FOURTH QUARTER 2007 INVESTMENT COMMENTARY & 2008 MARKET OUTLOOK

For investors in 2007, it was the best of times and it was the worst of times, to paraphrase Charles Dickens. To say that last year was a "Tale of Two Markets" would not be an overstatement; the first half of 2007 was characterized by easy credit and record borrowing by private equity firms to acquire companies through leveraged buyouts. The second half of the year saw a precipitous decline in bankers' and investors' willingness to lend and tightening credit markets. Returns through the end of June were solid, with small caps and international stocks leading the way. Over the last six months, equity markets appear to have lost much of their momentum and are down (except for emerging markets) from their June highs. For the full year, all equities except the smallest market caps and REITs produced positive returns. No asset class stays on top forever and this past year saw the inevitable rotation from small capitalization to larger stocks and from value to growth stocks, a complete reversal from 2006.

Equity returns were weak in the fourth quarter. While October was very strong across the spectrum of equities, returns were decidedly poor in November and were relatively flat in December. For the final quarter of 2007, the best performing assets were emerging markets equities (+3.6%) and treasury notes and bonds (from +2% to +4%). Investors grew cautious about the prospect of a softer economy from falling housing prices and tighter credit markets. Returns on U.S equities ranged from -0.3% for the Russell Top 200 (mega cap) Growth Index to -7.3% for the Russell 2000 (small cap) Value Index. The S&P 500 Index fell -3.3% for the quarter but was up 5.5% for the full year.

Economic indicators suggest a slower start for the economy in 2008. Consumer spending, which constitutes over two-thirds of the American economy, has come under increasing pressure from declining home values coupled with inflation. Rising health care costs and energy prices have pushed the CPI above 4% as employment growth has slowed to just 18,000 in December, from an average monthly rate of 111,000 for the rest of 2007. One bright spot for the U.S. economy has been exports. The weak dollar has stimulated demand for U.S. goods overseas, particularly in emerging markets which is the destination for over half of our exports.

UMFNE SOCIALLY RESPONSIBLE STOCK POOL*

The UMFNE Socially Responsible Stock Pool* is comprised of two portfolios designed to optimally track the performance of both domestic and international stocks as represented by the Russell 3000 Index (65-80% of the pool), MSCI EAFE (Europe Australia Far East) Index (15-35% of the pool) and emerging markets (up to 5% of the pool). Currently, our Stock Pool consists of over 960 holdings with an asset allocation of 48% large-cap, 19% mid-cap, 5% small-cap, and 28% international companies, including 6% in emerging markets.

As summarized below, returns of the UMFNE Stock Pool* have slightly beaten the S&P 500 Index in the fourth quarter and outperformed the index by more than 1% for the past 12 months. The best performing group continues to be international stocks with the MSCI EAFE Index having a total return of 11.61% year-to-date, supported by attractive valuation levels, stronger economic growth and continued weakness in the US dollar. The dollar declined 4.9% decline versus the Japanese yen, and a 10.3% drop against the European euro for the year, helping to boost international returns for U.S.

investors[1]. Global economic expansion has become less dependent on a strong U.S. economy as these emerging economies gain momentum. While the U.S. has slowed due to weakness in housing and moderately higher interest rates, Asian and Latin American economies have continued to grow.

Time Weighted Return	Quarter Ended 12/31/07	12 Months Ended 12/31/07	3 Years Ended 12/31/07
UMFNE Stock Pool*	-2.71	6.57	9.93
Russell 3000 Index	-3.35	5.13	8.89
S & P 500	-3.33	5.49	8.62
Domini Social Index[2]	-1.32	3.71	6.55
MSCI EAFE Index	-1.75	11.17	17.28

UMFNE Socially Responsible Bond Pool*

For the fourth quarter, the UMFNE Socially Responsible Bond Pool* posted a return of 2.9%, in line with the 2.9% for the Lehman Intermediate Government Credit Index. For the full year, our Bond Pool was up 7.5%, slightly better than the 7.4% for the Index. This was the first year since 2002 that fixed income investments outperformed the S&P 500 Index. Our focus on quality and the conservative structure of the portfolio (particularly its underweight to BBB-rated bonds and our underweight to corporate bonds relative to the benchmark), caused this modest outperformance for the year. We have avoided the sub-prime mortgage market, and maintained a portfolio duration in line with the benchmark, in our effort to minimize the volatility of our bond pool.

Market Outlook

The excesses of the mortgage and debt markets will take some time for the economy to absorb and correct. Banks must rebuild their balance sheets after taking large reserves for defaulting loans and are likely to be much more cautious when extending new loans. Further, rising foreclosures can have a ripple effect through our economy as consumers retrench and repair their own balance sheets. Once that process is complete, depressed financial and consumer cyclical stocks are likely to recover somewhat from their low valuations. Further, large cap growth stocks have outpaced small cap stocks over the past year and this trend is expected to continue while the dollar is weak as larger companies are more likely to serve markets outside the U.S. and to benefit from this currency trend. The weak dollar also has helped boost non-U.S. equity returns over the past few years. Hence, globalization continues to be the dominant investment theme and is reflected in our steady increase in investing in the non-U.S. markets. Against this backdrop, the broad diversification of our passive portfolio should give investors some comfort as it is style neutral and contains companies of all sizes and geographies.

Kimberly D. Gluck CFA
UMFNE Investment Committee
January 14, 2008

* 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.

[1] Money Morning, January 2, 2008, http://www.moneymorning.com/2008/01/02/dollar-ends-2007-with-a-thud/

[2] http://www.kld.com/indexes/ds400index/performance.html