



# BEYOND FOSSIL FUELS

Climate-friendly global funds from United Church Funds

# DEEPENING OUR CREATION COMMITMENTS

Creating investment products that are faith-consistent is one of the ways United Church Funds lives out its covenant with its clients. The Beyond Fossil Fuels Funds boast low exposure to fossil fuel companies and provide investors with the diversification that they desire. We are proud to offer these values-aligned funds on behalf of our clients.



## EVOLVING SOLUTIONS

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United Church Funds' climate-specific investment offerings assist clients in achieving their diversification goals while avoiding those companies with the greatest amount of fossil fuel reserves — those companies that produce or explore for oil, gas or coal. These funds are meant to complement the work that individuals, churches, ministries, communities and governments are doing to address climate change — building on the United Church of Christ's resolution *Urging Divestment — Along with Other Strategies — From Fossil Fuel Companies*.

## FAITH-ALIGNED CLIMATE FUNDS

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The Beyond Fossil Fuels Fund is United Church Funds' global equity fund free of companies exploring for or producing fossil fuels. Alongside its partner balanced fund, the Beyond Fossil Fuels Fund is designed to be a part of the solution of the climate crisis. As with all separately managed portfolios at United Church Funds, this pair of funds utilizes shareholder action as a means to compel corporate improvement and excludes companies in morally unacceptable industries or companies with unacceptable practices.

*United Church Funds shares the profound concern for the stability of our planet and for our future. Our significant progress on investing in an environmentally responsible manner is a clear indication of how imperative it is to have action on all fronts to respond to climate change.*

*Donald G. Hart  
President*



# THE BEYOND FOSSIL FUELS FUNDS

The Beyond Fossil Fuels Funds further United Church Funds' work to provide clients with climate-sensitive investing options.

## AN ENHANCED INDEX STRATEGY

The Beyond Fossil Fuels Funds both use enhanced indexing, which combines positive elements of both passive and active management. Because enhanced index managers invest in primarily the same companies included in a commercially available index — in this case, the MSCI All Country World Index (ACWI) Investment Market Index (IMI) — the strategy resembles passive management. However, enhanced indexing allows managers the latitude to vary position holdings from the underlying index in order to capture attractive quantitative characteristics — adjustments that can lead to positive performance versus the index over time. Enhanced indexing strategies also enjoy the benefit of lower turnover and lower fees than actively managed portfolios.

## A GLOBAL EQUITY OPTION

The Beyond Fossil Fuels Fund provides equity access to developed markets and emerging market countries, while seeking to eliminate exposure to most companies with fossil fuels reserves. The primary investment objective of the fund is to generate a rate of return that exceeds the MSCI ACWI IMI, re-weighted after excluding the stock of companies selected for exclusion.

## A BALANCED FUND OPTION

Because most United Church Funds' investors choose the Moderate Balanced Fund for its classic asset allocation, the Beyond Fossil Fuels Fund needed a partner fund to replicate the popular allocation — without companies that produce or explore for fossil fuels. The Beyond Fossil Fuels Balanced Fund fills that niche, by combining the Beyond Fossil Fuels Fund as the equity allocation, and a divested core fixed income allocation.

*In creating the Beyond Fossil Fuels Funds, we have maintained our focus on the social issues of great import to faith-based investors. Importantly, investors in the Beyond Fossil Fuels Funds will have an attractive fee structure compared to many of the products that are currently available.*

*David Klassen, CFA  
Chief Investment Strategist*

ECONOMIC SECTOR	BEYOND FOSSIL FUELS FUND	MSCI ACWI IMI EX SCREENS	MSCI ACWI IMI
CONSUMER DISCRETIONARY	13.59%	13.68%	12.78%
CONSUMER STAPLES	8.38%	8.02%	9.77%
ENERGY	1.83%	1.65%	6.24%
FINANCIALS	22.64%	22.97%	20.37%
HEALTH CARE	13.93%	13.62%	12.05%
INDUSTRIALS	10.93%	11.19%	11.24%
INFORMATION TECHNOLOGY	17.03%	17.02%	15.20%
MATERIALS	4.72%	4.97%	5.45%
TELECOM SERVICES	4.12%	3.96%	3.50%
UTILITIES	2.83%	2.92%	3.40%

As of 7/28/2016. Sector attributions may change over time.



## NEW PATHWAYS FOR ENVIRONMENTAL RESPONSE

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Our decades' long action on climate change has increased, while our exposures to fossil fuels companies have decreased. The Beyond Fossil Fuels Fund family is not the extent of our climate response — achievements like the following will continue on behalf of our clients.

The Beyond Fossil Fuels Funds are constituents of the Low Carbon Investment Registry, a clearinghouse for investors searching for options to invest in a climate friendly way. This recognition acknowledges that the Beyond Fossil Fuels Fund and Beyond Fossil Fuels Balanced Fund are offerings that are part of the low carbon economy solution.

United Church Funds committed to the Paris Pledge, welcoming the “adoption of a new, universal climate agreement at COP 21 in Paris, which is a critical step on the path to solving climate change. We pledge[d] our support to ensuring that the level of ambition set by the agreement is met or exceeded.” Part of living into this commitment is examining our products. By applying this lens of continual improvement to all of our portfolios, we have recently amended our investment policy statement to exclude coal and tar sands companies from our traditional portfolios as well.

In addition to this important work, United Church Funds has used its investment platform for positive climate investing. We have made several investments in green bonds. In addition, we recently invested in a fixed income strategy that invests in community development and is, by its nature, a fossil-fuel company free strategy. These actions — when taken in conjunction with reduced energy demand, smart policymaking and international cooperation — signal hope for our planet.

*It is an extremely exciting time to be a climate sensitive investor. We are grateful for the opportunity to express Creation care and concern through our faith-based investing strategies, providing seamless ways for our clients to invest with their consciences.*

*Kathryn McCloskey  
Director, Social Responsibility*

UNITED  CHURCH FUNDS  
475 Riverside Drive, Suite 1020  
New York, NY 10115  
Toll-free 877-806-4989  
[BFFfund@ucfunds.org](mailto:BFFfund@ucfunds.org)  
[bff.ucfunds.org](http://bff.ucfunds.org)