

JULY 2009

▪ New funds and model
portfolio allocations

▪ Second Quarter 2009
market commentary
from Agri-Invest, LLC

Announcing changes to fund lineup and model portfolios

The Co-op 401(k) Plan Fiduciary Board, with input from Charles Langowski of Advanced Capital Group and Craig Buckhout of Agri-Invest, has finalized two changes to the Plan's investment fund lineup. The Plan's model portfolios will also undergo changes in asset allocation.

New funds

The Board approved a motion to replace the Heartland Value Fund with the Allianz Small Cap Value Fund (Ticker: PSVIX) effective the week of June 22, 2009.

The Board also discussed the advantages of Treasury Inflation Protection Security (TIPS) funds, and approved the addition of the Vanguard Inflation Securities Fund (Ticker: VIPSX) to the Plan.

TIPS funds are bond funds that are guaranteed by the Treasury to keep pace with inflation and generally protect against inflation. Because they protect against long-term erosion caused by inflation, TIPS funds work best as part of a long-term investment strategy such as retirement savings.

Based on the recommendation of Agri-Invest, the TIPS fund will be integrated into the model portfolios. All

five of the risk-based models will have different allocations (see page 2). While the individual invest-

ment allocation percentages within the models are different, the new models maintain the same splits between equities and fixed income depending on the risk tolerance.

What happens to your account

If you were invested in the Heartland Value Fund, your investments were transferred into the Allianz Small Cap Value Fund. Future contributions will continue to be made to the Small Cap Value Fund Class based on your current investment allocation.

If you were invested in a model portfolio, your future contributions (starting with the first payroll after June 22, 2009) will be invested in the new model allocation for the model you selected. Your existing investments will stay as they are until

your account rebalances (either through the Auto-Rebalance feature or an investment transfer), at which point your investments will automatically map to the new allocation.

Asset Category	Small Cap Value Fund	TIPS Fund
Investment Fund	Allianz Small Cap Value Fund	Vanguard Inflation Securities Fund
NAV	\$19.30	\$12.05
3-month	3.49	0.33
1-year	-23.51	-4.53
5-year annualized	3.12	4.23
10-year annualized	8.52	N/A
Peer Ranking	3	27
Ticker	PSVIX	VIPSX
Morningstar Rating	★★★★★	★★★★★

Trailing Returns as of 7/9/09

Market Commentary

provided by Agri-Invest, LLC

Second quarter 2009

Equity Markets

Stock market values rallied dramatically in the second quarter providing the best quarterly returns since 2003. Major indices moved into positive territory for the first six months of the year. For the quarter, the S&P 500 Index was up 16%; small company stocks increased 21%; and international stocks were up 26%. Despite the net positive return in 2009 (S&P 500 up 3%), trailing period returns for three, five, and ten years are still negative. The second quarter also saw daily price volatility return to levels similar to long term averages.

Fixed Income Market

Diversified bond funds provided modest positive returns during the quarter. Short term interest rates remain very low, but longer-term treasury rates rose during the quarter (depressing the value of treasury securities). At the same time, a reduction in financial market uncertainty caused the price of some riskier bonds to increase in value. The net impact on the bond fund in the plan was positive as it is outperforming the broad bond market so far this year.

Time Horizon – How Long is Long?

One could argue that a true investor has an infinite time horizon. Even investors that save for retirement, expecting to die, seldom know when death will occur. So they are forced to live from income and appreciation, preserving principal for an indefinite period of time –

not exactly infinity but similar in an investment sense. Savers have a fairly clear idea of when they will spend the money (think new car or college expenses) and stocks are generally inappropriate for savings.

As investors, we often fail to make rational decisions based on the long-term view. Behavioral economists refer to this phenomenon as “time inconsistency,” when the value of something tomorrow is discounted irrationally in favor of today’s gratification. Evidence of time inconsistency appears often in human experience and helps explain behaviors like procrastination and addiction, and failed efforts at weight loss or saving for retirement.

“Barn door closing” is another potentially harmful behavior documented by behavioral finance economists. This is the concept of taking actions that would have been profitable if taken yesterday. “Closing the barn door” after surprising market results can be extremely costly, as experienced by those who bailed out during the market’s darkest days this past February or March.

If we agree that investors by definition have an infinite time horizon, then we can point to these principals of behavioral finance and take a long-term view. This realization can also help us ignore the noise from Wall Street and the financial press that focuses almost entirely on the short term issues that affect traders and speculators trying to profit from surprises in the market. The long view will help us avoid the pitfalls of investing in what would have been profitable yesterday, or reacting to the current situation or short-term prediction of the future.

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New Allocations for Model Portfolios

Model	New Allocation						Old Allocation				
	Stable	Bond	TIPS	Index	Sm-Cap Index	Intl Blend	Stable	Bond	Index	Sm-Cap Index	Intl Blend
Conservative	30%	20%	40%	4%	2%	4%	50%	40%	10%	-	-
Moderately conservative	20%	20%	30%	11%	7%	12%	30%	40%	20%	5%	5%
Moderate	10%	20%	20%	18%	12%	20%	15%	35%	30%	10%	10%
Moderately aggressive	-	20%	10%	25%	17%	28%	5%	25%	40%	15%	15%
Aggressive	5%	-	-	34%	23%	38%	5%	-	40%	30%	25%