

New Founders For The Future



Western South Dakota Catholic Foundation

SUMMER 2009

“The Long and Winding Road”

A Market Update by Kent Brugger

One of the most stunning aspects of the recent financial crisis is the speed of which conditions unraveled. More recently, the brisk pace at which conditions are healing is almost as remarkable.

The U.S. and global economies were on the verge of complete meltdown. The financial markets reacted in kind and plummeted to historic depths. But now, economic data is pointing toward a recovery. The stock market has mounted one of the strongest rallies in history within a short time frame.

From our vantage point, the U.S. recession is nearly over. Leading economic indicators, which provide a window into economic activity three to six months from now, have been recovering swiftly. In late 2008, they had descended at a rapid pace and had fallen lower than at any time during the post-World War II era. During the past couple of months, they have risen almost as quickly as they collapsed. Manufacturing activity has bounced markedly, and new orders rose in May for the first time since the recession began. Consumer sentiment has risen from the historic depths recorded in late 2008.

Despite the improving trends, the end of the recession isn't yet visible to the naked eye. That's because the unemployment rate is still climbing, the commercial real estate market is still deteriorating, consumers are still overloaded with debt, and businesses are still reluctant to spend.

As troubling as these conditions are, many of them are typical during the late stages of a recession. The unemployment rate is among the last indicators to improve and usually doesn't stop rising until a new growth cycle is well underway. However, this cycle of unemployment could remain high a long time after the recovery begins.

In our view, the groundwork has not been laid for a multi-year, above-trend economic boom such as we experienced during much of the 1980's and 1990's. The United States may be confronting a VL-shaped recovery—as in “very long” recovery.

We believe the economic path is lined with potholes related to crisis-era interventionist programs that were implemented to prevent a collapse in the global financial system. The following overhangs linger:

1. Consumers still have a lot of debt to pay
2. Baby boomers will be under pressure to save for retirement
3. The global financial system has more deleveraging to undergo
4. Federal tax burdens are bound to rise

Inside This Issue

Bishop's Hunt for Seminarians 3

Piling on more unfunded health-care programs and more government mandates that restrict businesses will only further erode the nation's fiscal and economic position, in our opinion. Unless there is an unexpected halt to the growth in government spending and a change in priority to reduce the deficit more rapidly than has been outlined thus far, the U.S. fiscal position could constrain economic growth for years.

RBC Asset Management's economist believes deflation is the current threat, but that inflation could become an issue in 2011. Massive amount of global excess capacity make it difficult for inflation to take hold at this stage. For the stock market, a modest dose of inflation can actually be a good thing.

We believe the market's performance reflects the collective view among investors that the financial system is no longer at risk of collapsing and the worst of the recession is in the past. In other words, Armageddon is off the table for now. The stabilization of the banking system, upticks in economic data and signs of life in the credit markets have helped stocks advance.

Key underpinnings of the stock market have shown tangible signs of improvement:

- Margin debt has fallen sharply.
- Volatility has receded to more normal levels.

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- Corporate earnings trends seem poised to improve.
- There is still plenty of cash on the sidelines and foreign investors have drifted back into U.S. equities.

Given the wide market swings the past two years and the current market environment, what is an investor to do? We believe that too many financial firms and other corporations either mismanaged their risks or didn't understand how much risk they were taking, and investors did the same. Going forward, risk management will become the dominant theme for corporations and investors alike. However, it is important to realize that with lower risk comes lower returns.

It is important for investors to maintain a diversified asset mix and consider adding strategies that add non-correlated assets to their asset mix and to lower overall volatility. Investors may also want to consider investment vehicles that are principal-protected or provide guaranteed income.

Each investor should understand their own risk tolerance and make changes if necessary after reviewing their investment time frame. It is important to maintain focus and keep a long-term perspective.

We remain convinced that, in time, we will get through our current financial problems and our nation and individual investors will prosper again. ♦

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Bishop's Hunt for Seminararians

In the fall of each year, 25 hunters gather at the Stukel's Birds and Bucks Hunting Lodge just outside of Gregory, South Dakota, to 'hunt for seminararians.' Of course, they are not hunting for or trying to find seminararians, rather they are participating in a pheasant hunt to raise much needed funds for the Bishop's Hunt Fund which is directed to support our seminararians. As all of us know, we have a shortage of priests in our diocese. Fifty years ago, there were about twice as many priests in our diocese than there are today. Our priests are stretched to the limit and many parishes that once had their own resident priest now do not and are served by a priest sometimes more than 30 miles away.

The Bishop's Hunt Fund is a part of our Foundation's effort to build an endowment that will eventually provide a permanent solution for the financial barriers for the young men who desire to serve as priests in our diocese. It is also an opportunity to build awareness about the need for more vocations to the priesthood. As most of us know, the cost of a college and post graduate education is out of reach for most students. The average annual cost for educating our seminararians is currently about \$25,000 and it increases every year. After the Ordination of Tyler Dennis on June 26th, our diocese has eleven seminararians making the annual cost a staggering \$275,000!

There are several funds in the Foundation that have been established to support our seminararians. Everyone should know about the Adopt-A-Seminararian program which has been wonderfully supported by so many Catholic families at all of our parishes. The Adopt-A-Seminararian program which generates about \$150,000 each year is a critical part of the funding of the education our seminararian's education. The following is a summary of all Foundation funds dedicated to support our seminararians:



Endowment Funds

Bishop's Hunt Fund	\$ 82,353
Other Endowment Funds	\$ 379,827
Total	\$ 462,180

Funds Available for Current Expenses

Adopt-A-Seminararian Funds	\$ 605,982
Total all Funds	\$ 1,068,162

Educating our seminararians is also one of the eleven ministries eligible to receive funding from the Foundation's Endowment 2000 Fund which totals just over \$3,000,000.

It is important to note here that for the cost of educating our seminararians to be covered by the earnings on endowment funds at an average 5% return, the funds would have to total nearly \$6,000,000! As you can see, we have a long way to go but we have a good start and over time, we will get there. If we are fortunate, we will have more than eleven seminararians and a need for even more endowment funds.

If you would like to make a contribution to this effort and have some fun hunting with our Bishop and others who share your interest in supporting our seminararians, please complete the registration form for this year's hunt in this newsletter. The hunt is limited so register early.

Watch for our December issue of this newsletter. We will highlight for you the tax law changes that could affect your 2009 and 2010 income tax.

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We're on the Web
www.rapidcitydiocese.org

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Internet Links

Bishop's Hunt for Seminarians
2009 Registration

September 27 & 28
(See schedule below)

Name _____ Additional Hunters: _____
Address _____
City/St/Zip _____

Total number of hunters _____ Total Gift Amount _____ (Min. \$750 /hunter)

I am unable to hunt this year and am enclosing my gift of _____

Schedule for 2009 Bishop's Hunt:

Sunday, September 27th

3:00 PM Arrive at beautiful Stukel hunting lodge
4:00 PM Mass with Bishop Cupich
4:30 PM Social time - beverages and appetizers
6:00 PM Special dinner prepared by Chef Cal Stukel

Monday, September 28th

7:00 AM Rosary
8:00 AM Chef Cal's special breakfast
9:00 AM Shooting sporting clays
10:30 AM Safety briefing
11:00 AM Hunting begins
1:00 PM Lunch in the field
5:00 PM Hunt concludes

Mail form to the address below.

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The Western South Dakota Catholic Foundation was created in 1992 for the exclusive purpose of serving the Roman Catholic Diocese of Rapid City.
The goal of the Foundation is to provide financial support to meet the Church's needs of today and tomorrow.