

TO: Agency Depositors  
 FROM: Rick Brown, Ed.D., CFRE; Executive Director,  
 Desert Southwest United Methodist Foundation  
 RE: Monthly Statements for July '08  
 DATE: August 8, 2008



The Rate of Return (Net of Fees) for July was: **-1.916%**  
 The Rate of Return (Net of Fees) for the Y-T-D is: **-5.962%**

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 25% in bonds, and up to 15% in Managed Futures.

<u>Index</u>	<u>July ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
S & P 500	<b>-0.986</b>	<b>-13.687</b>
DOW Jones Industrial	<b>+0.247</b>	<b>-14.224</b>
NASDAQ	<b>+1.420</b>	<b>-12.318</b>
60% / 40% (SP500 / Aggregate Bond)	<b>-0.540</b>	<b>-7.170</b>
DSUMF	<b>-1.764</b>	<b>-4.879</b>

The unemployment rate climbed to a four-year high in July as employers cut jobs for the seventh-straight month. Elsewhere, though, there were some positive signals on the economy. Gross domestic product (GDP) enjoyed a modest rebound in the second quarter, although growth fell shy of expectations. Consumer confidence, throwing off a June level that was the lowest since 1992, also had a modest uptick. For the week, the S&P 500 Index eked out a 0.2% gain to 1,260 (for a year-to-date total return of -13.687%). The yield of the 10-year U.S. Treasury note fell 16 basis points to 3.97%.

The unemployment rate rose a bit to 5.7% in July. Nonfarm payrolls, another closely watched employment indicator, dropped 51,000, which was better than the 71,500 loss analysts had expected. The employment report noted continued job loss in construction, manufacturing, and several service-providing industries, while at the same time jobs were added in health care and mining industries. Average hourly earnings rose by 0.3%.

The pace of U.S. economic growth accelerated in the second quarter, boosted by increased exports and stronger consumer spending. Exports benefited from a weakening dollar that makes U.S. goods less expensive abroad, and consumer spending was supported by economic stimulus tax rebates. Real GDP, which is a measure of all goods and services produced, grew at a 1.9% annual rate. Analysts, however, had expected second-quarter growth in the neighborhood of 2.4%.

The consumer confidence index edged up in July to 51.9 from an upwardly revised 51.0 in June. Improvement in the expectations component of the index contributed to the first gain in consumer confidence since December 2007.

The employment cost index, which tracks business spending on employee wages, salaries, and benefits, increased a modest 0.7% in the second quarter. The increase was in line with expectations and was the same level seen in the first quarter. The soft labor market appears to be restraining labor costs, a key component of overall inflation. Another component of inflation is the costs of oil. With prices for a barrel of oil dropping dramatically since President Bush lifted the Executive restriction on off-shore drilling, inflation seems to be "in-check." The "fed's" recent decision to keep interest rates where they are sparked a significant rally in the markets in early August.

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