

MARKET UPDATE TOWNHALL MEETING THIRD QUARTER 2020

New York, New York

October 27, 2020



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	<i>President & CEO</i>
Matthew W. Wagner	<i>Vice President, Institutional Relationships</i>
Karen Sherman-Chang	<i>Director, Finance & Administration</i>
Matthew Illian	<i>Director, Responsible Investing</i>

Institutional Relationships & Marketing/Communications Team

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

Client Services Team

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

Finance & Administration Team

Deborah Cho	<i>Senior Accountant</i>
Michele Hamilton	<i>Staff Accountant</i>

Investment Team (Shared with the UCC Pension Boards)

David A. Klassen	<i>Chief Investment Strategist</i>
Lan Cai	<i>Senior Portfolio Manager and Strategist</i>
Minoti Dhanaraj	<i>Analyst-External Investments</i>

Biographical information on UCF's Staff Members is available at www.ucfunds.org.



Board of Directors & Investment Committee

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.

United Church Funds — Our Mission

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.

United Church Funds — What's New

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

United Church Funds — Investment Strategy Updates

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



United Church Funds — Investment Strategy Updates

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 re-position 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

Market and Fund Updates — Key Themes

- **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					ANNUALIZED				
<i>Returns on UCF's funds are presented net of fees</i>		<i>Inception Date</i>	Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield
MANAGED FUNDS	Fixed Income Fund	10/1/1994	0.92%	5.55%	5.91%	4.40%	3.88%	3.05%	1.68%
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% J PM GBI-EM Global Diversified, 10% S&P LSTA Performing Loan		1.15%	6.67%	7.03%	5.44%	4.71%	3.73%	
	Lipper Core Plus Fixed Income		1.63%	6.36%	6.80%	5.02%	4.56%	4.04%	
	Domestic Core Equity Fund	10/1/2005	8.01%	1.66%	10.51%	9.93%	12.34%	12.81%	1.67%
	S&P 500 Index		8.93%	5.57%	15.15%	12.28%	14.15%	13.74%	
	Lipper Large Cap Core		8.73%	4.34%	13.25%	10.72%	12.51%	12.25%	
	Beyond Fossil Fuels Fund	11/3/2014	8.14%	0.68%	10.09%	4.27%	9.51%	N/A	2.44%
	S&P 500/MSCI ACWI IMI net, linked		8.11%	0.48%	9.57%	6.47%	10.39%		
	Lipper Global Equity		7.08%	-2.60%	5.71%	4.02%	8.00%		
	Small Cap Equity Fund	10/1/2005	6.22%	-4.07%	7.09%	5.52%	9.07%	9.74%	1.06%
	Russell 2000 Index		4.93%	-8.69%	0.39%	1.77%	8.00%	9.85%	
	Lipper Small Cap Core		3.79%	-14.81%	-8.19%	-1.63%	5.02%	8.15%	
	International Equity Fund	10/1/2005	8.70%	-1.50%	9.74%	2.41%	7.88%	4.37%	2.09%
	MSCI ACWI ex US net/Custom Index, linked		6.25%	-5.44%	3.00%	1.16%	6.32%	4.12%	
	Lipper International Equity		5.23%	-7.12%	0.39%	-0.27%	4.67%	4.09%	
	Alternatives Fund	7/1/2010	4.05%	4.71%	4.61%	4.72%	3.18%	4.73%	N/A
	Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index		2.91%	1.67%	4.33%	3.56%	4.15%	4.98%	

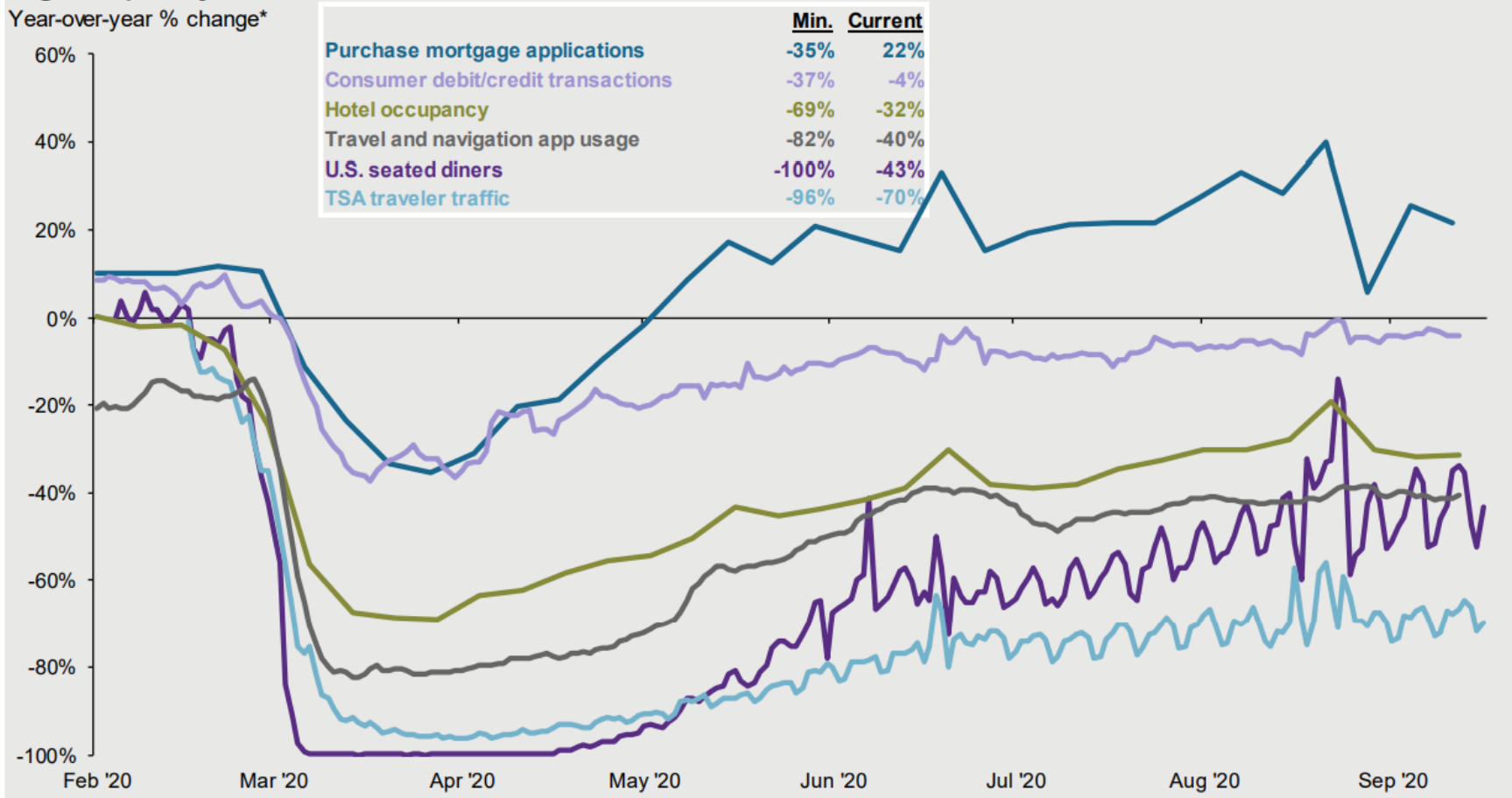
Investment Performance — Funds of Funds, September 30, 2020

TOTAL RATES OF RETURN AS OF 9/30/20					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	
FUNDS OF FUNDS	Total Equity Fund	10/1/1994	8.15%	-0.32%	9.78%	5.69%	9.80%	8.60%	1.80%	
	48.20% Domestic Core Equity, 8.80% Small Cap Equity and 43.00% International Equity									
	MSCI ACWI IMI net/Policy Index, linked			8.11%	0.48%	9.57%	6.47%	10.02%	9.03%	
	Lipper Global Equity			7.08%	-2.60%	5.71%	4.02%	8.00%	7.76%	
	Conservative Balanced Fund	1/1/2006	3.41%	3.32%	7.38%	4.68%	5.89%	5.06%	1.67%	
	35.30% Equity, 61.50% Fixed Income and 3.20% C&E									
	Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index			3.61%	4.95%	8.45%	6.13%	6.79%	5.79%	
	Lipper Mixed Asset Target Allocation Conservative			3.21%	3.07%	5.70%	4.34%	5.15%	5.10%	
	Moderate Balanced Fund	<i>circa 1958</i>	5.15%	2.45%	8.89%	5.22%	7.48%	6.48%	1.68%	
	60.50% Equity, 35.50% Fixed Income and 4.00% C&E									
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index			5.35%	3.43%	9.12%	6.40%	8.13%	7.13%	
	Lipper Mixed Asset Target Allocation Moderate			4.52%	1.71%	6.28%	5.01%	6.74%	6.65%	
	Aggressive Balanced Fund	1/1/2006	6.30%	1.21%	9.19%	5.35%	8.38%	7.28%	1.69%	
	75.40% Equity, 20.10% Fixed Income and 4.50% C&E									
	Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index			6.39%	2.39%	9.38%	6.48%	8.88%	7.88%	
Lipper Mixed Asset Target Allocation Aggressive			5.81%	2.31%	8.55%	6.31%	8.30%	8.08%		
Beyond Fossil Fuels Balanced Fund	11/3/2014	5.44%	5.08%	10.97%	5.17%	7.61%	N/A	2.32%		
61.70% BFF, 34.80% Fixed Income and 3.50% C&E										
Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index			5.35%	3.43%	9.12%	6.40%	8.13%			
Lipper Mixed Asset Target Allocation Moderate			4.52%	1.71%	6.28%	5.01%	6.74%			
Alternatives Balanced Fund	7/1/2010	5.46%	2.06%	7.56%	5.01%	6.76%	6.05%	N/A		
52.2% Equity, 22.5% Fixed Income, 25.2% Alternatives, 0.1% C&E										
Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy			5.00%	3.01%	8.26%	5.89%	7.46%	6.86%		

Strategy and Positioning — Markets Versus The Economy

High-frequency data

Year-over-year % change*

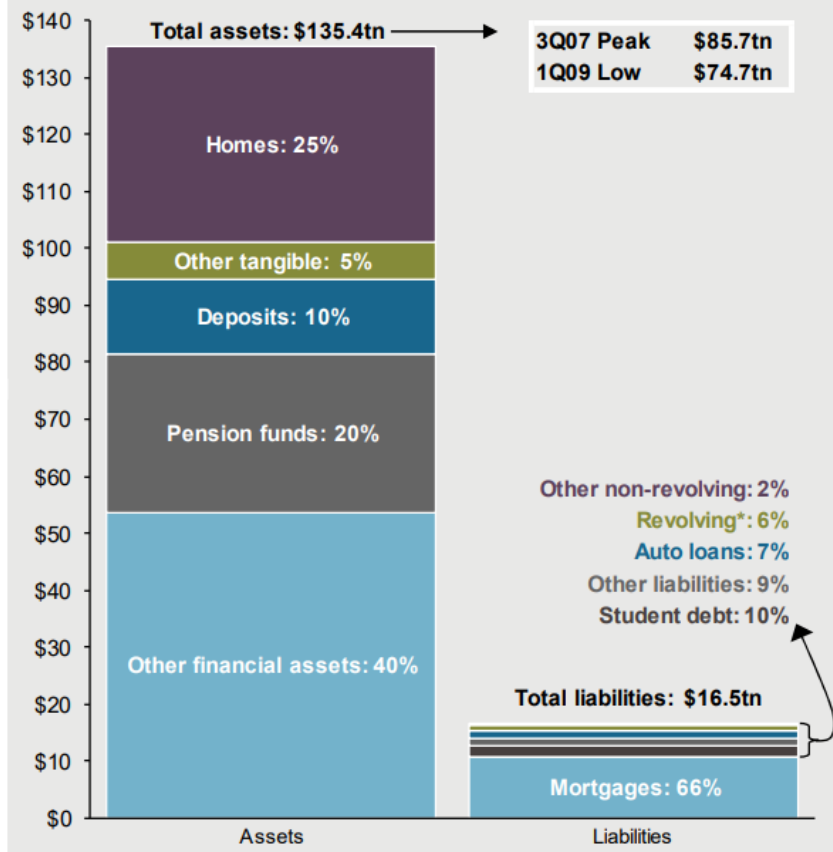


- Industries hard-hit by COVID-19 impacts continued to improve in Q3 but may face increased pressure as the winter approaches with more closures/restrictions. Home sales continue to rebound.

Strategy and Positioning — Consumer Finances

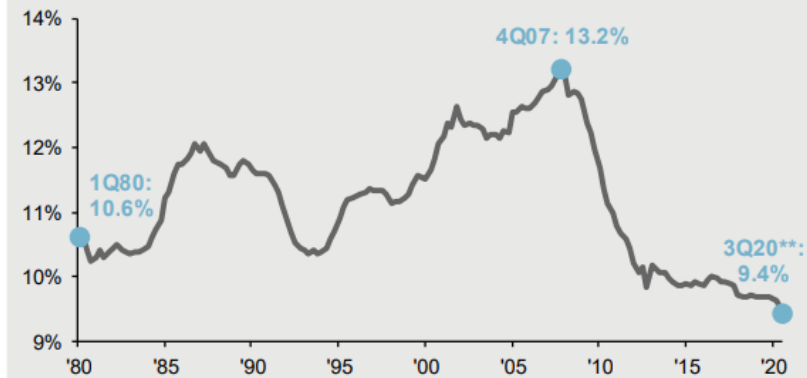
Consumer balance sheet

2Q20, trillions of dollars outstanding, not seasonally adjusted



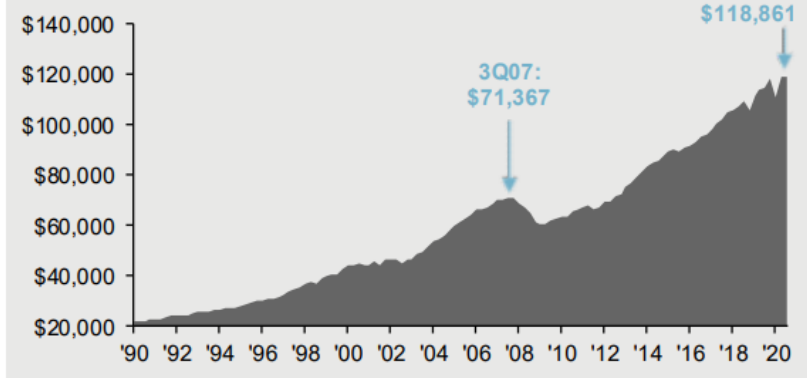
Household debt service ratio

Debt payments as % of disposable personal income, SA



Household net worth

Not seasonally adjusted, USD billions

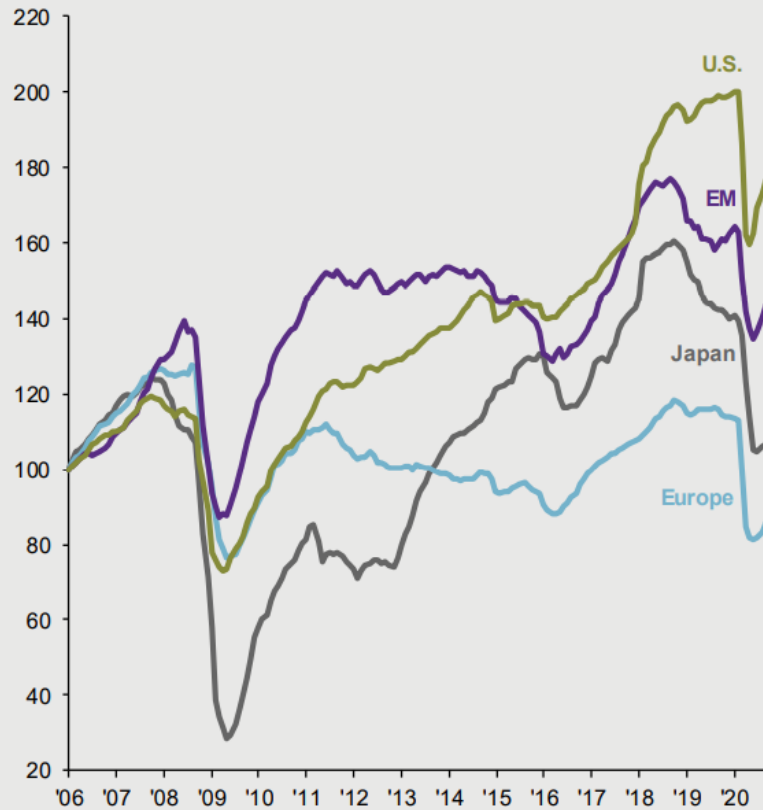


- Despite unemployment highs, the consumer base is relatively healthy according to assets vs liabilities within the consumer balance sheet.

Strategy and Positioning — International Equity Earnings and Valuations

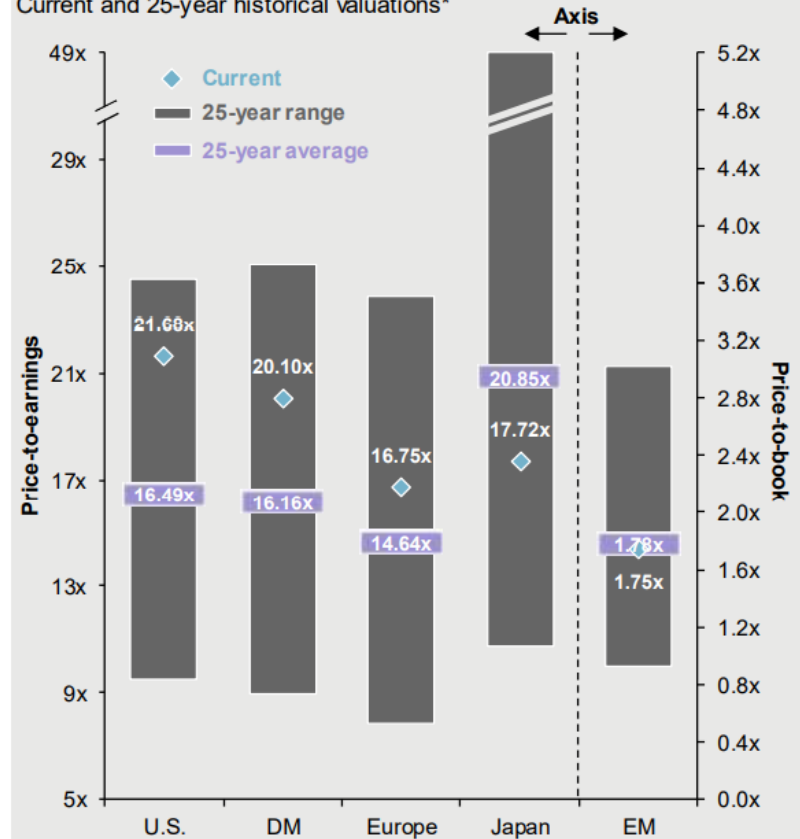
Global earnings

EPS, local currency, next 12 months, Jan. 2006 = 100



Global valuations

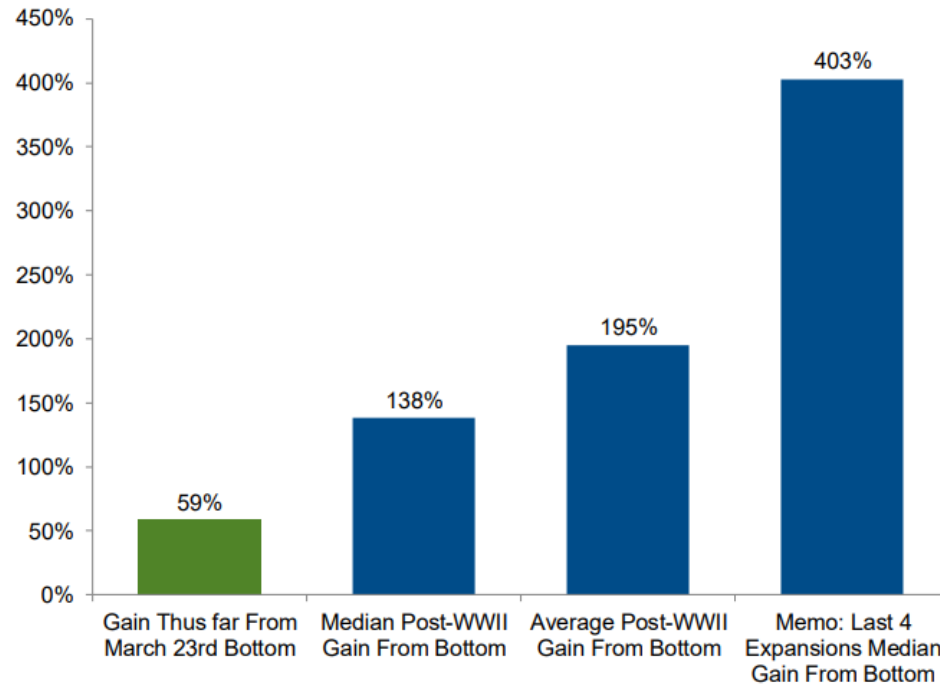
Current and 25-year historical valuations*



- 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.

Strategy and Positioning — Equities Likely to Deliver Attractive Returns During Next Expansion

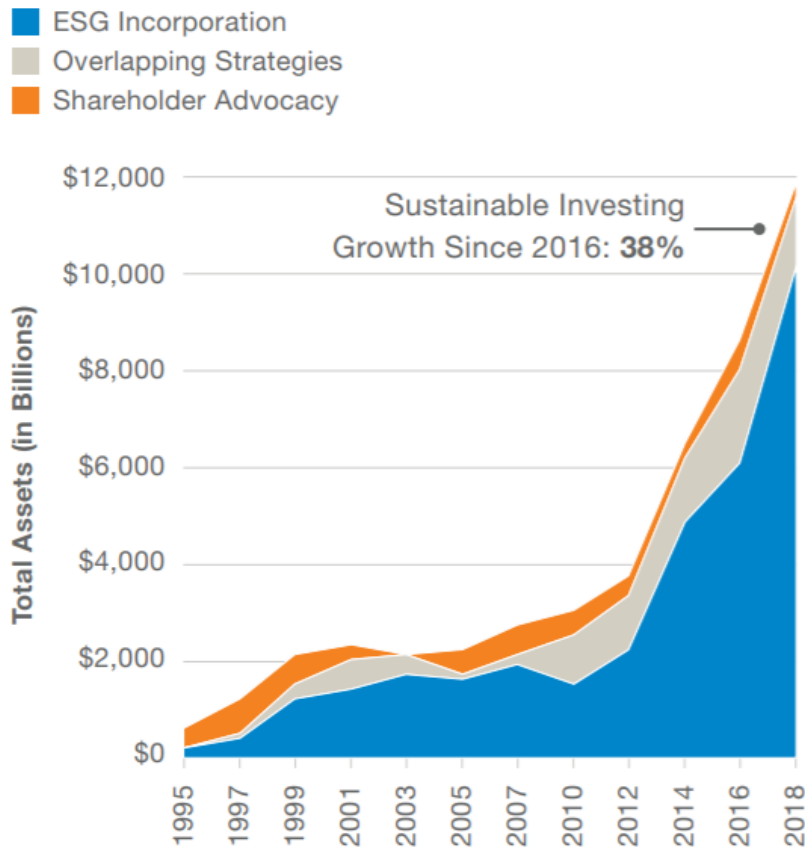
S&P 500 Total Return From Equity Trough to Beginning of Next Recession¹ – As of October 13, 2020



- 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

**Sustainable Investing Growth in the United States
(Billions) 1995–2018**



- 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

Responsible Investing — Racial Equity

Fall
2020

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.

**BLACK
LIVES
MATTER**



Winter
2020

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



AS YOU SOW

Spring
2021

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



Responsible Investing — Environmental Justice

Last 5 years

Companies around the world sets sustainability goals.



Fall 2020

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

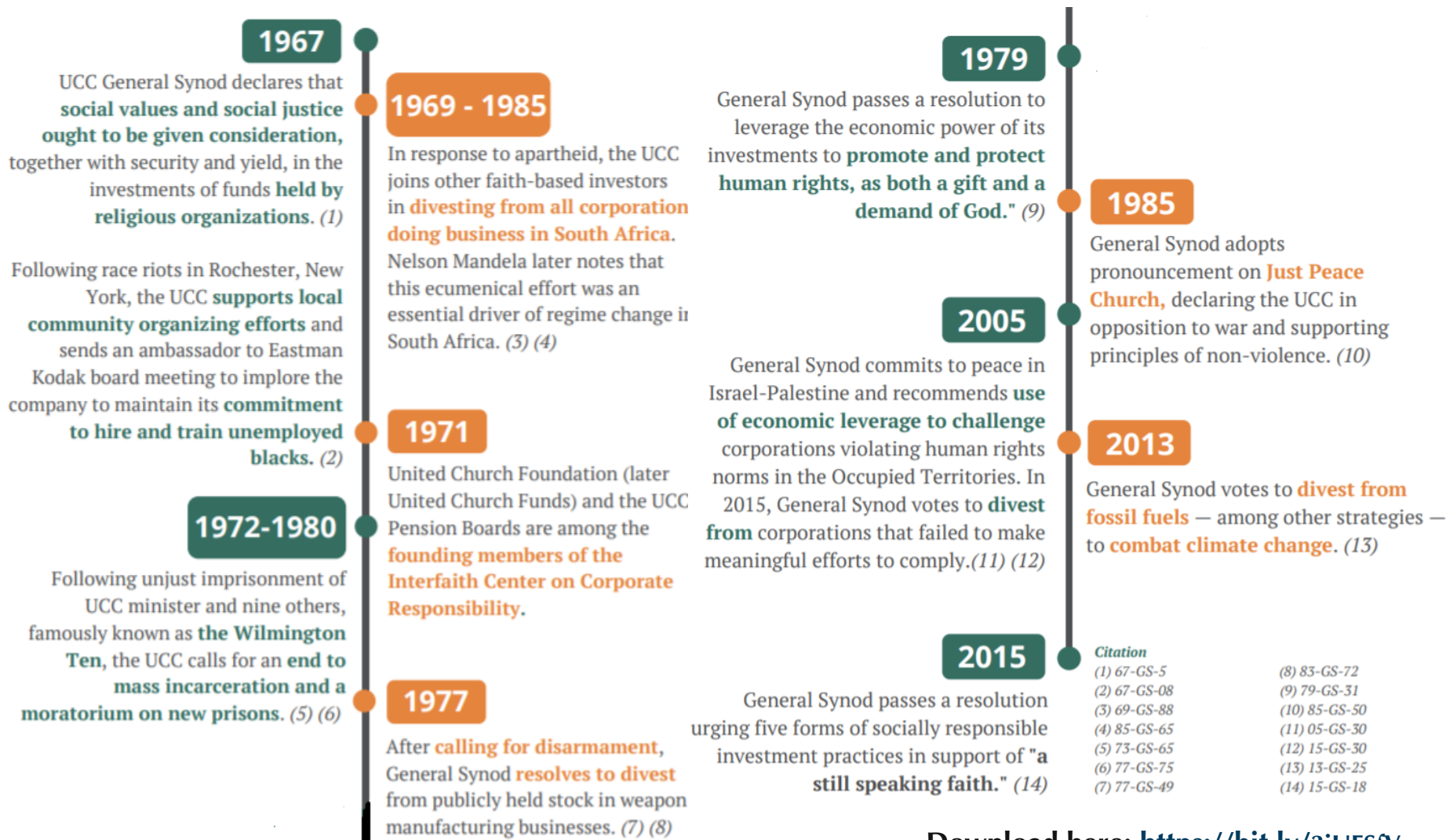


Ongoing

Seek goals and lobby efforts in support of Paris Agreement - net zero emissions by 2050.



Responsible Investing — A Long Legacy



Download here: <https://bit.ly/3iUFSfV>

Thank you!

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



Q & A

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.