

TO: Agency Depositors
FROM: Rick Brown, Ed.D., CFRE; Executive Director,
 Desert Southwest United Methodist Foundation
RE: Monthly Statements for May '06
DATE: October 6, 2006



The Rate of Return (Net of Fees) for September was: +1.082%
The Rate of Return (Net of Fees) for the Y-T-D is: +1.427%

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>	Sept. ROR % (Gross of Fees)	Y-T-D ROR % (Gross of Fees)
S & P 500	+2.456%	+7.010%
DOW Jones Industrial	+2.617%	+8.970%
NASDAQ	+3.419%	+2.410%
DSUMF	+1.238%	+2.988%

Amidst downbeat economic reports during the last week of the 3rd Quarter of 2006, even the most pessimistic analysts had to smile as blue-chip stock prices reached record levels for the first time since January 2000. The Dow Jones Industrial Average, the S & P 500 and the yield of the 10-year U.S. Treasury note increased 3 basis points to 4.63%. Since then, the DOW has reached all-time highs!

On the housing front, sales of existing homes dropped 0.5% on an annualized basis, while the median price of an existing single-family home declined for the first time since 1993, falling 1.7% from a year earlier, to \$227,000. In addition, the average time to sell a house has increased to its highest level (7.5 months) in more than 13 years.

The latest figures on gross domestic product (GDP) offered hints of an economic slowdown. An earlier estimate of 2.9% GDP growth in the second quarter was revised downward this week to 2.6%, less than half the robust 5.6% growth rate seen in the first quarter.

There was also cause for concern on the inflation front this week. Consumer prices rose 0.2% in August, for an increase of 3.2% over the past year. Personal income increased 0.3% in August, the smallest monthly increase so far this year. The personal savings rate was up 0.2% from July's -0.7% figure, but remained in negative territory as it has since early 2005—providing more evidence that consumers continue to support their lifestyles by relying on credit cards or selling investments or other assets.

The week's economic news wasn't all bad, however. Consumer confidence rebounded in September. Consumers were more upbeat about both current economic conditions and future prospects. It is expected this increase in confidence is due to the decrease in the cost of a gallon of gasoline. Despite what you see and hear from major media outlets, our economy is doing GREAT!

We continue to be grateful for the trust you've placed in us to invest your funds!