	17.4

# Report Highlights

## Net of Fees Investment Performance Ending June 30, 2000

	<u>Quarter</u>	<u>Year To Date</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Seven Years</u>
<b>Fixed Income Funds</b>						
Vanguard Total Bond	1.5%	4.0%	4.8%	6.1%	N.A.	N.A.
LB AGG Index	1.7	4.0	4.6	6.0	6.2%	6.0%
<b>Stable Value Funds</b>						
Retirement Savings Trust Fund	1.4	2.9	N.A.	N.A.	N.A.	N.A.
Combined Stable Value	1.4	2.9	6.0	6.3	6.4	N.A.
ML (1-3) G Index	1.7	3.0	4.9	5.6	5.8	5.4
<b>Short Term Investment Fund</b>						
Vanguard Federal MM	1.5	2.8	5.4	5.3	5.3	4.9
T-Bills	1.4	2.7	5.2	4.9	5.0	4.8

## Asset Allocation Ending June 30, 2000

	<u>@ 6/30/2000</u>	<u>@ 12/31/1999</u>	<u>@ 12/31/1998</u>	<u>@ 12/31/1997</u>	<u>@ 12/31/1996</u>
Equity	70%	67%	71%	70%	71%
Balanced	19	17	14	13	10
Fixed Income	4	5	5	4	6
Stable Value	3	4	5	6	8
Short Term Investment	4	7	5	7	5

# Report Highlights

## Summary of Principal Changes \$(000) - Current Quarter June 30, 2000

	<u>3/31/00 Beginning Balance</u>	<u>+ Net Flows</u>	<u>+ Net Earnings</u>	<u>= 6/30/00 Ending Balance</u>
Vanguard Windsor II	\$3,076	\$6	\$(19)	\$3,063
Vanguard US Growth	2,985	87	12	3,084
Vanguard S&P 500 Index Fund	1,889	268	(50)	2,107
Small-Cap Index Fund	101	82	0	183
Int'l Growth Fund	207	126	(6)	327
Vanguard Balanced Index	2,126	124	(41)	2,209
Life Strategy Income Fund	0	0	1	1
Life Strategy Conservative Growth Fund	36	(8)	0	28
Life Strategy Moderate Growth Fund	8	13	0	21
Life Strategy Growth Fund	84	6	(1)	89
Vanguard Total Bond	467	46	7	520
Combined Stable Value	444	(39)	6	411
Vanguard Federal MM	<u>477</u>	<u>23</u>	<u>8</u>	<u>508</u>
<b>Combined</b>	<b>\$11,900</b>	<b>\$734</b>	<b>\$(83)</b>	<b>\$12,551</b>

# Market Sensitivity - Equity Funds

## R<sup>2</sup> (Diversification Factor)

Diversification measures the correlation between a fund's performance and the performance of a comparable index. This correlation identifies the amount of variability that is derived from the market. A value of 1.00 means that all variability is due to the market while a value of 0.85 means that only 85% of the variability can be traced to the market.

## Beta (Volatility Factor)

Beta measures the sensitivity of a fund's return to changes in the S&P 500 Index. It is commonly referred to as "market-related risk". A fund's beta measures the historical percentage change in the fund's rate of return accompanying a 1% change in the index return. Funds with a beta of 1.00 are, by definition, as volatile as the market index. Funds with a beta of 0.50 are half as volatile.

## Alpha (Risk-Adjusted Return)

Alpha, a measure of the manager's contribution to performance, is expressed as an annual compounded rate of return, adjusted for risk. Alpha represents the difference between the actual performance and the expected performance of a fund given its volatility (or risk). The expected value for alpha is zero. If positive, the fund has achieved a return above that expected for its volatility. A negative alpha reflects fund performance below that expected for its volatility.

### Period Ending March 31, 2000

	<u>Benchmark</u>	<u>R<sup>2</sup></u>	<u>Beta</u>	<u>Alpha</u>
<b>Total Portfolio</b>				
Vanguard Windsor II <i>Since Inception (3/1992)</i>	BARRA Value Index	0.86	0.94	-0.3%
Vanguard US Growth <i>Since Inception (3/1992)</i>	BARRA Growth Index	0.95	0.98	-1.4
Vanguard S&P 500 Index Fund <i>Since Inception (2/1998)</i>	S&P 500 Index	1.00	1.02	-0.1
Small-Cap Index Fund <i>Since Inception (10/1999)</i>	Russell 2000 Index	N.A.	N.A.	N.A.
Int'l Growth Fund <i>Since Inception (10/1999)</i>	EAFE Index	N.A.	N.A.	N.A.

# Market Sensitivity – Balanced Funds

## R<sup>2</sup> (Diversification Factor)

Diversification measures the correlation between a fund's performance and the performance of a comparable index. This correlation identifies the amount of variability that is derived from the market. A value of 1.00 means that all variability is due to the market while a value of 0.85 means that only 85% of the variability can be traced to the market.

## Beta (Volatility Factor)

Beta measures the sensitivity of a fund's return to changes in the S&P 500 Index. It is commonly referred to as "market-related risk". A fund's beta measures the historical percentage change in the fund's rate of return accompanying a 1% change in the index return. Funds with a beta of 1.00 are, by definition, as volatile as the market index. Funds with a beta of 0.50 are half as volatile.

## Alpha (Risk-Adjusted Return)

Alpha, a measure of the manager's contribution to performance, is expressed as an annual compounded rate of return, adjusted for risk. Alpha represents the difference between the actual performance and the expected performance of a fund given its volatility (or risk). The expected value for alpha is zero. If positive, the fund has achieved a return above that expected for its volatility. A negative alpha reflects fund performance below that expected for its volatility.

### Period Ending March 31, 2000

<b>Total Portfolio</b>	<b>Benchmark</b>	<b>R<sup>2</sup></b>	<b>Beta</b>	<b>Alpha</b>
Vanguard Balanced Index <i>Since Inception (8/1999)</i>	TMI (60/40/0)	0.99	1.29	-1.8%
Combined Balanced <i>Since Inception (6/1995)</i>	TMI (60/40/0)*	0.78	1.18	-2.7
Life Strategy Income Fund <i>Since Inception (11/1999)</i>	TMI (18/62/20)	N.A.	N.A.	N.A.
Life Strategy Conservative Growth Fund <i>Since Inception (11/1999)</i>	TMI (38/42/20)	N.A.	N.A.	N.A.
Life Strategy Moderate Growth Fund <i>Since Inception (10/1999)</i>	TMI (58/42/0)	N.A.	N.A.	N.A.
Life Strategy Growth Fund <i>Since Inception (10/1999)</i>	TMI (78/22/0)	N.A.	N.A.	N.A.

\*50/40/10 prior to 8/30/1999.

# Market Sensitivity – Fixed Income/Stable Value Funds

## R<sup>2</sup> (Diversification Factor)

Diversification measures the correlation between a fund's performance and the performance of a comparable index. This correlation identifies the amount of variability that is derived from the market. A value of 1.00 means that all variability is due to the market while a value of 0.85 means that only 85% of the variability can be traced to the market.

## Beta (Volatility Factor)

Beta measures the sensitivity of a fund's return to changes in the S&P 500 Index. It is commonly referred to as "market-related risk". A fund's beta measures the historical percentage change in the fund's rate of return accompanying a 1% change in the index return. Funds with a beta of 1.00 are, by definition, as volatile as the market index. Funds with a beta of 0.50 are half as volatile.

## Alpha (Risk-Adjusted Return)

Alpha, a measure of the manager's contribution to performance, is expressed as an annual compounded rate of return, adjusted for risk. Alpha represents the difference between the actual performance and the expected performance of a fund given its volatility (or risk). The expected value for alpha is zero. If positive, the fund has achieved a return above that expected for its volatility. A negative alpha reflects fund performance below that expected for its volatility.

### Period Ending March 31, 2000

<b>Total Portfolio</b>	<b>Benchmark</b>	<b>R<sup>2</sup></b>	<b>Beta</b>	<b>Alpha</b>
Vanguard Total Bond <i>Since Inception (1/1997)</i>	LB AGG Index	0.99	0.97	+0.2%
Retirement Savings Trust Fund <i>Since Inception (9/1999)</i>	ML (1-3) G Index	N.A.	N.A.	N.A.
Combined Stable Value <i>Since Inception (6/1995)</i>	ML (1-3) G Index	0.11	0.03	+6.2
Vanguard Federal MM <i>Since Inception (6/1992)</i>	T-Bills	0.86	1.23	-0.5

# GRID Comparison

**Yanni•Bilkey Investment Consulting** maintains a database of managed portfolios through the **GRID** (Graphical Ranking of Investment Descriptors) system according to equity exposure and measurement period. Your portfolio is compared to the universe that most closely parallels your equity exposure during the evaluation period. This ensures comparability between rates of return and **GRID** statistics.

The **GRID** database includes composite and/or individually managed portfolio results from nearly 1,200 investment advisors, banks, and insurance companies. There are over 5,000 investment funds tracked in the database.

Performance results are requested from managers who participate in the **GRID** database on a quarterly basis. Either monthly or quarterly data is acceptable. Results are requested as gross of fees. Performance for client accounts is calculated internally, based upon transaction statements and asset listings provided by the custodian. Rates of return include realized and unrealized gains and losses, income, and dividends. Returns have been reduced for expenses and other costs of portfolio management, but not for management fees. In addition, our universes are constructed by

grouping together portfolios according to asset class as well as investment style to assure a valid comparison.

The **GRID** Universe Table below describes the equity exposure of the standard **GRID** Universes.

**Yanni•Bilkey Investment Consulting's GRID** system also produces a number of proprietary balanced fund indices. These are calculated on a monthly basis from specific weightings in recognized market indices (see **GRID** Index Table). They are then used in the evaluation of a balanced fund's performance.

The bar charts on the following page(s) represent the range of returns for your fund's appropriate **GRID** Universe. The median return is identified by the solid line that is approximately in the middle of each bar. The dashed lines denote the 25<sup>th</sup> and 75<sup>th</sup> percentiles. The solid line at the top and bottom of each bar indicates the 5<sup>th</sup> and 95<sup>th</sup> percentiles, respectively.

Your manager(s) results are plotted on the chart and displayed in the table below the graph.

## GRID® Universe Table

<u>Universe</u>	<u>Average Equity Exposure (%)</u>
1) Fixed-Income Funds	< 25
2) Balanced (Low Equity)	25-45
3) Balanced (Core Equity)	40-60
4) Balanced (High Equity)	55-75
5) Equity Funds	> 75
6) Aggressive Equity Funds (Beta > 1.5)	> 75
7) Style Universes	Varies

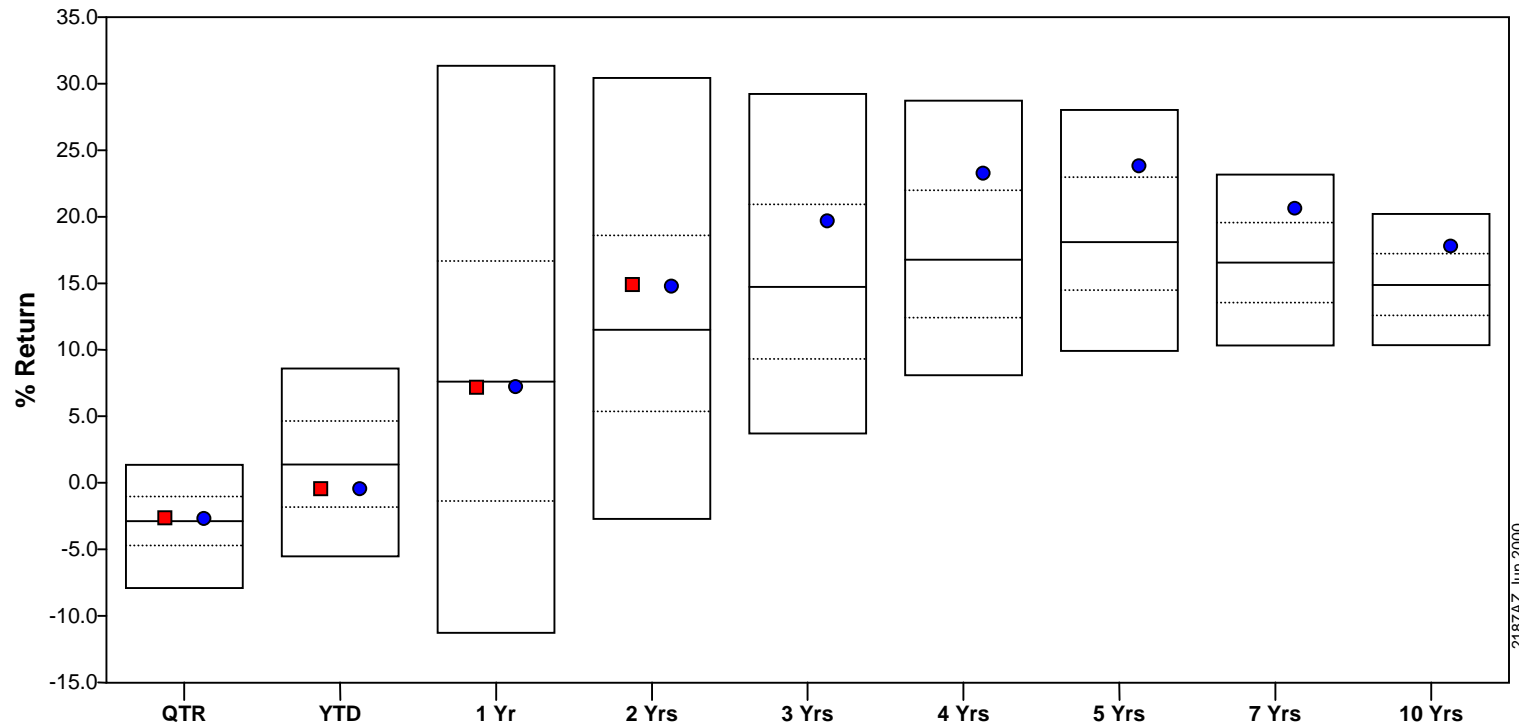
## GRID® Index Table

<u>Index</u>	<u>S&amp;P 500</u>	<u>Components of Index</u>			<u>T-Bill</u>
		<u>LB G/C</u>	<u>LB G/C I</u>		
1) LOW INDEX	35%	50%	0%	15%	
2) LOW INTMD	35	0	50	15	
3) CORE INDEX	50	40	0	10	
4) CORE INTMD	50	0	40	10	
5) HIGH INDEX	65	30	0	5	
6) HIGH INTMD	65	0	30	5	

# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

## Mutual Fund Equity Universe

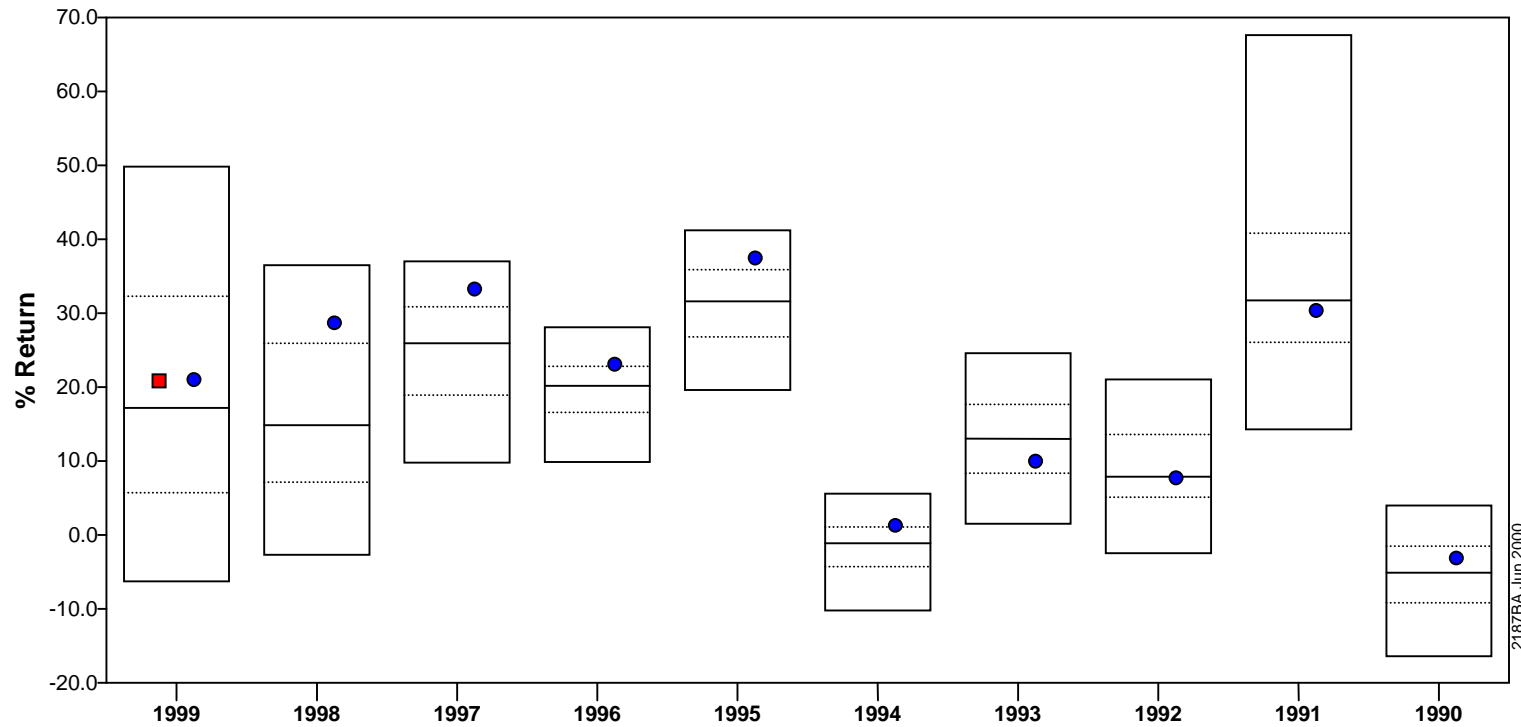


■ Vanguard S&P 500 Index Fund  
● S&P 500 Index

	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
Vanguard S&P 500 Index Fund	-2.6	-0.4	7.2	14.9					
S&P 500 Index	-2.7	-0.4	7.2	14.8	19.7	23.3	23.8	20.6	17.8

# GRID<sup>®</sup> Comparison – Calendar Year Performance

Mutual Fund Equity Universe

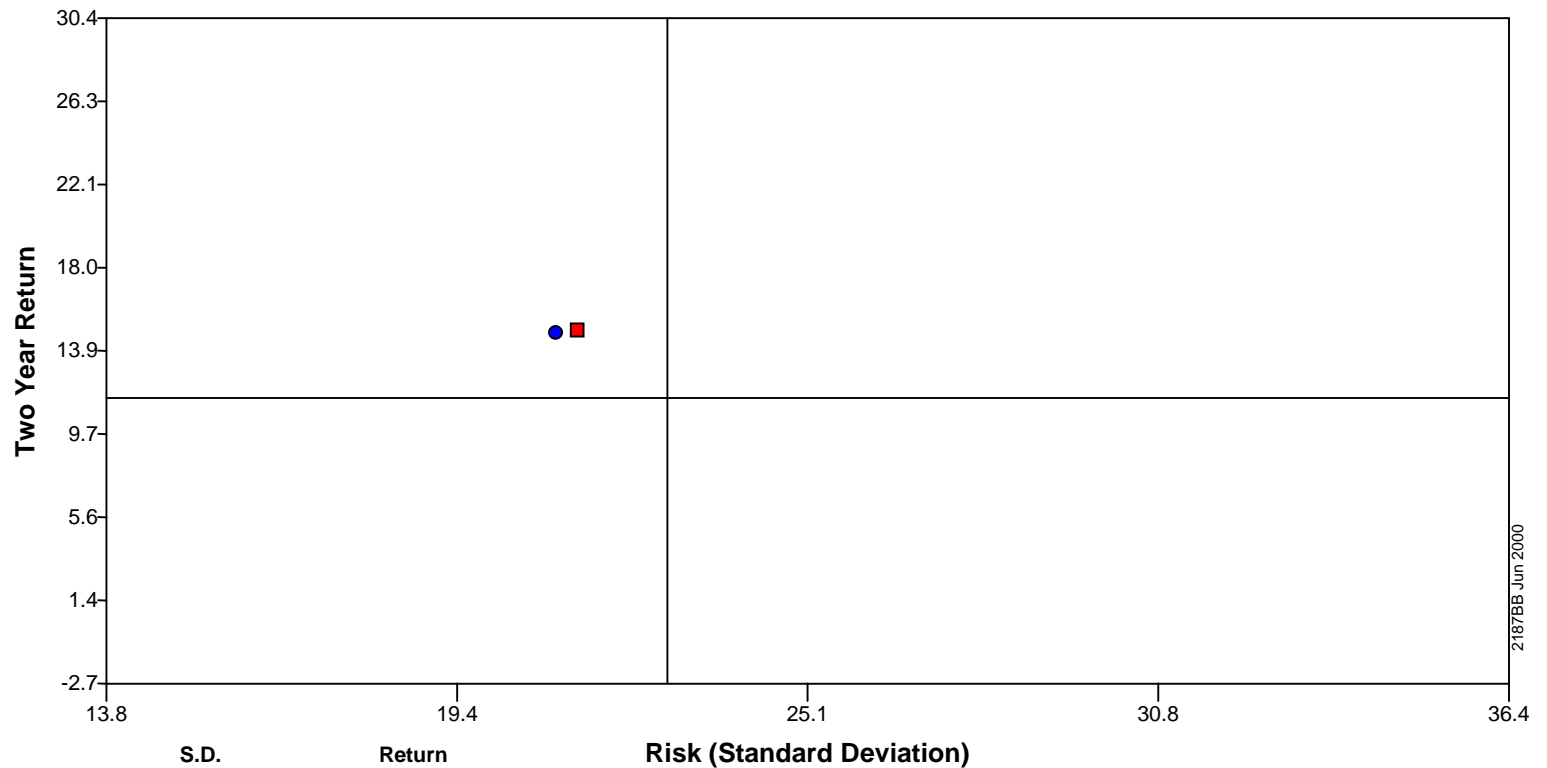


■ Vanguard S&P 500 Index Fund	20.8									
● S&P 500 Index	21.0	28.7	33.3	23.1	37.5	1.3	10.0	7.7	30.4	-3.1

# GRID<sup>®</sup> Comparison – Risk/Return Analysis

Period Ending Jun 2000

## Mutual Fund Equity Universe



- Vanguard S&P 500 Index Fund
- S&P 500 Index

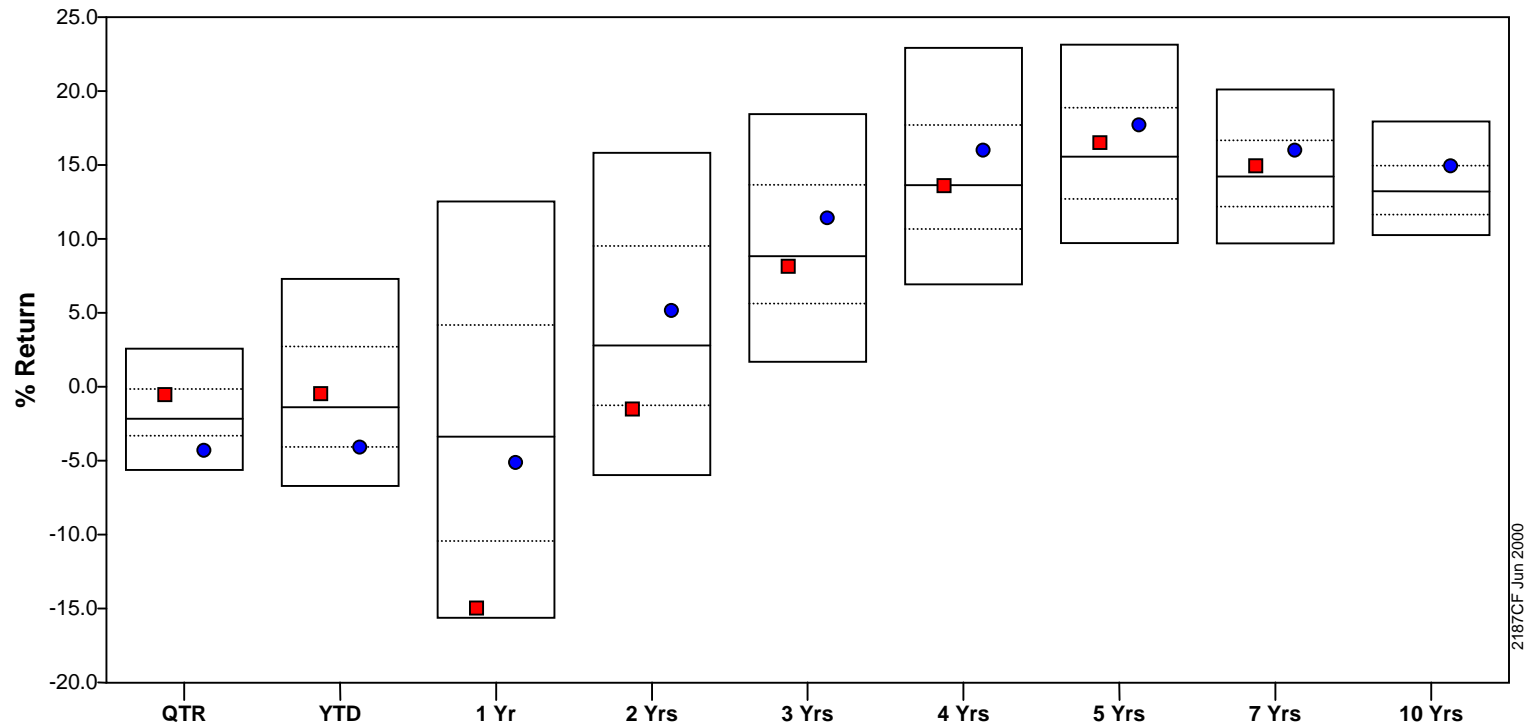
	S.D.	Return
Vanguard S&P 500 Index Fund	21.4	14.9
S&P 500 Index	21.0	14.8

Risk (Standard Deviation)

# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

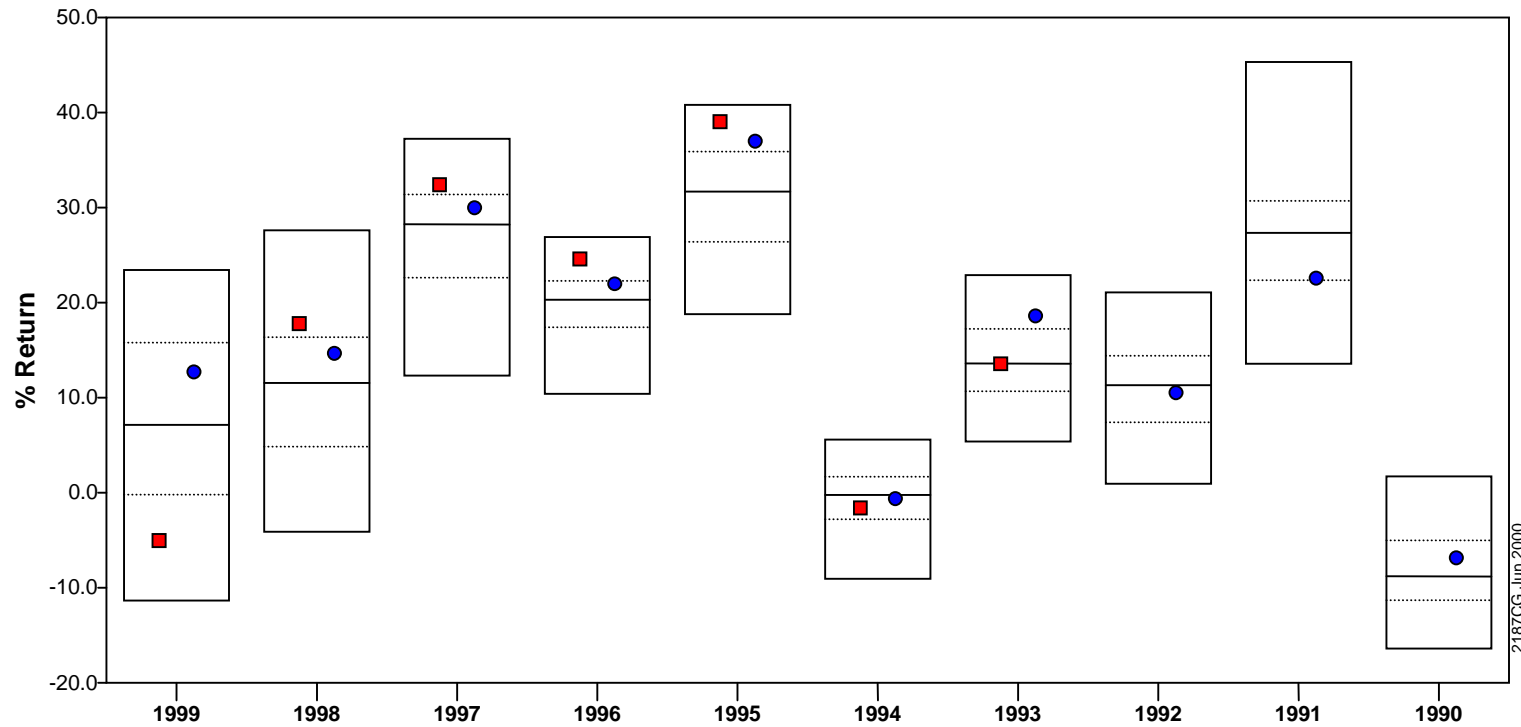
## Mutual Fund Value Equity Universe



	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ Vanguard Windsor II	-0.5	-0.5	-15.0	-1.5	8.2	13.6	16.5	15.0	
● BARRA Value Index	-4.3	-4.1	-5.1	5.2	11.4	16.0	17.7	16.0	15.0

# GRID<sup>®</sup> Comparison – Calendar Year Performance

Mutual Fund Value Equity Universe

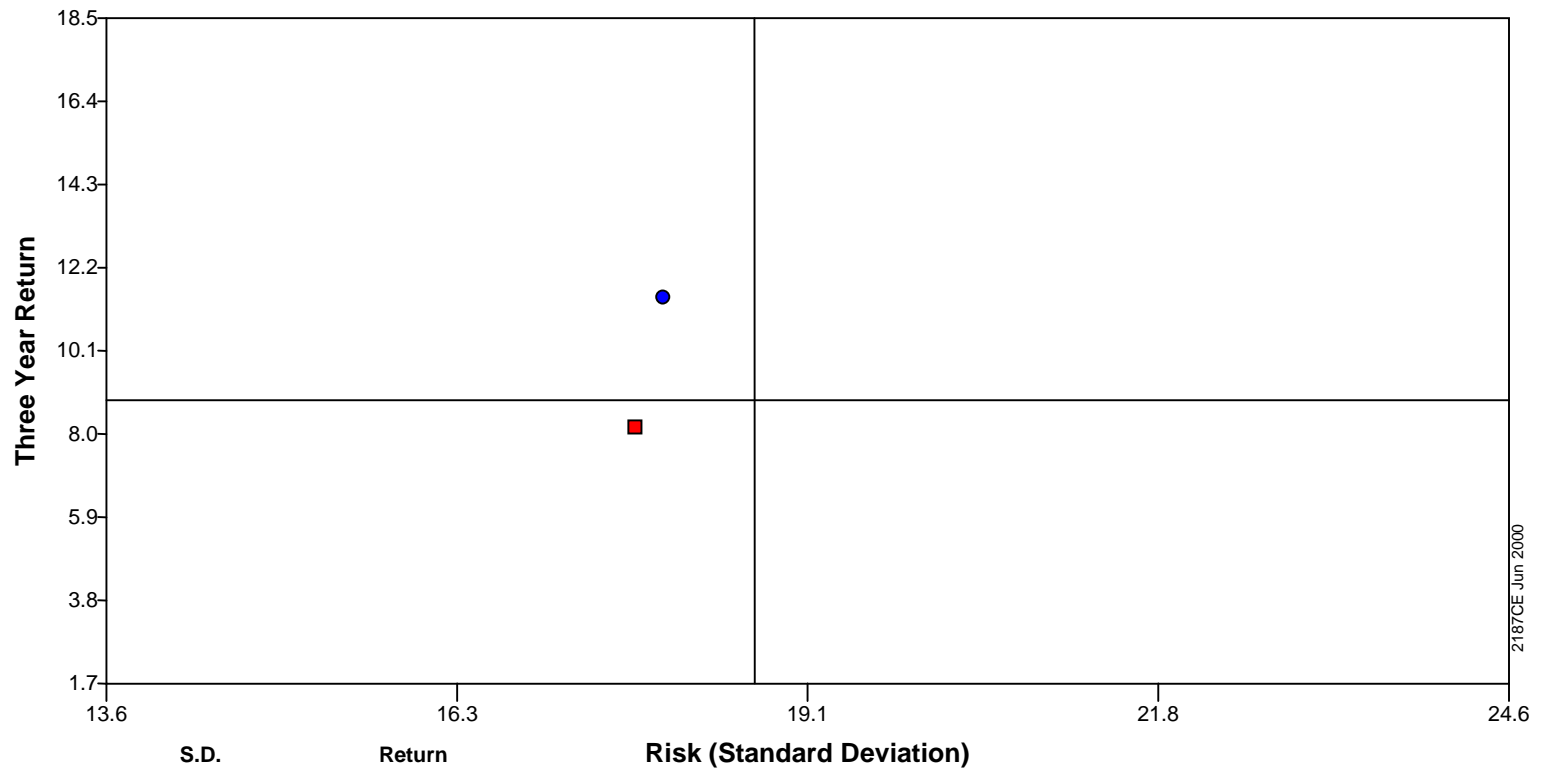


■ Vanguard Windsor II	-5.0	17.8	32.4	24.6	39.0	-1.6	13.6			
● BARRA Value Index	12.7	14.7	30.0	22.0	37.0	-0.6	18.6	10.5	22.6	-6.8

# GRID<sup>®</sup> Comparison – Risk/Return Analysis

Period Ending Jun 2000

## Mutual Fund Value Equity Universe

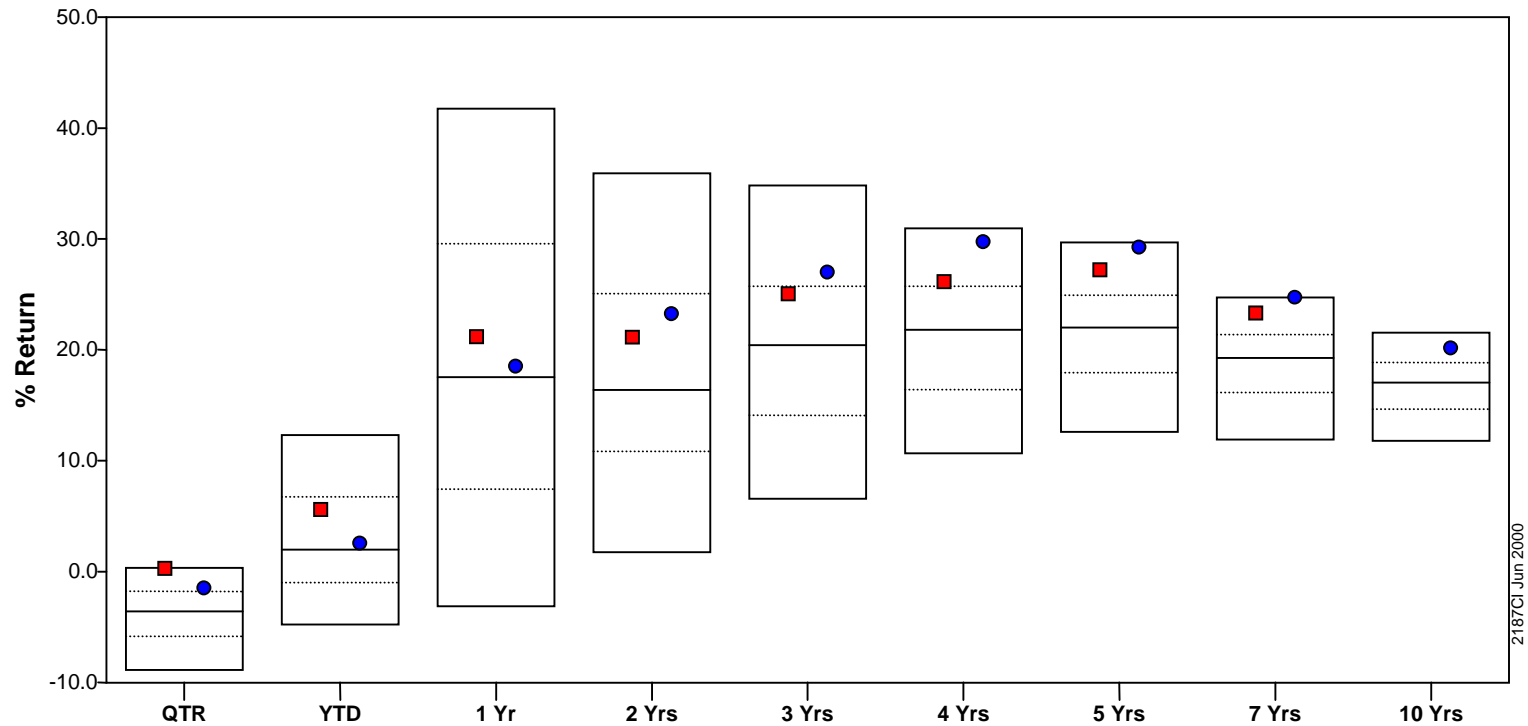


- Vanguard Windsor II
- BARRA Value Index

# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

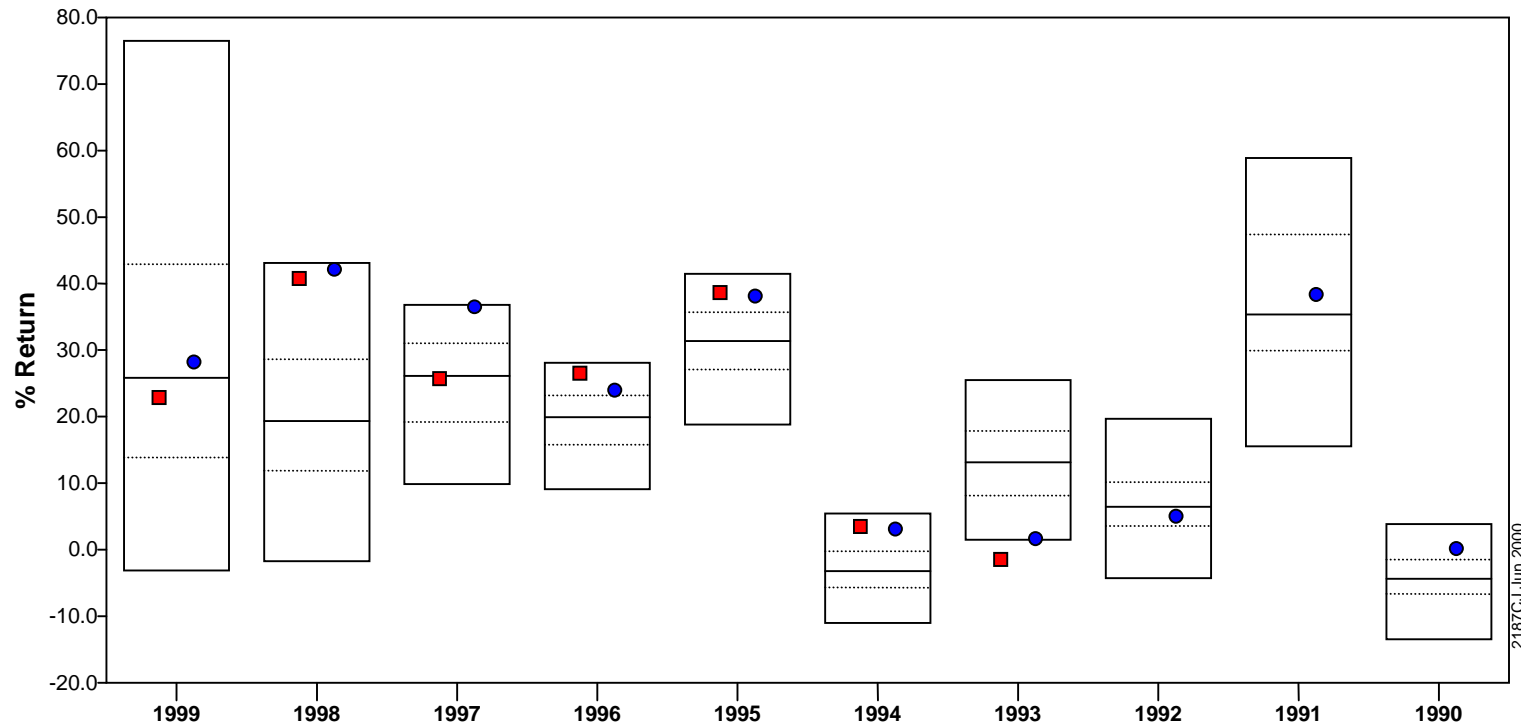
## Mutual Fund Growth Equity Universe



	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ Vanguard US Growth	0.3	5.6	21.2	21.2	25.1	26.2	27.2	23.3	
● BARRA Growth Index	-1.5	2.6	18.5	23.3	27.0	29.8	29.3	24.8	20.2

# GRID<sup>®</sup> Comparison – Calendar Year Performance

Mutual Fund Growth Equity Universe



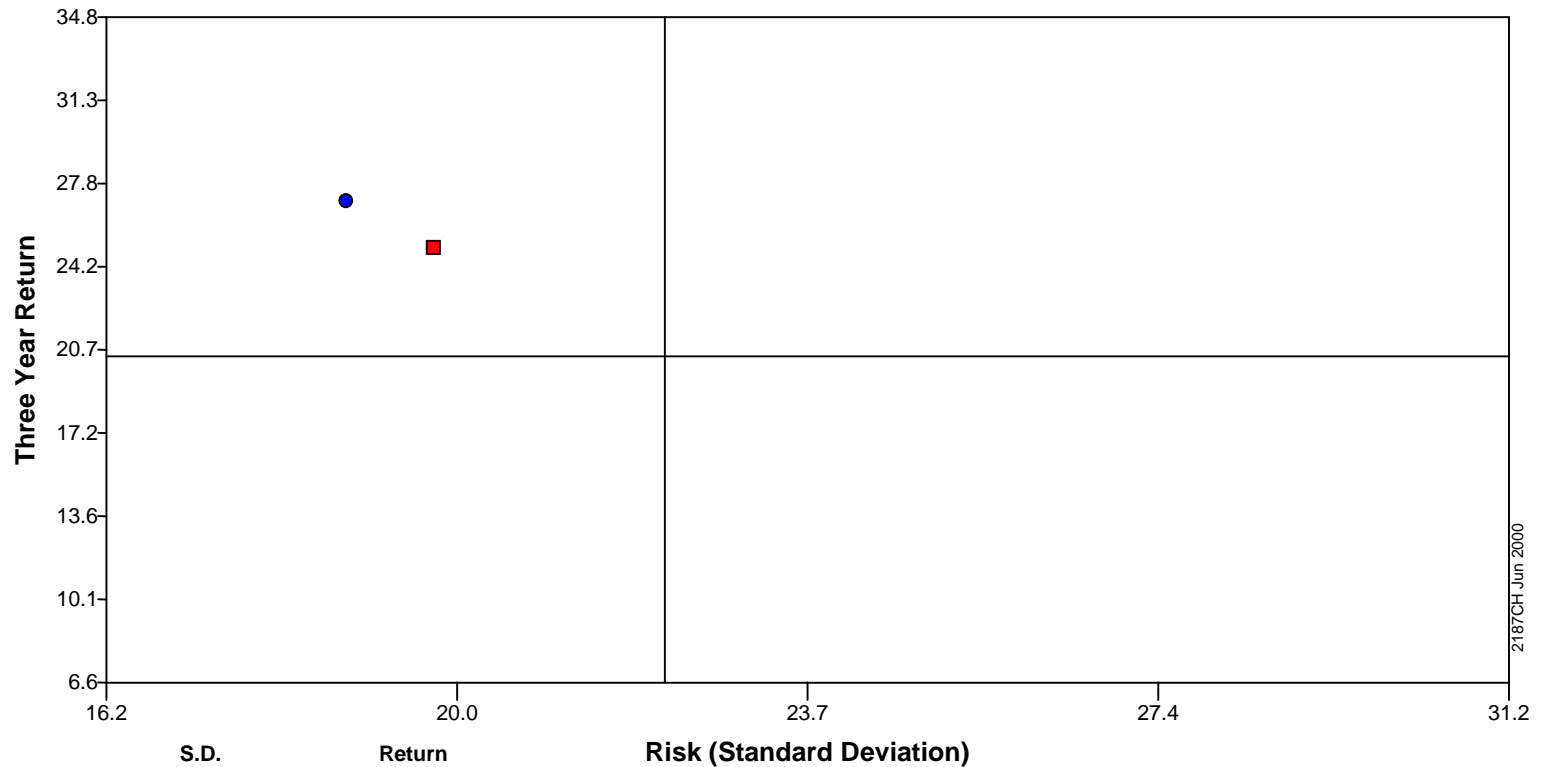
■ Vanguard US Growth  
● BARRA Growth Index

1999	22.9	40.8	25.7	26.6	38.6	3.5	-1.5	5.1	38.4	0.2
1998	28.2	42.2	36.5	24.0	38.1	3.1	1.7	5.1	38.4	0.2

# GRID<sup>®</sup> Comparison – Risk/Return Analysis

Period Ending Jun 2000

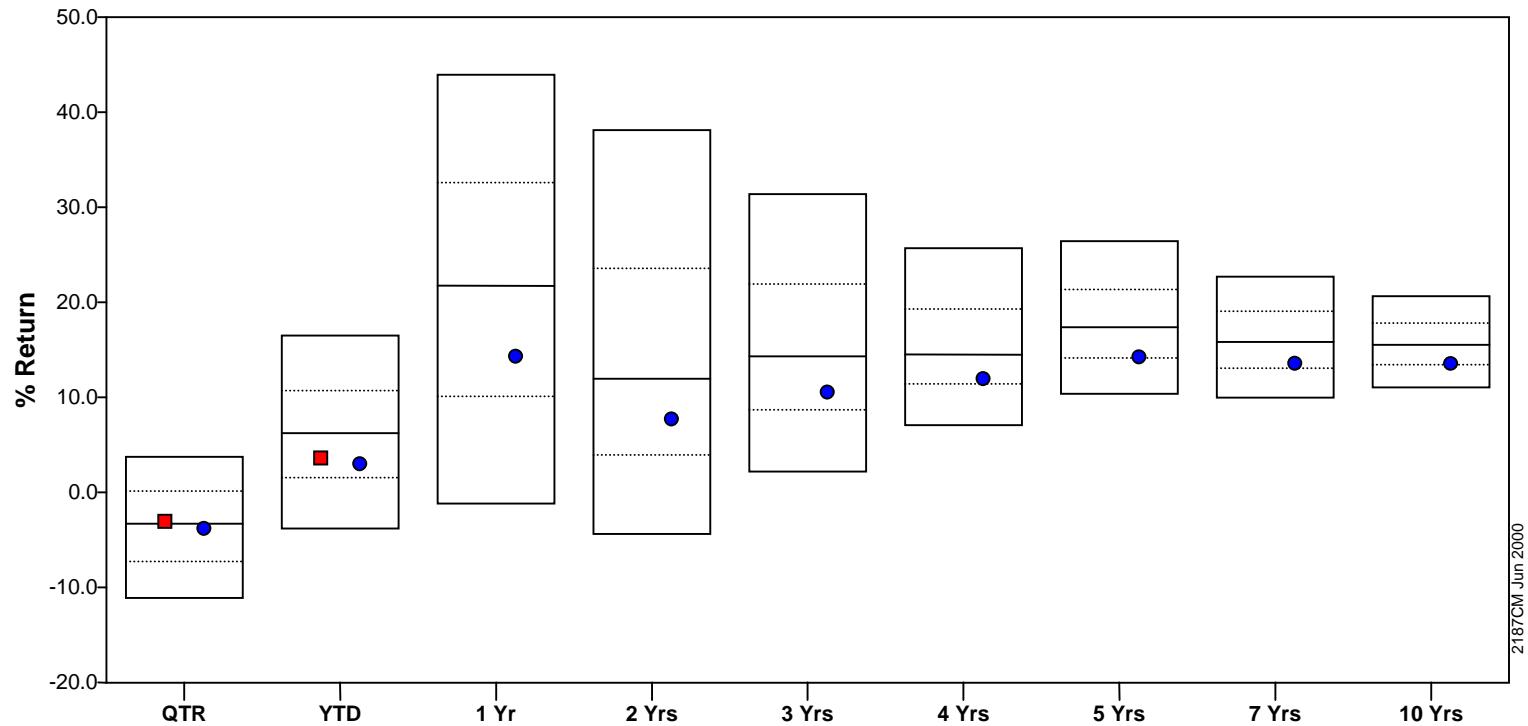
## Mutual Fund Growth Equity Universe



# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

## Mutual Fund Small-Cap Equity Universe



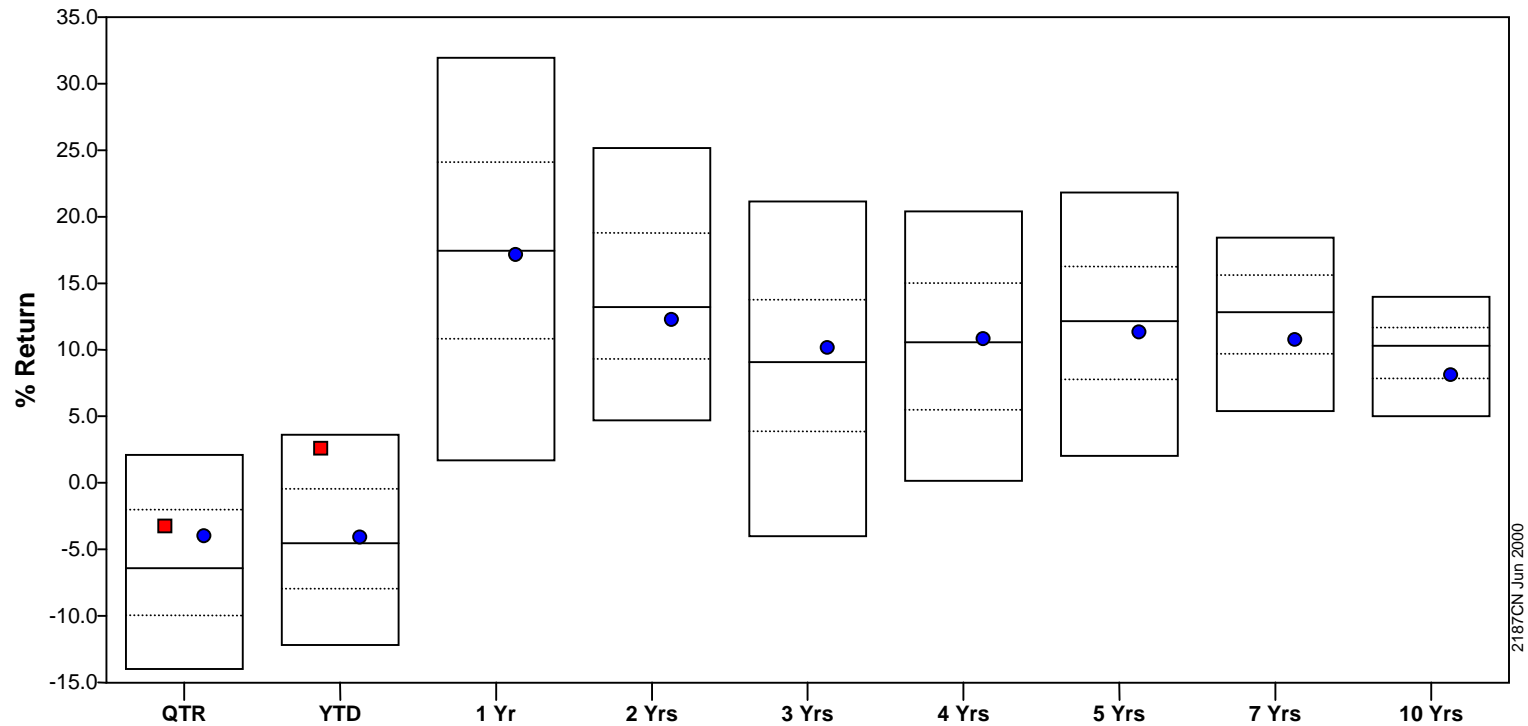
■ Small-Cap Index Fund  
● Russell 2000 Index

Period	Small-Cap Index Fund	Russell 2000 Index
QTR	-3.0	-3.8
YTD	3.6	3.0
1 Yr		14.3
2 Yrs		7.7
3 Yrs		10.6
4 Yrs		12.0
5 Yrs		14.3
7 Yrs		13.6
10 Yrs		13.6

# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

## Mutual Fund International Equity Universe



■ Int'l Growth Fund

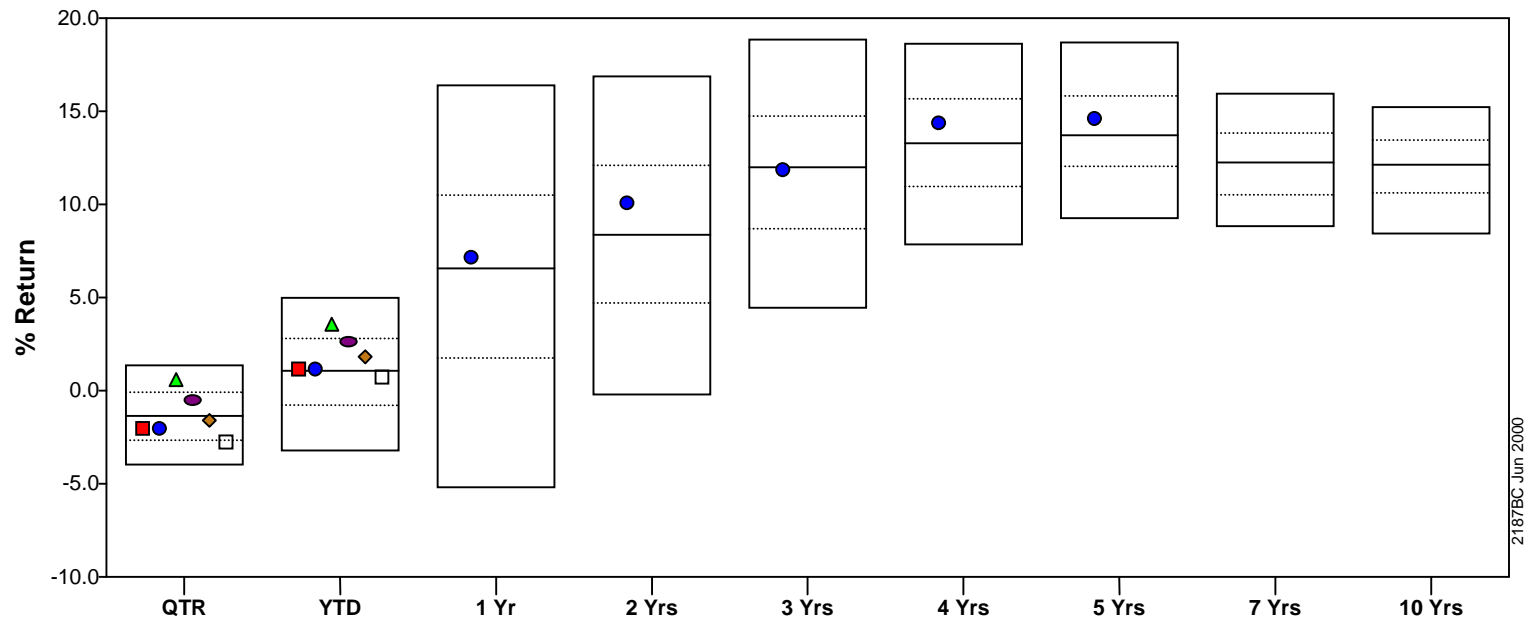
● EAFE Index

	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
Int'l Growth Fund	-3.2	2.6							
EAFE Index	-4.0	-4.1	17.2	12.3	10.2	10.8	11.4	10.8	8.1

# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

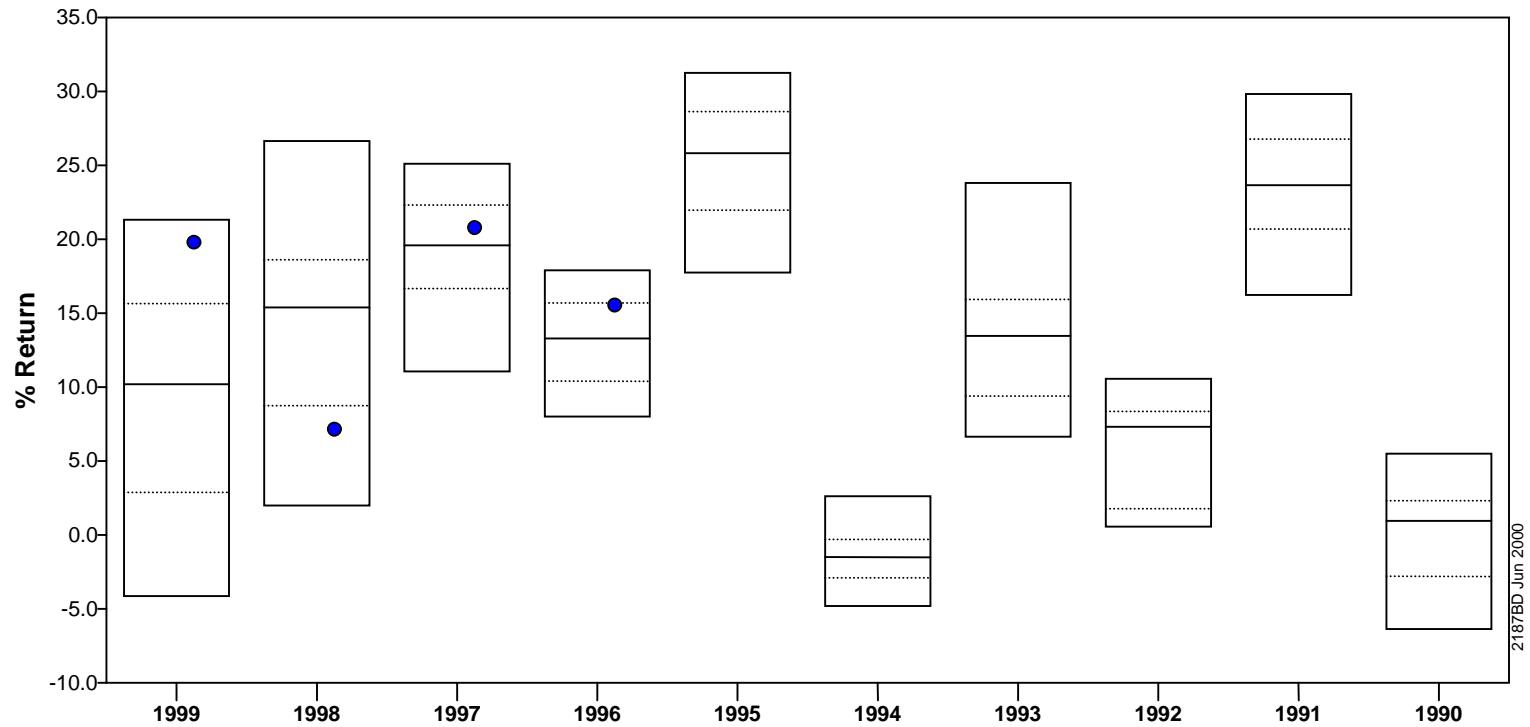
## Mutual Fund Balanced Universe



■ Vanguard Balanced Index	-2.0	1.2						
● Combined Balanced	-2.0	1.2	7.2	10.1	11.9	14.4	14.6	
▲ Life Strategy Income Fund	0.6	3.6						
● Life Strategy Conservative Gr Fund	-0.5	2.6						
◆ Life Strategy Moderate Growth Fund	-1.6	1.8						
□ Life Strategy Growth Fund	-2.7	0.7						

# GRID<sup>®</sup> Comparison – Calendar Year Performance

Mutual Fund Balanced Universe



■ Vanguard Balanced Index

● Combined Balanced

19.8

7.2

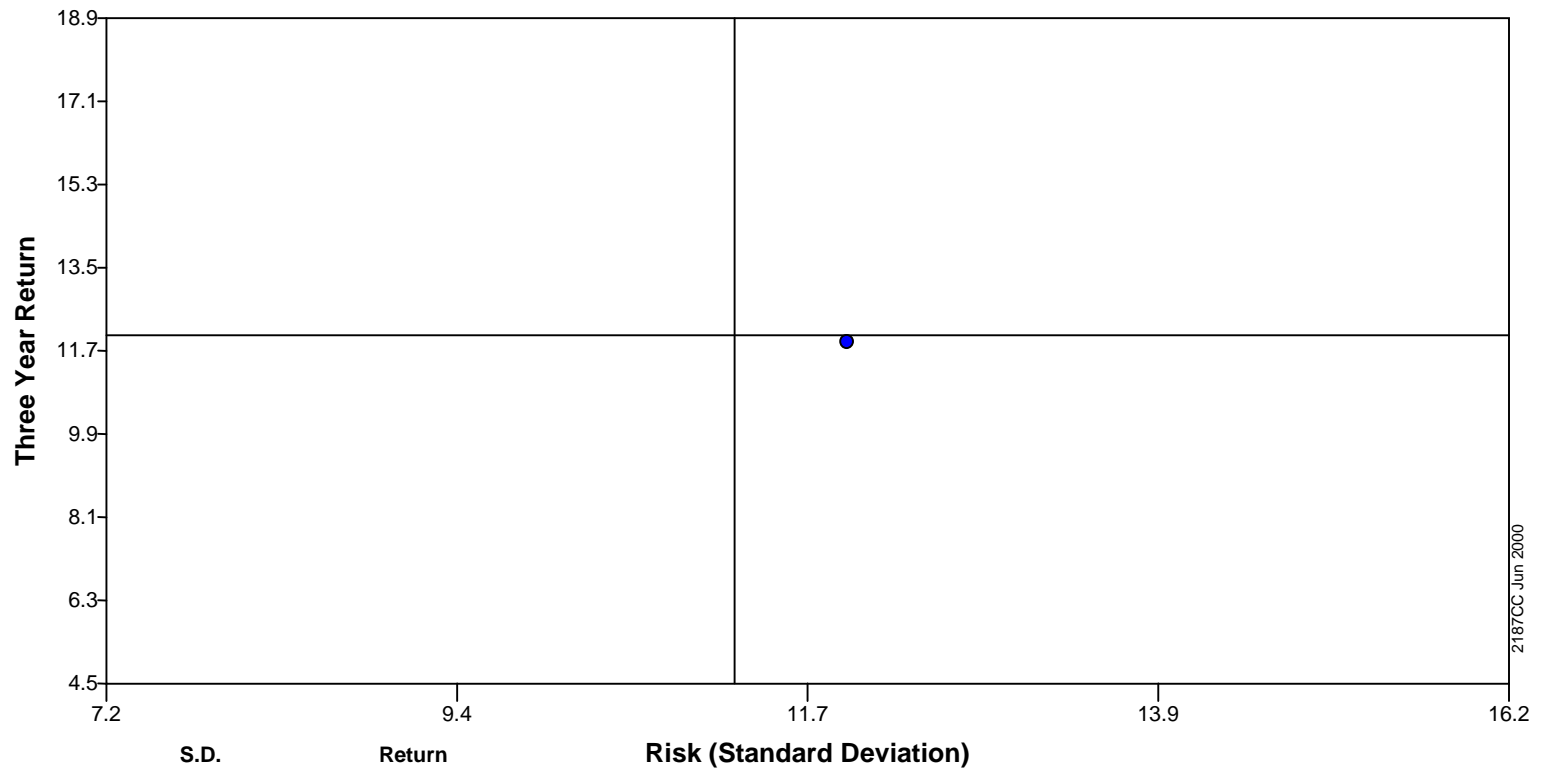
20.8

15.6

# GRID<sup>®</sup> Comparison – Risk/Return Analysis

Period Ending Jun 2000

## Mutual Fund Balanced Universe



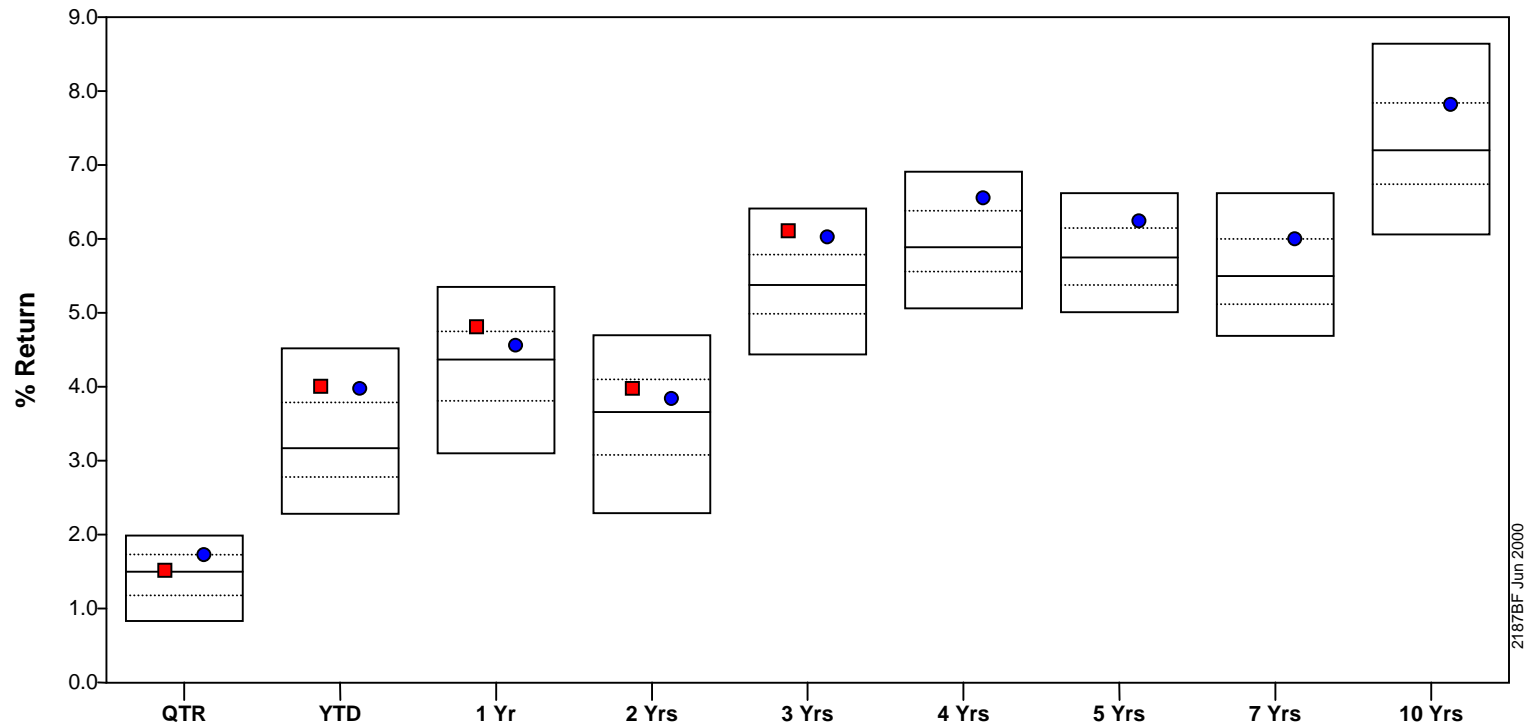
- Vanguard Balanced Index
- Combined Balanced

S.D.	Return
11.9	11.9

# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

## Mutual Fund Fixed Income Universe



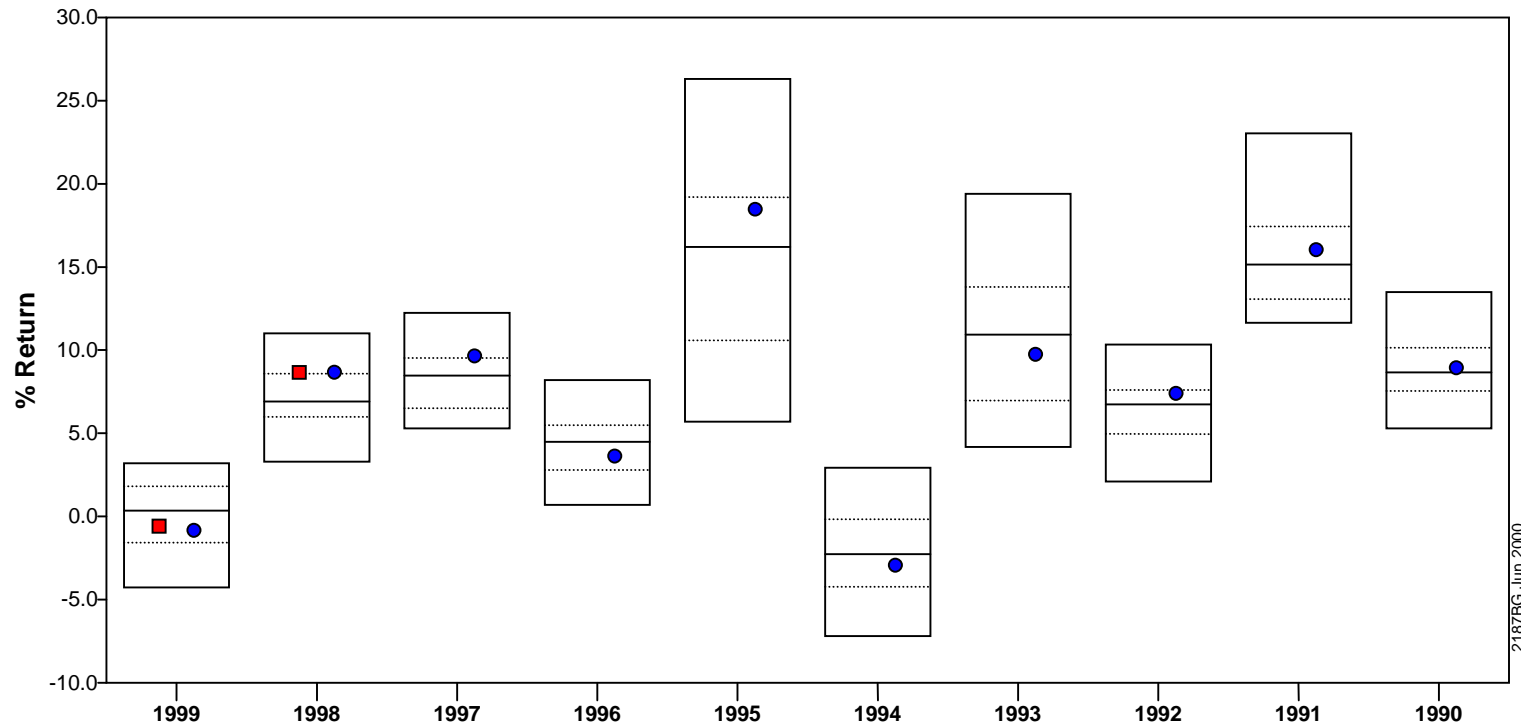
■ Vanguard Total Bond

● LB AGG Index

	1.5	4.0	4.8	4.0	6.1	6.6	6.2	6.0	7.8
	1.7	4.0	4.6	3.8	6.0	6.6	6.2	6.0	7.8

# GRID<sup>®</sup> Comparison – Calendar Year Performance

Mutual Fund Fixed Income Universe



■ Vanguard Total Bond

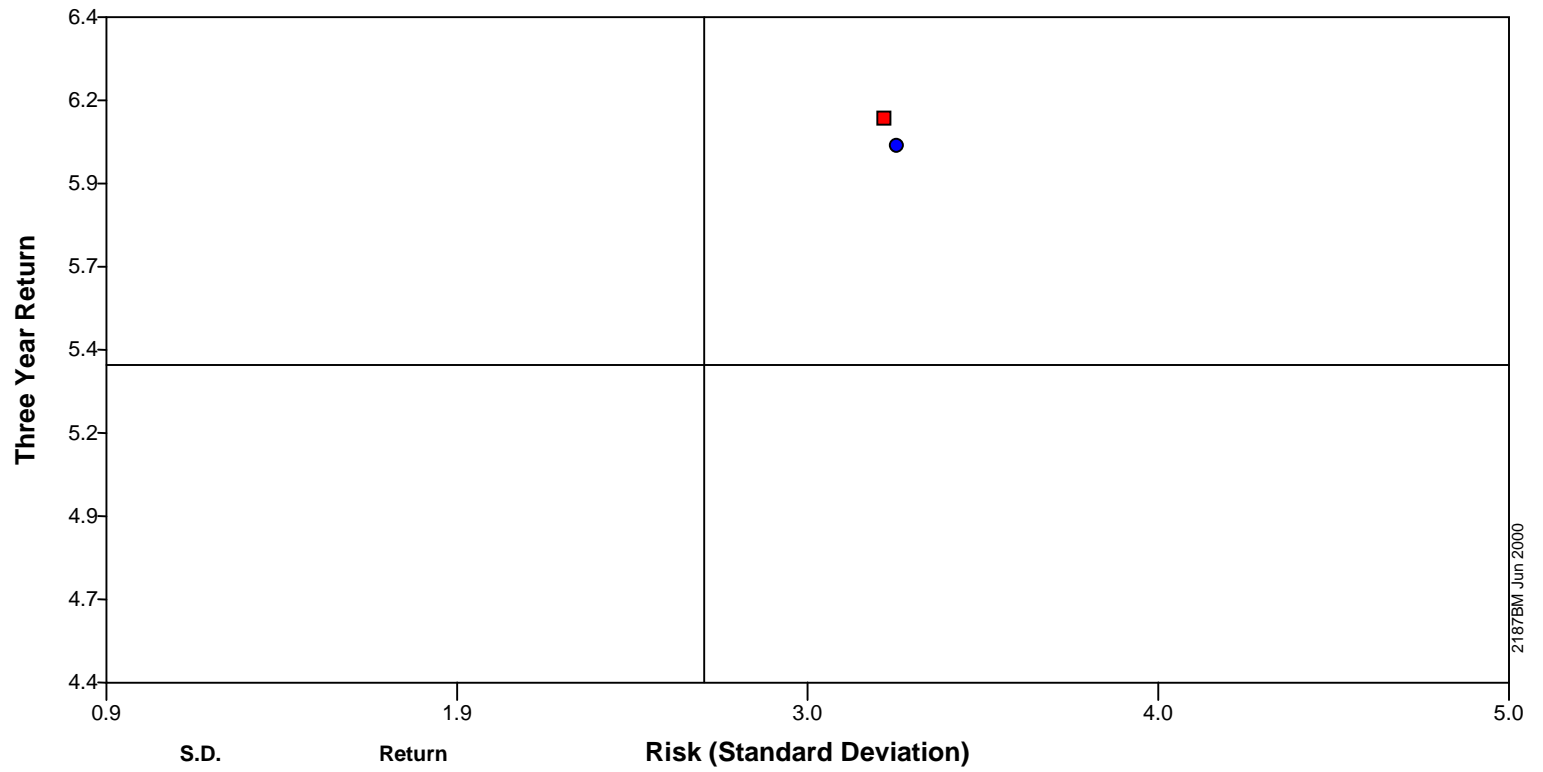
● LB AGG Index

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Vanguard Total Bond	-0.6	8.7								
LB AGG Index	-0.8	8.7	9.7	3.6	18.5	-2.9	9.7	7.4	16.0	8.9

# GRID<sup>®</sup> Comparison – Risk/Return Analysis

Period Ending Jun 2000

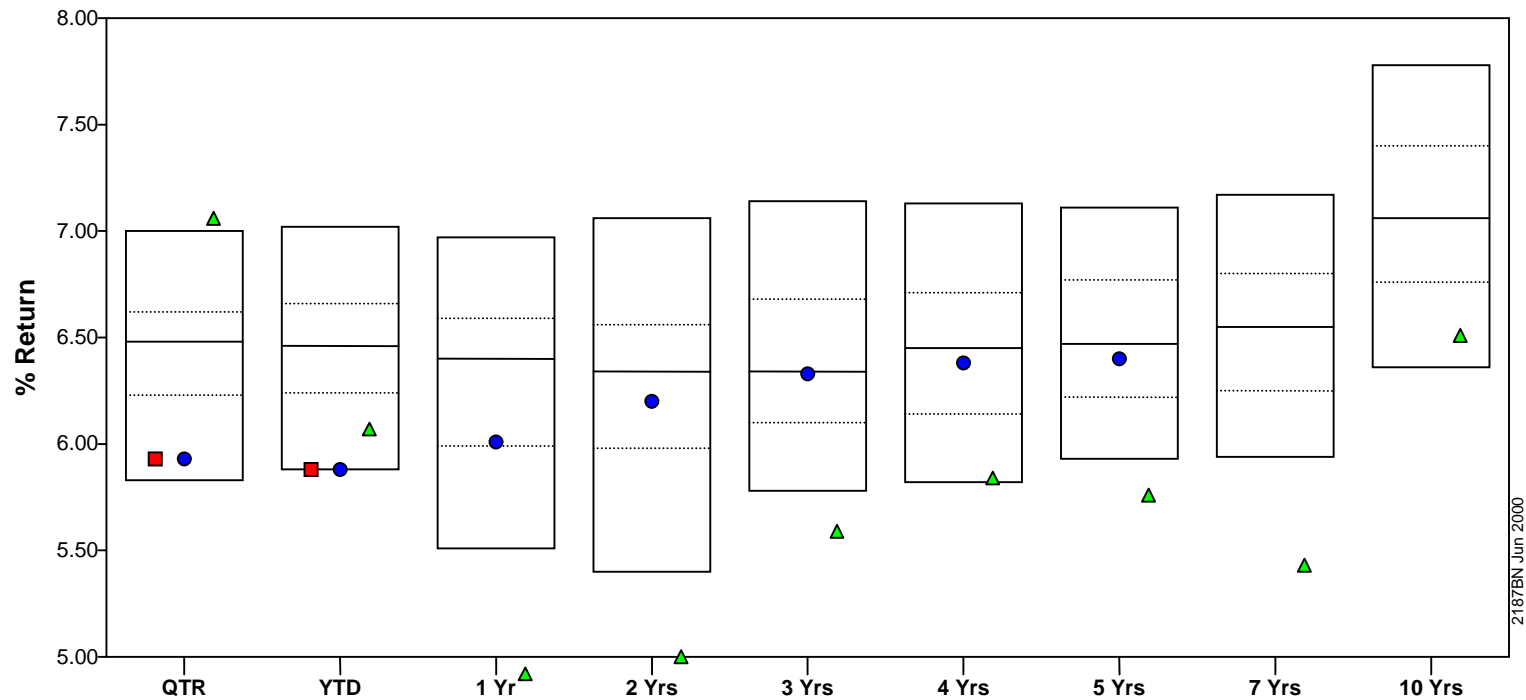
## Mutual Fund Fixed Income Universe



# GRID<sup>®</sup> Comparison – Trailing Year Performance

Periods Ending Jun 2000

## Total Fund GIC Universe

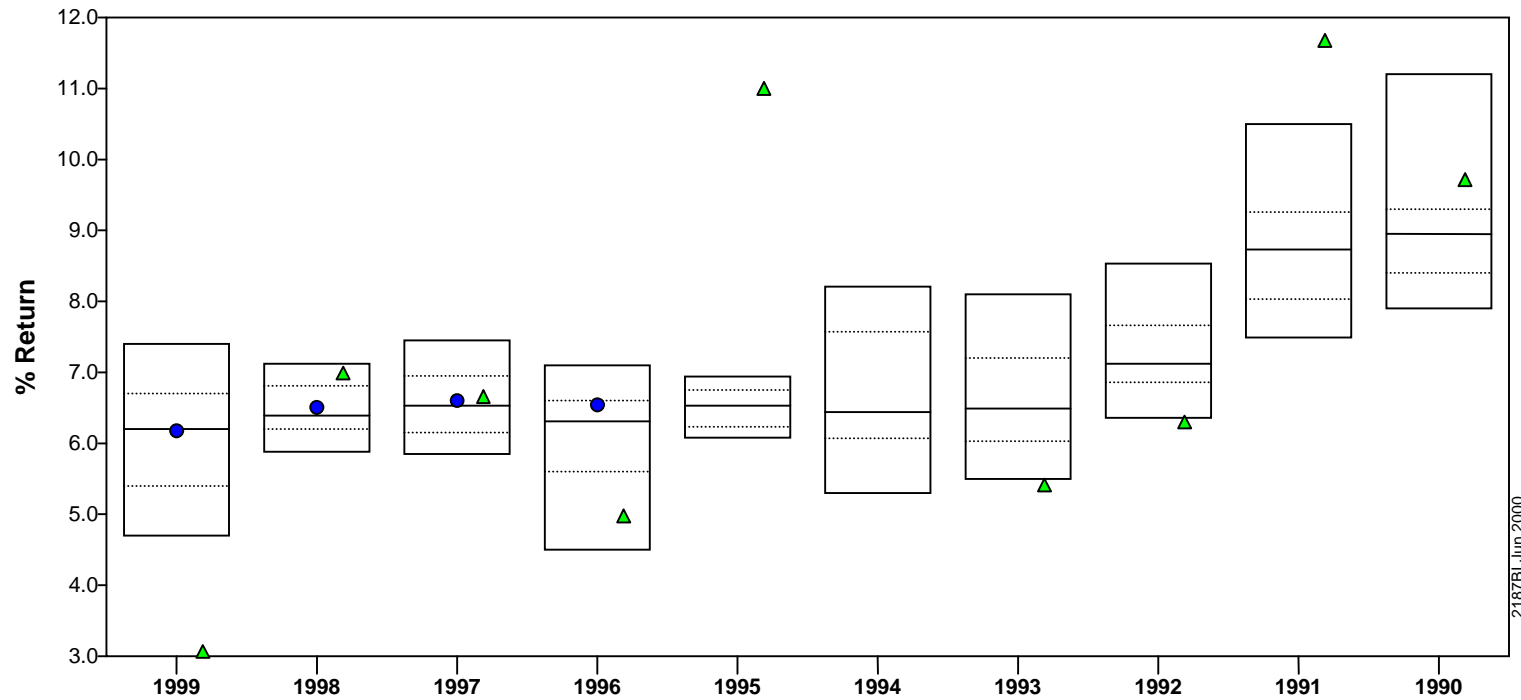


	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ Retirement Savings Trust Fund	5.93	5.88							
● Combined Stable Value	5.93	5.88	6.01	6.20	6.33	6.38	6.40		
▲ ML (1-3) G Index	7.06	6.07	4.92	5.00	5.59	5.84	5.76	5.43	6.51

Periods less than one year have been annualized.

# GRID<sup>®</sup> Comparison – Calendar Year Performance

Total Fund GIC Universe



■ Retirement Savings Trust Fund										
● Combined Stable Value	6.2	6.5	6.6	6.5						
▲ ML (1-3) G Index	3.1	7.0	6.7	5.0	11.0	0.6	5.4	6.3	11.7	9.7



# APPENDIX

# Investment Manager Fees

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<u>Fund</u>	<u>Expense Ratio</u>
Vanguard Windsor II	0.37%
Vanguard US Growth	0.39
Vanguard S&P 500 Index	0.18
Vanguard Small-Cap Index	0.25
Vanguard International Growth	0.58
Vanguard Balanced Index	0.20
Vanguard Strategy Income	0.28
Vanguard Strategy Conservative	0.29
Vanguard Strategy Moderate Growth	0.29
Vanguard Strategy Growth	0.29
Vanguard Total Bond	0.20
Vanguard Retirement Savings Trust	0.30
Vanguard Federal	0.33