



# Quarterly Investment Update

For Members of the Iowa United Methodist  
Foundation Investment Pool

June 2010

## Thoughts From Our Advisors

### Will...May...Won't?

#### A mid-year report card for "developments for 2010"

Having now reached the midway point in 2010, it is time to visit key developments for the year.

##### The developments that will take place:

**Recovery will continue:** The overall economic recovery process remains on track. Bolstered by acceleration in consumer spending growth, ongoing business investment growth and a return to inventory rebuilding, the economy expanded at a 2.7% annual rate during the first quarter.

**Financial markets will normalize:** The meltdown in Greece and threat of contagion across the Eurozone raised the prospects for a replay of the global credit crisis. But while the level of anxiety within financial markets may have been ratcheted up, there is little to suggest that dislocations are developing within financial markets.

**Geopolitical threats will emerge:** The conflict on the Korean peninsula, the escalation of tensions over Iran's nuclear ambitions, the attempted terrorist attack in New York's Times Square, the fraying of the political fabric of the Eurozone and the surge in violence in Afghanistan, reflects the continued threatening geopolitical backdrop. This, in turn, could continue to jeopardize both the economic expansion and stability of financial markets.

**Taxes will rise:** The administration has been slow to move on tax reform, opting to first tackle healthcare and financial reform. Although the Republicans withheld support from both healthcare and financial services reform, they may well opt to work with the White House on tax reform with the Bush tax cuts set to expire at the end of this year. Neither party is anxious to see taxes revert back to Clinton-era rates.

##### The developments that may take place:

**Fed may remain on hold:** The Fed is likely to refrain from tightening until there is greater confidence that the recovery is self-sustaining.

**Commercial real estate (CRE) may hit crisis levels:** Despite renewed softening in the residential real estate market, there is little evidence to suggest that the CRE market has reached crisis levels. After falling more than 40% from late 2007 to late 2009, the Moody's composite CRE price index has rise 5% over the past six months.

**Additional stimulus package may be passed:** The limited legislative schedule and the increased level of hostility among the electorate over rising budget deficits have significantly reduced the odds for additional stimulus measures.

Continued ...

## Thoughts From Our Advisors—Continued

### The developments that won't take place:

**Inflation will not be a problem:** CPI inflation recently fell to the lowest level in more than 20 years amid continued slack in the labor market, an abundance of cheap imports, strong productivity gains and a strengthening of the US dollar. Despite the rapid expansion of the Fed's balance sheet and near-zero interest rate policy, there is little evidence to suggest that price pressures are building. While an overly accommodative monetary policy mix does pose an inflation threat if left unchecked, policymakers are clearly more concerned with deflationary pressures from fiscal consolidation.

**Dollar will not collapse:** Fears of a wholesale repudiation of US dollar-based assets have given way to concerns over the viability of the euro as a viable currency. The world has been reminded once again that there is only one asset class large enough, liquid enough and safe enough to support global capital flows during periods of economic hardship and financial market turmoil: US dollar-denominated Treasury debt.

This is just a snapshot at mid-year. It tackles some tough issues, but as we know, there are plenty of issues out there. All-in-all, it seems to be some reason for optimism.

## Investment Performance

<u>Indexes</u>	<u>2nd Quarter</u>	<u>YTD</u>	-	-	<u>IUMF Total Returns</u>	<u>2nd Quarter</u>	<u>YTD</u>
S&P 500	-11.43%	-6.65%			Equity Fund	-10.30%	-6.33%
Barclay G/C	3.88%	5.49%			Bond Fund	2.21%	4.48%
55% S&P 500/ 45% Barclay G/C	-4.54%	-1.19%			Balanced Fund	-4.61%	-1.84%
ML C/G 1-3yr	1.01%	1.94%			STI Fund	1.14%	2.42%

## Other Information

For information regarding loans, investments any other services please visit our web-site at [www.iumf.org](http://www.iumf.org)

## Contact Information

**Kevin Gowdy,  
Executive Director**  
On-Site Assistance, Seminars &  
Capital Campaigns  
515-974-8928  
[kgowdy@iaumc.org](mailto:kgowdy@iaumc.org)

**Teri Miller,  
Controller**  
Fiscal Management, Account  
Queries and Building Fund Trust  
515-974-8929  
[teri.miller@iaumc.org](mailto:teri.miller@iaumc.org)

**Judy Medeiros,  
Administrative Assistant**  
Directing Inquiries and  
Certificate Management  
515-974-8927  
[judy.medeiros@iaumc.org](mailto:judy.medeiros@iaumc.org)