

4th Quarter 2014 PERFORMANCE WEBINAR

February 4, 2015



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Chief Investment Strategist

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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

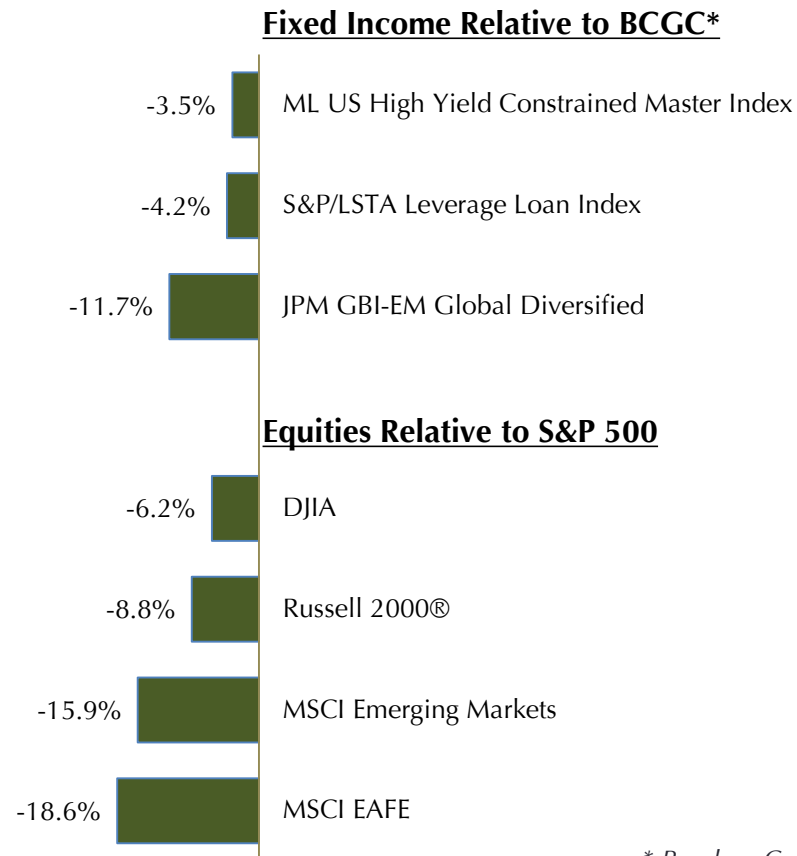
UCF Updates

- On November 3, 2014, the Beyond Fossil Fuels Fund opened with approximately \$20 million
- Nelson Murphy, Director, Investor Development, retired as of December 31, 2014
- Matt Wagner, Senior Executive, Business Development, will lead the sales efforts for United Church Funds

Performance

Performance – Simplicity Worked in 2014

2014 Fixed Income and Equity Relative Performance

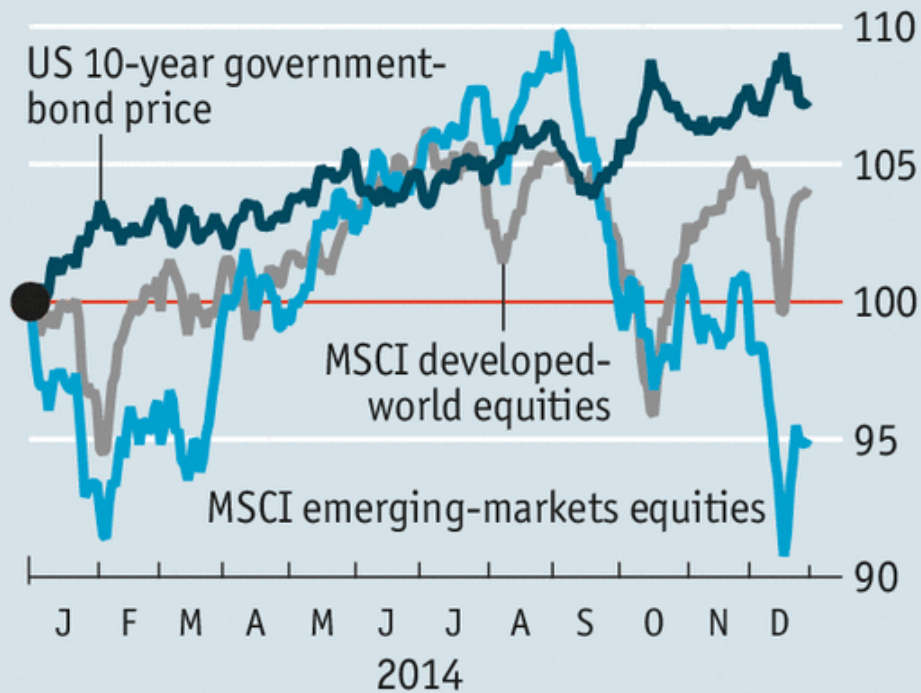


* Barclays Capital Gov't Credit Index

Performance — Bonds Surprisingly Outperform

Bonds defy the pundits

Jan 1st 2014=100

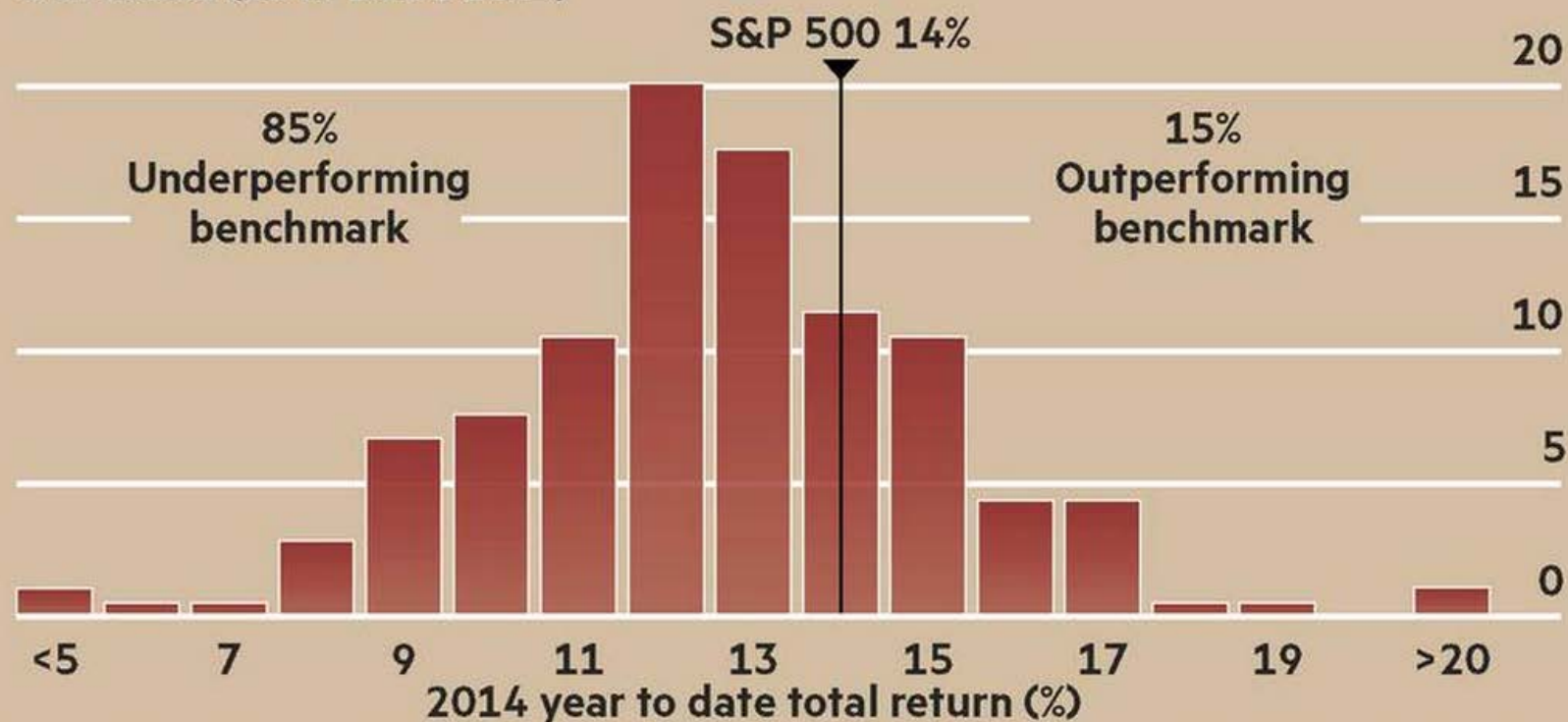


Source: Thomson Reuters

Performance — Active Strategies Lag

Only 15 per cent beat their benchmark

% of funds (as of Dec 3 2014)



* Mutual fund performance is net of fees

Source: Goldman Sachs

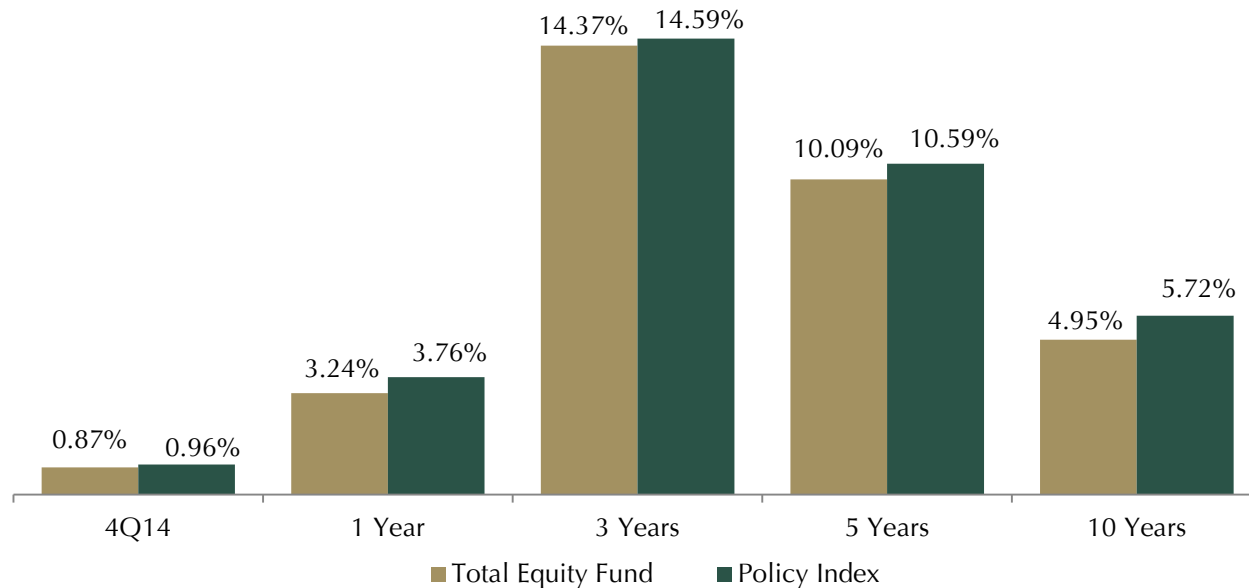
Performance – UCF's Funds

					ANNUALIZED		
Returns on UCF's funds are presented net of fees		Quarter	Year To Date	One Year	Two Years	Three Years	Five Years
MANAGED FUNDS	Fixed Income Fund	0.18%	3.40%	3.40%	0.69%	2.34%	4.02%
	Custom Index 85% Barclays Capital Gov't/Credit Bond, 5% JPM GBI-EM Global Diversified, 10% S&P LSTA Performing Loan	1.23%	5.00%	5.00%	1.20%	2.45%	4.50%
	Domestic Core Equity Fund	4.85%	13.97%	13.97%	22.63%	21.04%	15.27%
	S&P 500 Index	4.93%	13.69%	13.69%	22.68%	20.41%	15.45%
	Domestic Core - Beyond Fossil Fuels Fund⁴	2.69%	2.69%	N/A	N/A	N/A	N/A
	S&P 500 Index	2.43%	2.43%				
	Small Cap Equity Fund	6.42%	5.53%	5.53%	21.17%	19.66%	13.12%
	Russell 2000 Index	9.73%	4.89%	4.89%	20.67%	19.21%	15.55%
	International Equity Fund	-4.02%	-6.03%	-6.03%	2.76%	7.80%	4.67%
	Custom Index 70% EAFE net, 30% MSCI EM net	-3.84%	-4.01%	-4.01%	4.90%	9.00%	4.25%
FUNDS OF FUNDS	Alternatives Fund	4.65%	10.86%	10.86%	9.35%	8.80%	N/A
	Custom Index 70% HFRI Funds of Funds Composite, 30% NCREIF Fund Index	0.55%	4.92%	4.92%	7.66%	7.32%	
	Total Equity Fund	0.87%	3.24%	3.24%	12.49%	14.37%	10.09%
	45.6% Domestic Core Equity, 10.0% Small Cap Equity and 44.4% International Equity						
	Current Policy Index 40% S&P 500, 10% Russell 2000, 35% EAFE, 15% MSCI Emerging Markets Net	0.96%	3.76%	3.76%	13.40%	14.59%	10.59%
	Conservative Balanced Fund	0.35%	3.19%	3.19%	4.91%	6.67%	6.38%
	42.0% Equity, 55.5% Fixed Income and 2.5% C&E						
	Current Policy Index 35% Equity Policy, 65% BCGC	1.14%	4.63%	4.63%	5.41%	6.70%	6.89%
	Moderate Balanced Fund	0.54%	3.16%	3.16%	7.81%	9.60%	7.86%
	67.0% Equity, 30.0% Fixed Income and 3.0% C&E						
Current Policy Index 60% Equity Policy, 40% BCGC	1.07%	4.33%	4.33%	8.46%	9.73%	8.43%	
Aggressive Balanced Fund	0.62%	3.15%	3.15%	9.64%	11.48%	8.72%	
82.24% Equity, 15.22% Fixed Income and 2.54% C&E							
Current Policy Index 75% Equity Policy, 25% BCGC	1.03%	4.12%	4.12%	10.30%	11.55%	9.28%	
Beyond Fossil Fuels Balanced Fund⁴	-0.15%	-0.15%	N/A	N/A	N/A	N/A	
31.13% BFF, 29.54% International, 6.54% Small Cap, 30.25% Fixed Income and 2.54% C&E							
Current Policy Index 60% Equity Policy, 40% BCGC	-0.33%	-0.33%					
Alternatives Balanced Fund	1.77%	4.73%	4.73%	8.73%	10.00%	N/A	
56.1% Equity, 22.3% Fixed Income, 21.6% Alternatives							
Current Policy Index 50% Equity Policy, 30% Fixed Income Policy and 20% Alternatives Policy	0.96%	4.44%	4.44%	8.65%	9.75%		

¹Inception: October 1, 2005 ²Inception: January 1, 2006 ³Inception: July 1, 2010 ⁴Inception: November 1, 2014

Performance — Total Equity Fund

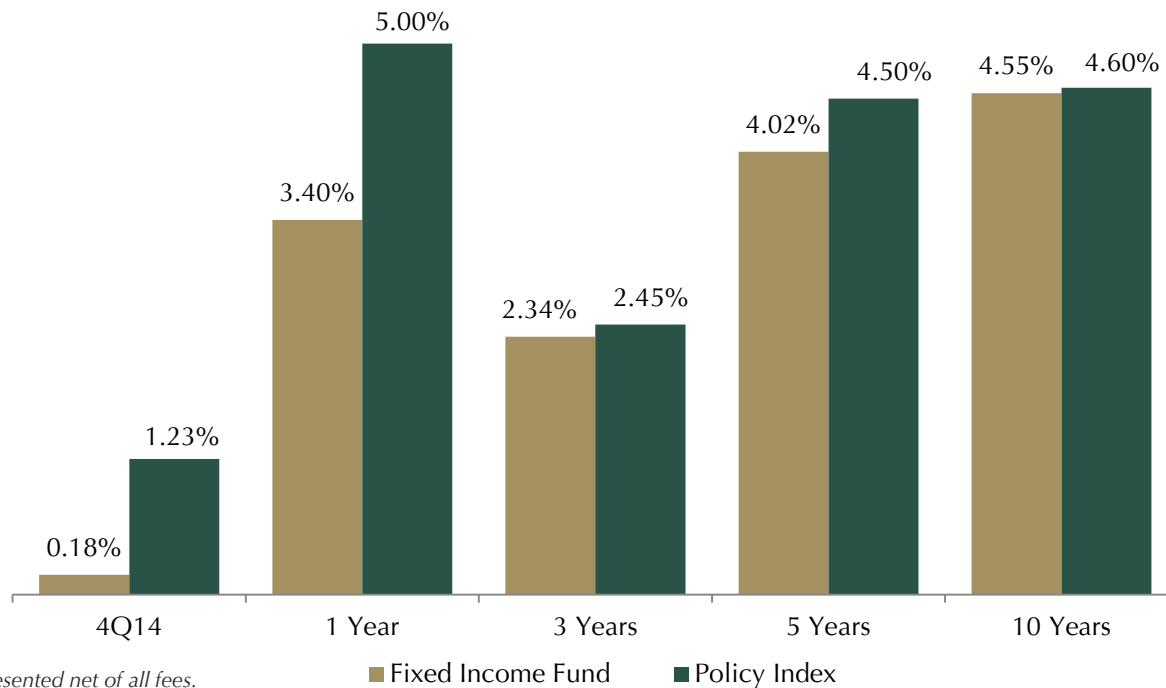
- **Absolute returns:** The Equity Pool has not been rewarded for diversification in Q4 or 2014 due to strong U.S. large cap market performance and international markets that did not participate. This lack of participation for U.S investors was largely due to translating the weak euro and yen into dollars. Emerging markets were down less, but ended the year with a down December for a negative 2014.
- **Manager and allocation:** In 4Q14, the (overweight) large cap domestic portion was in-line with its benchmark and outperformed for 2014. Preliminary 2014 numbers from consultant show top 15th percentile results. Small cap below benchmarks for Q4 but nicely above for 2014; long-term performance has improved. More difficulty in international as managers battled country and stock selection headwinds; only new manager Baillie Gifford was above its benchmark for Q4.



* Returns on UCF Funds are presented net of all fees.

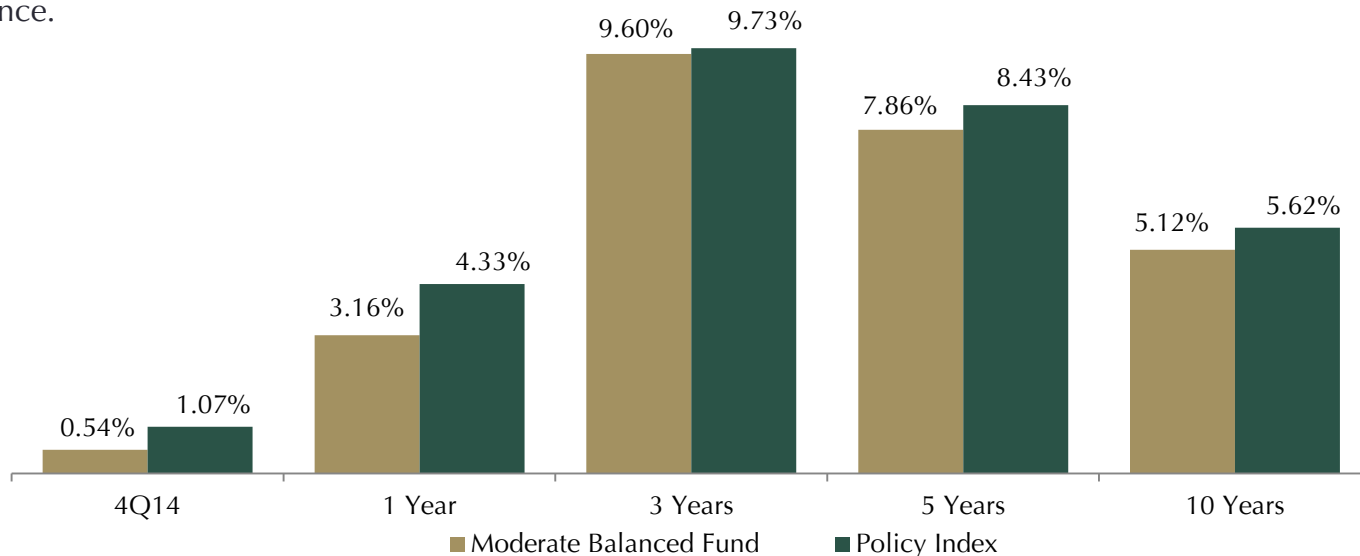
Performance — Fixed Income Fund

- **Absolute returns:** Core fixed-income was positive but other fixed-income markets in Q4 had flat to negative returns. Deflationary concerns in Europe outweighed positive domestic economic reports. The strong U.S. dollar hurt local currency Emerging Market Debt leading to a negative return late in 2014. Bank loans were slightly negative for the quarter but finished up on the year.
- **Managers and allocation:** Manager performance for the quarter was below individual indices. The Fixed-Income Fund is largely weighted to Core Fixed, which was the strongest asset class for 2014; the overweight to bank loans and EMD versus policy benchmarks held back performance for the quarter and for the year, although that overweight was reduced.



Performance — Moderate Balanced Fund

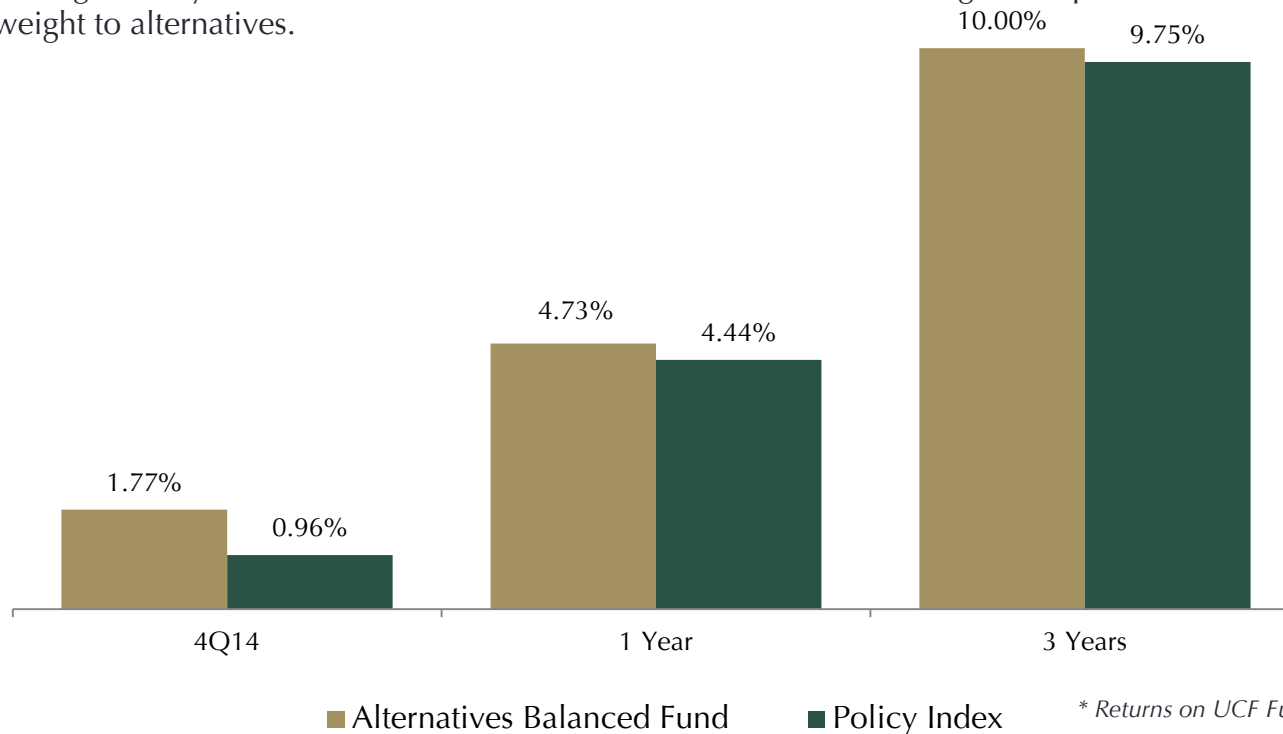
- **Equities:** U.S. equity allocations again benefited the Fund in Q4 with large and small U.S. equities additive to returns. International stocks in developed and emerging markets posted negative returns largely as a result of translating weak foreign currencies back into the strong U.S. dollar.
- **Fixed Income:** Fixed-income indices registered surprising returns in Q4 and for the year, on the back of sluggish global growth and deflation worries in Europe. Core fixed-income was positive, while bank loans and emerging market debt were negative for the quarter. Emerging markets debt was especially weak in December, leading to a second straight negative annual return.
- **Manager and allocation:** Geographic allocations helped equities for the quarter and year, and manager returns in aggregate were ahead of benchmarks. Fixed-income underperformance a result of underweights to core-fixed and manager performance.



* Returns on UCF Funds are presented net of all fees.

Performance – Alternatives Balanced Fund

- **Alternatives:** The Alternatives component is comprised of three funds of hedge funds—Evanston Weatherlow, Magnitude Capital and Abbey Capital, and a core real estate manager, Heitman.
- **Manager and allocation:** Domestic equity and alternatives managers have contributed to results year-to-date, with International trailing. Abbey Capital, a macro manager (expected to move opposite the broader market) had an excellent 2014. Asset allocation (overweight equities/overweight alternatives/underweight fixed-income) within ranges set by Investment Committee (IC) was neutral as the overweight to equities was offset by the overweight to alternatives.



Performance — Summary

- Equity Pool was not rewarded for diversification in 2014 due to strong U.S. large cap market performance. UCF performance in the U.S. has been very strong but international managers have trailed; this reverses the prior history. Two out of three new managers have contributed. Preliminary 2014 peer results show Morningstar World Stock universe up 2.79% net versus UCF up 3.24%.
- The Beyond Fossil Fuels Fund is off to a favorable start in the first two months, both relative and absolute.
- Fixed Income Fund historically weighted to Core Fixed; higher yielding strategies (Emerging Market Debt and Bank Loans) will contribute but we have lowered exposure slightly.
- Balanced Funds' results hurt by fixed-income relative underperformance in a surprisingly positive year for the core-fixed asset class. Preliminary 2014 peer results show the Morningstar International Hybrid universe up 1.54% versus UCF Moderate Balanced Fund up 3.16%
- Long-term value still favors equities over fixed income but European deflation aiding U.S. fixed; we adjusted to this reality by increasing exposure to longer duration bonds in October 2014 and are participating fully.
- Alternatives allocations (where appropriate) contributed positive, less correlated returns.

Economy & Observations

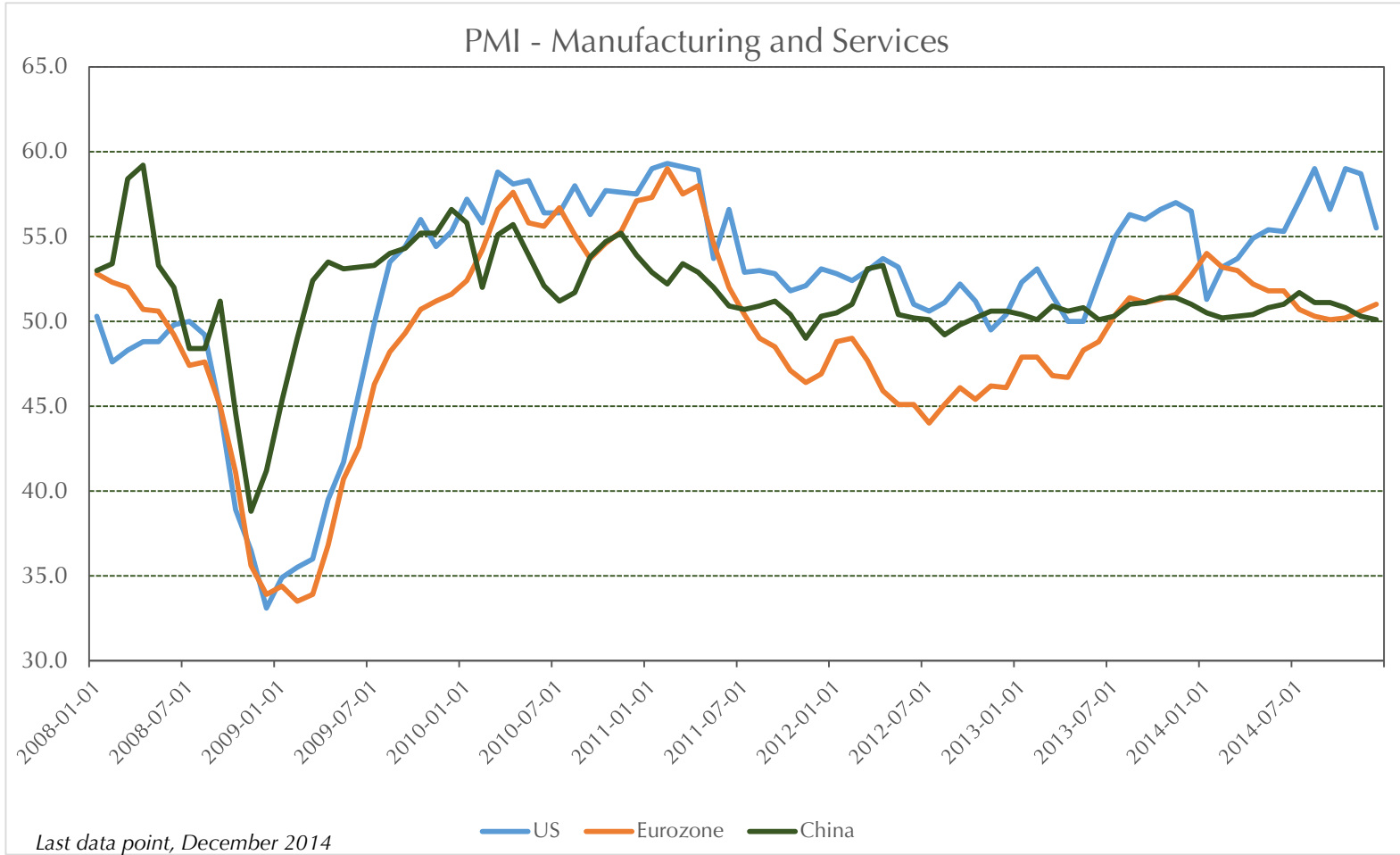
Economy – U.S. Sluggish but Resilient

- U.S. economic data has been encouraging with strong GDP statistics and positive revisions for 2Q and 3Q
 - The unemployment rate reflects a gradually healing labor market
- Consumer health and confidence are recovering but at a more moderate pace
 - Lowest fuel prices in over five years will benefit consumers
 - Low interest rates are still very favorable and housing activity should benefit
- Federal Reserve support gradually withdrawn in U.S. with QE completed in October; deflationary concerns from Europe make a rate hike less certain in near term
- Earnings growth has been negatively impacted due to the impact of a rising dollar and the decline in oil; but analysts have yet to increase estimates for consumer sector

Economy – Global Outlook

- Europe – Hints of deflation has forced the ECB (European Central Bank) into action with its own fiscal support, QE, to spur market action and growth
- Japan – Increasingly dramatic monetary and fiscal support ongoing as political influence on the markets and economy has disappointed
- Emerging Markets – economic performance varies as EM looks to be no longer a monolith; divergent impact from oil price decline but a net positive; overall growth is slowing but still at a higher rate than developed economies

Observations — Purchasing Managers Index

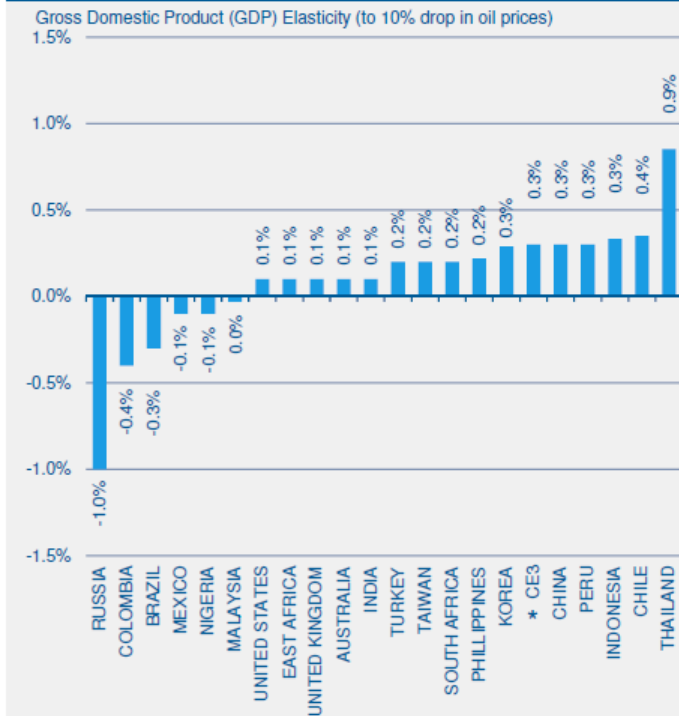


Observations — Emerging Markets and Oil

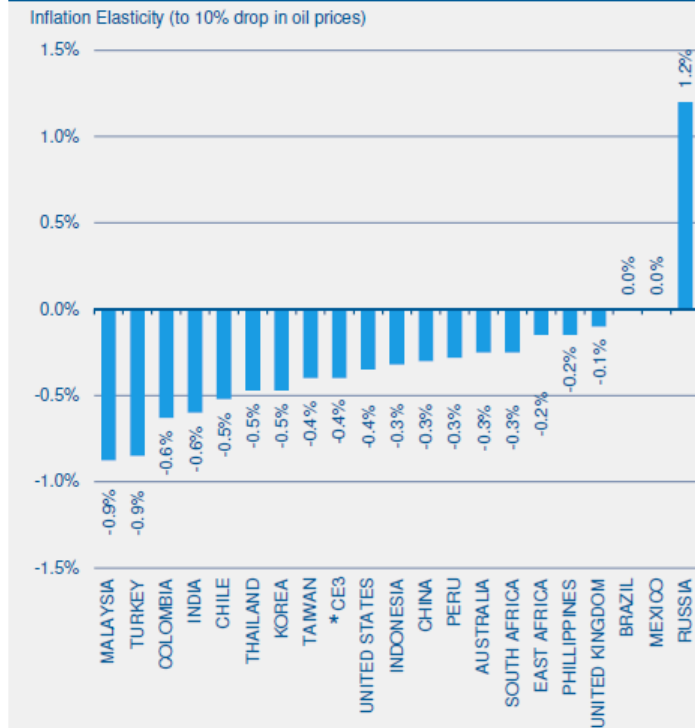
Oil – winners and losers

But mostly winners, as net oil importing countries account for 86% of MSCI EM index...

Growth dividend of lower oil prices



Inflation impact of lower oil prices



Source: Morgan Stanley Research estimates, 18 Dec 14

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index
For illustrative purposes only

*Poland, Czech Republic and Hungary

Observations — Diversification Works But Patience Often Required

STYLE PERFORMANCE RANKING: ONE-YEAR TIME PERIODS

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Q4 2014	10 Yr ROR	20 Yr ROR
Best Performing ↑	Small Value 29.1%	EM 74.8%	EAFE 8.1%	Large Value 38.4%	Large Growth 23.1%	Large Value 35.2%	Large Growth 38.7%	EM 66.4%	Small Value 22.8%	Small Value 14.0%	Core Bonds 10.3%	EM 55.8%	EM 25.6%	EM 34.1%	EM 32.2%	EM 39.4%	BC Int Treas 11.4%	EM 78.5%	Small Growth 29.1%	Core Bonds 7.8%	EM 18.2%	Small Growth 43.3%	S&P 500 13.7%	Small Growth 10.1%	Small Growth 8.5%	Small Value 11.0%
	Small Cap 18.4%	EAFE 32.9%	Large Growth 2.7%	S&P 500 37.6%	S&P 500 23.0%	S&P 500 33.4%	S&P 500 28.6%	Small Growth 43.1%	Core Bonds 11.6%	Core Bonds 8.4%	BC Int Treas 9.6%	Small Growth 48.5%	Small Value 22.3%	EAFE 14.0%	EAFE 26.9%	Large Growth 11.8%	Core Bonds 5.2%	HY Bonds 58.2%	Small Cap 26.9%	BC Int Treas 6.6%	Small Value 18.1%	Small Cap 38.8%	Large Value 13.5%	Small Cap 9.7%	Large Growth 8.5%	Large Value 10.5%
	HY Bonds 15.8%	Small Value 23.8%	S&P 500 1.3%	Large Growth 37.2%	Large Value 21.6%	Small Value 31.8%	EAFE 20.3%	Large Growth 33.2%	BC Int Treas 10.3%	BC Int Treas 8.2%	HY Bonds -1.4%	Small Cap 47.3%	EAFE 20.7%	Large Value 7.1%	Small Value 23.5%	EAFE 11.6%	HY Bonds -26.2%	Large Growth 37.2%	Small Value 24.5%	HY Bonds 5.0%	Large Value 17.5%	Small Value 34.5%	Large Growth 13.1%	Small Value 9.4%	EM 8.4%	S&P 500 9.9%
	Large Value 13.8%	Small Cap 18.9%	HY Bonds -1.0%	Small Growth 31.0%	Small Value 21.4%	Large Growth 30.5%	Large Value 15.6%	EAFE 27.3%	Large Value 7.0%	HY Bonds 5.3%	EM -6.0%	Small Value 46.0%	Small Cap 18.3%	Large Growth 5.3%	Large Value 22.2%	BC Int Treas 8.8%	Small Value -28.9%	Small Growth 34.5%	EM 18.9%	Large Growth 2.6%	EAFE 17.3%	Large Value 33.5%	Core Bonds 6.0%	Large Value 5.0%	Small Cap 7.8%	Small Cap 9.6%
	EM 11.4%	Large Value 18.1%	Small Value -1.5%	Small Cap 28.4%	Small Cap 16.5%	Small Cap 22.4%	Core Bonds 8.7%	Small Cap 21.3%	Small Cap -3.0%	Small Cap 2.5%	Small Value -11.4%	EAFE 39.2%	Large Value 16.5%	S&P 500 4.9%	Small Cap 18.4%	Small Growth 7.1%	Small Cap -33.8%	EAFE 31.9%	Large Growth 16.7%	S&P 500 2.1%	Small Cap 16.3%	Large Value 32.5%	Small Growth 5.6%	S&P 500 4.9%	BCHY 7.7%	Large Growth 9.0%
	Small Growth 7.8%	HY Bonds 17.1%	Small Cap -1.8%	Small Value 25.8%	HY Bonds 11.4%	Small Growth 12.9%	BC Int Treas 8.6%	S&P 500 21.0%	HY Bonds -5.9%	EM -2.4%	Large Value -15.5%	Large Value 30.0%	Small Growth 14.3%	Small Value 4.7%	S&P 500 15.8%	Core Bonds 7.0%	Large Value -36.9%	Small Cap 27.2%	Large Value 15.5%	Large Value 0.4%	S&P 500 16.0%	S&P 500 32.4%	Small Cap 4.9%	Large Growth 4.8%	S&P 500 7.7%	BCHY 7.9%
	S&P 500 7.6%	Small Growth 13.4%	BC Int Treas -1.8%	HY Bonds 19.2%	Small Growth 11.3%	HY Bonds 12.7%	HY Bonds 1.9%	Large Value 7.4%	S&P 500 -9.1%	Large Value -5.6%	EAFE -15.7%	Large Growth 29.8%	HY Bonds 11.1%	Small Cap 4.6%	Small Growth 13.4%	S&P 500 5.5%	S&P 500 -37.0%	S&P 500 26.5%	HY Bonds 15.1%	Small Growth -2.9%	HY Bonds 15.8%	EAFE 22.8%	Small Value 4.2%	Core Bonds 1.8%	Large Value 7.3%	Small Growth 7.8%
	Core Bonds 7.4%	S&P 500 10.1%	Large Value -2.0%	Core Bonds 18.5%	EAFE 6.4%	Core Bonds 9.7%	Small Growth 1.2%	HY Bonds 2.4%	EAFE -14.0%	Small Growth -9.2%	Small Cap -20.5%	HY Bonds 29.0%	S&P 500 10.9%	Small Growth 4.1%	HY Bonds 11.9%	HY Bonds 1.9%	Large Growth -38.4%	Small Value 20.6%	S&P 500 15.1%	Small Cap -4.2%	Large Growth 15.3%	HY Bonds 7.4%	BC Int Treas 2.6%	BC Int Treas 1.0%	Small Value 6.9%	Core Bonds 6.2%
	BC Int Treas 7.0%	Core Bonds 9.8%	Small Growth -2.4%	BC Int Treas 14.4%	EM 6.0%	BC Int Treas 7.7%	Small Cap -2.5%	BC Int Treas 0.4%	Large Growth -22.4%	S&P 500 -11.9%	S&P 500 -22.1%	S&P 500 28.7%	Large Growth 6.3%	HY Bonds 2.7%	Large Growth 9.1%	Large Value -0.2%	Small Growth -38.5%	Large Value 19.7%	EAFE 7.8%	Small Value -5.5%	Small Growth 14.6%	BC Int Treas -1.3%	BCHY 2.5%	BCHY -1.9%	Core Bonds 4.7%	EM 5.8%
	Large Growth 5.0%	BC Int Treas 8.2%	Core Bonds -2.9%	EAFE 11.6%	BC Int Treas 4.0%	EAFE 2.1%	Small Value -6.5%	Core Bonds -0.8%	Small Growth -22.4%	Large Growth -20.4%	Large Growth -27.9%	Core Bonds 4.1%	Core Bonds 4.3%	Core Bonds 2.4%	Core Bonds 4.3%	Small Cap -1.6%	EAFE -43.4%	Core Bonds 5.9%	Core Bonds 6.5%	EAFE -12.1%	Core Bonds 4.2%	Core Bonds -2.0%	EM -2.2%	EAFE -3.6%	EAFE 4.4%	BC Int Treas 5.2%
EAFE -11.8%	Large Growth 2.9%	EM -7.3%	EM -5.2%	Core Bonds 3.6%	EM -11.6%	EM -25.3%	Small Value -1.5%	EM -30.6%	EAFE -21.2%	Small Growth -30.3%	BC Int Treas 2.1%	BC Int Treas 2.0%	BC Int Treas 1.6%	BC Int Treas 3.5%	Small Value -9.8%	EM -53.3%	BC Int Treas -1.4%	BC Int Treas 5.3%	EM -18.4%	BC Int Treas 1.7%	EM -2.6%	EAFE -4.9%	EM -4.5%	BC Int Treas 3.8%	EAFE 5.0%	

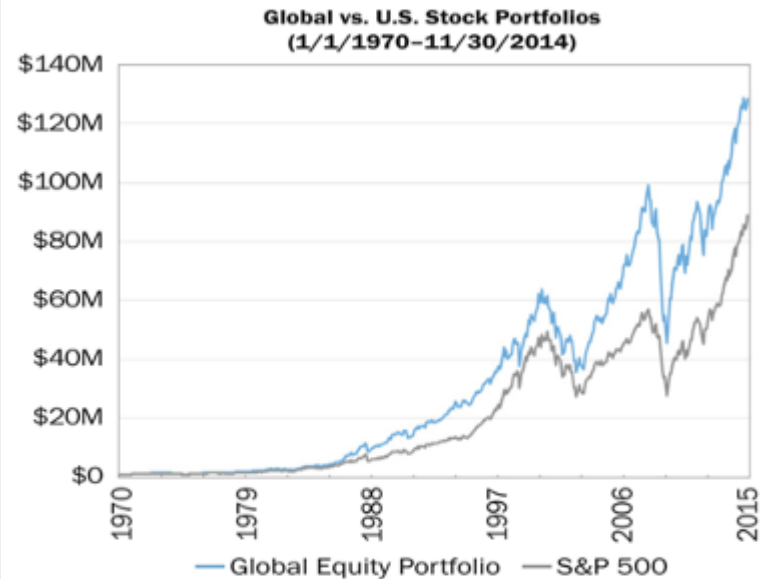
Observations— The Case for Global Diversification

Equity Markets Go Through Cycles and It Is Unwise to Extrapolate Recent Trends Far Into the Future



Source: Morningstar.

Despite the Recent Outperformance of U.S. Stocks the Case for Global Equity Exposure Remains a Compelling One



	ANNUALIZED RETURN	STANDARD DEVIATION	STARTING VALUE	ENDING VALUE
GLOBAL EQUITY PORTFOLIO	11.4%	14.9%	\$1M	\$128,383,142
S&P 500	10.5%	15.4%	\$1M	\$88,750,665

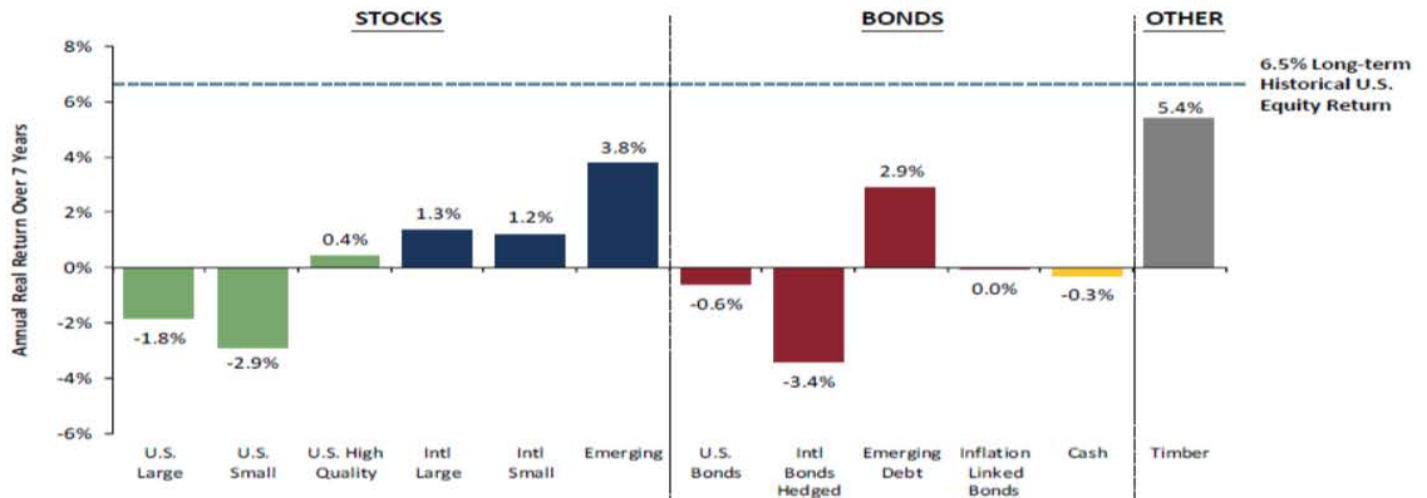
From 1970 to 1987, global equity portfolio is 60% S&P 500 and 40% MSCI EAFE. From 1988 onward, portfolio is 60% S&P 500, 20% MSCI EAFE, and 20% MSCI Emerging Markets. Source: Morningstar.

Observations— One View of Returns After Inflation



7-Year Asset Class Real Return Forecasts*

As of December 31, 2014



Source: GMO

*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. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

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Strategy & Positioning

Strategy – What Are We Doing

- Equity Pool not rewarded recently for geographic diversification due to strong U.S. market performance but long-term valuation opportunities have been created, especially in emerging markets where we are now overweight; international developed hurt by the strong U.S. dollar but the offset is higher earnings for the Eurozone
- All Balanced Funds' are overweight to equities given unattractive bond yields and longer-term prospects. Small cash build-up (currently 2.5% in balanced funds) designed to take advantage of expected volatility in 2015.
- Fixed Income Fund historically weighted to Core Fixed; higher yielding strategies (Emerging Market Debt and Bank Loans) should contribute over the longer term but less so in 2014.
- Alternatives allocations contributing positive, less correlated returns.

Strategy – Fixed Income

- Continued absence of inflation, mixed global economic news, geopolitical headwinds, and growing comparisons to sovereign yields have reduced U.S. rates near to all-time lows. We have adjusted duration and are participating.
- Asymmetric risks from holding fixed income securities merit caution but are somewhat offset against safe haven attributes of U.S. dollar based fixed-income
- Our strategy:
 - Prudent portfolio duration and yield curve management given demand for U.S. fixed-income and continuing appeal of long vs short maturities.
 - Consider raising exposure to long maturity industrials as valuations have become more appealing. Continue to maintain sector over-weights and approach issue selection with a conservative bias
 - Tactically shift bank loan allocation as a hedge against higher rates while closely monitoring market sentiment
 - Maintain exposure to Emerging Markets Debt as expected returns over the longer term are appealing but balanced by concerns about the strong U.S. dollar

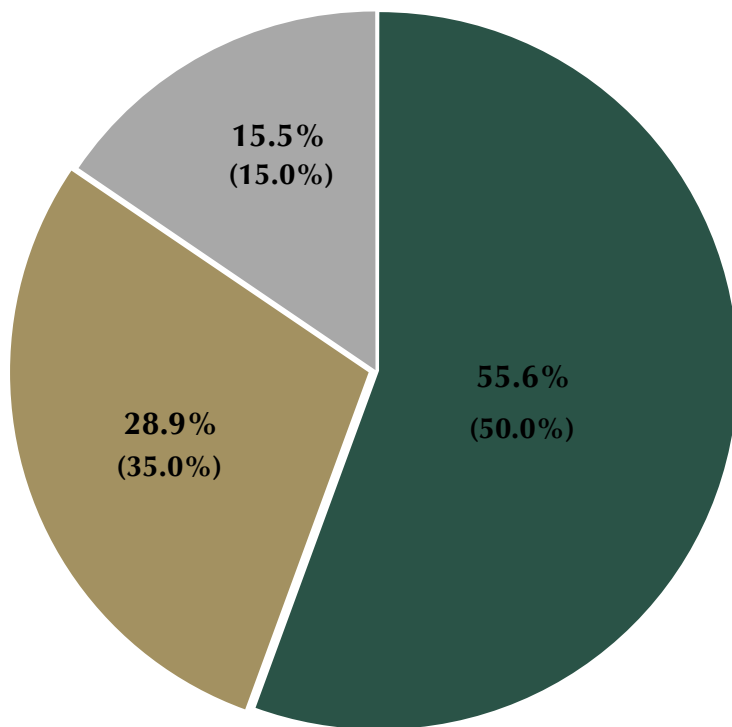
Strategy & Positioning — Fixed Income Fund

Selected Portfolio Characteristics
December 31, 2014

Average Characteristics	UCF Total	Core Fixed	EMD	Bank Loans	Barclays*
Moody's Rating	A3	A1	A3	Ba3	Aa3
S&P Rating	A-	A+	A-	BB-	AA-
Average Life (Years)	7.5	8.3	6.9	2.5	8.3
Duration	5.2	6.0	4.7	0.6	6.1
Yield-To-Worst(%)	3.1%	2.3%	6.7%	6.2%	2.1%

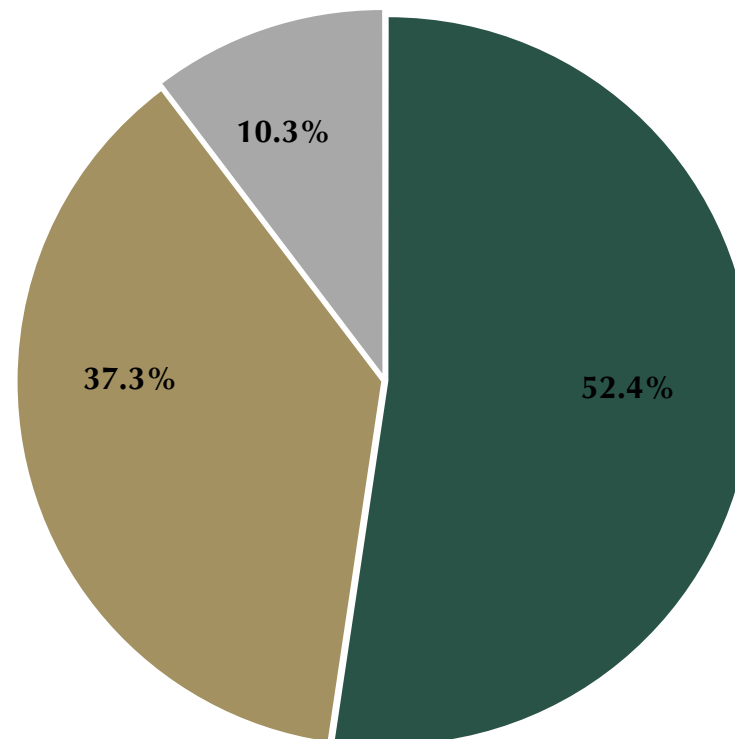
Our Strategy — World Market Capitalization

Equity Fund Allocation
as of 12/31/2014



- U.S. Equity
- Int'l Developed Markets Equity
- Emerging Markets Equity

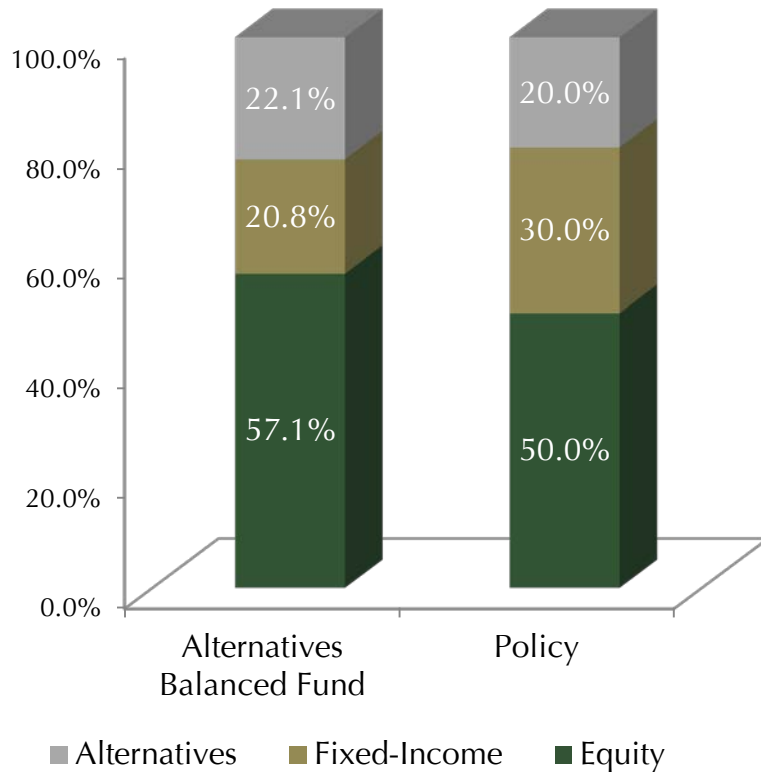
MSCI All Country World Index (ACWI) IMI
Allocation as of 12/31/2014



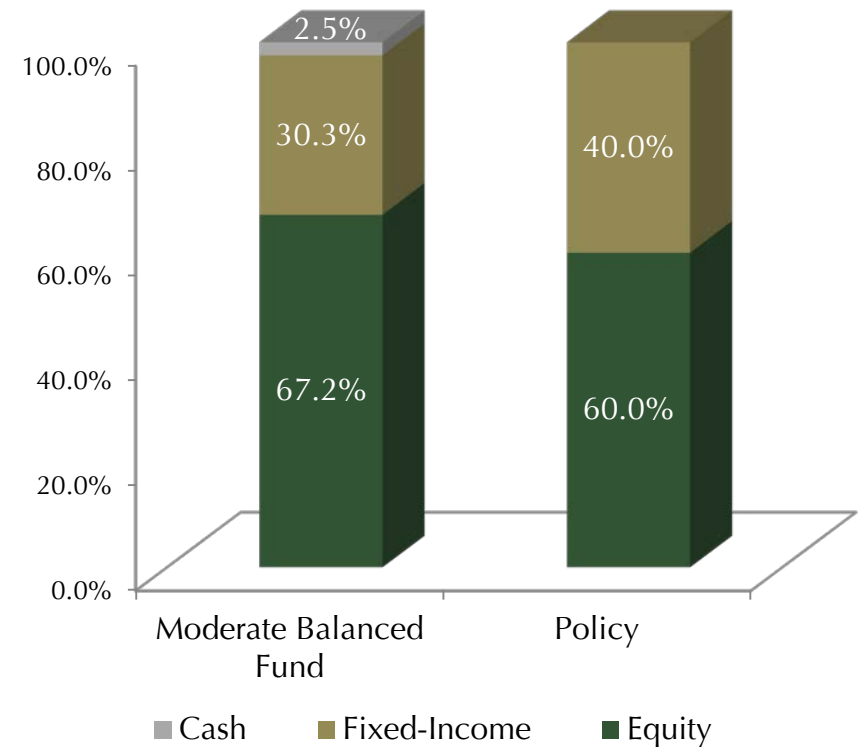
- U.S. Equity
- Int'l Developed Markets Equity
- Emerging Markets Equity

Our Strategy – Balanced Funds Allocation

Alternatives Balanced Fund Allocation
as of 12/31/2014



Moderate Balanced Fund Allocation
as of 12/31/2014



United Church Funds — Wrap Up

- **Adapting** to changes in Core Fixed-Income outlook but there has been a meaningful pause in short-term
- **Diversifying** because valuation ultimately matters
- **Focusing** on the longer-term opportunity
- **Maintaining** positive performance momentum and making appropriate changes to support that effort
- **Supporting** the UCF's mission
 - Beyond Fossil Fuels Fund Successfully Launched

Invest responsibly. Strengthen ministry.

Q & A