

Our Guild This Month

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

December 2006

If you have any questions or comments, please contact:
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Executive Director

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Important Dates:

ALL Transactions must be received by 10:00 a.m.

Transfers/Terminations:
Tuesday, December 26, 2006

Contributions:
Thursday, December 28, 2006

Unlocking the Mysteries of Guild Fund Performance

A message from Executive Director, Elizabeth Clark:

The Guild is unique in so many ways, but perhaps the most obvious is the way we report the performance of your Guild funds. Every year the business of retirement and investments becomes more and more competitive. A recent development in the industry is that all kinds of service providers (like CPA's or accounting firms) are forming alliances with various fund families and as part of their *bundled* services, would like you to use the funds to which they have allied their business.

Of course, all good businesses must survive and make a profit – otherwise what is the point? The Guild, however, is not-for-profit, which means no one is the beneficiary of any particular alliance or business relationship. The next obvious question is, "how do you get paid? You can't work for free." That brings me to our topic, what exactly does the Guild performance mean? Stay with me and this will all make sense.

We operate on what is called an

expense ratio. Each fund has a management expense attached to it – the managers are paid on the dollars invested in the funds. Management expenses are simple to understand – they manage the money; the more money, the more they make. The least expensive funds are the *index* funds. These funds are designed to mirror various indexes. You cannot invest directly in an *index*. Someone has to look at the index and do what the *index* is doing – passive management. It is less expensive than active management; however, the manager still has to be paid for doing what the *index* does and replicating the changes as they occur. YOU CANNOT directly invest in an *index*. There must be a fund manager to mirror the *index* fund.

Next, we also have to pay the following service providers – Trustee, Auditor, Record Keeper, ERISA Lawyers (document update when IRS changes parameters), and Plan Services. All of these services are factored into your unit value BEFORE you get your statement. There are no fees

that are "hidden" or unrealized. I am not aware of any other institution that reports *net of all expenses*. When you are comparing the performance of another institution to the Guild, remember you are comparing apples and oranges. Despite the difficulty of reporting this way (to explain and calculate), it has always been the philosophy since the Guild's inception (1966) to report performance *net of all expenses*. Our membership finds this type of fund reporting forthright and necessary.

Each participant pays their equitable share of expenses, so no one member is saddled with any more expenses per unit than another. All funds have different management costs depending on the objective of the fund. Overall, if you have equal dollars in each of the Guild Qualified Funds, you would pay an expense ratio of about 1.6% (far below the industry average of 3-4%). If you are in less expensive funds, you pay less than someone who might be invested in an actively traded and managed

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Market is Up! Is it the Right Time to Rebalance your Portfolio?

Rebalancing is bringing your portfolio back to your original asset allocation mix. This is necessary because over time some of your investments may become out of alignment with your investment goals. You'll find that some of your investments will grow faster than others. For example, 2006 has produced a almost 12% rise in the S&P500 index. By rebalancing, you'll ensure that your

portfolio does not overemphasize one or more asset categories and actually realize the gains in your funds.

Let's say you determined that stock investments should represent 60% of your portfolio. But after a recent stock market increase, some of your stock investments represent 80% of your portfolio. You'll need to either sell some or

your stock investments or purchase investments from an underweighted category in order to reestablish your original asset allocation mix.

There are basically three different ways you can rebalance your portfolio:

1. You can sell off investments from over-weight asset category

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(Continued from **Performance**)

fund, like the Technology Fund.

Further, your membership provides you transfer services and distribution services at no cost — and the ability to meet your Fund Managers and ask specific questions at the Annual Meeting.

Please call if you have any questions and I can explain further. It is my hope that you benefit from your membership in the Guild and we continue to grow our assets. As a by product of that growth, we will continue to lower our expenses. All your service providers work very hard to keep the Guild growing and thriving. Thank you for your support.

(Continued from **Portfolio**)

ries and use the proceeds to purchase investment for under-weighted asset categories.

2. You can purchase new investments for under-weighted asset categories.

3. If you are making continuous contributions to the portfolio, you can alter your contributions so that more investments go to underweighted asset categories until your portfolio is back into balance.

Remember – BUY LOW, SELL HIGH – Shifting money away from an asset category when it is doing well in favor of an asset category that is doing poorly may not be easy, but it can be a wise move. By cutting back on the current “winners” and adding more of the current so-called “losers”, rebalancing forces you to buy low and sell high.

In Memory

Dr. Joseph Sciotto slipped away peacefully Monday, November 13, 2006 after what had been a fascinating, giving, active and full life. A longtime member of CDG, Joe celebrated his 100th birthday on October 19th with family and friends. Joe was the grand patriarch of his family. His wit, sparkle and charm were equaled by his character and self-discipline. He captivated those around him with a twinkle in his eye, a vast vocabulary and a hearty greeting with a firm grip.

Joe's activity level did not match his years. He exercised avidly, working out at the gym three times a week. He was up on his current events, followed the stock market, loved the Cal Bears, dressed in a dapper fashion and played a winning game of dominoes.

Born in 1906 after surviving the San Francisco earthquake in utero, Joe was raised in Salinas. He was a 1928 graduate of the University of California Dental School. He provided outstanding care to patients in his Berkeley practice and reluctantly retired after 55 years. He was an accomplished man: UCSF Dental Distinguished Alumnus of the Year, 1991; Staff Dental Surgeon at UC Berkeley Cowell Hospital, 1928-37; Clinical Instructor UCSF Medical Center, 1958-75; and Chairman of the 5th International Dental Seminars to improve dentistry in Asia and South America in 1969.

Major Index Close: November 30, 2006
DJIA = 12,222 SPX = 1401 Nasdaq = 2432

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

QUALIFIED PLAN

As of 11/30/06

<i>Fund</i>	<i>Unit Value</i>	<i>Asset Value</i>
TKF	2.1037	2,118,381
HBF	12.3242	1,595,056
SIF	23.9386	3,654,618
FEF	26.8072	6,173,919
MIF	28.7254	5,774,316
LGF	7.2229	1,508,332
LVF	13.4459	1,563,768
SRF	11.0411	524,590
SPF	10.6527	3,552,996
VEF	447.3026	36,311,085
REF	33.2886	5,949,156
AAF	178.7499	7,777,069
BIF	15.5804	3,224,137
GMF	11.5541	753,160
SAF	1.0000	6,619,896
CDF	1.0000	6,168,593
D15	9.9828	1,433,465
D25	10.7497	259,070
D35	10.4875	198,336
D45	10.6804	<u>104,742</u>

Total Qualified Retirement:

\$95,264,685

IRA

As of 11/30/06

<i>Fund</i>	<i>Unit Value</i>	<i>Asset Value</i>
ITK	2.0968	340,543
IHB	10.9167	253,286
ISV	48.0871	2,665,502
ILG	7.2115	559,020
ISP	18.8869	1,440,568
ILV	15.3913	550,712
IRE	25.5972	1,380,085
IBP	30.8176	1,715,743
IBF	10.6229	289,616
ISA	1.0000	<u>1,535,903</u>

Total IRA:

\$10,730,978

Total Guild:

\$105,995,683