

**BEACON**  
Capital Management

## **Quarterly Investment Review**

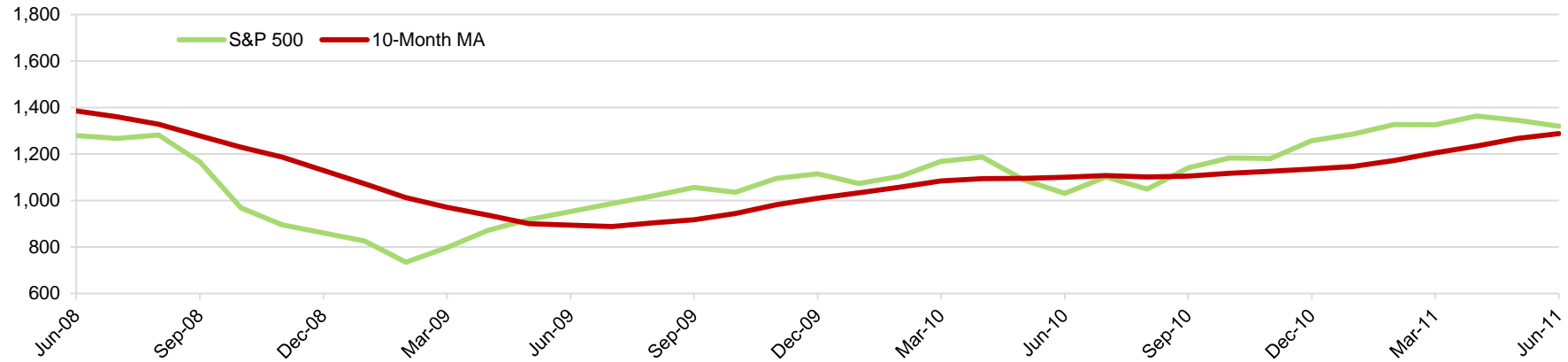


# STATE OF THE MARKET

All data ending June 30, 2011

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## TREND POSITIVE



## VOLATILITY TYPICAL



## VALUATION LOW



## CONFIDENCE LOW



### Notes:

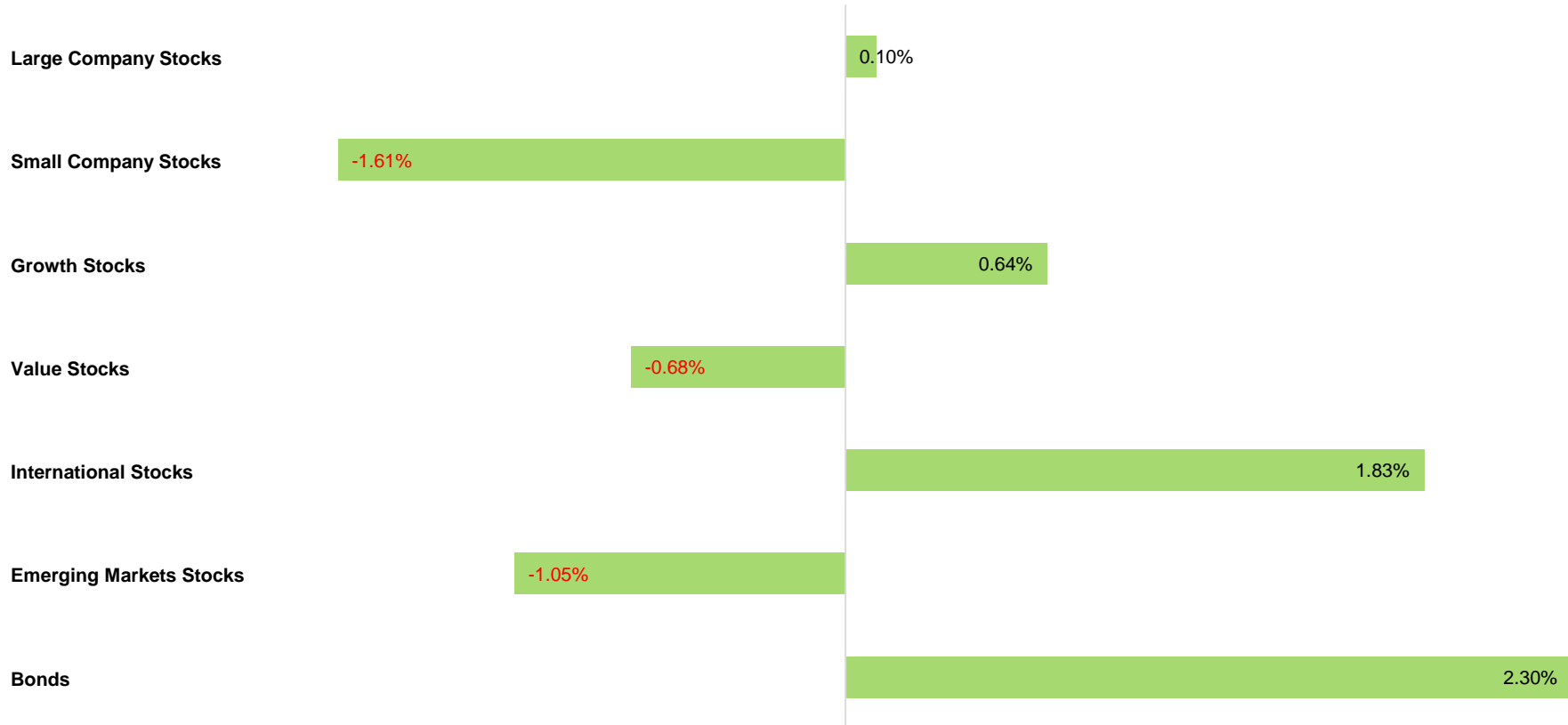
Volatility is measured by the CBOE Volatility Index; Valuation is measured by the price to earning ratio on the S&P 500; Confidence is measured by the Rasmussen Investor Confidence Index.

# QUARTER IN REVIEW: MARKET PERFORMANCE

All data ending June 30, 2011

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## PERFORMANCE



### Benchmarks:

Large Company Stocks (S&P 500); Small Company Stocks (Russell 2000); Growth Stocks (Russell 3000 Growth); Value Stocks (Russell 3000 Value); International Stocks (MSCI EAFE); Emerging Markets Stocks (MSCI Emerging Markets); Bonds (1-Month U.S. Treasury Bills)

# QUARTER IN REVIEW: MARKET PERFORMANCE

All data ending June 30, 2011

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## HIGHLIGHTS

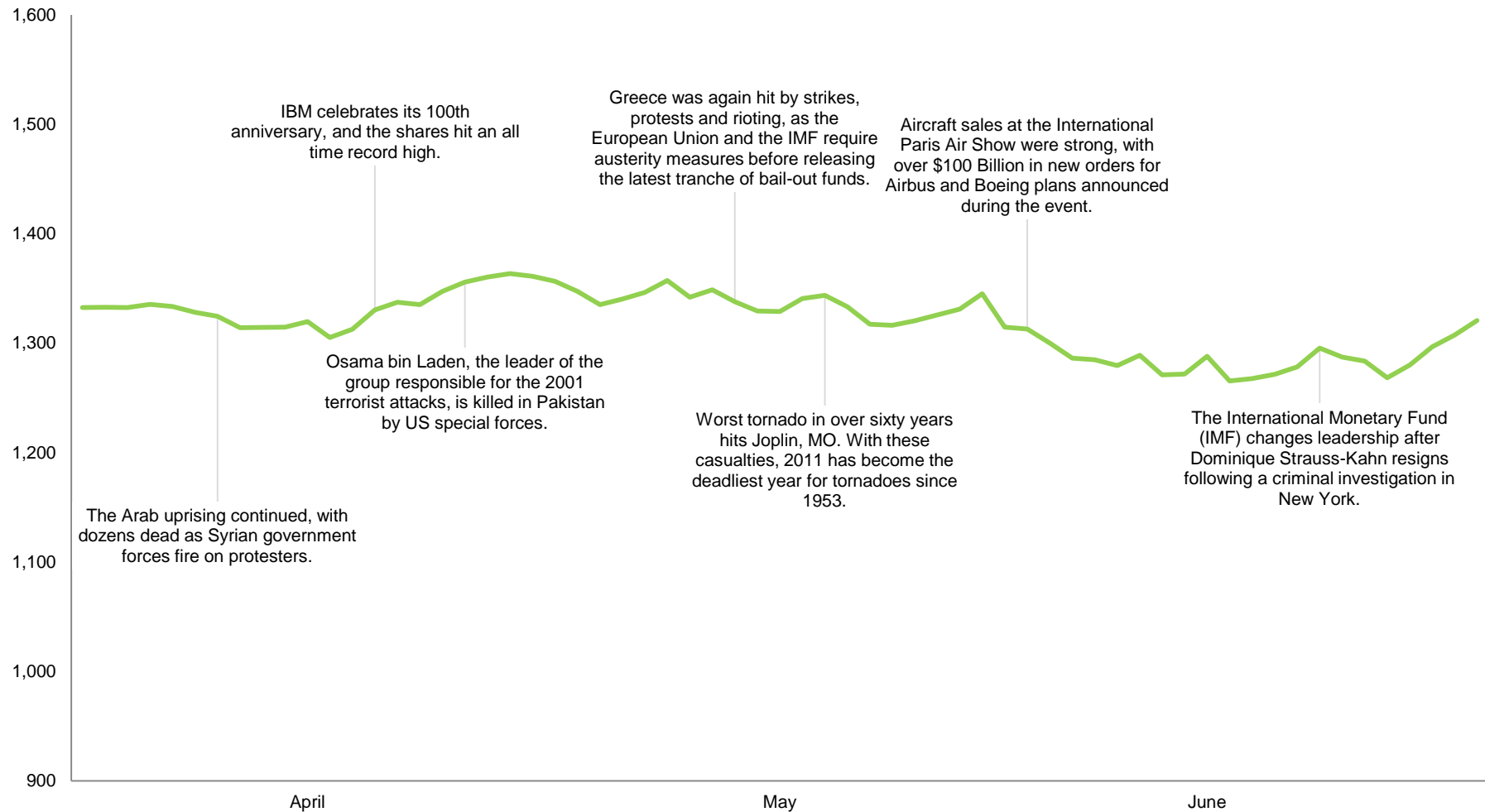
- Despite weaker-than-expected economic data in the US and Europe's sovereign-debt crisis, equity markets around the world were little changed in the second quarter. The broad US market was flat for the quarter.
- In US dollar terms, the overall performance in other developed markets was slightly positive, but that positive performance was entirely due to currency fluctuations. As in most of the past few quarters, there was much dispersion in performance at the individual country level. Greece, which once again had to be bailed out by the European Union and the International Monetary Fund to avoid defaulting on its sovereign debt, had sharply negative returns for the quarter. At the other end of the spectrum, New Zealand and core European countries such as Germany and France had strong positive returns. The US dollar lost ground against all major currencies, which helped the dollar-denominated returns of developed market equities.
- Emerging markets had negative returns and trailed developed markets in the quarter. As in developed markets, there was much dispersion in the performance of different emerging markets. Indonesia and other small emerging markets in Asia did well. On the other hand, some of the largest emerging countries such as China, Brazil, India, and Russia had sharply negative returns and were among the worst performers. The US dollar also lost ground against the main emerging market currencies, which contributed positively to the dollar-denominated returns of emerging market equities.
- Value stocks underperformed growth stocks across all market capitalization segments in the US and in other developed markets. In emerging markets, however, value stocks had mixed performance relative to growth stocks: small cap value outperformed small cap growth, while large cap value underperformed large cap growth. Along the market capitalization dimension, small caps underperformed large caps in the US and in other developed markets, but not in emerging markets.
- Most fixed income securities had excellent returns, especially inflation-protected securities.
- Real estate securities had strong returns and excellent performance relative to other asset classes.

# QUARTER IN REVIEW: TIMELINE OF EVENTS

All data ending June 30, 2011

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## S&P 500 PERFORMANCE



# BEYOND THE QUARTER IN REVIEW: MARKET PERFORMANCE

All data ending June 30, 2011

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## PERFORMANCE

	QUARTER	1-YEAR	3-YEAR	5-YEAR	10-YEAR	20-YEAR
<b>Large Company Stocks</b>	0.10%	30.68%	3.33%	2.94%	2.72%	8.73%
<b>Small Company Stocks</b>	-1.61%	37.40%	7.77%	4.08%	6.27%	9.82%
<b>Growth Stocks</b>	0.64%	35.69%	5.28%	5.36%	2.42%	7.76%
<b>Value Stocks</b>	-0.68%	29.14%	2.66%	1.23%	4.24%	9.83%
<b>International Stocks</b>	1.83%	30.92%	-1.30%	1.96%	6.12%	6.41%
<b>Emerging Markets Stocks</b>	-1.05%	28.17%	4.53%	11.75%	16.54%	10.53%
<b>Bonds</b>	2.30%	3.94%	1.55%	2.57%	2.34%	3.50%

### Benchmarks:

Large Company Stocks (S&P 500); Small Company Stocks (Russell 2000); Growth Stocks (Russell 3000 Growth); Value Stocks (Russell 3000 Value); International Stocks (MSCI EAFE); Emerging Markets Stocks (MSCI Emerging Markets); Bonds (1-Month U.S. Treasury Bills)

# BEYOND THE QUARTER IN REVIEW: RANDOMNESS OF RETURNS

All data ending June 30, 2011

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## PERFORMANCE

	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
BEST PERFORMANCE	0.20%	1.02%	34.84%	21.04%	8.57%	8.85%	0.02%	18.16%	16.25%	7.93%	2.30%	?
	-19.90%	0.03%	25.84%	19.52%	7.64%	7.05%	-8.29%	16.53%	12.26%	6.29%	1.83%	?
	-21.96%	-4.54%	20.68%	19.28%	6.04%	5.38%	-9.93%	12.99%	10.91%	6.47%	0.64%	?
	-22.41%	-11.01%	16.82%	18.57%	4.16%	4.88%	-11.09%	11.30%	10.74%	5.92%	0.10%	?
	-23.15%	-13.85%	16.81%	15.60%	3.88%	2.45%	-11.42%	11.29%	7.36%	2.10%	-0.68%	?
	-26.12%	-14.95%	15.93%	14.12%	2.23%	0.94%	-11.55%	10.11%	6.66%	3.44%	-1.05%	?
WORST PERFORMANCE	-27.55%	-17.00%	0.02%	0.03%	0.01%	0.01%	-13.75%	2.49%	-1.29%	0.43%	-1.61%	?

Large Company Stocks
Small Company Stocks
Growth Stocks
Value Stocks
International Stocks
Emerging Markets Stocks
Bonds

The lack of a pattern indicates that picking which asset class will be the best or worst performers is virtually impossible.

In Q4 2008, for example, Emerging Markets Stocks were the worst performing asset class. A quarter later it was the top performer.

### Benchmarks:

Large Company Stocks (S&P 500); Small Company Stocks (Russell 2000); Growth Stocks (Russell 3000 Growth); Value Stocks (Russell 3000 Value); International Stocks (MSCI EAFE); Emerging Markets Stocks (MSCI Emerging Markets); Bonds (1-Month U.S. Treasury Bills)

# BCM CORE PORTFOLIO REVIEW: PERFORMANCE

All data ending June 30, 2011

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## PERFORMANCE

	QUARTER	1-YEAR	3-YEAR	5-YEAR	10-YEAR	20-YEAR
<b>Aggressive</b>	-1.14%	23.48%	3.85%	5.82%	13.13%	11.21%
<b>Growth</b>	-0.30%	19.30%	4.32%	5.56%	11.11%	9.91%
<b>Balanced</b>	0.59%	14.88%	3.66%	4.92%	9.31%	8.74%
<b>Conservative</b>	1.44%	10.80%	3.38%	4.48%	7.58%	7.57%
<b>Preservation</b>	2.35%	6.52%	2.67%	3.86%	5.56%	6.03%
<b>S&amp;P 500 Index</b>	0.10%	30.68%	3.33%	2.94%	2.72%	8.73%

### Benchmarks:

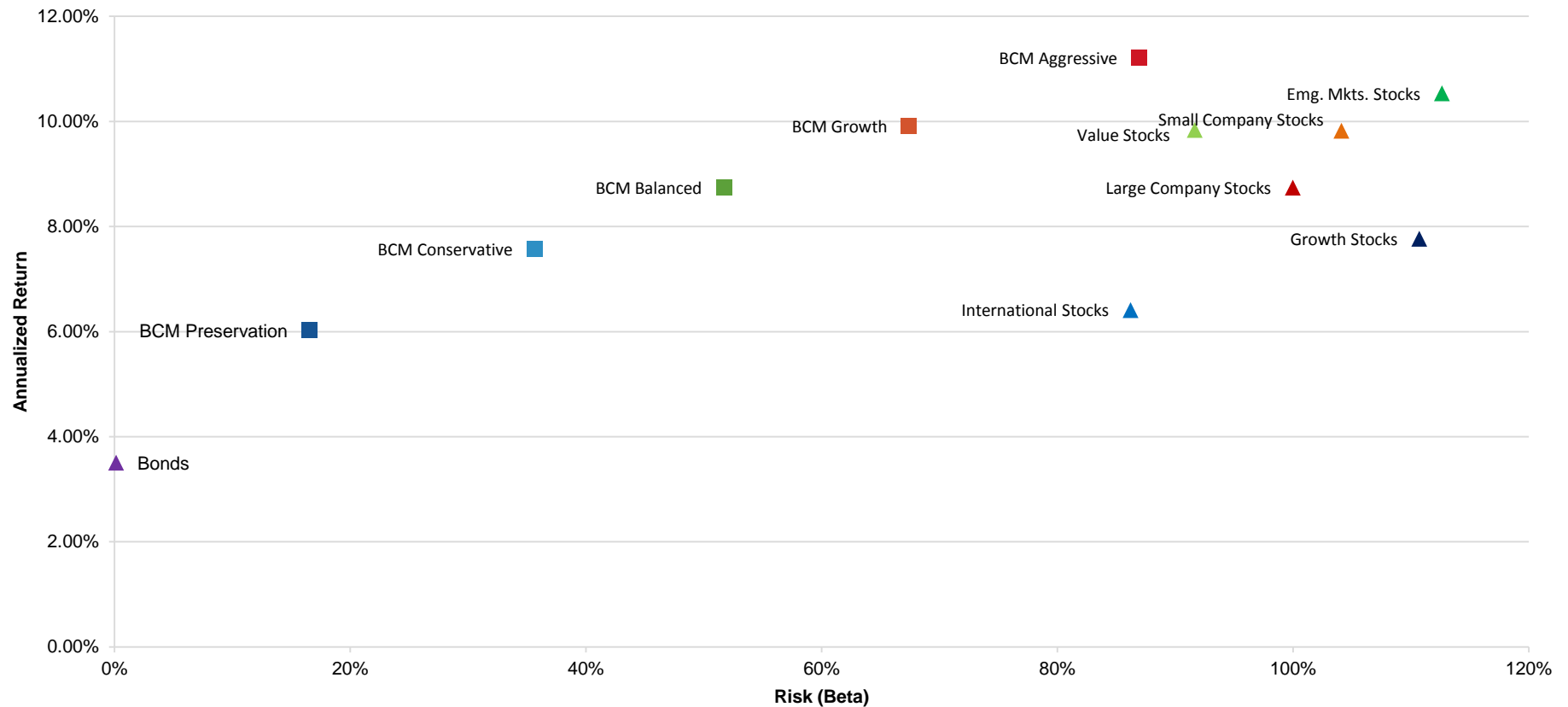
Large Company Stocks (S&P 500); Small Company Stocks (Russell 2000); Growth Stocks (Russell 3000 Growth); Value Stocks (Russell 3000 Value); International Stocks (MSCI EAFE); Emerging Markets Stocks (MSCI Emerging Markets); Bonds (1-Month U.S. Treasury Bills)

# BCM CORE PORTFOLIO REVIEW: RISK / RETURN ANALYSIS

All data ending June 30, 2011

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## PERFORMANCE



### Note:

Annualized return and risk (beta) are computed based upon the last 20 years of data.

### Benchmarks:

Large Company Stocks (S&P 500); Small Company Stocks (Russell 2000); Growth Stocks (Russell 3000 Growth); Value Stocks (Russell 3000 Value); International Stocks (MSCI EAFE); Emerging Markets Stocks (MSCI Emerging Markets); Bonds (1-Month U.S. Treasury Bills)

## Disclosure for Backtested Performance Information on the BCM Model Portfolio Strategies:

1. Beacon Capital Management, Inc. (BCM) was incorporated in July 2000 and placed its first independent client investments in July 2000. The performance information presented in the chart or table represents backtested performance based on combined simulated index data and live (or actual) mutual fund results from Jan 1, 1932 to period ending date shown using the strategy of buying, holding and monthly rebalancing mutual funds. **Backtested performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes to indicate historical performance had the model portfolio strategies been available over the relevant period. BCM did not offer the model portfolio strategies until July 2000.** Prior to July 2000, BCM did not manage client assets. Client portfolios are monitored and rebalanced, taking into consideration risk exposure consistency, transaction costs, and tax ramifications to maintain target asset allocations as shown in the five model portfolio strategies.

2. A review of the Disclosure for BCM Sources and Description of Data is an integral part of and should be read in conjunction with this explanation of backtested performance information. Simulated index data is based on the performance of indexes as described in the Disclosure for BCM Sources and Description of Data. The mutual funds used in BCM's five model portfolio strategies are BCM's best estimate of a mutual fund that will come closest to the index data provided in the simulated indexes. Simulated index data is used for the period prior to the inception of the relevant live mutual fund data. Live (or actual) mutual fund performance is used after the inception of each mutual fund.

3. **Backtested performance does not represent actual performance and should not be interpreted as an indication of such performance. Actual performance for client accounts may be materially lower than that of the model portfolio strategies.**

4. **Backtested performance results have certain inherent limitations. Such results do not represent the impact that material economic and market factors might have on an investment adviser's decision-making process if the adviser were actually managing client money. Backtested performance also differs from actual performance because it is achieved through the retroactive application of model portfolios (in this case, BCM's five model portfolio strategies) designed with the benefit of hindsight. As a result, the models theoretically may be changed from time to time to obtain more favorable performance results.**

5. Backtested performance results assume the reinvestment of dividends and capital gains and monthly rebalancing at the beginning of each month. In reality, client's accounts will be rebalanced either more or less frequently depending on the fluctuation of the mutual funds and the cash flow activity of the client. The performance of the five BCM model portfolio strategies and satellite funds reflects and is net of the effect of BCM's annual investment management fee of 1.8%, billed monthly. Depending on the size of your assets under management, your investment management fee may be less. Backtested risk and return data is a combination of live (or actual) mutual fund results and simulated index data, and mutual fund fees and expenses have been deducted from both the live (or actual) results and the simulated index data.

Although the mutual funds BCM recommends attempt to minimize tax liabilities from short and long term capital gains, any resulting tax liability is not deducted from performance results. Performance results also do not reflect transaction fees and other expenses charged by broker-dealers and/or custodians, which reduce returns. BCM is not paid any brokerage commissions, sales loads, 12b1 fees, or any form of compensation from any mutual fund company or broker dealer. The only source of compensation from client investments is obtained from asset based advisory fees paid by the client.

6. For all data periods, annualized standard deviation is presented as an approximation by multiplying the monthly standard deviation number by the square root of twelve. Please note that the number computed from annual data may differ materially from this estimate. We have chosen this methodology because Morningstar uses the same method.

7. For all data periods, beta is a statistical measurement of volatility as compared to a benchmark. The S&P 500 Index is used as the benchmark for comparison beta calculations.

8. For all data periods, alpha is a statistical measurement of excess return for risk borne as compared to a benchmark. The S&P 500 Index is used as the benchmark for comparison alpha calculations.

9. Not all of BCM clients follow our recommendations and depending on unique and changing client and market situations we may customize the construction and implementation of the model portfolio strategies for particular clients, including the use of tax-managed mutual funds, tax-loss-harvesting techniques and rebalancing frequency and precision. The performance of custom asset allocations may differ materially from (and may be lower than) that of the model portfolio strategies.

10. Performance results for clients that invested in accordance with the model portfolio strategies will vary from the backtested performance provided due to market conditions and other factors, including investments cash flows, mutual fund allocations, frequency and precision of rebalancing, tax-management strategies, cash balances, lower than 1.8% advisory fees, varying custodian fees, and/or the timing of fee deductions. As the result of these and potentially other variances, our clients have not and are not expected to have achieved the exact results shown since July 2000, when we placed our first investment. Actual performance for client accounts may differ materially from (and may be lower than) that of the model portfolio strategies.

11. **As with any investment strategy, there is potential for profit as well as the possibility of loss.** BCM does not guarantee any minimum level of investment performance or the success of any model portfolio strategy or investment strategy. All investments involve risk (the amount of which may vary significantly) and investment recommendations will not always be profitable.

12. **Past performance does not guarantee future results.**

13. **DISCLAIMER: THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, AS TO ACCURACY, COMPLETENESS, OR RESULTS OBTAINED FROM ANY INFORMATION PROVIDED HEREIN OR ON THE MATERIAL PROVIDED.** This document does not constitute a complete description of our investment services and is for informational purposes only. It is in no way a solicitation or an offer to sell securities or investment advisory services, except, where applicable, in states or countries where we are registered or where and exemption or exclusion from such registration exists. Any statements regarding market or other financial information, is obtained from sources which we, and our suppliers believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither our information providers nor we shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the user. All investments involve risk, including foreign currency exchange rates, political risks, different methods of accounting and financial reporting, and foreign taxes.

# DISCLOSURES

## Disclosure for BCM Sources and Description of Data

The following descriptions indicate how simulated index data and live (or actual) mutual fund results are strung together to simulate similar risk and return characteristics back to 1932. This reduces the standard error of the mean which is unacceptably high for periods less than 20 years.

### DFA U.S. Targeted Value (DFFVX)

March 1, 2000 – Present

DFA U.S. Targeted Value Fund (DFFVX)

A mutual fund designed to capture the returns and diversification benefits of a broad cross-section of US small value companies, on a market-cap weighted basis. The fund invests in securities of US companies smaller than the 500th largest company in the market universe. The market universe is comprised of companies listed on the New York Stock Exchange, American Stock Exchange, and Nasdaq National Market System. After identifying the aggregate market capitalization break, a value screen is applied to the universe. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price-to-cash-flow or price-to-earnings ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time.

January 1, 1932 – February 29, 2000

Dimensional U.S. Targeted Value Index (performance is reduced by current expense ratio of DFA U.S. Targeted Value Fund (DFFVX))

A market-capitalization-weighted index of securities of small and mid cap value companies. These are defined as companies whose market capitalization falls below that of the 500th (1000th) largest company in the Eligible Market, and whose book-to-market ratio falls in the top 25% (50%) of the market capitalization of the size range after the exclusion of utilities, companies lacking financial data, and companies with negative book-to-market ratio. The Eligible Market is composed of securities of US companies traded on the NYSE, AMEX, and Nasdaq Global Market.

### DFA International Small Cap Value (DISVX)

January 1, 1995 - Present

DFA International Small Cap Value (DISVX)

A mutual fund designed to achieve long-term capital appreciation. The fund pursues its objective by investing in the stocks of small non-US companies that Dimensional believes to be value stocks at the time of purchase. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price-to-cash-flow or price-to-earnings ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time. The fund currently invests in companies in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

July 1, 1981 – December 31, 1994

Dimensional International Small Cap Value Index (performance is reduced by current expense ratio of DFA International Small Cap Value (DISVX))

January 1994 to present: Compiled by Dimensional from StyleResearch securities data. Includes securities of MSCI World ex U.S. countries in the bottom 10% range of market capitalization and in the upper 30% book-to-value range; market capitalization weighted; each company is capped at 5%; excludes REITs and utilities; rebalanced annually.

July 1981 to December 1993: Compiled by StyleResearch securities data. Includes securities in the bottom 10% range of market capitalization, excluding the bottom 1%, and in the upper 30% book-to-market range; market capitalization weighted; each country is capped at 50%; rebalanced semiannually.

January 1, 1932 – June 30, 1981

DFA U.S. Targeted Value

Please see information provided under DFA U.S. Targeted Value (DFFVX).

# DISCLOSURES

## DFA Emerging Markets Value (DFEVX)

May 1, 1998 – Present

DFA Emerging Markets Value (DFEVX)

A mutual fund designed to achieve long-term capital appreciation. The fund pursues its objective by investing in emerging markets equity securities that Dimensional deems to be value stocks at the time of purchase. Dimensional will consider, among other things, information disseminated by the International Finance Corporation in determining and approving countries that have emerging markets. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price-to-cash-flow or price-to-earnings ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time. The fund currently invests in companies in Brazil, Chile, China, the Czech Republic, Hungary, India, Indonesia, Israel, Malaysia, Mexico, the Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. Due to repatriation restrictions, the Portfolio currently holds but does not purchase securities in Argentina.

January 1, 1989 – April 30, 1998

Fama/French Emerging Markets Value Index (performance is reduced by current expense ratio of DFA Emerging Markets Value (DFEVX))

Provided by Fama/French from IFC securities data. Simulated strategy of IFC investable universe countries in the upper 30% book-to-market range; companies weighted by float-adjusted market cap; countries weighted by country float-adjusted market cap; rebalanced monthly. IFC data provided by International Finance Corporation.

January 1, 1932 – December 31, 1988

50% DFA U.S. Targeted Value / 50% DFA International Small Cap Value

Please see information provided under DFA U.S. Targeted Value (DFFVX) and DFA International Small Cap Value (DISVX)

## DFA 5-Year Global Fixed (DFGBX)

December 1, 1990 – Present

DFA 5-Year Global Fixed (DFGBX)

A mutual fund designed to provide a market rate of return for a fixed income portfolio with low relative volatility of returns. Generally, the fund will invest in high-quality obligations that mature within five years from the date of settlement. The fund expects to invest primarily in obligations issued or guaranteed by any of the following countries (but may invest in other countries as well): Australia, Canada, Denmark, EMU countries, Japan, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. Investments in obligations of other foreign issuers rated AA or better, corporate debt obligations, bank obligations, and commercial paper may also be included. The fund will also enter into forward foreign currency contracts solely for the purpose of hedging against fluctuations in currency exchange rates.

January 1, 1990 – November 30, 1990

Citigroup World Bond Index 1-5 Years (performance is reduced by current expense ratio of DFA 5-Year Global Fixed (DFGBX))

Provided by Citigroup (formerly Salomon Smith Barney).

January 1, 1932 – December 31, 1989

U.S. Five Year Treasury Notes Index (performance is reduced by current expense ratio of DFA 5-Year Global Fixed (DFGBX))

Provided by Ibbotson.

# DISCLOSURES

## DFA Inflation Protected Securities (DIPSX)

October 1, 2006 – Present

DFA Inflation Protected Securities (DIPSX)

A mutual fund designed to provide inflation protection and earn current income consistent with preservation of capital. Ordinarily, the fund will invest at least 80% of its net assets in inflation-protected securities issued by the US government and its agencies and instrumentalities. Generally, the fund will purchase securities with maturities of between five and twenty years. The fund will not shift the maturity of its investments in anticipation of interest rate movements and ordinarily will have an average weighted maturity, based upon market values, of between three and twelve years.

March 1, 1997 – September 30, 2006

Barclays U.S. Government Inflation-Linked Bond Index (performance is reduced by current expense ratio of DFA Inflation Protected Securities (DIPSX)

Provided by Barclays Bank PLC

January 1, 1932 – February 28, 1997

DFA 5-Year Global Fixed

Please see information provided under DFA 5-Year Global Fixed (DFGBX).