

1st Quarter 2019 PERFORMANCE WEBINAR

May 14, 2019



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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.

United Church Funds — Our Mission

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, and the ministries they value.
- **Values-Aligned** – UCF provides socially responsible investment options, aligning to the values of the UCC 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

- The UCF 2018 Annual Report and the first quarter of 2019 Fund Fact Sheets are available on ucfunds.org.
- US SIF Foundation released a report that provides essential information, best practices and case studies on how institutions can enhance their current level of sustainable investing practice. UCF is pleased to be included as a resource in the report: www.ussif.org/pubs

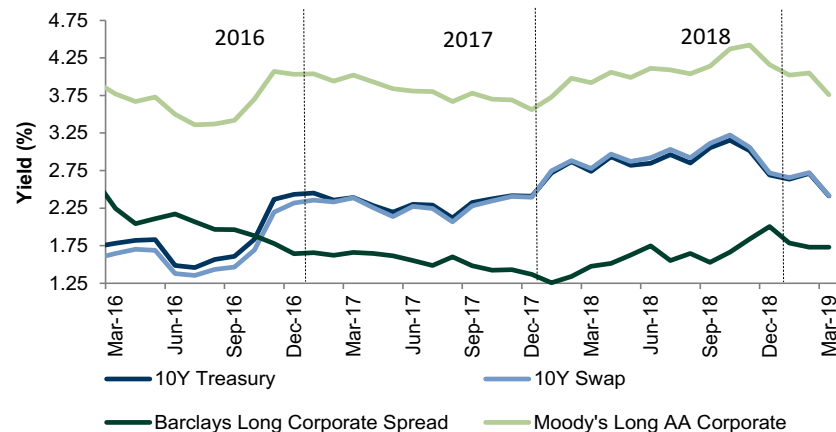
Performance

Investment Performance — Selected Index Returns

Public Markets Performance (TR, USD)

	YTD	2018	Past 3 Years	Since Mar-09 (Ann.)
MSCI World	12.6%	-8.2%	11.3%	13.7%
ACWI IMI	12.3%	-8.9%	11.3%	13.4%
S&P 500	13.6%	-4.4%	13.5%	16.7%
MSCI EAFE	10.1%	-13.4%	7.8%	10.1%
Russell 2000	14.6%	-11.0%	12.9%	16.2%
MSCI World ex-US Small Cap	11.0%	-17.8%	7.7%	13.3%
MSCI EM Equity	10.0%	-14.2%	11.1%	10.7%
Barclays Global Aggregate	2.2%	-1.2%	1.5%	3.3%
Barclays US Long Treasury	4.7%	-1.8%	1.5%	5.6%
Barclays US Long Corporate	8.0%	-7.2%	5.3%	9.0%
JPM EM Debt	7.0%	-4.3%	5.8%	8.8%
JPM EM Debt Local	3.8%	-6.0%	4.1%	4.8%
Barclays Global High Yield	6.3%	-4.1%	7.3%	11.4%
FTSE/NAREIT Global	14.9%	-4.7%	6.7%	15.5%
GSCI Commodities	15.0%	-13.8%	6.2%	-2.9%

Discount Rate Factors (%)



Changes in Yields and Spreads by Maturity (%)

	Mar 2019	Δ 3 mth	Δ 1 yr	Δ 3 yr
Risk Free (Treasuries)				
2Y	2.27%	-0.21%	0.00%	1.54%
10Y	2.41%	-0.28%	-0.33%	0.63%
30Y	2.82%	-0.20%	-0.15%	0.20%
10Y Swap	2.42%	-0.30%	-0.36%	0.77%
Barclays Long Corporate Spread	1.73%	-0.28%	0.25%	-0.52%
Moody's Long AA Corporate	3.76%	-0.40%	-0.16%	-0.01%

As of 31-Mar-2019. Source: GPS, Plot Tool. Plot tool is a proprietary analytical tool and database representing developed and emerging markets including the US, Europe, Asia, and Latin America for their respective Fixed Income, Equity, Foreign Exchange, Commodities, and Credit Markets covering thousands of cash, forward, futures, options, and swap instruments. Plot tool houses over 20 years of economic data. Indices are unhedged. **Past performance does not guarantee future results, which may vary.**

Three-Year Return Review – March 31, 2019

- On a 3-year basis, all funds were roughly in line with their benchmarks, with relative performance ranging from -0.5% to -0.8%.
- On a 3-year basis, the Total Equity Fund outperformed the median universe manager, ranking in the 2nd quartile, while the Balanced Funds and the Fixed Income Fund slightly underperformed their respective median universe managers.
- The Total Equity Fund generated strong absolute performance, returning 9.9%, although it underperformed its benchmark by 0.7%.
 - Asset allocation contributed to performance. The fund's overweight to U.S. Small Cap and Emerging Markets Equity both contributed to performance, while the underweight to U.S. Large Cap Equity was the main detractor.
 - Manager alpha detracted from performance. U.S. Large Cap and International Equity managers underperformed, while Emerging Markets managers outperformed. Fiduciary U.S. Large Cap and Baillie Gifford International Equity were the largest detractors, while RBC Emerging Markets Equity was the largest contributor.
- The Fixed Income Fund returned 2.1%, underperforming its benchmark by 0.5%.
 - Asset allocation detracted marginally, driven broadly by an underweight to Core Fixed Income.
 - Manager alpha detracted from performance, driven by negative alpha contribution from Community Capital and Lazard EM Debt Blend.

Investment Performance – March 31, 2019

TOTAL RATES OF RETURN AS OF 3/31/19					ANNUALIZED					
<i>Returns on UCF's funds are presented net of fees</i>		<i>Inception Date</i>	<i>Quarter</i>	<i>Year To Date</i>	<i>One Year</i>	<i>Two Years</i>	<i>Three Years</i>	<i>Five Years</i>	<i>Ten Years</i>	<i>Current Yield</i>
MANAGED FUNDS	Fixed Income Fund	10/1/1994	3.49%	3.49%	2.70%	2.28%	2.14%	1.84%	3.92%	3.61%
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% JPM GBI-EM Global Diversified, 10% S&P LSTA Performing Loan		3.43%	3.43%	4.04%	3.07%	2.61%	2.78%	3.92%	
	Domestic Core Equity Fund	10/1/2005	12.60%	12.60%	8.03%	10.90%	12.51%	10.05%	15.48%	1.96%
	S&P 500 Index		13.65%	13.65%	9.50%	11.72%	13.51%	10.91%	15.92%	
	Beyond Fossil Fuels Fund	11/3/2014	12.45%	12.45%	-1.87%	6.46%	9.70%	N/A	N/A	2.73%
	S&P 500/MSCI ACWI IMI net, linked		12.29%	12.29%	1.89%	8.26%	10.16%			
	Small Cap Equity Fund	10/1/2005	17.15%	17.15%	2.98%	6.93%	11.42%	6.25%	12.97%	0.44%
	Russell 2000 Index		14.58%	14.58%	2.05%	6.81%	12.92%	7.05%	15.36%	
	International Equity Fund	10/1/2005	10.95%	10.95%	-6.74%	4.60%	7.64%	2.06%	9.15%	2.77%
	MSCI ACWI ex US net/Custom Index, linked		10.31%	10.31%	-4.22%	5.65%	8.09%	2.83%	8.85%	
Alternatives Fund	7/1/2010	1.43%	1.43%	0.51%	2.86%	2.71%	3.89%	N/A	N/A	
Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index		3.48%	3.48%	2.16%	4.22%	5.10%	4.54%			
FUNDS OF FUNDS	Total Equity Fund	10/1/1994	12.29%	12.29%	-0.16%	7.25%	9.91%	5.73%	11.92%	2.18%
	46% Domestic Core Equity, 9% Small Cap Equity and 45% International Equity		12.29%	12.29%	1.89%	8.26%	10.58%	6.44%	12.50%	
	MSCI ACWI IMI net/Policy Index, linked		12.29%	12.29%	1.89%	8.26%	10.58%	6.44%	12.50%	
	Conservative Balanced Fund	1/1/2006	6.32%	6.32%	1.24%	3.84%	4.70%	3.10%	6.81%	2.83%
	36% Equity, 57% Fixed Income and 7% C&E		6.50%	6.50%	3.51%	5.01%	5.46%	4.19%	7.09%	
	Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index		6.50%	6.50%	3.51%	5.01%	5.46%	4.19%	7.09%	
	Moderate Balanced Fund	<i>circa 1958</i>	8.33%	8.33%	0.68%	5.14%	6.67%	4.10%	8.74%	2.47%
	60% Equity, 32% Fixed Income and 8% C&E		8.72%	8.72%	2.98%	6.32%	7.46%	5.12%	9.25%	
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		8.72%	8.72%	2.98%	6.32%	7.46%	5.12%	9.25%	
	Aggressive Balanced Fund	1/1/2006	9.83%	9.83%	0.32%	5.95%	7.93%	4.72%	9.96%	2.29%
76% Equity, 18% Fixed Income and 6% C&E		10.06%	10.06%	2.61%	7.07%	8.64%	5.64%	10.50%		
Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index		10.06%	10.06%	2.61%	7.07%	8.64%	5.64%	10.50%		
Beyond Fossil Fuels Balanced Fund	11/3/2014	8.48%	8.48%	0.13%	4.82%	6.69%	N/A	N/A	2.52%	
60% BFF, 32% Fixed Income and 8% C&E		8.72%	8.72%	2.98%	6.32%	7.46%				
Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		8.72%	8.72%	2.98%	6.32%	7.46%				
Alternatives Balanced Fund	7/1/2010	7.40%	7.40%	0.31%	4.93%	6.35%	4.24%	N/A	N/A	
51% Equity, 22% Fixed Income, 23% Alternatives, 4% C&E		7.84%	7.84%	2.80%	6.02%	7.16%	5.10%			
Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy		7.84%	7.84%	2.80%	6.02%	7.16%	5.10%			

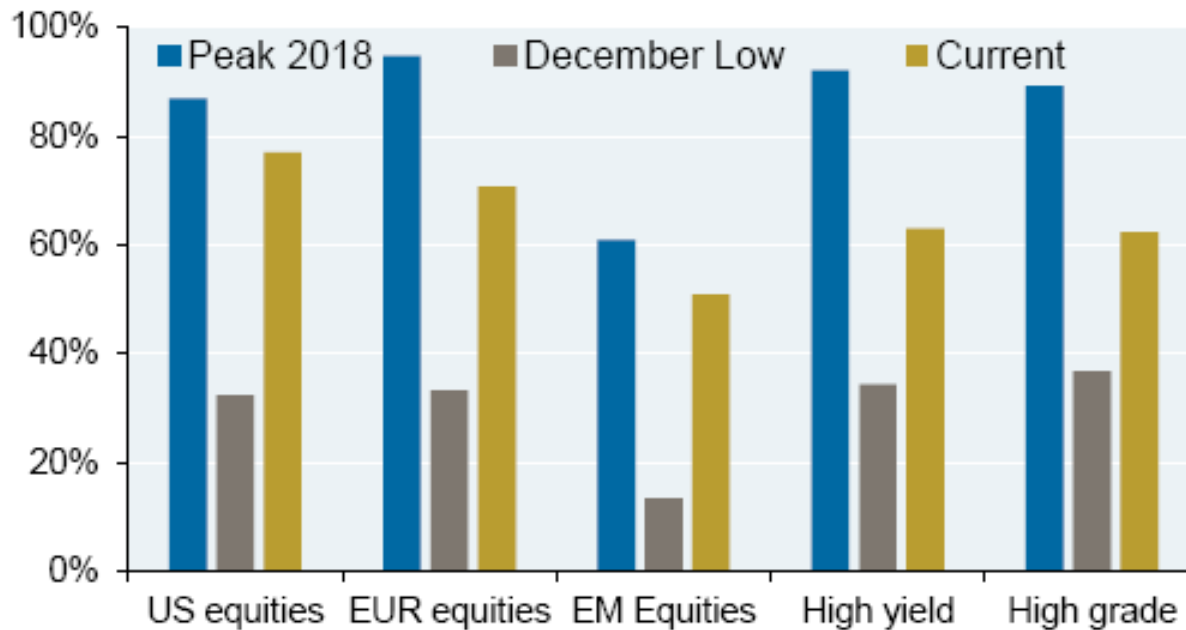
Strategy & Positioning

Strategy and Positioning - Themes

- **Economic Expansion:** There was a synchronized rebound in all markets during the first quarter of 2019 led by the U.S. in developed markets and China in emerging markets. UCF continues to expect growth to moderate, but not a recession in 2019.
- **Equity Valuations:** Domestic equity valuations are in line with historical metrics, while non-U.S. equities continue to seem inexpensive. Despite a moderation in growth, earnings are likely to grow. This should support equities broadly, understanding that volatility will continue.
- **Emerging Markets:** After a difficult year for EM equities in 2018, the first quarter of 2019 had a strong rebound. UCF remains committed to a longer-term upward march for EM. EM markets will continue to be volatile near-term, but valuations are attractive, and the dollar may fall.
- **Fixed Income:** UCF is less bearish on bonds in the medium term, as the impact of lower global growth and low inflation has stabilized bond prices.
- **Dynamic Allocations:** With continued volatility comes the ability to dynamically tilt our funds both by investment style, regional exposure and allocation (equities vs. fixed income).

Strategy and Positioning – Earnings and Valuations

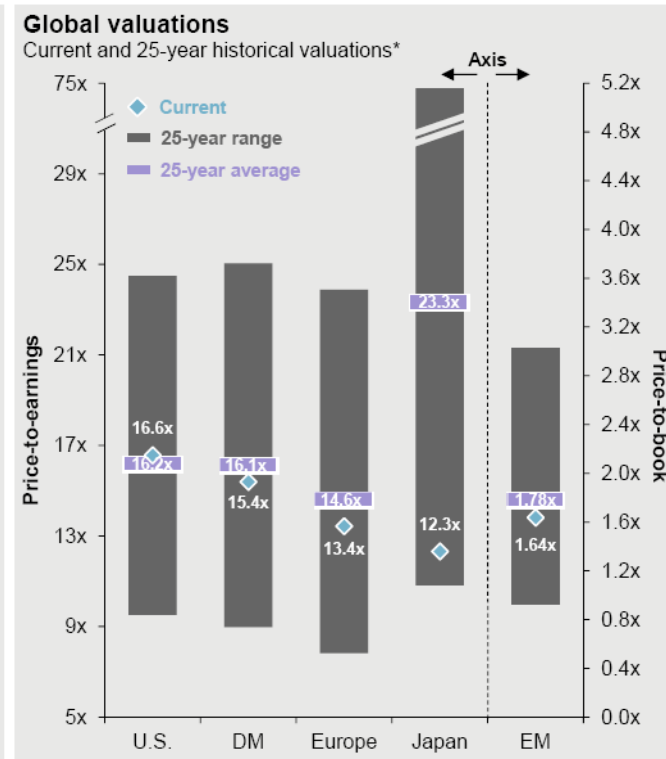
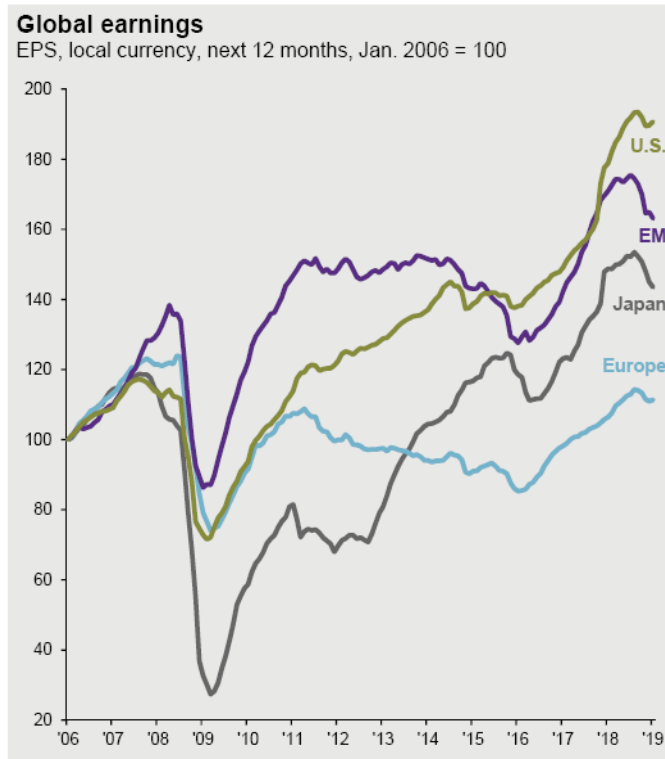
Valuation percentiles back above median



Source: Bloomberg, JPM Global Index Research, Datastream, JPMAM.
April 5, 2019. Equities (12m forward P/E), Bonds (spreads)

- After the selloff, risk assets are more attractive.
- However, the double digit recovery and declining earnings have made valuations much less compelling.

Strategy and Positioning – Earnings and Valuations

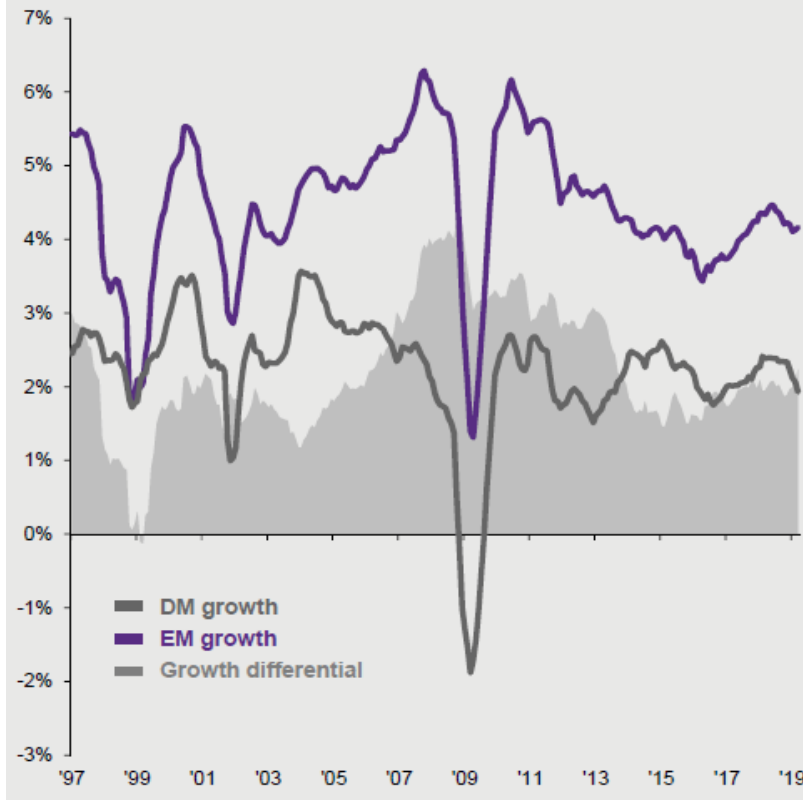


- Global earnings growth decelerated in 4Q18, and benefits from the U.S. tax cut will fade in 2019.
- U.S. equity valuations are slightly above the 25-year average; other developed and emerging markets are below their historical average.
- In equities, we have recently reduced our overweight position in the U.S.
- Our portfolios are overweight emerging markets and underweight international developed markets.

Strategy and Positioning – Emerging Markets

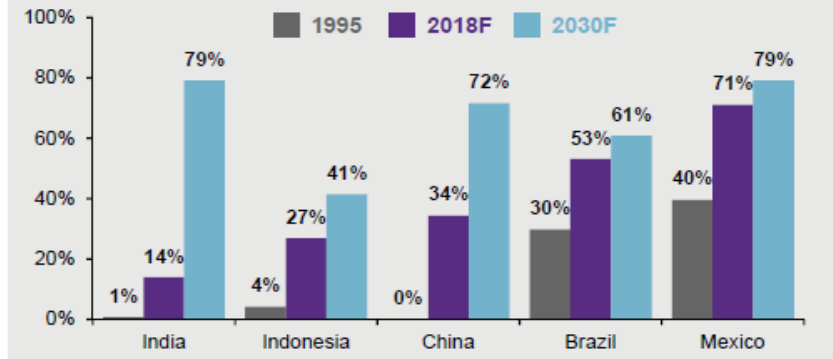
EM vs. DM growth

Monthly, consensus expectations for GDP growth in 12 months



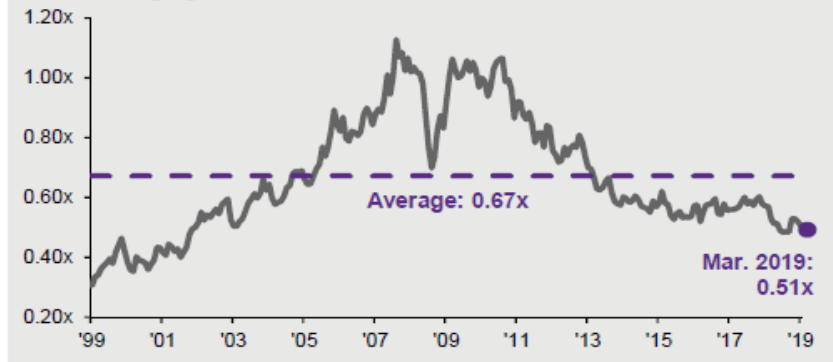
Growth of the middle class

Percent of total population



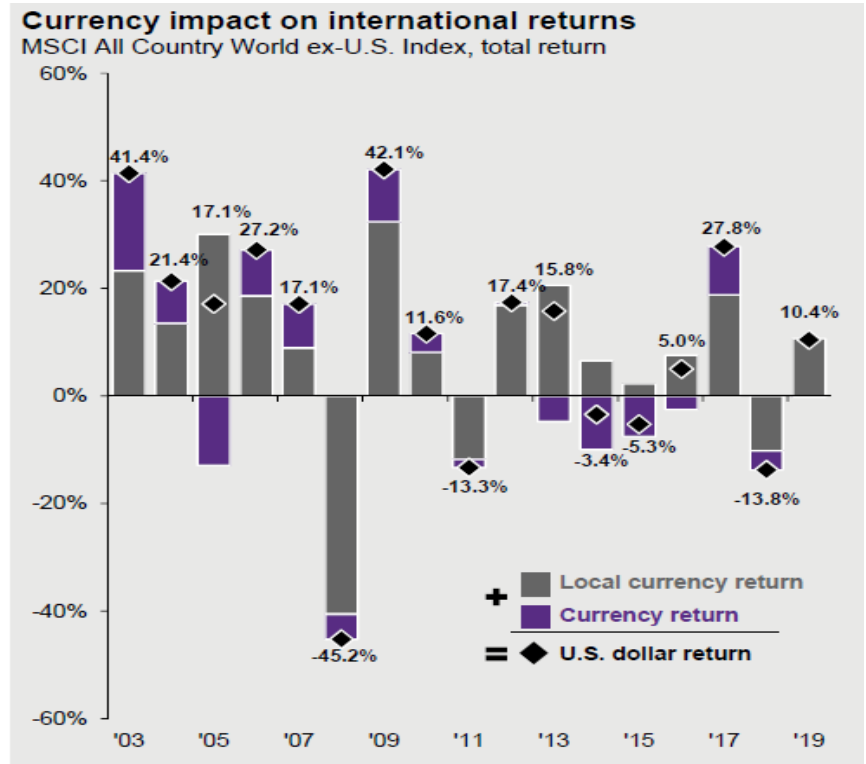
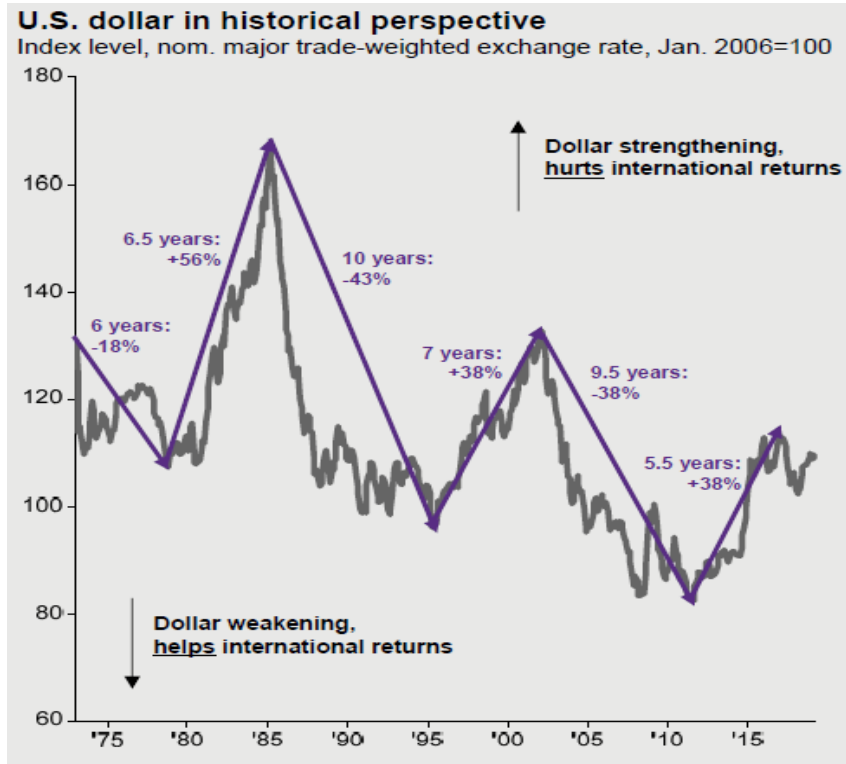
Relative price-to-book ratio

MSCI Emerging Markets vs. S&P 500



- The justification for remaining strategically overweight to emerging markets is relatively higher economic growth, positive middle class demographics and reasonable valuation.

Strategy and Positioning – U.S. Dollar



- The counter-trend U.S. dollar strength may fade with little if any Fed rate hikes and an increasing budget deficit.
- International returns become more attractive as the dollar weakens.

Strategy and Positioning – Yield Curve Inversion

U.S. yield curve steepness

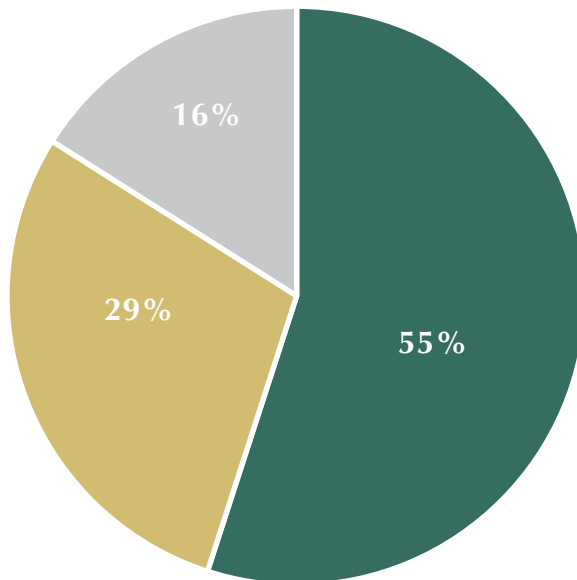
Difference between 10-year and 2-year U.S. Treasuries*



- While a yield curve inversion (shorter rates higher than longer) may not necessarily lead to recession, market participants are monitoring closely.

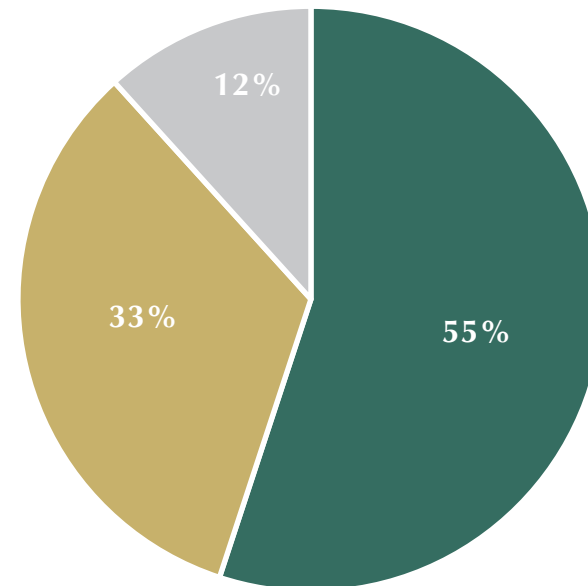
Strategy & Positioning— World Market Capitalization

Equity Fund
Allocation as of 3/31/2019



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

MSCI All Country World Index (ACWI) IMI
Allocation as of 3/31/2019



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

Strategy and Positioning – Fixed Income Characteristics

Selected Characteristics as of March 31, 2019

Average Characteristics	Fixed Income Fund Total	Core Fixed	Impact	Emerging Markets Debt	Bank Loans	Barclays Govt/Credit Index
Positioning	100%	66.2%	11.5%	8.8%	13.6%	100%
Moody's Rating	A1	Aa2/Aa3	Aa	Ba1	B2	Aa2/Aa3
S&P Rating	A+	AA/AA-	AA	BB+	B	AA/AA-
Average Maturity (Years)	8.4	9.2	5.5	10.7	5.4	8.8
Effective Duration (Years)	5.9	7.3	4.5	6.5	0.1	6.5
Yield-To-Worst (%)	4.0%	2.9%	3.3%	7.8%	7.51%	2.9%

Source: UCF, Community Capital, Lazard, Voya, Barclays. Community Capital is not monitored by GSAM. 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

- **Diversifying** UCF's equity allocation strategies, staying committed to a globally diversified portfolio and our longer term view on international equities, particularly emerging market equities.
- **Maintaining** a long-term view of our overall investment strategy, understanding that our diversification and portfolio flexibility in the balanced funds allows us to stay the course through short-term volatility.
- **Adapting** to challenges in fixed income caused by a rising interest rate environment. UCF has adjusted asset allocation (in balanced funds) and duration (rate sensitivity; in fixed income strategies) through the year, and diversified using emerging market debt and bank loans.
- **Building** continued capacity with UCF's consultant, Goldman Sachs Asset Management, with a focus on asset allocation, manager selection and values integration.
- **Supporting** UCF's and UCC's mission with the creation of an Impact Investment Fund in 2019.

Investing with a Mission: Performance Beyond the Numbers

Q & A