



Quarterly Investment Update

For Members of the Iowa United Methodist
Foundation Investment Pool

December 2011

4th Quarter Market Review and Outlook: MSSB

In the fourth quarter, equities bounced back, despite concerns over the cumulative effects on the global economy of the European sovereign debt crisis and the legislative standstill in the U.S. Congress. The Dow Jones Industrials were up 12.8% for the fourth quarter, and 8.3% for the year. The NASDAQ Composite was up 7.9% for the quarter, but fell 1.8% for the year. The S&P 500 rose 11.8% for the quarter, and up 2.1% for the year.

Still, the possibility of a looming recession in Europe weighed on global growth expectations. Both Morgan Stanley & Co. and Citi economists reduced global growth expectations for 2011 to 3.9% and 3.7%, respectively, and 3.5% and 3.0% for 2012. U.S. economic growth is expected by both firms to be 1.7% in 2011 and about 2.0% in 2012.

In the fourth quarter, overseas equity markets took a breather from Europe's protracted debt woes and the weakening Chinese and U.S. economies. Consequently, the MSCI Emerging Markets index was up 4.5% in U.S. dollars for the quarter, while the MSCI EAFE index (a benchmark for developed markets) was up 3.4% in U.S. dollars. For the 12-month period, the MSCI Emerging Markets index was down 18.2%, while the MSCI EAFE index was down 11.7%.

Thanks to a growing aversion to risk, investors flocked to Treasury bonds in the fourth quarter. This flight to safety extended the strong year-long Treasury rally. The benchmark 10-year Treasury note produced a total annual return of 16.6%. For the 12-month period, investment-grade corporate bonds returned 8.4%, while high-yield corporate bonds returned 5.1% for the year.

For the year, the Dow Jones-UBS Commodity index declined by 13.3%, the first annual drop since 2008. Given a growing belief that global growth is slowing, commodity prices declined in the fourth quarter. In addition, as risk aversion took hold, mergers and acquisitions activity decreased. Global M&A volume for the fourth quarter totaled \$464 billion, down 15% from the third quarter. For 2011, global deal total dollar volume fell to \$2.6 trillion.

Morgan Stanley Smith Barney LLC. Member SIPC; Some information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Investment Performance

	IUMF Total Returns (Net of Fees)		Index Returns (Gross of Fees)*	
	4th Quarter	YTD	4th Quarter	YTD
Equity Fund	9.73%	-7.53%	8.85%	-6.36%
Balanced Fund	5.71%	-1.25%	6.23%	-0.78%
Bond Fund	2.44%	6.01%	2.31%	7.59%
Short Term Fund	0.96%	2.06%	0.21%	1.40%

*Published index returns, like the S&P 500, do not include investment fees or expenses.

IUMF Fee Schedule: Equity, Balanced and Bond Funds 1.15%; Short Term Income Fund 0.95%

Equity Index: 40% MSCI EAFE / 40% S&P 500 / 20% S&P 1000; **Bond Index:** 75% Barclay's Government-Credit / 25% ML US High

Investment Options for Churches & Agencies

The pooled investment funds were restructured in November 2009 to allow churches and agencies to tailor their investments according to their own individual objectives, while continuing to follow the Social Principles of the United Methodist Church.

- **The Balanced Fund** Most investors are currently invested in this Fund. This Fund's investment objective is to maintain a balance between long-term capital appreciation and the generation of present income. Invested funds will be automatically placed in this Fund unless the investor chooses a different allocation. The targeted asset allocation for this fund is 60% equities and 40% fixed instruments.
- **The Equity Fund:** This Fund's investment objective is to seek long-term capital appreciation with current income as a secondary objective. The target allocation for this fund is to be up to 100% invested in equities.
- **The Bond Fund:** This is a new fund with an investment objective of maximizing present income. The target allocation for this fund is to be up to 100% invested in fixed instruments.

Under the investment structure you may choose to be 100% in any of the three funds, or you can designate your own allocation of principal among the Funds.

- **The Short-Term Income Fund** holdings will consist primarily of fixed income securities with shorter maturity dates. This Fund's investment objective is to earn a better rate of return than traditional savings accounts or money market funds.

Check on-line at www.iumpf.org for details, opportunities and risks of each fund. Or, request materials or a presentation from the IUMF office.

Investment Option for Individuals & Churches

The **Iowa United Methodist Church Building Fund Trust** is offering the current investment rates* effective 1/16/12: 1 year @ 1.78%, 3 years @ 2.52% and 5 years @ 3.11%. This investment requires a \$1000 minimum deposit and is open to all United Methodist Individuals, Churches and Agencies by downloading or requesting our offering circular and application from www.iumcbft.org. Investments are used to provide loans to United Methodist Churches and agencies in Iowa.

www.iumcbft.org or church.loan@iaumc.org

2301 Rittenhouse Street

Des Moines, Iowa 50321

515-974-8927

(*rates are set on Monday of each week)

Need a New Church Loan? Need To Refinance an Existing One?

The **Iowa United Methodist Church Building Fund Trust** (an independent Trust) has funds to loan local churches. Interest rates are excellent and loans are made for construction, renovations, repair work, refinancing and the purchase of property or parsonages for churches and agencies.

Current Rate as of 1/16/12 is 4.65%

www.iumcbft.org or info@iumcbft.org

515-974-8927

(*rates are set on Monday of each week)

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