Bellwether CONSULTING

Your Quarterly Update on the Financial Markets

June 30, 2011

2nd Quarter

MARKET Recap

The Economy: *"The Consumer Slips and Oil Dips"*

Annualized Real GDP Growth

4%
0%
-4%
-7%
Q1 11
1.9%

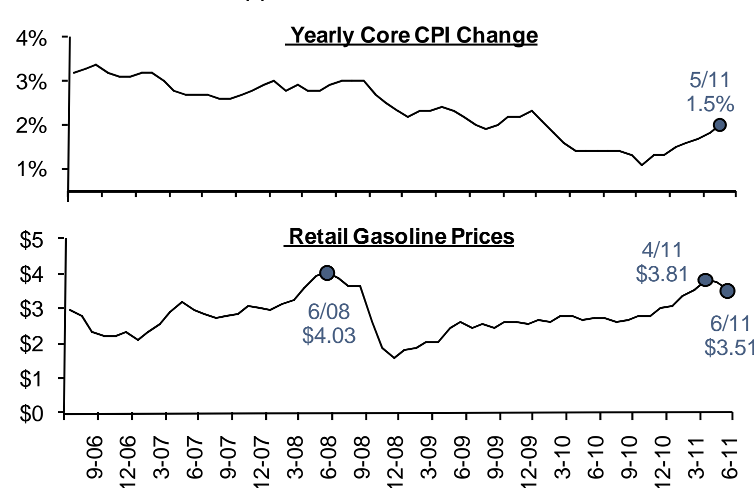
Change in Real Personal Consumption

1.0%
0.5%
0.0%
-0.5%
-1.0%
5/11
-0.1%
9-06 12-06 3-07 6-07 9-07 12-07 3-08 6-08 9-08 12-08 3-09 6-09 9-09 12-09 3-10 6-10 9-10 12-10 3-11 6-11

US economic growth slowed to a 1.9% annual pace in the first quarter, driven by slowing personal consumption expenditures, decreased federal spending, and a sharp upturn in imports. On a positive note, motor vehicle output added 1.18% to GDP growth after subtracting 0.27% in the prior quarter, despite supply chain disruption resulting from the Japan earthquake (which now appears to be subsiding).

Inflation was the primary story last quarter, as real personal consumption turned negative for April and May. In late April, President Obama traveled to the Midwest on a combined economic tour and kickoff for the Democratic Party primary campaigns. While the intent was to focus on the continuing economic recovery, feedback from town hall events consistently revealed frustration over rising gasoline prices. Indeed the nationwide average for regular conventional gasoline peaked in mid-May at $3.91 per gallon, approaching the pre-crash high. Energy prices fell steadily from that point.

On June 23rd, the Administration announced that the Strategic Petroleum Reserve would be tapped to provide approximately 30 million additional barrels of crude. The timing of the announcement was curious, with crude prices having already fallen for 4 straight weeks. It is difficult to separate how much of the recent price declines are due to the SPR announcement as opposed to a natural market reaction to slowing economic activity, as we cannot tell how far in advance market participants anticipated or learned of the action. Note that broader measures of commodity prices such as the CRB spot index had already begun declining in April ahead of the peak in oil.



More interesting yet was the Fed's abortive attempt to offload Maiden Lane II securities acquired as part of the AIG bailout. Spreads widened across market segments, displaying sensitivity to anything that resembled tightening. Sale activities were quickly halted since the current combination of relatively high unemployment and slow growth makes rising rates particularly distasteful.

What policymakers seek is *monetary inflation without price inflation*. They have determined that any withdrawal of monetary stimulus could precipitate a recession very quickly, but current levels of stimulus have already initiated broad increases in consumer prices. It is tempting to maintain (or increase?) monetary stimulus while resorting to price controls, market participation, and rhetoric to curb price inflation. However, price manipulation is a fickle thing. Tapping the SPR sends the wrong signal to producers, who will eventually curb real production in response to falling prices. Oil markets will now price in a greater probability of future intervention, making prices less responsive to future reserve releases for genuine emergencies, and more responsive to any future decisions not to release reserves. While experience leads us to believe that prices cannot be controlled in the long run, the resulting environment may prove favorable for equities and neutral for bonds in the short run.

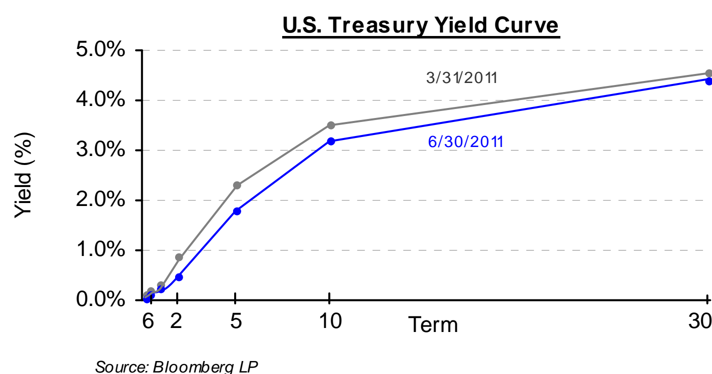
The US Bond Market

Q2 Index Total Returns	
BarCap Aggregate	2.29%
BarCap Interm. Gov't	2.08%
BarCap Long Gov't	3.25%
BarCap Interm. Credit	2.21%
BarCap Long Credit	3.32%
BarCap High Yield	1.05%

In the second quarter, investors sought out the perceived safety of the bond market, weighing increased general aversion to risk against the uncertain timing of a tighter monetary policy. Although Treasury prices fell in the final four days of the quarter, the selloff was small relative to the prior three-month run-up in prices -- driven by soft economic data in the US and persistent sovereign debt woes in Europe (and despite the April 18 rating action by Standard & Poor's revising its outlook on the long-term rating on the US to negative).

The quarter ended with yields down moderately across the curve. The yield on the benchmark 10-year Treasury ended the quarter at 3.16%, down 31 basis points from the close of Q1. However, it was up 32 basis points from its 2011 low of 2.84% achieved on June 27. That inflection, combined with some quarter-end evidence of stronger economic growth and the expiration of QE2, led Treasury bears to (again) declare the long-running rally over.

June 30 marked the end of the Fed's second round of quantitative easing, and concern surfaced over who would replace them as a major buyer of Treasury bonds. Although most analysts did not expect a bond selloff as a result of the well-broadcast end of the program, it seems likely that the exit of such a large-scale buyer will have some future impact. Including the reinvestment of maturing mortgage-related holdings, the Fed has purchased over $800 billion of Treasury bonds since the August start of QE2.



Another Fed program, Maiden Lane II, also made headlines in the quarter. In 2008, the Fed funded the program with $19.5 billion to purchase residential mortgage-backed securities from the then-troubled AIG. By the end of 2010, the portfolio had a fair value of $15.9 billion (just over the $15.7 billion AIG offered to buy them back). The Fed opted instead to auction the assets in segments over time as "market conditions warranted", beginning on April 6th with 42 bonds for a total of $1.3 billion. However, faced with heavy criticism that the sales were weighing down credit markets, the Fed announced it would halt its sale until such time as "it will achieve value for the public" and ended its auctions on June 9th. By the end of the quarter, credit markets seemed to be rebounding with the Markit CDX North America Investment Grade Index, which measures credit default swaps and moves inversely to investor confidence, falling to its lowest levels since May 31.

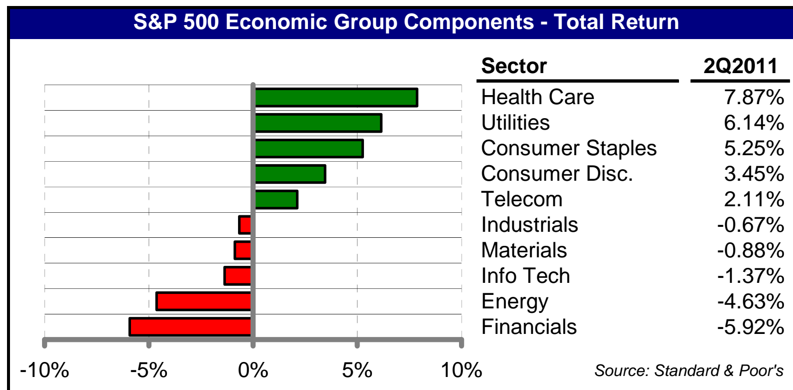
While volume slowed in June, $484.6 billion of investment-grade corporate debt was issued over the first half of 2011 a record level according to Dealogic. The previous record of $479.7 billion was set in the first half of 2008. Risk premiums widened a bit over the quarter, but corporations still seemed eager to issue debt while rates were still low and before further turmoil in Europe. Interestingly, purchases of consumer-related asset-backed securities (ABS) increased in June. According to Barclays Capital, sales of securities backed by credit card, auto loans and student loans were on track to reach $11.5 billion for the month making it the most active since November 2009.

The US Stock Market

Amid U.S. debt concerns and a "soft patch" of weaker U.S. economic growth, the conclusion of QE2, Greek debt fears, and the aftermath of the Japanese earthquake and tsunami, investors sold off stocks for six consecutive weeks during the quarter (the longest such run since October of 2002). With some positive news regarding the short term progress of Greece's debt crisis and an unexpected surge in manufacturing activity in the Midwest, stocks finished the quarter with a four day rally that offset most of the quarter's earlier losses. In this volatile market all major U.S. stock indices were roughly flat for the quarter.

Q2 Index Total Returns			
Largecap Stocks		**Midcap Stocks**	
S&P 500	0.10%	S&P Midcap 400	-0.73%
Russell 1000	0.12%	Russell Midcap	0.42%
Growth	0.76%	Growth	1.61%
Value	-0.50%	Value	-0.69%
Broad Markets		**Smallcap Stocks**	
Russell 3000	-0.03%	S&P Smallcap 600	-0.16%
DJ Wilshire 5000	-0.10%	Russell 2000	-1.61%
		Growth	-0.59%
		Value	-2.65%

According to the Investment Company Institute, $18 billion shifted into U.S. equity mutual funds during the first four months of 2011, while $26 billion exited in the eight weeks ended June 22. Where investors remained in stocks, they made more defensive plays given the less-than-clear economic backdrop. Healthcare, utilities, and consumer staples were the top performing sectors for the quarter. For the most part, healthcare, food, beverage, and other household products are non-discretionary expenses and benefit from stable demand regardless of the economic environment. Food and beve-



rage products also benefited from price contractions in commodities, particularly in corn and wheat, which resulted in lower input costs. Spot prices for hard red spring wheat were down from 998.57 cents/bushel at the end of Q1 to 871.21 cents/bushel at Q2's end, and corn was down from 651.97 cents/bushel to 634.02 cents/bushel during the same time frame (according to the Minneapolis Grain Exchange).

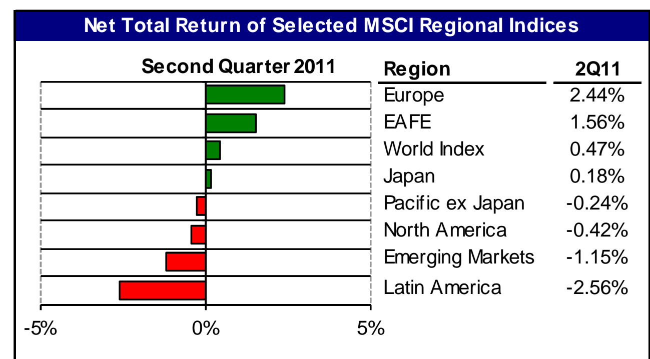
While positive for consumer staples, the decline in commodity prices was detrimental to the energy industry. On April 29th crude oil peaked at nearly $114 a barrel but slid to finish the quarter down 11% at $95.42 a barrel. This sharp decline resulted in energy being the worst performing sector for both the S&P 400 and S&P 600 and the second worst performer in the S&P 500. Financials were also down during the quarter, with banks driving most of the sector's underperformance. Banks have struggled throughout the year largely due to decreased consumer demand for loans. According to the Federal Reserve's quarterly Senior Loan Officer Opinion Survey released in May, the willingness of banks to lend has improved, but consumer demand for installment loans has remained flat. The banking industry further suffered due to the uncertainty surrounding Greece's crisis, and expensive settlements due to past mortgage origination and sales practices.

As stocks sold off and investors began to de-risk, large cap stocks outperformed small and mid cap offerings while value stocks tended to underperform growth stocks. In the large cap value space financial stocks, particularly banks, underperformed. The small cap value indices were also heavily weighted to financials, with a focus on thrifts and commercial banks. The mid cap value space had some negative exposure to financials as well, but more notably, an overweight to energy. The Russell Midcap Value Index was especially hurt by an overweight to oil exploration and production firms.

There were 14 US IPOs during the second quarter of 2011, an increase over last quarter's 11 offerings. Eleven of those venture-backed companies that went public during the quarter were listed as technology IPOs. Those companies alone raised $4.81 billion, making this quarter the highest grossing quarter for U.S. tech IPOs since the fall of 2000, according to Dealogic.

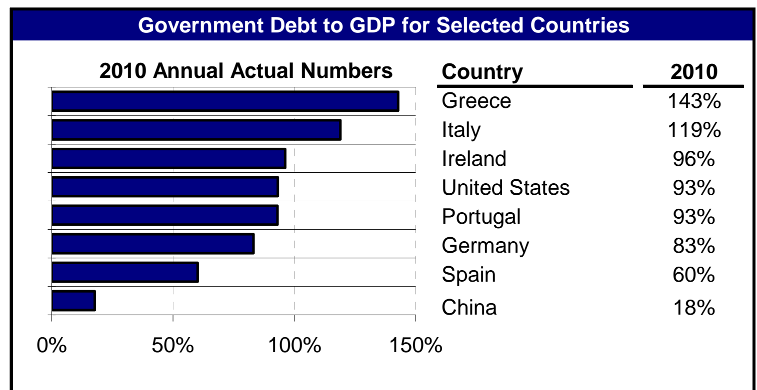
Overseas Markets

Global markets were overshadowed by issues in Greece during the quarter. Volatility remained high as tensions ebbed and flowed with bailout negotiations and calls for additional austerity. Greece moved the focus away from issues with other European peripheral economies (which continue to have problems), geopolitical concerns in the Middle East, the economic slowdown of markets in the west and Asia, and global inflation. Given all of the action, global market performance was surprisingly mixed.



In the Eurozone, the quarter began with the ECB raising the benchmark interest rate to 1.25% from a record low of 1.0%. The marginal lending rate was increased to 2.0% from 1.75%, while increasing the deposit rate to 0.5% from 0.25%, maintaining a 75 basis point corridor on either side of the benchmark. An oil price surge across the region, along with record growth in Germany, stoked inflation concerns leading to the tightening. The ECB also hinted that they will continue to raise rates to control broad-based inflationary pressures. Problems in Portugal surfaced early in the quarter as it became clear that the austerity plan already undertaken would not be enough to nurse the country through current fiscal and economic challenges. Early in May, a bailout of €78 billion ($116 billion) was agreed to with about two-thirds of the funds coming from the EU and the remainder from the IMF. Both the EU and IMF extracted additional austerity conditions with Portugal's government looking to increase revenue by several methods: revising tax benefits and deductions of personal and corporate incomes; reviewing excise taxes on tobacco, cars and electricity; and limiting tax reductions in the region.

This set the stage for a second bailout for Greece. Many options were considered as the crisis grew, ranging from Greece's expulsion from the Eurozone with a return to the drachma to the complete dissolution of the Eurozone. Not wanting to take a "haircut", worried German and French banks also factored into the drama. Ultimately, a €78 billion ($112 billion) bailout was agreed upon, requiring another severe round of austerity measures. During negotiations with its



Country	2010
Greece	143%
Italy	119%
Ireland	96%
United States	93%
Portugal	93%
Germany	83%
Spain	60%
China	18%

Eurozone partners and the IMF, Greek citizens took to the streets protesting the more onerous budget cuts that they have been forced to accept. All the bailout has done is kick the can down the road as low economic growth prospects in the sector will bring about the need for additional bailouts or, ultimately, default. The MSCI Greece Index was down nearly 16.5%.

Elsewhere in the zone, Germany and France continue to perform well. In Germany, surging exports, decreasing unemployment and increasing consumer spending combined to create strong quarterly performance in the face of negative news around the globe. The MSCI Germany Index was up 6.3%. In France, high energy costs and slow growth combined to drive consumer confidence down slightly; however, manufacturing data has been positive and there are signs that this trend will continue in the Eurozone's second largest economy. The MSCI France Index was up 4.5%.

Japan continues to recover from the March earthquake. In the aftermath, the BOJ held off on quantitative easing, but did institute a lending facility. The BOJ said it plans to lend a total of 1 trillion yen (about $12 billion) in one-year loans at 0.1%. The bank also broadened the range of eligible collateral for its money-market operations as a means of securing sufficient financing capacity of financial institutions in disaster areas. Industrial production rose at the fastest pace in more than 50 years, led by carmakers as they restored operations at plants after the earthquake. Factory output increased 5.7% in May from April, the biggest gain since 1953, according to Japan's Trade Ministry. Median estimates had been for a 5.5% gain. Transportation industry output increased 36% percent from the previous month as automakers including Toyota and Nissan restarted production lines. Auto manufacturers said they plan to continue to increase output through the fall, illustrating Japan's resilience to the disaster

China's main concern continues to be balancing sustainable growth rates while dampening the impacts of inflation. In June, CPI registered 5.5%, the largest reading in nearly three years. In response, China's central bank raised the reserve requirement ratio for banks by another 150 basis points during the quarter. This unconventional monetary policy lever, according to the Federal Reserve, now stands at 21.5%, deleveraging Chinese banks and requiring them to hold more assets on their books. The People's Bank of China (PBOC) also increased its target interest rate by 25 basis points to 6.31%. The PBOC outlook on inflation remains high and economists expect the central bank to continue implementing tighter monetary policy. In a survey among Chinese depositors, 68% said prices were "too high to accept" in the second quarter. Chinese pork prices, which have risen more than 60% over the past year due to a combination of falling supply, soaring corn prices, and worker wage increases, hit a record high of $3.81 per kilogram ($1.73 per pound). Although inflation has been high, the PBOC has been disciplined in using monetary policy tools proactively to address the potential of asset bubbles. The government in Beijing continued to take steps to bring the yuan onto the world stage by allowing its use freely in global trade. The move shows China's willingness to ease capital controls and remove its dependence on the U.S. dollar for international transactions. The MSCI China Index lost 1.9%.

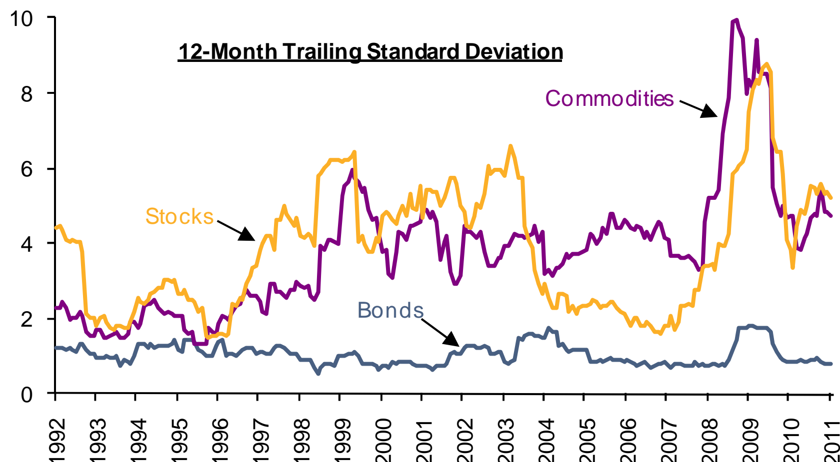
Most Latin American stock markets sold off for the second quarter. Brazil's annual CPI registered 6.5% in May, up from 4.9% a year ago, with increases in food, clothing, and transportation costs driving the headline number. To address the inflationary pressures, the central bank increased its target rate by 0.50% to 12.25%. The Organization for Economic Cooperation and Development's composite leading indicators showed many emerging countries, including Brazil, face below-trend growth for the future. However, the Brazilian central bank's June inflation report shows that the labor market and consumer confidence remain strong, with employment reaching its highest level since 2002. Argentina's economy remained resilient despite the international sovereign debt crisis. Economic activity grew 9.2% for 2010. Elsewhere in South America, presidential elections sent shockwaves through the financial markets. The election of leftist Ollanta Humala sent Peruvian stocks 12.5% lower in one day over fears of increased government intervention in the economy and higher corporate taxes. For the quarter, Brazil and Peru returned -4.1% and -15.2%, respectively, while Argentina gained 4.4%.

Focus On: *Commodities in Institutional Portfolios*

A renewed interest in commodity investments has emerged in the wake of economic recovery, loose monetary policy, and early signs of price inflation. Recent headlines out of the Wall Street Journal read "Investor Demand for a Safe-Haven Boosts Gold" and "U.N. Says Food Prices to Remain High". In April, the University of Texas Endowment Fund made news when it purchased 664,000 ounces of physical gold bullion. It begs the question for fiduciaries – under what circumstances are commodities appropriate investments for institutional portfolios?

Arguments Against Commodity Investments

It is evident that money can be made or lost by acquiring and holding commodities; skeptics argue that this activity represents pure "speculation" that is not investing at all, or is at least inappropriate and imprudent for institutional fiduciaries. The main arguments are twofold, the market's high volatility and zero-sum nature.



Relative to other asset classes, the standard deviation of commodity prices does rank at the high end over long periods of time. In other words, commodity prices are volatile, especially when compared to fixed income investments. Disaggregating the market into specific commodities, instances of extreme volatility can be observed, as occurred recently in the precious metals market when silver rallied to near $50 per troy ounce and then fell over 30% in just a week's time.

The second argument is that commodities represent a zero-sum game. Unlike common stocks, where a positive expected return arises due to the productive economic activities of the underlying companies, commodities do not become intrinsically more valuable over time. Therefore every exchange results in a winning and losing position. In this type of market wealth is neither created nor destroyed, it is simply transferred among participants.

That is not to say that speculation serves no useful purpose in a modern economy. Futures markets were initially created for farmers to hedge out the price volatility risk of a commodity prior to delivery. During the growing season, a farmer could sell a wheat futures contract for delivery later in the harvest season, thereby locking in a price for future delivery of a specified amount of wheat. Over the past few decades, commodity futures markets have become increasingly an exchange for investors to speculate on the price of commodities. Speculators clearly add to market liquidity and contribute to efficient price discovery; whether they add volatility and drive asset price bubbles is a current subject of debate.

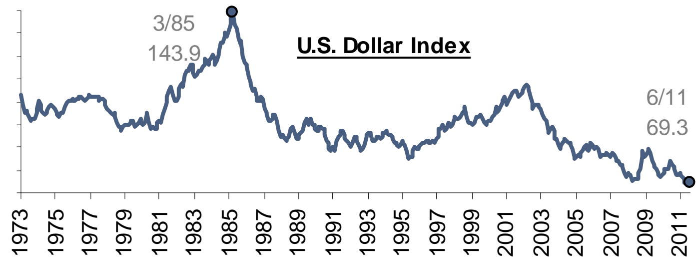
But whether speculation is good or evil is beside the point, argue commodity skeptics; the point is that allocating capital to "stuff" with an expected return of zero is not appropriate for fiduciaries who are responsible for other people's money. They argue to allocate capital instead to the farmers, miners, and processors who create value by extracting stuff from nature and converting it to a more useful form.

The Case for Commodities

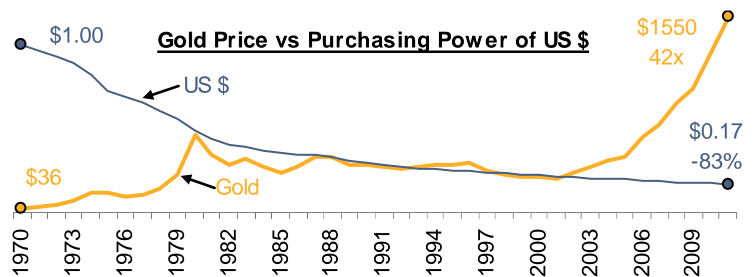
Arguments for an allocation to commodities are its recognition as a store of value due to limited supply, and diversification of a portfolio. Proponents argue that commodities provide a hedge against monetary inflation, and that high volatility is offset by low correlation in a modern portfolio.

Measuring the outcome of an investment in purely dollar terms is dangerous, as the value of the dollar itself is a moving target – that much is uncontroversial. But how do we gauge the changing value of the dollar over time? It is tempting to compare the dollar to other global currencies – for example, using the US Dollar Index. This index compares the dollar to a basket of other major currencies defined by the Federal Reserve. While the dollar has declined against this basket since the inception of the index, the level of decline is not, at first blush, terribly alarming.

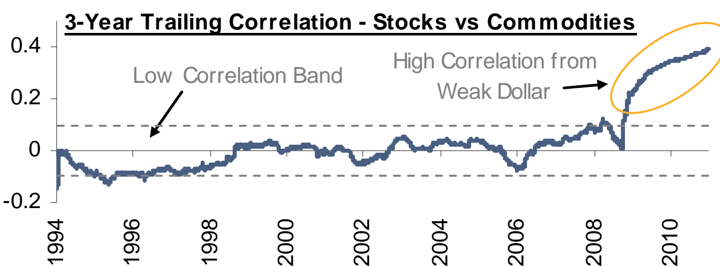
Note, however, that the Euro composes 58.6% of the index. Currently, the Euro is facing difficult challenges due to sovereign debt crises. Since the dollar index is weighted so heavily against another weak currency, the US Dollar Index chart does not begin to show the big picture of buying power erosion. In other words, if the US dollar is remaining relatively stable against other falling currencies, then it too is falling in real terms.



Consider instead the loss of buying power of the dollar since 1970 measured by the CPI and the value of gold per troy ounce over a similar period. Over the past 40 years, inflation has consistently diminished the buying power of goods and services while the value of gold has increased over 40 times. Commodities may not have created value over this period, but they clearly served as a store of value.



Historically it is no accident that physical commodities have been used as a store of value. Consider the large amount of physical effort and cost it takes to raise a cow, drill for oil, or mine for gold. These commodities have limited supplies that cannot be easily manipulated, as opposed to modern fiat currencies which can be created with a click. Said differently, commodities offer a non-zero expected return in an environment of deteriorating currency value – if you believe the decline of fiat currency purchasing power is relevant, systemic, and chronic.



Finally, commodities can offer diversifying characteristics as an alternative asset class. Commodities historically maintained low correlation with equities prior to 2008. A recent rise in correlation can be explained mainly by expansionary monetary policy the Fed has embarked along in order to stimulate the economy. In an inflationary environment, riskier asset classes based in a weakening dollar tend to move together. The same holds true for a deflationary environment, when all prices fall in tandem as the U.S. currency strengthens.

Instruments and Access Vehicles

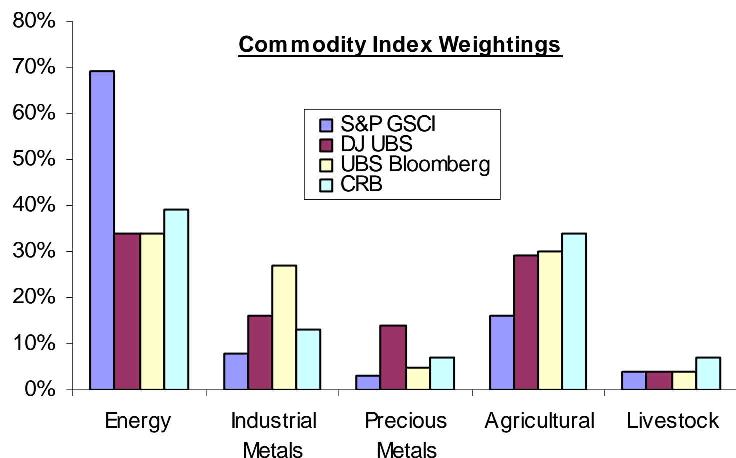
There are three main instruments used to gain exposure to commodities – physical commodities, derivative instruments like futures contracts, and stocks of companies involved in commodities-related businesses (mining, forestry, agriculture, etc). While direct ownership and derivatives offer pure commodity exposure, investments in commodity-related businesses offer indirect plays because there is an equity component to the holding. These instruments are typically accessed in one of four ways: (1) direct holdings, (2) Exchange Traded Funds (ETFs), (3) open ended mutual funds, and (4) hedge funds/CTAs.

	Pure Play?	Diversified?	Cost of holding	Leverage
Physical Holdings	Yes	No	High	None
Derivatives (e.g. Futures)	Yes	No	Low	High
Nat Resources Stocks	No	No	Low	Low

Direct exposure involves physical ownership and usually includes storage fees. There has recently been large institutional interest in owning physical metals. China continues to accumulate physical supply as it diversifies away from the US Dollar. Aforementioned, the University of Texas Endowment Fund recently converted paper investments in gold into physical bullion to the tune of $992 million. Physical commodities, and mainly the precious metals, protect individuals from a devaluing fiat currency and act as a store of value and wealth. However, direct physical holdings are quite rare for institutional investors; other vehicles offer scale efficiency, diversification, and/or professional management.

Exchange traded funds (ETFs) allow investors to participate in commodity price fluctuations without investing directly in futures contracts. Popular commodity ETFs attempt to track the spot value of popular specific commodities (e.g., GLD and SLV, which closely track the value of gold and silver), or the value of more diversified commodity indices.

Commodity index funds are not created equal. Allocations vary greatly among commodity index providers. The S&P GSCI Index is a production weighted index and therefore has a large allocation to energy that dwarfs the other commodity positions. Contrarily, the Dow Jones UBS Commodity Index has weighting restrictions such that no related group of commodities constitutes more than 33% of the index and no single commodity constitutes more than 15% or less than 2% of the index. Using these constraints, a supervisory committee arrives at reasonable index weightings based on four factors (economic significance, diversification, continuity, and liquidity). Finally, the UBS Bloomberg Constant Maturity Commodity Index takes diversification one step further by broadening individual commodity exposure along the futures contract curve. This added diversification is particularly beneficial in periods of futures market contango, when contract prices rise in later dated maturities. This causes an adverse negative roll effect from selling a lower priced contract close to maturity and buying a higher priced contract further out in time.



Within open ended mutual funds, there are two types of commodity funds: (1) those that invest in stocks and (2) those that invest in futures. Stock commodity funds offer plan participants an indirect way of participating in commodity price fluctuations, by investing in stocks of companies involved in extracting and improving a particular commodity (e.g., miners, agri-business, forestry, etc.). Additional considerations effecting stocks of commodity companies are management's ability to execute, government regulation, and taxes. Mutual funds in this space have existed for decades with long track records to analyze. However, they are not a commodity pure play; their correlation to the overall stock market is higher than their correlation to commodity prices. Mutual funds with direct exposure to underlying futures contracts are a pure play on commodity price changes. They may also utilize additional strategies such as investments in TIPS securities to further protect against the eroding force of inflation. These types of funds have a relatively short history, as the space is still in its infancy.

Finally, the hedge fund world offers access to more advanced strategies. Commodity Trading Advisor (CTA) accounts offer relatively pure exposure to commodity markets while being professionally and, at times, aggressively managed. In their trading strategies, CTAs use leverage, short/long positions, and algorithmic trading techniques. Commodity derivatives (and occasionally, physicals and equities) are often used within broader strategies in global macro funds, multi-strategy funds, and fund-of-funds.

Commodity Investments – Not for Everyone

Which investors potentially benefit most from an allocation to commodities? Because of the volatility involved, and the complexity of the access instruments, it is tempting to think first of defined benefit plans. DB plans have more flexibility when investing, and do not face the risk of a plan participant putting all his or her eggs in one commodity basket and having it drop by 30%. Yet, the main goal of a pension plan is to keep pace with an objective future payment liability, defined in nominal terms. Since the thesis for commodities is as a hedge against a fiat dollar, in our view they do not fit into a typical pension strategy. It is less clear if the plan's benefits are indexed for inflation (very few are in the United States), or if the plan sponsor regularly offers voluntary cost-of-living adjustments (rare and becoming more rare); but for a typical pension plan we believe the natural short position against the dollar conveyed by a marked-to-market liability provides all the protection needed against erosion of currency value. Insurers and other defined-liability investors should similarly tend to avoid commodity investments.

Not so for defined contribution plans such as the 401(k). A DC plan participant faces a "liability" that is less well-defined, essentially a required or desired level of purchasing power during retirement. For them, erosion of the fiat dollar is a serious problem, and hedging investments like commodities can arguably play a valuable role. Unfortunately, DC plans have a more limited number of viable investment options, and fiduciaries must consider the risk of inappropriate concentration by participants in a commodity investment strategy.

Today, the choice for DC plans is between commodity stock funds and indexed commodity futures funds. Since the latter tends to lack track record, and many recordkeepers can't or won't deal with ETFs, the best alternative for most plans is a diversified natural resources fund. There is a good deal of product development activity in this space currently, and fiduciaries with above-average product risk tolerance may find more interesting choices.

Another popular method for integrating commodity exposure into DC plans is to embed the strategies into asset allocation funds (e.g., target-date, lifestyle, or balanced funds). Liquidity is less of a concern because the allocations are controllable

and relatively small, and for the same reasons excessive concentration is not a concern. Target-date fund managers in particular are looking for ways to distinguish their strategies within the now crowded product space. We expect that these funds will become effective nurseries for more advanced commodity strategies which will eventually emerge as stand-alone options, having achieved the benefits of scale and track record.

Endowments, non-profits with balance sheet investments, sovereign wealth funds, and other institutional pools are perhaps the best candidates for newer and more advanced commodity strategies. To the extent the sponsor is willing to take general market risk they should tend to benefit over time because, like 401(k) participants, they face a real (not nominal) future spending liability that is loosely defined. They also have the benefit of professional oversight and control over strategy allocations, avoiding the concentration and other legal risks faced by DC fiduciaries.

Due to significant public spending pressures, we take a skeptical view on the long-term health of any paper currency, including the US dollar. While investors with nominal goals, such as DB pension plans, are simply tactical players (or "speculators" if you prefer) in the commodities space, we believe commodity strategies are interesting for any investors that face real spending liabilities.

Bellwether Consulting LLC
PO Box 31, Millburn, NJ 07041
www.bellwetherconsulting.net
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