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First quarter reports confirm that the global economy continues to stabilize and many countries once again posted positive growth in the fourth quarter of 2009, during which the Bureau of Economic Analysis reported U.S. real gross domestic product (GDP) expanded at an annualized rate of 5.6%. Personal expenditures, exports, and inventory investments were among the drivers of economic growth. Conversely, an improvement in European exports failed to offset a decline in corporate spending, which resulted in stagnation across Europe. Economic growth remained robust, however, across most emerging market countries. The Organisation for Economic Co-operation and Development (OECD)\* projects that G-7 GDP growth will moderate slightly in the first half of 2010.

Sovereign risk continued to dominate economic headlines. Uncertainty regarding Greece's ability to service its debt and the potential European response to a default pushed the euro 5.7% lower relative to the U.S. dollar during the quarter. The fiscal health of Portugal, Ireland, Italy, and Spain also weighed heavily on European markets. Questions continued regarding the sustainability of the global economic recovery when unprecedented levels of governmental support are reduced.

The major central banks maintained historically low interest rates through the quarter. The Federal Open Market Committee (FOMC) left rates unchanged, targeting a federal funds rate range of zero to 0.25%. While the European Central Bank and Bank of England opted to maintain historically low rates, both announced plans to curtail emergency liquidity facilities. The Bank of Japan also left rates unchanged—deflation persists despite a rebound in exports and a return to economic growth in the fourth quarter. However, robust economic growth has led to tightening within the Pacific Rim, where central banks in India, Malaysia, Vietnam, and Australia have begun to raise rates. During the quarter, credit tightening in China prompted declines in Chinese equities.

Consumer prices across the OECD countries increased 1.9% during the 12-month period ended February 28, 2010. Excluding food and energy, prices in aggregate were 1.5% higher. The U.S. experienced a 2.1% increase in the headline Consumer Price Index (CPI) in the trailing 12-month period ending in February; energy prices rose 14.4%, while food prices contracted 0.2%. Less food and energy, the U.S. CPI rose by only 1.3% for the period—its lowest reading since February 2004. West Texas Intermediate (WTI) crude oil closed the first quarter 5.5% higher at \$83.76 per barrel, up 68.7% from the previous year, reflecting improved global demand.

U.S. unemployment fell to 9.7% in January and remained steady through the end of the quarter. However, the U.S. Bureau of Labor Statistics reports 162,000 non-farm jobs were added in March, representing the largest increase since March 2007. Across OECD nations, unemployment declined from 10% in December to 9.7% in January. In addition to the U.S., Japan and Australia saw jobless rates decline. Spain's unemployment rate was revised down to 18.8%, but remains the highest of the OECD countries.

The Federal Housing Finance Agency (FHFA) reported that U.S. house prices, as measured by the purchase-only FHFA Seasonally-Adjusted House Price Index, declined 1.2% during calendar year 2009. There was substantial variability by region—the Pacific (+70 bps) and West South Central (+30 bps) divisions saw modest increases over the trailing 12-month period, while prices in the Mountain Division declined 9%. While U.S. house prices have yet to recover, an April report showed

\*The 31 current member countries of OECD are: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States. Chile became a member on May 7, 2010. An invitation to join OECD has been extended to Estonia, Israel, and Slovenia, paving the way for membership to grow to 34 countries. Source: OECD.org

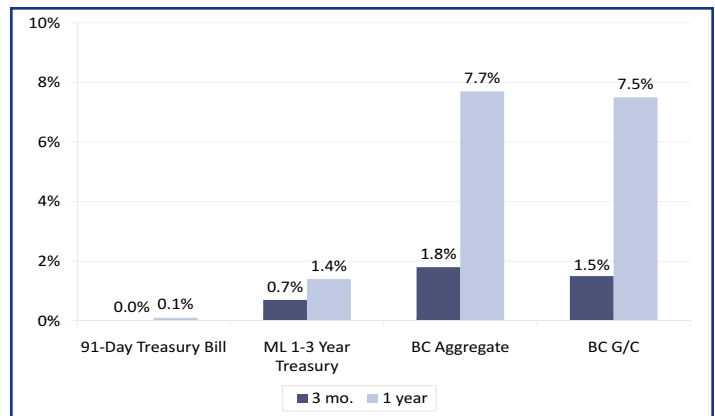
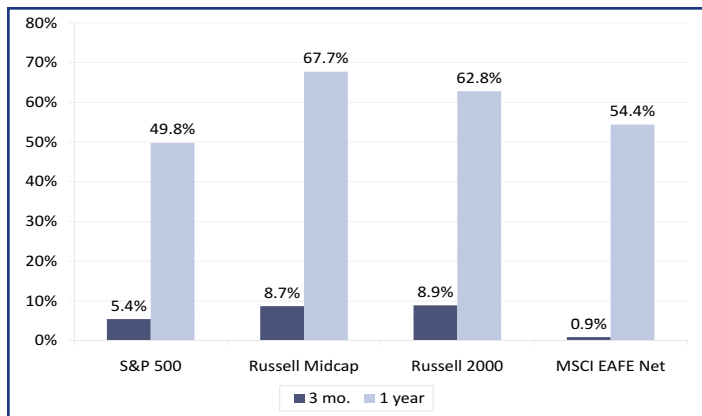
that more than 70% of 19 OECD countries included in FHFA's housing price survey experienced an increase in real housing prices during the final quarter of 2009.

At Strategic Benefit Services, we recognize the importance of investing with a long-term perspective. We continue to focus on rational, responsible investing strategies to provide optimal long-term performance for our clients. For information on how Strategic Benefit Services' Investment and Fiduciary Support Services can enhance your organization's investment programs, contact William H. Desormeau, Jr., CFP®, Director, Retirement and Investment Services, 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 March 31, 2010)					FIXED INCOME INDICES (as of March 31, 2010)				
EQUITY INDICES	THREE-MONTH	ONE-YEAR	THREE-YEAR	FIVE-YEAR	FIXED INCOME INDICES	THREE-MONTH	ONE-YEAR	THREE-YEAR	FIVE-YEAR
S&P 500 Index	5.4%	49.8%	-4.2%	1.9%	91-Day Treasury Bill Index	0.0%	0.1%	1.8%	2.8%
Russell 3000 Index (broad market)	5.9%	52.4%	-4.0%	2.4%	ML 1-3 Year Treasuries Index	0.7%	1.4%	4.6%	4.2%
Russell 1000 Index (large cap)	5.7%	51.6%	-4.0%	2.3%	BC Aggregate Index	1.8%	7.7%	6.1%	5.4%
Russell Midcap Index	8.7%	67.7%	-3.3%	4.2%	BC G/C Index	1.5%	7.5%	5.8%	5.2%
Russell 2000 Index (small cap)	8.9%	62.8%	-4.0%	3.4%	Citigroup Mortgage Securities	1.5%	5.0%	7.1%	6.2%
MSCI EAFE Net Index	0.9%	54.4%	-7.0%	3.8%	BC High Yield Index	4.6%	56.2%	6.7%	7.8%
MSCI Emerging Markets Net Index	2.4%	81.1%	5.2%	15.6%	JPM Emerging Markets Bond + Index	3.6%	27.3%	7.0%	9.4%



**Sources:** Bureau of Economic Analysis, Economic Policy Institute, NYMEX, *Wall Street Journal*, Thomson Financial, Morningstar, Reuters, and U.S. Commerce Department. *Market Update* 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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