

UCF 1st Quarter 2014 PERFORMANCE WEBINAR

May 7, 2014



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Our Mission

Our mission in four words —

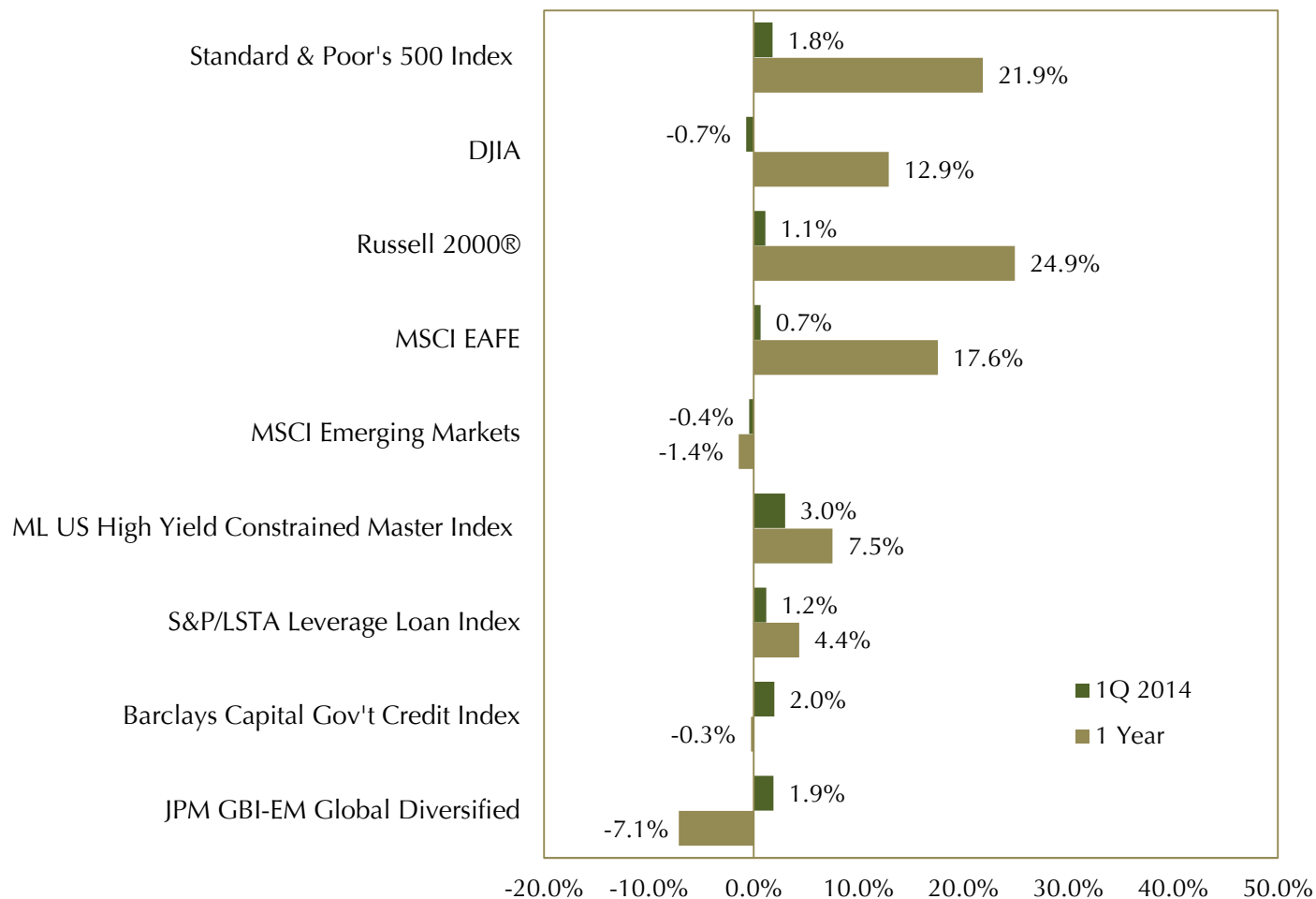
Invest responsibly. Strengthen ministry.

United Church Funds lives its mission by —

- Investing wisely to help our investors achieve their financial goals for their ministries
- Using the power of ownership to effect positive change, believing a responsibly managed company makes a better long-term investment
- Offering our investors a range of options and resources to strengthen their endowments, their management and the ministries they value

Performance

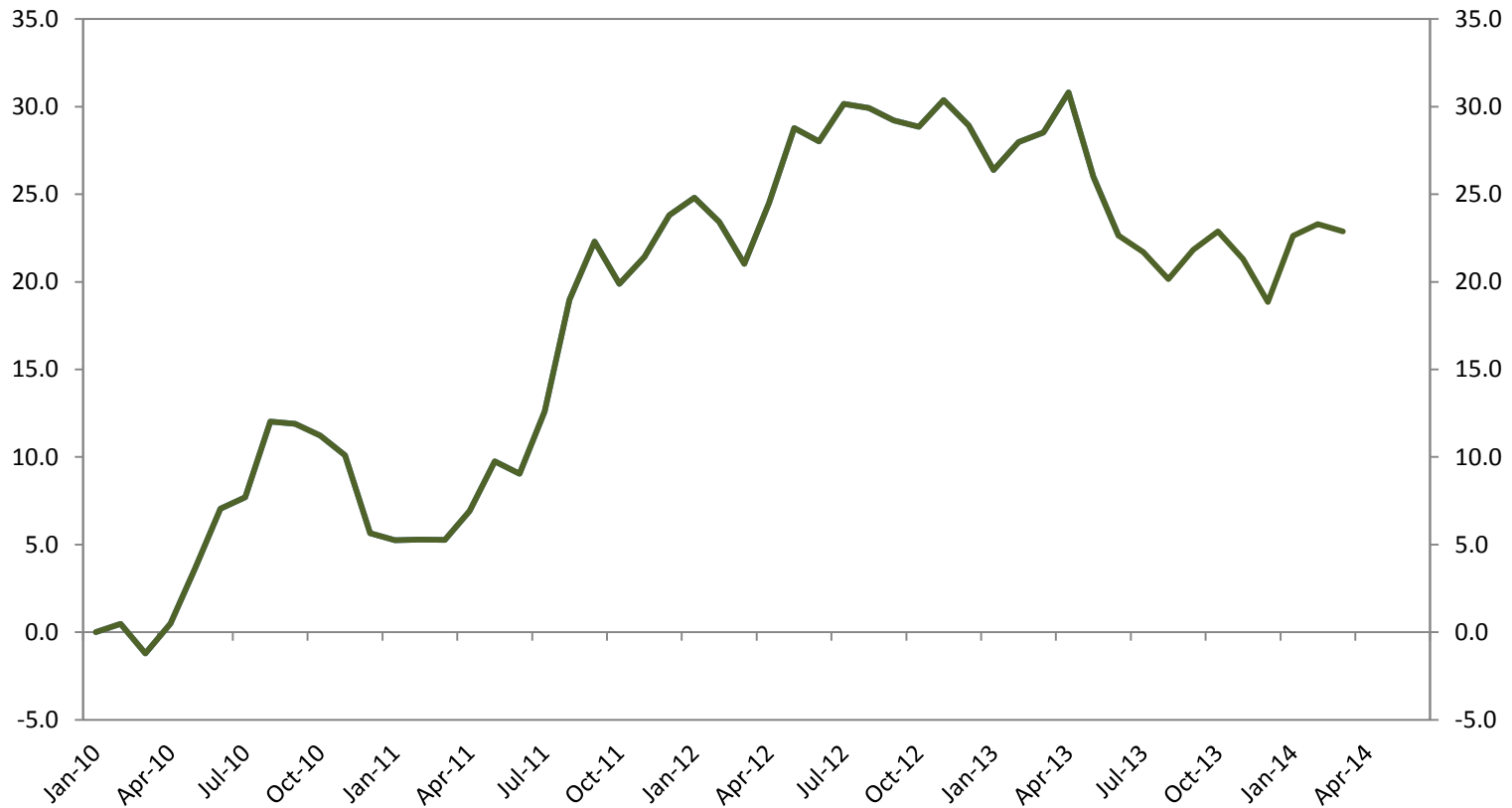
Performance: 1Q 2014 by Asset Class



Performance: Fixed Income Market

10-Year Treasury

Cumulative USD returns, January 2010 to March 2014



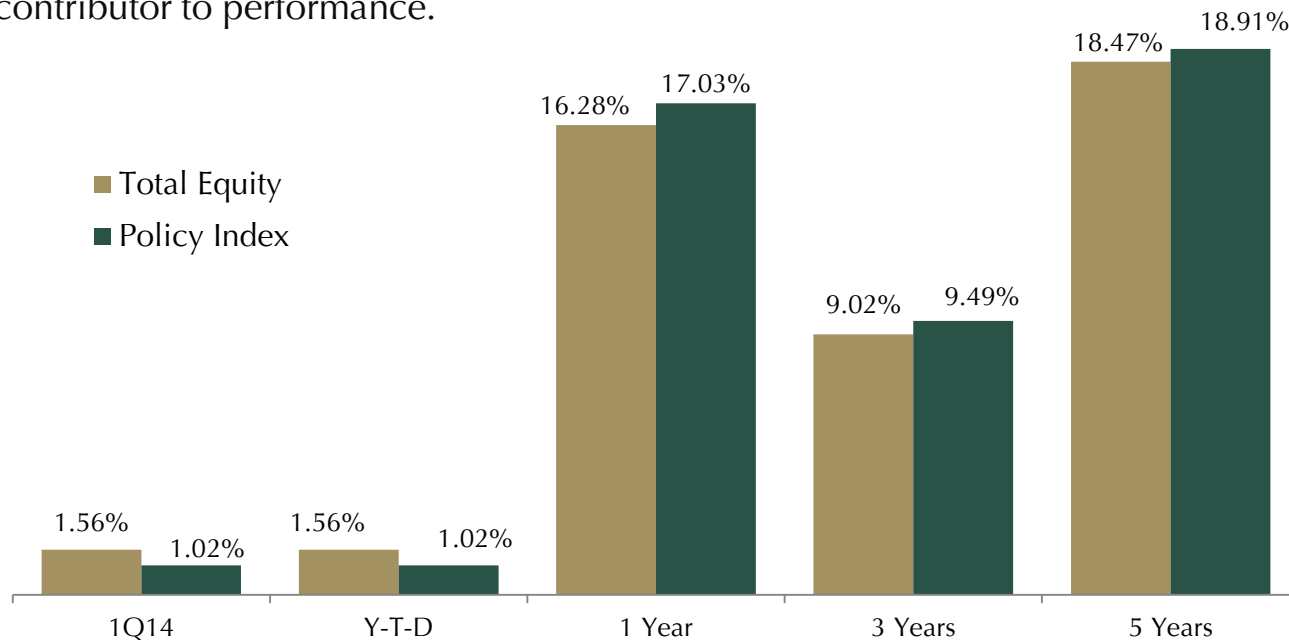
Source: Barclays Capital

Performance: UCF's Funds

Average Total Rates of Return			Annualized				
Returns on UCF funds presented net of fees			1st Qtr 2014	Year-To- Date	1 Year	3 Years	5 Years
MANAGED FUNDS	Fixed-Income Fund		1.96%	1.96%	-0.13%	4.07%	6.05%
	<i>Fixed Income Policy Index (85%Barclays Capital Government Credit Index (BCGC), 10%S&P LSTA Leveraged - Performing Loan, 5%JPM GBI Global Diversified as of 9/12013)</i>		1.90%	1.90%	-0.44%	4.21%	5.07%
	Domestic Core Equity Fund		2.37%	2.37%	21.66%	14.53%	21.17%
	<i>S&P 500 Index</i>		1.81%	1.81%	21.86%	14.66%	21.16%
	Small Cap Equity Fund		1.59%	1.59%	25.17%	10.40%	20.11%
	<i>Russell 2000 Index</i>		1.12%	1.12%	24.90%	13.18%	24.31%
	International Equity Fund		0.86%	0.86%	10.27%	4.13%	16.73%
	<i>Custom Index 70% EAFE net, 30% MSCI EM net</i>		0.36%	0.36%	11.61%	4.32%	15.22%
FUNDS OF FUNDS	Total Equity Fund		1.56%	1.56%	16.28%	9.02%	18.47%
	<i>Policy Index (40% S&P 500, 10% Russell 2000®, 35% EAFE, 15% MSCI Emerging Markets Net)</i>		1.02%	1.02%	17.03%	9.49%	18.91%
	Conservative Balanced Fund		1.77%	1.77%	5.86%	6.09%	10.65%
	<i>Policy Index (35% Equity Policy, 65% BCGC)</i>		1.64%	1.64%	5.49%	6.31%	10.08%
	Moderate Balanced Fund		1.67%	1.67%	9.89%	7.29%	13.58%
	<i>Policy Index (60% Equity Policy, 40% BCGC)</i>		1.42%	1.42%	9.84%	7.64%	13.56%
	Aggressive Balanced Fund		1.63%	1.63%	12.50%	7.88%	15.46%
	<i>Policy Index (75% Equity Policy, 25% BCGC)</i>		1.28%	1.28%	12.51%	8.38%	15.60%
Alternatives Balanced Fund		1.47%	1.47%	9.71%	6.82%	NA	
	<i>Current Policy Index 50% Equity Policy, 30% BCGC and 20% Alternatives Policy</i>		1.16%	1.16%	9.71%	7.50%	

Performance: Equity Fund

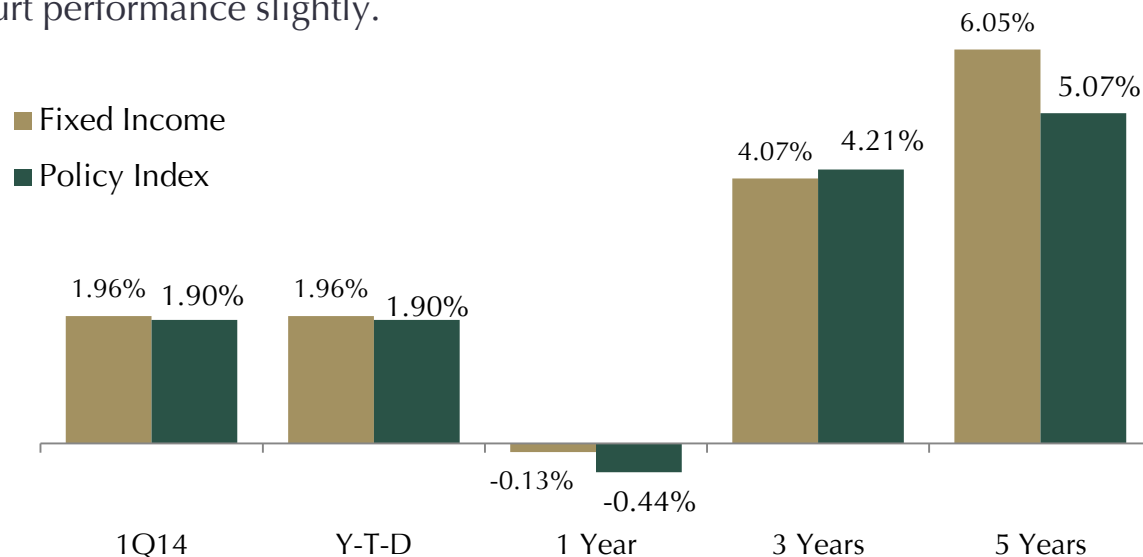
- **Absolute returns:** Domestic equities led the way in the quarter, but performance was more muted than in 2013. Poor weather and the Federal Reserve (Fed) “taper” was seen as a result of an economy in less need of support. International Developed markets also contributed, but Emerging Markets (EM) equities were negative despite a strong March.
- **Manager and allocation:** For 1Q14, all UCF composites outperformed their benchmarks and most managers outperformed. Overweight to US and underweight to emerging markets was a positive contributor to performance.



* Returns on UCF's funds are presented net of all fees.

Performance: Fixed Income Fund

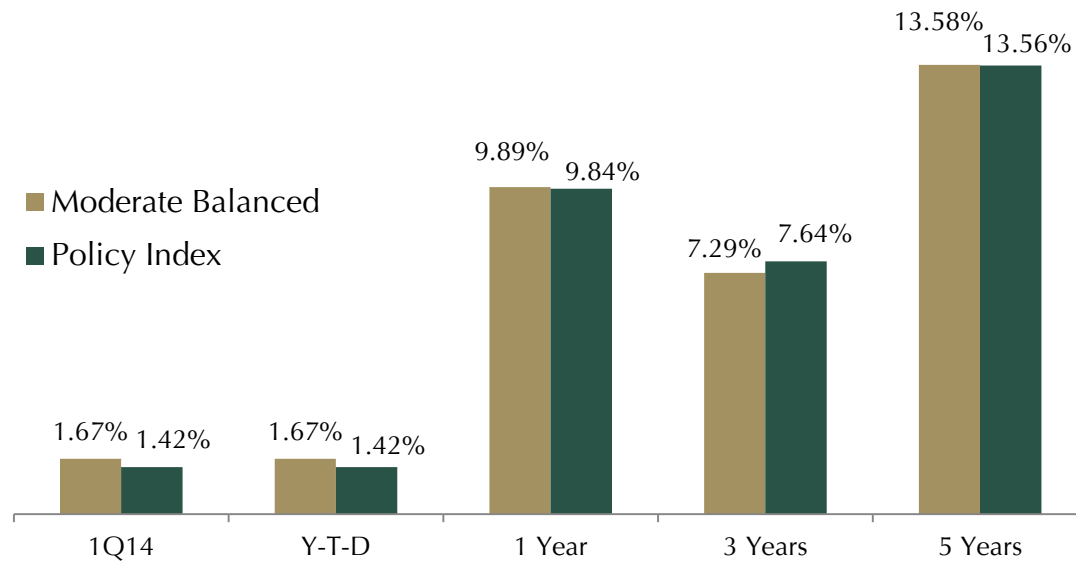
- **Absolute returns:** Positive performance for the quarter partially offset an overall negative 2013. Improving economic conditions and increasing risk appetite were offset by geopolitical concerns and continued low inflation outlook. Emerging markets debt began to contribute more positively after a difficult 2013, and variable rate bank loans were positive for the quarter.
- **Managers and allocation:** All managers beat benchmarks with highlight being Core Fixed outperformance. That strategy's focus on portfolio construction and yield curve roll-down as well as a continuing focus on intermediate US investment grade corporate securities offset its lower than benchmark exposure to long maturity government bonds. Overweight to bank loans and emerging markets debt hurt performance slightly.



* Returns on UCF's funds are presented net of all fees.

Performance: Moderate Balanced Fund

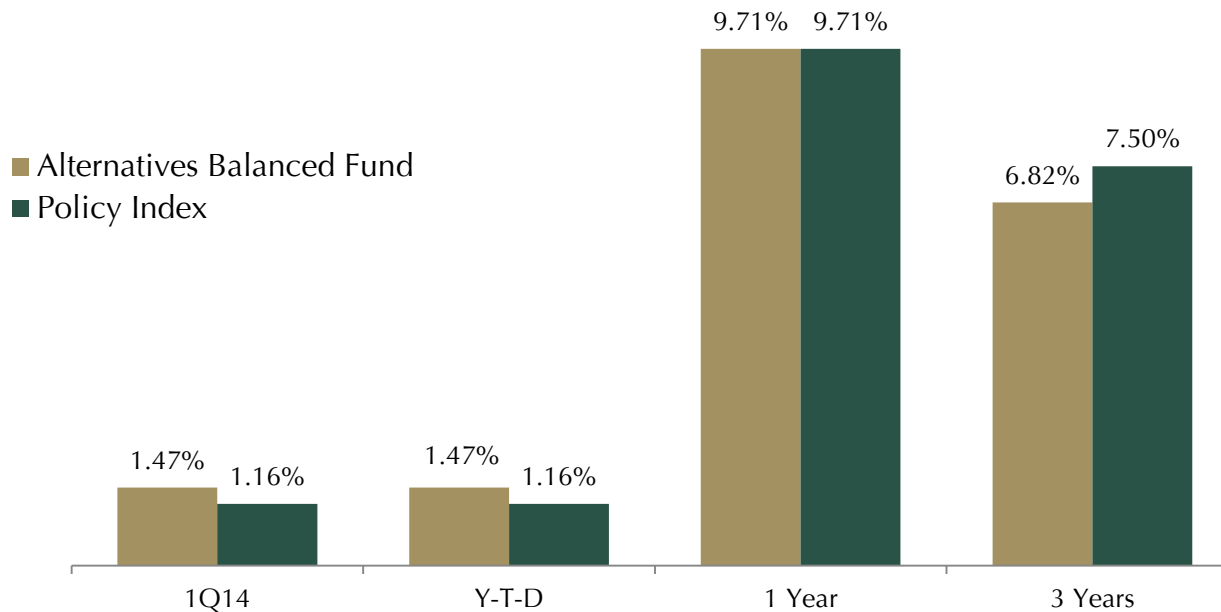
- **Equities:** US equity allocations have continued to lead but have been more mixed and muted than for 2013. Developed International (EAFE) had similar, positive returns. Allocation to EM did not contribute to 1Q14 returns but picked up strongly in March.
- **Fixed Income:** Fixed Income in general had a positive first quarter after a challenging 2013. Strategy was led by Core Fixed returns. Bank Loan allocations helped in 2013 and continued to do so in 1Q14.
- **Manager and allocation:** Manager performance additive in Equities and Fixed Income with very few exceptions. Overweight equities within ranges set by Investment Committee (IC) has been neutral in 1Q14.



* Returns on UCF's funds are presented net of all fees.

Performance: Alternatives Balanced Fund

- **Alternatives:** The Alternatives component is comprised of three fund of hedge funds — Evanston Weatherlow, Magnitude Capital and Abbey Capital and a core real estate manager, Heitman.
- **Manager and allocation:** Majority of underlying equity, fixed and alternatives managers have contributed to results while Abbey Capital, a macro manager (expected to move opposite the broader market) detracted somewhat. Asset allocation (overweight equities and alternatives/underweight Fixed Income) within ranges set by Investment Committee (IC) has been neutral early in 1Q14. Added to alternatives, subtracted from equities in quarter.



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Economy & Observations

Economy: US Sluggish but Resilient

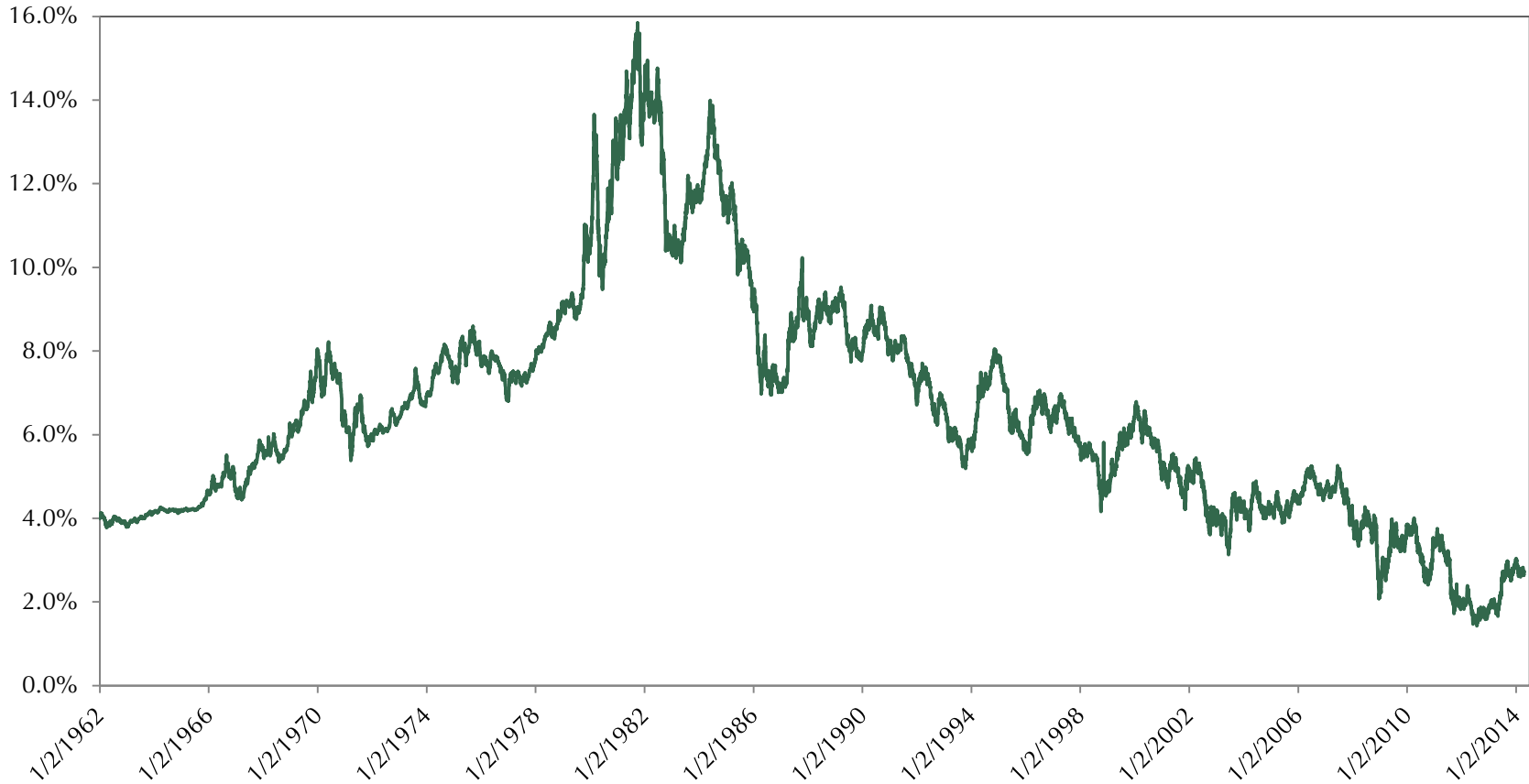
- Unemployment at 6.7% is lowest since 2008
- Consumer Balance Sheets & Confidence continue to recover
- Federal Reserve support is being slowly withdrawn

Economy: Global Outlook

- Europe – Growth is finally exhibiting positive momentum
- Japan – Dramatic monetary and fiscal policy changes
- Emerging Markets – Uneven but still positive growth

Observations: US Interest Rates

10-Year Treasury Constant Maturity Rate

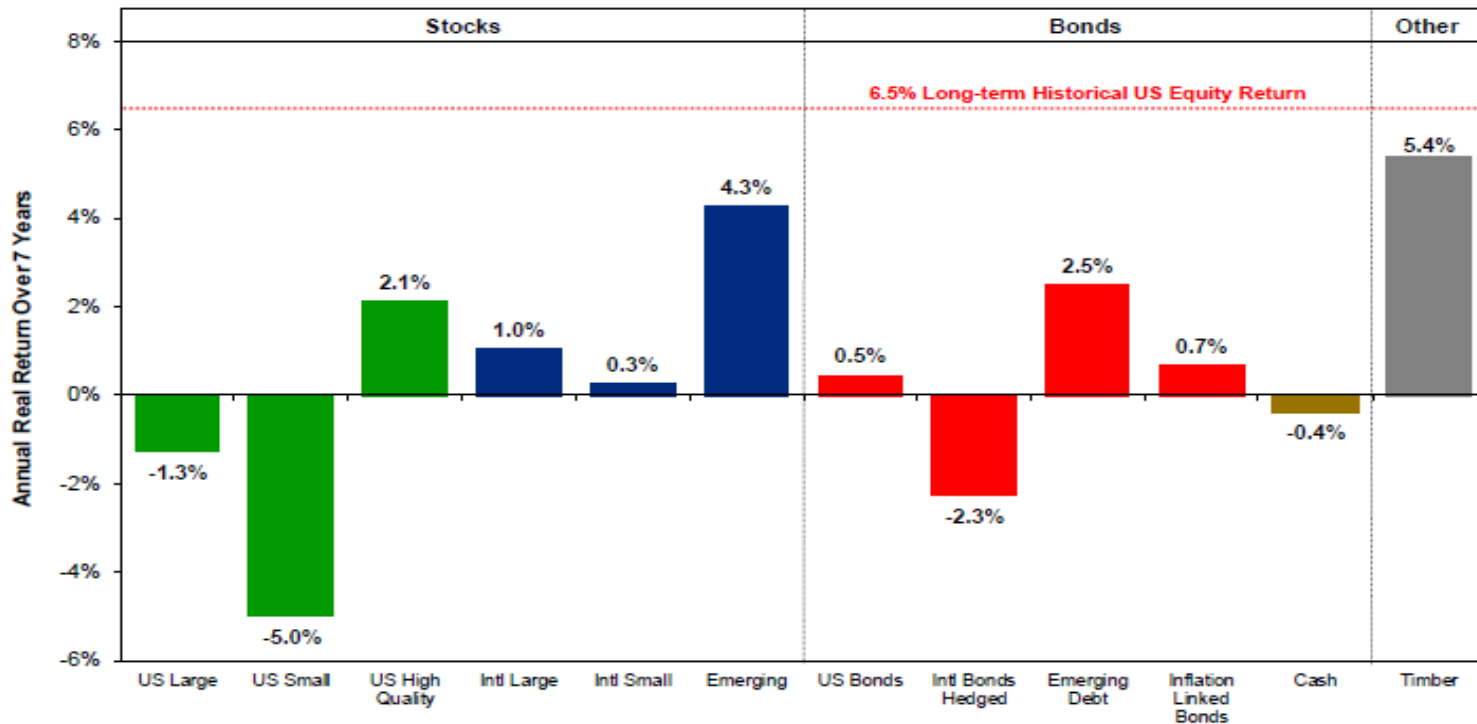


Source: Federal Reserve

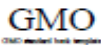
Observations: Projected Returns

GMO 7-Year Asset Class Real Return Forecasts*

As of March 31, 2014



*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. US inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.



Source: GMO

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Strategy & Positioning

Strategy: What Are We Doing

- Low bond yields a challenge to Core Fixed Income
- Closely monitor US Equity outperformance
- Continued overweight to Equities in Balanced Funds

Strategy: Fixed Income

➤ Reward versus Risk still Favors Credit over Rates

↑ Higher yield corporate credit

↑ Short/intermediate maturities

↑ Floating-rate coupons

↓ Portfolio duration

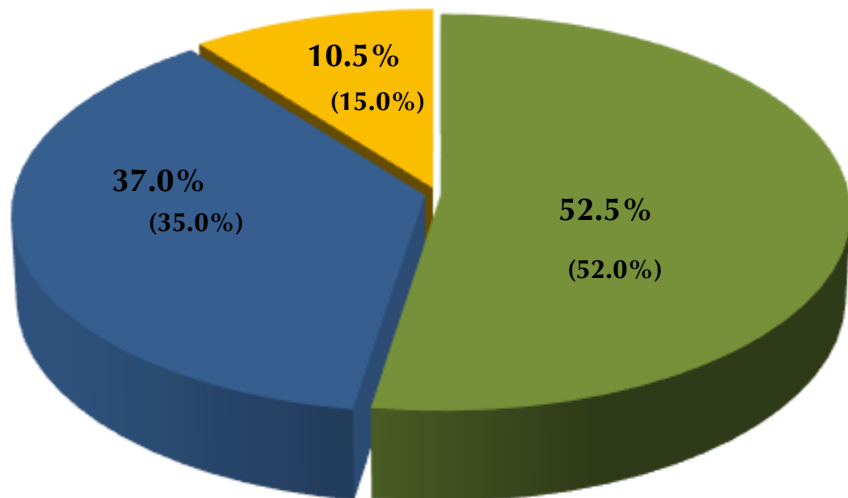
↓ Long Maturities

↓ Fixed-rate coupons

➤ Maintain exposure to less correlated asset classes – bank loans and emerging markets debt

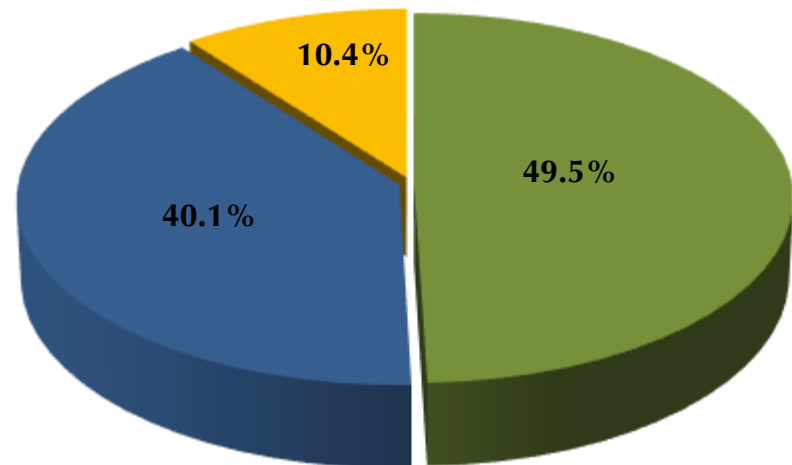
Our Strategy: World Market Capitalization

Equity Fund Allocation
as of 3/31/2014



- U.S. Equity
- Developed Markets Equity
- Emerging Markets Equity

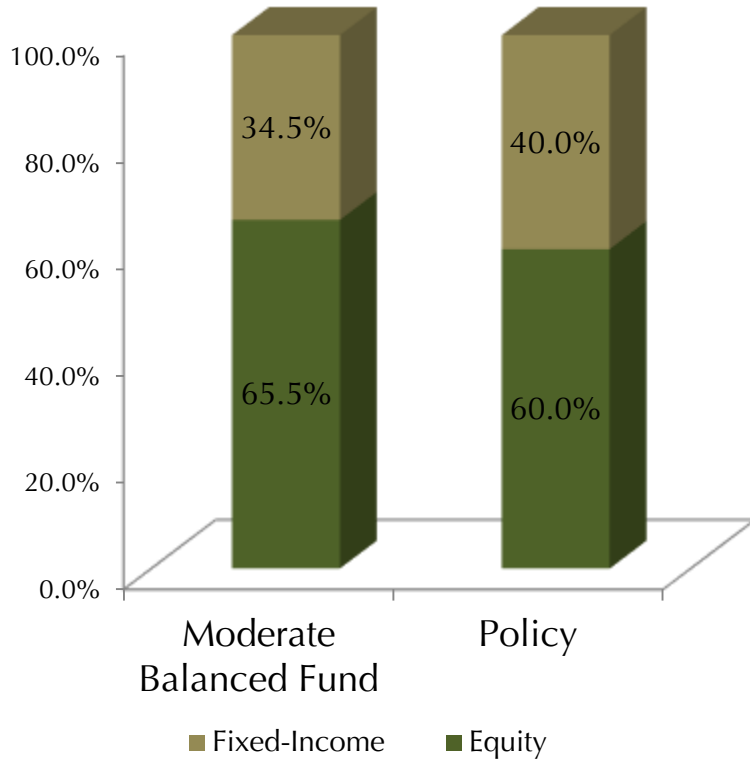
MSCI All Country World Index (ACWI) IMI
Allocation as of 3/31/2014



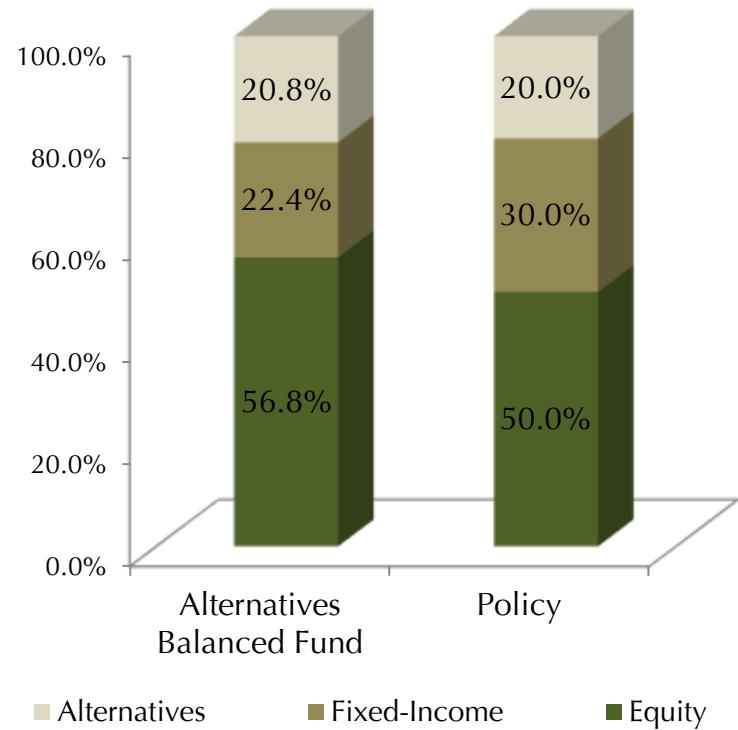
- U.S. Equity
- Developed Markets Equity
- Emerging Markets Equity

Our Strategy: Balanced Funds Allocation

Moderate Balanced Fund Allocation
as of 03/31/2014



Alternatives Balanced Fund Allocation
as of 03/31/2014



United Church Funds: Wrap Up

- **Adapting** to changes in Core Fixed Income outlook
- **Diversifying** because valuation ultimately matters
- **Focusing** on the longer-term opportunity
- **Maintaining** positive performance momentum
- **Supporting** UCF's mission

There is a better way!



“It’s OK to invest again. The market’s up.”

Invest responsibly. Strengthen ministry.

Q & A