



FIRST QUARTER 2007 INVESTMENT COMMENTARY

Investors experienced dramatic swings in market sentiment during the first three months of 2007. After a very strong January, concern over the weakness in the sub-prime mortgage market, a sharp sell-off in the Chinese stock market, continued geopolitical uncertainties in the Middle East and rising oil prices caused markets to retreat dramatically in late February. Though the markets recouped most of their losses in March, the major indexes ended the quarter essentially flat with the S&P 500 Index up 0.6% and the narrower Dow Jones Industrial Average down 0.9% for the quarter. Broader market measures such as the Russell 3000 Index only managed a slightly positive 1.3% total return. Given the strength in the market during the final quarter of 2006, it is not surprising that the equity returns would moderate from their frenetic pace. The bond market generated a positive return for the first three months of 2007, reflecting expectations of a deceleration of economic activity and an easing of inflationary pressure.

Leading indicators suggest that the economy is expanding more slowly in 2007, and GDP is likely growing at a 2.5% to 3.0% annual rate this year. A moderating growth environment will be more challenging for companies with weaker balance sheets as slowing profit growth will likely put pressure on their borrowing arrangements. Companies with stronger balance sheets and global reach should benefit in this environment. It is estimated that approximately one-third of all S&P 500 company profits come from overseas affiliates.

UMFNE SOCIALLY RESPONSIBLE STOCK POOL*

The UMFNE Socially Responsible Stock Pool* is comprised of two portfolios designed to track the performance of the Russell 3000 Index (78% of the fund) and MSCI EAFE Index (22% of the fund). The Russell 3000 portfolio holds over 800 stocks, including large-cap (59% of the portfolio), mid-cap (11%), and small-cap (8%) US equities. Our international portfolio holds approximately 170 securities and is optimized to have traits similar to the MSCI EAFE (Europe Australia Far East) Index.

The returns for the first quarter and for the past 12 months are summarized below. The best performing group was again international stocks, particularly in developed markets. The MSCI EAFE Index had a total return of 2.6% for the quarter, supported by attractive valuation levels, higher economic growth and continued weakness in the US dollar. Emerging market equities, which have had four years of close to 40% returns, were especially volatile in the first quarter. After the Chinese raised interest rates, their stock market sold off sharply, declining over 8% in one day. It has since recovered and set new highs. The MSCI Emerging Markets Index (which includes China) rose 4.1% in March, erasing the decline of the first two months and producing a 2.4% return for the quarter. The UMFNE portfolio has indirect exposure to emerging markets through companies domiciled in developed markets but doing business in "emerging" or developing countries such as China or India.

Time Weighted Return	Quarter Ended 03/31/07	Twelve Months Ended 03/31/07
UMFNE Stock Pool*	1.91%	13.15%
Russell 3000 Index	1.28%	11.30%
S & P 500	1.12%	1.83%
Domini Social Index	-0.18%	9.20%
MSCI EAFE Index	2.60%	20.67%

UMFNE SOCIALLY RESPONSIBLE BOND POOL*

For the first quarter, the UMFNE Socially Responsible Bond Pool* posted returns of 1.52%, slightly below the 1.59% return for the Lehman Intermediate Government Credit Index. For the full year, the fund returned 5.99% versus 6.14% for the benchmark. The conservative structure of the portfolio, including the underweight to corporate bonds relative to the benchmark, caused the modest underperformance for the quarter, in particular the underweight to the BBB-rated bonds.

Kimberly D. Gluck CFA
UMFNE Investment Committee
April 20, 2007

* The actual performance of individual customer accounts will be impacted by fees, deposits, withdrawals and timing of investments, and may not reflect the performance described in UMFNE's Pools.

AS GOOD AS YOU'VE HEARD

The truth is, most people are surprised by the benefits of charitable tax planning. This is likely due, at least in part, to the fact that charitable tax planning strategies often make it possible to realize multiple objectives.

AGE	RATE
64	6.0%
65	6.0%
66	6.1%
67	6.2%
68	6.3%
69	6.4%
70	6.5%
71	6.6%
72	6.7%
73	6.8%
74	6.9%
75	7.1%
76	7.2%
77	7.4%
78	7.6%
79	7.8%
80	8.0%
81	8.3%
82	8.5%
83	8.8%
84	9.2%
85	9.5%
86	9.9%
87	10.2%
88	10.6%
89	11.0%
90+	11.3%

Careful planning actually makes it possible to enjoy personal and/or family benefits plus realize philanthropic goals and dreams by taking full advantage of incentives that encourage charitable planning. The Charitable Gift Annuity is a perfect example of this reality.

It's an Annuity -- It's a Gift

The Charitable Gift Annuity combines these two concepts which are typically viewed as virtually opposite actions. Annuity refers to the creation of an annual income stream, while a Gift gives it away. In practical terms, the Gift Annuity is a contract between a qualified charity and an individual or couple. The contract provides fixed payments to the donor(s) for life and an ultimate gift to charity. Here is how it works:

Mr. Sample creates a \$50,000 Gift Annuity with the United Methodist Foundation of New England. The Foundation provides annuity payments for as long as Mr. Sample lives. Rates on one-life Gift Annuities range as high as 11.3% and are based on the age of the annuitant. For purposes of our illustration, let's assume that Mr. Sample is 76 years of age. The \$50,000 Gift Annuity guarantees Mr. Sample annual payments of 7.2%, but the benefits do not end with the attractive annuity rate. Upon Mr. Sample's death, the Gift Annuity contract becomes a gift to charity, and a number of charitable tax benefits accrue. A formula calculates the value of the ultimate gift to charity and provides for an immediate charitable income tax deduction. When the Gift Annuity is funded with an appreciated asset, a portion of each annuity payment may be tax-free . . . further reducing tax liability.

If you'd like to see just how a Charitable Gift Annuity agreement might help you realize your objectives, simply call, email, write or fax your name, contact information, birth date, amount of the annuity, and whether payments will be made to a single person or a couple. There is no obligation for this educational service, and we are happy to be able to offer it to our friends of the Foundation.

For more information, or to schedule a personal appointment, call Gary Melville, Director of Development at 800-595-4347 X103 or email gary@umfne.org.