

**Trustees for the Diocese of Western Massachusetts  
Quarterly Performance Update as of June 30, 2011**

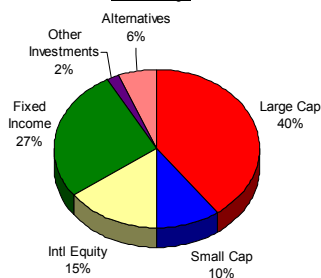
**Market Review**

- US economic conditions took a negative turn during the second quarter amid uncertainty surrounding both the European and US sovereign debt crises. Unemployment rate in the US increased from 8.8% in March to 9.2% in March. The consumer confidence index fell to 58.5 from 63.4 at the end of June 2011. The estimated US GDP fell from 1.8% to 1.3% for the quarter. However, this is the eighth straight quarter of positive growth.
- The domestic equity market was relatively flat for the quarter. In a reversal from last quarter, growth outperformed value across all market caps and larger cap stocks outperformed small cap stocks. U.S. equities, as measured by the Russell 3000 Index, returned 0.0% during the quarter.
- International equities, as measured by the MSCI EAFE Index, returned +1.6% for the quarter. Emerging market equities underperformed the developed countries, as the MSCI Emerging Markets Index lost -1.2%.
- Within fixed income, Treasuries outperformed spread sectors. The Barclays Capital US Aggregate Index returned +2.3%, while the Barclays Capital US High Yield Index returned +1.1% for the quarter.

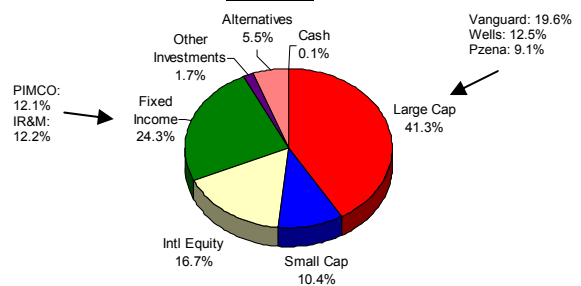
**Asset Allocation**

- During the quarter, assets decreased by \$0.5 million to \$51.2 million.

**Policy**



**Actual**



**Performance Table**

	For the Periods Ending June 30, 2011					
	Quarter			1 Year		
	Portfolio Return	Benchmark Return	Ranking	Portfolio Return	Benchmark Return	Ranking
<b>Total Fund</b>	<b>0.3</b>	<b>0.6</b>	<b>87</b>	<b>21.8</b>	<b>23.5</b>	<b>25</b>
Vanguard Institutional Index (Large Cap Core)	0.1	0.1	46	30.7	30.7	29
Wells Capital (Large Cap Growth)	(0.9)	0.8	85	36.8	35.0	20
Pzena (Large Cap Value)	0.4	(0.5)	33	29.3	28.9	57
Integrity Asset Management (Small Cap Value)	(2.0)	(2.6)	61	-	-	-
EuroPacific Growth (International Equity)	1.0	0.4	60	29.0	29.7	75
PIMCO Total Return II (Fixed Income)	1.8	2.3	46	4.7	3.9	52
Income Research & Management (Fixed Income)	2.1	2.3	59	4.1	3.9	82
Grosvenor Capital Management (Alternative)	(0.4)	1.2	46	7.0	5.1	47

**Benchmarks:** 50/10/10/30 Target, S&P500, Russell 1000 Growth, Russell 1000 Value, Russell 2000 Value, MSCI AC World Ex US, BC Aggregate, BC Aggregate, T-Bills + 5%

**Universes:** Foundations & Endowments, Large Cap Core MF, Large Cap Growth MF, Large Cap Value, Small Cap Value, International Equity MF, Core Fixed Income MF, Core Fixed Income, Funds of Hedge Funds

**Fund and Performance Review**

- **The Total Fund** returned 0.3% in the second quarter, underperforming the target composite index by 30 basis points and ranking in the 87th percentile of its peer universe.
- **Vanguard Institutional Index** performed as intended, closely tracking the return of the S&P 500 Index.
- **Wells Capital** underperformed the index by 170 basis points and ranked in the bottom quintile of the Mutual Fund US Equity Large Cap Growth Universe.
- **Pzena** outperformed the Russell 1000 Value Index by 90 basis points and ranked in the 33rd percentile of the Mercer Institutional US Equity Large Cap Value Universe.
- **Integrity** outperformed the Russell 2000 Value Index by 60 basis points yet ranked in the 61st percentile of the Mercer Institutional US Equity Small Cap Value Universe.
- **EuroPacific Growth** outperformed the MSCI AC World Ex US Index by 60 basis points yet ranked in the 60th percentile of the Mutual Fund World ex US/EAFE Equity Universe.
- **PIMCO Total Return II** underperformed the Barclays Capital Aggregate Index by 50 basis points yet ranked in the 46th percentile of the Mutual Fund US Fixed Core Universe.
- **Income Research & Management** underperformed the return of the benchmark by 20 basis points and ranked in the 59th percentile of the Mercer Institutional US Fixed Core Universe.
- **Grosvenor Capital Management** returned -0.4% for the quarter, underperforming the T-Bill + 5% by 160 basis points.