TO: Agency Depositors
FROM: Ralph J. Serpico, Executive Director
Desert Southwest United Methodist Foundation
RE: Monthly Statements for December ‘08
DATE: January 13, 2009

The Rate of Return (Net of Fees) for December was: 02.353%
The Rate of Return (Net of Fees) for the Y-T-D is: (21.272)%

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 20% in fixed income investments, and up to 20% in Managed Futures.

Index	December ROR % (Gross of Fees)	Y-T-D ROR % (Gross of Fees)
S & P 500	0.782	(38.486)
DOW Jones Industrial	(0.596)	(33.837)
NASDAQ	2.700	(40.541)
60% / 40% (SP500 / Aggregate Bond)	2.130	(22.060)
DSUMF	2.511	(19.588)

In December the Foundation’s portfolio balance showed an improvement (net of fees) of 2.35% over those at the end of November. This is the first monthly increase since May, 2008, and only the third monthly increase reflected in the portfolio during 2008. This stemmed the trending decline in portfolio balances and offers a glimmer of hope for the economy into 2009 and the future.

As shown in the above comparison, although the Foundation’s portfolio balance declined in value over the full year 2008 by approx 20%, this is roughly half the declines experienced by other economic indices i.e., the S & P 500 (-38%), and NASDAQ (-41%). These declines are reflective of the general economic downturn in 2008 experienced particularly since September. Reasons for the decline include record unemployment levels, overall drops in the value of real estate, increases in the cost of capital, and high levels of consumer debt, home foreclosures, and personal bankruptcies.

Why does the Foundation show a better return than those of the major indices? There are at least three major reasons that the Foundation’s portfolio has performed considerably better than the major indices.

1. The Foundation’s investment guidelines mandate a diversified portfolio allocated at prudent levels between stocks, fixed income investments and managed futures. This diversification minimizes risks for losses from any one sector. The Foundation’s Board and Investment Committee along with our financial advisors spend considerable time and effort in developing and monitoring our allocations.

2. The Foundation allocates its investments using several money managers who are selected from recommendations made by our Financial Advisors. We constantly review each manager’s performance against his peers across several timeframes. When necessary, we change managers.

3. The Foundation’s financial assets are geared toward long term and risk averse investments. In the face of the market’s daily volatility, we are prepared to wade through the present economic storm. When it comes to investing, patience is often a virtue.

In summary, the processes that the Foundation follows include many layers of oversight which gives us the benefit of generally higher returns in good markets and reduced losses in down markets. Our investors and depositors can be assured that our diversified portfolio and intense oversight affords our assets the best opportunity for favorable returns while minimizing risk.