

Date: June 30, 2006

From: Financial Advisory Committee (FAC)

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To: Executive Committee and Council of the Botanical Society of America

Re: Annual Report of the FAC for 2005-2006

Since the previous 2004-2005 Annual Report, the FAC has:

- monthly monitored the BSA Endowment Fund (EF) invested with Smith Barney (SB);
- has had two conference calls, one in the fall and one in the spring, with the SB staff in Des Moines, IA;
- made decisions on how the portfolio was configured to meet the changing global markets;
- recommended a portion of EF to be used by EC/Council during 2006-2007.

As of June 30, 2006 the EF value was \$3,097,239. As of June 30, 2005 the EF value was \$2,814,182, an increase of \$283,057 for the fiscal year. This represents a 10 percent annual increase in the value of the EF. Presently, the EF is divided into three categories:

- Stocks + Money Funds = \$2,211,863
- Stocks + Money Funds = \$ 495,049
- Fixed Income + Money Funds = \$ 390,327

During the spring conference call, rebalancing of the EF to come closer to its expected 9.44% net return goal was discussed and approved. This adjustment will reduce the EF fixed income and increase its international investments, overall increasing the portfolio risk by 1.38%. Both SB and the FAC felt this rebalancing would increase the efficiency of the EF during the upcoming fiscal year. The rebalanced holdings will be divided among the following categories:

<u>Categories of Investments</u>	<u>Percent Invested</u>
US Large-Cap Stocks	37.0
US Mid-Cap Stocks	15.9
US Small-Cap Stocks	08.5
International Stocks	27.4
US Core Fixed	01.2

The FAC believes the EF is growing at a reasonably steady rate but needs infusion by the membership to reach the 5 million mark it established a year ago.

Recommendation: The FAC recommends that \$30,000 be provided from the EF to the EC and Council to be used during 2006-2007 (per FAC Guideline 4).

The FAC has scheduled a committee meeting at the Centennial in Chico, on Monday, July 31 (time and location to be determined).

The chair or any member of the FAC will be willing to answer questions about the EF.

Respectfully submitted,

Harry T. (Jack) Horner, FAC Chair