

TO: Agency Depositors
 FROM: Rick Brown, Ed.D., CFRE; Executive Director,
 Desert Southwest United Methodist Foundation
 RE: Monthly Statements for November '06
 DATE: December 8, 2006



The Rate of Return (Net of Fees) for November was: **+1.689%**
 The Rate of Return (Net of Fees) for the Y-T-D is: **+5.382%**

PLEASE NOTE: A comparison of the Foundation's Portfolio performance vs. the major indices has always been provided in the chart below. We've always stated the Foundation's asset allocation is 60% stocks, 30% bonds and 10% managed futures and that the major indices do not contain bonds, expenses, or managed futures. The comparisons therefore have always been "Apples to Oranges" comparisons. This has caused some confusion and misunderstandings about our portfolio's rate of return. Therefore, beginning with the January Memo, we will only report the Foundation's rate of return in comparison to the index that most closely reflects the portfolio's asset allocation, which is the Lehman Brothers 60% S & P 500 / 40% Government Bond Index (LB 60/40). This is an attempt to bring clarity to our reporting and provide you with an "Apples to Apples" comparison.

| <u>Index</u> | <u>November ROR % (Gross of Fees)</u> | <u>Y-T-D ROR % (Gross of Fees)</u> |
|----------------------|---|--|
| S & P 500 | 1.647% | 12.200% |
| DOW Jones Industrial | 1.169% | 14.040% |
| NASDAQ | 2.749% | 10.270% |
| LB 60/40 | 1.600% | 10.900% |
| DSUMF | 1.846% | 7.109% |

The dominant economic news in the last week of November was a stronger than expected, 3rd quarter GDP report, which showed the U.S. economy continuing to grow at a modest pace (2.2% vs. the expected 1.6%), despite the major slowdown in the housing market. Although sales of new homes fell in October, existing-home sales rose slightly. Among the week's other reports, personal incomes and spending rose, consumer confidence dipped slightly, and a gauge of manufacturing activity dropped sharply. For the week, the S&P 500 Index fell 0.3% to 1,397. The yield of the 10-year U.S. Treasury note fell 12 basis points to 4.43%.

The Beige Book, a survey of economic conditions in each of the 12 Federal Reserve regional districts, showed that the economy grew at a moderate pace since the last report in mid-October. Comments from all districts were much more positive than analysts expected. Softness in the economy remains largely confined to the housing and automotive industries. Consumer spending increased, suggesting a somewhat optimistic outlook for retailers during the critical holiday season.

Thank you for your business. We continue to be grateful for the trust you've placed in us to invest your church's funds!

*Merry Christmas
 Happy New Year!*