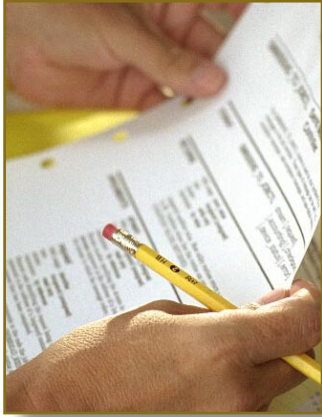




Investor Update



New & Enhanced Look for Our Quarterly Statements

We have updated our trust accounting system with new and improved software in order to streamline our efforts. This change allows us quicker accessibility to your records, and the new statement format is easy to read; we hope you like this new look.

During this transitional time, we thank you for your loyalty, patience and understanding as we strive to provide you with the best service possible.

Are You Considering a Church Loan?

To better serve United Methodist churches in New England, the Foundation has enhanced its Loan Program by offering **More Options, Lower Rates** and **Lower Costs and Fees**. We now have two broad categories of loans - “Residential” and “Commercial”:

- “Residential” loans are for the building and repairs of church parsonages, and have a more favorable interest rate structure;
- “Commercial” loans are for churches and other church-owned property.

To remain competitive with local banks, we now offer Adjustable Rate Mortgages (ARMs) for one, three or five years. Adjustable rate mortgages “adjust” the rate depending on the “term” or period chosen. For instance, a five-year ARM has an interest rate that is fixed for five years, and then is adjusted to the future current rate, which may be higher or lower. For “residential” loans, the rate is “capped” and cannot adjust more than 2% a year, or 6% over the life of the loan. There is no cap available on “commercial” loans. To make payments affordable and help church cash flow, churches may choose a loan term up to 20 years.

Costs are always a concern for churches. Foundation loan officers understand our churches’ needs, and work with them to find appropriate solutions to fund their capital projects. We have implemented a low cost fee structure that competes favorably with other financial institutions:

- ♦ New loans: Loan fee is one percent (1%) of the loan amount
- ♦ Refinanced loans: Loan fee is \$ 250
- ♦ Minimum loan fee: \$ 250 for all loans
- ♦ No title insurance required
- ♦ No plot plan required
- ♦ Generally, no appraisal required



We have created a new *Church Loan Evaluation Worksheet* that can help churches evaluate their financial situation so as to determine appropriate loan options and terms. Detailed information about our Loan Program (and this worksheet) is available on our website, www.umfne.org . If you have questions or need further assistance, please call 800-595-4347, ext. 100.

SECOND QUARTER 2006 INVESTMENT COMMENTARY

After a relatively good first quarter and April 2006, market sentiment abruptly changed in May due to a variety of factors. Economic growth has slowed from its post-Katrina recovery pace of the first quarter. Consumer spending has become more cautious due to higher inflation and rising interest rates. Federal Reserve Chairman Ben Bernanke increased short term interest rates by one-quarter percent at the May and June meetings. This has all happened against a backdrop of increased geo-political risk due to rising tensions in the Middle East. As a result, investor appetite for risk has been diminished, causing stock prices to fall.

In the second quarter, nearly every stock average fell. Mid cap and small cap stocks fared relatively poorly while large cap stocks held up reasonably well, reversing a trend of smaller companies outperforming the big ones for the first time in about five years. Emerging markets stocks were also very weak - down 4.3% after being up more than 12% in the first quarter. Notable exceptions to these negative results were the developed international stocks in places such as Europe, Japan, and Australia. These markets, as measured by the MSCI EAFE (Europe, Australia, Far East) Index were up 0.93% for the second quarter.

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 (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.

The returns for the second quarter and year to date are summarized below. As mentioned above, the strength of international stocks has greatly enhanced the returns of the UMFNE Stock Pool portfolio since they were added in October 2005. International stock returns have been helped by the weakness in the dollar and their attractive relative valuations.

TIME WEIGHTED RETURN	QUARTER ENDING 06/30/06	YEAR TO DATE
UMFNE Stock Pool*	-1.58	4.62
Russell 3000 Index	-1.97	3.23
S & P 500	-1.44	2.71
Domini Social Index	-3.26	0.16
MSCI EAFE Index	0.93	10.49



UMFNE SOCIALLY RESPONSIBLE BOND POOL*

The UMFNE Socially Responsible Bond Pool posted returns of 0.28%, outperforming its benchmark by 0.07% (7 basis points) for the second quarter. Year-to-date, the Pool has outperformed the benchmark by 0.19% (19 basis points). What helped our Pool's performance be better than the benchmark was its shorter duration and better quality credit when compared to the index.

CONCLUSION: *UMFNE's broadly diversified equity portfolio and defensively positioned bond portfolio continue to be excellent investment options for our churches and conference agencies.*

Kimberly D. Gluck CFA
UMFNE Investment Committee

July 21, 2006

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

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