

2nd Quarter 2019 PERFORMANCE WEBINAR

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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.

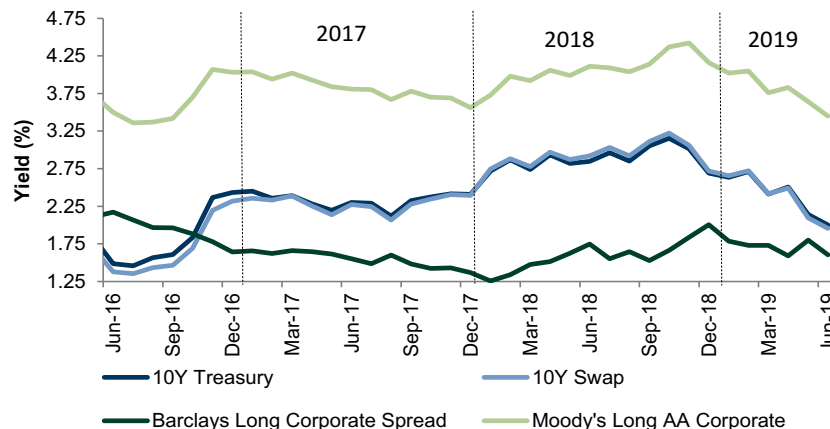
Performance

Investment Performance – Selected Index Returns

Public Markets Performance (TR, USD)

	YTD	2018	Past 3 Years	Since Mar-09 (Ann.)
MSCI World	17.4%	-8.2%	12.4%	13.8%
ACWI IMI	16.6%	-8.9%	12.2%	13.4%
S&P 500	18.5%	-4.4%	14.2%	16.8%
MSCI EAFE	14.5%	-13.4%	9.6%	10.2%
Russell 2000	17.0%	-11.0%	12.3%	16.0%
MSCI World ex-US Small Cap	13.2%	-17.8%	8.8%	13.1%
MSCI EM Equity	10.8%	-14.2%	11.1%	10.5%
Barclays Global Aggregate	5.6%	-1.2%	1.6%	3.5%
Barclays US Long Treasury	11.0%	-1.8%	1.3%	6.0%
Barclays US Long Corporate	15.8%	-7.2%	5.5%	9.5%
JPM EM Debt	11.3%	-4.3%	5.5%	9.0%
JPM EM Debt Local	9.0%	-6.0%	4.5%	5.2%
Barclays Global High Yield	9.5%	-4.1%	6.8%	11.5%
FTSE/NAREIT Global	15.1%	-4.7%	5.4%	15.2%
GSCI Commodities	13.3%	-13.8%	1.6%	-3.0%

Discount Rate Factors (%)



Changes in Yields and Spreads by Maturity (%)

	Jun 2019	Δ 3 mth	Δ 1 yr	Δ 3 yr
Risk Free (Treasuries)				
2Y	1.74%	-0.53%	-0.79%	1.15%
10Y	2.00%	-0.41%	-0.85%	0.52%
30Y	2.53%	-0.29%	-0.45%	0.22%
10Y Swap	1.96%	-0.46%	-0.97%	0.58%
Barclays Long Corporate Spread	1.60%	-0.12%	-0.14%	-0.57%
Moody's Long AA Corporate	3.45%	-0.31%	-0.66%	-0.05%

As of 30-Jun-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.**

Year-To-Date Return Review – June 30, 2019

- YTD, the Total Equity Fund, Conservative Balanced Fund, Moderate Balanced Fund and Aggressive Balanced Fund outperformed the median universe manager, ranking in the 2nd quartile, while the Beyond Fossil Fuels Balanced Fund slightly underperformed their respective median universe managers.
- The Total Equity Fund generated strong absolute performance, returning 16.66% and outperforming its benchmark by 0.6%, net of all fees.
 - Asset allocation contribution was flat for the period. The fund's overweight to U.S. Small Cap contributed to performance, while the underweight to U.S. Large Cap Equity was the main detractor.
 - Manager alpha contributed to performance. U.S. Small Cap, Emerging Markets and International Equity outperformed, while U.S. Large Cap managers underperformed. RBC Emerging Markets, Westfield Small Cap and Ballie Gifford were the largest contributors, while Fiduciary U.S. Large Cap, QMA and LSV were the largest detractors.
- The Fixed Income Composite returned 6.7%, underperforming its benchmark by 0.2%.
 - Asset allocation detracted slightly, driven by an underweight to Core Fixed Income.
 - Manager alpha detracted slightly from performance, driven by negative alpha contribution from Voya Bank Loans. Community Capital Management (10% of Fund) has a duration and credit profile less than the index.
- The Balanced Funds are a combination of the underlying equity and fixed income funds. The Moderate Balanced Fund was negatively impacted by asset allocation – an overweight to cash during the period. Managers contributed positively in equities but hurt in fixed income.

Three-Year Return Review – June 30, 2019

- The Total Equity Fund, Conservative Balanced Fund, Moderate Balanced Fund and Aggressive Balanced Fund all outperformed the median universe manager, ranking in the 2nd quartile, while the Alternatives Balanced Fund and the Fixed Income Fund slightly underperformed their respective median universe managers.
- The Total Equity Fund, net of all fees, generated strong absolute performance, returning 11.4%, in line with its benchmark, which also returned 11.4%.
 - Asset allocation contribution was flat for the time period:
 - The fund's overweight to U.S. Small Cap and Emerging Markets Equity both contributed to performance.
 - The underweight to U.S. Large Cap Equity was the main detractor from asset allocation, as this asset class was a clear leader over the time period.
 - Manager alpha contributed 0.3% to performance at the total fund level:
 - Emerging Markets Equity, International Equity, and US Small Cap managers all outperformed in aggregate while US Large Cap managers detracted modestly.
 - RBC Emerging Markets Equity and QMA were the largest positive contributors over the period while Fiduciary US Large Cap detracted vs its benchmark, due to a value emphasis.
- The Fixed Income Composite returned 2.6%, underperforming its benchmark by 0.3%.
 - Asset allocation detracted marginally from performance (-0.1%), driven by the fund's an underweight to Core Fixed Income.
 - Manager alpha detracted from performance (-0.2%), driven by broad-based modest deduction across managers.
- The Balanced Funds are a combination of the underlying equity and fixed income funds. All Balanced Funds benefitted positively from a slight overweight to equities, while the allocation to cash and underweight to fixed income detracted. Managers contributed positively within equities but hurt in fixed income.

Investment Performance – June 30, 2019

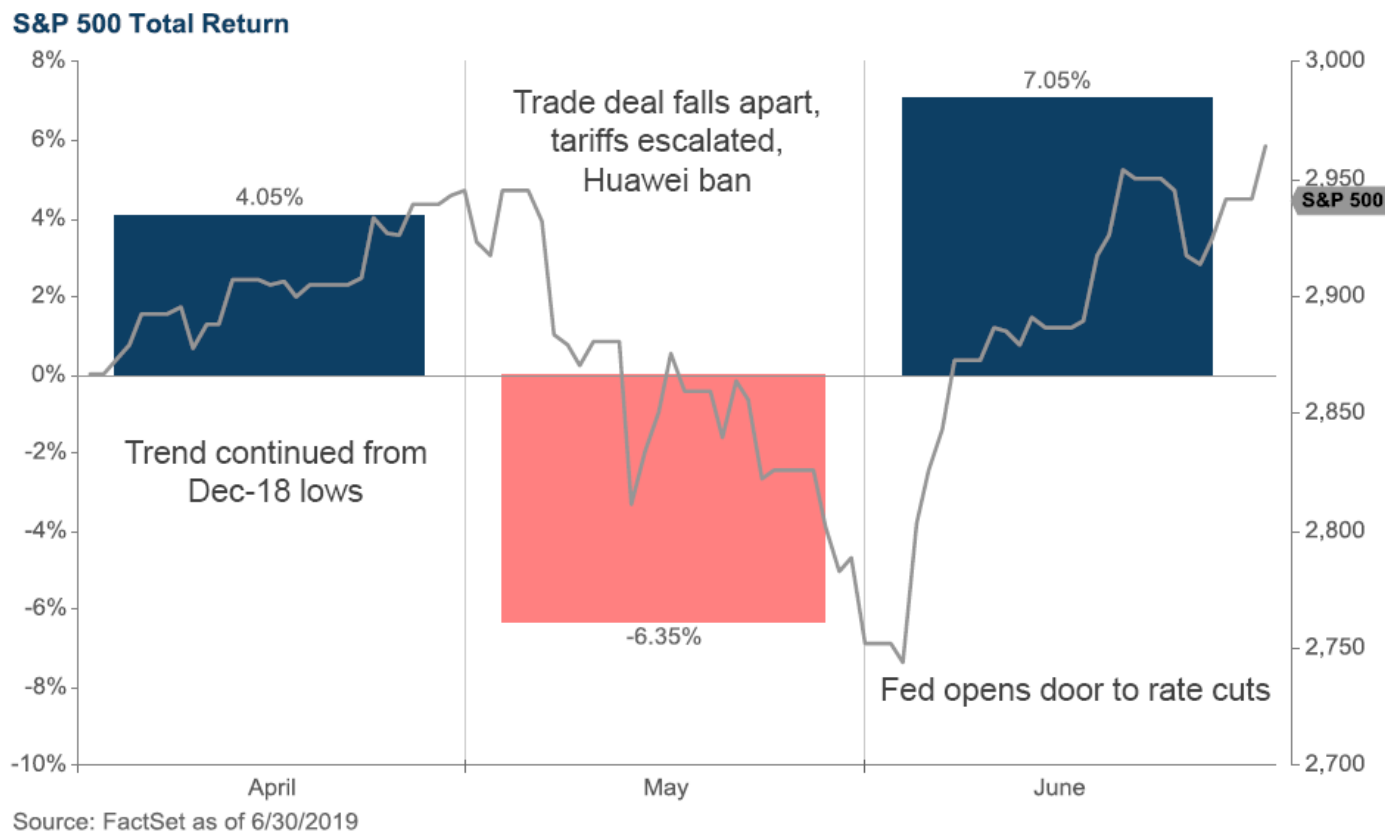
TOTAL RATES OF RETURN AS OF 6/30/19		Inception Date	Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield
<i>Returns on UCF's funds are presented net of fees</i>									
MANAGED FUNDS	Fixed Income Fund	10/1/1994	3.00%	6.60%	6.83%	2.19%	2.08%	3.68%	3.66%
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% JPM GBI-EM Global Diversified, 10% S&P LSTA Performing Loan		3.41%	6.96%	8.20%	2.85%	3.07%	4.08%	
	Domestic Core Equity Fund	10/1/2005	4.28%	17.42%	8.76%	13.66%	9.75%	14.19%	1.92%
	S&P 500 Index		4.30%	18.54%	10.42%	14.19%	10.71%	14.70%	
	Beyond Fossil Fuels Fund	11/3/2014	2.78%	15.58%	2.09%	10.72%	N/A	N/A	2.65%
	S&P 500/MSCI ACWI IMI net, linked		3.37%	16.07%	4.56%	11.42%			
	Small Cap Equity Fund	10/1/2005	3.59%	21.35%	2.26%	12.19%	6.47%	11.83%	1.17%
	Russell 2000 Index		2.10%	16.98%	-3.31%	12.30%	7.06%	13.45%	
	International Equity Fund	10/1/2005	3.62%	14.96%	0.14%	9.46%	2.10%	6.68%	2.70%
	MSCI ACWI ex US net/Custom Index, linked		2.98%	13.60%	1.29%	9.39%	2.47%	6.57%	
FUNDS OF FUNDS	Alternatives Fund	7/1/2010	2.76%	4.22%	1.77%	3.14%	4.24%	N/A	N/A
	Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index		1.11%	4.80%	2.51%	5.19%	4.40%		
	Total Equity Fund	10/1/1994	3.89%	16.66%	3.86%	11.36%	5.66%	10.35%	2.21%
	46% Domestic Core Equity, 9% Small Cap Equity and 45% International Equity								
	MSCI ACWI IMI net/Policy Index, linked		3.37%	16.07%	4.56%	11.42%	6.17%	10.86%	
	Conservative Balanced Fund	1/1/2006	3.09%	9.60%	5.02%	5.18%	3.17%	6.09%	2.95%
	36% Equity, 59% Fixed Income and 5% C&E								
	Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index		3.51%	10.24%	7.26%	5.93%	4.31%	6.64%	
	Moderate Balanced Fund	circa 1958	3.26%	11.86%	4.38%	7.47%	4.09%	7.69%	2.56%
	60% Equity, 34% Fixed Income and 6% C&E								
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		3.50%	12.53%	6.36%	8.08%	5.09%	8.35%	
	Aggressive Balanced Fund	1/1/2006	3.49%	13.66%	4.11%	8.97%	4.68%	8.71%	2.37%
	77% Equity, 18% Fixed Income and 5% C&E								
	Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index		3.47%	13.87%	5.74%	9.35%	5.52%	9.33%	
	Beyond Fossil Fuels Balanced Fund	11/3/2014	2.74%	11.45%	3.78%	7.40%	N/A	N/A	2.63%
	60% BFF, 35% Fixed Income and 5% C&E								
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		3.50%	12.53%	6.36%	8.08%			
	Alternatives Balanced Fund	7/1/2010	3.14%	10.77%	3.57%	7.02%	4.35%	N/A	N/A
	52% Equity, 22% Fixed Income, 23% Alternatives, 3% C&E								
	Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy		3.03%	11.15%	5.55%	7.69%	5.04%		

Strategy & Positioning

Strategy and Positioning - Themes

- **Economic Expansion:** Global markets continued to advance during the second quarter of 2019 but at a slower pace. UCF continues to expect growth to slow as PMI indices are declining, 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. Earnings growth is decelerating as we lapped tax-cuts, and companies are uncertain about trade policies. If recession fears accelerate and earnings slow, we would not be surprised if equities sell off.
- **Emerging Markets:** After a difficult year for EM equities in 2018, the first half of 2019 had a strong rebound but trailed other regions. EM markets will continue to be volatile near-term, but valuations are attractive, and the dollar may fall. An additional consideration is our belief that active managers in EM should be able to add value versus benchmarks, so we are overweight.
- **Fixed Income:** Lower global growth and low inflation has propelled bond prices higher, but we are continuing to hold some cash as yields have moved too low.
- **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). We are more likely to add to equities on a selloff than bonds.

Strategy and Positioning – Market Volatility

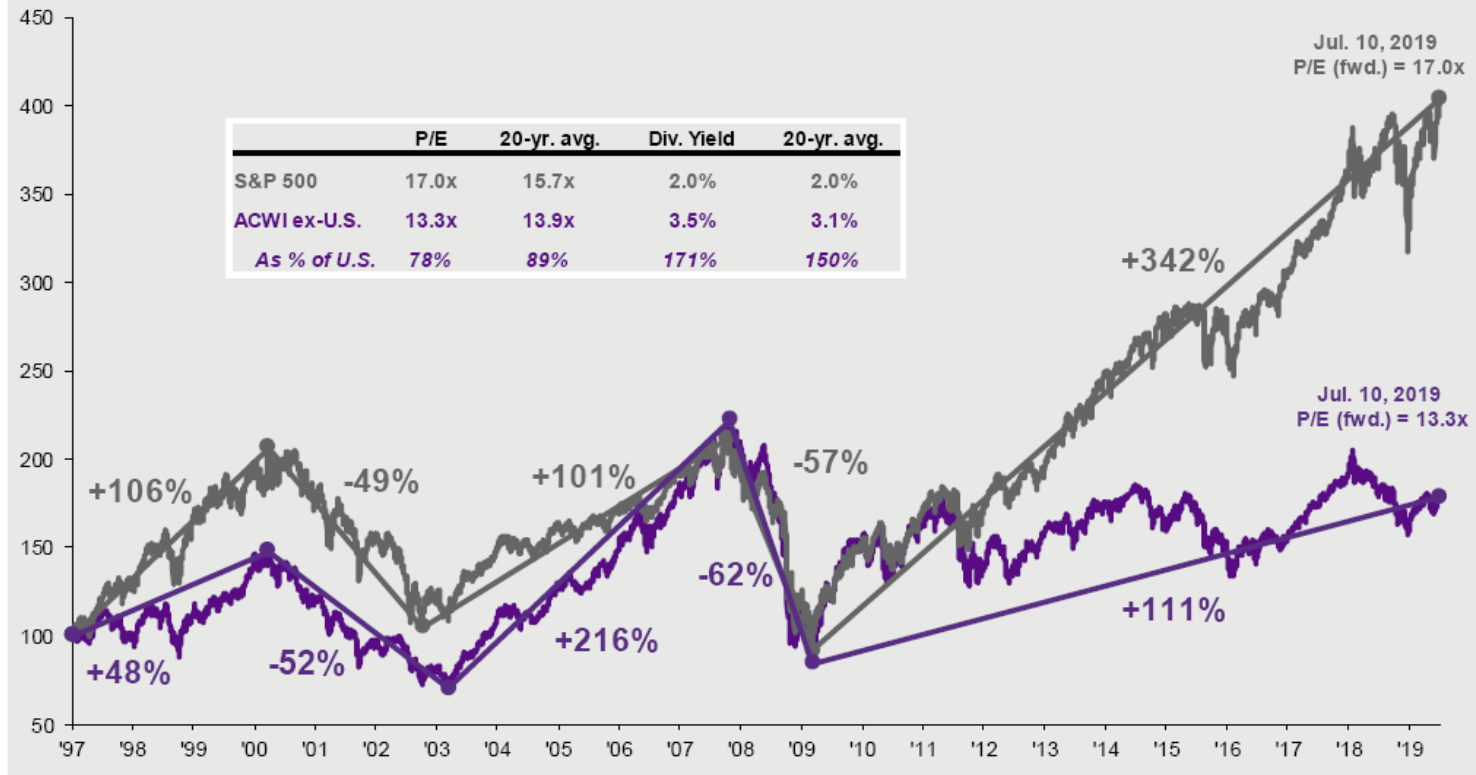


- Two changing forces – Federal Reserve (Fed) policy stance, and U.S.-China trade tensions.

Strategy and Positioning – Earnings and Valuations

MSCI All Country World ex-U.S. and S&P 500 Indices

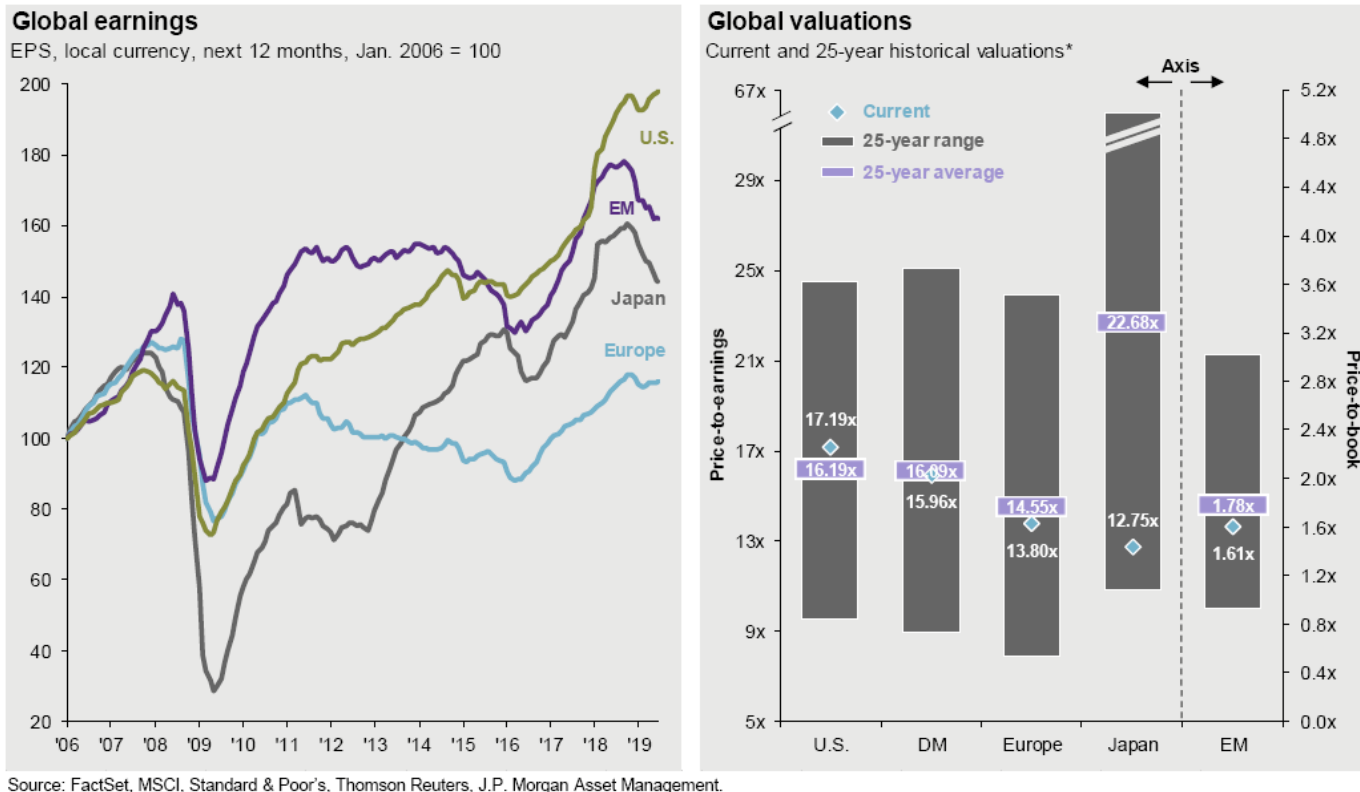
Dec. 1996 = 100, U.S. dollar, price return



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

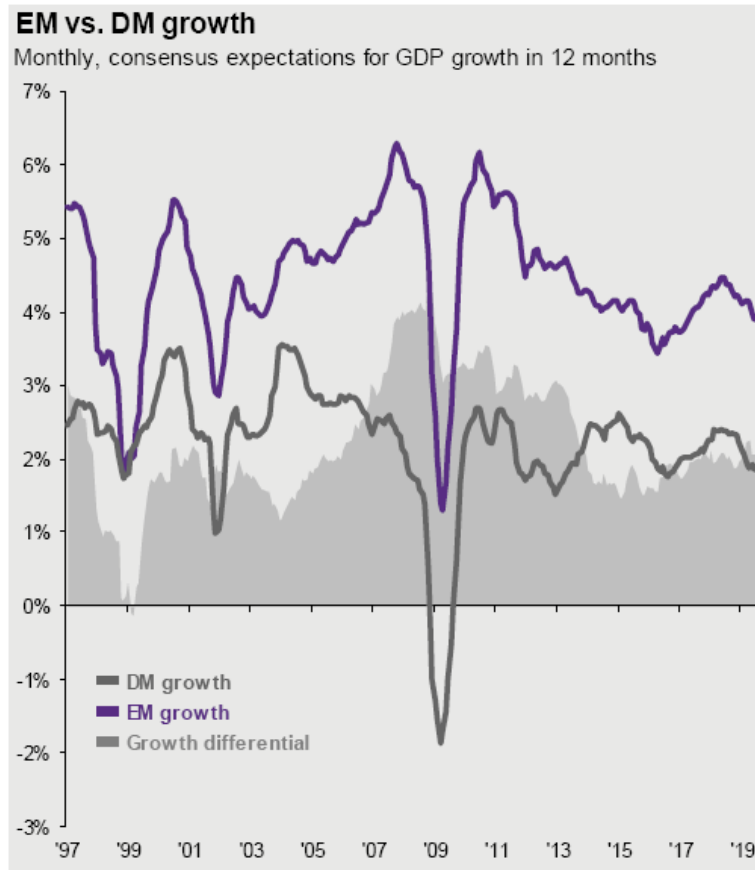
- U.S. equity valuations in-line with historical average, but declining earnings make valuations less compelling.
- Non-U.S. equity valuations look inexpensive.

Strategy and Positioning – Earnings and Valuations

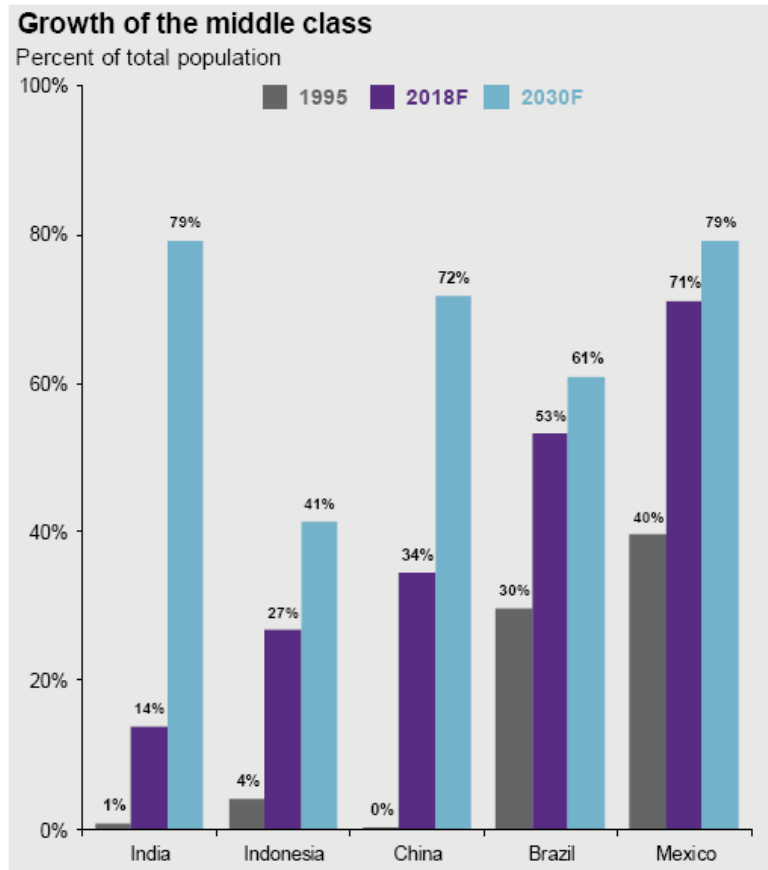


- Global earnings growth decelerated in 4Q18, and benefits from the U.S. tax cut will fade in 2019.
- U.S. equity valuations are above the 25-year average; other developed and emerging markets are below their historical average.
- In equities, we have recently gone from an overweight position in the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

Strategy and Positioning – Emerging Markets



Source: J.P. Morgan Asset Management; (Left) Consensus Economics; (Right) Brookings Institute.

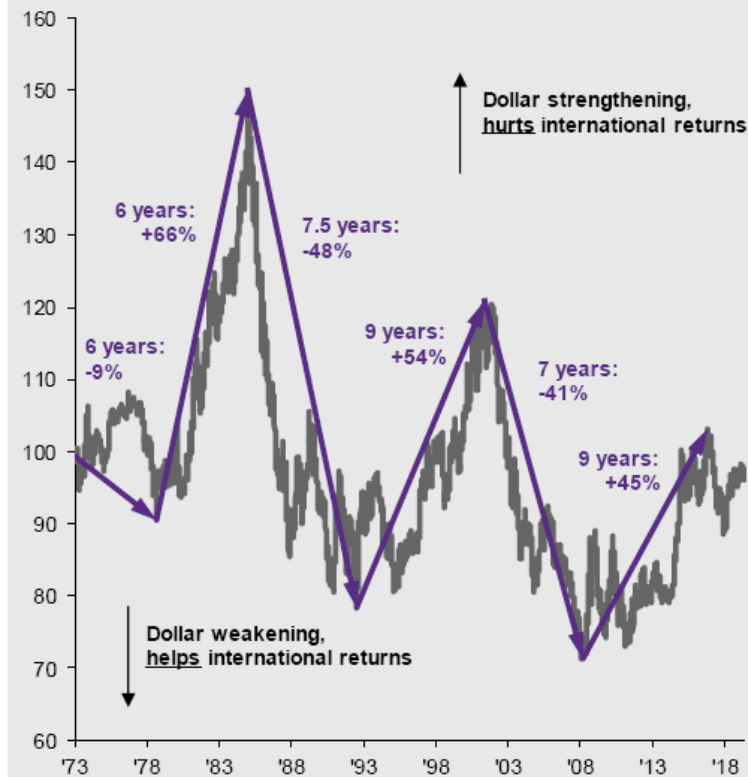


- The justification for remaining strategically overweight to emerging markets is relatively higher economic growth, positive middle class demographics and reasonable valuation.

Strategy and Positioning – U.S. Dollar

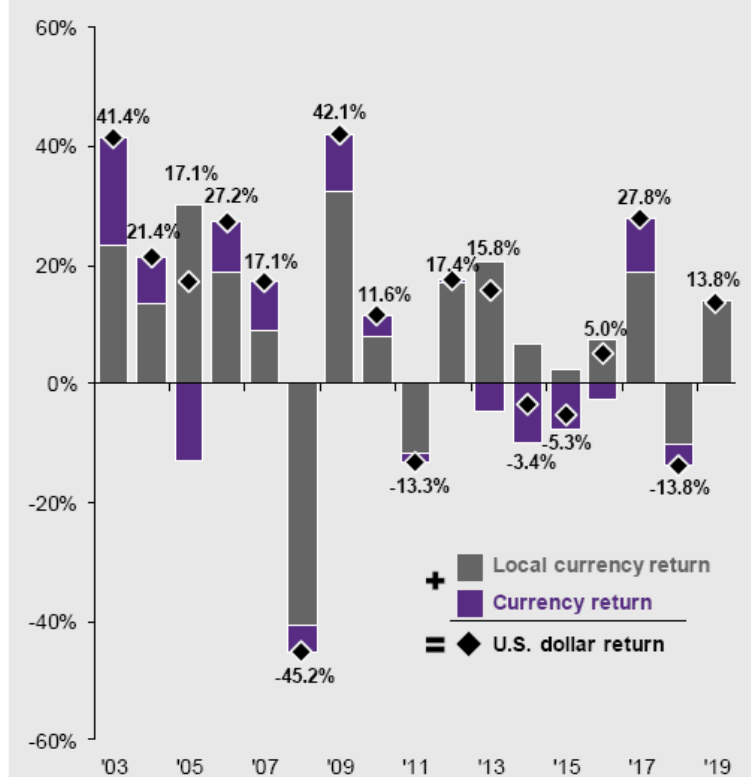
U.S. dollar in historical perspective

Index level, U.S. dollar index



Currency impact on international returns

MSCI All Country World ex-U.S. Index, total return

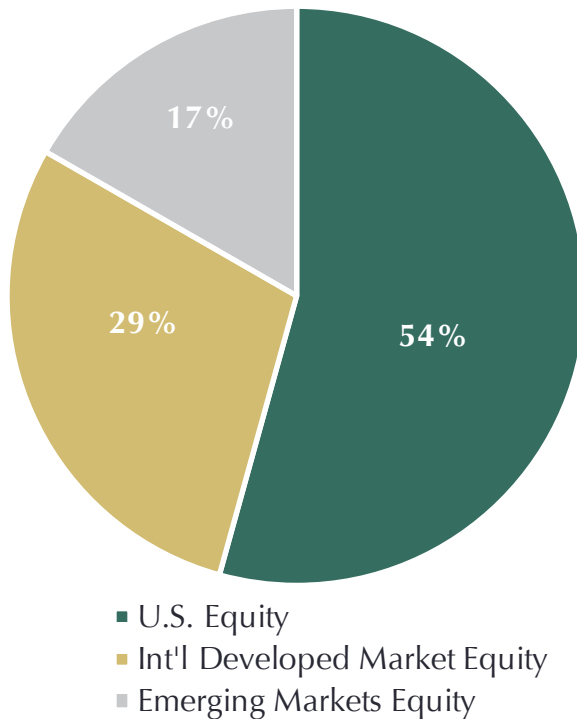


Source: FactSet, J.P. Morgan Asset Management; (Left) Federal Reserve, ICE; (Right) MSCI.

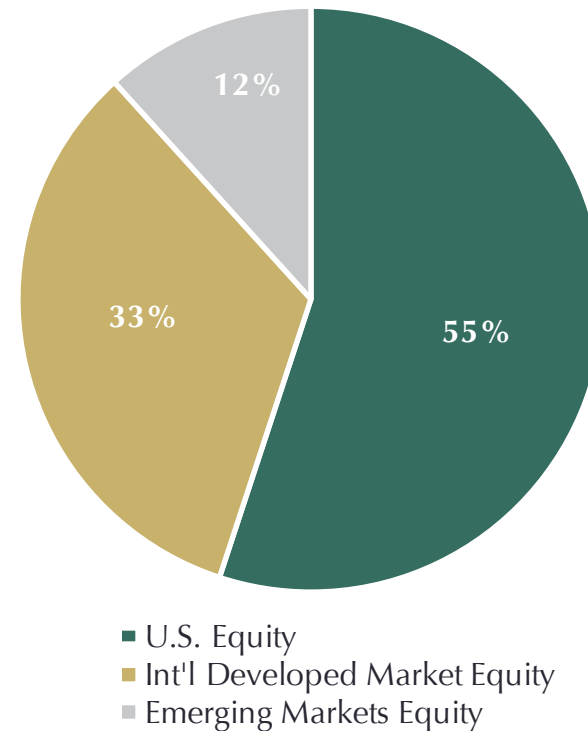
- The counter-trend U.S. dollar strength may fade with Fed rate cuts and an increasing budget deficit.
- International returns become more attractive as the dollar weakens.

Strategy & Positioning— World Market Capitalization

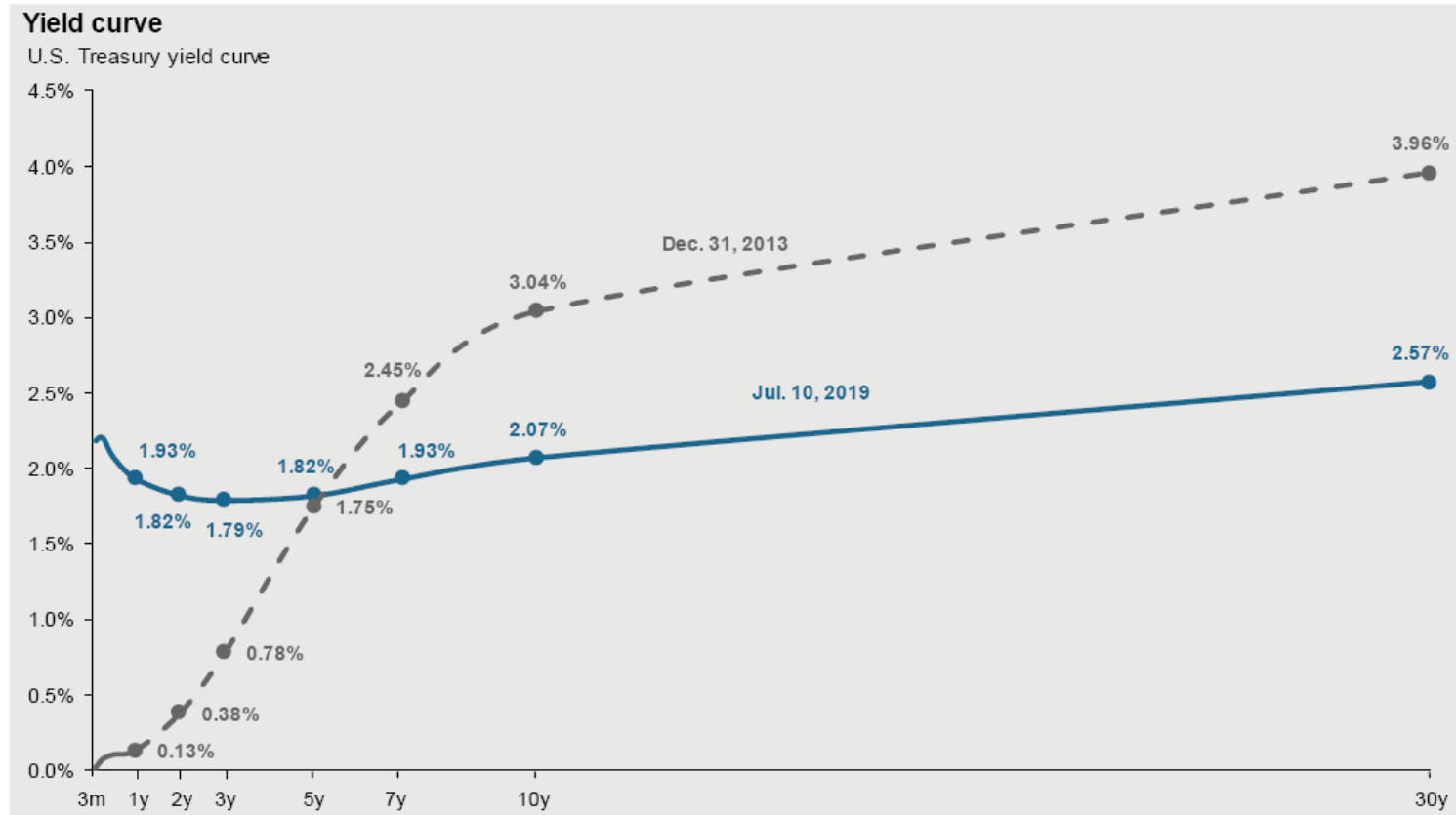
Equity Fund
Allocation as of 6/30/2019



MSCI All Country World Index (ACWI) IMI
Allocation as of 6/30/2019



Strategy and Positioning – Low Yields



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

- Investors are closely monitoring the yield curve as 10-year yields dropped to its lowest since 2017. Bond investors are factoring in a slowing economy and low inflation.

Strategy and Positioning – Fixed Income Characteristics

Selected Characteristics as of June 30, 2019

Average Characteristics	Fixed Income Fund Total	Core Fixed	Impact	Emerging Markets Debt	Bank Loans	Barclays Govt/Credit Index
Positioning	100%	64.2%	12.7%	9.7%	13.4%	100%
Moody's Rating	A1	Aa2/Aa3	Aa/Aa2	Baa3	B1	Aa2/Aa3
S&P Rating	A+	AA/AA-	AA	BBB-	B+	AA/AA-
Average Maturity (Years)	8.2	9.0	4.9	10.8	5.3	9.0
Effective Duration (Years)	5.7	7.0	4.1	6.9	0.1	6.7
Yield-To-Worst (%)	3.5%	2.5%	2.7%	7.1%	6.6%	2.4%

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. U.S. equities are less attractive and the asset class is sensitive to earnings downgrades.
- **Maintaining** a long-term view of our overall investment strategy, which is important in the volatile and tweet-based market reaction function. Portfolio flexibility in the balanced funds will allow us to stay the course through short-term volatility. UCF balanced funds have slightly more cash offset by higher duration (rate sensitivity) in fixed income strategies.
- **Adapting** to challenges in fixed income caused by a volatile interest rate environment. Right now, developed market bonds (including U.S.) are as overbought as they get, so we prefer emerging market debt exposure, which we increased to 10% in the Fixed-income Fund.
- **Building** continued capacity with UCF's consultant, Goldman Sachs Asset Management, with a focus on manager selection and values integration. Recent manager changes have been very positive.
- **Supporting** UCF's and UCC's mission with the creation of the Just World Fund, which is now available to investors.

UCF Launches New Fund

- UCF launched the Just World Fund (JWF), a fixed income impact fund that will address global economic justice, fair housing, the human right to water and nutrition, and solutions for environmental security.
- JWF will invest in credit funds that drive social and environmental impact in the U.S. and globally. Certain funds will provide market-based returns, while other, “impact-first” funds will drive impact and provide more concessionary investment returns.



Thank You!