

**TO:** Agency Depositors  
**FROM:** Rick Brown, Ed.D., CFRE; Executive Director,  
 Desert Southwest United Methodist Foundation  
**RE:** Monthly Statements for March '06  
**DATE:** April 10, 2006



**The Rate of Return (Net of Fees) for March was: +0.831%**  
**The Rate of Return (Net of Fees) for the Y-T-D is: +2.254%**

A comparison of the Foundation's Portfolio performance vs. the major indices is shown below. The indices do not contain bonds, expenses, or managed futures. The Foundation's asset allocation is 60% stocks, 30% bonds and 10% managed futures.

<u>Index</u>	<u>March ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
<b>S &amp; P 500</b>	<b>1.094%</b>	<b>3.59%</b>
<b>DOW Jones Industrial</b>	<b>1.043%</b>	<b>3.53%</b>
<b>NASDAQ</b>	<b>2.496%</b>	<b>5.75%</b>
<b>DSUMF</b>	<b>0.984%</b>	<b>2.852%</b>

Economic reports released during the past week, particularly employment data, were generally rosier than expected, with the unemployment rate dropping to 4.7% and new jobs created coming in at 211,000. As expected, the Federal Reserve Board did raise its target for the federal funds rate by another 0.25%, bringing the rate from 4.50% to 4.75%.

Consumer confidence soared on the strength of consumers' upbeat appraisal of future business conditions, as well as of the present state of the economy. Consumer Confidence is at a four-year high. For the last week in March, the yield of the 10-year U.S. Treasury note rose 18 basis points to 4.85%, near an almost two-year high. Despite the upward revision in economic growth as measured by the Gross Domestic Product (GDP), for the quarter (from 1.6% to 1.7%), economic growth for all of 2005 remained the same, at 3.5%.

In its March meeting the Foundation's Investment Committee made some portfolio changes:

1. The Committee fired a large-cap Growth Manager, and replaced them with Wells Capital Management.
2. The Committee fired our International Growth Manager, and replaced them with two new managers:
  - a. NWQ will be our International Large Cap Value manager, and
  - b. Wentworth Houser will be our International Large Cap Growth manager.

Each new manager will invest 5% of the total portfolio, thereby increasing our exposure to the international markets from 5% to 10% of the portfolio. To accomplish this change, we reduced both our Large Cap Growth and Large Cap Value exposure to domestic stocks by 2.5% each.

3. The final change was to increase our exposure in Managed Futures from 5% to 10%. To accomplish this change, the portfolio invested in bonds was reduced from 35% to 30%.

After two or three meetings that included interviews with both fired and hired asset managers, the Committee made each of these changes in order to manage the overall risk in the portfolio, and to attempt to increase the portfolio's long-term rate of return. If anyone wants more information about the changes made, please contact me at your earliest convenience by sending an e-mail to me at [www.rick@dsumf.org](mailto:www.rick@dsumf.org).