

Presentation to

THE UCF 2014 INVESTOR CONFERENCE

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Senior Investment Analyst



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.

Agenda

- Introduction
- Equity & Bond Funds
- Balanced Funds
- Changes & Implementation

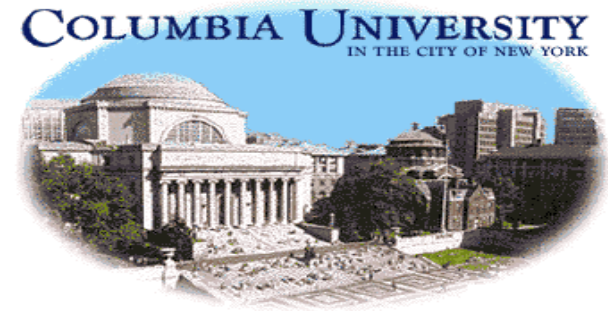
Agenda

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Introduction – This looks familiar...

Michael J. de Guzman--as of March 27, 1981

My Background



What do I do at the UCF?

- Main role = assist Chief Investment Strategist Dave Klassen
 - Manager interviews and due diligence
 - Manager weighting and portfolio construction
 - Asset allocation decisions
 - Special projects

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Equity & Bonds Funds

Equity Fund Options

- Domestic Core Equity Fund
 - U.S. domiciled, large companies; S&P 500
 - QMA, Fiduciary and State Street

- Small Cap Equity Fund
 - U.S. domiciled, smallest companies; Russell 2000
 - Fiduciary, Westfield and DFA

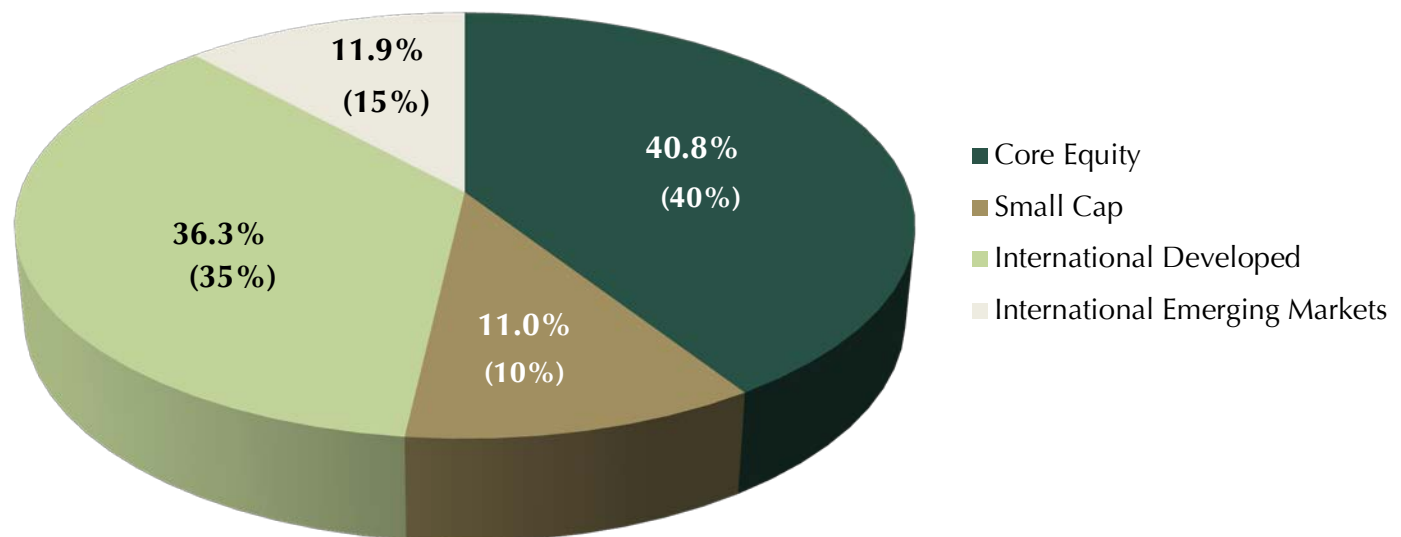
- International Equity Fund
 - International Developed (EAFE=Europe, Japan) and Emerging Markets (EM=Brazil, China) companies; 70% EAFE/30% MSCI EM
 - LSV and Neuberger Berman (EAFE) plus Aberdeen and Oaktree (EM)

- Total Equity Fund
 - Fund of funds incorporating the above three

Equity & Bonds Funds

Total Equity Fund Allocations

Equity Fund Allocation
December 31, 2013



Equity & Bond Funds

New Manager Example

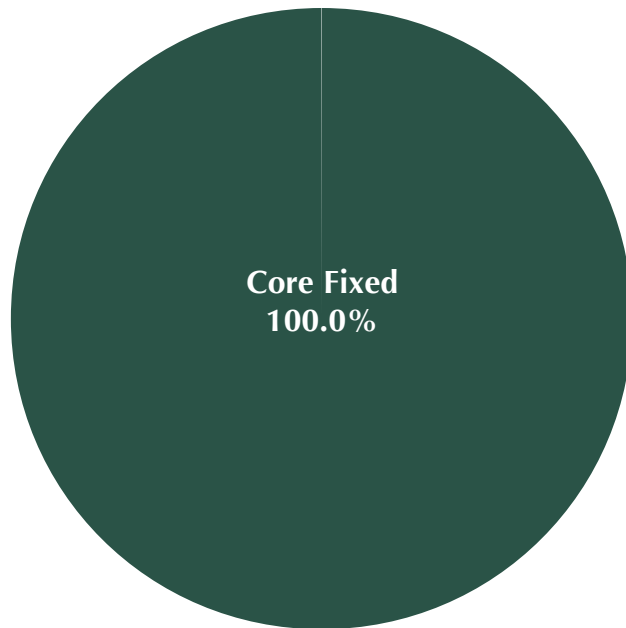
- There are write-ups and information on each of our managers on the UCF's website: <http://ucfunds.org/investment-funds/>

- Oaktree Emerging Markets Equity Fund – new manager
 - Why? Aberdeen had done very well but now too big
 - Who? Oaktree – very respected multi-asset manager; internal team that had run an EM hedge fund
 - How? Investment Team worked with Summit Strategies; Summit and Investment Team did independent due diligence
 - Governance? Investment Team presented rationale, Oaktree team, due diligence and Summit support to the Investment Committee for a “Yes/No” vote
 - When? Allocated \$30mm on 10/1/13

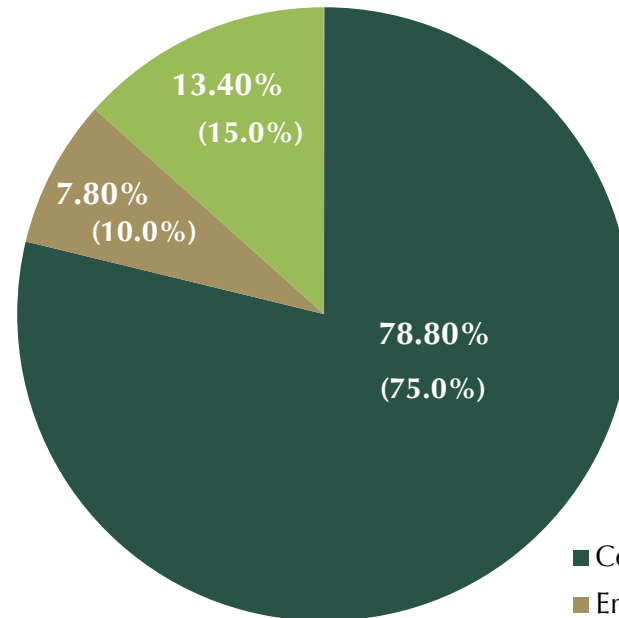
Equity & Bonds Funds

Fixed Income Fund Allocation Evolution

January 1, 2012



December 31, 2013



*Target allocation is in parentheses

- Core Fixed
- Emerging Markets Debt
- Bank Loans

Equity & Bond Funds

Fixed Income Fund Characteristics

Selected Portfolio Characteristics
September 30, 2013

Average Characteristics	UCF Total	Core Fixed	EMD	Bank Loans	Barclays
Moody's Rating	A3	A2	A3	Ba3	Aa1
S&P Rating	A-	A	A-	BB-	AA-
Average Life (Years)	6.9	7.3	6.8	4.9	7.5
Duration	4.4	5.0	4.6	0.6	5.6
Yield-To-Worst(%)	3.2%	2.5%	6.6%	5.4%	2.1%

Markets & Performance

Fixed Income Fund

➤ Reward versus Risk Favors Credit over Rates

↑ Higher 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

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Balanced Funds

Family of Fund Options

- Conservative Balanced Fund
 - Highest allocation to fixed income; lowest equity risk
- Moderate Balanced Fund
 - Traditional allocations to fixed income and equity
- Aggressive Balanced Fund
 - Higher allocation to equity with commensurately higher risk and return expectations
- Alternative Balanced Fund
 - Allocation to equities, fixed income and the UCF Alternatives Fund
 - Alternatives Fund includes: Heitman (real estate) and Evanston, Magnitude and Abbey (funds of hedge funds)

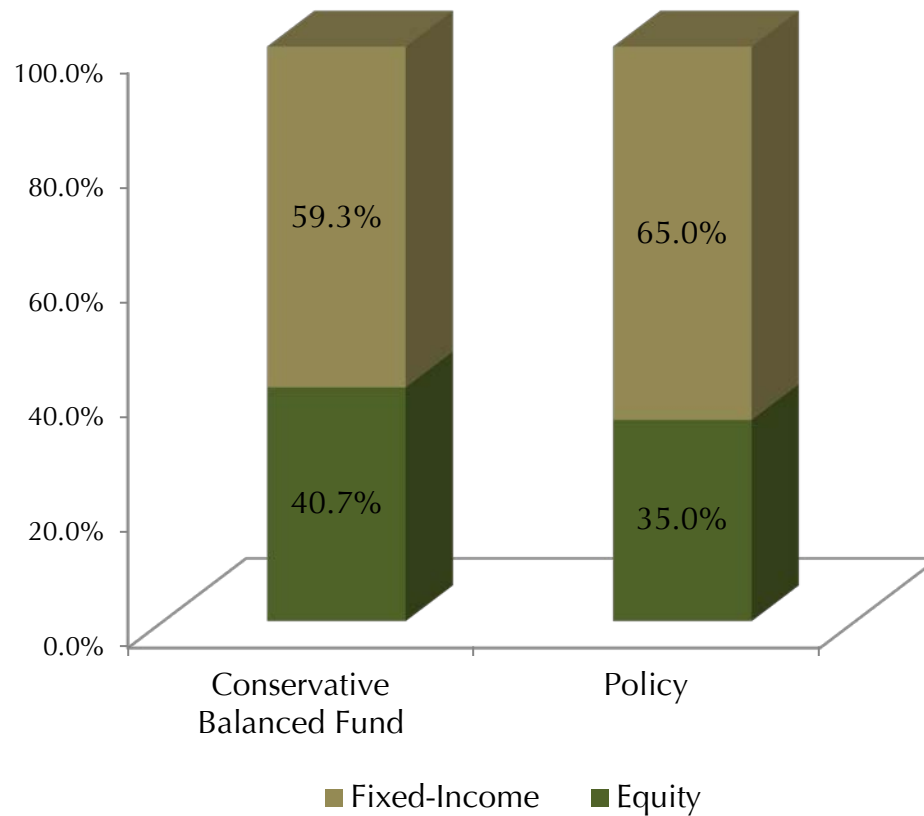


"Do I use the slide or the merry-go-round? I haven't even touched the swings. I don't know. I DON'T KNOW."

Balanced Funds

Conservative Balanced Fund

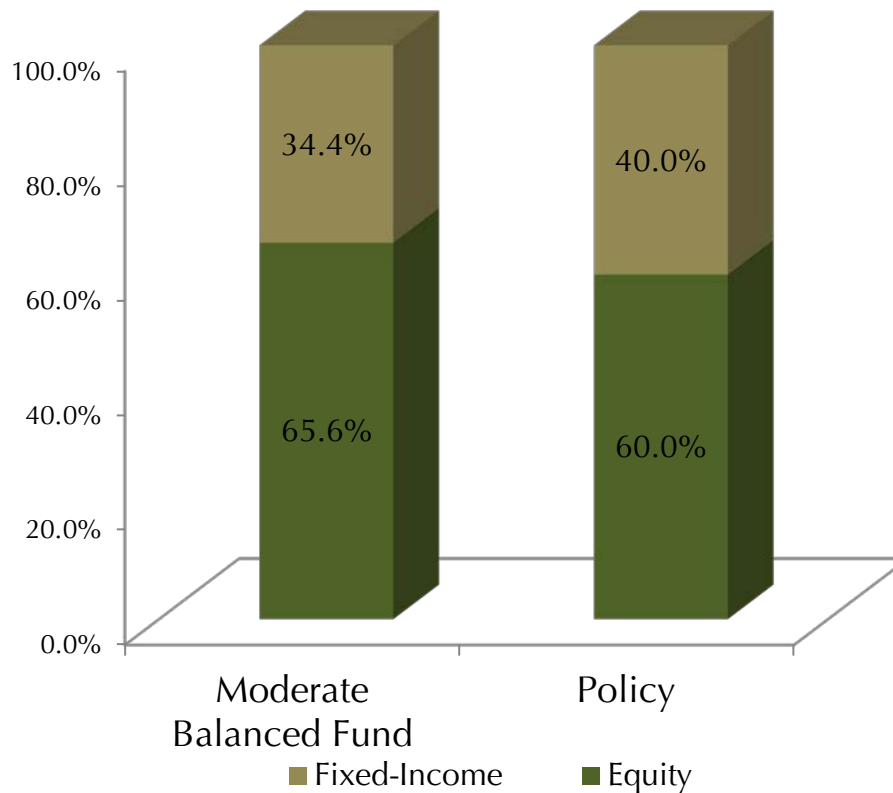
Conservative Balanced Fund Allocation
as of 12/31/2013



Balanced Funds

Moderate Balanced Fund

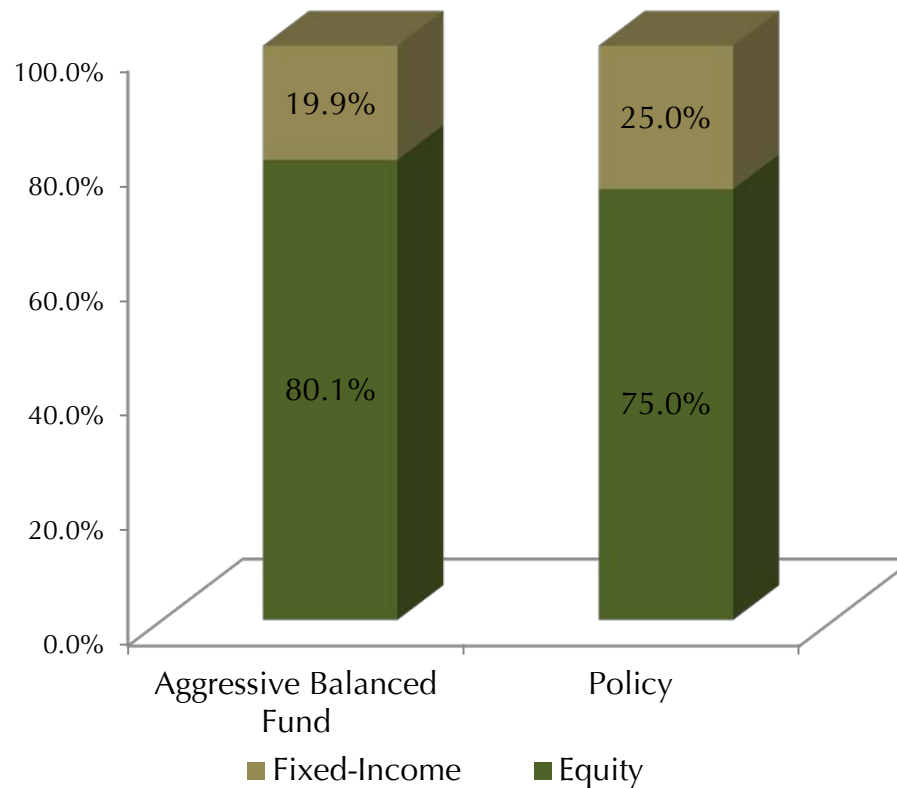
Moderate Balanced Fund Allocation
as of 12/31/2013



UCF Fund Allocations

Equity, Bond and Balanced Funds

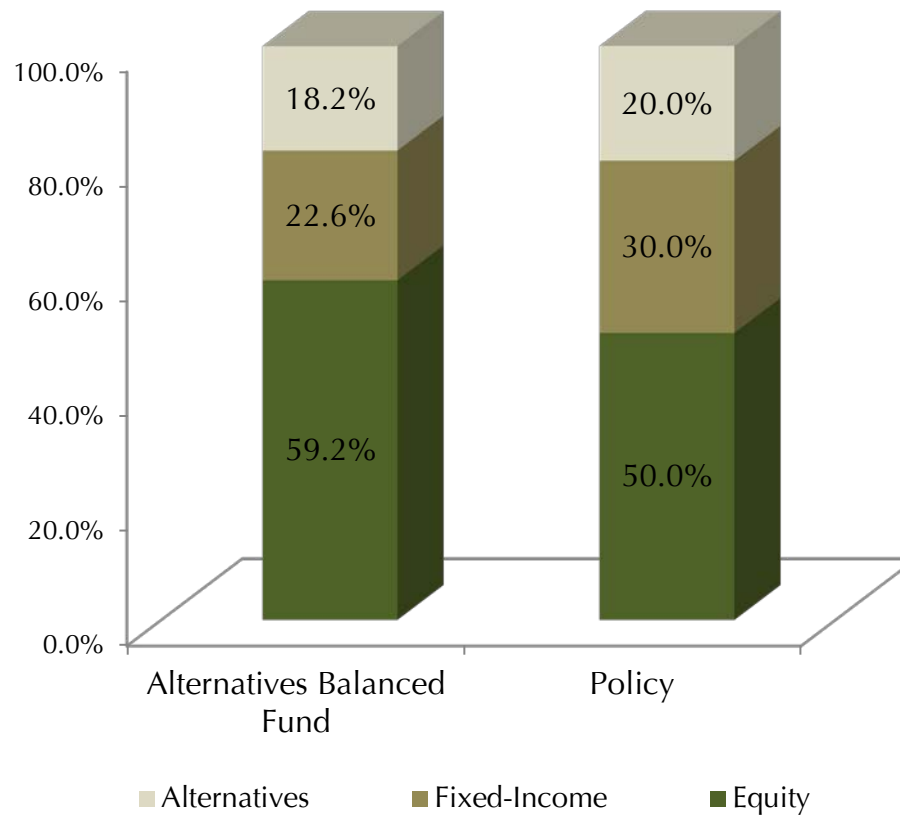
Aggressive Balanced Fund Allocation
as of 12/31/2013



UCF Fund Allocations

Equity, Bond and Balanced Funds

Alternatives Balanced Fund Allocation
as of 12/31/2013



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Changes & Implementation

Wider Bands for Flexibility

- Introduce Wider bands in Balanced Funds
 - Move from 5% to 10% for flexibility in potential rising rate environment

Balanced Fund Structure	Allocation of Fund Assets					
Investment Style	Prior Bands			New Bands		
	Minimum	Target	Maximum	Minimum	Target	Maximum
UCF Conservative Balanced						
Equity	30%	35%	40%	25%	35%	45%
Fixed Income	60%	65%	70%	55%	65%	75%
Moderate Balanced Fund						
Equity	55%	60%	65%	50%	60%	70%
Fixed Income	35%	40%	45%	30%	40%	50%
UCF Aggressive Balanced						
Equity	70%	75%	80%	65%	75%	85%
Fixed Income	20%	25%	20%	15%	25%	35%

Changes & Implementation

Downside Protection

- Fiduciary Management large and small cap to Equity Fund
- Abbey Capital and Magnitude Capital to Alt. Balanced Fund
- Western Asset Management (bank loans) to Bond Pool

- **Balanced Funds Cash (up to 10% with 0% as target)**

Q&A