

# Update from

## Investment Management Report

May 2012

Charles C. Baum, Chair, Investment Management Committee

Remember the scene in the old Woody Allen movie – where he's neurotically waiting for the doctor's diagnosis, sure that he has brain cancer? When told he's OK, Woody skips down the street, happy with the world. In the very next scene, head in hands, he's more depressed than ever. "Why so glum?", his companion asks, "the doctor said you're OK". "I'm OK this time" Woody says, "but how about next time?"

Well, for a moment let's do look back happily at results for the quarter and other periods ended 3/31/12. Boosted by the recent rise in most financial markets, the CIF has posted commendable results, quantified in the table below:

### CIF Annualized Returns\*

	Qtr. Ended 3/31/12	FYTD	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Investment Fund</b>	7.9%	1.3%	2.7%	19%	3.8%	7.6%
CIF Benchmark Custom Index	6.8	2.8	4.1	14.9	3.7	6.6
S&P 500	12.6	8.4	8.5	23.4	2.0	4.1
Spending rate + inflation	2.8	5.3	7.7	7.5	7.2	7.5

But like Woody, we are incapable of feeling too good for too long, as we seem to be trained to think; "Yeah, that was nice, but what about next time?"

And there are many reasons to be wary. Just spin the globe and it's rather easy to point to economic and political dangers: recovery in the U.S. seems fragile, Chinese growth less certain, and no one believes that we have seen the final chapter in the European sovereign debt saga. Political instability in the Mideast, U.S. elections, and a seeming inability to fix our own debt or tax issues add to uncertainty. Moreover, with the gains of the past six months in equity process, most markets are no longer cheap.

Our response to higher stock prices and those unresolved macro-economic issues is to rebalance our portfolio at the edges, to trim our risk exposure and to increase our investments in less volatile asset classes. We are ever-mindful, even obsessive, about the fact that we invest for the long-term, not for quarterly results. (You'll never catch us gloating about a great quarter and hope not to be judged too severely about a lousy one). What we care about, what we spend a lot of effort and energy on, determining and diversifying among asset classes and then selecting and monitoring the best managers we can find within those classes. We trust that our three, five and ten year results speak well of the process.

Any personal notes here are inappropriate, as what makes the CIF system work is the fact that it's a true team effort, buoyed by a host of involved volunteers and a dedicated staff. Nevertheless, please indulge two closing thoughts: it's been a privilege for me to serve as your Chair for the past five years, and I am most sure that David Greenberg will do an excellent job as he assumes that position on July 1.

*\*Although the investment return realized by our investment managers for the quarter was 6 percent, the results reported on your statement may not reflect these numbers. The actual returns reported on your statement take account of actual inflows and outflows from the CIF. Especially in a volatile market with broad swings from day-to-day, actual returns can vary widely from reported manager performance over the course of a quarter or year. If you have any questions about your statement or about these returns, please feel free to call Michael Dye, at THE ASSOCIATED, at 410-369-9213.*

*The information below is provided to help you and your family as you engage across generations in family philanthropy.*

## Traditionalists: The Greatest Generation

*Can you recall seeing silent movies?*

*Where were you the day Pearl Harbor was attacked?*

*Do you remember when the game, Monopoly, was first introduced?*

Your answer, of course, depends on your age—or more specifically, on your generation. While these milestones may not seem all that important, the sum total of experiences, ideas and values shared by people of different generations makes for a melting pot of approaches and priorities.

Born between 1900 and 1945, Traditionalists (also known as the Silent Generation) are in their 60s, 70s, 80s, and 90s. They hold three-quarters of the nation's wealth and approximately 95% of them are retired from the workforce. Having lived through the Great Depression, Traditionalists are not wasteful and truly understand the value of a dollar.

Understanding characteristics of Traditionalists might be helpful when working with multiple generations. Did you know, Traditionalists...

- Are private and don't like to share their inner thoughts?
- Prefer face-to-face or written communication over electronic communication?
- Tend to make decisions based on what worked in the past?
- Do not like change and are not risk tolerant?
- Have confidence in community and institutions?

### **Are you looking for ways to involve your children and grandchildren?**

The Center for Funds & Foundations (CFF) is available to work with you to engage your family in your charitable giving. CFF professionals can discuss with you a variety of options, such as tools and strategies you can use to spark a philanthropic conversation. For more information, please contact Lauren Klein, Director of Family Philanthropy, at 410-369-9278 or [lklein@associated.org](mailto:lklein@associated.org).