



GENERAL BOARD OF PENSION AND HEALTH BENEFITS  
OF THE UNITED METHODIST CHURCH

Today is November 13, 2008

# Investment Fund Quarterly Performance Report

## Quarter Ending June 30, 2008

- [Fund and Benchmark Performance](#)
- [Inflation Protection Fund](#)
- [Domestic Bond Fund](#)
- [Multiple Asset Fund](#)
- [Balanced Social Values Plus Fund](#)
- [Domestic Stock Fund](#)
- [International Stock Fund](#)

There are several considerations that should guide your selection of funds for your United Methodist Personal Investment Plan (UMPIP) contributions, including:

- Your age and the number of years until you expect to retire.
- Your financial goals.
- Other sources of income and personal investments.
- Your risk tolerance. You should determine how much you are willing to lose on your investment for any specified period of time. Some higher risk investments may experience extended periods of poor investment performance.
- Your desire to combine your investment choices with social and humanitarian objectives, such as providing affordable housing and avoiding exposure to military contractors. (Remember that all funds invested by The General Board conform to the Social Principles for socially responsible investing.)

Factors to consider as you evaluate the performance of the investments behind your pension account, and in fact any other investments you may have, such as mutual funds, include:

- How well has the fund performed compared to the stated objective and how consistent has been the fund's performance?
- What has been the overall market environment for the period under consideration?
- How the fund has performed relative to the benchmark that best represents the performance of the asset class (for example U.S. stocks) in which the fund invests.
- How has the fund's investment performance compared to funds that invest in similar types of assets and offered by other fund providers.
- What are the fund expenses and how do they compare to the expenses of similar funds offered by other fund providers?

## Quarterly Performance Report

The purpose of this report is to help you evaluate the recent investment performance of funds offered to participants in the UMPIP. It also compares the investment performance for each of the funds with similar mutual funds monitored by Morningstar, a leading provider of investment data and analysis of mutual funds. Returns reported for all General Board Funds are net of all investment management and fund administration fees and expenses.

### Performance for the Quarter and Year-to-Date ended June 30, 2008

After a strong rally in U.S. and world stock markets in April and May, the month of June represented a change in direction.

During the month, stock markets experienced significant losses and generally finished the second quarter of 2008 in “bear market” territory, traditionally defined as a 20% drop from a high (October 2007, in this case). The Russell 3000 Index and the S&P 500 Index initially posted gains for the quarter of 6.8% and 5.8%, respectively, through May, but finished the quarter with losses of 2.2% and 3.2%, respectively. On a year-to-date basis, the Russell 3000 and the S&P 500 have declined 11.9% and 12.8%, respectively.

Commodity prices continued to soar during the quarter, and the price of oil maintained its ascent by ending the first half of the year at \$142/barrel—a 38.7% increase in price for the second quarter. Although the Federal Reserve (Fed) lowered its overnight bank borrowing rate (the federal funds rate) by 0.25% to 2% in April, the yield on the 10-year U.S. Treasury Note increased from 3.45% to 3.99% during the quarter. The Fed chose not to further lower its borrowing rate during its June meeting, but rather, took a “wait and see” approach, due to its concern about the potential impact of inflation on the broader economy.

The initial stock market rally in May and June was fueled by the belief that the U.S. economy would be able to avoid a recession, but the rise in the price of oil dashed those expectations. Market observers have attributed the recent increase in the price of oil to speculative buyers, including hedge funds and pension funds, and U.S. regulators announced a nationwide investigation of possible oil-market manipulation. However, the price of oil is unlikely to stabilize until supply and demand forces equalize. Worldwide demand for oil has increased due to the emergence of India and China as major participants in the global marketplace.

Inflationary fears persisted as the Consumer Price Index (CPI) rose 1.9% for the quarter, reflecting rising food and energy prices, while the Core CPI, which excludes energy and food prices, only rose 0.6% for the quarter.

June’s turmoil in the markets was also attributable to renewed concerns for the health of the financial sector of the economy. The credit ratings for MBIA and Ambac, the two largest bond insurers, were downgraded over concerns for their solvency. Additionally, Wall Street analysts downgraded the outlook for bank stocks, as these institutions will likely require more capital and may experience additional losses in the value of their loan portfolios.

The housing industry continued to experience negative consequences from the bursting of the housing bubble, as the S&P/Case Shiller Index reported that housing prices in 20 top metropolitan areas continued to post losses. The composite Index reported that the average home in the U.S. had lost 15% of its value in the past year. Foreclosures continue to increase and are up nearly 50% from a year ago. The combination of weak housing sales, falling home values, tighter mortgage-lending criteria, rising mortgage rates and a slowing U.S. economy has left financially strapped homeowners with few options to avoid foreclosure. In the three-month period from January through March, one out of every four home sales was a distressed sale, and that number jumps to 50% in the hardest-hit areas, such as Las Vegas, Detroit and distant suburbs of Los Angeles.

Finally, employment data revealed an increase in the unemployment rate from 5.0% to 5.5% in May, the largest one-month jump in unemployment since February 1986.

For the second quarter of 2008, the Inflation Protection Fund posted the highest return of 1.7%, while the International Stock Fund generated the lowest return with a decline of 3.1%. For the year, the Domestic Bond Fund and Inflation Protection Fund have produced positive results, while the Domestic Stock Fund, International Stock Fund and the Multiple Asset Fund have declined. Despite the troubles in the equity markets, all of the General Board’s daily valued funds have outperformed their respective performance benchmarks for the year.

## Fund and Benchmark Performance for Periods Ended June 30, 2008, net of fees

<b>General Board Funds</b>	<b>Quarter</b>	<b>YTD</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>Inception</b>
Multiple Asset <sup>1</sup>	-1.2%	-4.9%	-3.7%	6.5%	7.9%	10.0%	N/A	8.1%
Custom Benchmark <sup>2</sup>	-1.1%	-6.5%	-4.4%	5.7%	6.8%	9.0%	N/A	7.2%
Domestic Bond	-0.8%	3.9%	7.1%	7.7%	4.8%	4.2%	5.8%	5.9%
Lehman U.S. Universal (blend) <sup>3</sup>	-1.0%	0.3%	5.4%	6.0%	3.7%	3.6%	5.6%	5.6%
Inflation Protection Fund <sup>4</sup>	1.7%	6.1%	15.5%	9.4%	5.9%	NA	NA	6.4%
BCGI Infltn-Lnkd Indx	-0.3%	4.8%	15.1%	9.4%	5.6%	NA	NA	6.3%
Stable Value Fund <sup>5</sup>	1.1%	2.2%	4.5%	4.5%	4.4%	4.0%	N/A	3.9%
Ryan Labs GIC Index	1.2%	2.4%	4.8%	4.5%	4.1%	3.6%	N/A	3.5%

Balanced Social Values Plus	-2.1%	-6.8%	-4.7%	3.3%	3.7%	5.6%	2.9%	3.8%
Custom Benchmark <sup>6</sup>	-2.3%	-7.1%	-6.2%	3.6%	4.5%	6.5%	4.1%	5.0%
Domestic Stock	-1.2%	-9.6%	-11.4%	3.2%	5.4%	8.7%	3.6%	4.9%
Russell 3000 Index	-1.7%	-11.0%	-12.7%	2.4%	4.7%	8.4%	3.5%	4.7%
International Stock	-3.1%	-10.2%	-8.1%	10.4%	16.1%	17.1%	8.2%	9.4%
MSCI Blend <sup>7</sup>	-1.4%	-10.3%	-6.8%	9.9%	15.0%	18.0%	6.4%	7.6%

<sup>1</sup> Inception for Multiple Asset Fund is 5/1/2002.

<sup>2</sup> On January 1, 2006, the benchmark for the Multiple Asset Fund became 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA Index, 25% Lehman U.S. Universal Index ex-Mortgage Backed Securities, and 10% U.S. Barclays Capital Global Inflation Linked Bond Index. Prior to this date, the benchmark had been 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index, and 35% Lehman U.S. Universal Index. The benchmark data reported above is a blend of the two benchmarks based on the period for which the respective benchmark applies.

<sup>3</sup> The benchmark for the Domestic Bond Fund became the Lehman Universal ex-MBS Index on January 1, 2006. Prior to this date, the benchmark had been the Lehman Aggregate Bond Index from January 1, 2003 through December 31, 2005, and the Lehman Intermediate Aggregate Bond Index prior to January 1, 2003. The benchmark data reported above is a blend of the three benchmarks based on the period for which each respective benchmark applies.

<sup>4</sup> Inception for Inflation Protection Fund is 12/31/2003.

<sup>5</sup> Inception for Stable Value Fund is 11/30/2002.

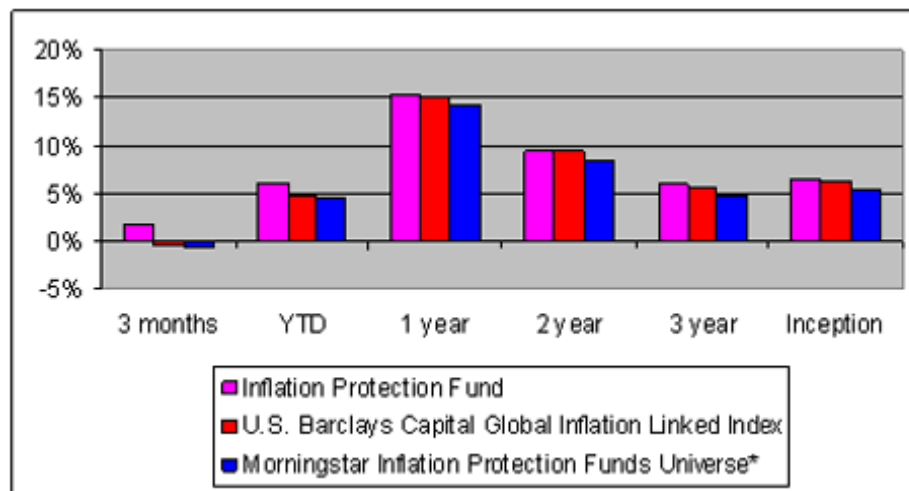
<sup>6</sup> From 12/31/1997 (the inception of the Balanced Social Values Plus Fund) to 09/30/2007, the benchmark for the Balanced Social Values Plus Fund was 60% Russell 3000 Index, 30% Lehman Aggregate Bond Index and 10% Merrill Lynch 3 month Treasury Bills Index. As of 10/01/07, the benchmark composition is 60% Domini 400 Social Index, 30% Lehman Mortgaged Backed Securities Index and 10% Merrill Lynch 90-day Treasury Bill Index.

<sup>7</sup> The benchmark for the International Stock Fund became the MSCI All Country World Index ex USA (MSCI ACWI ex USA) on January 1, 2006. Prior to this date, the benchmark had been the MSCI EAFE Index. The benchmark data reported above is a blend of the two benchmarks based on the period for which each respective benchmark applies.

The charts below compare the performance of each of the General Board's funds (except for the Stable Value Fund, for which there is no comparable data) with similar funds reported in the Morningstar's universe of mutual fund returns. The row titled "Number of Funds" indicates how many mutual funds similar to the General Board's fund appear in Morningstar's database. The row titled "Rank" indicates the percentile rank of the General Board's fund when compared to similar mutual funds. For example, a rank of 30% means that the General Board's fund performed in the top 30% of a universe of similar mutual funds.

## Recent and Long-Term Returns: Inflation Protection Fund Compared with Morningstar's Universe

The Inflation Protection Fund generated returns of 1.7% and 6.1% for the quarter and year-to-date, respectively. For the quarter and year-to-date, the Fund outperformed its benchmark by 2% and 1.3%, respectively, as a result of its allocation to commodities and inflation linked bonds of developing international countries. Due to the Fund's strong recent performance, it ranked in the top 1% of all inflation protection funds in its universe.



**Compound Annual Returns for the Periods Ending June 30, 2008, net of fees**

	<u>3 months</u>	<u>YTD</u>	<u>1 year</u>	<u>2 year</u>	<u>3 year</u>	<u>Inception</u>
Inflation Protection Fund	1.7%	6.1%	15.5%	9.4%	5.9%	6.4%
U.S. Barclays Capital Global Inflation Linked Index	-0.3%	4.8%	15.1%	9.4%	5.6%	6.3%
Morningstar Inflation Protection Funds Universe*	-0.6%	4.6%	14.2%	8.4%	4.9%	5.4%
Number of Funds	144	144	139	122	104	57
Rank	1%	1%	9%	7%	7%	2%

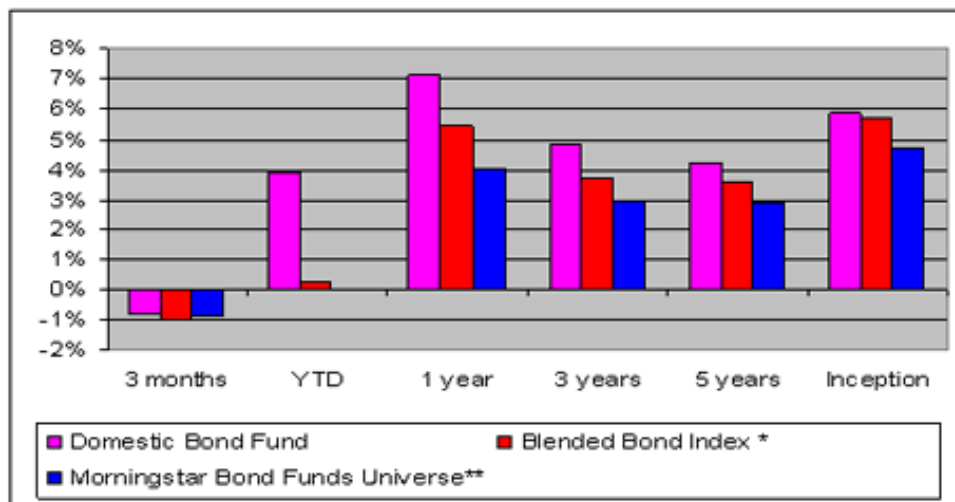
\* The comparison universe is derived from Wilshire’s Morningstar predefined “Styles” of Inflation Protection Bonds.

[Back to Top](#)

**Recent and Long-Term Returns: Domestic Bond Fund Compared with Morningstar’s Universe**

For the quarter ending June 30, 2008, the Domestic Bond Fund generated a negative 0.8% return but exceeded the performance of its benchmark by 0.2%. For 2008, the Fund’s return is 3.9%, ranking it is the top 1% of all domestic bond funds in its universe.

The Fund’s strong performance for the year is due to the following reasons. 1) a change in the methodology used to determine the fair market value for a portion of the Fund’s assets resulted in a one-time positive adjustment to the Fund’s price; and 2) the global bond portfolio experienced excellent performance due to the weakening U.S. dollar.



**Compound Annual Returns for the Periods Ending June 30, 2008, net of fees**

	<u>3 months</u>	<u>YTD</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Inception</u>
Domestic Bond Fund	-0.8%	3.9%	7.1%	4.8%	4.2%	5.9%
Blended Bond Index *	-1.0%	0.3%	5.4%	3.7%	3.6%	5.6%
Morningstar Bond Funds Universe **	-0.9%	0.0%	4.0%	3.0%	2.9%	4.7%
Number of Funds	1,463	1,440	1,398	1,196	990	480
Rank	48%	1%	11%	1%	7%	6%

\* On January 1, 2006, the Benchmark for the Domestic Bond Fund became the Lehman Universal ex-MBS Index. From January 1, 2003 through December 31, 2005, the benchmark had been the Lehman Aggregate Bond Index, and for dates prior to January 1, 2003, the benchmark was the Lehman Intermediate Aggregate Bond Index. The benchmark data reported above is a blend of the three benchmarks based on the period for which each respective benchmark applies.

\*\* Three of Wilshire Compass's predefined universes were combined to assemble the Bond Funds Universe. These universes consisted of mutual funds found in the Morningstar "Styles" of "Long-Term Bonds", "Intermediate-Term Bonds", and "Short-Term Bonds".

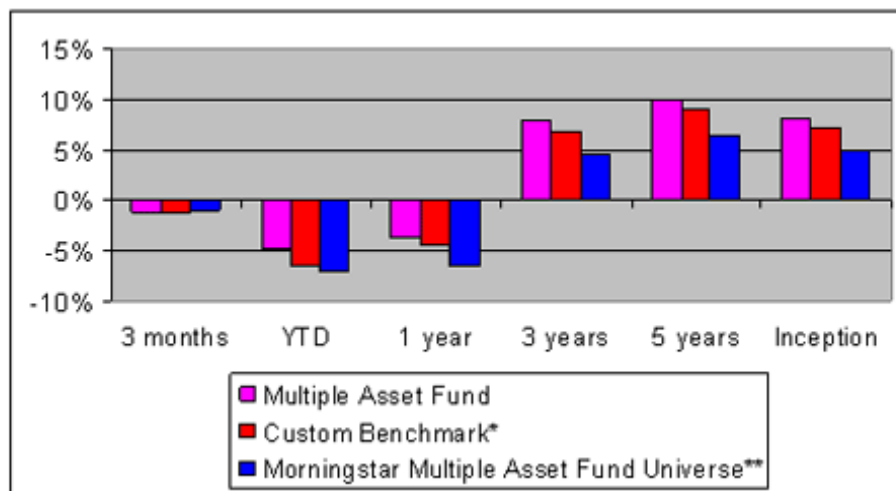
[Back to Top](#)

**Recent and Long-Term Returns: Multiple Asset Fund Compared with Morningstar's Universe**

The Multiple Asset Fund represents a pre-specified mix of four of the General Board funds with a target allocation of 45% Domestic Stock Fund, 20% International Stock Fund, 25% Domestic Bond Fund, and 10% Inflation Protection Fund. When these differences in allocations exceed the pre-specified limits, the Multiple Asset Fund is rebalanced by selling shares of the over-allocated funds and purchasing shares of the under-allocated funds.

For the quarter ending June 30, 2008, the Multiple Asset Fund decreased in value by 1.2%. For 2008, the Fund has provided a negative 4.9% return, but has exceeded its benchmark by 1.6% and ranks in the top 25% of all balanced funds in its universe. The results of the Multiple Asset Fund are directly attributable to the performance of the four composite funds relative to their benchmarks for the quarter and year.

Fund inception for the Multiple Asset Fund is May 1, 2002.



**Compound Annual Returns for the Periods Ending June 30, 2008, net of fees**

	<u>3 months</u>	<u>YTD</u>	<u>1 yr</u>	<u>3 yr</u>	<u>5 yr</u>	<u>Inception</u>
Multiple Asset Fund	-1.2%	-4.9%	-3.7%	7.9%	10.0%	8.1%
Custom Benchmark *	-1.1%	-6.5%	-4.4%	6.8%	9.0%	7.2%
Morningstar Multiple Asset Fund Universe**	-1.0%	-7.1%	-6.5%	4.5%	6.5%	5.0%
Number of Funds	1,664	1,593	1,532	1,220	858	744
Rank	57%	25%	27%	6%	6%	5%

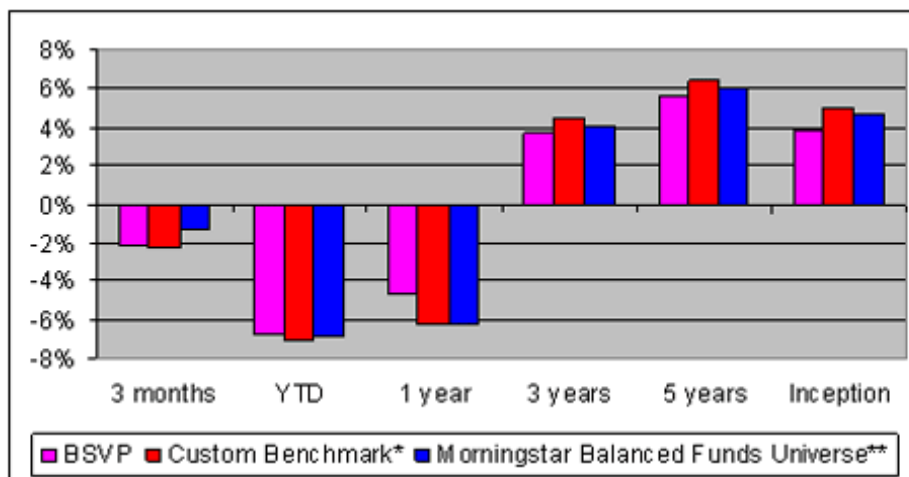
\* On January 1, 2006, the benchmark for the Multiple Asset Fund became 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA Index, 25% Lehman U.S. Universal Index ex-Mortgage Backed Securities, and 10% U.S. Barclays Capital Global Inflation Linked Bond Index. Prior to this date, the benchmark had been 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index, and 35% Lehman U.S. Universal Index. The benchmark data reported above is a blend of the two benchmarks based on the period for which the respective benchmark applies.

\*\* The comparison universe is derived from the Wilshire Compass Morningstar "Asset Class" of "Balanced" mutual funds.

[Back to Top](#)

**Recent and Long-Term Returns: Balanced Social Values Fund Compared with Morningstar's Universe**

For the second quarter of 2008, the Balanced Social Values Plus Fund lost 2.1%, slightly outperforming its benchmark by 0.2%. The equity portion of the fund invests in the Domini 400 Index, which is a socially responsible index. The fixed income portion of the Fund invests loans to support affordable housing.



**Compound Annual Returns for the Periods Ending June 30, 2008, net of fees**

	<u>3 months</u>	<u>YTD</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Inception</u>
Balanced Social Values Plus Fund	-2.1%	-6.8%	-4.7%	3.7%	5.6%	3.8%
Custom Benchmark*	-2.3%	-7.1%	-6.2%	4.5%	6.5%	5.0%
Morningstar Balanced Funds Universe **	-1.3%	-6.9%	-6.2%	4.1%	6.0%	4.7%
Number of Funds	634	626	603	514	419	231
Rank	73%	47%	33%	58%	58%	70%

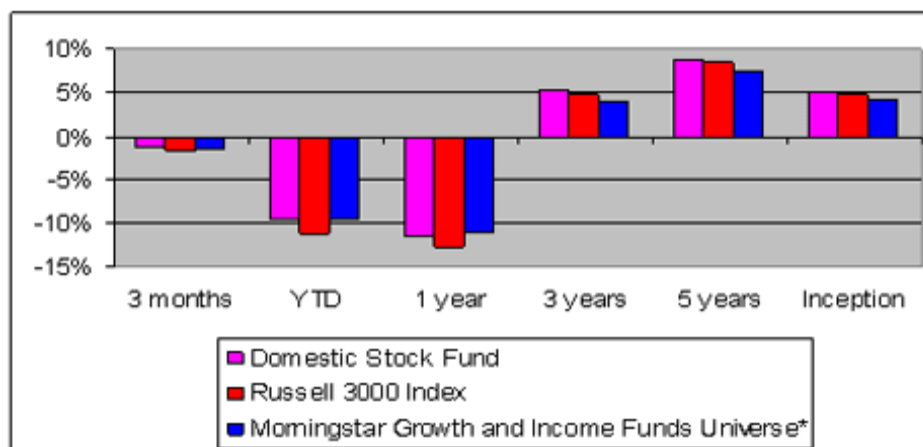
\* Prior to October 1, 2007, the benchmark for the Balanced Social Values Plus Fund was 60% Russell 3000 Index, 30% Lehman Aggregate Bond Index and 10% Merrill Lynch 3 month Treasury Bills Index. As of October 1, 2007, the benchmark composition is 60% Domini 400 Social Index, 30% Lehman Mortgaged Backed Securities Index and 10% Merrill Lynch 90-day Treasury Bill Index.

\*\* The comparison universe includes all Wilshire Compass mutual funds included in the predefined universe of Morningstar "Objectives" for "Balanced" mutual funds.

[Back to Top](#)

**Recent and Long-Term Returns: Domestic Stock Fund Compared with Morningstar's Universe**

For the quarter and year-to-date ending June 30, 2008, the Domestic Stock Fund was down 1.2% and 9.6%, respectively; however, the Fund was ahead of its benchmark by 0.5% for the quarter and 1.4% for the year. The decline in equity values has significantly impacted performance, but the Fund's higher than market weighting to stocks in mid and small companies has helped lift performance relative to its benchmark.



**Compound Annual Returns for the Periods Ending June 30, 2008, net of fees**

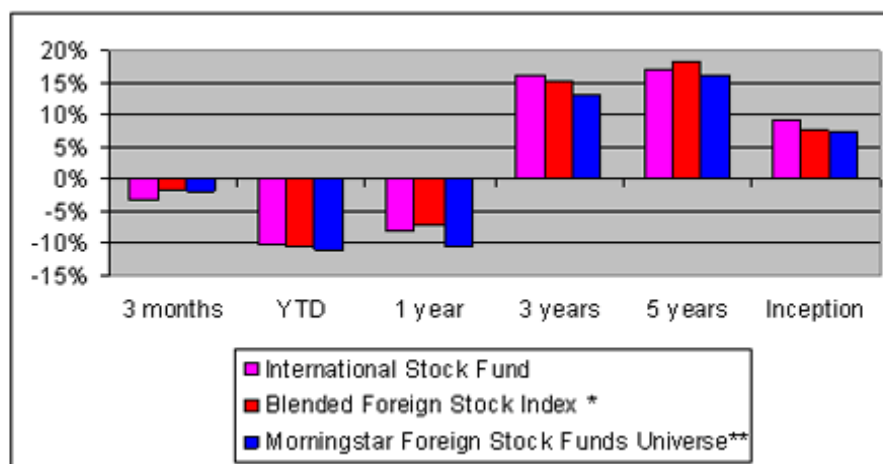
	<u>3 months</u>	<u>YTD</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Inception</u>
Domestic Stock Fund	-1.2%	-9.6%	-11.4%	5.4%	8.7%	4.9%
Russell 3000 Index	-1.7%	-11.0%	-12.7%	4.7%	8.4%	4.7%
Morningstar Growth and Income Funds Universe*	-1.4%	-9.7%	-10.9%	4.1%	7.4%	4.3%
Number of Funds	2,701	2,610	2,336	1,440	1,048	502
Rank	46%	50%	53%	28%	28%	36%

\* The comparison universe incorporates funds from the following Wilshire Compass's Morningstar "Objectives" of "Growth and Income" mutual funds.

[Back to Top](#)

**Recent and Long-Term Returns: International Stock Fund Compared with Morningstar's Universe**

For the second quarter 2008, the International Stock Fund lost 3.1% and underperformed its benchmark by 1.7%. For the year, the Fund has declined 10.2% while its benchmark has declined 10.3%. Declining values of international equity markets have directly impacted the Fund throughout 2008, and for the quarter, the Fund's investment in international real estate trusts have also negatively impacted performance relative to its benchmark.



**Compound Annual Returns for the Periods**

<b>Ending June 30, 2008, net of fees</b>	<b><u>3 months</u></b>	<b><u>YTD</u></b>	<b><u>1 year</u></b>	<b><u>3 years</u></b>	<b><u>5 years</u></b>	<b><u>Inception</u></b>
International Stock Fund	-3.1%	-10.2%	-8.1%	16.1%	17.1%	9.4%
Blended Foreign Stock Index *	-1.4%	-10.3%	-6.8%	15.0%	18.0%	7.6%
Morningstar Foreign Stock Funds Universe**	-1.9%	-10.9%	-10.4%	13.0%	16.3%	7.4%
Number of Funds	1,082/td>	1,048	1,010	870	741	329
Rank	76%	40%	37%	17%	35%	28%

\* Benchmark for the International Stock Fund became the MSCI All Country World Index ex USA (MSCI ACWI ex USA) on January 1, 2006. Prior to this date, the benchmark had been the MSCI EAFE Index. The benchmark data reported above is a blend of the two benchmarks based on the period for which each respective benchmark applies.

\*\* The comparison universe contains all Wilshire Compass mutual funds included in the predefined universe of Morningstar "Objectives" of "Foreign Stock Funds".

For further information on the General Board's investment strategy fund returns, please see the [Investment Funds Description](#) booklet, available on the General Board's Web site.

**Disclosure:** Past performance is not a predictor of future results. The General Board highly recommends that participants consult with a fee-only financial planner to develop a savings plan that is best suited to the participant's individual life circumstance and risk tolerance.

[Back to Top](#)

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