

Investment Performance



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by



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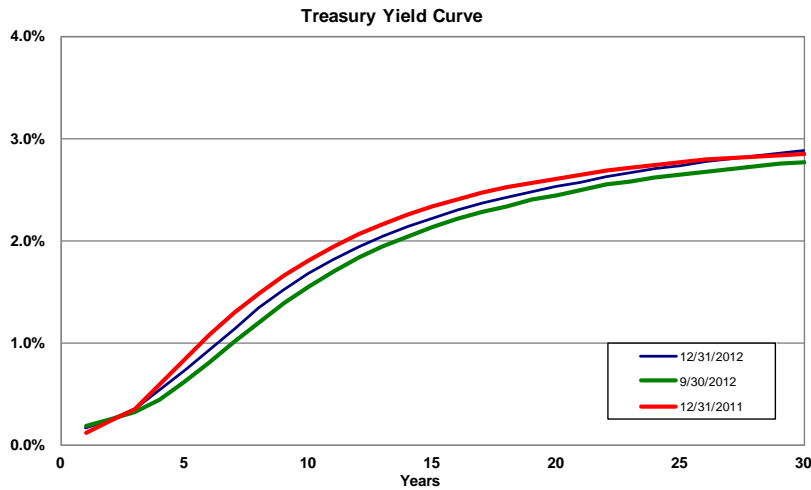
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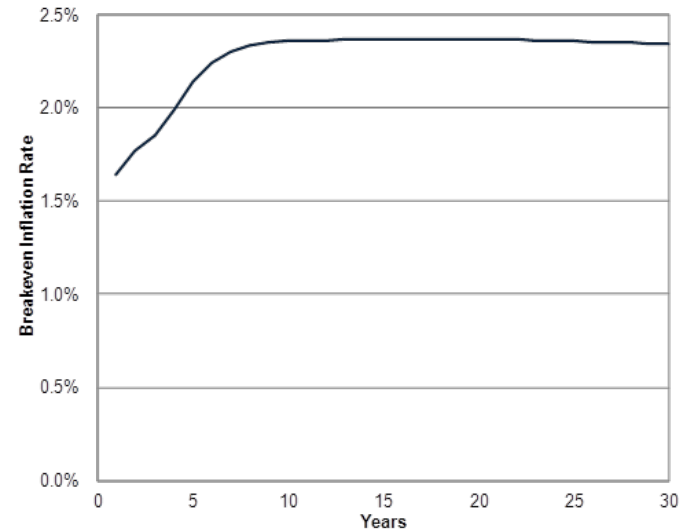
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U.S. Treasury Rates



U.S. Breakeven Inflation Rates



Fixed Income Markets

		QTD	YTD	1 YR	3 YR	5 YR	10 YR
Cash	ML 91 Day T-bills	0.0%	0.1%	0.1%	0.1%	0.5%	1.8%
	Barclays Cap. Aggregate	0.2%	4.2%	4.2%	6.2%	5.9%	5.2%
Investment Grade	U.S. Treasury	-0.1%	2.0%	2.0%	5.8%	5.4%	4.7%
	U.S. Agency	0.1%	2.2%	2.2%	3.8%	4.4%	4.2%
	U.S. Credit	1.0%	9.4%	9.4%	8.7%	7.7%	6.2%
	ABS	0.2%	3.7%	3.7%	4.9%	4.7%	3.9%
	MBS	-0.2%	2.6%	2.6%	4.8%	5.7%	5.1%
	CMBS	1.3%	10.0%	10.0%	12.3%	7.0%	5.5%
	Barclays Cap. U.S. TIPS	0.7%	7.0%	7.0%	8.9%	7.0%	6.7%
	Muni	Barclays Cap. Municipal	0.7%	6.8%	6.8%	6.6%	5.9%
High Yield	BC High Yield Bank Loan	1.4%	10.2%	10.2%	6.9%	5.8%	
	BC High Yield	3.3%	15.8%	15.8%	11.9%	10.3%	10.6%

Equity Markets

		QTD	YTD	1 YR	3 YR	5 YR	10 YR
Large Cap	S&P 500	-0.4%	16.0%	16.0%	10.9%	1.7%	7.1%
	S&P 500 - Value	1.7%	17.8%	17.8%	10.5%	-0.1%	7.2%
	S&P 500 - Growth	-2.0%	14.7%	14.7%	11.4%	3.4%	7.1%
Small Cap	Russell 2000	1.9%	16.4%	16.4%	12.3%	3.6%	9.7%
	Russell 2000 - Value	3.2%	18.1%	18.1%	11.6%	3.5%	9.5%
	Russell 2000 - Growth	0.4%	14.6%	14.6%	12.8%	3.5%	9.8%
International (net)	MSCI EAFE	6.6%	17.3%	17.3%	3.6%	-3.7%	8.2%
	MSCI EAFE - Value	7.4%	17.7%	17.7%	2.2%	-4.3%	8.6%
	MSCI EAFE - Growth	5.8%	16.9%	16.9%	4.9%	-3.1%	7.8%
	MSCI Emerging Markets	5.6%	18.2%	18.2%	4.7%	-0.9%	16.5%

EXECUTIVE SUMMARY

December 31, 2012

Summary

➤ **For the quarter:**

• Portfolio update:

- ✓ The PCF is currently in the process of approving the fixed income manager RFP.
- ✓ The allocation to the Vanguard Total Stock Market Stock Fund began funding in November. There will be \$2.75 million invested into the fund on a monthly basis going forward.

• Capital Markets:

- ✓ The Treasury yield curve is remarkable. Over the past year, 30 year Treasuries have been consistently under 3%.
- ✓ Bond returns were low. This likely is the new normal.
- ✓ Notice the equity returns – positive for all periods but five years.

• Performance:

- ✓ The PCF's overall portfolio underperformed the benchmark by -0.22%, returning (0.07%) vs. 0.15% for the benchmark.
- ✓ Interest rates remain at historic lows as the cash portfolio returned 0.05% for the quarter versus the benchmark of 0.04%.
- ✓ The core bond portfolio underperformed driven by conservatism. Currently, it yields 2.5% compared to 3.7% for the index.

➤ **For the past year:**

• Capital Markets: Think about the 2012 headlines. Who would have thought:

- ✓ US equities would earn 16% for the year.
- ✓ Europe, the mess that it is, would earn even more (EAFE: +17%).
- ✓ Treasuries earned 2%, while TIPS earned 7%. Hmmm. Might investors be worried about inflation?

• Performance:

- ✓ The PCF's overall portfolio underperformed the benchmark by -1.09%, returning 1.53% vs. 2.62% for the benchmark.
- ✓ Cash earned 0.20% for the year, while bonds earned 2.37%, trailing the benchmark by -1.85%.
- ✓ Equities entered the portfolio in November, which is not enough time to have an impact on the overall results for the year.



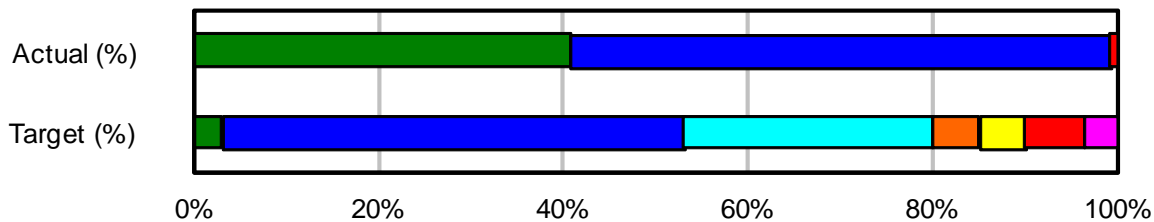
COMPANY COMPOSITE

December 31, 2012

Total Company Allocation by Asset Class (\$000s)

	Actual (\$000s)	Actual (%)	Target (%)
■ Cash	326,021	40.8%	3.0%
■ Core Investment-Grade Bonds	467,464	58.5%	50.0%
■ Short Term Investment-Grade Bonds	-	0.0%	27.0%
■ High Yield Bonds	-	0.0%	5.0%
■ High Yield Bank Loans	-	0.0%	5.0%
■ Domestic Equity	5,569	0.7%	6.5%
■ International Equity	-	0.0%	3.5%
Total	799,054	100.0%	100.0%

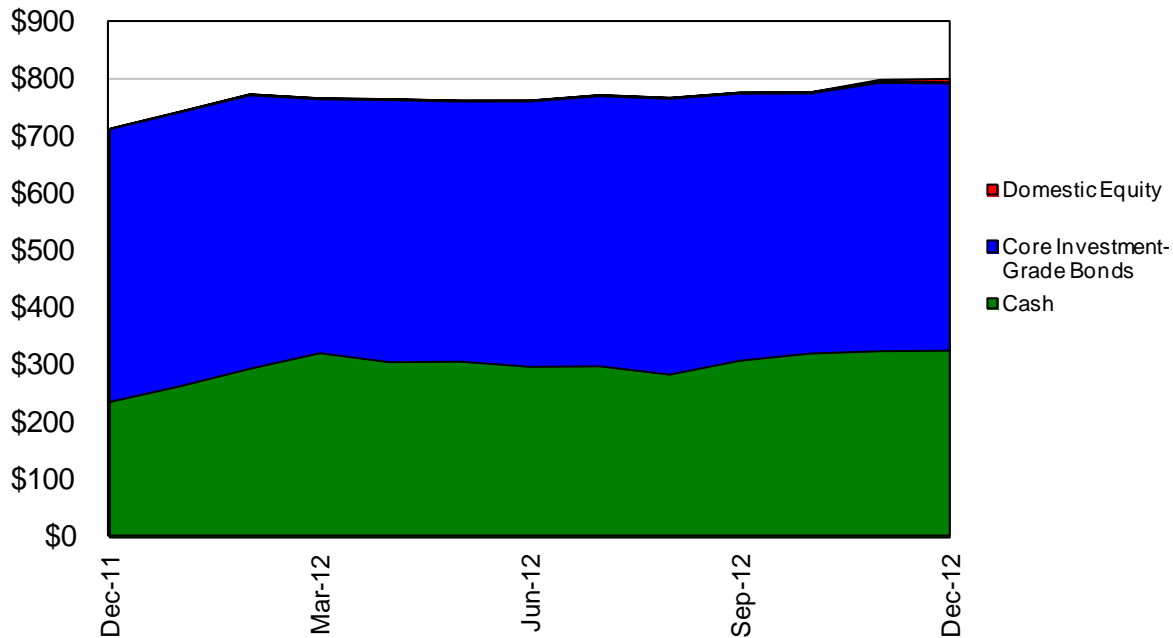
➤ The PCF's transition to the approved target asset allocation continues to be a work-in-progress. The current actual allocation is based on what was in place as of Cardinal's inception as the investment consultant.



COMPANY COMPOSITE

December 31, 2012

Company Growth by Asset Class (\$MM)



- The PCF portfolio has grown during the year from about \$714 MM in assets to \$799 MM.
- Core Fixed Income continues to be the largest portion of the Asset Allocation.
- While hard to see, equities have entered the portfolio. This will grow steadily throughout 2013.



INVESTMENT PERFORMANCE

Pretax, Net of Fees Performance as of *December 31, 2012*

Portfolio	Market Value (\$000s)	% of Overall Portfolio	Quarter	YTD	One Year	Three Years	Five Years	Since Inception	Inception Date
¹ PCF Composite	799,054	100.0%							
Pretax Performance			(0.07%)	1.53%	1.53%	NA	NA	1.53%	1/1/2012
<u>Blended Benchmark</u>			0.15%	2.62%	2.62%	NA	NA	2.62%	
Relative Performance			(0.22%)	(1.09%)	(1.09%)	NA	NA	(1.09%)	
Cash	326,021	40.8%							
JP Morgan			0.05%	0.20%	0.20%	NA	NA	0.20%	1/1/2012
<u>Merrill 91 Day T-Bill</u>			0.04%	0.11%	0.11%	NA	NA	0.11%	
Relative Performance			0.01%	0.09%	0.09%	NA	NA	0.09%	
Fixed Income	467,464	58.5%							
Treasurer's Office			(0.16%)	2.37%	2.37%	NA	NA	2.37%	1/1/2012
<u>Barclays Aggregate</u>			0.21%	4.22%	4.22%	NA	NA	4.22%	
Relative Performance			(0.38%)	(1.85%)	(1.85%)	NA	NA	(1.85%)	
<u>Barclays Aggregate ex Baa</u>			0.07%	3.04%	3.04%	NA	NA	3.04%	
Relative Performance			(0.23%)	(0.68%)	(0.68%)	NA	NA	(0.68%)	
Equity	5,569	0.7%							
Vanguard Total Stock Market Fund			NA	NA	NA	NA	NA	1.80%	11/1/2012
<u>MSCI US Broad Market Index</u>			NA	NA	NA	NA	NA	1.78%	
Relative Performance			NA	NA	NA	NA	NA	0.01%	

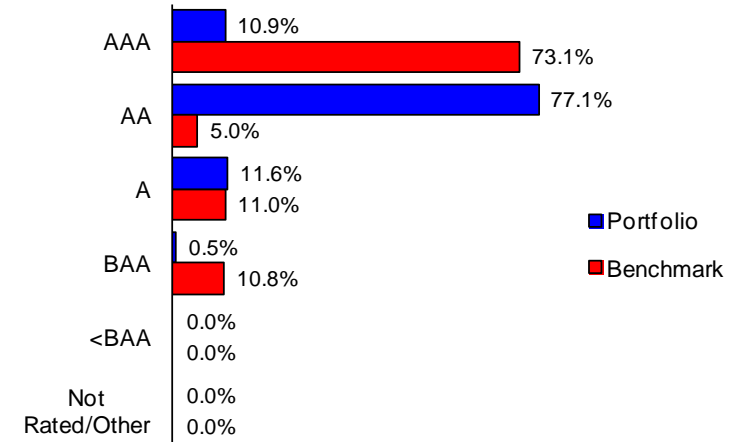
- ✓ For the quarter, the PCF composite earned (0.07%) lagging the benchmark by 22 basis points.
- ✓ For the year, the PCF composite lagged the benchmark by 109 basis points. On an absolute basis, the fixed income portfolio returned (0.16%) for the quarter and 2.37% for the year; however, on a relative basis, the portfolio lagged the benchmark by 38 basis points and 185 basis points, respectively.

¹As of 01/01/2012 the Blended Benchmark is a market value weighted benchmark based on the composite portfolios.

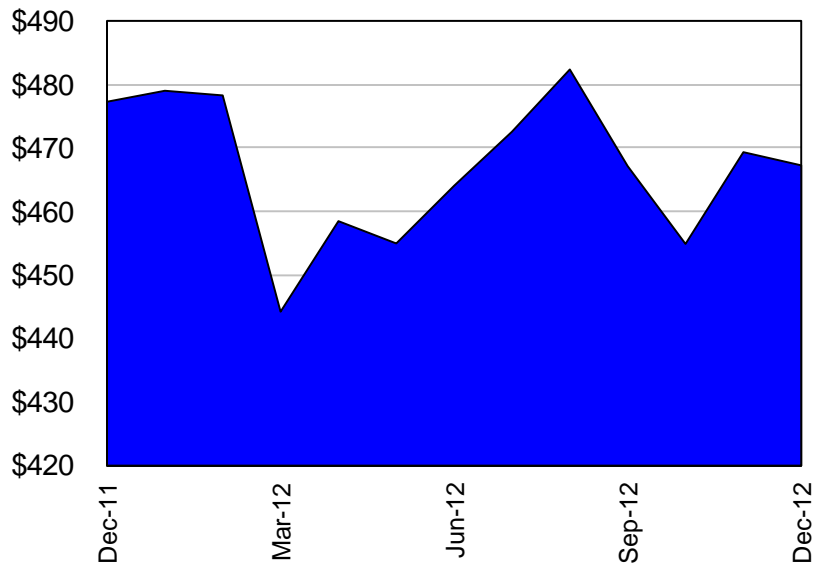
Portfolio Characteristics

	PCF as of		Benchmark as of
	9/30/12	12/31/12	12/31/12
# of Securities	56	54	8,079
Effective Duration	4.1 years	5.4 years	5.1 years
Average Coupon	2.5%	2.4%	3.6%
Average Credit Quality	AA2	AA2	AA1/AA2

Quarter End Quality Distribution



Asset Growth (\$MM)



Sector Allocation

	PCF as of		Barclays Aggregate as of	Δ
	9/30/12	12/31/12	12/31/12	
Treasuries	26.9%	26.1%	36.4%	-10.3%
Govt Related	33.7%	32.8%	10.3%	22.5%
Corporate	39.4%	41.1%	21.5%	19.6%
Securitized	0.0%	0.0%	31.8%	-31.8%
Cash/Other	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	



VANGUARD TOTAL STOCK MARKET INDEX FUND

Portfolio Characteristics

	Vanguard Total Stock Market Fund as of		MSCI US Broad Market Index
	9/30/12	12/31/12	12/31/12
No. of Securities	3,265	3,274	3,259
P/E Ratio	16.9x	16.7x	16.7x
Price/Book Ratio	2.2x	2.1x	2.1x
Avg Mkt Cap (billions)	\$ 35.6	\$ 35.0	\$ 35.0
Return on Equity	18.0%	17.2%	17.2%
% in Top 10 Holdings	17.6%	15.9%	16.0%

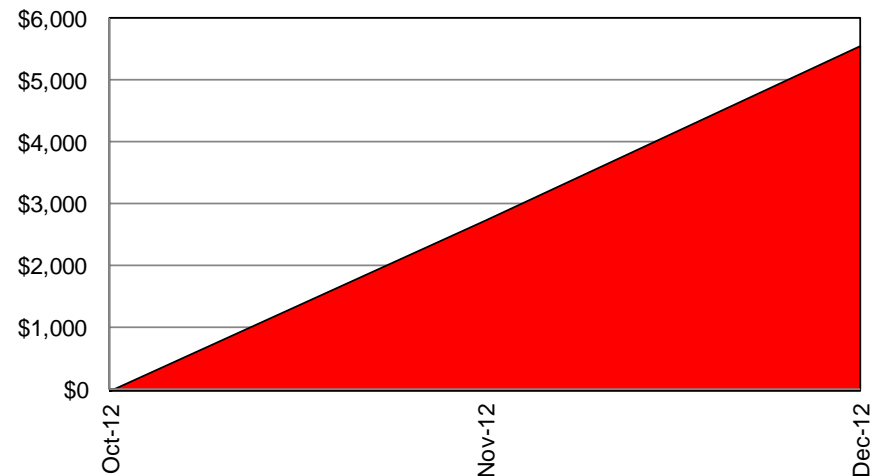
Advisor's Mandate

- Passively managed equity index fund (VITSX).
- Inception: November 1, 2012.

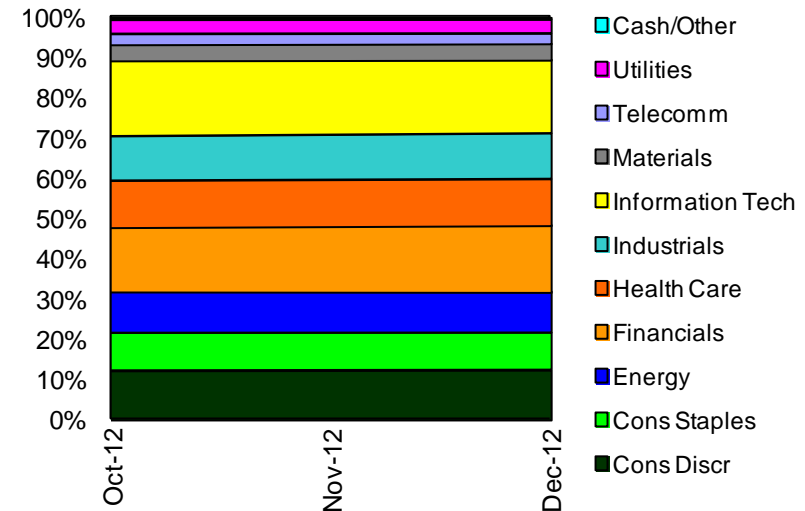
Performance Objective

- Match the performance of the MSCI US Broad Market index.
- Annual Fee = 0.05%

Asset Growth (\$mm)



Historical Sector Distribution



Source: Vanguard, Cardinal Investment Advisors analysis



VANGUARD TOTAL STOCK MARKET INDEX FUND

Largest Holdings at Quarter End

<u> Holding </u>	<u> Portfolio Weight </u>
APPLE INC	3.2%
EXXON MOBIL CORP	2.5%
GENERAL ELECTRIC CO	1.4%
CHEVRON CORP	1.3%
IBM	1.3%
MICROSOFT CORP	1.3%
AT&T INC	1.2%
JOHNSON & JOHNSON	1.2%
PFIZER INC	1.2%
PROCTER & GAMBLE INC	<u>1.2%</u>
	15.9%

Quarter End Sector Distribution

<u> Sector Allocations </u>	Vanguard Total Stock Market as of		MSCI US Broad Market Index as of	<u> Δ </u>
	<u> 9/30/12 </u>	<u> 12/31/12 </u>	<u> 12/31/12 </u>	
Cons Discr	12.2%	12.4%	12.4%	0.0%
Cons Staples	9.6%	9.4%	9.4%	(0.0%)
Energy	10.4%	10.1%	10.1%	0.0%
Financials	15.5%	16.5%	16.6%	(0.2%)
Health Care	11.8%	11.7%	11.8%	(0.1%)
Industrials	10.6%	11.1%	11.1%	(0.0%)
Information Tech	19.3%	18.4%	18.5%	(0.1%)
Materials	3.9%	4.0%	4.0%	0.0%
Telecomm	2.9%	2.7%	2.7%	(0.0%)
Utilities	3.5%	3.4%	3.4%	0.0%
Cash/Other	<u>0.4%</u>	<u>0.3%</u>	<u>0.0%</u>	0.3%
Total	100.0%	100.0%	100.0%	

Best and Worst Performers for the Quarter

<u> Best Performers </u>	<u> Return </u>
Ford Motor Co.	31.93%
Bank of America Corp.	31.61%
Citigroup Inc.	20.94%
Visa Inc.	13.15%
JPMorgan Chase & Co.	9.42%

<u> Worst Performers </u>	<u> Return </u>
Apple Inc.	(19.85%)
AT&T Inc.	(9.54%)
Microsoft Corp.	(9.49%)
General Electric Co.	(6.74%)
Exxon Mobil Corp.	(4.75%)