

Our Guild This Month

"Dedicated exclusively to the retirement well-being of California dentists and their staffs"

July 2006

Update on the Bond Market

This month's update submitted by Bond Income Fund Manager Paul Fawcett of Wentworth, Hauser & Volich.

The period of interest rate tightening that was begun in June of 2004 has largely returned interest rates to where they were prior to September 11, 2001. The seventeen consecutive interest rate hikes by the Federal Reserve have resulted in an overnight Fed Funds rate of 5.25%. The overnight rate is up from its 46 year low of 1.00% reached in 2003 & 2004.

As we enter the second half of 2006 it is generally felt that the current tightening cycle has nearly run its course. In fact it might be the most accurate to describe 2006 as a 'transition year' in that we

are in the process of moving from a period of tightening to one of pause eventually leading to a period of ease.

As the market enters a new phase several things happen. First, volatility tends to rise as people begin to anticipate the future course of interest rates and begin to position accordingly. Second, old relationships between various fixed income instruments shift as relative values and perceptions of value change. Add to the above the fact that we are barely six months into the tenure of a new Fed Board Chairman and the market becomes all the more problematic.

In order to generate positive relative performance we have begun to shift away from defensive, fixed

income vehicles into ones better positioned in order to take advantage of the current interest rate environment. Because of the transitioning nature of the current fixed income markets, this shift is being undertaken over time as market conditions allow.

Currently, attractive areas include US Government agency issues with one time calls, providing as much call protection as possible. In addition to callable US agency issues, treasuries and agency bullet (non-callable) issues are being added to portfolios.

With the relative level and flatness of the yield curve, portfolios are being positioned in order to take advantage of the higher

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If you have any questions or comments, please contact:
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Important Dates:

ALL Transactions *must* be received by 10:00 am.

Transfers or Terminations:
Thursday, July 27, 2006

Contributions:
Monday, July 31, 2006

News & Notes

- If you are planning to attend the 2007 Annual Meeting in Yosemite National Park, please make your reservations for either the Ahwahnee or Yosemite Lodge soon. CDG has blocked off a limited number of rooms for the event for

Guild members. If you have already faxed in your forms, you should be receiving confirmations by the end of the month.

If you have any questions about the process or need another copy of the reservations form,

please contact Jen in the Guild office.

- Disclosure Booklets were distributed with last month's statement. If you would like additional copies, please contact the Guild office. We'll be happy to get

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CDG

California Dentists' Guild
Established 1966

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News & Notes

those out to you.

- Please visit us at Booth #2246 at CDA San Francisco. The meeting runs from September 15-17. We look forward to seeing you there.

Upcoming Events

8/27	Punjabi Dental Society
9/12	Sacramento Dental Society
9/14	Santa Clara Dental Society
9/15-17	CDA San Francisco Booth #2246
9/28	Northern Regional Meeting Moorpark Hotel, San Jose

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coupons currently available. In addition, longer maturities with a greater sensitivity to movements in interest rates allow portfolios to benefit from the decline in interest rates that will take place once the current tightening cycle has run its course.

Major Index Close: June 30, 2006
DJIA = 11,150 SPX = 1270 Nasdaq = 2172

Major Index Close: December 31, 2005
DJIA = 10,718 SPX = 1286 Nasdaq = 2205

QUALIFIED PLAN

As of 06/30/06

<i>Fund</i>	<i>Unit Value</i>	<i>Asset Value</i>
TKF	1.9606	1,974,571
HBF	11.7965	1,538,030
SIF	22.4733	3,701,101
FEF	24.1840	5,550,646
LGF	6.7351	1,398,808
SPF	9.6204	3,424,708
LVF	12.0851	1,199,817
VEF	417.0436	35,115,270
MIF	27.1223	6,011,815
REF	27.8800	4,848,863
AAF	166.1340	7,187,232
BIF	14.9537	3,674,845
GMF	10.9748	714,013
SAF	1.0000	6,105,814
CDF	1.0000	5,727,726
D45	9.8392	4,134
D35	9.6380	19,684
D25	9.9228	120,508
D15	9.4856	27,021
SRF	9.9765	<u>233,339</u>

Total Qualified Retirement:

\$88,577,945

IRA

As of 06/30/06

<i>Fund</i>	<i>Unit Value</i>	<i>Asset Value</i>
ITK	1.9528	310,618
IHB	10.4639	237,491
ISV	45.4931	2,541,733
ILG	6.7296	515,694
ISP	17.0924	1,278,685
ILV	13.7593	374,864
IRE	21.4522	1,151,941
IBP	28.9844	1,631,812
ISA	1.0000	1,674,529
IBF	10.3265	<u>294,736</u>

Total IRA:

\$10,012,103

Total Guild:

\$98,590,048