



# Growth and Investment Results of the Endowment Fund

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The Investment Committee met this year facing many new challenges. The markets stalled in the face of an economic slowdown, a credit market and housing crisis. All these items had an impact on the investments of the Carson Center. Fortunately, the actions taken last year served to help lessen the effect of these events on the investments.

Following our Investment Policy Statement for the long-term Investment fund, we finished the year with an allocation of 48.5 (stocks) /51.5 (bonds), reflecting our gradual shift to an allocation target of 50/50.

The Investment Policy Statement was modified by the Board at the suggestion of the Investment Committee to allow a 4% distribution from the rolling year-end balance of the assets for the prior three years to fund Center operations. The distribution can only come from real investment returns (cash investment income, net realized and net unrealized capital gains), and assumes that the investment returns will average greater than 4%. The Carson Center By-Laws, from the beginning, had a provision that maximum income should be the goal. This was because of the need to optimize income during the formative years to pay staff and consultants. That concept served the Center well for the formative years, but was not in the best interest for a long-term investment policy for the Endowment once the Center was established and producing other income from operations. The asset allocation needed to be shifted more toward broad diversification to reduce risk and volatility and potentially improve results. Thus, two things had to be modified. First, the By-Law mandate had to be modified to allow the Investment Committee the latitude to shift the diversification of investments without consideration of income generation, and secondly, the distribution formula for operations had to be reconsidered so that the Center operations would not be impacted by year-to-year changes in market conditions. These changes would allow the Carson Center CEO to budget a reasonable amount of cash flow for operations from both income and growth investments over a multiple year period to smooth out ups and downs of the market, and the Endowment could still allocate assets toward growth investments for broader diversification of the Endowment Fund. Thus, the Investment Committee recommended the 4% distribution as mentioned above. This will allow the broad diversification of Center assets while still allowing distribution for Center income needs.

# Growth and Investment Results of the Endowment Fund (cont.)

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The committee remained the same during the year, chaired by board member Paula Bright. Committee members include two members from the community at large, Mr. John Halsell and Mrs. Maggie Hawkins and also two board members, Mrs. Annie Mills and Mr. Alex Edwards.

The Investment fund had investment results as follows:

As of 6/30/2008

Beginning Balance	6,519,398
Donations/Deposits	133,277
Distributions	(260,618)
sub-total	6,392,057
Investment Results	<u>(94,890)</u>
Ending Balance	<u>6,297,167</u>

The fund ended the year with a total stock allocation of 48.5%, bonds and cash were 51.5%, in line with the Investment Policy allocation target. We were able to reach this target quicker than expected due to the maturity of various fixed income instruments. Total time weighted managed asset rate of return for the year ended 6/30/2008 was (-1.31%), during a time when the equity markets as measured by the S & P 500 posted a (-11.91%) return. Fixed income markets as measured by the Lehman Intermediate Government/Credit Index posted a positive 7.39% return and cash assets as measured by the Lipper Money Market Index returned a positive 3.79%.

The Committee also took on the challenge of a new fund called the "Maintenance and Enhancement Fund." Once the long-term debt of the Carson Center was satisfied, any additional pledges that came in were put into a liquid asset fund for repairs and permanent investments the Center might need in order to operate more cost efficiently. One example of this would be the purchase of equipment that is rented for each performance. As of June 30, 2008, the balance of the fund was \$512,180. The Investment Policy Statement approved by the Board for this fund requires the fund to be in AAA or Insured instruments with maturities no longer than 2 years.

Respectfully submitted,

Paula P. Bright CFP  
Investment Committee Chair