

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



The Rate of Return (Net of Fees) for February was: -0.4146%
The Rate of Return (Net of Fees) for the Y-T-D is: -4.4910%

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>Feb. ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
S & P 500	-3.4761	-9.3799
DOW Jones Industrial	-3.0352	-7.5269
NASDAQ	-4.9534	-14.3575
60% / 40% (SP500 / Aggregate Bond)	-2.8900	-4.7000
DSUMF	-0.2608	-4.3430

As if we needed it, the month of February brought more bad economic news. The labor market report was the week's most negative. Construction spending, factory orders, productivity and labor costs, and both the manufacturing and nonmanufacturing sectors didn't offer any solace. For the 1st week of March, the S&P 500 Index fell 2.8% to 1,293 (for a year-to-date total return of -11.9%). The yield of the 10-year U.S. Treasury note increased 3 basis points to 3.56%.

U.S. nonfarm payrolls tumbled 63,000 in February, which is their second straight drop and the largest decline since March 2003, according to the Labor Department. The report was a surprise as economists were expecting a gain of 25,000 jobs and provided further evidence the nation's economy may already be in a recession. Private industry payrolls fell 101,000, while government payrolls added 38,000. Manufacturing, construction, and retail trade accounted for much of the weakness. The unemployment rate dropped slightly from 4.9% to 4.8% while the workforce declined 450,000.

The Commerce Department reported January's construction spending slid 1.7% from December and 3.3% from a year ago. The fall in construction spending is a symptom of the weak U.S. housing market.

The Manufacturing Sector worsens a bit, while productivity and unit labor costs were upwardly revised from the previous month's initial reports. Factory orders fell for the first time in five months, and the nonmanufacturing "service industry" continues struggle.

If there is a silver lining in all of this bad news, then it would be that our investment strategy continues to work in that our losses are less than half of the losses experienced by the S&P 500. Historically, our losses when the market is down as measured by the "Down Capture Ratio," are less than 70%. In other words, when the markets are down, our portfolio is down too, but because of our diversity and low risk, we never experience losses equal to the market losses. Our losses are always less. This makes recovery from losses quicker and less impactful over the long term.

Now that our 2008 audit is complete, look for your 2007, year-end, statement, and the beginning 2008 statements (Jan. & Feb. '08) 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!