SBS
Strategic Benefit Services

MARKET UPDATE

In the third quarter, global economies responded favorably to the unprecedented level of stimulus enacted by governments and central banks in response to the global recession. "Cash for clunkers" programs in the United States and select European countries resulted in a measured (though temporary) increase in consumer spending. Government spending has aided the economic recovery, with notable stimulus packages, including those of China and the United States, at 4 trillion yuan ($586 billion) and $787 billion, respectively.

According to data released in the third quarter, deterioration in domestic output, as measured by real gross domestic product (GDP), slowed in the second quarter. Data compiled by the Bureau of Economic Analysis showed that real GDP declined by 0.7% (annualized), an improvement over the revised annual decline of 6.4% in the first quarter of 2009. Several other developed markets returned to growth in the second quarter, including France (+1.4%) and Germany (+1.3%). However, despite notable exceptions, such as Russia (-10.9%) and Mexico (-4.4%), emerging markets led a global recovery in economic activity. China grew at an annualized rate of 14.9% in the second quarter.

Central banks largely left interest rates at historic lows. At two regularly scheduled meetings in August and September, the Federal Open Market Committee (FOMC) suggested that economic conditions, while remaining fragile, have showed signs of improvement. FOMC also expressed its belief that inflation will remain subdued for some time and kept rates unchanged, targeting a federal funds rate range of 0.00% to 0.25%. The European Central Bank (ECB) largely echoed the FOMC findings and voted at its September 3 meeting to leave ECB key interest rates unchanged. The Bank of Japan and Bank of England also opted to hold rates steady during the second quarter.

Data collected by the International Monetary Fund (IMF) showed year-over-year consumer price appreciation moderating in June and July before ticking upward again in August. IMF reports the world headline consumer price index (CPI) increased 0.9% over the 12-month period ended August 31, 2009. While advanced economies saw consumer prices (including food and energy) decline by 1.0% over the trailing 12-month period, several emerging and developing economies witnessed strong price appreciation. Within the U.S., declines in energy prices overwhelmed headline CPI, which contracted 1.5% over the trailing year. U.S. Core CPI increased 1.4% over the same period.

The U.S. Bureau of Labor Statistics reported domestic unemployment increased from 9.7% in August to 9.8%—a 26-year high—in September as job losses accelerated. The Federal Housing Finance Agency (FHFA) reported U.S. house prices, as measured by the purchase-only FHFA Seasonally-Adjusted House Price Index, declined 6.1% in the trailing 12-month period ended June 30, 2009. According to IMF data, the global median annual decline in real house prices in the first quarter of 2009 was 7.0% (on par with the U.S., which contracted 7.1% in that period). Housing activity, which IMF measures by number of transactions or residential investment, contracted 35% from the trailing year.

West Texas Intermediate crude oil appreciated 1.0% in the first quarter, closing at $70.61 per barrel. After a third consecutive quarterly gain, oil prices have increased 58.3% year to date through September 30, 2009, but remain more than 50% below peak levels reached during the summer of 2008.

Equity markets reflected renewed optimism for the economy in the third quarter, with the Russell 3000 Index (U.S. broad market) and the MSCI EAFE Net Index (International equities) advancing 16.3% and 19.5%, respectively.

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SBS' experienced team of professionals adheres to rigorous ethical, organizational, operational, and performance guidelines as the foundation for our business relationships. We promote and maintain the highest standards of professional competence, integrity, and judgment as the foundation on which our business is built.

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At Strategic Benefit Services, we rely on discipline and the principles of asset allocation and diversification, using a global approach and appropriate risk levels. We continue to focus on rational, responsible investing strategies to provide optimal long-term performance for our clients. For information on how HANYS Benefit Services' Investment and Fiduciary Support Services can enhance your organization's investment programs, contact William H. Desormeau, Jr., CFP®, Manager, at (800) 388-1963.

The SBS pledge to clients is:

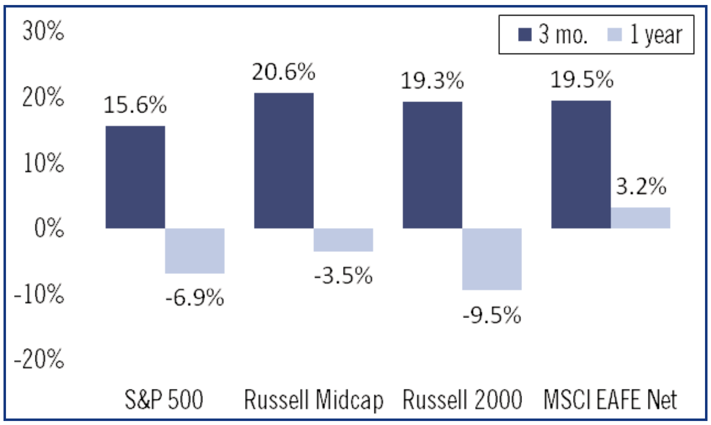
- SBS will provide you with independent, non-conflicted advice.
- SBS will neither accept any fees from investment managers, nor engage in any "soft dollar" arrangements.
- To the best of our ability, and maximizing our resources, SBS will be your partner for investment success.

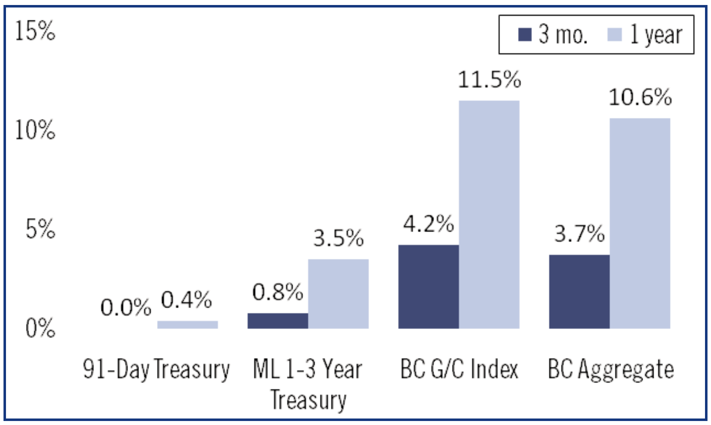
EQUITY INDICES (as of September 30, 2009)

EQUITY INDICES	THREE-MONTH	ONE-YEAR	THREE-YEAR	FIVE-YEAR
S&P 500 Index	15.6%	-6.9%	-5.4%	1.0%
Russell 3000 Index (broad market)	16.3%	-6.4%	-5.1%	1.6%
Russell 1000 Index (large cap)	16.1%	-6.1%	-5.1%	1.5%
Russell Midcap Index	20.6%	-3.5%	-4.1%	3.9%
Russell 2000 Index (small cap)	19.3%	-9.5%	-4.6%	2.4%
MSCI EAFE Net Index	19.5%	3.2%	-3.6%	6.1%
MSCI Emerging Markets Net Index	20.9%	19.1%	8.0%	17.3%

FIXED INCOME INDICES (as of September 30, 2009)

FIXED INCOME INDICES	THREE-MONTH	ONE-YEAR	THREE-YEAR	FIVE-YEAR
91-Day Treasury Bill Index	0.0%	0.4%	2.6%	3.0%
ML 1-3 Year Treasuries Index	0.8%	3.5%	5.2%	4.0%
BC Aggregate Index	3.7%	10.6%	6.4%	5.1%
BC G/C Index	4.2%	11.5%	6.2%	4.8%
Citigroup Mortgage Securities	2.4%	9.7%	7.5%	6.0%
BC High Yield Index	14.2%	22.3%	5.3%	6.1%
JPM Emerging Markets Bond + Index	10.2%	18.3%	7.5%	9.2%





Sources: Bureau of Economic Analysis, Economic Policy Institute, NYMEX, *Wall Street Journal*, Thomson Financial, Morningstar, Reuters, and U.S. Commerce Department. Market return information provided by Prime, Buchholz & Associates, Inc. of Portsmouth, New Hampshire.

This newsletter is for informational purposes only and is not to be construed as investment advice.

KEY: JPM—J.P. Morgan; ML—Merrill Lynch; BC—Barclay's Capital (formerly Lehman Brothers Indices); G/C—Government/Credit

For more information on SBS' Investment and Fiduciary Support Services and the benefits to your organization, please contact William H. Desormeau, Jr., CFP® at (800) 388-1963.

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