



The 2014 Investor Conference

January 17-18, 2014 • Doubletree Hotel
Charleston, South Carolina



Invest responsibly. Strengthen ministry.

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Performance Webinar

Second Quarter 2013

August 1, 2013

David A. Klassen
Chief Investment Officer

Andrew Russell
Head of Fixed Income Investments

Michael de Guzman
Senior Investment Officer

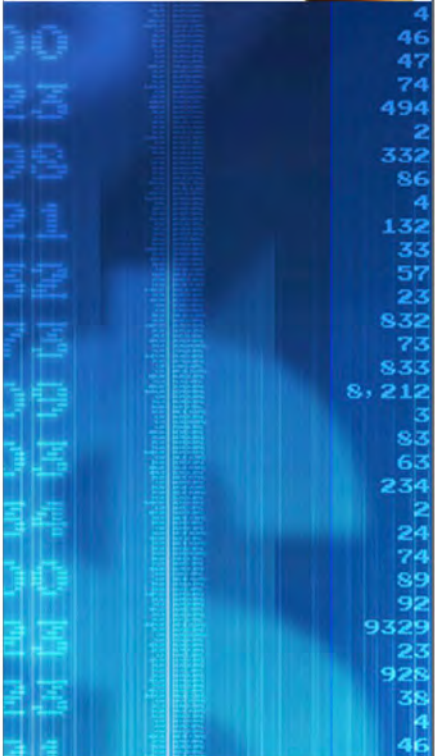
0.93%	74.75	3.00	-9.33	[0.66%]	74.75	-8.22	16.54
1.93%	32.45	23.03	-3.38	[5.29%]	32.45	-9.23	15.22
1.32%	14.75	238.27	-7.93	[8.12%]	14.75	-7.93	15.12
0.32%	74.75	928.10	+3.03	[0.89%]	74.75	+3.22	15.22
0.99%	418.99	38.23	+0.34	[0.93%]	418.99	+0.78	15.22
5.32%	2.72	4.23	+0.00	[1.93%]	2.72	+1.98	15.22
0.02%	98.35	4.23	+0.00	[1.93%]	98.35	+0.32	15.22
1.87%	20.56	4.23	+0.00	[1.93%]	20.56	+4.10	15.22
0.89%	1-957.22	4.23	+0.00	[1.93%]	1-957.22	-0.43	15.22
0.93%	48.22	4.23	+0.00	[1.93%]	48.22	+3.03	15.22
1.93%	49.12	4.23	+0.00	[1.93%]	49.12	+0.34	15.22
1.93%	+92.44	4.23	+0.00	[1.93%]	+92.44	+0.00	15.22
3.78%	78.12	4.23	+0.00	[1.93%]	78.12	+0.32	15.22
1.32%	12.12	4.23	+0.00	[1.93%]	12.12	-0.21	15.22
0.73%	4-214.22	4.23	+0.00	[1.93%]	4-214.22	+2.12	15.22
0.32%	81.22	4.23	+0.00	[1.93%]	81.22	-0.21	15.22
2.12%	14.22	4.23	+0.00	[1.93%]	14.22	-0.21	15.22
0.99%	7.03	4.23	+0.00	[1.93%]	7.03	-0.21	15.22
5.32%	332.45	4.23	+0.00	[1.93%]	332.45	+0.32	15.22
0.02%	86.3	4.23	+0.00	[1.93%]	86.3	+0.78	15.22
1.87%	22.33	4.23	+0.00	[1.93%]	22.33	-0.43	15.22
1.56%	822.22	4.23	+0.00	[1.93%]	822.22	+2.03	15.22
0.32%	72.12	4.23	+0.00	[1.93%]	72.12	+0.34	15.22
3.10%	822.22	4.23	+0.00	[1.93%]	822.22	+0.00	15.22
0.32%	4-217.10	4.23	+0.00	[1.93%]	4-217.10	-0.21	15.22
2.23%	3.00	4.23	+0.00	[1.93%]	3.00	-0.21	15.22
1.93%	82.12	4.23	+0.00	[1.93%]	82.12	+1.98	15.22
9.83%	82.78	4.23	+0.00	[1.93%]	82.78	-0.21	15.22
0.89%	94.22	4.23	+0.00	[1.93%]	94.22	+0.32	15.22
0.93%	2.34	4.23	+0.00	[1.93%]	2.34	+0.32	15.22
1.93%	9.72	4.23	+0.00	[1.93%]	9.72	+2.09	15.22
3.78%	4.22	4.23	+0.00	[1.93%]	4.22	+0.32	15.22
1.32%	822.22	4.23	+0.00	[1.93%]	822.22	+0.32	15.22
0.73%	21.22	4.23	+0.00	[1.93%]	21.22	-0.21	15.22
2.23%	20.34	4.23	+0.00	[1.93%]	20.34	+0.32	15.22
1.93%	72.20	4.23	+0.00	[1.93%]	72.20	-0.21	15.22
9.83%	342.00	4.23	+0.00	[1.93%]	342.00	-0.21	15.22
0.89%	3.00	4.23	+0.00	[1.93%]	3.00	-0.21	15.22
0.93%	21.22	4.23	+0.00	[1.93%]	21.22	+1.98	15.22
1.93%	21.22	4.23	+0.00	[1.93%]	21.22	-0.21	15.22
3.78%	46.02	4.23	+0.00	[1.93%]	46.02	+1.98	15.22
1.32%	47.28	4.23	+0.00	[1.93%]	47.28	+1.98	15.22
0.73%	78.12	4.23	+0.00	[1.93%]	78.12	-0.21	15.22
0.32%	494.22	4.23	+0.00	[1.93%]	494.22	+0.32	15.22
2.12%	2.48	4.23	+0.00	[1.93%]	2.48	+0.32	15.22
0.99%	137.45	4.23	+0.00	[1.93%]	137.45	+2.09	15.22
5.32%	86.39	4.23	+0.00	[1.93%]	86.39	-0.21	15.22
	14.21	4.23	+0.00	[1.93%]	14.21	+0.34	15.22
	137.09	4.23	+0.00	[1.93%]	137.09	+0.00	15.22
	33.43	4.23	+0.00	[1.93%]	33.43	+2.03	15.22
	37.78	4.23	+0.00	[1.93%]	37.78	-0.21	15.22
	23.33	4.23	+0.00	[1.93%]	23.33	+2.03	15.22
	922.78	4.23	+0.00	[1.93%]	922.78	+2.18	15.22

Social Responsibility



Fossil Fuels Resolution

For updates on how UCF is working towards fulfilling the General Synod resolution on fossil fuels, visit fossilfuels.ucfunds.org



Our Funds



Invest responsibly. Strengthen ministry.

Our Mission —

United Church Funds
strengthens the Church's ministries
through the faithful stewardship of resources
by offering all parts of the United Church of Christ
sound financial management services

Disclaimer: Investing involves risk — consider the funds' investment objectives, risks, and other factors, which are discussed in the Funds Description Statement. Past performance is no guarantee of future results.



Our Funds



Agenda

- Overall Performance
- Performance/Positioning
- Our Strategy/Outlook

Our
Funds



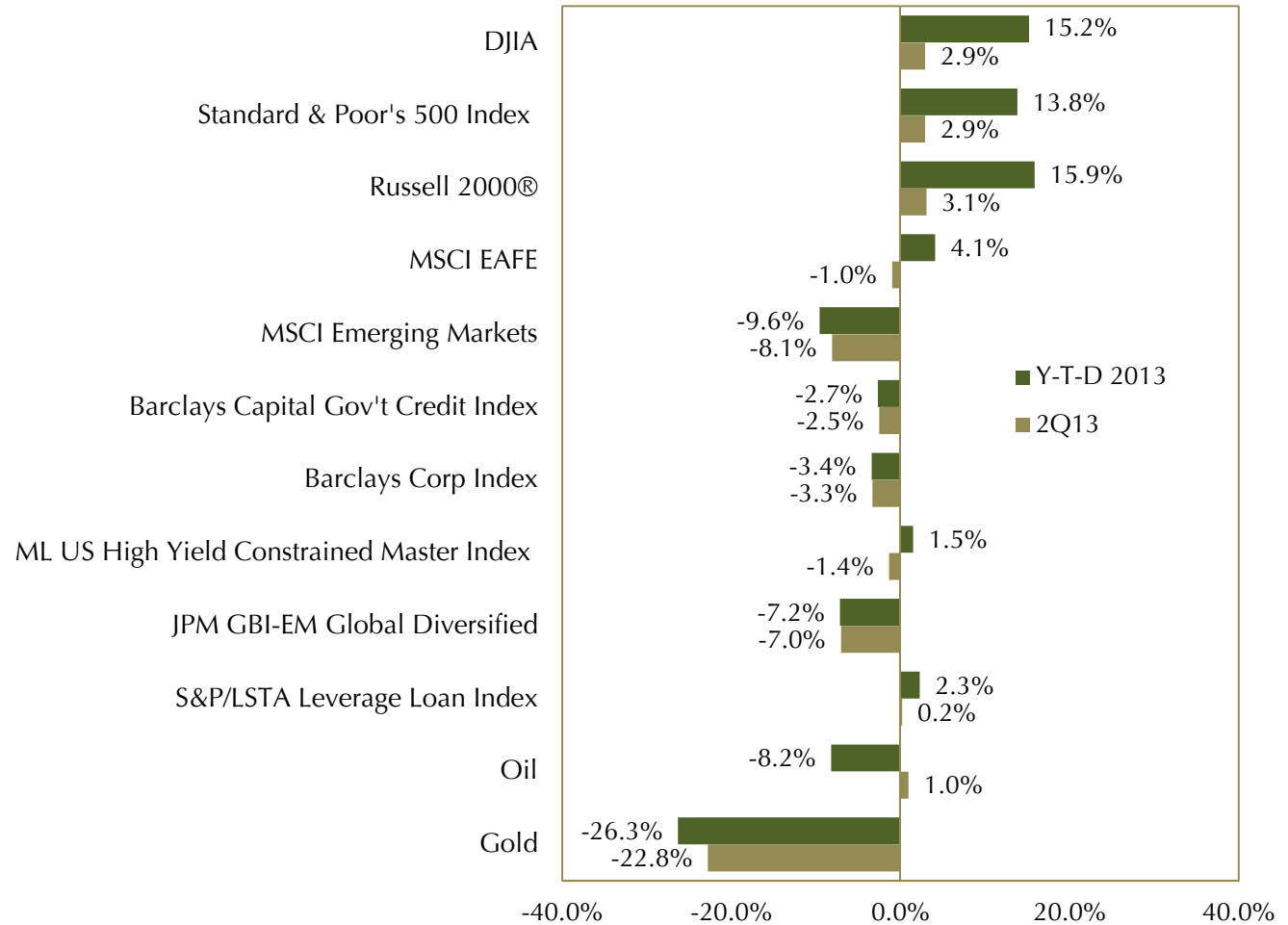
Overall Performance

- **Overall Performance**
- Performance/Positioning
- Our Strategy/Outlook

Our Funds



Market Performance As of June 30, 2013

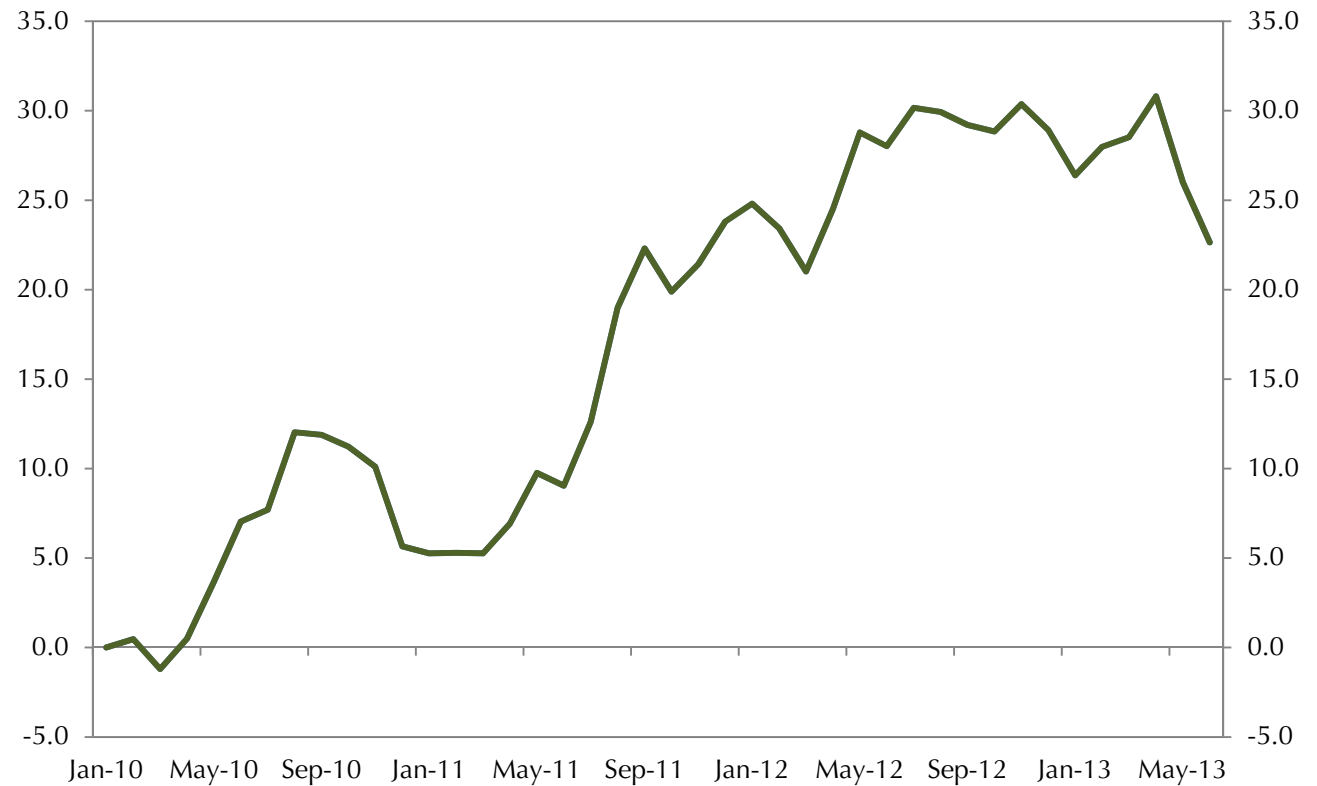


Our
Funds



Market Performance As of June 30, 2013

10-Year Treasury
Cumulative USD returns, January 2010 to June 2013



Source: Barclays Capital

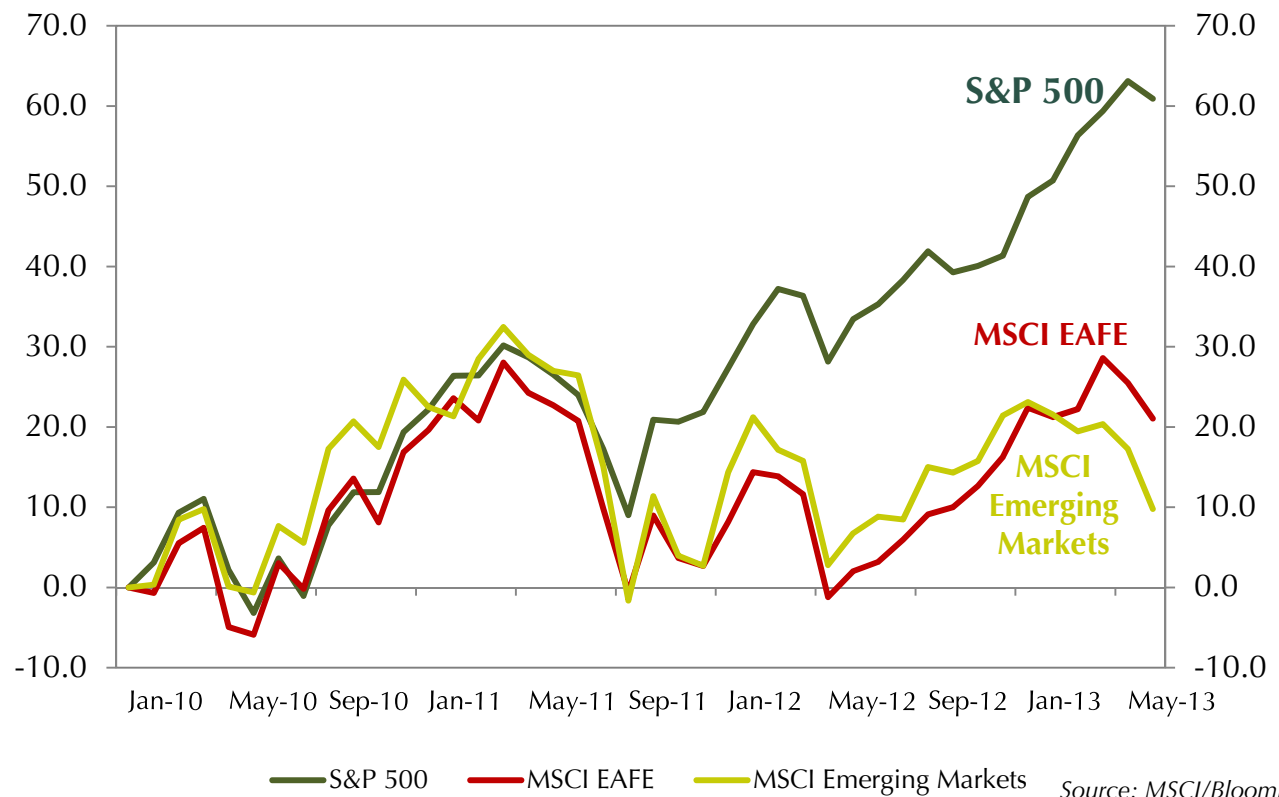
Our Funds



Market Performance As of June 30, 2013

Market Indices

Cumulative USD returns, January 2010 to June 2013



Source: MSCI/Bloomberg

Our Funds



Investment Performance As of June 30, 2013

Average Total Rates of Return

Returns on UCF funds presented net of fees		2nd Qtr 2013	Year-to- Date	1 Year	3 Year
MANAGED FUNDS	Fixed-Income Fund	-2.88%	-2.78%	-0.12%	3.69%
	<i>Fixed Income Policy Index (95% Barclays Capital Government Credit Index (BCGC), 5% JPM GBI Global Diversified)</i>	-2.74%	-2.89%	-0.68%	3.86%
	Domestic Core Equity Fund	2.70%	14.03%	21.91%	18.50%
	<i>S&P 500 Index</i>	2.91%	13.82%	20.60%	18.45%
	Small Cap Equity Fund	2.81%	16.08%	27.11%	15.22%
	<i>Russell 2000 Index</i>	3.08%	15.86%	24.21%	18.67%
FUNDS OF FUNDS	International Equity Fund	-4.25%	-1.58%	12.10%	8.31%
	<i>Custom Index 70% EAFE net 30% MSCI EM net</i>	-3.14%	-0.15%	13.75%	8.23%
	Total Equity Fund	-0.56%	6.46%	17.73%	13.47%
	<i>Policy Index (40% S&P 500, 10% Russell 2000®, 35% EAFE, 15% MSCI Emerging Markets Net)</i>	-0.09%	6.89%	17.59%	13.92%
	Conservative Balanced Fund	-1.94%	0.55%	6.03%	7.38%
	<i>Policy Index (35% Equity Policy, 65% BCGC)</i>	-1.66%	0.62%	5.49%	7.64%
	Moderate Balanced Fund	-1.35%	2.84%	10.31%	9.73%
	<i>Policy Index (60% Equity Policy, 40% BCGC)</i>	-1.05%	3.01%	10.03%	10.17%
	Aggressive Balanced Fund	-1.01%	4.21%	13.13%	11.10%
	<i>Policy Index (75% Equity Policy, 25% BCGC)</i>	-0.69%	4.45%	12.82%	11.62%
Alternatives Balanced Fund	-0.88%	3.49%	10.79%	8.99%	
<i>Current Policy Index 50% Equity Policy, 30% BCGC and 20% Alternatives Policy</i>	-0.79%	3.39%	10.35%	9.54%	

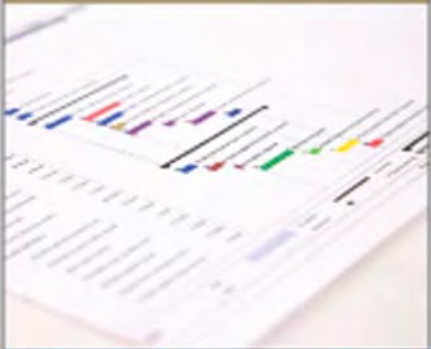
Our
Funds



Performance/Positioning

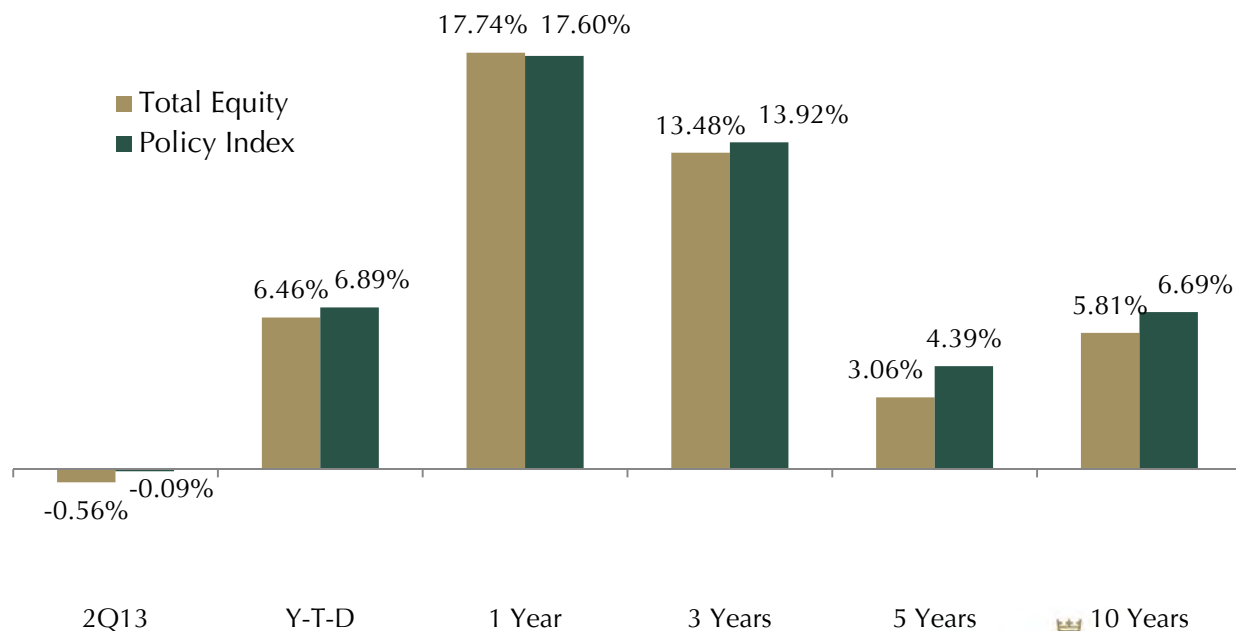
- Overall Performance
- **Performance/Positioning**
- Our Strategy/Outlook

Our Funds



Performance/Positioning Total Equity Fund

- All major indices had a more tempered 2Q, with the U.S. up close to 3%, EAFE down slightly and EM down significantly.
- Small Cap Fund was the top performing UCF sector, up 2.8% for 2Q after returning 13.23% for 1Q.
- Manager shortfall in International Developed, as well as Emerging Market exposure detracted from fund in 2Q.

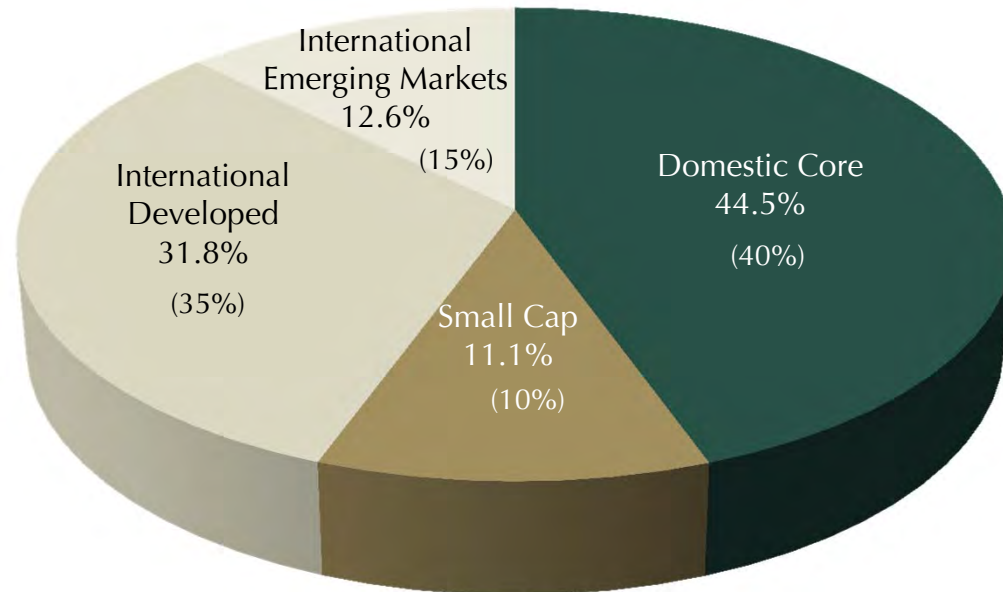


Our Funds



Performance/Positioning Total Equity Fund Asset Allocation

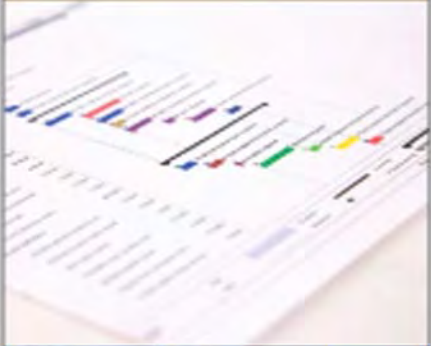
Equity Fund Allocation*
June 30, 2013



Each target allocation lies within a band that permits the Chief Investment Officer to adjust allocations depending on a range of factors, including market conditions

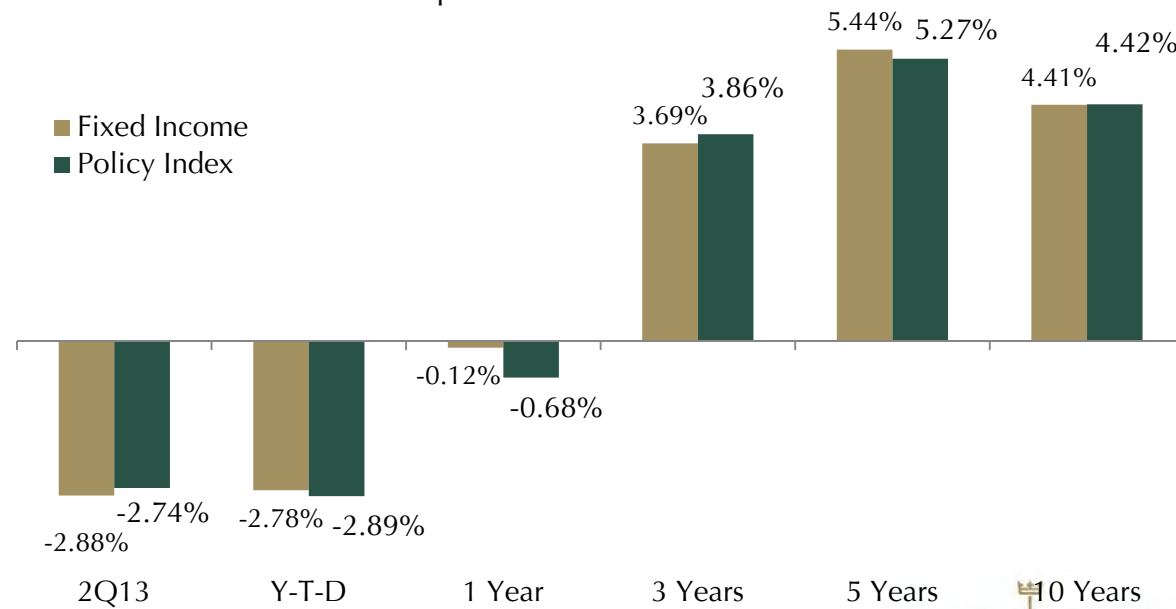
* Target allocation is in parentheses

Our Funds



Performance/Positioning Fixed Income Fund

- Rising rates and a jittery market for most fixed income sectors due to Fed tapering talk resulted in a negative return
- Reduced interest rate exposure versus the index was beneficial, emerging markets local currency debt exposure was not for Q2
- Our focus on intermediate U.S. investment grade corporate securities, (a positive contribution year-to-date through May), detracted from performance in June
- Bank Loans introduced to the portfolio

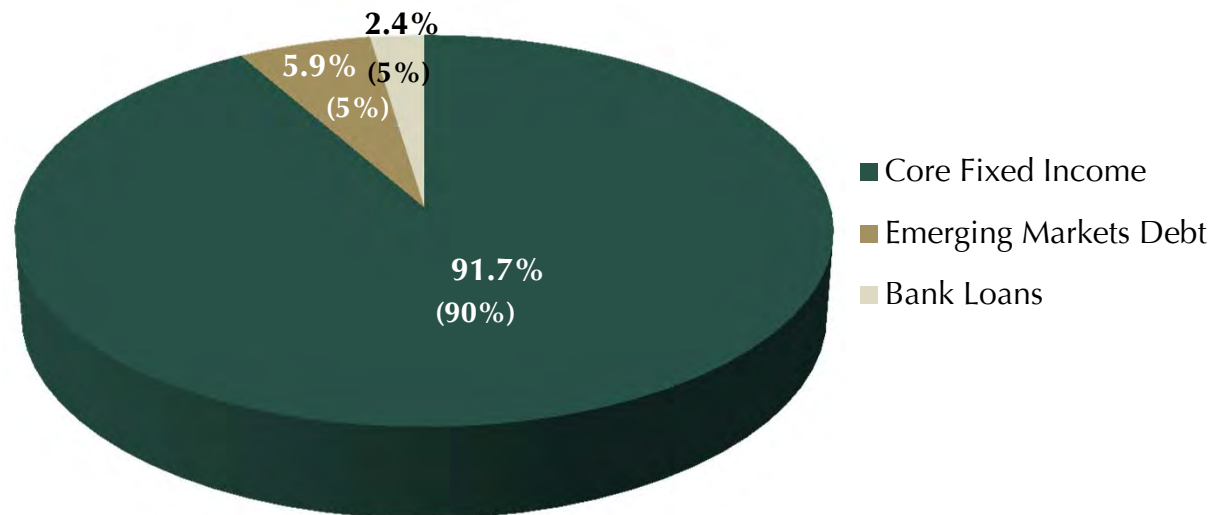


Our Funds



Performance/Positioning Fixed Income Fund Asset Allocation

Fixed Income Fund Allocation*
June 30, 2013



Each target allocation lies within a band that permits the Chief Investment Officer to adjust allocations depending on a range of factors, including market conditions

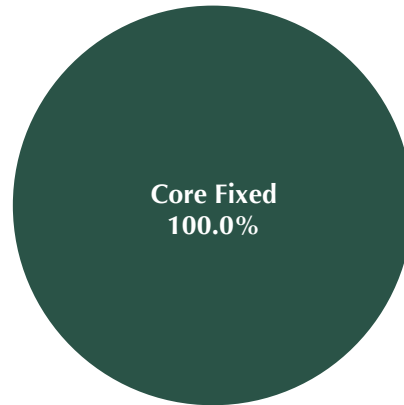
* Target allocation is in parentheses

Our Funds

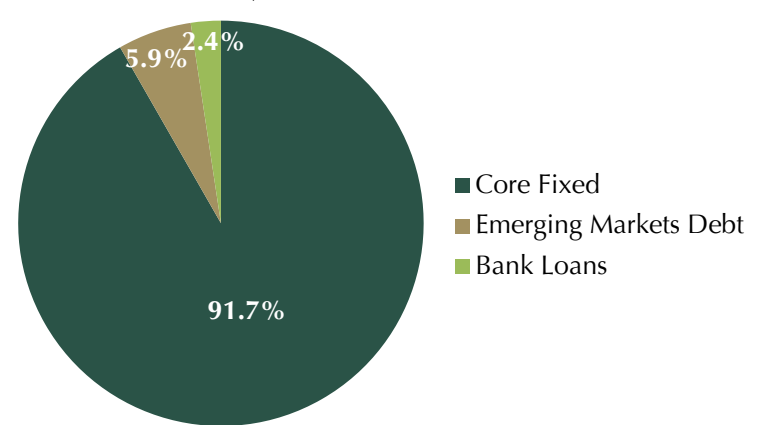


Performance/Positioning Fixed Income Fund Asset Allocation Evolution

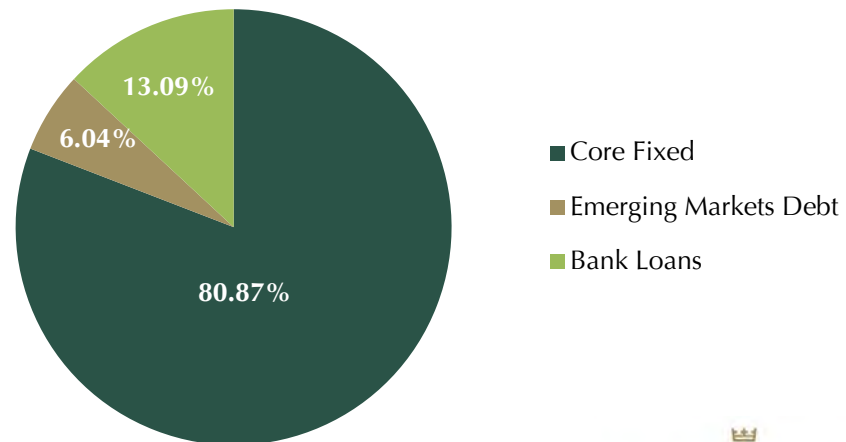
January 31, 2012



June 30, 2013



August 1, 2013

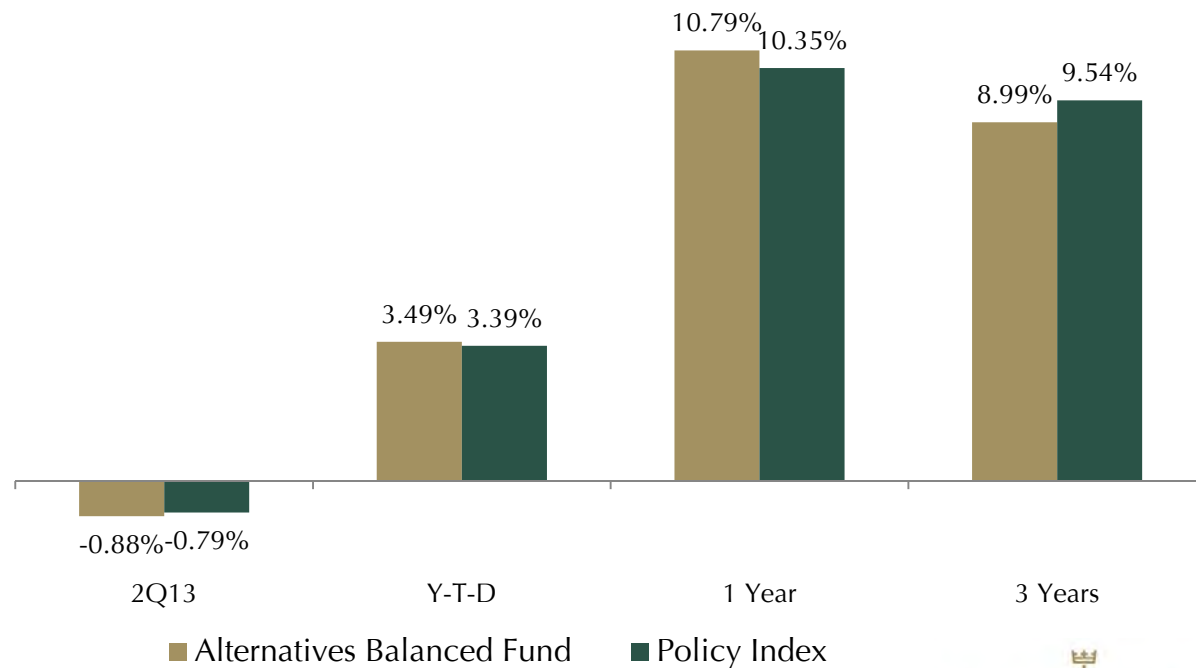


Our Funds



Performance/Positioning Alternatives Balanced Fund

- Comprised of Fixed Income Fund, Total Equity Fund and Alternatives Fund
- Underweight to Bond Fund and overweight to Equity Fund offset modest manager underperformance for Q2.
- Alternative allocation provided protection in down market late in 2Q---that portion of performance always calculated with a lag.

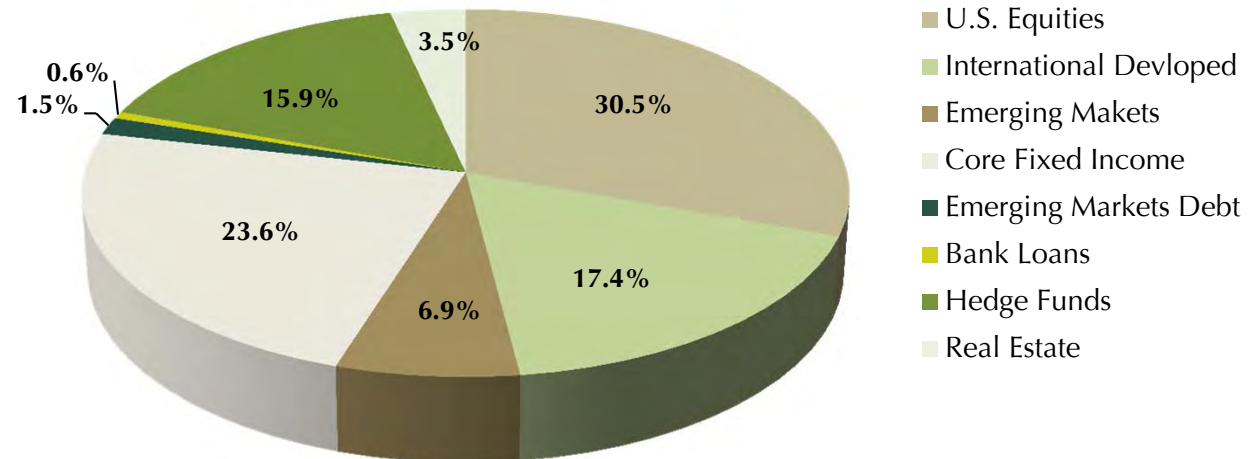


Our Funds



Performance/Positioning Alternatives Balanced Fund Asset Allocation

Alternatives Balanced Fund Allocation
June 30, 2013



Each target allocation lies within a band that permits the Chief Investment Officer to adjust allocations depending on a range of factors, including market conditions

Our
Funds



Our Strategy/Outlook

- Overall Performance
- Performance/Positioning
- **Our Strategy/Outlook**

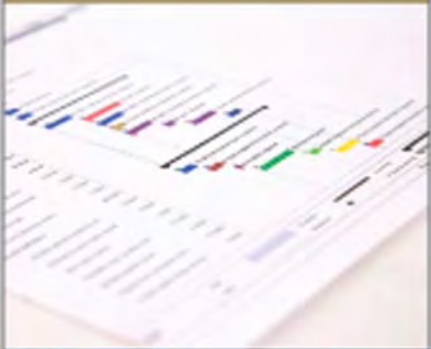
Our Funds



Our Strategy/Outlook: What We Are Watching

- Markets vs. Economy: which is telling the “true” story? What will happen when Fed fiscal stimulus is removed?
- Emerging markets: growth trajectory more muted; China may be slowing down and there is unrest in Brazil and Turkey – can they power through? Or will it get worse before better?
- Fixed Income: Rates have begun to rise and markets are jittery – we are prudently diversifying away from Core Fixed Income and favoring credit versus Treasuries.

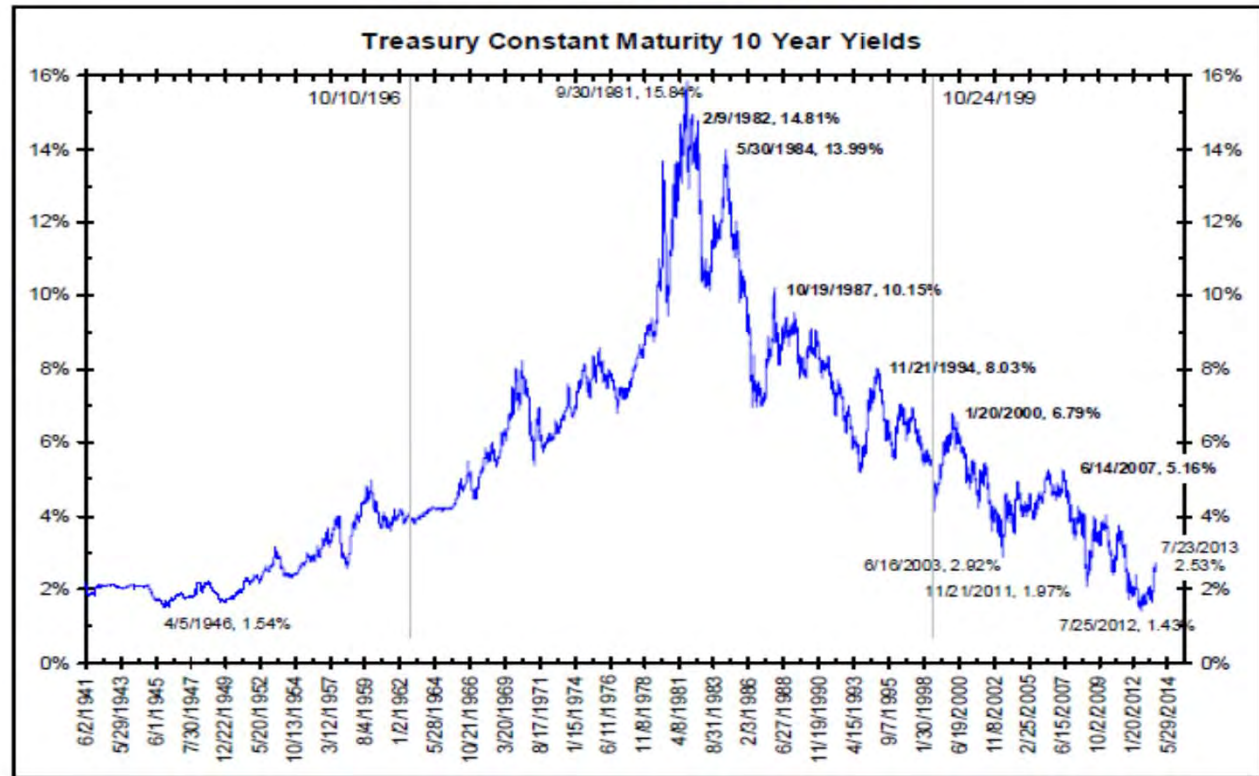
Our Funds



Our Strategy/Outlook: Core Fixed Income

Treasury Constant Maturity 10 Year Yields

From Our Collection of [Long-Term Charts](#)



Bianco Research, L.L.C.

For the week of July 24, 2013



Our Funds



Our Strategy/Outlook: Total Fixed Income

- Reward versus Risk Favors Credit over Rates
 - ↑ High yield corporate credit
 - ↑ Short/intermediate maturities
 - ↑ Floating-rate coupons
 - ↓ Portfolio duration
 - ↓ Long Maturities
 - ↓ Fixed-rate coupons
- Introduce and increase less correlated asset classes – bank loans and emerging markets debt

Our Funds



Our Strategy/Outlook: Total Fixed Income

Selected Portfolio Characteristics
June 30, 2013

Average Characteristics	UCF Total	Core Fixed	EMD	Bank Loan	Barclays*
Moody's Rating	A2	A2	A3	B1	Aa1
S&P Rating	A	A	A-	B+	AA-
Average Life (Years)	6.67	6.69	7.03	4.63	7.50
Option-Adjusted Duration	4.70	4.77	4.78	0.53	5.80
Yield-To-Worst(%)	2.7%	2.4%	6.4%	5.8%	1.58

*Barclays Capital U.S. Government/Credit Index

Our Funds



Our Strategy/Outlook: Total Fixed Income

Quality Distribution
June 30, 2013

Quality	UCF Total	Core Fixed	EMD	Bank Loan	Barclays*
Aaa	3.8%	3.9%	3.5%	2.8%	3.6%
Aa	25.7%	28.0%	0.0%	0.0%	64.9%
A	33.0%	32.6%	53.2%	0.2%	16.9%
Baa	34.2%	34.4%	41.7%	6.8%	14.6%
Below Baa	3.3%	1.1%	30.8%	93.1%	0.0%

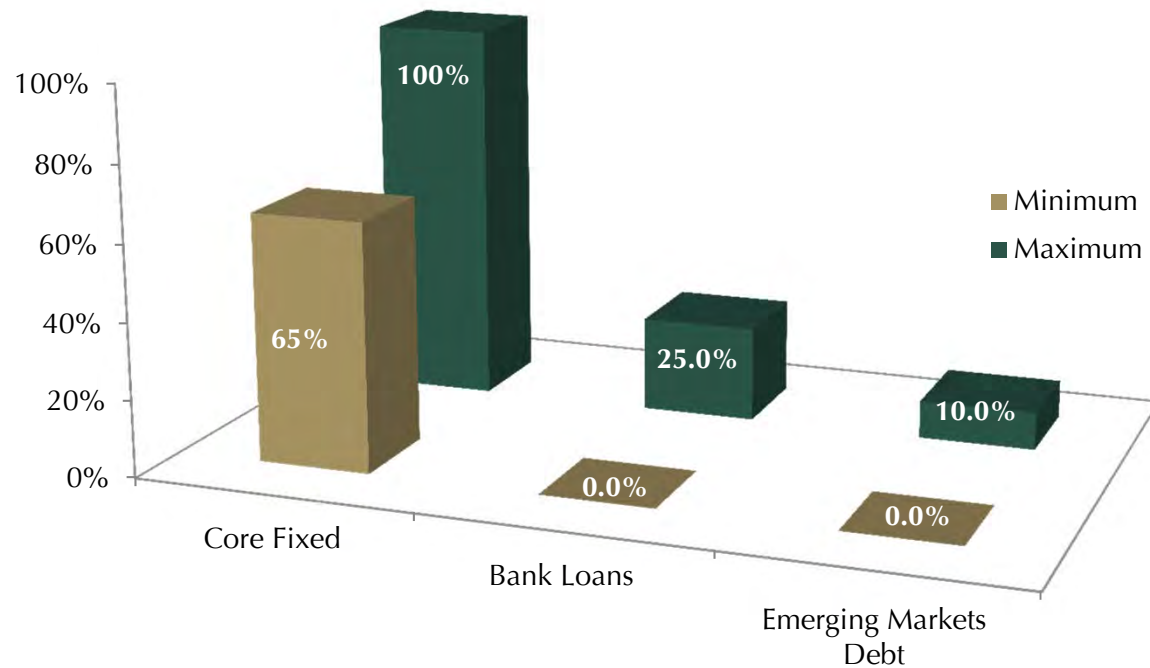
*Barclays Capital U.S. Government/Credit Index

Our Funds



Our Strategy/Outlook: Total Fixed Income

Fixed Income Policy Ranges



Our
Funds



Our Strategy/Outlook: What are We Watching

Please use the Chat feature
to submit your questions

Social Responsibility



Fossil Fuels Resolution

For updates on how UCF is working towards fulfilling the General Synod resolution on fossil fuels, visit fossilfuels.ucfunds.org

