

TO: Agency Depositors
FROM: Rick Brown, Ed.D., CFRE; Executive Director,
 Desert Southwest United Methodist Foundation
RE: Monthly Statements for December '06
DATE: January 8, 2007



The Rate of Return (Net of Fees) for December was: **+0.816%**
The Rate of Return (Net of Fees) for the Y-T-D is: **+6.242%**

PLEASE NOTE: A comparison of the Foundation's Portfolio performance vs. the major indices has always been provided in the chart below. We've always stated the Foundation's asset allocation is 60% stocks, 30% bonds and 10% managed futures and that the major indices do not contain bonds, or managed futures, and they do not reflect investment expenses. Therefore, comparing DSUMF's performance to major indices has always been an "Apples to Oranges" comparison. This has caused some confusion and misunderstandings about our portfolio's performance. Therefore, beginning with the January Memo, we will only report the Foundation's rate of return in comparison to the index that most closely reflects the portfolio's asset allocation, and risk tolerance, which is the Lehman Brothers 60% S & P 500 / 40% Government Bond Index (LB 60/40). This is an attempt to bring clarity to our reporting and provide you with an "Apples to Apples" comparison of our portfolio's performance.

<u>Index</u>	<u>December ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
S & P 500	1.262%	13.62%
DOW Jones Industrial	1.974%	16.29%
NASDAQ	-0.678%	9.52%
LB 60/40	0.600%	11.20%
DSUMF	0.972%	8.133%

Economic news for the last week of 2006 suggested that the housing market's slide probably bottomed out. Existing-home sales increased for the second consecutive month. New-home sales continued to rise from the yearly low reached in July.

Consumer confidence, as measured by the Conference Board's Index, unexpectedly increased in December to an eight-month high. Consumers' overall assessment of present-day conditions "was more upbeat" than in November, the percentage of consumers who said that jobs were "hard to get" decreased, and the percentage saying that jobs were "plentiful" increased. The number of new, non-farm jobs was revised upward for the months of October and November; the December number of 167,000 new non-farm jobs exceeded everyone's expectations. Consumers' outlook for the next six months was "more encouraging" than in November.

The stock markets closed with a gain for the fourth consecutive year in a row after three straight years of losses in 2000, 2001 and 2002.

Your December 2006 Statement is UNAUDITED, and PRELIMINARY. Your "final," audited December statement along with the January and February statements will be produced upon the completion of our 2006 audit, which is scheduled to begin on January 22, 2007.