

**TO:** Agency Depositors  
**FROM:** Rick Brown, Ed.D., CFRE; Executive Director,  
 Desert Southwest United Methodist Foundation  
**RE:** Monthly Statements for May '06  
**DATE:** August 7, 2006



The Rate of Return (Net of Fees) for July was: **-0.896%**  
 The Rate of Return (Net of Fees) for the Y-T-D is: **-0.839%**

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

<u>Index</u>	<u>July ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
<b>S &amp; P 500</b>	<b>+0.509%</b>	<b>+2.27%</b>
<b>DOW Jones Industrial</b>	<b>+0.318%</b>	<b>+4.37%</b>
<b>NASDAQ</b>	<b>-3.712%</b>	<b>-5.16%</b>
<b>DSUMF</b>	<b>-0.743%</b>	<b>+0.255%</b>

In the past week, economists waded through a series of mixed data, attempting to interpret the direction of inflation and the economy. Personal income and wages increased, even while employment numbers showed weakness. For the week, the S&P 500 Index decreased 0.1%, to 1,279, and the yield of the 10-year U.S. Treasury note fell 9 basis points to 4.90%.

Personal income increased 0.6% in June, following a 0.4% rise in May. The personal savings rate also edged up slightly in June from May, even though Americans continue to spend money that has been borrowed through credit cards or other means, or obtained by selling investments or other assets.

Construction spending in June rose 0.3% from May, driven by a 2.7% increase in private nonresidential construction. Spending on residential construction fell 1.0% for the month, suggesting that the housing market continues to cool. The future direction of mortgage rates remains uncertain. Meanwhile, total spending on all construction for the first half of 2006 rose 8.5% compared with the same six-month period last year.

The Institute for Supply Management (ISM) reported that the U.S. manufacturing economy expanded in July for the 38th consecutive month. The unemployment rate rose to 4.8% in July from 4.6% in June, marking the highest level since February, though still lower than the year-ago level of 5.0%. The total number of new non-farm jobs increased by 113,000, falling short of consensus expectations for the fourth consecutive month.

What does all of this mean? Mixed data (some good, some not-so-good) means to many that it is time for the Fed to stop its increases in the Interest rate. If the Fed does stop its rate increases, then the markets are expected to react positively.

Thank You for your continued trust in our Investment Services designed to help you build your church's financial future one brick at a time!