MARKET UPDATE TOWNHALL MEETING
THIRD QUARTER 2020

New York, New York
October 27, 2020

UNITED CHURCH FUNDS
United Church Funds — Welcome!

Townhall Meeting Agenda

- Welcome and Introductions
- UCF Organizational Updates — Matt Wagner, VP Institutional Relationships
- Investment Strategy Discussion — David Klassen, UCF Chief Investment Strategist
- Market & Fund Updates — Stacey Pettice, Institutional Relationships Executive
- Responsible Investing Overview — Matthew Illian, Director of Responsible Investing
- Q&A with Townhall Participants
UCF – An Experienced Team of Partners

UCF Management Team
Charles Buck  President & CEO
Matthew W. Wagner  Vice President, Institutional Relationships
Karen Sherman-Chang  Director, Finance & Administration
Matthew Illian  Director, Responsible Investing

Institutional Relationships & Marketing/Communications Team
Stacey L. Pettice  Executive, Institutional Relationships
Debbie Wibowo  Associate, Marketing & Communications
Adam Sank  Associate, Communications & Administration

Client Services Team
Milagros Hernandez  Client Services Team Leader & Planned Giving
Associate
Crysta Seelal  Client Services Representative
Gaylord Tang  Administrative Assistant

Finance & Administration Team
Deborah Cho  Senior Accountant
Michele Hamilton  Staff Accountant

Investment Team (Shared with the UCC Pension Boards)
David A. Klassen  Chief Investment Strategist
Lan Cai  Senior Portfolio Manager and Strategist
Minoti Dhanaraj  Analyst-External Investments

Biographical information on UCF’s Staff Members is available at www.ucfunds.org.
Board of Directors
Ms. Edith Guffey, Chair
Mr. Jiakai Chen
Rev. Dr. John C. Dorhauer, ex officio
Rev. Dr. Kathy Dwyer
Ms. Barbara Everett
Ms. Lisa Hinds
The Honorable Brian F. Holeman
Mr. Nesa Joseph
Rev. Gwendolyn V. Kirkland
Ms. Connie Lindsey
Rev. Penny L. Lowes
Mr. William Morgan
Rev. Stephen R. Silver
Ms. Darlene Y. Sowell
Mr. Bryan A. Thomas
Ms. Yvette Wynn, ex officio
Mr. Wade Zick

Investment Committee
Ms. Lisa Hinds*, Chair
Rev. Dr. Charles Buck, ex officio
Mr. Dennis Bushe
Mr. Jiakai Chen*
Ms. Fran M. Coopersmith
Ms. Edith Guffey*
Mr. Douglas S. Hatfield
Mr. Nesa Joseph*
Rev. Gwendolyn V. Kirkland*
Mr. Bryan A. Thomas*
Mr. Timothy Hachfeld

* Member of the Board of Directors

Biographical information on UCF’s Board Members and Investment Committee Members is available at www.ucfunds.org.
Investing with a Mission: Performance Beyond the Numbers

- **Experience** – For over 100 years, UCF has invested wisely to help our clients achieve their financial goals for their ministries.

- **Expertise** – UCF partners with clients 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 responsible investment options that align portfolios to progressive Christian values regarding environmental, social and governance (ESG) factors.

- **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 clients.
Organizational Updates, 3rd Quarter 2020

- UCF hires Matthew Illian as Director, Responsible Investing
- Deborah Cho joins UCF as Senior Accountant
- UCF adds approximately $40M to net AUM in Q3 to date
- UCF invests in technology infrastructure and digital content to better serve clients
- UCF supports UCC Conference’s efforts around COVID and racial justice through Brown Endowment
- Lower expense ratios (fees) for all funds in 2021
Q&A with Chief Investment Strategist Dave Klassen, CFA

- Former Vice President and Portfolio Manager, Morgan Stanley Dean Witter
- Former Managing Director and Head of Equities, JP Morgan Chase
- Led Leadership Capacity Consulting Group, Springboard Leadership, LLC
- M.Div from Union Theological Seminary
- Tenure with United Church Funds: 2011 – Present
United Church Funds — Investment Strategy Updates

Lan Cai, Senior Portfolio Manager & Analyst
- Former Managing Director, Millennium Investment Management
- Former Managing Director, PineBridge Investments
- Former Director, CME Group

Minoti Dhanaraj, Senior Investment Analyst
- Former Senior Investment Officer, City of Dallas Employees Retirement Fund
- Former Research Analyst, Neuberger Berman
- Over 15 years of experience in Financial Services
Q&A with Chief Investment Strategist Dave Klassen, CFA

- On which economic metrics or datapoints is your team keeping a close eye right now to gauge the economic realities that will guide markets moving forward?

- In the recent past, how has your team used short-term volatility to reposition the portfolio at better valuations, and as we move forward into 2021, what are your thoughts on valuations for stocks, both in the U.S. and overseas?

- Why is it important to work with a diversified group of outside managers in a platform of funds like UCF? Can you speak to the benefit to our clients of adding a couple of our newer managers – namely Blackrock in Small Cap Equity and, more recently, Nuveen in the Fixed Income Fund?
Poll Question
Markets versus the Economy: Economy rebounded strongly from its low, although the speed of recovery going forward will be predicated on the virus and vaccine developments and further policy supports. The unprecedented fiscal and monetary stimulus packages around the globe have kept markets strong for now.

Markets Remain Volatile: Global markets ended the quarter positive despite declines in September. Emerging markets led, followed by the U.S. Investors ended the quarter with concerns regarding lofty valuations (U.S. big tech), delays in a stimulus package and the upcoming U.S. elections.

Dynamic Allocations: We continue to be vigilant about increased risks and potential opportunities from market volatility. During the quarter, we reduced equity weights to be closer to neutral to lock-in gains and given increased uncertainty.

Macro Risks: Beyond the resurgence of the pandemic, other macro risks exist. These include the U.S. Presidential election, U.S.-China trade tensions and social and political unrest.

Long-Term Strategy: We continue to focus on long-term investment results, balancing the need for liquidity and returns through asset allocation decisions and manager selection.
# Investment Performance — Managed Funds, September 30, 2020

**TOTAL RATES OF RETURN AS OF 9/30/20**

Returns on UCF's funds are presented net of fees

<table>
<thead>
<tr>
<th>MANAGED FUNDS</th>
<th>Inception Date</th>
<th>Inception Date</th>
<th>Year</th>
<th>Three</th>
<th>Five</th>
<th>Ten</th>
<th>Current Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Income Fund</strong></td>
<td>10/1/1994</td>
<td>0.92%</td>
<td>5.55%</td>
<td>5.91%</td>
<td>4.40%</td>
<td>3.88%</td>
<td>3.05%</td>
</tr>
<tr>
<td>Fixed Income Policy Index 85% Barclays U.S. Gov't/Credit Aggregate, 5% JPM GBI-EM Global Diversified, 10% S&amp;P LSTA Performing Loan</td>
<td></td>
<td>1.15%</td>
<td>6.67%</td>
<td>7.03%</td>
<td>5.44%</td>
<td>4.71%</td>
<td>3.73%</td>
</tr>
<tr>
<td>Lipper Core Plus Fixed Income</td>
<td></td>
<td>1.63%</td>
<td>6.36%</td>
<td>6.80%</td>
<td>5.02%</td>
<td>4.56%</td>
<td>4.04%</td>
</tr>
<tr>
<td><strong>Domestic Core Equity Fund</strong></td>
<td>10/1/2005</td>
<td>8.01%</td>
<td>1.66%</td>
<td>10.51%</td>
<td>9.93%</td>
<td>12.34%</td>
<td>12.81%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td></td>
<td>8.93%</td>
<td>5.57%</td>
<td>15.15%</td>
<td>12.28%</td>
<td>14.15%</td>
<td>13.74%</td>
</tr>
<tr>
<td>Lipper Large Cap Core</td>
<td></td>
<td>8.73%</td>
<td>4.34%</td>
<td>13.25%</td>
<td>10.72%</td>
<td>12.51%</td>
<td>12.25%</td>
</tr>
<tr>
<td><strong>Beyond Fossil Fuels Fund</strong></td>
<td>11/3/2014</td>
<td>8.14%</td>
<td>0.68%</td>
<td>10.09%</td>
<td>4.27%</td>
<td>9.51%</td>
<td>N/A</td>
</tr>
<tr>
<td>S&amp;P 500/MS CI ACWI IML net, linked</td>
<td></td>
<td>8.11%</td>
<td>0.48%</td>
<td>9.57%</td>
<td>6.47%</td>
<td>10.39%</td>
<td></td>
</tr>
<tr>
<td>Lipper Global Equity</td>
<td></td>
<td>7.08%</td>
<td>-2.60%</td>
<td>5.71%</td>
<td>4.02%</td>
<td>8.00%</td>
<td></td>
</tr>
<tr>
<td><strong>Small Cap Equity Fund</strong></td>
<td>10/1/2005</td>
<td>6.22%</td>
<td>-4.07%</td>
<td>7.09%</td>
<td>5.52%</td>
<td>9.07%</td>
<td>9.74%</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td></td>
<td>4.93%</td>
<td>-8.69%</td>
<td>0.39%</td>
<td>1.77%</td>
<td>8.00%</td>
<td>9.85%</td>
</tr>
<tr>
<td>Lipper Small Cap Core</td>
<td></td>
<td>3.79%</td>
<td>-14.81%</td>
<td>-8.19%</td>
<td>-1.63%</td>
<td>5.02%</td>
<td>8.15%</td>
</tr>
<tr>
<td><strong>International Equity Fund</strong></td>
<td>10/1/2005</td>
<td>8.70%</td>
<td>-1.50%</td>
<td>9.74%</td>
<td>2.41%</td>
<td>7.88%</td>
<td>4.37%</td>
</tr>
<tr>
<td>MSCI ACWI ex US net/Custom Index, linked</td>
<td></td>
<td>6.25%</td>
<td>-5.44%</td>
<td>3.00%</td>
<td>1.16%</td>
<td>6.32%</td>
<td>4.12%</td>
</tr>
<tr>
<td>Lipper International Equity</td>
<td></td>
<td>5.23%</td>
<td>-7.12%</td>
<td>0.39%</td>
<td>-0.27%</td>
<td>4.67%</td>
<td>4.09%</td>
</tr>
<tr>
<td><strong>Alternatives Fund</strong></td>
<td>7/1/2010</td>
<td>4.05%</td>
<td>4.71%</td>
<td>4.61%</td>
<td>4.72%</td>
<td>3.18%</td>
<td>4.73%</td>
</tr>
<tr>
<td>Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCRE IF Fund Index</td>
<td></td>
<td>2.91%</td>
<td>1.67%</td>
<td>4.33%</td>
<td>3.56%</td>
<td>4.15%</td>
<td>4.98%</td>
</tr>
</tbody>
</table>
### Investment Performance — Funds of Funds, September 30, 2020

<table>
<thead>
<tr>
<th>Total Equity Fund</th>
<th>Inception Date</th>
<th>Quarter</th>
<th>Year To Date</th>
<th>One Year</th>
<th>Three Years</th>
<th>Five Years</th>
<th>Ten Years</th>
<th>Current Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>48.20% Domestic Core Equity, 8.80% Small Cap Equity and 43.00% International Equity</td>
<td>10/1/1994</td>
<td>8.15%</td>
<td>-0.32%</td>
<td>9.79%</td>
<td>5.69%</td>
<td>9.80%</td>
<td>8.60%</td>
<td>1.80%</td>
</tr>
<tr>
<td>MSCI ACWI IMI net/Policy Index, linked</td>
<td></td>
<td>8.11%</td>
<td>0.48%</td>
<td>9.57%</td>
<td>6.47%</td>
<td>10.02%</td>
<td>9.03%</td>
<td></td>
</tr>
<tr>
<td>Lipper Global Equity</td>
<td></td>
<td>7.08%</td>
<td>-2.60%</td>
<td>5.71%</td>
<td>4.02%</td>
<td>8.00%</td>
<td>7.76%</td>
<td></td>
</tr>
<tr>
<td>Conservative Balanced Fund</td>
<td>1/1/2006</td>
<td>3.41%</td>
<td>3.32%</td>
<td>7.38%</td>
<td>4.68%</td>
<td>5.89%</td>
<td>5.06%</td>
<td>1.67%</td>
</tr>
<tr>
<td>35.30% Equity, 61.50% Fixed Income and 3.20% C&amp;E</td>
<td></td>
<td>3.61%</td>
<td>4.95%</td>
<td>8.45%</td>
<td>6.13%</td>
<td>6.79%</td>
<td>5.79%</td>
<td></td>
</tr>
<tr>
<td>Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index</td>
<td></td>
<td>3.21%</td>
<td>3.07%</td>
<td>5.70%</td>
<td>4.34%</td>
<td>5.15%</td>
<td>5.10%</td>
<td></td>
</tr>
<tr>
<td>Lipper Mixed Asset Target Allocation Conservative</td>
<td></td>
<td>3.21%</td>
<td>3.07%</td>
<td>5.70%</td>
<td>4.34%</td>
<td>5.15%</td>
<td>5.10%</td>
<td></td>
</tr>
<tr>
<td>Moderate Balanced Fund</td>
<td>circa 1958</td>
<td>5.15%</td>
<td>2.45%</td>
<td>8.89%</td>
<td>5.22%</td>
<td>7.48%</td>
<td>6.48%</td>
<td>1.68%</td>
</tr>
<tr>
<td>60.50% Equity, 35.50% Fixed Income and 4.00% C&amp;E</td>
<td></td>
<td>5.35%</td>
<td>3.43%</td>
<td>9.12%</td>
<td>6.40%</td>
<td>8.13%</td>
<td>7.13%</td>
<td></td>
</tr>
<tr>
<td>Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index</td>
<td></td>
<td>4.52%</td>
<td>1.71%</td>
<td>6.28%</td>
<td>5.01%</td>
<td>6.74%</td>
<td>6.65%</td>
<td></td>
</tr>
<tr>
<td>Lipper Mixed Asset Target Allocation Moderate</td>
<td></td>
<td>4.52%</td>
<td>1.71%</td>
<td>6.28%</td>
<td>5.01%</td>
<td>6.74%</td>
<td>6.65%</td>
<td></td>
</tr>
<tr>
<td>Aggressive Balanced Fund</td>
<td>1/1/2006</td>
<td>6.30%</td>
<td>1.21%</td>
<td>9.19%</td>
<td>5.35%</td>
<td>8.38%</td>
<td>7.28%</td>
<td>1.69%</td>
</tr>
<tr>
<td>75.40% Equity, 20.10% Fixed Income and 4.50% C&amp;E</td>
<td></td>
<td>6.39%</td>
<td>2.39%</td>
<td>9.38%</td>
<td>6.48%</td>
<td>8.88%</td>
<td>7.88%</td>
<td></td>
</tr>
<tr>
<td>Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index</td>
<td></td>
<td>5.81%</td>
<td>2.31%</td>
<td>8.55%</td>
<td>6.31%</td>
<td>8.30%</td>
<td>8.08%</td>
<td></td>
</tr>
<tr>
<td>Lipper Mixed Asset Target Allocation Aggressive</td>
<td></td>
<td>5.81%</td>
<td>2.31%</td>
<td>8.55%</td>
<td>6.31%</td>
<td>8.30%</td>
<td>8.08%</td>
<td></td>
</tr>
<tr>
<td>Beyond Fossil Fuels Balanced Fund</td>
<td>11/3/2014</td>
<td>5.44%</td>
<td>5.08%</td>
<td>10.97%</td>
<td>5.17%</td>
<td>7.61%</td>
<td>N/A</td>
<td>2.32%</td>
</tr>
<tr>
<td>61.70% BFF, 34.80% Fixed Income and 3.50% C&amp;E</td>
<td></td>
<td>5.35%</td>
<td>3.43%</td>
<td>9.12%</td>
<td>6.40%</td>
<td>8.13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index</td>
<td></td>
<td>4.52%</td>
<td>1.71%</td>
<td>6.28%</td>
<td>5.01%</td>
<td>6.74%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lipper Mixed Asset Target Allocation Moderate</td>
<td></td>
<td>4.52%</td>
<td>1.71%</td>
<td>6.28%</td>
<td>5.01%</td>
<td>6.74%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternatives Balanced Fund</td>
<td>7/1/2010</td>
<td>5.46%</td>
<td>2.06%</td>
<td>7.56%</td>
<td>5.01%</td>
<td>6.76%</td>
<td>6.05%</td>
<td>N/A</td>
</tr>
<tr>
<td>52.2% Equity, 22.5% Fixed Income, 25.2% Alternatives, 0.1% C&amp;E</td>
<td></td>
<td>5.00%</td>
<td>3.01%</td>
<td>8.26%</td>
<td>5.89%</td>
<td>7.46%</td>
<td>6.86%</td>
<td></td>
</tr>
<tr>
<td>Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy</td>
<td></td>
<td>5.00%</td>
<td>3.01%</td>
<td>8.26%</td>
<td>5.89%</td>
<td>7.46%</td>
<td>6.86%</td>
<td></td>
</tr>
</tbody>
</table>

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

**ANNUALIZED**

<table>
<thead>
<tr>
<th>Period</th>
<th>Current Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Year</td>
<td>5.69%</td>
</tr>
<tr>
<td>Three Years</td>
<td>9.80%</td>
</tr>
<tr>
<td>Five Years</td>
<td>8.60%</td>
</tr>
<tr>
<td>Ten Years</td>
<td>1.80%</td>
</tr>
<tr>
<td>Current Yield</td>
<td>8.10%</td>
</tr>
</tbody>
</table>
Industries hard-hit by COVID-19 impacts continued to improve in Q3 but may face increased pressure as the winter approaches with more closures/restrictions. Home sales continue to rebound.
Despite unemployment highs, the consumer base is relatively healthy according to assets vs liabilities within the consumer balance sheet.
Concentration within the S&P 500 (Big Tech) drove market volatility in September. Valuations remain lofty, but earnings provide support.

There may be greater upside potential for international markets.
While the election is likely to be a source of market volatility, we do not expect it to be disruptive enough to derail the economic recovery. In fact, fiscal spending under either administration will likely support it.

We expect a multiple-year economic expansion that supports mid-single digit annualized equity returns that are superior to cash and bonds.

While the 59% rally from this year’s March low has been rapid, its magnitude still provides ample upside based on past economic expansions.
Responsible Investing — Sustainable Investing Growth

- 1 in every 4 dollars (25%) under professional management in U.S.
- Sustainable funds outperform conventional funds over last five years.*

*Source: Morningstar
FIVE TOOLS in the RESPONSIBLE INVESTOR TOOLBOX

- Design portfolios that emphasize companies with a commitment to a more just and sustainable future
- Invest in impact-first ventures that seek to solve social and environmental problems
- Submit shareholder resolutions and vote proxies (on Board Members and Auditor selections, CEO pay)
- Dialogue with corporate leaders (to bring shareholder concerns to light)
- Divest from companies that fail to respond to dialogue and shareholder resolutions
After nearly every company voiced support for #BlackLivesMatter, As You Sow and Whistle Stop Capital research and grade commitment to Diversity, Equity and Inclusion (DEI) at S&P 250 Companies.

UCF, in partnership with As You Sow, asks selected companies with low scores for better DEI disclosure and effort.

UCF Votes In Support of Shareholder Resolutions seeking greater DEI disclosure.
Last 5 years

Companies around the world set sustainability goals.

Fall 2020

UCF, in Partnership with Climate Action 100+ and ICCR, asks companies to disclose corporate lobbying.

Ongoing

Seek goals and lobby efforts in support of Paris Agreement - net zero emissions by 2050.
Responsible Investing — A Long Legacy

1967
UCC General Synod declares that social values and social justice ought to be given consideration, together with security and yield, in the investments of funds held by religious organizations. (1)

Following race riots in Rochester, New York, the UCC supports local community organizing efforts and sends an ambassador to Eastman Kodak board meeting to implore the company to maintain its commitment to hire and train unemployed blacks. (2)

1969 - 1985
In response to apartheid, the UCC joins other faith-based investors in divesting from all corporation doing business in South Africa. Nelson Mandela later notes that this ecumenical effort was an essential driver of regime change in South Africa. (3) (4)

1971
United Church Foundation (later United Church Funds) and the UCC Pension Boards are among the founding members of the Interfaith Center on Corporate Responsibility.

1972-1980
Following unjust imprisonment of UCC minister and nine others, famously known as the Wilmington Ten, the UCC calls for an end to mass incarceration and a moratorium on new prisons. (5) (6)

1977
After calling for disarmament, General Synod resolves to divest from publicly held stock in weapon manufacturing businesses. (7) (8)

1979
General Synod passes a resolution to leverage the economic power of its investments to promote and protect human rights, as both a gift and a demand of God." (9)

1985
General Synod adopts pronouncement on Just Peace Church, declaring the UCC in opposition to war and supporting principles of non-violence. (10)

2005
General Synod commits to peace in Israel-Palestine and recommends use of economic leverage to challenge corporations violating human rights norms in the Occupied Territories. In 2015, General Synod votes to divest from corporations that failed to make meaningful efforts to comply. (11) (12)

2013
General Synod votes to divest from fossil fuels — among other strategies — to combat climate change. (13)

2015
General Synod passes a resolution urging five forms of socially responsible investment practices in support of “a still speaking faith.” (14)

Download here: https://bit.ly/3iUFSfV
Thank you!

United Church Funds appreciates the opportunity to share in and support the mission of your ministry.

Investing involves risk. Consider the funds’ investment objectives, risks and other factors, which are discussed in the Funds Description Statement. Past performance is no guarantee of future results.