

# Nebraska United Methodist Foundation

AS OF JUNE 30, 2010

## MANAGER QUARTERLY REVIEW:

Cracks in the global economic recovery have surfaced. First quarter GDP growth was revised down from 3.0% to 2.7%, consumer confidence dropped significantly, consumer spending was weak, and housing numbers were bearish. However, production and manufacturing data were a bright spot. European debt issues continue to worry investors as questions about the positive and negative effects of austerity measures being implemented are debated. The Gulf of Mexico oil spill continues to devastate the economies along the Gulf Coast as fishing and tourism businesses are seeing decreased revenue. Due to the heightened global risk environment, investors continue to flock into safe havens including U.S. Treasury bonds despite the already low interest rate levels.

Following a sharply lower May, the S&P 500 continued its slide and lost over 5% for the month as concerns about the stability of the recovery arose. Small-cap stocks were more negatively affected as the Russell 2000 (small-cap index) dropped nearly 8%. Foreign markets, which lost over 11% in May, held up well in June as the MSCI EAFE (foreign-developed-nation index) lost less than 1%. The MSCI Emerging Markets Index also dropped less than 1%.

The Barclays Capital Aggregate Bond Index gained over 1.5% for the month, as investors were inclined to sell out of stocks and purchase bonds. Treasuries and agency bonds led the way as de-risking was favored and corporate bond spreads increased. High-yield, foreign, and emerging market bond spreads also widened. Municipal bonds are also facing a challenging environment as evidenced by certain large states experiencing a widening of their spreads as concerns about state budgets and pension obligations are starting to grow.

## ALLOCATION & PERFORMANCE:

	Target Allocation		2nd Qtr	YTD	1 Year	3 Year*	5 Year*
	Equity	Fixed Income					
Fixed Income	0%	100%	1.62%	4.49%	11.62%	8.46%	6.20%
Conservative	25%	75%	-1.32%	1.68%	11.19%	3.73%	4.15%
Balanced	50%	50%	-4.38%	-0.46%	13.62%	-1.39%	2.22%
Growth	75%	25%	-7.39%	-3.09%	14.11%	-5.76%	0.32%
Equity	100%	0%	-10.47%	-5.29%	16.17%	-11.17%	-2.38%

## MANAGER COMMENTARY:

\*Annualized returns

With the exception of the Fixed Income portfolio, all of the strategies declined in the 2nd quarter of the year. Year-to-date, the Fixed Income and Conservative portfolios remain in positive territory. Compared to their benchmarks, all of the strategies lagged in the quarter and year-to-date, with the exception of the Equity portfolio, which out-performed by nearly one percent in the quarter and by over one percent so far in 2010. On a one-year basis, all of the portfolios are still up by double-digits due to strong performance, both in absolute and relative terms, from both the equity and fixed portfolios. Three- and five-year numbers still reflect the disparity of performance between equity and fixed income returns over those periods, with fixed income performance showing strong single-digit returns and equity returns that remain in negative territory.

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