

**United Methodist Foundation
of Northern Illinois Conference**

Investment Consulting Presentation

April 2008

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Firm Overview

Consultant

Paul Wilkin, CFA, CAIA, CFP, ChFC

- Senior Consultant
- 14 years of relevant experience
- Chartered Financial Analyst (2003)
- Chartered Alternative Investment Analyst (2007)
- Certified Financial Planner (1998)
- Chartered Financial Consultant (2006)
- MBA with major in Finance from Ohio State University
- BSBA with major in Economics from Bowling Green State University (summa cum laude)

Established Firm

Hammond Associates brings extensive experience, depth of understanding, and stability to all of our relationships

- Firm

- Founded in 1985
- National Practice
- 120 Employees
- 41 Employee-Shareholders
- Proprietary Research
- Consult to Over \$56 Billion in Total Assets

- Practice Disciplines

- Foundations
- Health Care Institutions
- Higher Education Institutions
- Pension Plans
- Private Wealth Clients
- CIO Outsourcing

- Clientele

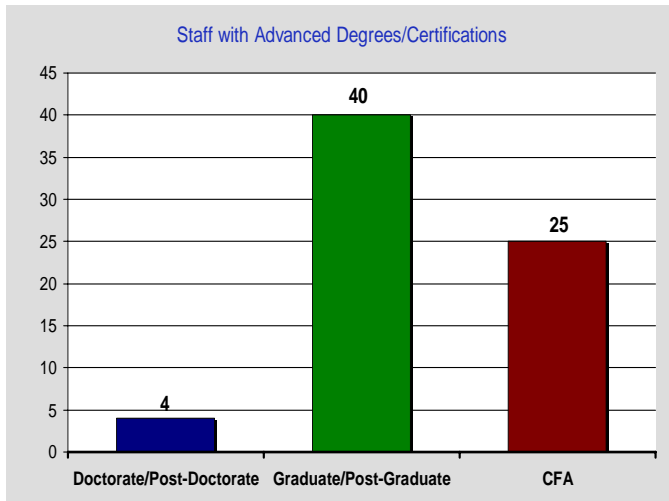
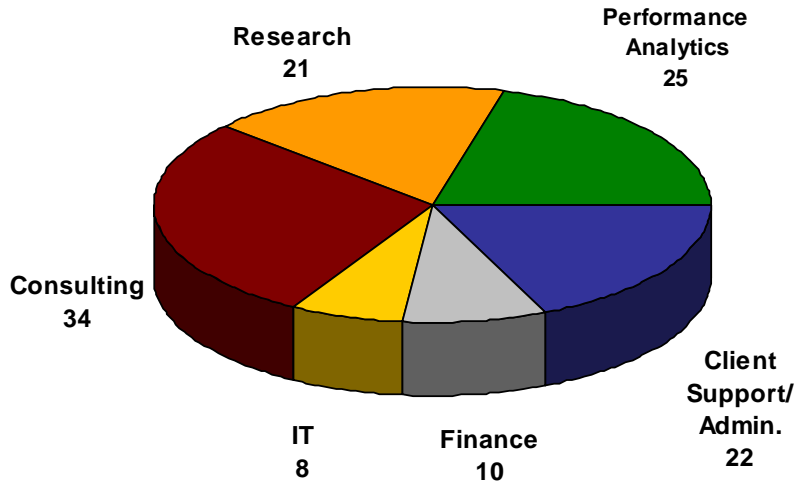
- 94.8% Institutional Client Retention¹
- 94% Top Half Performance in Wilshire Total Fund Universe Over 5-Year Period²

¹ It is not known whether our clients approve or disapprove of Hammond Associates or the advisory services provided.

² Please refer to Client Performance charts on pages 20-21 and Important Disclosures on page 27 for more information.

Hammond Staff Highlights

120 Staff Members



Extensive Investment Experience

- 7 Former Chief or Senior Investment Officers
 - Anheuser-Busch
 - Saint Louis University (2)
 - San Diego County Employees Retirement Association
 - Smurfit-Stone Container Corp.
 - Southern Company
 - Vanderbilt University
 - Washington University (2)

- 16 Current and former Non-Profit Investment Committee and Board memberships (Six Chairmanships)

<ul style="list-style-type: none"> - Babson College - Central Methodist University - Community School - High Net Worth Family & Charity - Mary Institute Country Day - Maryville University - Missouri Historical Society - Missouri Foundation for Health 	<ul style="list-style-type: none"> - Missouri United Methodist Fdn - Sanford-Brown College - St. Louis College of Pharmacy - St. Louis County Retirement Bd - St. Louis Priory School - St. Louis Public Library Fdn - St. Louis Science Center - St. Louis Univ High School
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Our Clientele

FOUNDATIONS & OTHER NON-PROFITS (\$7.9bn)

Community

Albuquerque Community Foundation
Arkansas Community Foundation
Community Foundation of Broward
Community Foundation of Greater Flint
Dade Community Foundation/DadeFund
Greater Cedar Rapids Community Foundation
Greater Des Moines Community Foundation
The Norfolk Foundation
Madison County Community Foundation
Rochester Area Community Foundation
Santa Barbara Foundation
The Community Foundation, Inc.(Jacksonville)

Public

Archdiocese of Dubuque
Boys Hope Girls Hope Foundation
Catholic Foundation for Eastern South Dakota
Dallas Seminary Foundation
Donald Danforth Plant Science Center
Foundation for the Flint Cultural Center

Holston United Methodist Home for Children

Lutheran Social Services

Missouri United Methodist Foundation

Roman Catholic Diocese of Paterson
St. Mary's Home

St. Mary's United Methodist Church Foundation

St. Peter's Cemetery Trust
Sequoyah Council, Boy Scouts of America
Shedd Aquarium Society
Sisters of the Good Shepherd
Tanager Place Endowment Foundation

Texas Methodist Foundation

The Oklahoma United Methodist Foundation

United Methodist Church – GBCS

United Methodist Foundation of Northern Illinois Conference, Inc.

Private Foundations & Other Non-Profits

Charles Stewart Mott Foundation
Committee to Protect Journalists
Deaconess Foundation
Flight Attendant Medical Research Institute
Ganna Walska Lotusland
Ginger Murchison Foundation
Harold Grinspoon Foundation
Healthcare Georgia Foundation
Iowa West Foundation
LCU Foundation
LGM Grandchildren's Trust
Lupe Murchison Foundation
National Marrow Donor Program
Philharmonic Center for the Arts
Powell Foundation
St. Louis Symphony Orchestra
St. Luke's Lutheran Health Ministries, Inc.
St. Mary's United Methodist Foundation
Samuel Roberts Noble Foundation
The Grable Foundation
The Lennox Foundation
The Partnership for a Drug-Free America
The Saemann Foundation
William R. Watts Foundation

PENSIONS (\$23.1bn)

Corporate

Archdiocese of Dubuque
Bunzl USA, Inc.
Catholic Foundation for E. So. Dakota
Credit Union Benefits Services
CUNA Mutual Group
Dallas Theological Seminary¹
Graybar Electric Company
Les Schwab Tires
Retirement Plan for the Employees of Royal Gorge Co.
Roman Catholic Diocese of Paterson
St. Louis Symphony Orchestra
Sisters of the Good Shepherd
Snap-on Incorporated
Texas Methodist Pension Board
The University of Texas M.D. Anderson Cancer Center

Public

City of Joplin Police & Fire
Houston Police Officers' Pension System
Prince William County Police & Fire
Teachers' Retirement System of Louisiana

Taft-Hartley

Local 202 – Sheet Metal Workers

Note: This list includes all institutional clients, except for individuals, and those requesting confidentiality. It is not known whether the listed clients approve or disapprove of Hammond Associates, or the advisory services provided. Inclusion of a client on the list does not imply that the client endorses or recommends Hammond Associates as an investment advisor. Performance based criteria were not used in determining which clients to include on the list.

Our Clientele

HIGHER EDUCATION (\$15.1bn)

Independent

Baker College
Baylor University
Bucknell University
Carleton College
Central Methodist University
Christian Brothers College High School
Colgate University
Concordia College
Cornell College
Dallas Theological Seminary
DePauw University
Grand View College
Greenville College
Harding University
Illinois Wesleyan University
John Brown University
Lebanese American University
Lenoir-Rhyne College
Luther College
Maryville College
Meadville Lombard Theological School
Messiah College
Moravian College
Morningside College
Mount Mercy College
Muhlenberg College
Ranken Technical College
Ransom Everglades School
Regent University
Rochester Institute of Technology
Rollins College
St. Louis University High School
St. Olaf College
Simmons College
Simpson College
Texas Lutheran University
The Abbey of Saint Mary and Saint Louis
Trinity Christian Academy
University of Rochester
Wartburg College
Westminster College
William Jewell College
Wittenberg University

Public

Ball State University Foundation
Boise State University Foundation
East Tennessee State University Fdn.
Eastern Illinois University
Eastern Illinois University Foundation
Emporia State University Foundation
Florida Atlantic University Foundation
Florida Gulf Coast University Foundation
Michigan State University Foundation
Michigan Tech Fund
Missouri State University Foundation
Minnesota State University – Mankato Foundation
Oklahoma St. Regents for Higher Education
Old Dominion University Foundation
Rutgers University
Southern Illinois University Edwardsville Foundation
Texas State University – San Marcos Development Fdn.
Texas Tech University
University of Alabama System
University of New Mexico Foundation
University of North Texas Foundation
University of Oregon Foundation
Washington State University Foundation
Western Illinois University Foundation

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PRIVATE WEALTH (\$7.1bn)

Springdale, AR	Chicago, IL
Paradise Valley, AZ	Leawood, KS
Scottsdale, AZ	Weston, MA
San Francisco, CA	Portland, ME
Keystone, CO	Baltimore, MD
Boca Grande, FL	Columbia, MO
Coral Gables, FL	Liberty, MO
Lakeland, FL	Patton, MO
Miami, FL	St. Louis, MO
Naples, FL	Warrenton, MO
St. Petersburg, FL	Lebanon, NJ
Vero Beach, FL	Westfield, NJ
Cedar Rapids, IA	New York, NY
Marion, IA	Dallas, TX
Spirit Lake, IA	Hunts Point, WA

HEALTH CARE (\$3.1bn)

Avera Health System
Baptist St. Anthony's Health System
Bethesda Hospital Foundation, Inc.
Children's Hospital of The King's Daughters
Covenant Health
Covenant HealthCare
Iowa Eye Institute
Mercy Medical Center
Mercy Medical Center Foundation
PCI - Surgical Specialists
St. Anthony's Medical Center Foundation
Scottsdale Healthcare
Wellmont Foundation
Wellmont Health System
Wesley Retirement Services, Inc.

Client Rankings – All Institutional Portfolios (as of: 12/31/07)

Wilshire Total Fund Universe				
Quartile	1 Years	3 Years	5 Years	10 Years
1	60%	79%	85%	73%
2	35%	12%	9%	20%
3	2%	7%	4%	3%
4	3%	3%	2%	3%
Observations	170	117	82	30

Note: Numbers may not add up to 100% due to rounding.

Hammond Associates' institutional clients have fared well versus the Wilshire Total Fund Universe over the past 1-, 3-, 5-, and 10-year periods. For example, 95% of our institutional clients rank in the top half vs. Wilshire's Total Fund Universe for the 1-year period ending December 2007, 91% rank in the top half over the three-year period, 94% rank in the top half over the five-year period, and 93% rank in the top half over the ten-year period.

Hammond Associates' Client Returns - All Institutional Portfolios

As of 12/31/2007	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Median	9.9	11.0	14.8	8.9
Low	2.7	4.8	4.9	5.0
High	15.5	15.2	19.9	11.1
Observations	170	117	82	30
70% S&P 500/30% Lehman Aggregate	6.1	7.5	10.4	6.2

*Please refer to *Important Disclosures* on page 27. Past performance is no guarantee of future results. Includes all Hammond Associates' institutional clients with assets greater than \$1MM and a Hammond tenure greater than each respective time period at 12/31/2007. Observations indicates the number of separately managed allocations, not necessarily separate clients as some clients have more than one plan.

Hammond Associates' Educational and Foundation Client Rankings (as of: 12/31/07)

Hammond Associates' Endowment and Foundation Client Quartile Rankings

Wilshire Eleemosynary Universe				
Quartile	1 Years	3 Years	5 Years	10 Years
1	43%	57%	76%	68%
2	44%	30%	11%	23%
3	11%	6%	8%	9%
4	2%	8%	5%	0%
Observations	129	90	62	22

Note: Numbers may not add up to 100% due to rounding.

Hammond Associates' Educational and Foundation clients have fared well versus the Wilshire Eleemosynary Universe over the past 1-, 3-, 5-, and 10-year periods. For example, 87% of our clients rank in the top half vs. Wilshire's Eleemosynary Universe for the 1 year period, 87% rank in the top half vs. Wilshire's Eleemosynary Universe for 3 years, 87% rank in the top half vs. Wilshire's Total Fund Universe for 5 years, and 91% rank in the top half vs. Wilshire's Eleemosynary Universe for 10 years.

Hammond Associates' Endowment and Foundation Client Returns

As of 12/31/2007	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Median	10.0	11.4	15.3	9.3
Low	5.2	6.1	5.7	6.8
High	16.5	14.3	17.7	10.3
Observations	129	90	62	22
70% S&P 500/30% Lehman Aggregate	6.1	7.5	10.4	6.2

*Please refer to *Important Disclosures* on page 27. Past performance is no guarantee of future results. Includes all Hammond Associates' institutional clients with assets greater than \$1MM and a Hammond tenure greater than each respective time period at 12/31/2007. Observations indicates the number of separately managed allocations, not necessarily separate clients as some clients have more than one plan.

Important Disclosures

- 1 It is not known whether our clients approve or disapprove of Hammond Associates or the advisory services provided.
- 2 Please refer to Client Performance charts within for more information.

Past performance is not indicative of future results. Individual client returns may vary based on timing of recommendation and/or timing of implementation. All client portfolios may experience gain or loss. Actual client returns presented herein are net of fees, which may include the following: brokerage commissions, investment management fees, custodial fees, and advisory fees. The portfolios listed above represent institutional, non-taxable accounts advised during each time period. The returns used herein assume reinvestment of dividends and other earnings. All returns are net of additions and withdrawals to the accounts. Returns represent the performance of current client portfolios and excludes the performance of ex-client portfolios. It excludes assets for which we do not advise or simply report performance. This data is used for informational purposes only to illustrate Hammond Associates' experience with providing advisory consulting services to institutional clients over various time periods. The Standard & Poor's 500 Index and the Lehman Aggregate Bond Index are used in this document to illustrate market conditions for the relevant time periods. Hammond Associates began recommending alternative investments (including hedge fund investments) in 2001. The equity, fixed, and alternatives percentage columns represent the actual current allocation of the portfolios, and may significantly differ from the allocations employed during the past 1-, 3-, 5- and 10-year periods. These current allocations may also significantly differ from the investment policy allocation and/or the allocation recommended by Hammond Associates for any client. Not all clients included in these returns pursued the same investment strategy or employed the same asset allocation.

Opinions included herein constitute Hammond Associates' judgment as of the date(s) indicated and are subject to change without notice. The sources of information used in this presentation are believed to be reliable. Hammond Associates has not independently verified all of the information contained herein. Any asset allocation model referenced in this presentation does not represent actual trading and may not reflect the impact that economic and market factors might have had on decision making if money was actually invested in the model. This presentation is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security or other investment vehicle. This presentation does not itself constitute either investment advice or recommendations on the part of Hammond Associates and may not adequately take into account the particular investment objectives, financial situations, or needs of the presentation's recipients. This document is intended only for the individual or authorized agents of the entity to whom it is addressed and may not be reproduced or distributed to any other person.

Asset Allocation

Asset Allocation Strategy – Macro Global

- Low return investment environment
- Most institutions' return targets may not be achieved
- U.S. stocks are priced to provide a 5-7% nominal return in the future
- International stocks remain relatively attractive, but their potential for outperforming U.S. equities has decreased
- Conclusion: **Diversify Globally and Consider Innovative Solutions**

Our Best Asset Allocation Ideas

1. Diversify
 - Risk is being re-priced, but may have further to go
 - ✓ Consider leaving short-term spending and capital call needs in cash.
 - Don't blindly reach for extra return by increasing risk
 - Watch for new opportunities

2. U.S. vs. International Equity
 - Weight similar to market cap (43% US, 57% international)
 - Underweight international small-cap stocks; target 0% to 15% of international allocation (market ~ 15%)
 - Reduce overweight to emerging equities; target 15% to 25% of international allocation (market = 19%)

3. Real Assets
 - Attractive for institutions with inflation-sensitive liabilities
 - 10% to 20% recommended target; long-term strategy mix:
 - ✓ 50-65% in real estate
 - ✓ 35-50% in natural resources (oil & gas, timber, commodities)
 - Uninvested into liquid real assets strategy (60% REITS and 40% natural resource stocks)

Our Best Asset Allocation Ideas (*cont.*)

4. Fixed Income
 - Global Bonds
 - ✓ Larger opportunity set (currency and bond yields)
 - ✓ More opportunities to add alpha
 - ✓ 5% recommended target
 - Favor TIPS over nominal Treasuries
 - Consider shifting Treasury-only allocations to broader *investment-grade* index (LAB)

5. US Small/Mid-Cap
 - Reduce mid-cap exposure to 0% to 20% of domestic equity allocation (market = 20%)

6. Quality / Growth & Value
 - Overweight large-cap growth allocation (15% to 30% of domestic equity portfolio)
 - Overweight high quality growth stocks (15% to 30% of domestic equity portfolio)
 - Underweight value, which also underweights financials

Asset Allocation Models

	Conservative Portfolio	Moderate Portfolio	Aggressive Portfolio
Growth Assets			
US Large Stocks	10%	13%	14%
US Large Growth Stocks	5%	6%	8%
US Large Quality Stocks	5%	6%	8%
<i>US Stocks</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>
Intl Large Stocks	8%	20%	32%
Intl Emerging Market Stocks	2%	5%	8%
<i>Intl Stocks</i>	<i>10%</i>	<i>25%</i>	<i>40%</i>
Total Growth Assets	30%	50%	70%
Risk Reduction Assets			
US / Global Fixed Income	40%	25%	10%
Total Risk Reduction Assets	40%	25%	10%
Inflation Protection Assets			
US Inflation Protected Fixed	25%	15%	5%
Real Assets	5%	10%	15%
Total Inflation Protection Assets	30%	25%	20%
Total	100%	100%	100%

Most UMF portfolios have been positioned similar to the Moderate model at the left. We expect that the Moderate Portfolio will continue to be the most popular choice with investors and donors.

These portfolios are more broadly diversified than the Foundation's past offerings, including emerging market stocks, global and inflation protected bonds, and real assets (primarily real estate and energy).

In addition, lower cost passive managers will be prevalent in all three portfolios, reflecting the high level of efficiency in traditional investment markets. Previously, Foundation portfolios were entirely actively managed.

Asset Allocation Models *(Cont'd)*

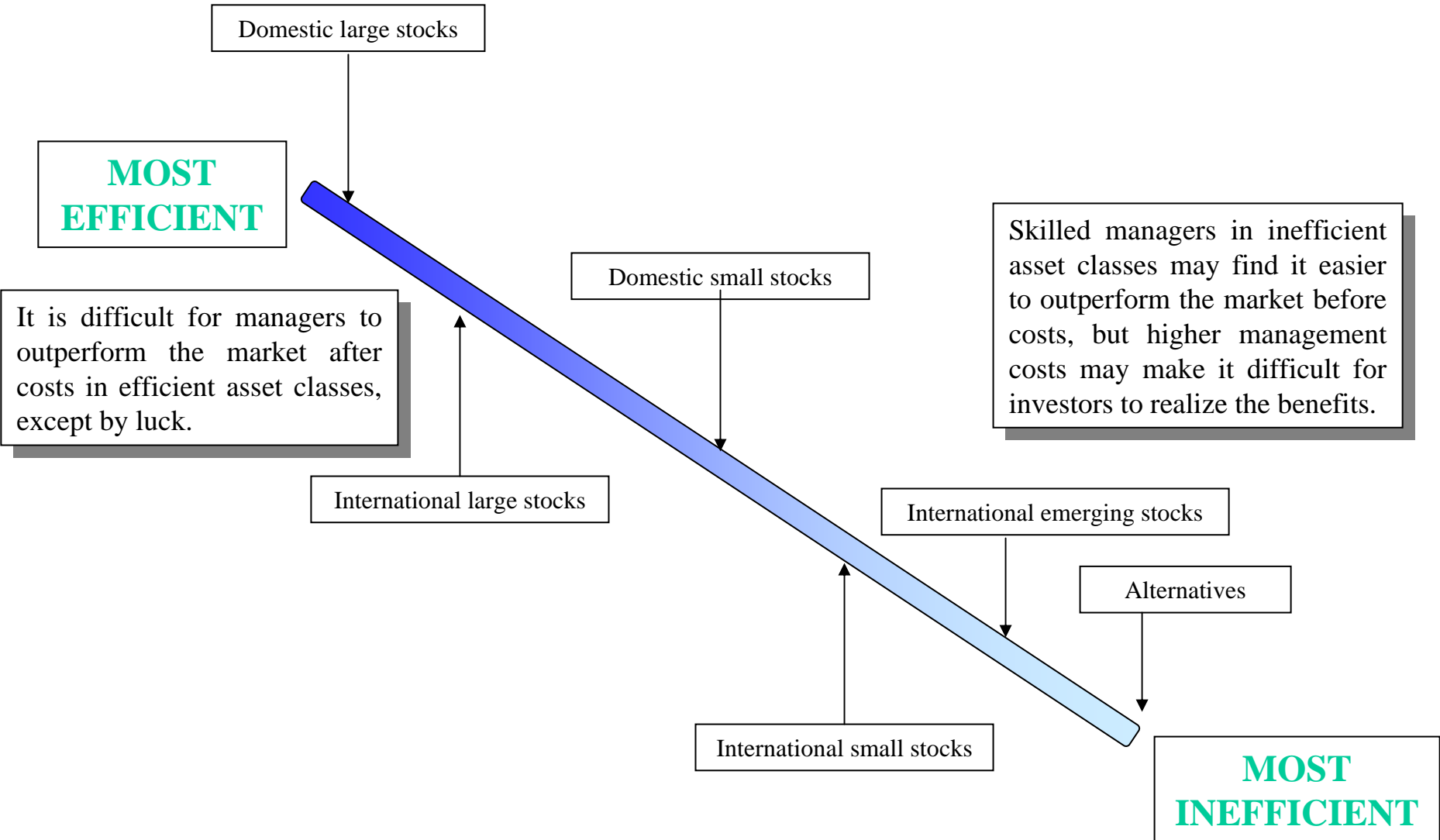
	Conservative Portfolio	Moderate Portfolio	Aggressive Portfolio
<i>Assumes 2.5% inflation</i>			
Return			
L/T Compound Expected Return	6.3%	7.2%	8.0%
10 Yr. Horizon Expected Return	5.8%	6.7%	7.5%
Expected Income	3.7%	3.1%	2.5%
Risk (L/T Expectations)			
Standard Deviation (1 Yr.)	±6.8%	±9.5%	±12.6%
Probability of Loss Year	16.8%	21.0%	24.4%
Probability of 10% or Worse Loss	0.8%	3.1%	6.9%
Lowest Likely Return (1 Yr.)	-9.3%	-14.4%	-20.6%
Sharpe Ratio	0.34	0.34	0.32
Risk (10-Yr Horizon Expectations)			
Standard Deviation (1 Yr.)	±6.8%	±9.5%	±12.6%
Probability of Loss Year	18.9%	22.6%	25.6%
Probability of 10% or Worse Loss	1.0%	3.5%	7.3%
Lowest Likely Return (1 Yr.)	-9.9%	-14.9%	-21.0%
Sharpe Ratio	0.34	0.34	0.32

As stated on page 15, we believe we are in a low return investment environment. We expect returns over the next 10 years to be lower than longer term returns.

As we move from the Conservative to the Aggressive Portfolio, expected returns increase. However, volatility (standard deviation) increases as well. The expected risk-adjusted returns, as measured by the Sharpe ratio, remain relatively stable across all three portfolios.

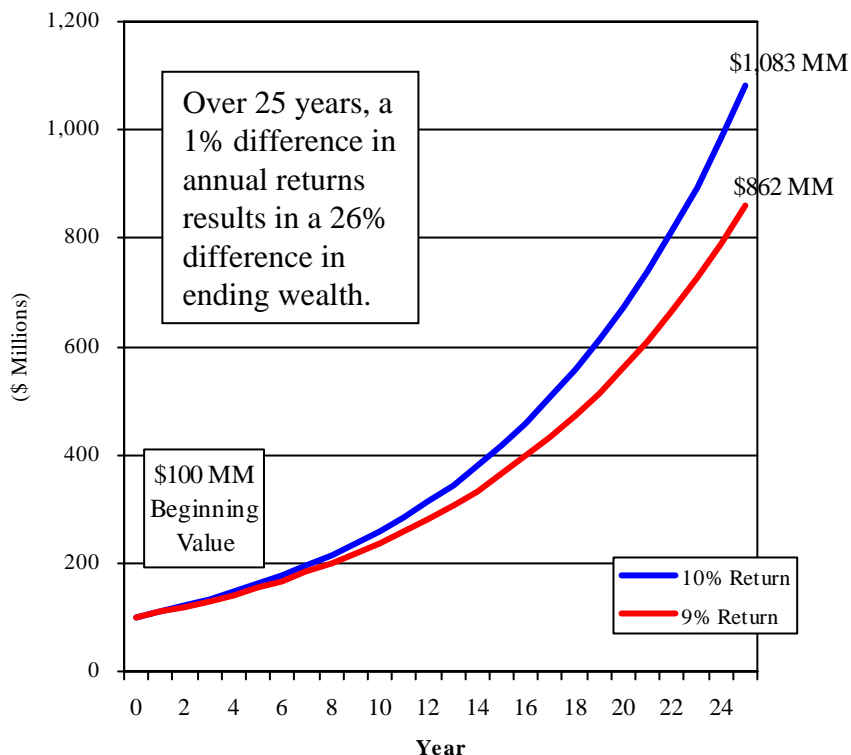
The Conservative Portfolio may be most appropriate for those investors and donors dependent on interest and dividends for their distributions.

Efficiency Across Global Markets



Indexing's Cost Advantage

How Much Difference Can 1% Make?



- One compelling reason to index is the cost advantage. Costs are a structural impediment to active manager outperformance.
- Costs to index the S&P 500 are typically one-tenth the cost of active large-cap management (including trading costs).
- The cost of active management can represent a significant portion of excess returns.
- Additional costs, in terms of time and money, are saved through indexing, because there is no need to locate, evaluate, monitor, and terminate active managers.