Fourth Quarter 2009 Investment Commentary

What a difference a year makes! In 2008, global markets plunged in value as the markets suffered their largest losses since the Great Depression. In 2009, financial markets rebounded dramatically, albeit from very distressed prices. Last year could be described as a roller coaster for investors: after plunging to new lows in early March, the stocks and corporate bonds rallied sharply starting late in the first quarter and continuing through the end of 2009. For the year, the S&P 500 rose 26.5%, though it was up more than 63% from its March low. International equities, helped in part by a weakening dollar last year, were up 32.5% as measured by the Europe, Australia, Far East (EAFE) developed market index. By far, one of the very best returns was in emerging markets: the MSCI Emerging Markets Index rose over 79% for the year.[1] Fixed income markets, led by corporate bonds, also generated strong returns with the less credit worthy issues generating the best returns. Conversely, one of the worst performing indexes was the Barclays US Long Treasury Index which declined -12.9% in 2009 as investors left the safety of longer treasury obligations seeking better returns elsewhere

Heavy doses of fiscal and monetary stimulus, coupled with the easing of fear that gripped the markets earlier, helped to push Ben Bernanke's "green shoots" of a stabilizing economy into a relatively modest economic recovery starting at the beginning of the third quarter. Real GDP grew an estimated annualized rate of 2.2% in the third quarter and we anticipate a moderate acceleration in growth in the final quarter of 2009 to an annual rate of between 3% and 4%. While there are signs that our economy is improving, there are serious headwinds to our recovery that cannot be ignored. High levels of government, corporate and personal debt are likely to constrain economic growth as wealth creation is used to de-leverage balance sheets. Our national debt stands at $12.1 trillion and is headed higher as Congress just raised the debt ceiling by another 290 billion[2]. As 61% of all US Treasuries are owned by foreigners, we are somewhat dependent on countries like China and Japan, that hold an estimated $776 billion and $712 billion, respectively, of U.S. government obligations.[3] While many companies' balance sheets have been negatively impacted by the financial crisis, those in a stronger financial position may be able to gain market share or make acquisitions in the current environment. Savings rates have moved higher recently, however, consumers remain saddled with debt burdens that will take time to work down[4].

UMFNE Socially Responsible Stock Pool*

The fourth quarter of 2009 was in many ways a repeat of the second and third quarters: stocks continued to advance as investors' appetite for risk grew and economic data suggested that the worst of the Great Recession was behind us. The S&P 500 Index rose 6.0% while the developed market international MSCI EAFE Index was up 2.4% for the quarter. Buoyed by more robust economic growth and smaller debt burdens, the biggest gainers of the quarter were the international emerging markets: returns were 8.6% for the fourth quarter.

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 (target: 75% of the pool) and MSCI EAFE (Europe Australia Far East) Index (target: 20% of the pool) and MSCI Emerging Markets (target: 5% of the pool). Currently, our Stock Pool consists of over 998 holdings with an asset allocation of 55% large-cap, 18% mid-cap, 6% small-cap, and 25% international companies including 6% emerging markets.

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[1] Index return data from FactSet Research Systems
[2] http://www.cbo.gov/ Congressional Budget Office
[3] J.P. Morgan Guide 1Q 2010 Guide To The Markets, page 32.
[4] http://www.federalreserve.gov/Releases/housedebt/

Time Weighted Return	Quarter Ended 12/31/09	12 Months Ended 12/31/09	3 Years Ended 12/31/09	5 Years Ended 12/31/09
UMFNE Stock Pool*	5.29%	31.36%	-4.41%	1.72%
Russell 3000 Index	5.90	28.34	-5.42	0.76
S & P 500	6.04	26.46	-5.63	0.42
Domini Social Index5	7.47	31.73	-3.85	0.73
MSCI EAFE Index	2.35	31.78	-6.04	4.02

UMFNE Socially Responsible Bond Pool*

For the fourth quarter, the UMFNE Socially Responsible Bond Pool* posted a return of +0.22%, lagging behind the Barclays (formerly Lehman) Intermediate Government Credit Index which had a return of 0.31%. On a year to date basis, our Bond Pool was up 3.09%, versus than the 5.24% for the 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), was additive to our performance for all of 2008 but has lagged the benchmarks as credit markets recovered and investors' appetite for risk has increased. Investors have rotated out of treasury and agency debt and into corporate credit. We view the bond portfolio as (ideally) a stable source of income for investors and look to our equity investments for appreciation over time.

Market Outlook

We have come through our "roller coaster year" with results that generally were better than almost anyone would have predicted back in March 2009. Our outlook for this year is positive, but rather subdued. Based on the dramatic recovery in equity markets, valuations at this point are no longer compelling. Even so, equity market prospects relative to fixed income investments are fundamentally more favorable based upon expectations for global economic recovery. In our view, the global economy will continue to be dominated by the de-leveraging of the developed countries and the increased use of credit by the developing countries. What worked in 2009 were diversified portfolios with an increasingly global orientation. The secular trends that influenced those decisions are still in place today. On a relative basis, economic growth is likely to be weaker in the US and other developed countries and stronger in the emerging markets of the world, notably China, Brazil and India. Accordingly, we believe that a continuation of this diversified, global approach is appropriate for this year. We appreciate your loyalty to our firm and we welcome your feedback on our correspondence.

Kimberly D. Gluck CFA
UMFNE Investment Committee
January 19, 2010

* 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.

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