

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



The Rate of Return (Net of Fees) for September was: +2.173%
The Rate of Return (Net of Fees) for the Y-T-D is: +3.631%

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>	October ROR % (Gross of Fees)	Y-T-D ROR % (Gross of Fees)
S & P 500	+3.150%	+10.39%
DOW Jones Industrial	+3.439%	+12.72%
NASDAQ	+4.790%	+7.32%
DSUMF	+2.331%	+5.196%

Non-farm payroll employment increased in October by 92,000, which was a bit below expectations. However, the new jobs figures for the previous two months were revised upward by an additional 139,000 jobs. The unemployment rate fell to a 5-year low of 4.4%.

Due to strong growth in wage and salary income, personal income in September rose 0.5%, ahead of analysts' forecasts; disposable personal income also rose 0.5%, and spending grew 0.1%. Core inflation grew 0.2%, while top line inflation fell 0.3% because of falling energy prices.

Non-manufacturing business activity in the services sector in October increased faster than expected to 57.1. Nine of the 18 industry sectors increased at a faster rate than the previous month, including utilities, information, retail trade, finance and insurance and public administration. Solid gains in new export orders, production, inventories, and imports helped drive the increase.

While there are a few indicators that suggest concern about the economy in some sectors, it is safe to say that the U.S. economy is strong and generally on the right path. The DSUMF believes we are on the right path in terms of managing risk in your portfolio.

In the next couple of weeks, we will statistically analyze the portfolio's 3rd quarter performance. In the process, we will also analyze each of our asset management firms in terms of their risk-related performances relative to both their investment style peer groups and their investment industry benchmarks. The statistical portfolio analysis, which is done on a quarterly basis, fulfills several of the 27 Prudent Investment Management Practices required of fiduciaries by law. Your church is automatically in compliance with all 27 practices when you use our investment service, because we are in compliance with all 27 Prudent Investment Practices. Thank you for your business, and . . .

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