

TO: Agency Depositors
 FROM: Rick Brown, Ed.D., CFRE; Executive Director,
 Desert Southwest United Methodist Foundation
 RE: Monthly Statements for January '08
 DATE: February 12, 2008



The Rate of Return (Net of Fees) for January was: **-4.093%**
 The Rate of Return (Net of Fees) for the Y-T-D is: **-4.093%**

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>Jan. ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
S & P 500	-6.1163	-6.1163
DOW Jones Industrial	-4.6323	-4.6323
NASDAQ	-9.8941	-9.8941
60% / 40% (SP500 / Aggregate Bond)	-2.8800	-2.8800
DSUMF	-3.9450	-3.9450

After the first two months of 2008, most investors want to turn the calendar back a year or so. This week saw the release of a batch of disappointing reports—from an uptick in inflation pressure to a plunge in consumer confidence to yet another round of dismal numbers for the housing market. The S&P 500 Index fell 1.7% to 1,331 (for a year-to-date total return of -9.0%). The yield of the 10-year U.S. Treasury note fell 26 basis points to 3.53%. The returns in January were the worst in 30 years!

GDP: 2007 ended with a whimper: Updated figures for fourth-quarter 2007 gross domestic product (GDP) failed to produce the upward revision policymakers and analysts had hoped for. Growth in the total output of U.S. goods and services slowed to a feeble 0.6% (annualized), down from a robust 4.9% in the third quarter. The Commerce Department's estimate of real GDP growth for all of 2007 was 2.2%—the weakest showing since 2002, when the economy was recovering from a recession.

Prices: A renewed upward climb: On the inflation front, producer prices for finished goods were up a seasonally adjusted 1.0% in January, due to a hike in energy costs: Gasoline prices rose 2.9%, and prices for home heating oil, natural gas, diesel fuel, and kerosene were also up. Over the past year, prices for finished goods were up a 7.4%.

Consumers: Inflation pressure and a pessimistic outlook: In another sign of growing inflationary pressure, consumers dipped into their wallets a little more in January, but they really didn't get more. In a recent national survey about the state of the economy, 85% of consumers voiced pessimism about both current economic conditions and expectations for the future. Only 15% voiced optimism about conditions and expectations. However, when asked how their own personal financial conditions and expectations were, the numbers were reversed! Only 15% indicated a concern about their own financial conditions or expectations. The gap between these two numbers is being driven by constant negative reports done by the media, which influences public opinion.

Housing: End of the decline: The beleaguered housing market continued to decline in January, with sales falling for both new and existing homes. The silver lining is that the declines in both categories were smaller than expected.

Now that our 2008 audit is complete, consider your 2007, year-end, statement, as FINAL since there were no audit adjustments required. The DSUMF received an unqualified audit, which was approved by the DSUMF Board of Directors in their February 28, 2008 meeting. Thank You for continuing to be a member of our Investment Services Family!