

1st Quarter 2018 PERFORMANCE WEBINAR

May 16, 2018



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UCF's Vision and Mission



Vision

Investment that creates a just world for all.

Mission

United Church Funds supports our clients' missions and generates outstanding values-aligned investment performance.

Investing with a Mission: Performance Beyond the Numbers

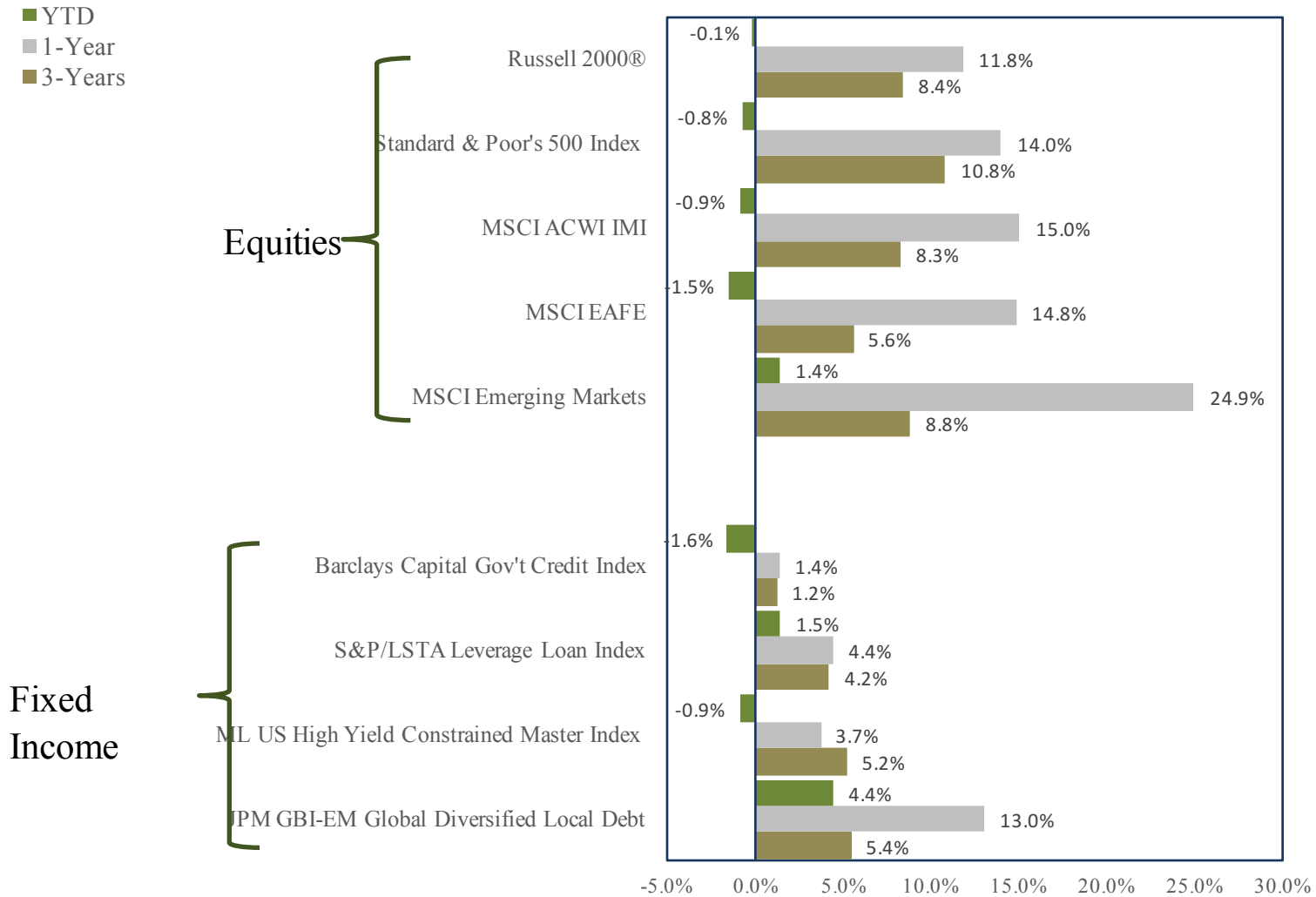
- **Experience** – For over 100 years, UCF has been investing wisely to help our investors achieve their financial goals for their ministries.
- **Expertise** – UCF partners with investors to provide a range of resources and services to strengthen their portfolios, their endowment management structures, and ultimately, the ministries they value.
- **Values-Aligned** – UCF provides socially responsible investment options, aligning to broadly-held Christian values on a variety of environmental, social, and governance (ESG) issues.
- **Non-Profit Structure** – UCF offers professional investment management services exclusively for churches and faith-based ministries in a not-for-profit structure, reducing costs and providing more money for the ministries of our investors.

UCF's Updates

- UCF is pleased to present its 2017 Annual Report. To read, download and print the annual report, visit ucfunds.org/resources. To request a print version, please contact marketing@ucfunds.org
- The Q1 2018 Fund Fact Sheets are available on our website at ucfunds.org/fund-fact-sheets
- UCF is partnering with the Ministerial Excellence, Support and Authorization Team of the UCC to offer a webinar on May 22, titled Women Investing Today – Seeking Justice in Our Financial Lives. For more information and to register, please visit ucfunds.org

Performance

Performance — Selected Index Returns



Performance — All Funds

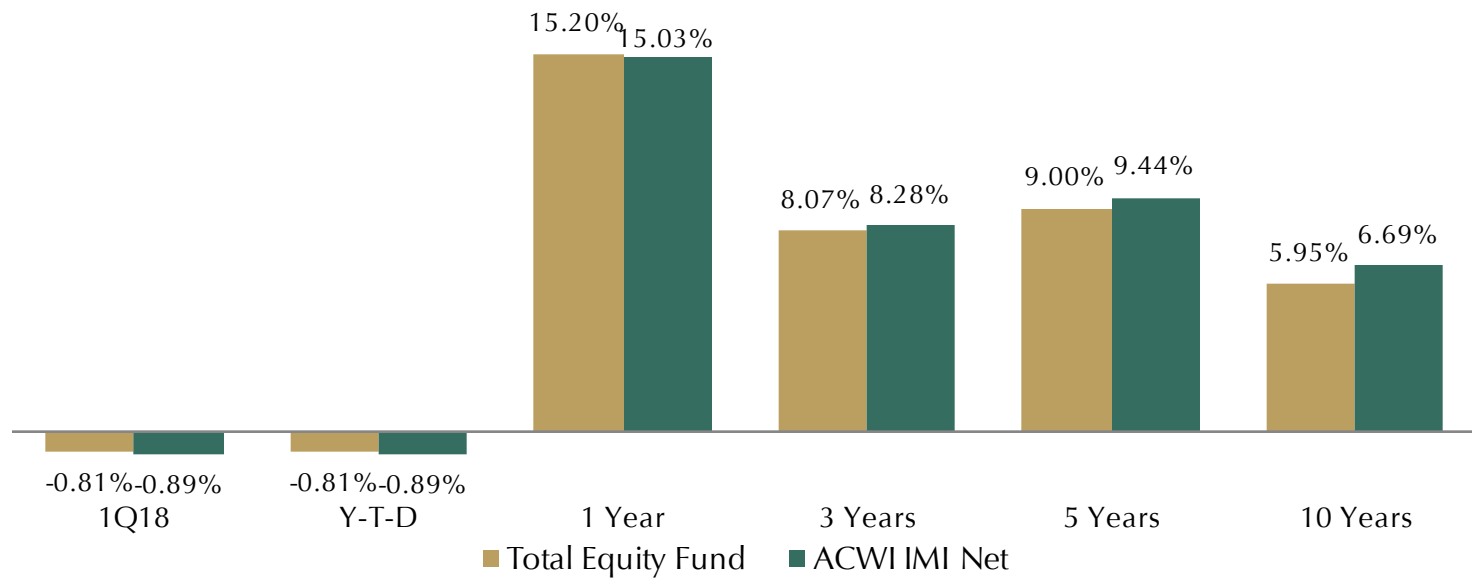
TOTAL RATES OF RETURN AS OF 3/31/18		ANNUALIZED							
<i>Returns on UCF's funds are presented net of fees</i>		Inception Date	Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield
MANAGED FUNDS	Fixed Income Fund	10/1/1994	-0.85%	-0.85%	1.86%	1.23%	1.28%	3.48%	3.55%
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% JPMGBlE MGlobal Diversified, 10% S&P LSTA Performing Loan		-1.13%	-1.13%	2.10%	1.73%	1.88%	3.69%	
	Domestic Core Equity Fund	10/1/2005	-1.11%	-1.11%	13.85%	9.81%	12.70%	8.89%	1.90%
	S&P 500 Index		-0.76%	-0.76%	13.99%	10.78%	13.31%	9.49%	
	Beyond Fossil Fuels Fund	11/3/2014	-0.62%	-0.62%	15.50%	10.63%	N/A	N/A	2.81%
	S&P 500/MSCI ACWI IMI net, linked		-0.89%	-0.89%	15.03%	10.12%			
	Small Cap Equity Fund	10/1/2005	0.24%	0.24%	11.04%	6.54%	10.48%	6.53%	1.00%
	Russell 2000 Index		-0.08%	-0.08%	11.79%	8.39%	11.47%	9.84%	
	International Equity Fund	10/1/2005	-0.75%	-0.75%	17.32%	6.81%	5.54%	3.20%	2.57%
	MSCI ACWI ex US net/Custom Index, linked		-1.18%	-1.18%	16.53%	6.40%	6.03%	2.68%	
Alternatives Fund	7/1/2010	0.90%	0.90%	5.27%	1.95%	4.89%	N/A	N/A	
Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index		0.64%	0.64%	6.09%	4.21%	5.73%			
FUNDS OF FUNDS	Total Equity Fund	10/1/1994	-0.81%	-0.81%	15.20%	8.07%	9.00%	5.95%	2.16%
	38% Domestic Core Equity, 10% Small Cap Equity and 52% International Equity								
	MSCI ACWI IMI net/Policy Index, linked		-0.89%	-0.89%	15.03%	8.28%	9.44%	6.69%	
	Conservative Balanced Fund	1/1/2006	-0.79%	-0.79%	6.51%	3.60%	4.02%	4.68%	2.91%
	41% Equity, 57% Fixed Income and 2% C&E								
	Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index		-0.99%	-0.99%	6.54%	4.12%	4.59%	5.06%	
	Moderate Balanced Fund	<i>circa 1958</i>	-0.76%	-0.76%	9.79%	5.30%	5.94%	5.30%	2.55%
	66% Equity, 32% Fixed Income and 2% C&E								
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		-0.93%	-0.93%	9.77%	5.76%	6.48%	5.83%	
	Aggressive Balanced Fund	1/1/2006	-0.76%	-0.76%	11.91%	6.37%	7.15%	5.61%	2.35%
	80% Equity, 17% Fixed Income and 3% C&E								
	Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index		-0.91%	-0.91%	11.73%	6.72%	7.60%	6.21%	
	Beyond Fossil Fuels Balanced Fund	11/3/2014	-0.91%	-0.91%	9.74%	5.46%	N/A	N/A	2.75%
66% BFF, 31% Fixed Income and 3% C&E									
Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		-0.93%	-0.93%	9.77%	5.76%				
Alternatives Balanced Fund	7/1/2010	-0.50%	-0.50%	9.77%	5.04%	6.13%	N/A	N/A	
55% Equity, 22% Fixed Income, 23% Alternatives									
Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy		-0.61%	-0.61%	9.30%	5.60%	6.51%			

Investment Performance - Summary

- The Total Equity Fund returned -0.81% net of all fees for the first quarter of 2018. The first quarter saw a return of market volatility, which had been absent in 2017. Global equity markets all delivered minor negative performance, and UCF's equity funds were down slightly except for the Small Cap Fund, which had a slightly positive performance of 0.24% net of all fees.
 - For 1Q18, ahead of benchmark net of all fees.
- The Moderate Balanced Fund first quarter results were slightly negative, held back by slightly negative performance from both equities and the Fixed Income Fund. For the first time since 2008, both equities and Core U.S. Fixed Income lost money in the same quarter. The Fund returned -0.76% for the quarter.
 - For 1Q18, ahead of benchmark net of all fees.
- The Beyond Fossil Fuels Balanced Fund similarly had slightly negative performance for 1Q18 but outperformed slightly in relative terms. Global equity markets, with the return of volatility, were closely correlated and gave back small amounts after a very strong 2017 performance.
 - For 1Q18, ahead of benchmark net of all fees.

Performance — Total Equity Fund

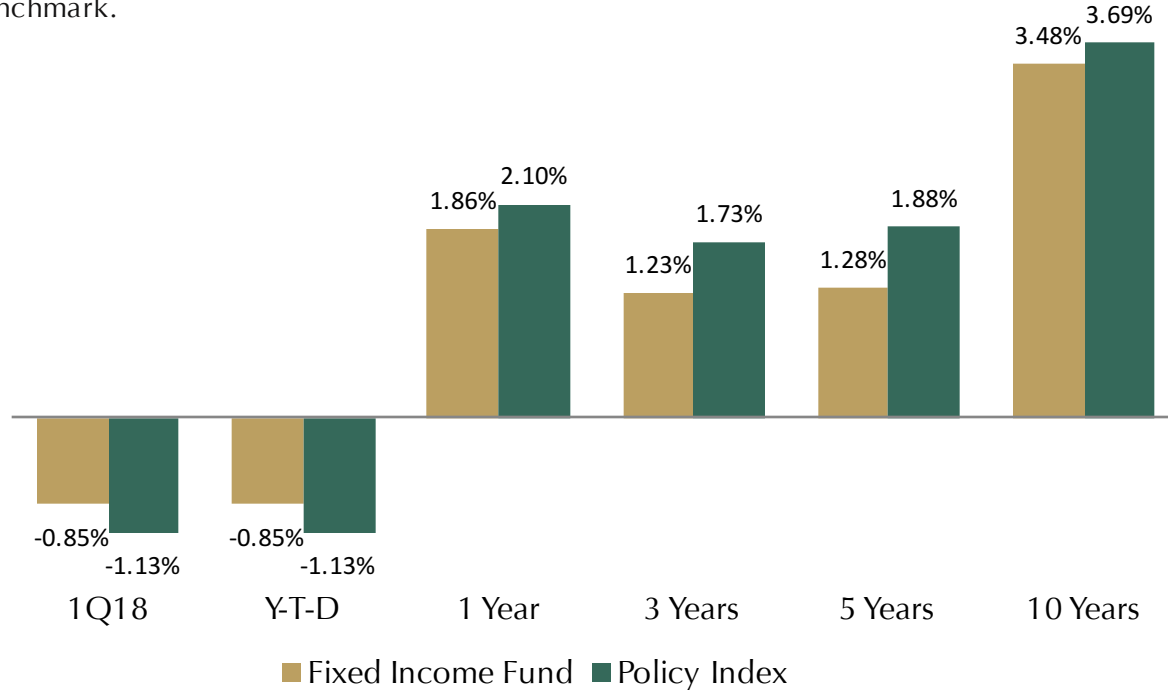
- **Absolute returns:** The Total Equity Fund had slightly negative performance in 1Q18, returning -0.81%, ahead of its benchmark. Global equity markets produced very strong gains with very low volatility in 2017, but 1Q18 saw a return of volatility to the markets. Emerging markets again had positive returns of 1.42% while developed markets all had negative performances, ranging from -1.18% for developed international (MSCI EAFE) to -0.76 for the U.S. (S&P500). Small company U.S. stocks were essentially flat at -0.08%.
- **Manager and allocation:** Contribution from asset allocation was accretive to performance, especially the weighting to Emerging Markets. Oaktree Emerging Markets was the largest relative outperformer as well, up 4.87% vs index returns of 1.42%. Generally, managers added value with only LSV (International), and Fiduciary Management (FMI, Domestic Core) lagging, and all other managers outperforming.



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

Performance — Fixed Income Fund

- **Absolute returns:** The Fund had negative absolute returns for 1Q18. Volatility returned in fixed income markets, and rates rose. These price declines were not able to be offset by the yields of bonds. Emerging markets followed a strong 2H18 with a good first quarter, up 1.33%. Core-fixed trailed all other fixed-income asset classes for the first quarter.
- **Managers and allocation:** Manager alpha helped performance as all fixed income managers outperformed their benchmarks. Lazard EMD was the best relative performer, up 2.16% vs 1.33% for the benchmark. An overweight to emerging markets also contributed. The allocation to bank loans contributed as expected, mitigating the losses from rising rates. Community Capital, the impact manager, also outperformed its benchmark.

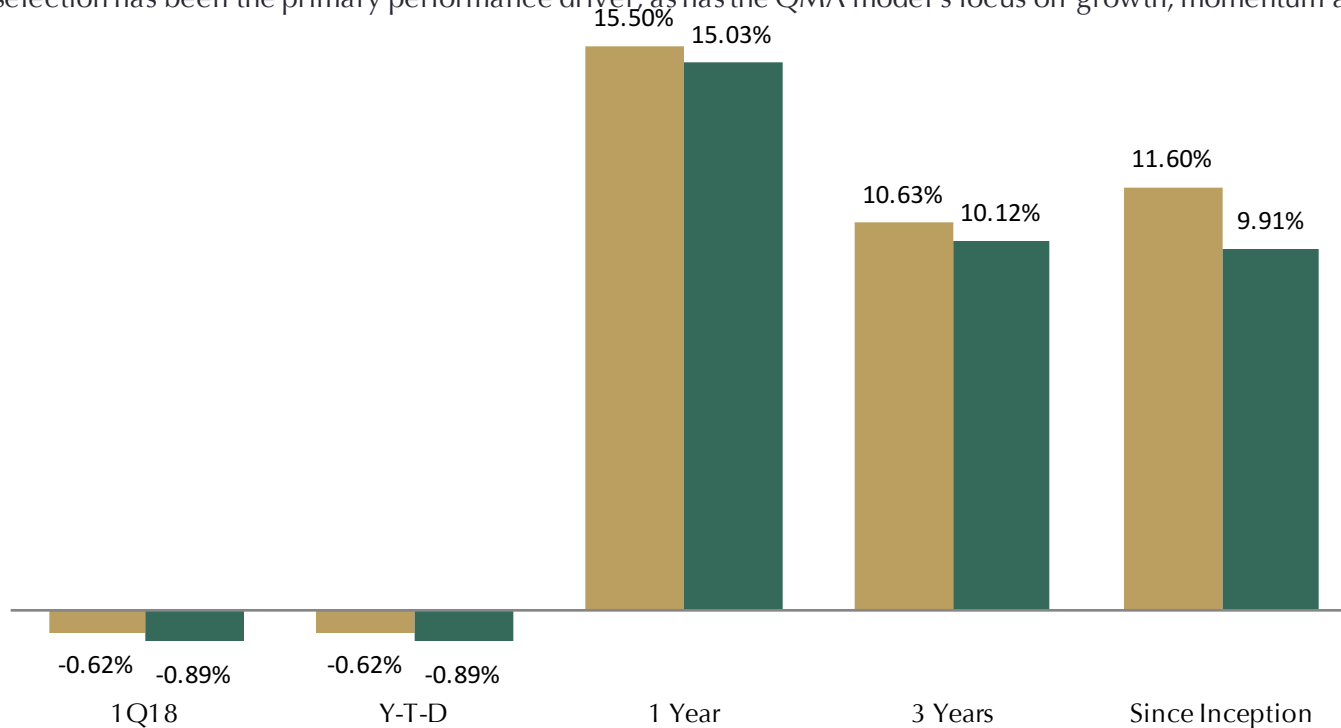


* Inception: 11/03/2014

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

Performance — Beyond Fossil Fuels Fund (BFF Equity)

- **Absolute returns:** The Fund outperformed the benchmark for 1Q18 after easily outperforming for 2017, all numbers net of all fees. International markets have rebounded and performed strongly as global economies continue to expand, led by the emerging market countries.
- **Manager and allocation:** QMA (the BFF manager) outpaced the global benchmark for 1Q18 and 2017, by a considerable margin. Strong stock selection has been the primary performance driver, as has the QMA model's focus on growth, momentum and quality.



* Inception: 11/03/2014

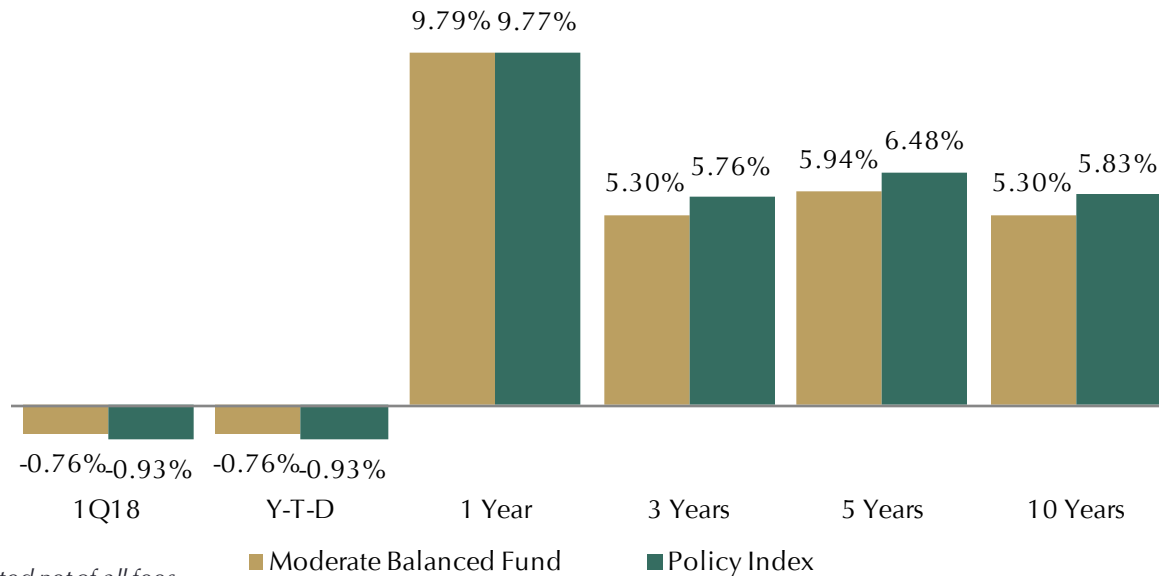
** Returns on UCF's funds are presented net of all fees.

■ BFF Fund

■ S&P 500/MSCI ACWI net linked

Performance — Moderate Balanced Fund

- **Equities:** For 1Q18, performance was negative, across most global regions, as long-absent volatility returned to equity markets following a very calm and strong 2017. Emerging markets were the lone positive region as optimism for growth continues to be helpful. Interest rates rising and inflation expectations have appeared and markets are constantly digesting new information. Active management should prove its benefits in this environment.
- **Fixed Income:** Core-fixed had negative performance during the quarter with expectations of rising interest rates and inflation returning. Bank loans were positive and in the portfolio for just these rising rate environments. Emerging markets countries benefitted from renewed optimism for growth and currency moves and were positive as well.
- **Manager and allocation:** Manager outperformance was mixed with limited disappointments generally balanced with a few very strong outperformers, such as emerging markets and small cap growth. Relative performance is ahead of benchmark net of all fees for 1Q18.



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

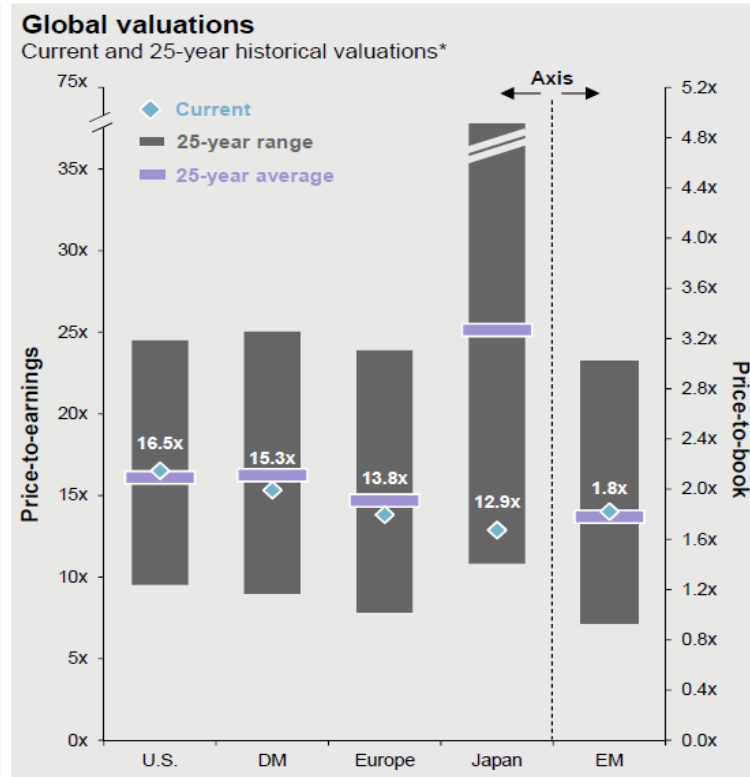
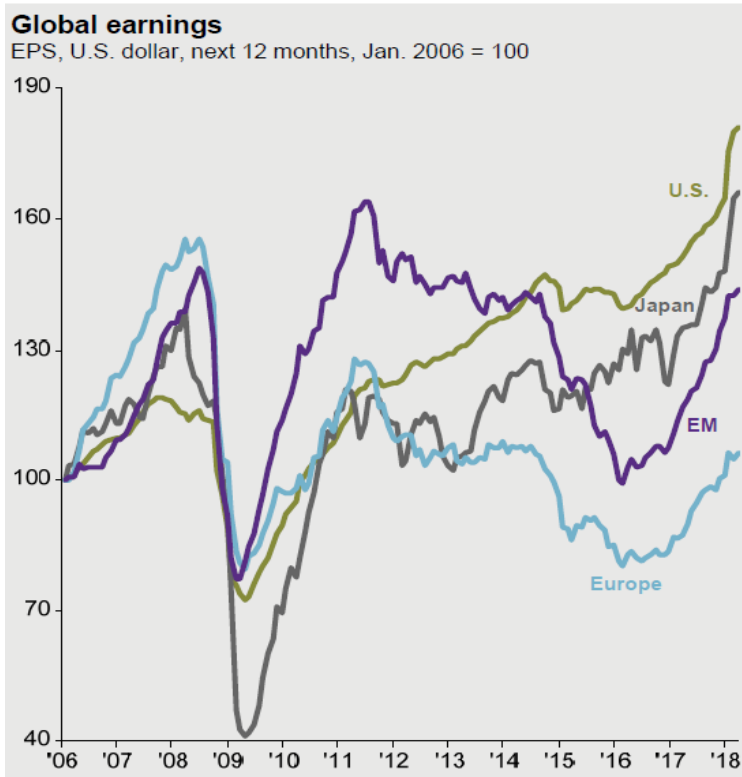
Note: Returns for the Beyond Fossil Fuels Balanced Fund were -0.91% for the 1st quarter 2018 and 9.74% for 1-year.

Strategy & Positioning

Strategy and Positioning - Themes

- The global economy continues to show signs of strength. However, while global central banks are supportive, the U.S. Federal Reserve has continued to raise rates and provide less monetary support.
- Volatility returned to equity markets early in 2018. U.S. equities appear extended, but earnings trends are positive; thus forward valuations are looking less extended given recent selloff in equities. International markets performed very well in 2017 and still offer value compared to history.
- Low interest rates are a hindrance to safe returns and may pose risks. UCF is emphasizing asset classes like floating rate bank loans which may offer protection.

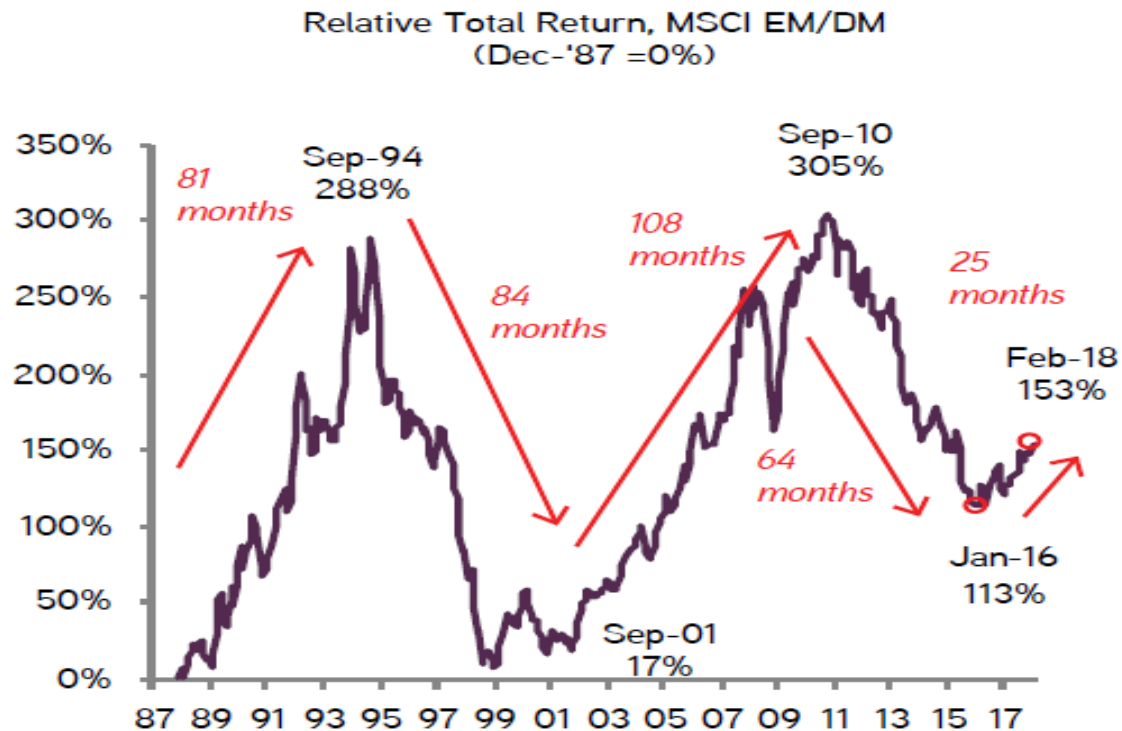
Strategy and Positioning – Earnings and Valuations



- The MSCI EAFE Index, which represents developed international equity markets like Germany and Japan, is at or below its historical average valuation.
- The MSCI EM Index, which represents emerging market equities, is below its historical average valuation, and earnings have been rising.

Strategy and Positioning – Emerging markets Cycles

EM relative performance has clearly improved

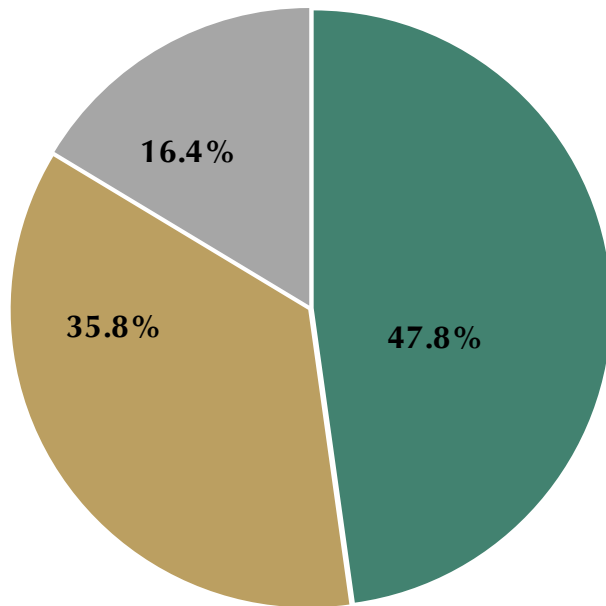


Data as at February 28, 2018. Source: MSCI, Bloomberg, Factset, KKR Global Macro & Asset Allocation analysis.

- The MSCI Emerging Markets Equity Index had underperformed developed markets for 75 months as of December 2016. We believe odds are good that positive performance will play out in a multi-year cycle.

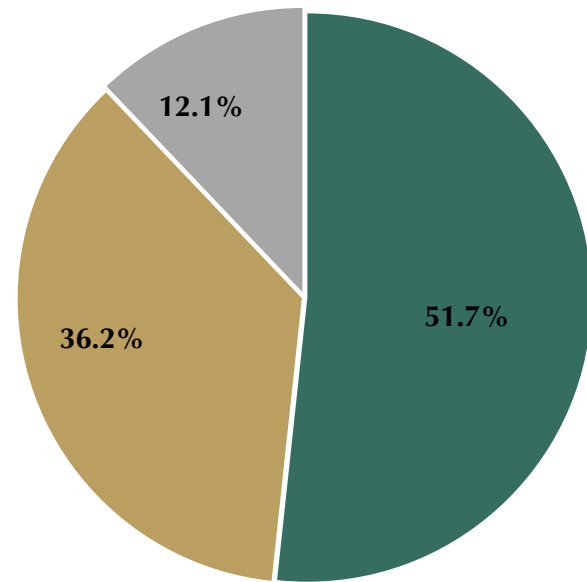
Strategy & Positioning—World Market Capitalization

Equity Fund Allocation
as of 3/31/2018



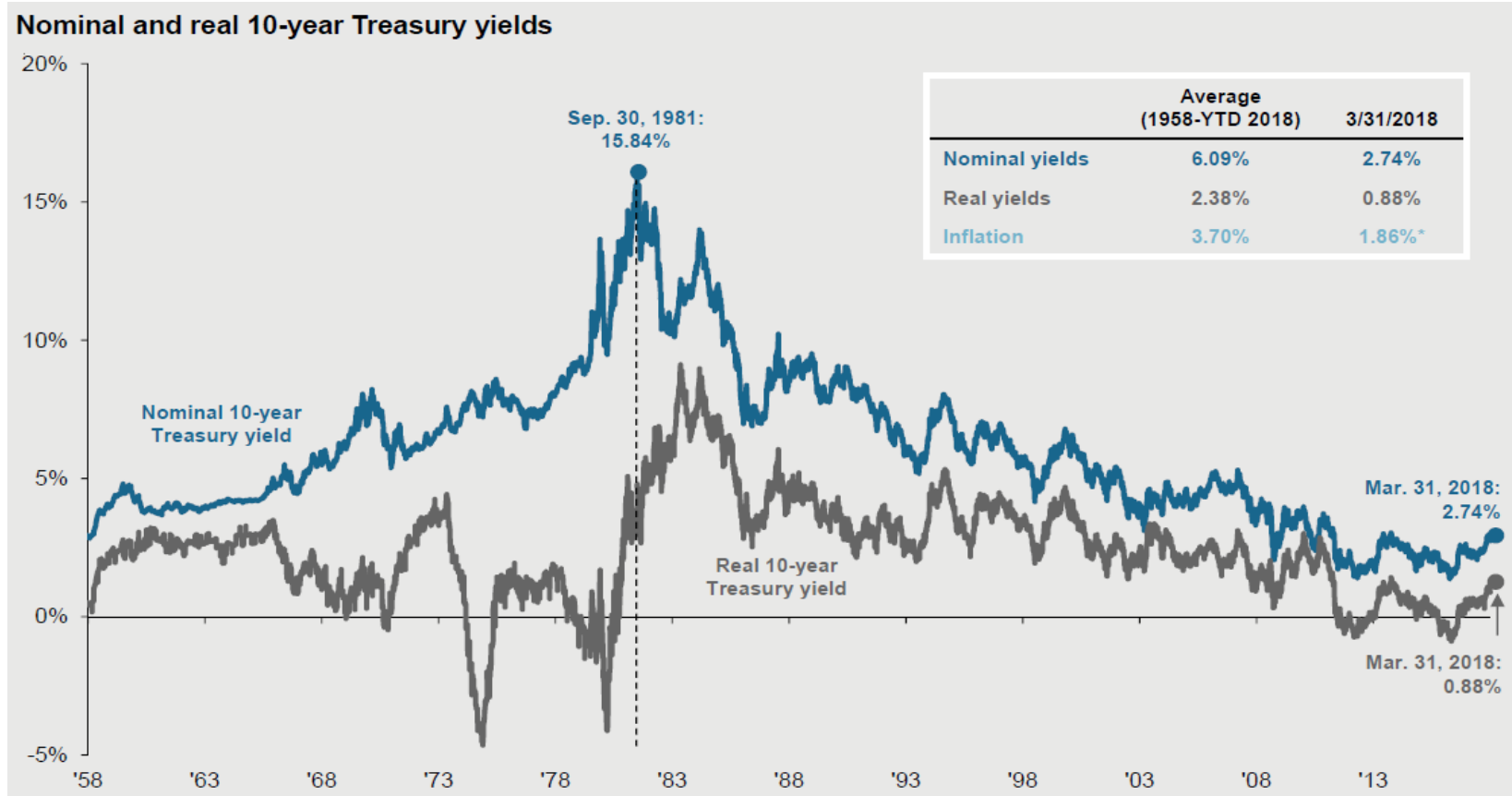
- U.S. Equity
- Int'l Developed Markets Equity
- Emerging Markets Equity

MSCI All Country World Index (ACWI) IMI
Allocation as of 3/31/2018



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

Strategy and Positioning – End of Low Rates?



- Fixed income assets have enjoyed a long bull cycle since 1981; have we reached the turning point?
- Interest rates may not rise dramatically, but the trend is up.

Strategy and Positioning – Fixed Income Characteristics

Average Characteristics	Fixed Income Fund Total	Core Fixed	Impact	Emerging Markets Debt	Bank Loans	Barclays Govt/Credit Index
Positioning	100%	67.2%	10.9%	9.0%	13.0%	100%
Moody's Rating	A/A2	Aa3/A1	Aa1	Ba2	B1	Aa2/Aa3
S&P Rating	A	AA-/A+	AA+	BB	B+	AA/AA-
Average Maturity (Years)	8.8	9.4	6.3	11.7	5.6	8.8
Effective Duration (Years)	5.5	6.6	5.0	6.1	0.1	6.5
Yield-To-Worst (%)	3.9%	3.1%	3.1%	8.1%	5.8%	3.0%

Source: UCF, Community Capital, Lazard, Voya, Barclays. Reflects portfolio holdings. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable. Portfolios and benchmarks are not rated by an independent ratings agency. GSAM may receive credit quality ratings on the underlying securities of portfolios and their respective benchmarks from the three major rating agencies: Standard & Poor's, Moody's and Fitch. GSAM calculates the credit quality breakdown and overall rating for both portfolios and their respective benchmarks according to the client's preferred method or such other method as selected by GSAM in its sole discretion. The applicable method may differ from the method independently used by benchmark providers. Securities that are not rated by all three agencies are reflected as such in the breakdown. For illustrative purposes, GSAM converts all ratings to the equivalent S&P major rating category when reporting the credit rating breakdown. Ratings and portfolio credit quality may change over time. Unrated securities do not necessarily indicate low quality, and for such securities the investment adviser will evaluate the credit quality. EM risk stats based off of Lazard Emerging Markets Debt Portfolio (LEDIX). Voya's effective duration shown above is the weighted average days to reset, which is the closest proxy to duration that bank loan managers can provide.

Strategy & Positioning – Wrap Up

- **Adapting** to likelihood of higher interest rates, but we have been nimble to adjust duration (rate sensitivity) through the year.
- **Diversifying** because valuation ultimately matters, and 2016 and 2017 have illustrated the benefits of that approach.
- **Maintaining** positive performance momentum through asset allocation and equity manager performance.
- **Engaged** with top-tier consultant; first year complete, and our focus is asset allocation, manager selection and values integration.
- **Supporting** UCF's and UCC's mission.
 - Beyond Fossil Fuels Fund, Community Capital Management (impact fixed-income strategy), evolved screening methodologies and Green Bond focus.

Investing with a Mission: Performance Beyond the Numbers

Q & A