

TO: Agency Depositors
FROM: Rick Brown, Ed.D., CFRE; Executive Director,
 Desert Southwest United Methodist Foundation
RE: Monthly Statements for October '07
DATE: October 9, 2007



The Rate of Return (Net of Fees) for October was: +2.374%
The Rate of Return (Net of Fees) for the Y-T-D is: +7.976%

A comparison of the Foundation's Portfolio performance vs. the major indices is shown below. The indices do not contain expenses. The DSUMF portfolio contains up to 60% in stocks, up to 30% in bonds, and up to 10% in Managed Futures.

<u>Index</u>	<u>Oct. ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
S & P 500	+1.482%	+9.242%
DOW Jones Industrial	+0.247%	+11.770%
NASDAQ	+5.834%	+18.375%
60% / 40% (SP500 / Aggregate Bond)	+1.300%	+8.400%
DSUMF	+2.532%	+9.562%

Economic Week in Review: Fed cuts short-term rates: As was widely expected, the Federal Reserve Board lowered short-term interest rates by 0.25% to 4.50%. The action followed a 0.50% rate cut in September. The rate cut was the centerpiece in a busy week of economic news. On the bright side, the U.S. economy expanded at a solid pace in the third quarter, the employment situation appeared healthy, and inflation was largely contained. At the same time, consumer confidence slipped, manufacturing growth slowed, and residential construction remained weak. Against this backdrop, crude oil prices touched record highs and the U.S. dollar hit record lows against both the euro and the Canadian dollar. For the week, the S&P 500 Index fell 1.6% to 1,510 (for a year-to-date total return of 8.1%). The yield of the 10-year U.S. Treasury note fell 12 basis points, to 4.29%.

Unemployment rate unchanged: The unemployment rate for October held steady at 4.7% for the second straight month. Nonfarm payrolls increased by a surprising 166,000, led by gains in professional and business services, health care, and leisure and hospitality. The manufacturing and residential construction sectors posted job losses in October. Average hourly wages increased a modest 0.2% to \$17.58, a pace that seems to pose limited inflationary threat.

Third-quarter economic growth exceeded expectations: Real gross domestic product (GDP) increased at an annual rate of 3.9% in the third quarter, far surpassing consensus expectations. Strong consumer spending and exports were leading contributors. Meanwhile, continuing weakness in the housing sector, high energy prices, and an increase in imports restrained overall GDP growth.

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