April 2009

UNION INVESTMENT MANAGEMENT GROUP

Monthly Investment Update

Equity markets around the world brushed aside terrible economic data and the bankruptcy filing of a top U.S. auto maker to post their biggest monthly jump in nearly two decades. This caps a dramatic seven-week rebound which has been built on signs that the global economy is shrinking at a slower pace and that the financial system is no longer teetering. Although poor economic data persists, recent signs of a move toward stabilization include a rise in consumer spending, an improving housing market, and a significant reduction in business inventories. Consumers have taken notice, pushing the consumer sentiment index to its highest level since September of last year. Further, two thirds of all consumers anticipate that the economic policies of the Obama administration will be effective in improving national economic conditions.

Asset Class	Index	04/30/09	12/31/08	Total Return 1 Month	Total Return YTD
Domestic Equities	S&P 500	873	903	9.57%	-2.49%
	DJIA	8,168	8,776	7.56%	-5.86%
	NASDAQ	1,717	1,577	12.40%	9.26%
	Russell 2000	488	499	15.46%	-1.81%
International Equities	EAFE Index	1,186	1,237	12.94%	-2.84%
Fixed Income	2-year USTN	0.90%	0.77%	-0.08%	0.19%
	10-year USTN	3.12%	2.25%	-3.41%	-6.04%

Monthly Market Commentary

Equities: Equities increased dramatically across all markets again in April. The technology-heavy NASDAQ continues to outperform. Its two month performance of 24.64% was its best since November of 2002 and pushed the index to a gain of nearly 10% for the year. The Dow Jones Industrial Average also had its best two month performance since 2002, while the S&P 500 had its best single month performance since March of 2000. Investors, clinging to signs of economic stability and a belief that stocks hit bottom in early March, appear to have reached the point where the fear of another significant decline in the stock market has been outweighed by the fear of missing a market recovery.

Fixed Income: As further evidence that fears are beginning to abate, some fixed income investors are venturing outside the sanctuary of U.S. Government Treasuries. Money flowed out of the 10-Year Treasury in April, pushing the yield up to 3.12% and extending its year-to-date loss to over 6%. Additionally, U.S. junk (high yield) bonds returned a record 9.7% for the month despite total U.S. corporate defaults for 2009 rising to 71. Globally, April saw the second-highest number of corporate defaults (40) since Standard and Poor's began tracking the data in 1981. S&P expects the global corporate default rate to continue rising.

Bottom Line

Equities:

Many U.S. equities are attractively priced for investors with a long-term investment horizon. The current equity market rally, however, may be unsustainable until economic conditions stabilize in a more significant way. Until then, companies that have shown the ability to grow at an above-average rate without the need for outside financing should remain in favor. We prefer larger globally-based businesses to their smaller domestic counterparts.

Fixed Income:

Treasuries remain the most overvalued fixed-income asset class, in our opinion, particularly shorter-term issues. That said, they will likely remain a store-of-value until economic headwinds subside. Government agency bonds, government mortgage-backed securities and investment grade corporate bonds appear to offer more attractive, risk-adjusted yields as Federal Reserve and Treasury Department efforts to unfreeze credit markets continue.

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