

Jay Company

Investment Management

Merrill Rajeck CFA

Best and Worst Jobs 2010

The 200 best and worst jobs in the U.S. in 2009 based on five criteria -- environment, income, employment outlook, physical demands and stress - - according to a newly released study from job site CareerCast.com.

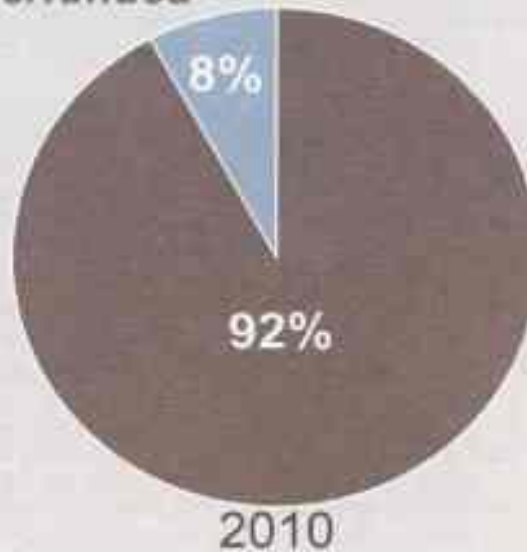
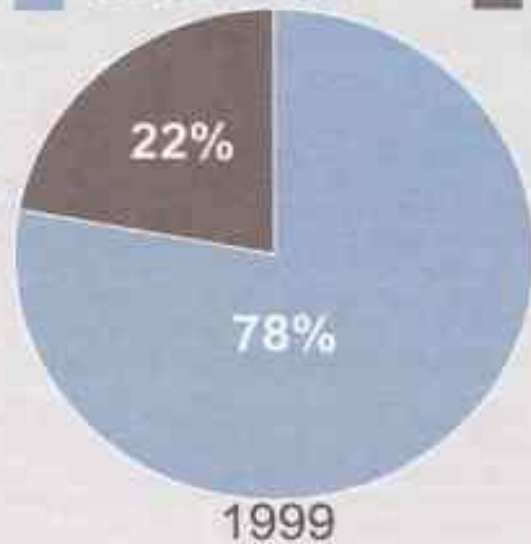
<u>Rank</u>	<u>Job</u>	<u>Starting salary</u>	<u>Midlevel salary</u>	<u>Top level salary</u>
1	ACTUARY	\$49,000	\$85,000	\$161,000
2	SOFTWARE ENGINEER	\$54,000	\$85,000	\$129,000
3	COMPUTER SYSTEMS ANALYST	\$45,000	\$76,000	\$118,000
4	BIOLOGIST	\$39,000	\$71,000	\$148,000
5	HISTORIAN	\$34,000	\$62,000	\$111,000
6	MATHEMATICIAN	\$54,000	\$95,000	\$141,000
7	PARALEGAL ASSISTANT	\$29,000	\$46,000	\$73,000
8	STATISTICIAN	\$40,000	\$73,000	\$117,000
9	ACCOUNTANT	\$37,000	\$59,000	\$102,000
10	DENTAL HYGIENIST	\$44,000	\$67,000	\$91,000
11	PHILOSOPHER	\$33,000	\$60,000	\$105,000
12	METEOROLOGIST	\$39,000	\$81,000	\$127,000
13	TECHNICAL WRITER	\$37,000	\$62,000	\$97,000
14	BANK OFFICER	\$54,000	\$88,000	\$171,000
15	WEB DEVELOPER	\$48,000	\$60,000	\$91,000
16	INDUSTRIAL ENGINEER	\$48,000	\$74,000	\$107,000
17	FINANCIAL PLANNER	\$32,000	\$59,000	\$145,000
18	AEROSPACE ENGINEER	\$58,000	\$93,000	\$135,000
19	PHARMACIST	\$77,000	\$106,000	\$131,000
20	MEDICAL RECORDS TECHNICIAN	\$20,000	\$31,000	\$50,000
21	SOCIOLOGIST	\$41,000	\$69,000	\$122,000
22	STENOGRAPHER/COURT REPORTER	\$25,000	\$50,000	\$84,000
23	MEDICAL SECRETARY	\$21,000	\$30,000	\$43,000
24	BOOKKEEPER	\$21,000	\$33,000	\$49,000
25	ASTRONOMER	\$45,000	\$101,000	\$157,000

The
Actuarial
Rate

Defined Benefit Plans – Funded Status: S&P 500 companies

overfunded

underfunded



Pension Return Assumptions: S&P 500 companies

1999: Average 9.2%

2010: Average 7.4%

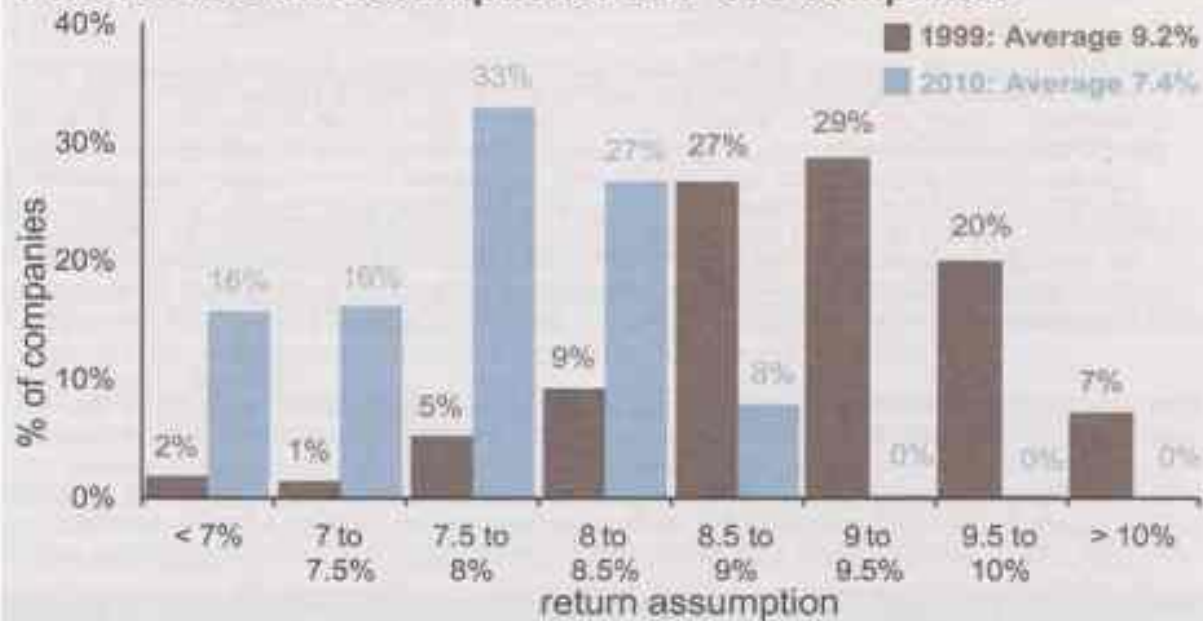


Exhibit 9 Histogram of Nominal Return Assumptions*

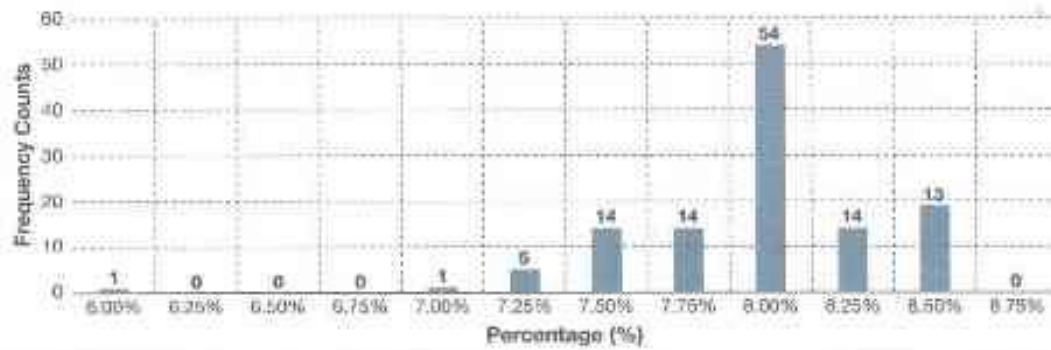


Exhibit 10 Histogram of Salary Inflation Assumptions*

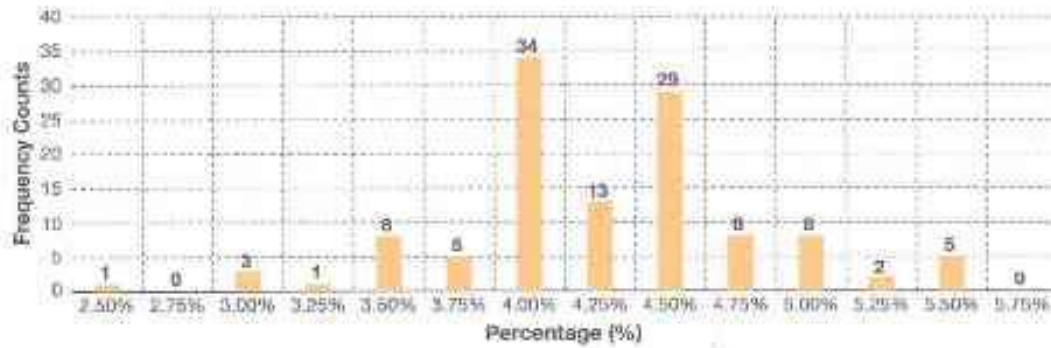
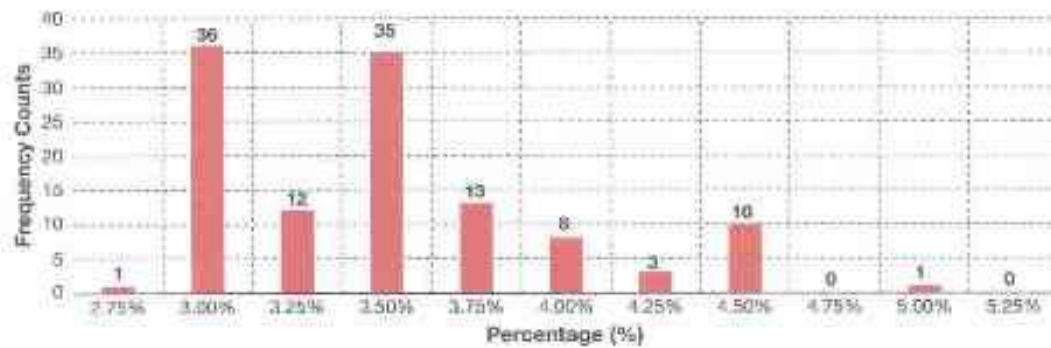


Exhibit 11 Histogram of Price Inflation Assumptions*



Investment

Returns

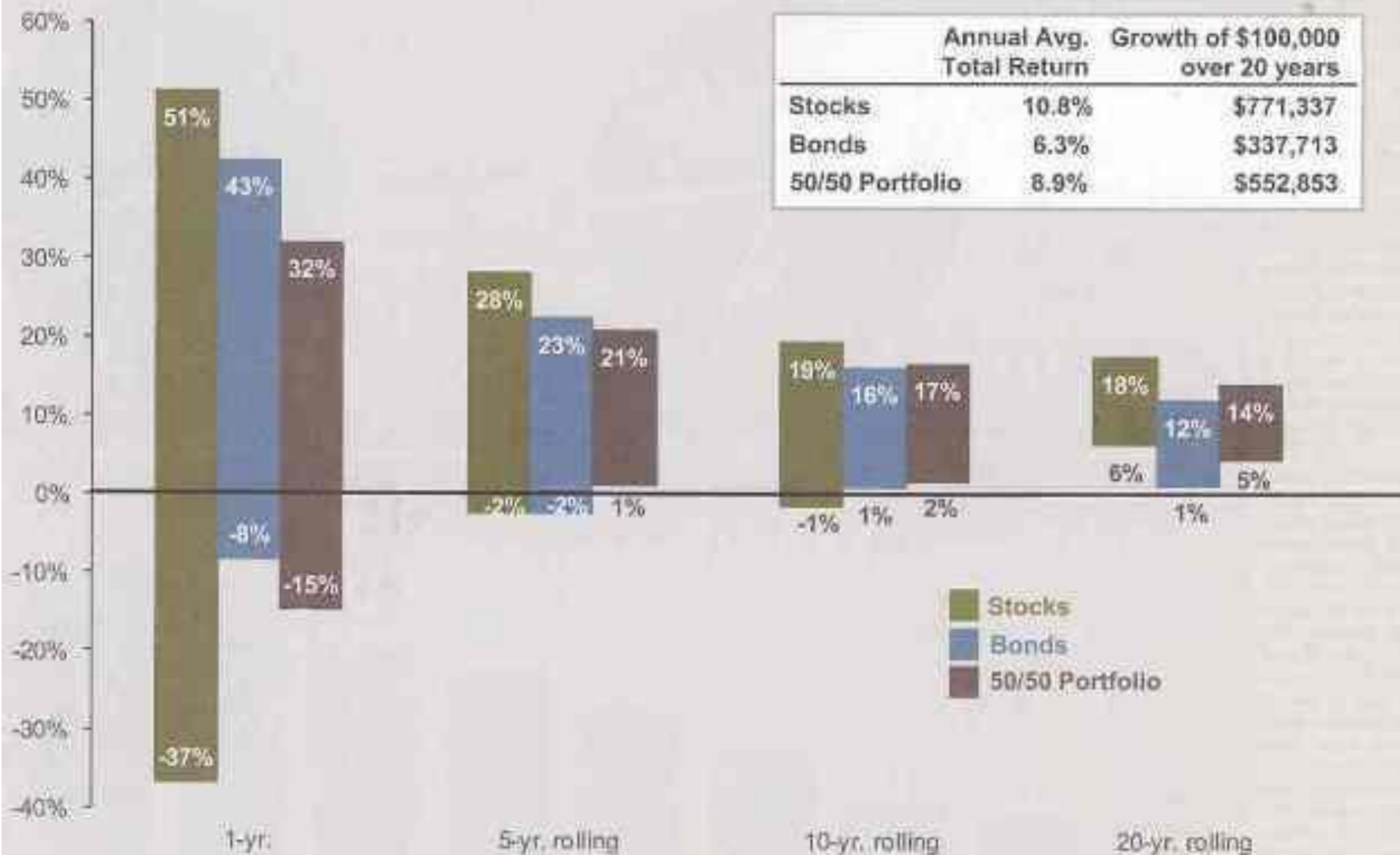


Plain Vanilla Portfolios

<u>Vanguard Mutual Funds</u>	<u>Holdings</u>	<u>Size</u> <u>\$ Billions</u>	<u>Fee %</u>	<u>Total Return 12/31/11</u>			
				<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Prime Money Market	434	114	0.20	0.1	0.2	1.7	2.0
Short Term Investment Gr. Bonds	1,328	38	0.22	1.9	6.9	4.3	4.0
Long Term Investment Gr. Bonds	408	12	0.24	17.2	12.2	8.4	7.8
Total Stock Market Index	3,312	177	0.07	1.1	15.2	0.3	3.8
Total International Stock Index	6,467	63	0.18	(14.5)	10.0	(3.4)	5.9
BLS Consumer Price Index - All Urban				3.0	2.3	2.2	2.4

Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2011



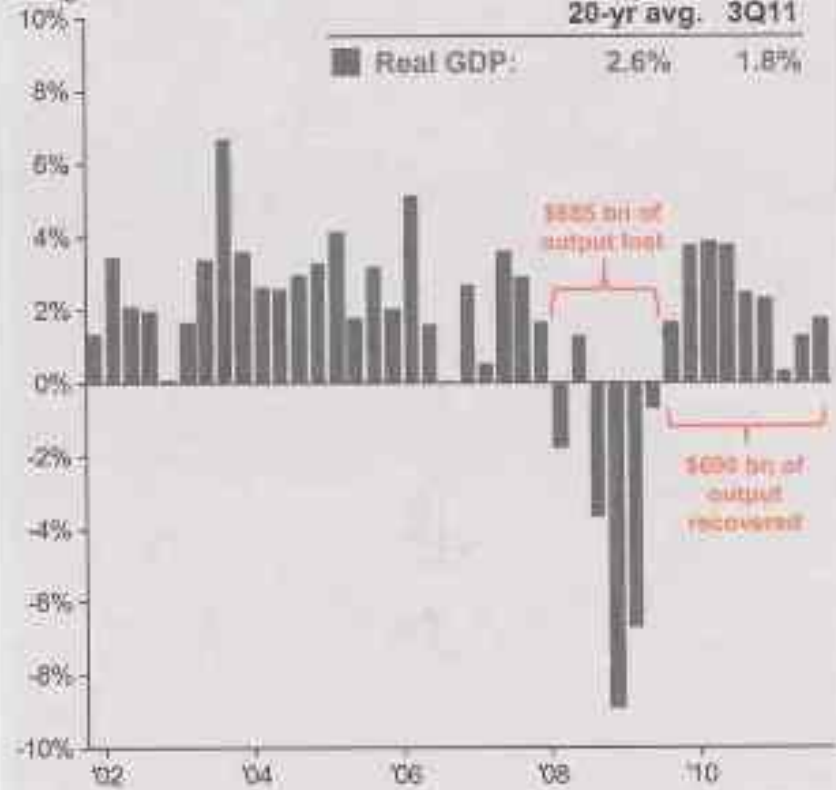
	Annual Avg. Total Return	Growth of \$100,000 over 20 years
Stocks	10.8%	\$771,337
Bonds	6.3%	\$337,713
50/50 Portfolio	8.9%	\$552,853

Investment Outlook



Real GDP

% chg at annual rate:



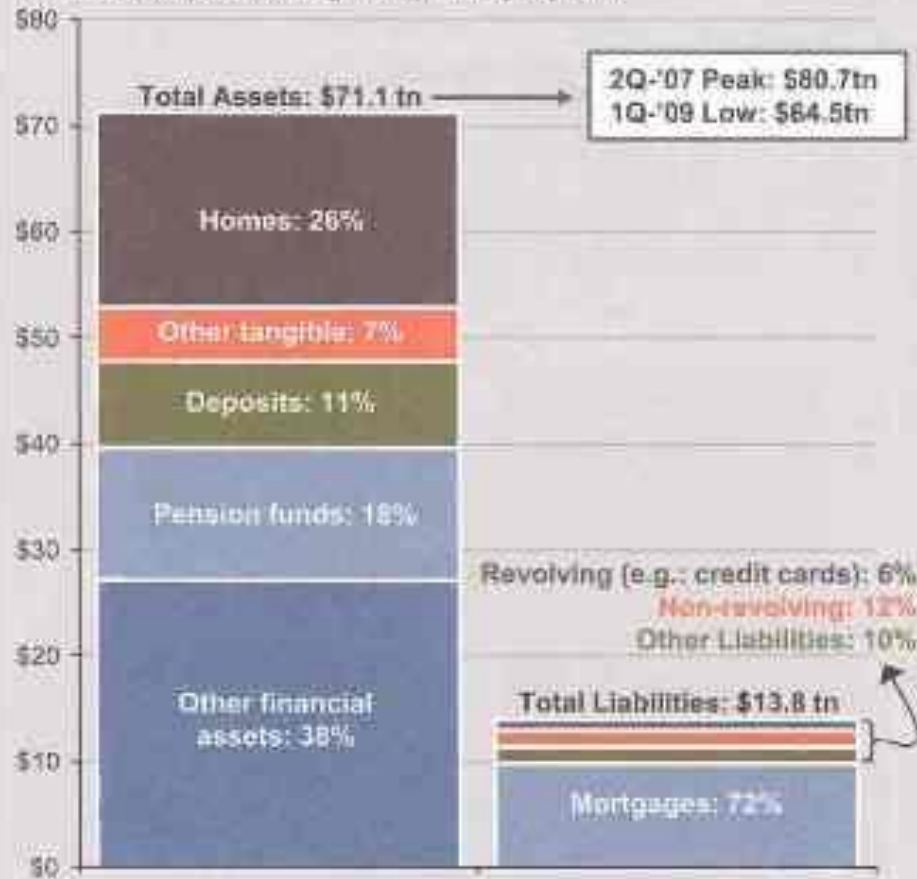
Components of GDP

3Q11 nominal GDP, billions, USD



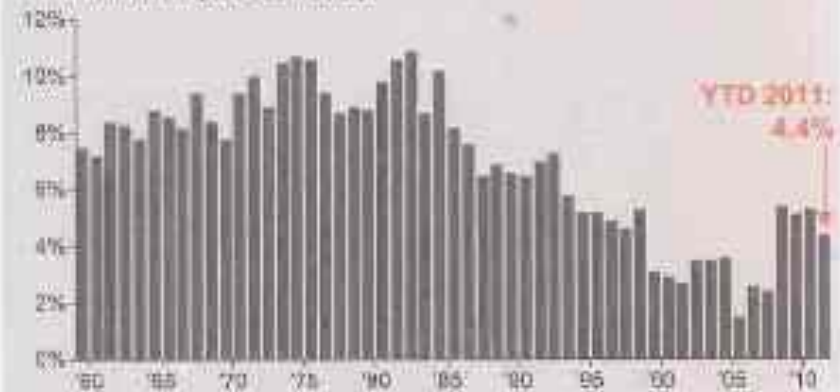
Consumer Balance Sheet

Trillions of dollars outstanding, not seasonally-adjusted



Personal Savings Rate

Annual, % of disposable income



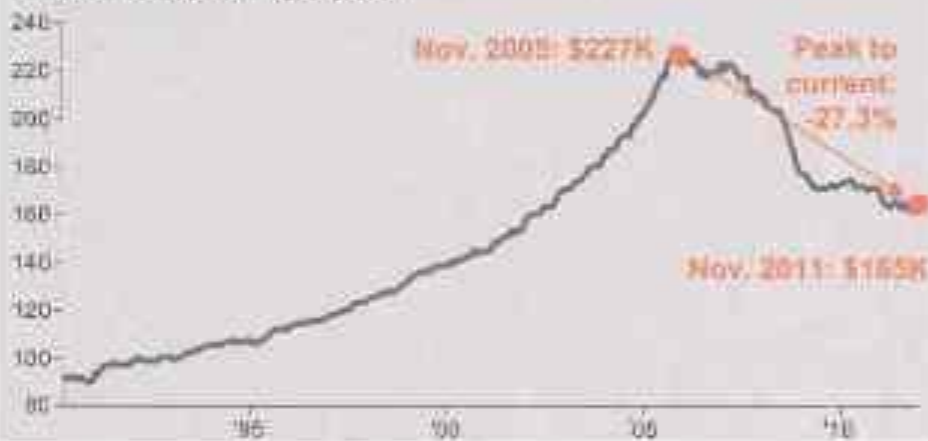
Household Debt Service Ratio

Debt payments as % of disposable personal income, seasonally adjusted



Median Existing Home Prices

\$ thousands, seasonally adjusted



Monthly Rent vs. Monthly Mortgage Payment

Vacant properties



Home Sales and Inventories

Millions, annual rate, seasonally adjusted



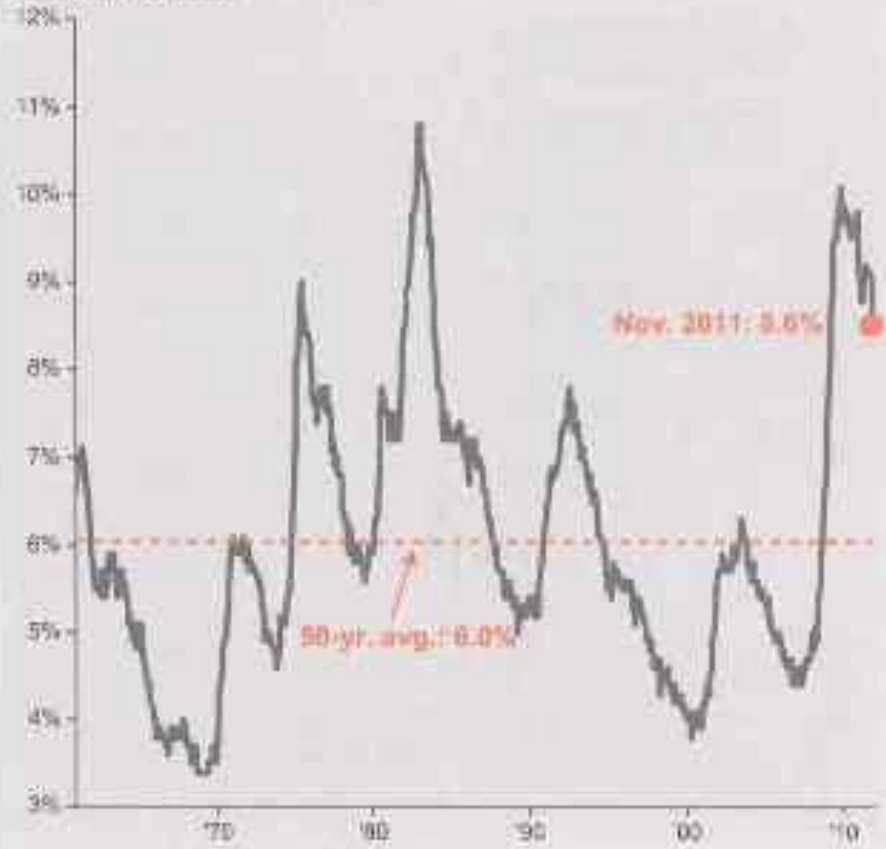
Affordability: Mortgage Payment on Average New Home

% of average household personal income



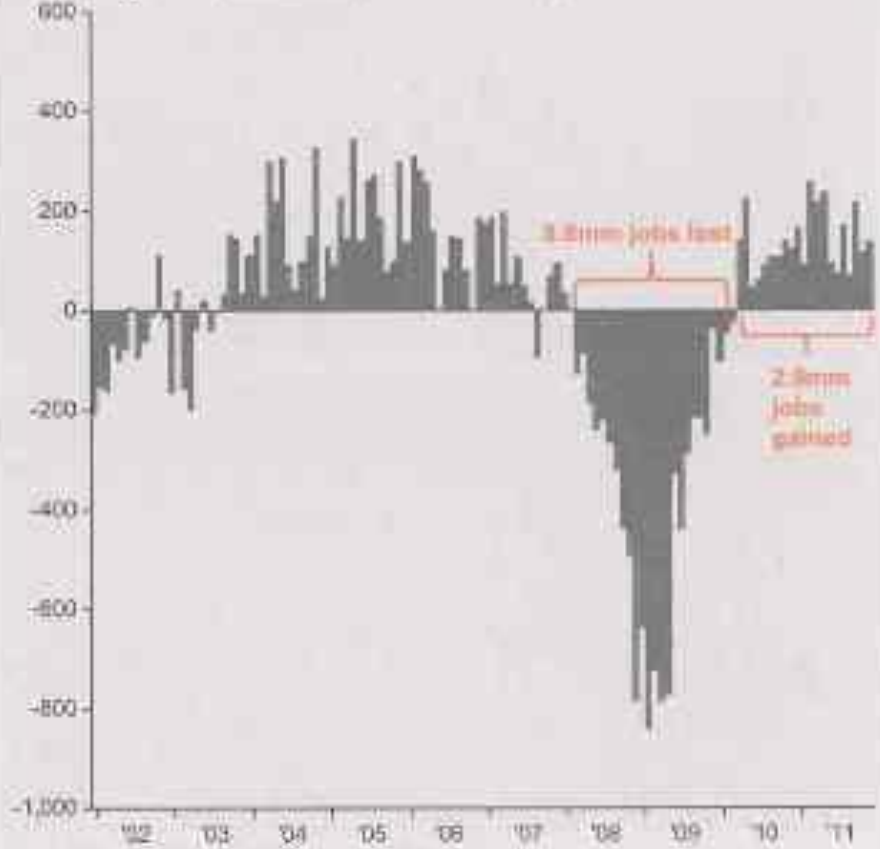
Civilian Unemployment Rate

Seasonally adjusted



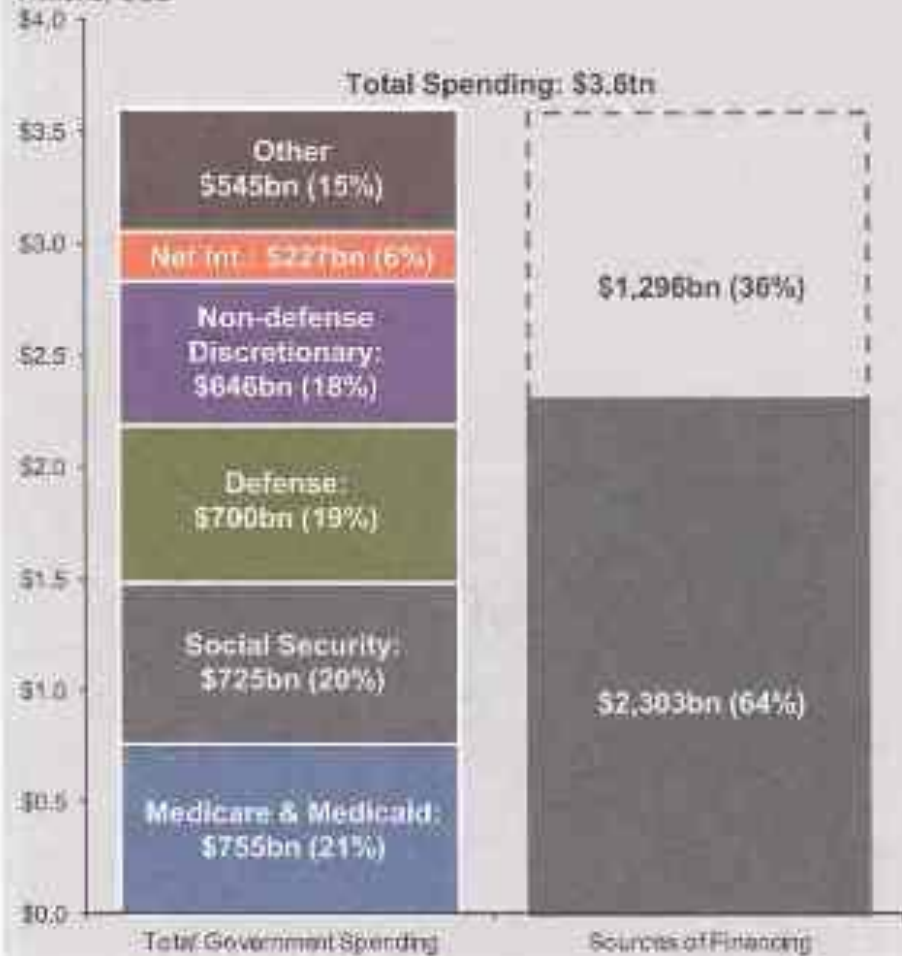
Employment – Total Private Payroll

Total job gain/loss (thousands)



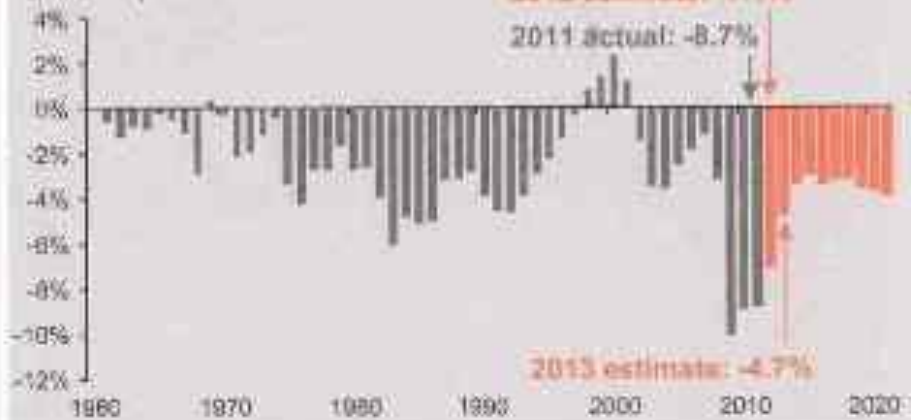
The 2011 Federal Budget

Trillions, USD



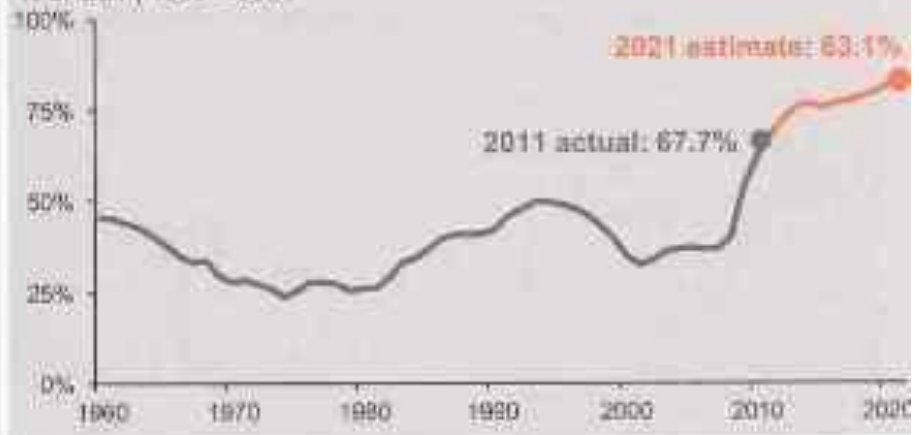
Federal Budget Surplus/Deficit

% of GDP, 1960 - 2021*



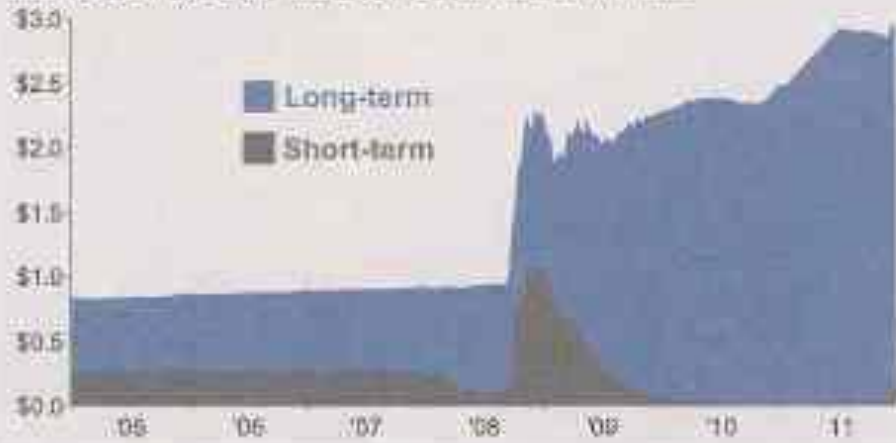
Federal Debt (Accumulated Deficits)

% of GDP, 1960 - 2021*

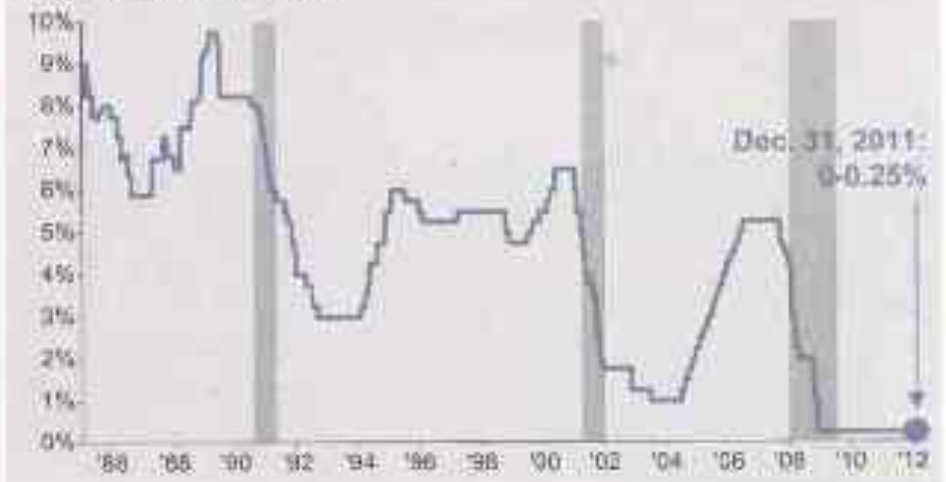


Federal Reserve Balance Sheet

U.S. Federal Reserve, total reserve bank credit, \$ trillions

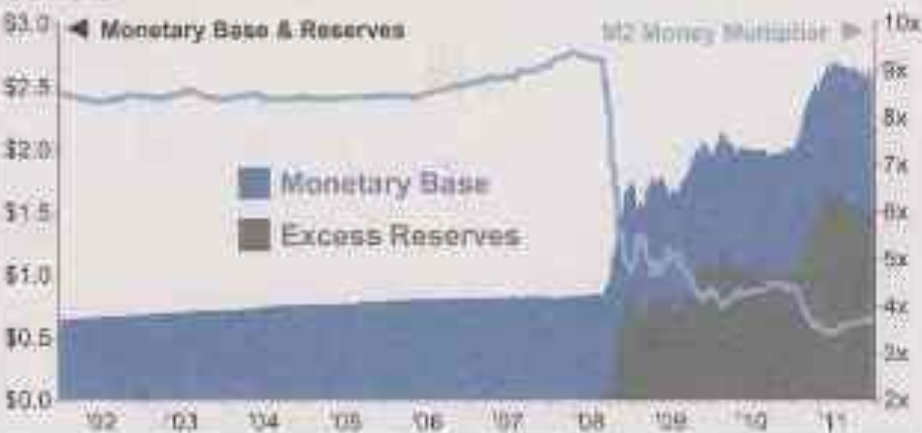


Federal Funds Rate



Excess Reserves, Monetary Base and Multiplier

\$ trillions



Money Supply Growth

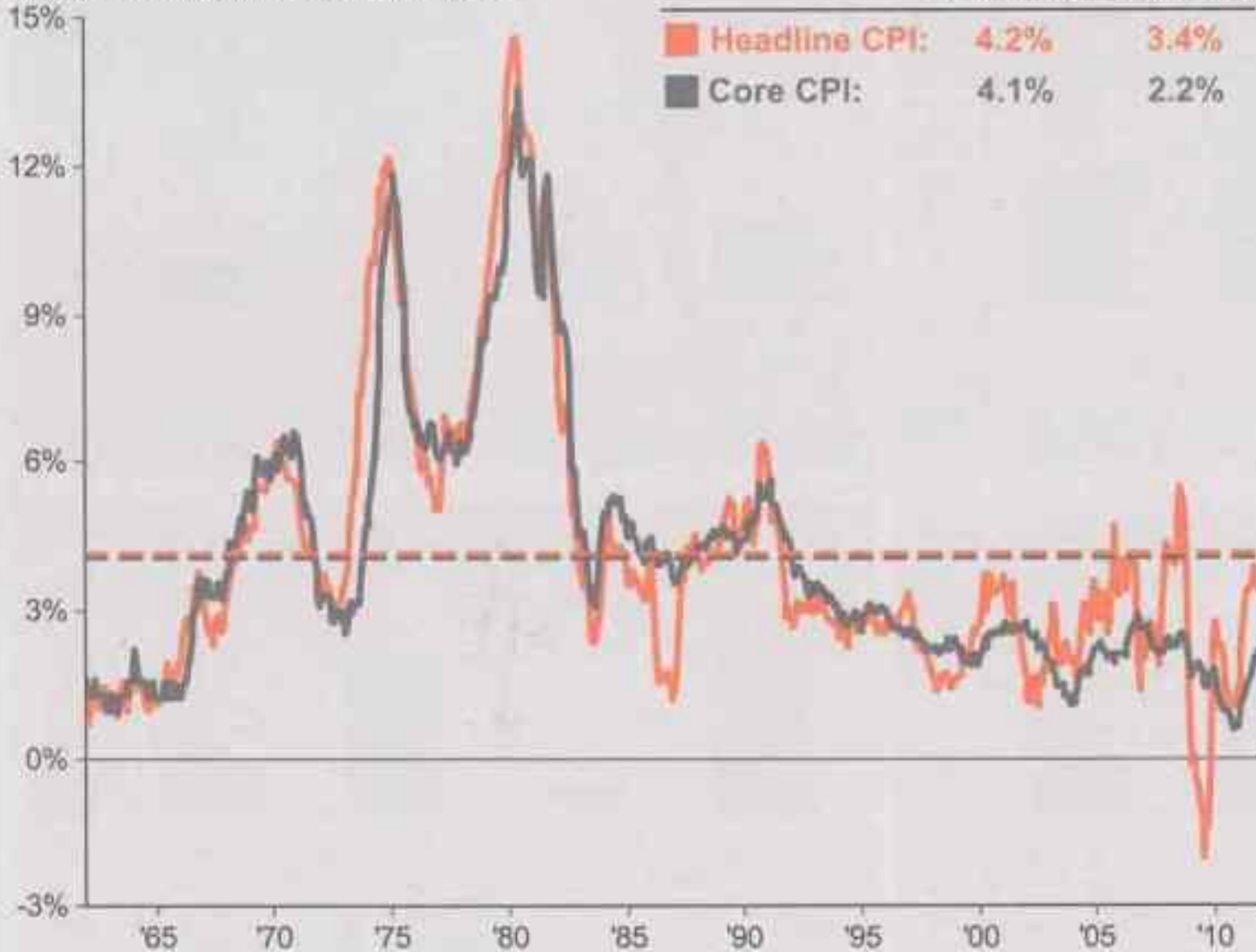
Year-over-year growth in M2



CPI and Core CPI

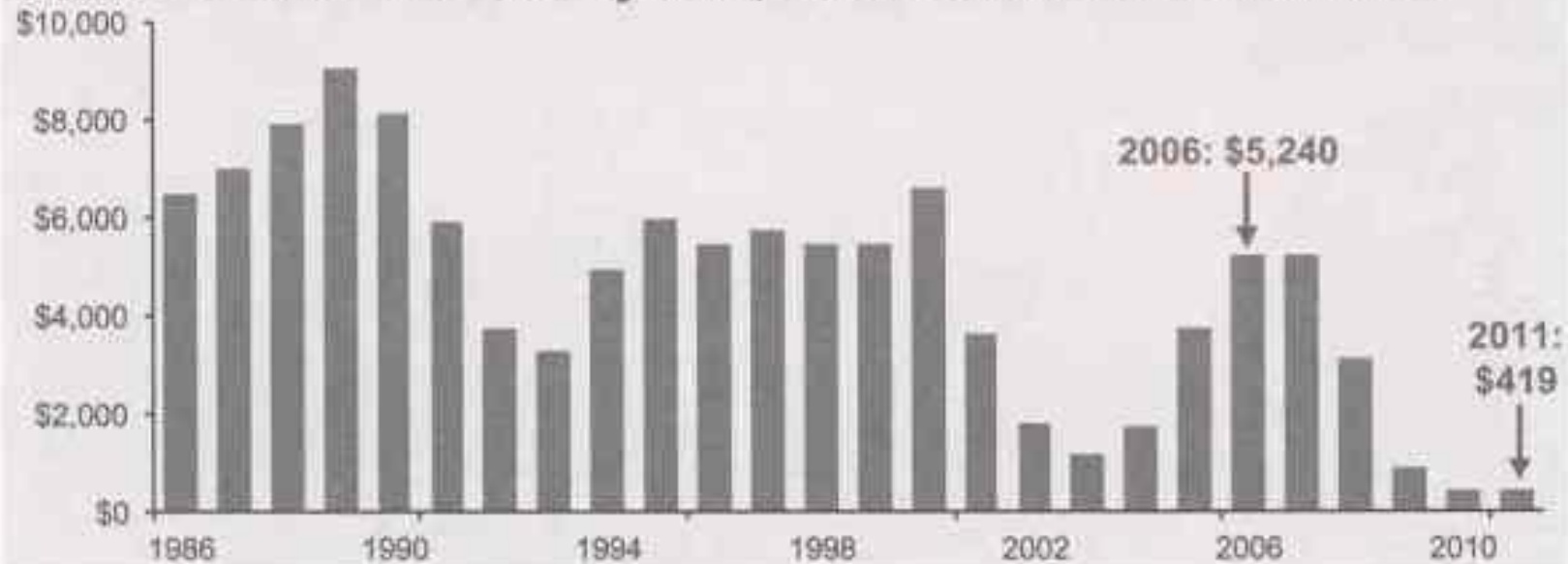
% chg vs. prior year, seasonally adjusted

50-yr. Avg. Nov. 2011

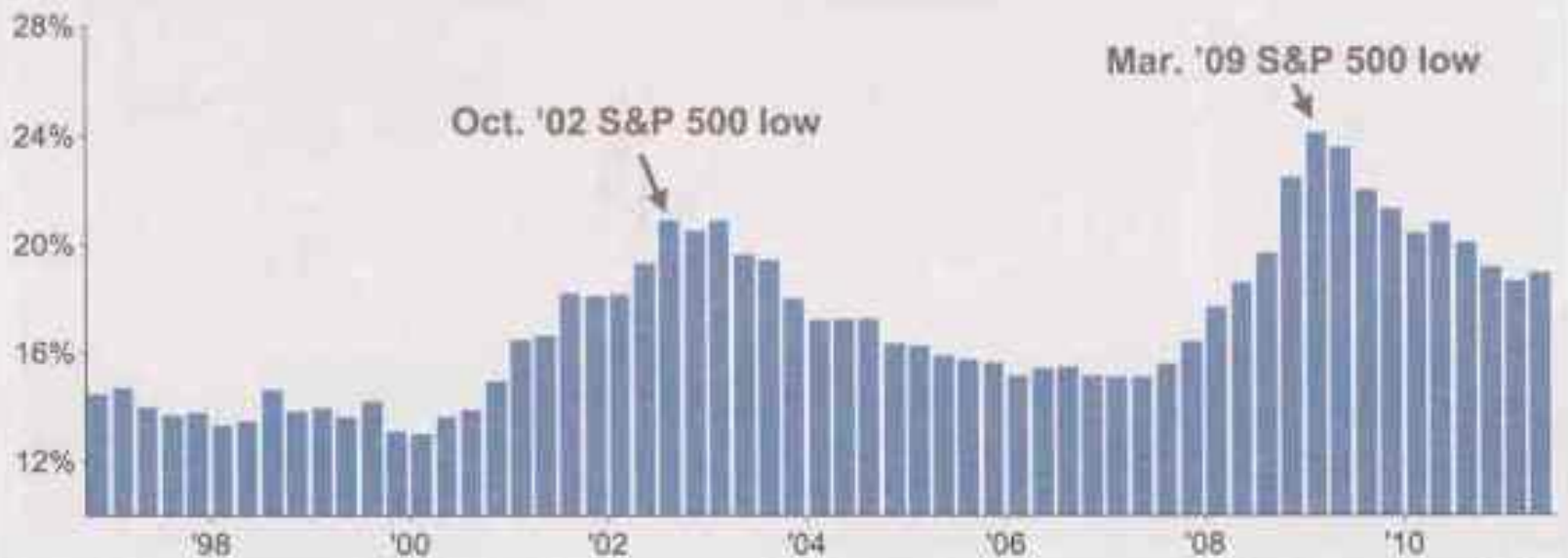


Cash Accounts

Annual Income Generated by \$100,000 Investment in a 6-month CD



Cash as a % of Total Household Financial Assets

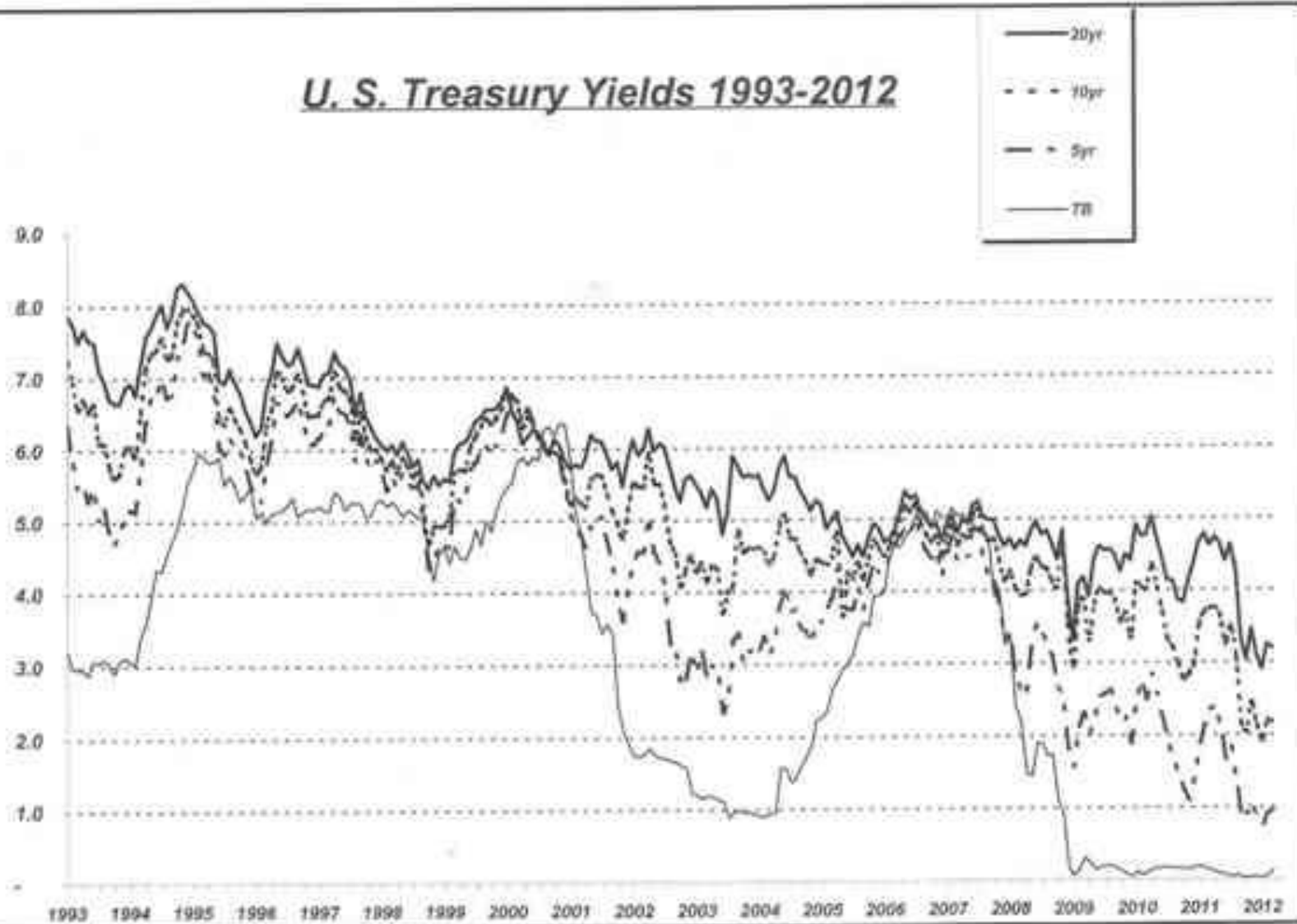


Bonds

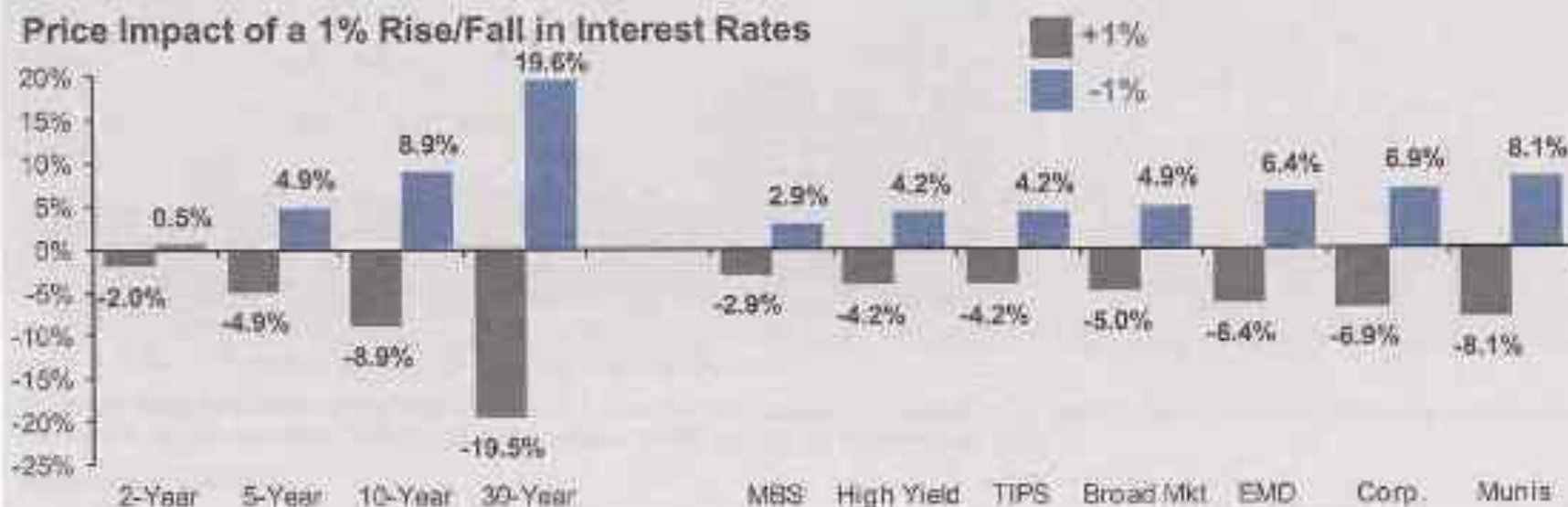


Is the Fat Lady Singing in the Treasury Bond Market?

U. S. Treasury Yields 1993-2012



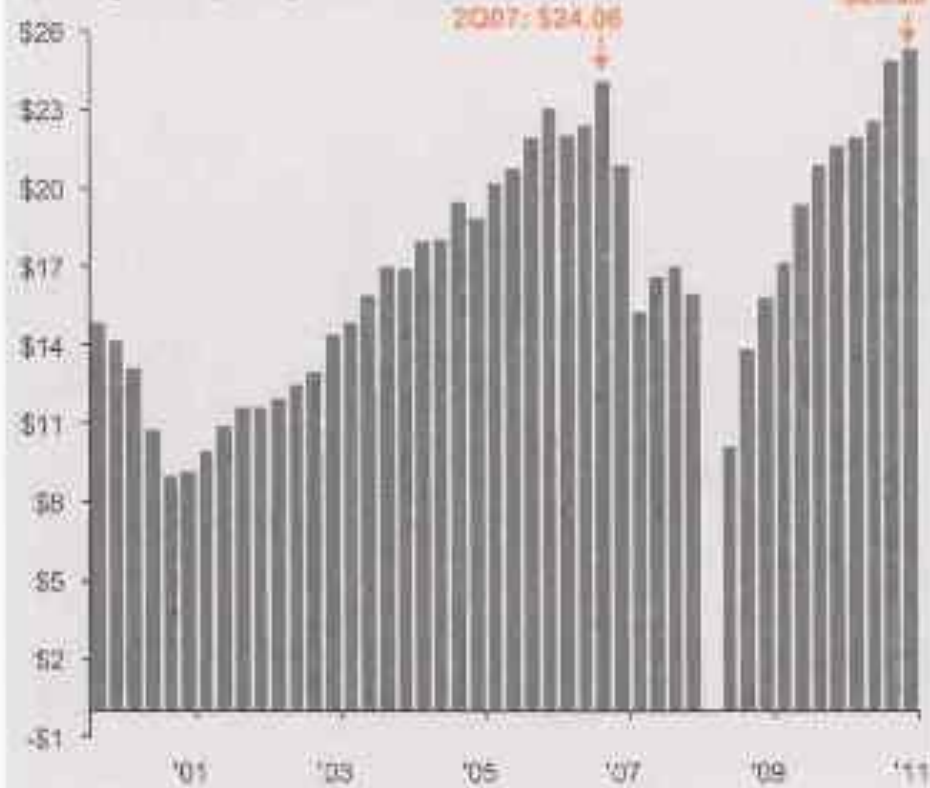
U.S. Treasuries	# of issues	Mkt. Value	Avg. Maturity	Yield		Return	
				12/31/2010	12/31/2011	2011	4Q11
2-Year	} # of issues: 154 Total value: \$4.558 tn		2 years	0.61%	0.25%	1.53%	0.09%
5-Year			5	2.01	0.83	9.36	1.26
10-Year			10	3.30	1.89	17.16	1.23
30-Year			30	4.34	2.89	35.60	1.95
Sector							
Broad Market	7,829	\$15,926 bn	7.1 years	2.97%	2.24%	7.84%	1.12%
MBS	969	5,084	4.9	3.67	2.68	6.23	0.88
Corporates	4,005	3,175	10.5	4.02	3.74	8.15	1.93
Municipals	46,035	1,284	13.5	3.80	2.82	10.70	2.12
Emerging Debt	463	634	11.1	5.76	6.07	6.97	4.93
High Yield	1,847	928	6.7	7.51	8.36	4.98	6.46
TIPS	31	718	9.3	2.78	1.69	13.56	2.69



Stocks

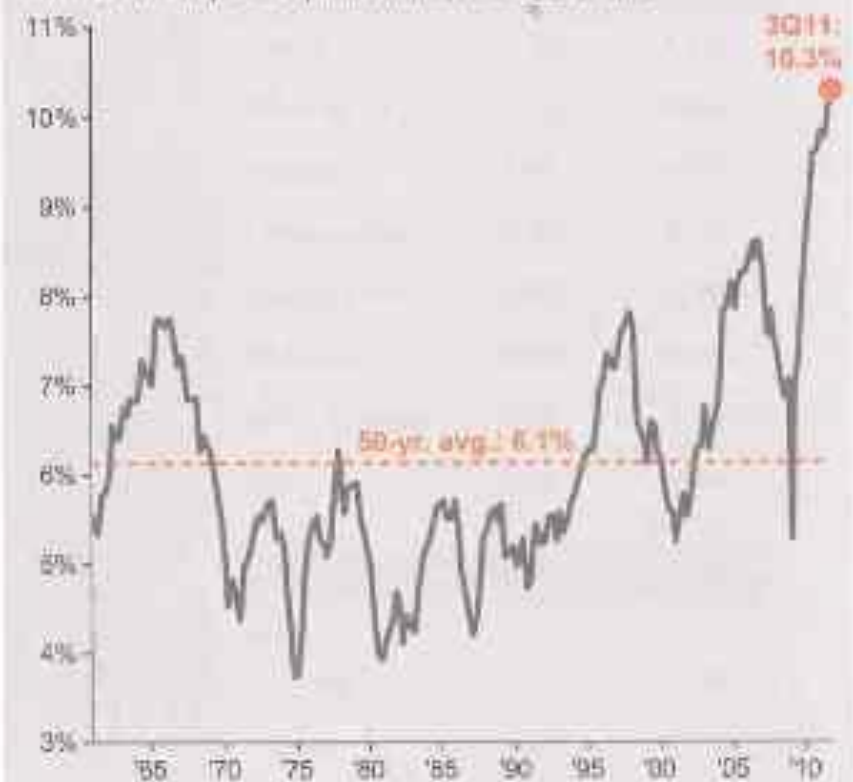
S&P 500 Earnings Per Share

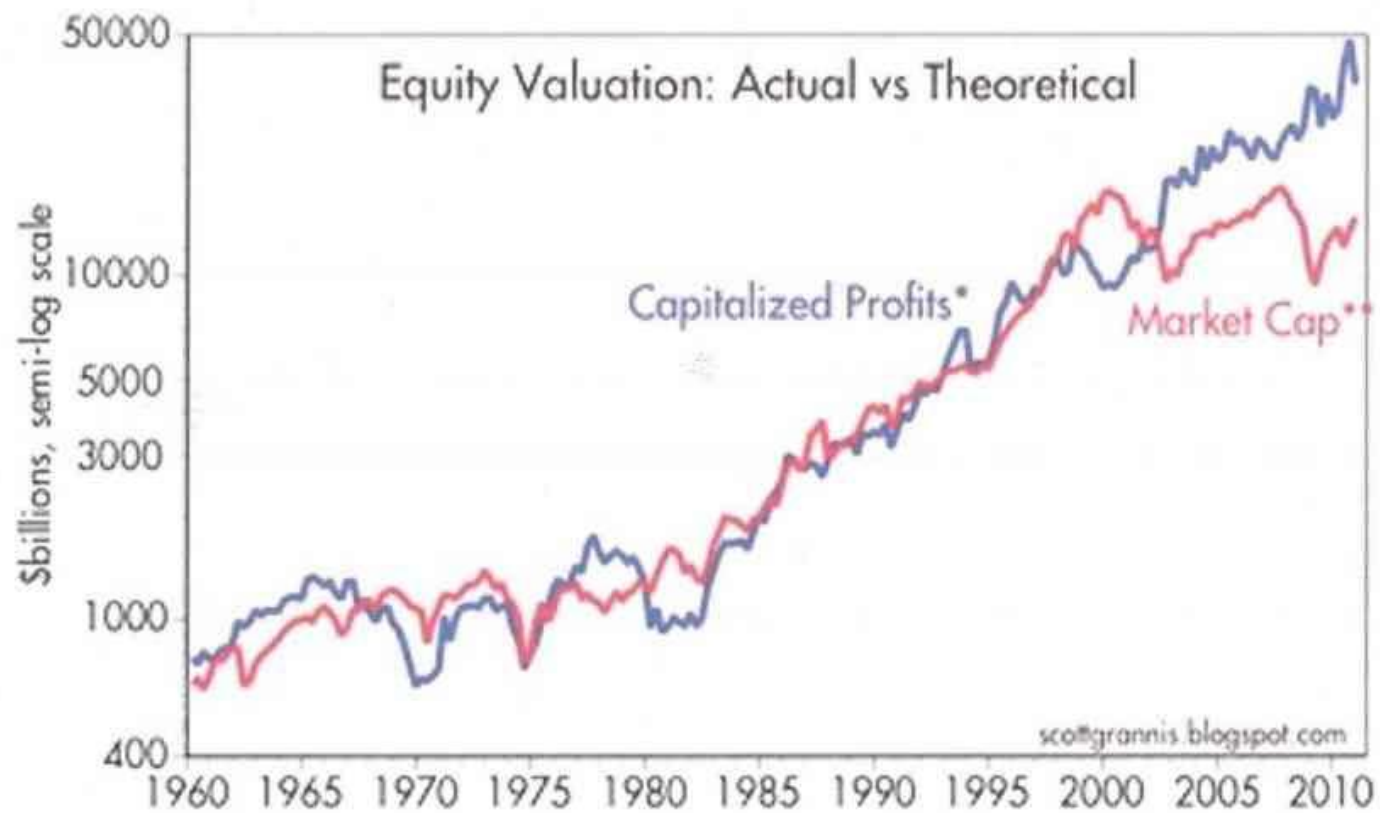
Operating basis, quarterly



Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments



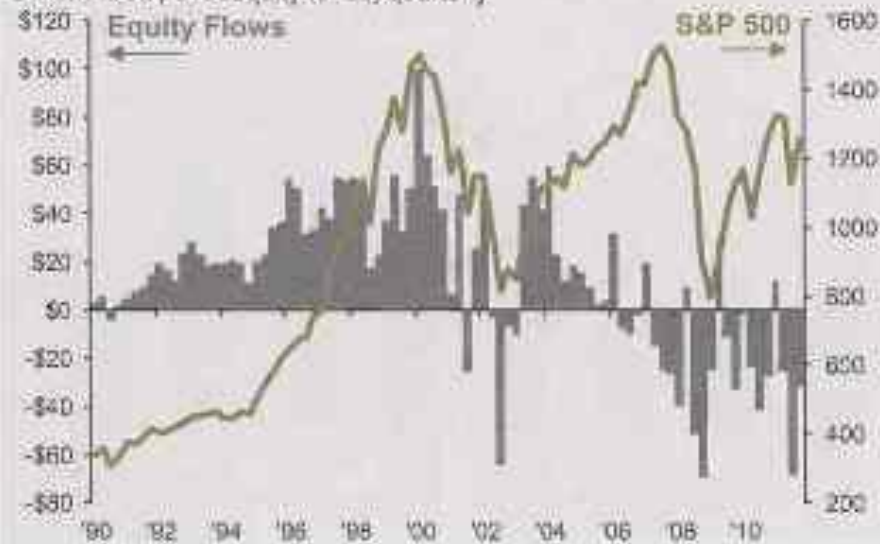


Source: St. Louis Fed, Bloomberg; * NIPA after tax adjusted profits divided by 10-yr Treasury yield; ** proxy based on S&P 500

Billions, USD	AUM	Fund Flows												
		YTD 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Domestic Equity	3,871	(115)	(95)	(28)	(147)	(65)	0	18	101	120	(26)	55	261	176
World Equity	1,404	13	56	28	(80)	139	149	106	71	24	(3)	(22)	53	11
Taxable Bond	2,365	131	230	311	21	97	45	25	3	40	125	76	(36)	8
Tax-exempt Bond	484	(17)	11	69	8	11	15	5	(14)	(7)	16	12	(14)	(12)
Hybrid	830	27	23	9	(27)	41	18	37	48	39	9	9	(36)	(14)
Money Market	2,653	(162)	(525)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194

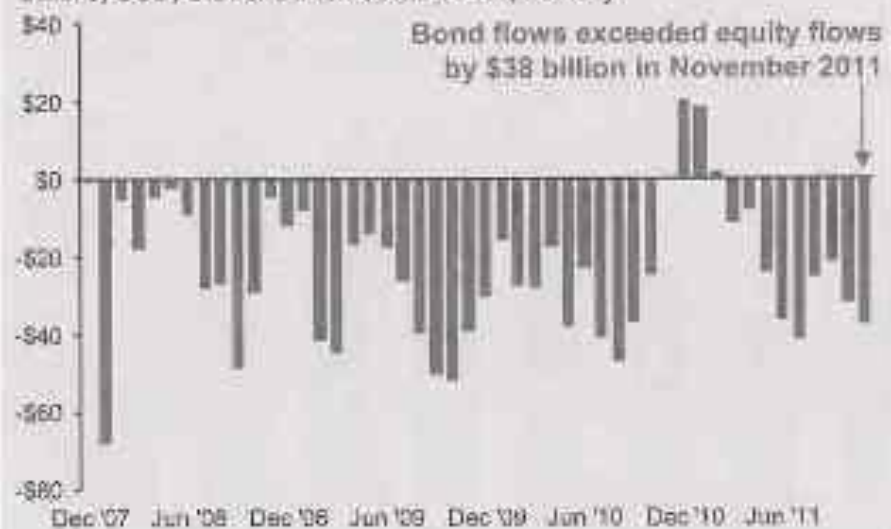
U.S. Equity Fund Flows and Market Performance

Billions USD, U.S. equity funds; quarterly



Difference Between Flows Into Stock and Bond Funds

Billions, USD, U.S. and international funds; monthly



Investor Sentiment During Market Cycles

Market Peak (Risk)



Market Trough (Opportunity)

Capital Market Factors

Positives

1. Excess Liquidity
2. Low interest rates
3. Moderate stock valuations
4. Rising corporate profits
5. Election cycle

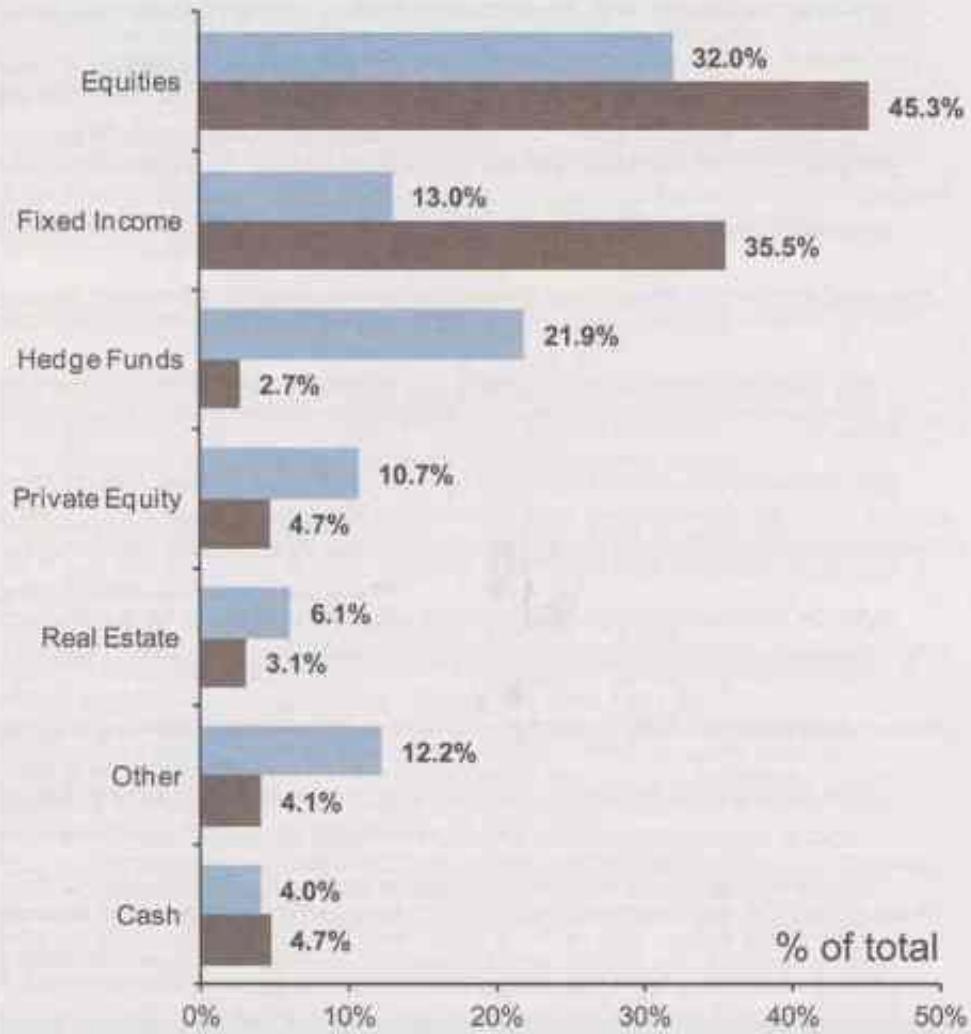
Negatives

1. High unemployment
2. Moribund building industry
3. Public sector debt
4. Intrusive government
5. Mid-east unrest

Asset Allocation: Corporate DB Plans vs. Endowments

■ *Endowments*

■ *Corporate Defined Benefit Plans*



2012 - 7 ½% Actuarial Target

\$1 Million Pension Portfolio

<u>Investment</u>	<u>Amount</u>	<u>Rate</u>	<u>Return</u>
Stocks	\$600,000	10.89%	\$65,350
Bonds	350,000	2.70	9,450
Money Fund	<u>50,000</u>	<u>0.04</u>	<u>200</u>
Totals	\$1,000,000	7.50	\$75,000

Questions ?