



Investor Update

TRUST ACCOUNTING SOFTWARE UPGRADE

As part of our efforts to better serve our investing churches and agencies, the United Methodist Foundation has chosen to upgrade our trust accounting software to SunGard's Charlotte System. This is a windows-based solution that offers rich functionality and flexibility to our trust operations, and it provides our staff with many tools that assist with timely reporting and communication. This software also has the capability to provide simplified and more user-friendly broker-style statements. We believe all these improvements will enhance the Foundation's ability to provide superior service in meeting the transactional and investment reporting needs of our churches and agencies.

COMPUTER HARDWARE UPGRADE:

The Foundation has completed the first phase of this upgrade process with the installation of new computer hardware. Our new servers represent the most current technology in terms of processing power as well as redundancy systems; the latter ensure that our data is safely backed-up and protected.

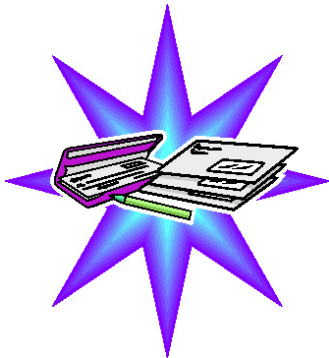


SOFTWARE UPGRADE AND IMPORTANT POINTS TO NOTE:

As we proceed with the trust accounting software upgrade, we would like our investing churches and agencies to note the following highlights and points:

1. *New Account Numbers*

As part of the upgrade, we will be assigning new account numbers to replace your current account numbers. To assist you during this transition, we will provide you with an account list that cross-references your new account numbers with your old account numbers. We will begin using the new account numbers starting in May 2006 when we go "live" with our Charlotte system.



2. *April 2006 is a Transition Month*

This will be the last month that we will be operating on our Series 7 software. As a result, we will be mailing to you ***just this one time*** the following items:

- April income checks
- An April Statement

These items will be mailed to you by May 25. We strongly encourage you to retain this April statement for your permanent records since this will be the last statement generated using our "old" Series 7 software.

3. *May 2006: We go "live" with our new Charlotte trust accounting system!*

NOTE: When the Second Quarter's Statements (and income checks) are mailed to you in July (after the close of the quarter), ***they will only be for the months of May and June*** since April's checks and statement would have been previously mailed to you.

We trust that this upgrade will go smoothly since we have invested much time and effort preparing for it. Please feel free to call (800-595-4347) or email us if you have any questions about this transition and our software upgrade. Foundation staff is always available to assist you.

FIRST QUARTER 2006 INVESTMENT COMMENTARY



After slowing to a 1.7% annual rate in the fourth quarter of 2005 due to the effects of Katrina, Rita and higher oil prices, the economy appears to have rebounded in the first quarter of this year. Productivity gains and net job creation have both been slightly better than expected. These factors, coupled with an increasing workweek and increased pay per hour has meant that household incomes have been sustained this year. This data suggests that consumers can continue to spend at a reasonable pace which is critical given that consumption by individuals makes up over two-thirds of our economy.

So far, 2006 has been a good year for equity investors. In January, stock prices rallied on better than expected earnings reports and optimism about global economic growth. In February, the markets grew choppy as some investors took profits and others began to worry about the possibility of further increases in interest rates by the new Federal Reserve Chairman, Ben Bernanke. By the end of March, all of the major market indexes had stabilized and set five-year highs. Bond investors have not fared nearly as well since interest rates have risen steadily over the first quarter. The rate on the 10-year treasury has gone from 4.20% in early January to 4.98% by the end of March. For most bond investors, this has translated into negative total returns.

As has been the trend for the past three years, foreign markets outperformed the U.S. market, as measured by the broad indexes. For the quarter, developed international markets, as measured by the MSCI EAFE (Europe, Australia, and Far East) Index rose 9.5% versus 4.2% for the S&P 500 Index. The trend toward better performance for small- and mid-cap stocks also continued with the Russell 2000 (small-cap) Index up 13.9% and the Russell Mid-Cap Index up 7.6% for the quarter.

Socially Responsible Investing with UMFNE

It is important to note that all UMFNE investments are screened to exclude investments in alcohol, tobacco, gaming and military industries, and also on some human rights and environmental issues. In addition, UMFNE has engaged Institutional Shareholder Services to help us implement proxy voting guidelines that are in keeping with Methodist values and principles as reflected in the UMC's Social Principles. Each one of our nearly 1,000 equity proxies will be voted in accordance with these guidelines. For more information on our proxy guidelines, please visit our website at www.umfne.org.

UMFNE Socially Responsible Stock Fund

As noted in previous publications, the UMFNE Socially Responsible Stock Fund is comprised of two portfolios designed to track the performance of the Russell 3000 Index (80% of the fund) and MSCI EAFE Index (20% of the fund). The Russell 3000 portfolio holds about 800 stocks, including large-cap (69% of the portfolio), mid-cap (23%), and small-cap (8%) U.S. equities. Our international portfolio holds approximately 170 securities and is optimized to have traits similar to the MSCI EAFE Index. While a new blended index is an official benchmark, we will continue to compare the portfolio with the S&P 500 Index for two reasons: first, the S&P 500 is our historical benchmark and has relevance for longer time comparisons and second, it is a broad market measure that is an industry standard. For the first quarter of 2006, the UMFNE Socially Responsible Stock Pool's (at the manager level) total return was 6.3% versus 6.1% for a blended 80% Russell 3000 and 20% EAFE benchmark and 4.2% for the S&P 500 Index.

UMFNE Socially Responsible Bond Fund

The UMFNE Socially Responsible Bond Pool (at the manager level) posted returns of -0.29%, outperforming its benchmark by 0.1% for the quarter. The UMFNE Bond Pool (and Fixed Income Fund) held shorter maturities than the benchmark, making it more defensively structured, in anticipation of a rising rate environment. As in the fourth quarter of last year, our emphasis on asset-backed securities also helped to enhance the performance of our bonds.

*For further information or questions, please call us at
800-595-4347 Ext. 100 or email info@umfne.org*