Report of Investments Committee Chair
1 July 2006 – 30 June 2007
Judith Totman Parrish, Chair of GSA Investments Committee

This Report to Council summarizes the results for the GSA investment portfolio for fiscal year 2007, ending on 30 June 2007. During this period the Investments Committee held two face-to-face meetings, on 20 November 2006 and on 17 March 2007 in Denver, and in addition met via teleconference three times. A report for the first three quarters of FY2007 was submitted for the end-April Council meeting; this report represents the final report that was promised once the fiscal year ended.

PERFORMANCE OF INVESTMENT PORTFOLIO DURING PERIOD

The total combined GSA Investment portfolio rose in value from $28,509,199 on 30 June 2006 to $32,974,292 on 30 June 2007, an overall increase of 15.66% for FY2007 (including all deposits and withdrawals). During this period, a net amount of $555,000 was withdrawn from the portfolio by the Society for its use, so the return on the portfolio investments was approximately 17.98%.

The performance of the portfolio is affected by its diversification among cash, fixed income investments, and securities. For comparison, the S&P500 returned 20.59% for the period, and the Lehman Brothers Aggregate Bond Index returned 6.12%. The portfolio is diversified among different types of assets, consistent with the Investment Policy of the Society, as approved by Council. While such diversification limits the ability of the portfolio to “make it big” from exceptional returns in any one asset group, it also limits the risk that the committee will inadvertently choose the wrong asset in which to invest a large fraction of the portfolio. The strategy has been working well in the years since the bursting of the tech stock bubble in 2001, and the portfolio is once again performing in excess of expectations. During FY2006, the Investments Committee further broadened the diversification of the portfolio by initiating investment positions in two additional sectors of the overall securities markets. The first was a position in a commodity fund (the Pimco commodity fund product), which includes a reasonably heavy weighting in natural resources, especially oil, natural gas, and heavy metals. The second was a position in a floating rate bank securities fund (the Eaton Vance product was selected), which invests in secured floating rate loans made to small and midsized businesses. Each of these investment groups provides additional diversification of the portfolio with its own unique risk characteristics. When combined with the rest of the portfolio, the new positions should achieve the same level of return with less risk. Indications from the past year are that this strategy is succeeding.

POOLED INCOME FUND

During FY07, the Pooled Income Fund earned approximately 5.83% and grew by 1.36%, the remainder being returned to participants. This is lower than the investment portfolio, which is to be expected as this fund is invested primarily (and appropriately) in fixed income securities, chiefly bonds. The total return on bond funds, however, was lower (6.12% Lehman Bros. Aggregate). The principal in the Pooled Income Fund at the end of the period was $625,664.

PERFORMANCE REVIEW OF MANAGED FUNDS

The committee noted the trend in private equity investment that accelerated in the US markets in the latter part of FY06 and the first part of FY07. The committee began discussion of the opportunities and risks of such investments and the place these types of investment could have in a portfolio the size of GSA’s. The committee will be continuing discussions among themselves and with Innovest during the first half of FY08 (it is on the agenda for the meeting of August 11, 2007).
REVIEW OF INNOVEST PORTFOLIO SOLUTIONS LLC

Bruce Clark organized a review of Innovest’s performance as GSA’s funds advisor; this was the first time such a review had been conducted since the contract was signed 11 years ago. Members of the committee were asked to rank Innovest’s performance on a number of criteria, with a total possible score of 50. The average was 46.7. The Investment Committee evaluated Innovest’s service to GSA in the following areas: philosophy and approach consistent with and helpful in administering the Committee’s investment plan; conclusions and recommendations that are logical, prudent, and clear to the Committee members; general approach that is appropriate to implement in bad markets as well as good markets; effective communications with the Committee, both oral and written; responses to Committee requests for information, questions about investment decisions, and disagreements that are appropriate and effective; recommendations of investments/managers that are appropriate to achieving the Committee’s plan objectives; clear and accurate identification for the Committee of potential risks as well as rewards of individual investments; appropriate monitoring of the activities and decisions of the investments/managers that they recommend; conflicts of interest with Committee’s investments/managers are disclosed freely; added value to the Committee’s deliberations and decisions that is commensurate with its fees. The committee was unanimous in voting to retain Innovest Portfolio Solutions LLC as its funds advisor. The committee further recommends that the Investment Committee conduct regular reviews of Innovest every few years. This does not reflect any lack of satisfaction with Innovest but rather good financial practices.

OTHER ACTIONS OF THE INVESTMENTS COMMITTEE

At our spring meeting in Denver, the Investments Committee welcomed Carl Fricke to the committee as a representative of the GSA Foundation and nominated John Costa to be the chair of the committee for FY2008. The Committee is to be constituted as follows:

5-8 Five to eight at-large members to be appointed by the Executive Committee. Recommendations for appointment shall come from the Committee on Investments. Such appointments shall be made from a list of qualified persons previously approved by Council. Normally new members of the committee will be appointed at the spring meeting of the Executive Committee.

1 GSA Treasurer ex officio voting member
1 GSA Foundation Board of Trustees Chair or designee ex-officio voting member
1 GSA Executive Director ex officio, serving an indefinite non-voting-term as Headquarters Liaison.
Conferences as needed

At the April GSA Executive Committee/Council meeting, ExCom approved John Costa as Chair, and Thayer Tutt was approved as a Member-at-Large for a 4-year term, on the Investment Committee.

The GSA Executive Committee requested that the Investment Committee submit an expanded list of potential future members to serve on the Investment Committee. The Investment Committee will seek additional names to submit to the GSA Executive Committee in FY 2008.
# Investment Portfolio
## Market Value Summary Comparison
### June 30, 2006 to June 30, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Market Value</th>
<th>Market Value</th>
<th>Deposits</th>
<th>Withdraws</th>
<th>Investment Value</th>
<th>Investment Value %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geological Society of America</strong></td>
<td></td>
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<tr>
<td>Domestic Equities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Vanguard Index Trust</td>
<td>VFINX</td>
<td>1,977,489</td>
<td>$2,182,577</td>
<td>$</td>
<td>-</td>
<td>$200,000</td>
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<tr>
<td>Allianz RCM Large Cap</td>
<td>DRLCX</td>
<td>5,073,620</td>
<td>5,815,130</td>
<td>-</td>
<td>100,000</td>
<td>841,510</td>
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<tr>
<td>Mainstay Equity Portfolio</td>
<td>ICAIZ</td>
<td>2,246,304</td>
<td>1,896,562</td>
<td>-</td>
<td>800,000</td>
<td>450,257</td>
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<tr>
<td>Mainstay Select Equity Portfolio</td>
<td>ICSSX</td>
<td>3,128,860</td>
<td>3,895,751</td>
<td>-</td>
<td>-</td>
<td>760,891</td>
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<td>Longleaf Small Cap Fund</td>
<td>LLSCX</td>
<td>1,038,137</td>
<td>1,263,250</td>
<td>-</td>
<td>100,000</td>
<td>325,113</td>
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<td>Munder Mid Cap Core</td>
<td>MGGOX</td>
<td>-</td>
<td>1,019,625</td>
<td>880,650</td>
<td>-</td>
<td>138,975</td>
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<td>Turner Mid Cap Growth Fund CL 1</td>
<td>TMGFX</td>
<td>847,957</td>
<td>-</td>
<td>880,650</td>
<td>-</td>
<td>32,693</td>
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<tr>
<td>Total Domestic Equities</td>
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<td>14,312,367</td>
<td>16,072,894</td>
<td>880,650</td>
<td>2,080,650</td>
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<tr>
<td>International Equities</td>
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<tr>
<td>American Beacon International Fund</td>
<td>AAIEX</td>
<td>1,573,088</td>
<td>1,501,529</td>
<td>-</td>
<td>450,000</td>
<td>378,441</td>
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<td>Harbor International Fund</td>
<td>HAINX</td>
<td>1,715,696</td>
<td>1,582,312</td>
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<td>650,000</td>
<td>516,616</td>
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<td>Artisan International Fund</td>
<td>ARTIX</td>
<td>1,819,184</td>
<td>2,052,351</td>
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<td>4,907,969</td>
<td>5,136,192</td>
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<td>1,100,000</td>
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<tr>
<td>Domestic Fixed Income</td>
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<td>Pimco Total Returns</td>
<td>PTTRX</td>
<td>2,443,347</td>
<td>2,471,812</td>
<td>0</td>
<td>100,000</td>
<td>128,446</td>
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<td>Absolute Return Strategies</td>
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<tr>
<td>Ironwood</td>
<td>XIRONGSA</td>
<td>1,659,569</td>
<td>1,909,043</td>
<td>-</td>
<td>-</td>
<td>249,474</td>
</tr>
<tr>
<td>Cadogan</td>
<td>1,479,509</td>
<td>1,665,951</td>
<td>-</td>
<td>-</td>
<td>186,442</td>
<td>12.60%</td>
</tr>
<tr>
<td>Total Absolute Return Strategies</td>
<td></td>
<td>3,139,078</td>
<td>3,574,994</td>
<td>0</td>
<td>0</td>
<td>435,916</td>
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<tr>
<td>Commodity Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pimco Commodity Real Ret Strat Instl</td>
<td>PCRIX</td>
<td>766,443</td>
<td>2,456,841</td>
<td>1,700,000</td>
<td>0</td>
<td>(9,602)</td>
</tr>
<tr>
<td>Bank Loan Fund</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Eaton Vance Instl SR Floating Rate Fund</td>
<td>EIFRX</td>
<td>2,393,514</td>
<td>2,568,110</td>
<td>0</td>
<td>0</td>
<td>174,595</td>
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<tr>
<td>Cash and Cash Equivalents</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Schwab Money Market Fund</td>
<td>MMF</td>
<td>546,465</td>
<td>680,252</td>
<td>1,000,000</td>
<td>855,000</td>
<td>(11,213)</td>
</tr>
<tr>
<td>Money Market Fund-GSA Holding</td>
<td>14</td>
<td>13,197</td>
<td>325,000</td>
<td>300,000</td>
<td>11,817</td>
<td>0</td>
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<tr>
<td>Total Cash and Cash Equivalents</td>
<td></td>
<td>546,480</td>
<td>693,449</td>
<td>1,325,000</td>
<td>1,155,000</td>
<td>(23,031)</td>
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<tr>
<td>Total Combined Investments</td>
<td></td>
<td>$28,509,199</td>
<td>$32,974,292</td>
<td>$3,905,650</td>
<td>$4,435,650</td>
<td>$4,995,092</td>
</tr>
</tbody>
</table>

### Contributions/Withdraws Summary

- **Net GSA Donation Adjustment** (25,000)
- **Management Fees**
  - Innovest: 33,606
  - Total: 33,606
- **Net GSA (Withdraw) Return** (530,000)
- **Net Grand Total (Withdraw) Return** ($555,000)

### Pooled Income Fund - GSAF

- **Cash and Money Market**
  - $17,249
  - $20,343
  - 32,689
  - 30,287
  - 692
  - 4.01%
- **Pimco Total Return Fund**
  - 538,839
  - 539,719
  - 0
  - 27,134
  - 28,013
  - 5.20%
- **Vanguard REIT Index Fund**
  - 61,186
  - 65,603
  - 0
  - 2,863
  - 7,279
  - 11.90%

**Total Pooled Income Fund - GSAF**

- $817,275
- $255,000
- 32,689
- $60,283
- 35,984
- 5.83%

### Total Return to Participants

- **Cash and Money Market**
  - Return to Participants: 4.01%
  - Total:
  - 4.01%
- **Pimco Total Return Fund**
  - Return to Participants: 5.04%
  - Total:
  - 5.20%
- **Vanguard REIT Index Fund**
  - Return to Participants: 4.68%
  - Total:
  - 11.41%

**Total Return to Participants**

- Return to Participants: 4.97%
- Total:
  - 5.83%

* $2,000 of this amount was an additional contribution