

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



The Rate of Return (Net of Fees) for August was: -0.054%
The Rate of Return (Net of Fees) for the Y-T-D is: -5.769%

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>August ROR % (Gross of Fees)</u>	<u>Y-T-D ROR % (Gross of Fees)</u>
S & P 500	+1.219	-12.635
DOW Jones Industrial	+1.458	-10.736
NASDAQ	+1.804	-12.973
60% / 40% (SP500 / Aggregate Bond)	+1.230	-6.0300
DSUMF	+0.100	-4.5839

A surface level glance at the unemployment rate suggests further evidence of the economic slowdown, highlighted by some who cite the 6.1% unemployment rate—the highest in almost five years. At the same time, strong productivity gains and modest wage growth helped restrain inflation.

The unemployment rate did move up to 6.1% in August from 5.7% in July, the highest rate since September 2003 and above analysts' expectations. However, a deeper analysis of the underlying cause for this increase identifies three factors that drove the unemployment number higher: 1) congressionally mandated increase in the minimum wage, 2) congressionally mandated extension of unemployment benefits, and 3) 483,000 "at home moms," who are for the first time seeking employment. Factor three above added new people seeking employment for the first time into the work force, thus altering the formula upon which the unemployment rate is calculated. Overall, jobs were lost in August in almost every industry except for government, education, and health services. Most of the net losses are accounted for in the auto manufacturer and mainstream news media sectors (news papers). At the same time, construction job losses are slowing, and average hourly earnings rose a modest 3.6% from a year earlier, but they still trail the rate of inflation.

Nonfarm business productivity jumped at an annual rate of 4.3% in the second quarter—faster than in the first quarter, higher than analysts expected, and almost twice last month's initial estimate. Productivity increased 3.4% compared with a year earlier, the strongest year-over-year growth in four years. Productivity growth and acceleration during an economic slowdown are historically unusual. This suggests a dampening of inflationary pressures.

The Federal Reserve's "beige book" survey of its 12 districts, which is published every six weeks, characterized economic activity as moving at a slow pace. "Many described business conditions as 'weak,' 'soft,' or 'subdued,'" the Fed said. Consumers were concentrating spending on food and staples, and the Fed noted a "retrenchment" in discretionary spending. Almost all districts reported price pressures from the elevated costs of energy, food, and other commodities, and some businesses were able to pass along cost increases to their customers. Amid a "general pullback" in hiring, pressure to increase wages was generally moderate.

Thank You for continuing to be a member of our Investment Services Family!