

2nd Quarter 2018 PERFORMANCE WEBINAR

August 17, 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.

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

- In celebration of Earth Day on April 22, UCF partnered with the Pension Boards-United Church of Christ to discuss how investors can achieve competitive return from green investment. The full article titled "Love of Creation: Green Investing" is available on www.ucfunds.org
- UCF partnered with the Ministerial Excellence, Support and Authorization Team (MESA) to host the "Women Investing Today: Seeking Justice in Our Financial Lives" webinar on May 22. The webinar recording and presentation are available on www.ucfunds.org.
- The Massachusetts Conference UCC (MACUCC) Board of Directors elected to transfer all of their assets currently invested with UCF to the Beyond Fossil Fuels Balanced Fund. The MACUCC is the first UCC Conference to move its whole corpus to a fossil fuel free offering, thus fulfilling one of the calls of the 2013 UCC General Synod resolution "Urging Divestment – Along with Other Strategies – from Fossil Fuel Companies."
- The Q2 2018 Fund Fact Sheets are available on our website at www.ucfunds.org/fund-fact-sheets
- UCF is a resolution co-filer with several investors at the drug distribution company McKesson - a focus for the Investors for Opioid Accountability Group.

Performance

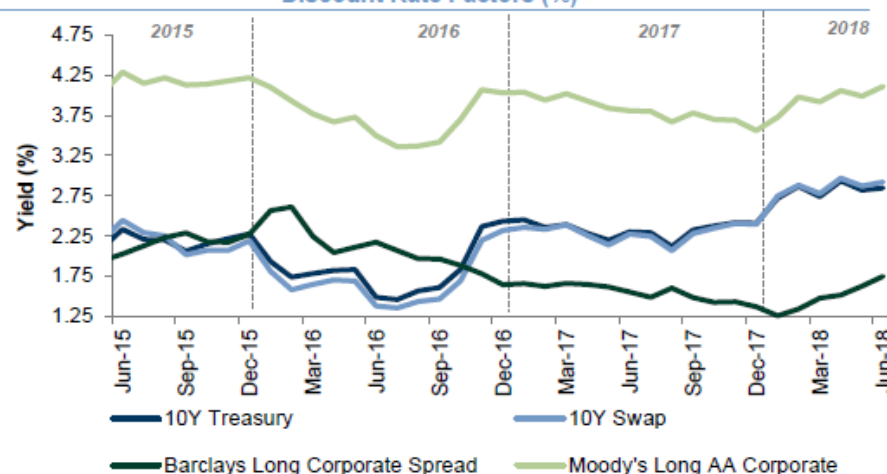
Investment Performance — Selected Index Returns

Public Markets Performance (TR, USD)

	YTD	2017	Past 3 Years	Since Mar-09 (Ann.)
MSCI World	0.8%	23.1%	9.1%	14.6%
ACWI IMI	-0.1%	24.6%	8.8%	14.2%
S&P 500	2.6%	21.8%	11.9%	17.5%
MSCI EAFE	-2.4%	25.6%	5.4%	11.2%
Russell 2000	7.7%	14.6%	11.0%	18.3%
MSCI World ex-US Small Cap	-1.2%	31.5%	9.9%	15.4%
MSCI EM Equity	-6.5%	37.8%	6.0%	11.5%
Barclays Global Aggregate	-1.5%	7.4%	2.6%	3.3%
Barclays US Long Treasury	-3.0%	8.5%	3.4%	5.4%
Barclays US Long Corporate	-6.8%	12.1%	5.1%	8.9%
JPM EM Debt	-5.2%	10.3%	4.6%	8.7%
JPM EM Debt Local	-7.5%	15.2%	1.6%	4.6%
Barclays Global High Yield	-2.5%	10.4%	5.5%	11.9%
FTSE/NAREIT Global	0.9%	11.4%	6.7%	15.9%
GSCI Commodities	10.4%	5.8%	-4.4%	-2.0%

As of 30-June-2018. 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.

Discount Rate Factors (%)



Changes in Yields and Spreads by Maturity (%)

	Jun 2018	Δ 3 mth	Δ 1 yr	Δ 3 yr
Risk Free (Treasuries)				
2Y	2.53%	0.26%	1.14%	1.89%
10Y	2.85%	0.11%	0.55%	0.51%
30Y	2.98%	0.01%	0.14%	-0.12%
10Y Swap				
	2.92%	0.14%	0.65%	0.48%
Barclays Long Corporate Spread				
	1.75%	0.27%	0.20%	-0.28%
Moody's Long AA Corporate				
	4.11%	0.19%	0.30%	-0.18%

Investment Performance — Yields Flatten, Dollar Gained and Crude Rose

- Treasury spreads continue to shrink – curve flattening

Treasury Curve Spreads

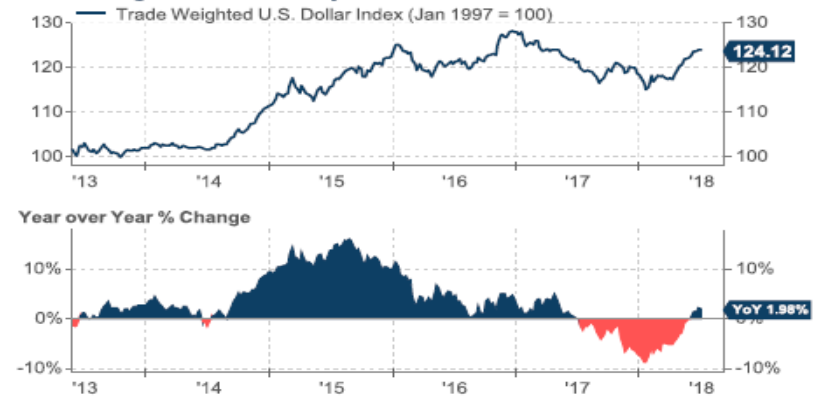
Basis Points



Source: FactSet as of 07/09/2018

- Dollar rose in 2Q, posting the first year-over-year gain since mid-2017

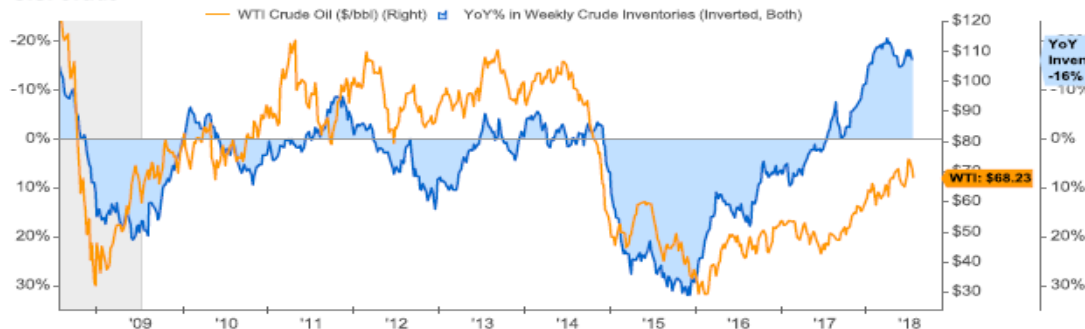
Trade Weighted USD vs. Major Currencies



Source: FactSet as of 07/06/2018

- Crude prices marched higher on constrained supply

U.S. Crude



Source: U.S. Department of Energy, FactSet as of 7/13/2018

Performance — All Funds

TOTAL RATES OF RETURN AS OF 6/30/18						ANNUALIZED			
Returns on UCF's funds are presented net of fees		Inception Date	Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield
MANAGED FUNDS	Fixed Income Fund	10/1/1994	-0.98%	-1.82%	-0.42%	1.45%	1.67%	3.53%	3.64%
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% JPM GBI-EM Global Diversified, 10% S&P LSTA Performing Loan		-0.57%	-1.69%	-0.17%	2.14%	2.33%	3.79%	
	Domestic Core Equity Fund	10/1/2005	3.58%	2.43%	14.57%	11.09%	12.89%	9.52%	1.90%
	S&P 500 Index		3.43%	2.65%	14.37%	11.93%	13.42%	10.17%	
	Beyond Fossil Fuels Fund	11/3/2014	-1.20%	-1.81%	8.38%	10.16%	N/A	N/A	2.78%
	S&P 500/MSCI ACWI IMI net, linked		0.72%	-0.18%	11.14%	10.28%			
	Small Cap Equity Fund	10/1/2005	4.32%	4.57%	14.00%	8.15%	10.80%	6.53%	1.00%
	Russell 2000 Index		7.75%	7.66%	17.57%	10.96%	12.46%	10.60%	
	International Equity Fund	10/1/2005	-3.50%	-4.23%	5.99%	5.33%	5.70%	2.96%	2.37%
	MSCI ACWI ex US net/Custom Index, linked		-2.61%	-3.77%	7.28%	5.23%	6.14%	2.62%	
Alternatives Fund	7/1/2010	1.49%	2.40%	6.69%	2.76%	4.93%	N/A	N/A	
Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index			0.53%	1.39%	5.74%	4.01%	5.64%		
FUNDS OF FUNDS	Total Equity Fund	10/1/1994	-0.12%	-0.93%	9.86%	7.95%	9.10%	6.04%	2.04%
	39% Domestic Core Equity, 10% Small Cap Equity and 51% International Equity								
	MSCI ACWI IMI net/Policy Index, linked		0.72%	-0.18%	11.14%	8.34%	9.60%	6.14%	
	Conservative Balanced Fund	1/1/2006	-0.63%	-1.41%	3.30%	3.66%	4.30%	4.74%	2.91%
	41% Equity, 57% Fixed Income and 2% C&E								
	Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index		-0.11%	-1.10%	3.74%	4.41%	4.94%	5.21%	
	Moderate Balanced Fund	circa 1958	-0.40%	-1.16%	5.85%	5.28%	6.14%	5.38%	2.49%
	66% Equity, 31% Fixed Income and 3% C&E								
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		0.21%	-0.72%	6.57%	5.97%	6.77%	6.02%	
	Aggressive Balanced Fund	1/1/2006	-0.28%	-1.04%	7.44%	6.29%	7.31%	5.69%	2.27%
	80% Equity, 17% Fixed Income and 3% C&E								
	Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index		0.40%	-0.51%	8.28%	6.88%	7.85%	6.43%	
	Beyond Fossil Fuels Balanced Fund	11/3/2014	-0.88%	-1.78%	4.86%	5.25%	N/A	N/A	2.69%
66% BFF, 32% Fixed Income and 2% C&E									
Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		0.21%	-0.72%	6.57%	5.97%				
Alternatives Balanced Fund	7/1/2010	-0.11%	-0.61%	6.72%	5.15%	6.29%	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			0.30%	-0.27%	6.64%	5.72%	6.71%		

Investment Performance - Summary

- The Total Equity Fund had slightly negative performance of 0.12% net of all fees for the second quarter of 2018. The period saw mixed returns from global financial markets as unfriendly market talk of trade tariffs and questions about international economic growth surfaced. UCF's U.S. equity funds were positive, but the International Fund was down 3.5% net of fees. An overweight to emerging markets was also detrimental over this time horizon.
 - For 2Q18, behind benchmark net of all fees.
- The Beyond Fossil Fuels (BFF) Balanced Fund returned -0.88% for 2Q18. The BFF Equity manager gave back some ground after strong performance in prior periods, as quantitative strategies similar to those utilized by BFF have struggled recently. Energy equities not held by the Fund also rose in the quarter, hurting the Fund compared to unmanaged benchmark indices.
 - For 2Q18, behind benchmark net of all fees.
- The Moderate Balanced Fund similarly had performance of -.40% for 2Q18. Global equity markets were slightly positive but UCF managers, especially in small cap, gave back some ground after strong 2017 performance.
 - For 2Q18, behind benchmark net of all fees.

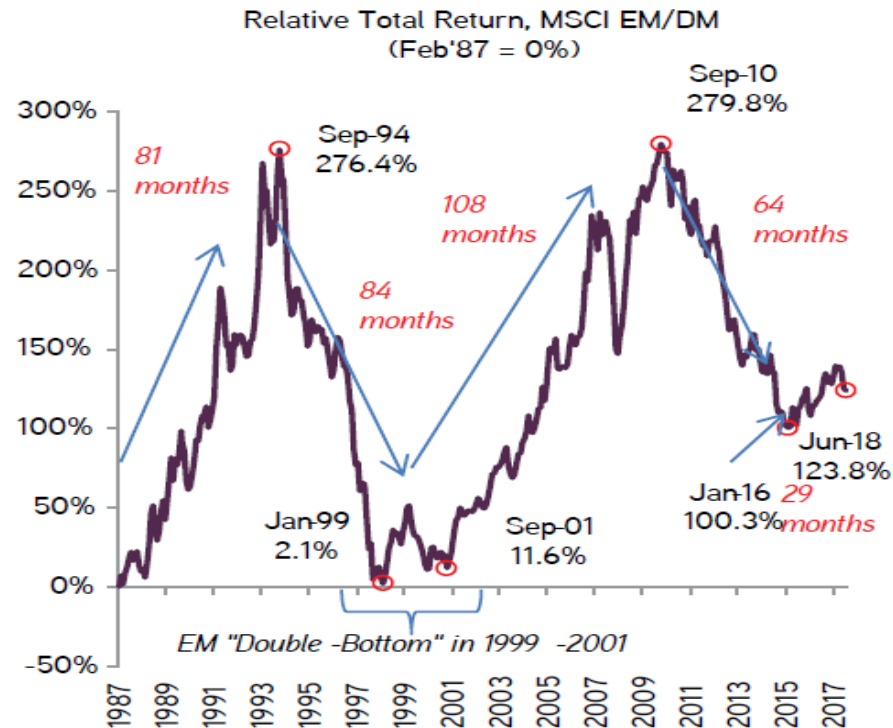
Strategy & Positioning

Strategy and Positioning - Themes

- The U.S. economy continues to perform well, and the U.S. Federal Reserve continues to raise rates and provide less monetary support. Global central banks are more supportive, but recent economic weakness in some regions is a concern.
- International markets have stumbled a bit recently, but we are viewing this as a mid-course correction in a multi-year uptrend, especially for emerging markets.
- The rising dollar has recently hurt U.S. investors in international markets.
- Markets are not pricing in a full trade war, which is a risk (even for the U.S.).
- Low interest rates are a hindrance to safe returns and may pose risks.
- We again reiterate the benefits of diversification since a U.S.-only approach to stocks and bonds may not generate the necessary returns going forward.

Strategy and Positioning – Emerging Markets (EM) Cycles

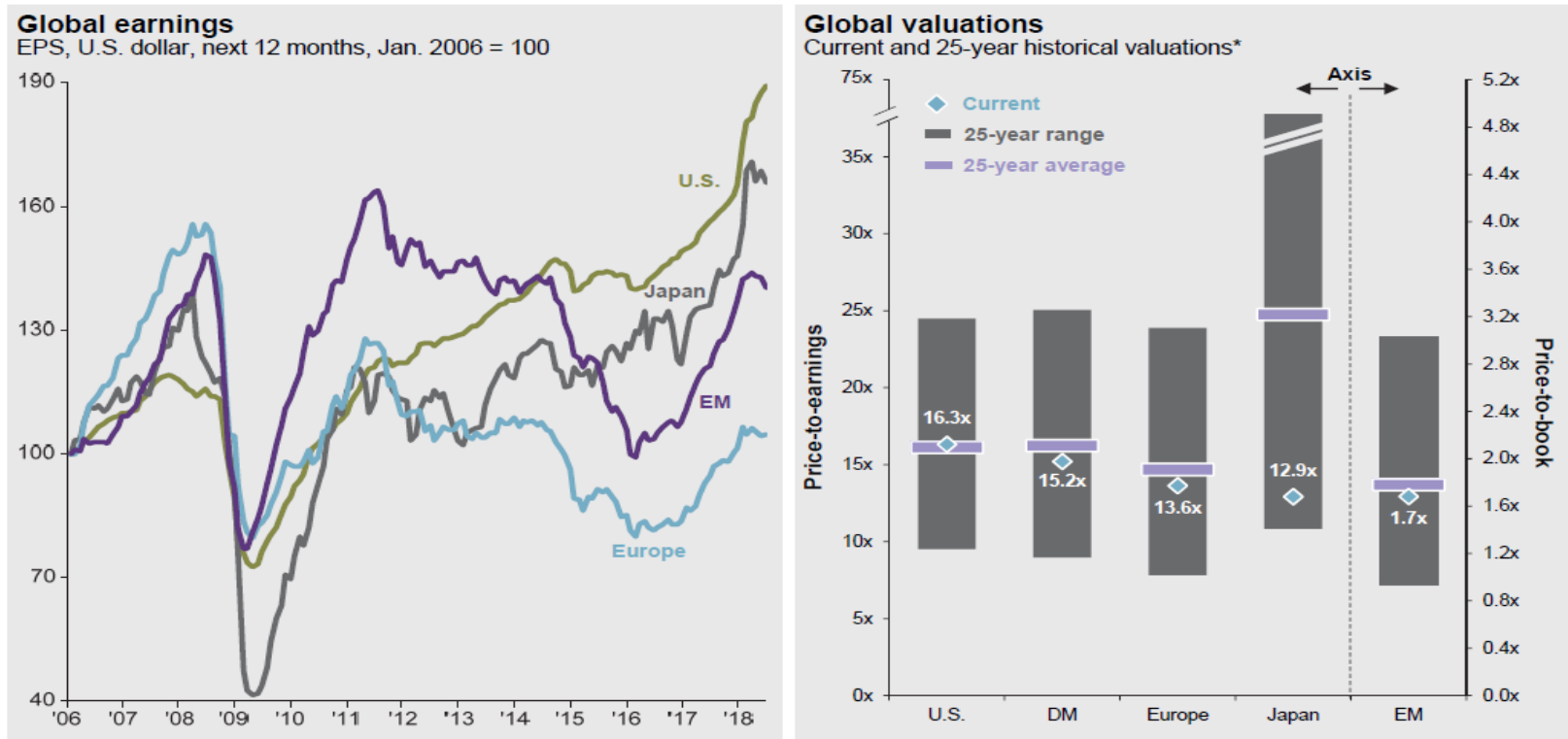
Some Risk that EM Experiences a “Double Bottom” Similar to What Happened in 1999 - 2001



Data as at June 12, 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. Despite the recent weakness in EM, we believe Emerging Markets are only experiencing a mid-cycle correction.

Strategy and Positioning – Earnings and Valuations



Source: FactSet, MSCI, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

- 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.

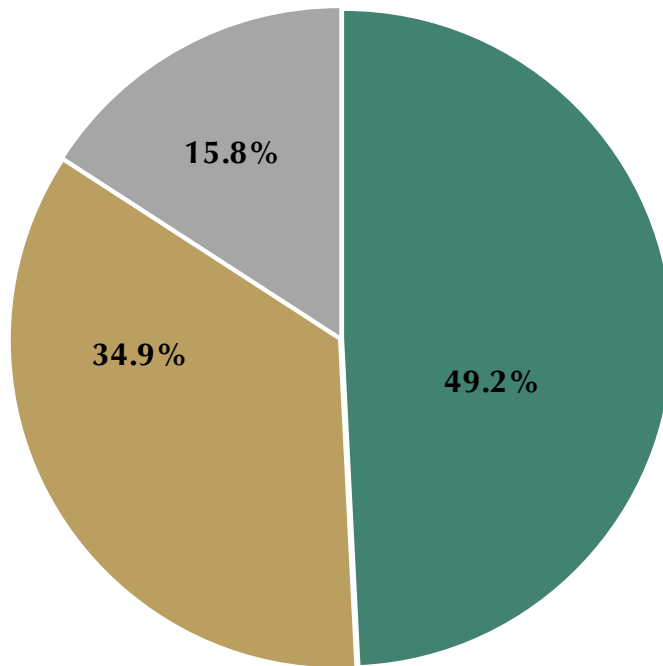
Strategy and Positioning – Traditional Asset Allocation

																2003 - 2017	
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	Ann.	Vol.
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Small Cap 7.7%	EM Equity 12.7%	EM Equity 23.0%
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Large Cap 2.6%	Small Cap 11.2%	REITs 22.3%
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. 25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs 1.3%	REITs 11.1%	Small Cap 18.8%
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	Cash 0.8%	Large Cap 9.9%	Comdty. 18.8%
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Asset Alloc. 0.3%	High Yield 9.6%	DM Equity 18.4%
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 16.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Comdty. 0.0%	DM Equity 8.6%	Large Cap 14.5%
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Fixed Income -1.6%	Asset Alloc. 8.3%	High Yield 11.3%
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	DM Equity -2.4%	Fixed Income 4.1%	Asset Alloc. 11.0%
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	High Yield -2.5%	Cash 1.2%	Fixed Income 3.3%
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -6.5%	Comdty. -0.3%	Cash 0.8%

- Traditional U.S. asset allocations have fared well recently, but may not produce sufficient future returns based on where equities and bonds are currently valued.

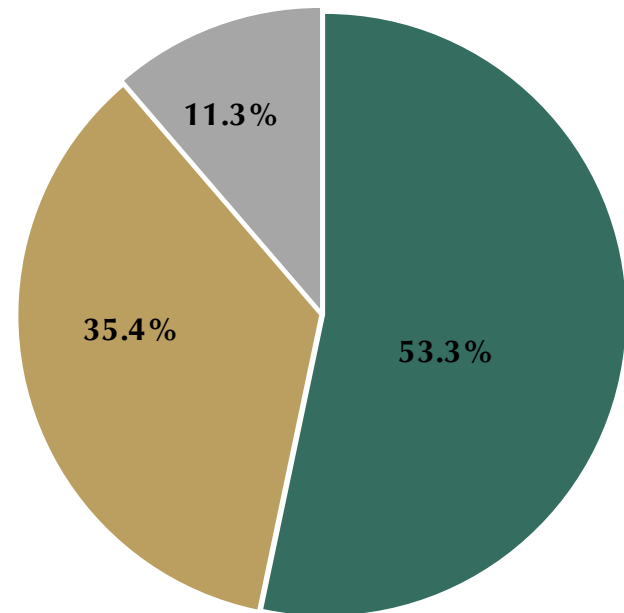
Strategy & Positioning—World Market Capitalization

Equity Fund Allocation
as of 6/30/2018



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

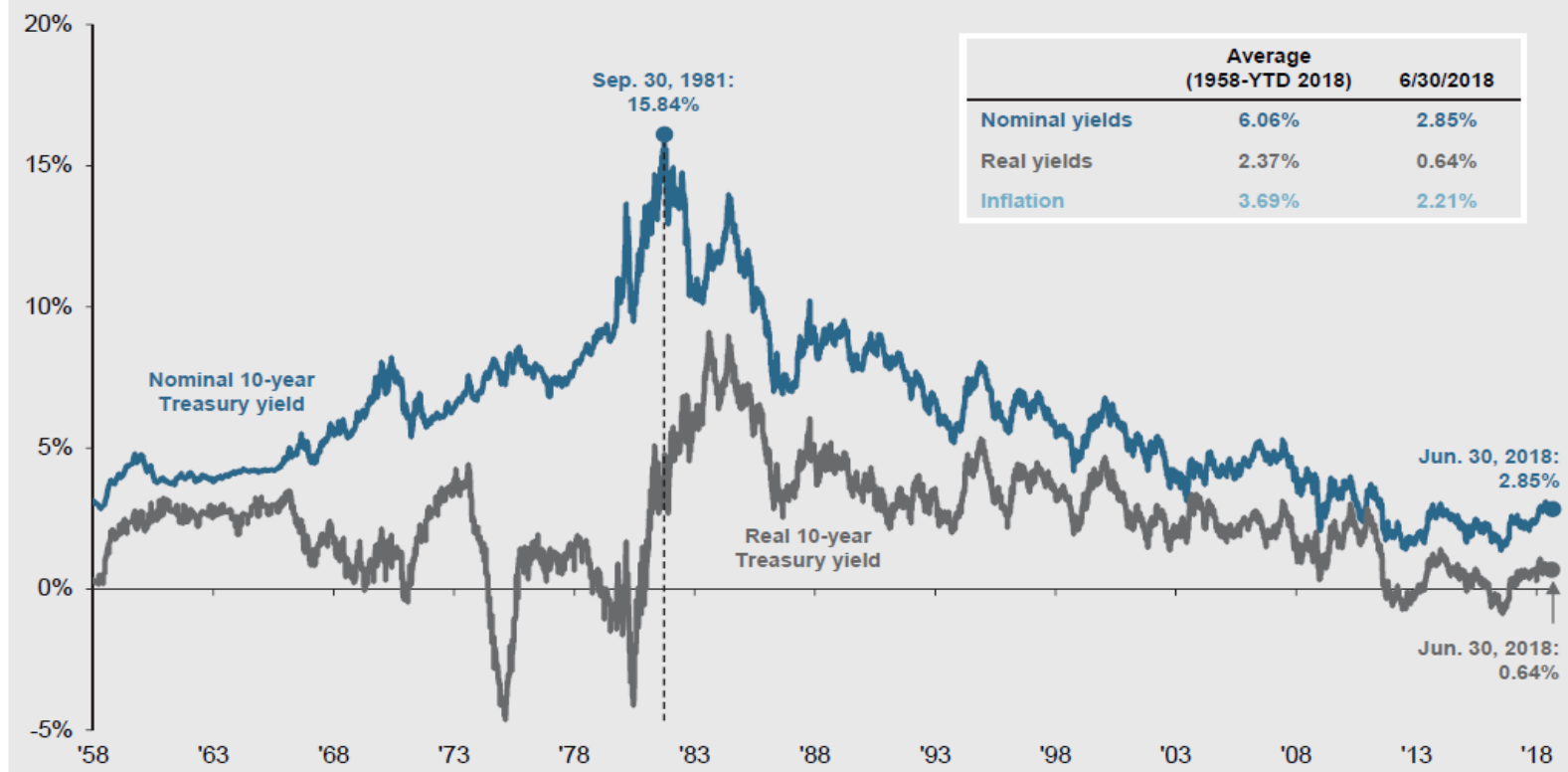
MSCI All Country World Index (ACWI) IMI
Allocation as of 6/30/2018



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

Strategy and Positioning – End of Low Rates?

Nominal and real 10-year Treasury yields



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

- 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

Selected Characteristics as of June 30, 2018

Average Characteristics	Fixed Income Fund Total	Core Fixed	Impact	Emerging Markets Debt	Bank Loans	Barclays Govt/Credit Index
Positioning	100%	66.9%	11.2%	8.4%	13.5%	100%
Moody's Rating	A1/A	Aa2/Aa3	Aa1	Ba1	B2	Aa2/Aa3
S&P Rating	A+/A	AA/AA-	AA+	BB+	B	AA/AA-
Average Maturity (Years)	8.3	8.9	5.6	11.3	5.7	8.7
Effective Duration (Years)	5.3	6.4	4.5	5.6	0.1	6.4
Yield-To-Worst (%)	4.1%	3.3%	3.6%	8.4%	5.8%	3.2%

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 adjusted asset allocation (in balanced funds) and duration (rate sensitivity; in fixed income strategies) through the year.
- **Diversifying** because valuation ultimately matters; those benefits, seen most vividly in 2017, have recently disappeared (but will return).
- **Maintaining** positive performance momentum through asset allocation, but some managers have had a tougher time in the short-run. Based on our assessment of people, process, and performance, we are making two manager changes; one in emerging markets, and one in small cap.
- **Engaged** with top-tier consultant; 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