

To: Elevator Constructors Union Local No. 1 Annuity and 401(k) Fund Board of Trustees

From: The Dobbs Group at Graystone Consulting

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2010 Broad Market Results

As the bell rang on the New York Stock Exchange to close the December 31, 2010 calendar year, financial markets around the globe rejoiced the second consecutive year of recovery from the financial crisis. The S&P 500 Index followed a 2009 year return of 26.45% with a 2010 year return of 15.05%. The stock market rally that began on March 9, 2009 continued through the end of 2010 due to an improved global economy lead primarily by the global governments and central banks fiscal stimulus and monetary accommodations.

For 2010, the core fixed income markets performed in-line with historical averages with the Barclays Capital (U.S.) Aggregate Bond Index returning a positive 6.54% for the year. Credits outperformed government related bonds as investors continued to seek out higher yield in the current low-interest-rate environment. High yielding bonds continued their two year trend of outperformance as the Barclays Capital High Yield Bond Index returned a positive 15.11%.

In our view, the business-cycle recovery in the global economy that began in the summer of 2009 is over. Now, it is an expansion. This is positive for the global economy. At \$62 trillion, the global economy is larger than ever before, according to the International Monetary Fund (IMF). At nearly \$15 trillion the U.S. economy is also larger than at the onset of the Great Recession. On a country by country basis, the global economy is growing at varying speeds. In 2011 we expect emerging market economies to grow more than 6% while developed markets to grow at a slower 2%. One place where the recovery has been evident for some time now is corporate profits. After growing by more than 30% in 2010, earnings per share (EPS) should rise by 15% in 2011. Our base case calls for forward price/earnings multiples to remain unchanged and EPS growth to be the primary driver of equity returns. Other factors could also make the outlook for 2011 favorable for equities.

Stock Markets Review

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| Dow Jones Industrial Average Index | 14.07% | 22.63% |
| S&P 500 Index | 15.05% | 26.45% |
| Russell 2000 (small cap stocks) Index | 26.85% | 27.19% |
| MSCI EAFE (international stocks) Index | 7.75% | 31.78% |
| Wilshire 5000 Index | 17.16% | 28.30% |

Fixed Income Markets Review

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| Barclays Capital Intermediate Gov/Credit Bond Index | 5.89% | 5.24% |
| Barclays Capital Aggregate Bond Index | 6.54% | 5.93% |
| Barclays Capital High Yield Bond Index (low quality) | 15.11% | 58.20% |

Alternative Investment Markets Review

| | | |
|--|--------|---------|
| NCREIF (private real estate) Index | 13.11% | -16.86% |
| HFRI FOF Diversified (hedge funds) Index | 5.48% | 11.47% |

Elevator Constructors Union Local No. 1 Annuity and 401(k) Fund - Summary of Assets and Investments

During 2010, the Board of Trustees, working closely with the Fund's Investment Consultant, made several changes to the Fund's asset allocation and investment manager line-up. These changes improved the Fund's performance in 2010 and are anticipated to do so in the future. The changes should also lower the Fund's overall volatility over time.

For the twelve months ended December 31, 2010, the Fund Administrator has determined that the return for the Fund's investment portfolio assets was **11.32543%**. The positive return for the investment assets was primarily driven by the good returns in both the equity and fixed income portions of the investment portfolio. The equity portion of the portfolio returned, in aggregate, a positive 19.26% in 2010. The Fund's fixed income portion of the portfolio returned, in aggregate, a positive 9.33% in 2010. The 2010 good market performance comes after very positive returns in 2009.

The Fund's real estate investment, which is invested through the Multi-Employer Property Trust (MEPT), returned a positive 13.91% in 2010. The 2010 real estate return was a positive result after a very difficult 2009.

The hedge fund investment, which is invested through a multi-strategy fund-of-hedge-funds with Grosvenor Capital Management, returned positive 6.53% for 2010.

During 2010 the target asset allocation of the Annuity portion of the Fund was 65% Fixed Income investments including Guaranteed Investment Contracts (GIC's); 25% stock equity investments; 5% real estate investments, and 5% hedge funds. This remained unchanged from the previous year.

As of December 31, 2010, the Elevator Constructors Union Local No.1 Annuity and 401(k) Fund ("Fund") had assets totaling \$554.6 million.

Asset Allocation of the Annuity Fund

The Fund maintains a conservative investment profile, which is demonstrated several ways.

- The investment assets of the Fund are diversified, or allocated, across major asset classes: fixed income, equity, real estate, hedge funds and cash.

- Further, the specific asset allocation of the Fund is weighted toward fixed income investments, which, over longer periods of time, are expected to provide steadier returns than stock equity investments. The asset allocation of the Fund is intended to be approximately 65% Fixed Income investments; 25% stock equity investments; 5% real estate investments, and 5% hedge funds. These investments are measured against a Policy Index composed of 22.5% Russell 3000 Index (domestic stock), 2.5% MSCI EAFE (international stock), 65% Barclays Capital U.S. Aggregate Bond Index (bonds), 5% NCREIF Property Index (real estate) and 5% HFRI FOF Diversified Index (hedge funds).
- Additionally, within each asset class, the assets are diversified among managers with different styles. To illustrate, within the Fixed Income portion of the Annuity portion of the Fund, in 2010 the assets were invested with four fixed income investment managers as well as a diversified portfolio of GIC investments. Two new investment managers were added to the fixed portion of the portfolio in 2010. Both new managers invest in high yield fixed income securities and had a positive impact on the overall performance of the Fund. In 2010 the equity portion of the investment assets was invested with four active managers and in a Wilshire 5000 Index Fund. There were three new domestic equity active managers added in 2010 in an effort to increase the diversification of the equity portion of the investments. The Fund also added a new international equity active manager in 2010 also to add diversification. A portion of the Fund's investment assets are invested in a commingled real estate fund that is a broadly diversified, professionally managed pool, invested in a significant number of real estate projects across the US to diversify risk. All projects in the real estate fund are built entirely with union labor. Additionally, the Fund has an investment in a diversified hedge fund that looks to return above average investment returns with less volatility than other asset classes such as stocks.

Conclusion

We hope this letter helps explain the Fund's overall investment program and brings you up to date on investment performance results. The primary goal of the Annuity and 401(k) Fund is to preserve the principal of the investment while nevertheless seeking to achieve attractive long-term returns designed to enhance participants' retirement benefits.

The Fund Office is available to answer any questions that participants may have with regard to their Annual Statements for the period ending December 31, 2010, or information in this notice.