

June 2009

## California Dentists' Guild

*Founded by Dentists, Managed by Professionals*

# Annual Meeting 2009 Review of Guild Funds



The Members of the California Dentists' Guild met in Palm Springs for the Annual Meeting of Shareholders 2009. The session began with a Panel Form (Friday) and continued with various investment/social activities throughout the weekend until Sunday morning. There was much to learn this year as the economy and economic news have taken center stage. For those of you that were not able to make it, we have compiled a brief synopsis for your perusal.

Annual Meeting 2009: Palm Springs Hilton Resort Hotel  
April 23rd—April 26th, 2009

**Elizabeth Clark: (800) 851-0008**



### Agenda of Meeting

- ◆ Thursday: Informal Reception
- ◆ Friday: Panel Forum/ Q and A /  
Welcome Reception
- ◆ Saturday: Fund Manager Presentations/  
Dinner by the Pool
- ◆ Sunday: Fund Manger Presentations/  
Trustee Report/Director's Report

### California Dentists' Guild

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## Annual Meeting of Shareholders 2009 Recap

**Value Equity Fund (VEF)** *Ms. Kathy O'Connor, KJ Capital Investments LLC* spoke a bit about the capitalization of stocks in the Value Equity Fund. She remarked that part of the market turmoil caused many stocks to move from large cap to the mid capitalization category. The VEF fund is a combination of mid cap and large cap stocks, the capitalization changes were of interest and significance to her fund selection.

The Fund remains attached to the original investment process: Define the Universe, Evaluate the Factors, Combine the factors for modeling, calculate active return forecasts, construct portfolio and finally, implement cost-effective trading strategy to invest the portfolio in approximately 300 stocks that fit the model criteria.

**Socially Responsible Fund (SRF)** *Mr. Ben Allen, Parnassus Investments* commented on particular attributes of companies that Parnassus looks for. Mr. Allen identified that Parnassus uses a philosophy that is a bottom up philosophy coupled with a macroeconomic analysis bent. Parnassus invests in well-run companies committed to corporate responsibility. They evaluate companies' workplaces, environmental policies, product quality, corporate governance and community relations. Parnassus believes the most attractive opportunities for investment are when companies with good business fundamentals become temporarily undervalued due to market sentiment.

**Asset Allocation Fund, IRA Small Cap Core Fund, and the IRA Balanced Fund (AAF, ISC,IBF)** *Mr. James Rudd and Mr. George Hosfield of Ferguson Wellman Capital Management* spoke to challenges facing the economic markets in general as well as how each portfolio has reacted to the market challenges. The Asset Allocation Fund has reduced the international portion of the portfolio to 8% from 12% from December 2007 to December 2008. Large Cap Equities was increased 1% and REITS were completely sold in the same time period. The IRA Balanced Fund increase exposure to fixed income by 6% and decreased exposure to large cap equities 8% in the December 2007 to December 2008 time period. The firm speculates that in years 2010-2011 there will be improved economic growth and expanding payrolls, the risk of inflation will rise substantially and stock will rise decisively as earnings growth improves and valuations expand.

**Foreign Equity Fund (both IRA and Qualified) and Emerging Markets Fund (FEF,IFE,EMF)** *Ms. Tracy Kuntz of Towneley Capital Management* presented on behalf of Towneley. The three funds managed by Towneley have had a difficult year and closely matched their respective benchmarks which means that performance is right on target to each fund objective. The Emerging Markets Fund primarily invests in ETF's (Exchange Traded Funds). Because ETF's can be traded on the stock exchange, they can be bought and sold. This is an extremely efficient way to manage to volatile universe of Emerging Markets.

**Index Funds (SIF, MIF,SPF) and Destination Funds (D45, D35, D25, D15)** *Mr. Ted Miller of World Asset Management* remarked on the cost effectiveness of Index Funds in any portfolio. Index Funds by definition mirror the index it is named after. Because Index funds are passively managed (meaning there are no "investment decisions" to be made and the securities in its portfolio change only when the make-up of the index it is tracking change).

Destination Fund are a culmination of various Index Funds used to "target" retirement dates of indi-

viduals. The idea is that as the individual nears retirement age, the portfolio begins to draw down volatile investments that may fluctuate during inopportune times as the individual becomes more likely to take distributions from the account (presumably during retirement).

***Real Estate Equity Investment Trust, Healthcare/Biotech and Internet Technology (REF, IRE, HBF/IHB, TKF/ITK)*** Mr. Robert Crosby, Munder Capital Management presented the above referenced funds. There was particular interest in the area of Real Estate and the housing market in general. Although the REIT fund only invests in commercial real estate, it too had a very difficult year and continues to be challenged in terms of slowing fundamentals in the commercial real estate space. There has been a significant amount of new equity raised as the REIT market is recapitalizing.

As of the end of March 2009, the Healthcare Fund remained about 2% higher in Biotechnology exposure than the Lipper Benchmark. The Health Products and Services sector is underweight of the Benchmark by about 3.6%. This sector consists of drug distributors, hospitals, home care, PBM's, and Managed Care).

The Internet Technology Fund continues to outperform the Lipper Benchmark on a total return year to date category (please see your Newsletter for details of performance).

***Large Cap Growth Fund, Large Cap Value Fund, GMNA Fund, Stable Asset Fund, S&P Index Fund (LGF/ILG, LVF/ILV)*** Mr. David Loch, SEI Investments overviewed the SEI manager hiring philosophy for the members. SEI investment philosophy is based on five pillars: Structured Asset Allocation, Efficient Portfolio Construction, Manager Selection, Continues Portfolio Monitoring and Tax Management. Changes to the Management lineup included the termination of AllianceBernstein in December 2008. SEI felt that material changes were being made to the original structure of the firm and decided to forgo their relationship.

Mr. Loch shared with the membership the economic outlook for SEI including a belief that consumer spending will be lifted in the second and third quarters by tax cuts and transfer payments in the stimulus package and expect positive growth by the fourth quarter. However, there are risk considerations that may challenge the market recovery including strong commodity price increases, continued sharp increase in savings rates and contagion from adverse developments globally, e.g. Eastern Europe. There could potentially be setback to growth as the stimulus is removed and tax policy becomes restrictive.

***Trust Savings Certificate of Deposit Fund, Bond Income Fund, IRA Treasury Plus Fund (CDF,BIF,IBF)*** Mr. Paul Fawcett and Dr. Daniel Young, Wentworth, Hauser & Violich presented for their firm. The Bond Income Fund (BIF) and the IRA Bond Income Fund (IBF) were reviewed and managed with an eye toward seeking to preserve capital while providing a good return without incurring excessive risk due to market fluctuations. Over long time periods, a 5 year bond delivers about 80% of the performance of a 30 year bond with 1/3 of the volatility. These funds use high grade investments and are managed with a proactive bent rather than reactive to changing economic conditions.

The Certificate of Deposit Fund has "laddered" out as far as five years, with maturities taking place monthly. This is essential in this fund because the fund must maintain an adequate cash position in money market funds to provide for cash flow needs. Aptly named, the fund only uses Certificates of Deposit which are fully ensured up to \$250,000 per person. One of the many benefits of the Guild

Master Trust platform is the ability to use the “pool” of money to insure all participants to the level allowed. In other words, if Participant A has \$100,000 in the CD fund they are obviously within their insurance limit. However, if Participant B has \$350,000, it would be inferred that that participant would be over the FDIC limit by \$100,000. BUT NO. Because we are a Master Trust, the Guild is able to insure all participants to the level of their investment. What one participant doesn't use, the other participant can utilize in the Pool.

***Trustee Presentation, Mr. Bob Gajewski, Comerica Bank:*** Bob Gajewski presented the Annual Trustee Report to the shareholders. The key points of his presentation included the following: Your volunteer Board of Directors has consistently acted for the exclusive of you, the shareholders. There have been no instances of inside information, conflict of interest, party in interest and no other types of corporate misconduct. The California Dentists' Guild once again received a clean and unqualified annual audit.

Member contributions and outside transfers into the Guild were at the highest level (2008) in Guild history. This is an objective testament to the quality and performance of Guild funds especially in these volatile times. This past year has been a turbulent time but your investment managers and your funds (inclusive of all expenses) have effectively managed risk and optimized return as measured against their CDG-set benchmarks. Your Guild, through the use of professional investment managers and other professional service providers, will continue to manage your retirement funds with a focus on optimizing returns and minimizing risks while adhering to their investment objectives as outlined in the CDG Investment Disclosures.

Mr. Gajewski concluded his presentation by underscoring his confidence in the future of the Guild.

***NOTE: Please call the Guild Office to request Quarterly Product Sheets for Funds.***

## **Members Only Event**

**Investments 101, Northern Cal  
Friday, October 23rd, 2009  
9:00 am—11:00 am  
Comerica Bank—Palo Alto**

**Investments 101, Southern Cal  
Friday, November 13th, 2009  
9:00 am—11:00 am  
Comerica Bank—El Segundo**

### **Agenda:**

**Definitions of Investments  
Investment Technology  
Tax Consequences  
401(k) Plans/Profit Sharing  
& MORE**

## **Heads UP!!!!**

**Annual Meeting of Shareholders 2010  
La Playa Hotel  
Carmel-by-the-Sea  
April 23rd—April 25, 2010**

Take advantage of an opportunity to rebalance your Portfolio by attending the Annual Meeting of Shareholders.

Learn about your Guild Investments and market perspective of each of the Fund Managers. Join us for the Fund Panel Forum as well as Fund Manager presentations. These meetings are for you to learn about your investments. Take advantage of meeting and listening to your Fund Manager. See you there!!