

**TO:** Agency Depositors  
**FROM:** Rick Brown, Ed.D., CFRE; Executive Director,  
 Desert Southwest United Methodist Foundation  
**RE:** Monthly Statements for May '06  
**DATE:** June 13, 2006



**The Rate of Return (Net of Fees) for May was:** **-2.660%**  
**The Rate of Return (Net of Fees) for the Y-T-D is:** **+0.347%**

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>May ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
<b>S &amp; P 500</b>	<b>-3.092</b>	<b>+1.750</b>
<b>DOW Jones Industrial</b>	<b>-1.749</b>	<b>+4.210</b>
<b>NASDAQ</b>	<b>-6.187</b>	<b>-1.200</b>
<b>DSUMF</b>	<b>-2.509</b>	<b>+1.133</b>

The first week in June began with remarks by Federal Reserve Board Chairman Ben Bernanke at the International Monetary Conference in Washington, D.C., that inflation has persisted at an uncomfortably high level, prompting investors to head for the exits. Since then, higher-than-expected inflation data has continued to stoke interest rate worries. The U.S. markets have also felt pressure from a global equities sell-off.

Government data on the core Producer Price Index for May showed costs rising slightly more than Wall Street had expected and retail sales rose just 0.1 percent in May, which matched Wall Street expectations.

Consumers went on a borrowing binge in April, when the amount of outstanding credit soared \$10.6 billion above the almost \$2.16 trillion level reached at the end of March. The figure includes nonrevolving debt (car and student loans) and revolving debt (such as credit cards). It excludes debt secured by real estate, which is a source of consumer financing that has become less attractive as interest rates have climbed. Consumer credit grew at a 5.9% annual rate in April, compared with a 2.2% annualized increase during the first quarter.

As you can tell from the numbers in the chart above, the Foundation's portfolio never captures all of the market gains when the markets are up. Conversely, the portfolio never captures all of the market's losses when the markets are down. The portfolio is constructed that way on purpose. It is a "steady as she goes," low risk portfolio. So when all is doom and gloom, which has been the case over the last couple of weeks, all with the Foundation's portfolio is not as bad as the markets seem.

**PERSONAL NOTE:** Thank you for all your prayers. I am healing well, and happy to be back at work!