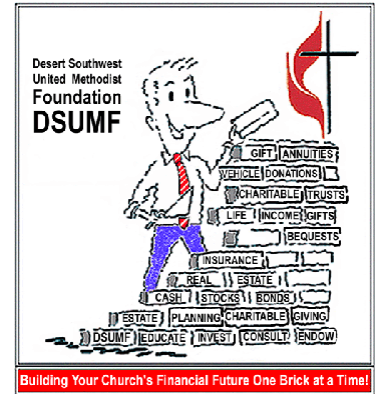


**TO: Agency Depositors**  
**FROM: Rick Brown, Ed.D., CFRE; Executive Director,**  
**Desert Southwest United Methodist Foundation**  
**RE: Monthly Statements for September '05**  
**DATE: October 7, 2005**



**The Rate of Return (Net of Fees) for September was: +0.247%**  
**The Rate of Return (Net of Fees) for the Y-T-D is: +1.948%**

**A comparison of the Foundation's Portfolio performance vs. the major indices is shown below. The Indices below do not contain bonds or expenses; The DSUMF portfolio contains up to 35% in bonds.**

<u>Index</u>	<u>August ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
<b>S &amp; P 500</b>	<b>+0.690%</b>	<b>+1.375%</b>
<b>DOW Jones Industrial</b>	<b>+0.824%</b>	<b>-2.028%</b>
<b>NASDAQ</b>	<b>-0.019%</b>	<b>-1.104%</b>
<b>DSUMF</b>	<b>+0.396%</b>	<b>+3.263</b>

Conventional wisdom in the investing world indicates the reason for flat stock market performance so far this year is largely due to the Fed's continued hikes in the interest rate. Often times, investors, corporations, banks, brokerage houses, etc., all build rate hikes into their total economic pictures. However, no one thought Mr. Greenspan would raise the rate much beyond 3.0%.

Recently, Mr. Greenspan acknowledged in a staff working paper that the Fed is facing a dilemma as it tries to finesse its way to a "neutral" monetary policy. The dilemma is that too much tightening (rate increases) risks sending the housing market into reverse, while too little tightening risks further inflating the housing boom and thus fostering a greater likelihood of a housing bust.

Given the dilemma, the Fed's current judgment is that the risk of raising rates too much, thereby lowering economic growth, is a lesser evil than not raising the rates enough because the economy could ill afford a boom/bust cycle in the housing market. Because of this dilemma, most in the investing world believe that the rate may continue to rise to 4.0% or 4.25% before the rate hikes stop or level off.

Given the uncertainty in the markets, the Foundation's investment strategy continues to produce solid, low risk results. Our portfolio continues to outperform all three major indices. While a gross return of 3.263% and a net return of just under 2% will not enable you to go out and splurge on new buildings or new property, those returns are serving to preserve your capital.

As always, we thank you for continuing to place your trust in our investment activities. Should you ever have any questions or concerns, please contact us at your convenience.

I also extend a standing offer to meet with you and your committee(s) to discuss our investment strategy, process, and results. Just call 602.266.6956 Ext. 203 or E-mail me at [rick@dsumf.org](mailto:rick@dsumf.org).

Remember to go to our web site at [www.dsumf.org](http://www.dsumf.org) to read the latest issue of DOLLAR SENSE, where on a monthly basis, there is a different article on each of the following four topics: Endowment Funding, Estate Planning, Charitable Giving, and Investing.