

MARKET UPDATE TOWNHALL MEETING FOURTH QUARTER 2020

New York, New York

February 2, 2021



United Church Funds — Welcome!

Townhall Meeting Agenda

- Welcome and Introductions — Charles Buck, President & CEO
- UCF Organizational Updates — Matt Wagner, VP Institutional Relationships
- Responsible Investing Overview — Matthew Illian, Director of Responsible Investing
- Market & Fund Updates — Stacey Pettice, Institutional Relationships Executive
- Investment Strategy: Looking Ahead — David Klassen, UCF Chief Investment Strategist
- Q&A with Townhall Participants

UCF – An Experienced Team of Partners

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>
Azim Ahmed	<i>Junior Analyst</i>



Board of Directors & Investment Committee

Board of Directors

Ms. Edith Guffey, *Chair*
Mr. Jiakai Chen
Rev. Dr. John C. Dorhauer, *ex officio*
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, Q4 2020

- UCF announces lower expense ratios (fees) for all funds in 2021
- UCF updates phone service – new phone numbers!
Toll-free line: 877-806-4989; email: info@ucfunds.org
- UCF adds \$81,838,220 in net assets under management in 2020
 - Net of nearly \$40,000,000 withdrawn by clients to support their missions, ministries and operations
- UCF invests in technology infrastructure and digital content
- UCF supports UCC Conferences in their efforts on COVID and racial justice through Brown Endowment.
 - Grants of nearly \$150,000 distributed to conferences and national setting

Responsible Investing — Our Mission



Investing with a Mission: Performance Beyond the Numbers

Matthew Illian, Director of Responsible
Investing

Responsible Investing — New Impact Managers



Core Impact Bond Account

- 65% ESG Leaders / 35% Impact Investments (Renewables / Affordable Housing / Women's Empowerment)



Private Equity Fund Focused on Impact

- Named Private Equity Manager of the Year – 2020 Asset Management Awards

Responsible Investing — Racial Equity



Minority-Owned Firm Hired as Small Cap Fund Manager

Channing Capital Management ^{LLC}



Channing Capital Management is directed under the leadership of Rodney B. Herenton (left), Founder and Co-Chief Executive Officer, and Wendell E. Mackey, CFA (right), Founder and Co-Chief Executive Officer.

Racial Equity Shareholder Efforts at:



UnitedHealth Group

- Seeking Workplace Equity Data Transparency

Human Rights Shareholder Efforts:

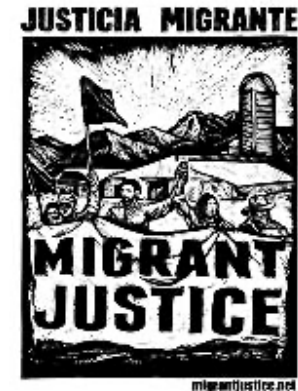
Investor Alliance for Human Rights

- End Forced Labor in Uyghur Region in China (20% of World's Cotton From Region)



Vermont-Based Migrant Justice

- Milk with Dignity Program



Poll Questions

Investment Performance — Key Themes

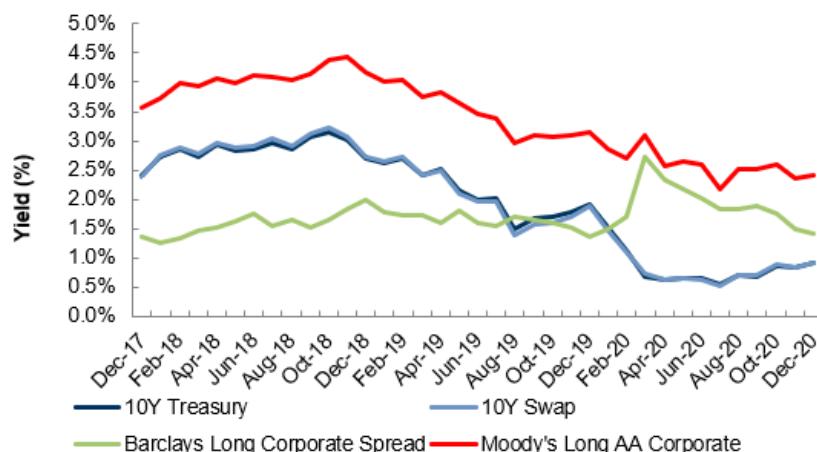
- **Markets versus the Economy:** Global markets had a stellar fourth quarter, led by U.S. small caps, value stocks and emerging markets. Market uncertainty subsided due to COVID vaccine approvals in November and the election of Joe Biden as President.
- **Economic Recovery:** The economy rebounded from its low, although the speed of recovery going forward will be predicated on the virus and vaccine deployment. An additional \$900B of fiscal stimulus at the end of 2020, along with potentially additional stimulus, should continue to keep the economy recovering.
- **Dynamic Allocations:** We continue to be vigilant about increased risks and potential opportunities from market volatility. During the quarter, strong market performance led to an ~4% overweight to equities. The next few months could benefit small caps, value stocks and emerging markets.
- **Macro Risks:** Beyond the resurgence of the pandemic, other macro risks exist. These include 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 — Selected Index Returns

Public Markets Performance (USD)

	Q4 2020	2020	2019	3 Yr
MSCI World	14.0%	15.9%	27.7%	10.6%
ACWI IMI	15.7%	16.3%	26.4%	9.7%
S&P 500	12.1%	18.4%	31.5%	14.2%
MSCI EAFE	16.0%	7.8%	22.0%	4.3%
Russell 2000	31.4%	19.9%	25.5%	10.2%
MSCI World ex-US Small Cap	17.5%	12.8%	25.4%	5.0%
MSCI EM Equity	19.7%	18.3%	18.4%	6.2%
Barclays Global Aggregate	3.3%	9.2%	6.8%	4.8%
Barclays US Long Treasury	-3.0%	17.7%	14.8%	9.9%
Barclays US Long Corporate	5.1%	13.9%	23.9%	9.4%
JPM EM Debt	5.8%	5.3%	15.0%	5.0%
JPM EM Debt Local	9.6%	2.7%	13.5%	3.0%
Barclays Global High Yield	7.7%	7.0%	12.6%	4.9%
FTSE/NAREIT Global	13.3%	-8.9%	22.1%	1.7%
GSCI Commodities	14.5%	-23.7%	17.6%	-8.2%

Discount Rate Factors (%)



Changes in Yields and Spreads by Maturity (%)

	Dec 2020	Δ 1 mth	Δ 3 mth	Δ 1 yr
Risk Free (Treasuries)				
2Y	0.12	(0.03)	(0.00)	(1.44)
10Y	0.91	0.07	0.24	(1.00)
30Y	1.64	0.07	0.19	(0.74)
10Y Swap	0.92	0.07	0.22	(0.96)
Barclays Long Corporate Spread	1.40	(0.08)	(0.48)	0.05
Moody's Long AA Corporate	2.42	0.06	(0.10)	(0.72)

As of 31-December-2020. 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.

Investment Performance — 2020 UCF Managed Fund Highlights

- **International Equity Fund:** The International Equity Fund continued its solid performance, returning 16.16% in 2020, vs. benchmark return of 10.65% and Lipper Peer group of 7.53%. Developed Markets manager Ballie Gifford led the significant outperformance, along with Emerging Market Equity manager RBC Global – both managers returned over 20% for the year.
- **Small Cap Equity Fund:** Small Cap U.S. stocks led markets higher in Q4 2020, and managers Westfield Capital (Small Cap Growth) and Blackrock (Small Cap Core) led our Small Cap strategy higher, resulting in a 23.68% 2020 return, significantly exceeding benchmark (+372 bps) and Lipper Peer Group (+1,436 bps). Westfield celebrates 10 years as a UCF manager in April 2021 and has averaged an annualized return of over 15% since inception.
- **U.S. Large Cap and Fixed Income Lag :** UCF's Domestic Core and Fixed Income Funds lagged benchmarks in 2020 but still added absolute performance to the portfolio with a 2020 return of 13.60%. Large Cap manager QMA lagged, while passive strategy manager State Street Global kept pace. In Fixed Income, managers fought a challenging rate environment to return 6.87% for 2020.
- **Alternatives Fund:** Meant to provide diversification to a portfolio, returns across alternative asset classes were mixed. UCF's Alternatives Fund exceeded benchmark by 2.02%, returning 9.28% in 2020. Returns were led by UCF's largest alternative manager, Weatherlow.

Investment Performance — Managed Funds, December 31, 2020

AVERAGE TOTAL RATES OF RETURN							ANNUALIZED					
Returns on UCF's funds are presented net of fees				Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield	Unit Value	Market Value
MANAGED FUNDS	Fixed Income Fund			1.25%	6.87%	6.87%	4.62%	4.29%	3.40%	2.55%	\$ 5.27	\$212.2M
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% JPM GBI-EM Global Diversified, 10% S&P LSTA Performing Loan			1.45%	8.22%	8.22%	5.74%	5.19%	4.11%			
	Lipper Core Plus Fixed Income			2.03%	8.54%	8.54%	5.58%	5.08%	4.33%			
	Domestic Core Equity Fund ¹			11.75%	13.60%	13.60%	11.60%	13.53%	12.85%	1.55%	\$29.21	\$239.7M
	S&P 500 Index			12.15%	18.40%	18.40%	14.18%	15.22%	13.88%			
	Lipper Large Cap Core			11.81%	16.76%	16.76%	12.80%	13.72%	12.46%			
	Beyond Fossil Fuels Fund ⁴			13.31%	14.07%	14.07%	7.02%	10.95%	N/A	2.20%	\$15.49	\$107.9M
	S&P 500/MSCI ACWI IMI net, linked			15.70%	16.25%	16.25%	9.72%	12.12%				
	Lipper Global Equity			15.11%	13.09%	13.09%	7.48%	10.32%				
	Small Cap Equity Fund ¹			28.93%	23.68%	23.68%	13.26%	14.12%	10.69%	0.84%	\$28.59	\$ 46.4M
	Russell 2000 Index			31.37%	19.96%	19.96%	10.25%	13.26%	11.20%			
	Lipper Small Cap Core			28.38%	9.32%	9.32%	5.63%	9.75%	9.40%			
	International Equity Fund ¹			17.93%	16.16%	16.16%	6.68%	10.45%	5.42%	1.82%	\$16.83	\$196.1M
	MSCI ACWI ex US net/Custom Index, linked			17.01%	10.65%	10.65%	4.88%	8.93%	5.08%			
	Lipper International Equity			15.71%	7.53%	7.53%	3.41%	7.14%	4.95%			
	Cash & Equivalent Fund			0.00%	0.36%	0.36%	1.39%	1.04%	0.52%	N/A	\$1.00	\$31.8M
	Lipper Money Market Funds Index			0.01%	0.41%	0.41%	1.33%	0.95%	0.48%			
	Alternatives Fund ³			4.37%	9.28%	9.28%	5.02%	3.88%	4.72%	N/A	\$16.33	\$ 71.9M
	Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index			5.28%	7.26%	7.26%	4.71%	4.95%	5.17%			

Investment Performance — Funds of Funds, December 31, 2020

AVERAGE TOTAL RATES OF RETURN					ANNUALIZED					
Returns on UCF's funds are presented net of fees		Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield	Unit Value	Market Value
FUNDS OF FUNDS	Total Equity Fund									
	45.90% Domestic Core Equity, 9.80% Small Cap Equity and 44.30% International Equity	15.91%	15.54%	15.54%	9.15%	11.96%	9.04%	1.60%	\$22.04	\$427.9M
	MSCI ACWI IMI net/Policy Index, linked	15.70%	16.25%	16.25%	9.72%	12.15%	9.50%			
	Lipper Global Equity	15.11%	13.09%	13.09%	7.48%	10.32%	8.49%			
	Conservative Balanced Fund²									
	38.50% Equity, 58.50% Fixed Income and 3.00% C&E	6.38%	9.91%	9.91%	6.06%	6.88%	5.41%	2.11%	\$15.27	\$ 12.6M
	Current Policy Index 35% MSCI ACWI IMI net, 65% Fixed Income Policy Index	6.39%	11.66%	11.66%	7.50%	7.84%	6.21%			
	Lipper Mixed Asset Target Allocation Conservative	6.18%	8.95%	8.95%	5.67%	6.27%	5.49%			
	Moderate Balanced Fund									
	63.90% Equity, 32.60% Fixed Income and 3.50% C&E	9.98%	12.68%	12.68%	7.39%	8.89%	6.87%	1.85%	\$13.53	\$360.6M
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index	9.95%	13.71%	13.71%	8.52%	9.60%	7.57%			
	Lipper Mixed Asset Target Allocation Moderate	8.64%	10.77%	10.77%	6.87%	8.08%	7.08%			
	Aggressive Balanced Fund²									
	77.80% Equity, 18.20% Fixed Income and 4.00% C&E	12.24%	13.59%	13.59%	8.02%	10.05%	7.67%	1.71%	\$19.16	\$ 39.4M
	Current Policy Index 75% MSCI ACWI IMI net, 25% Fixed Income Policy Index	12.10%	14.78%	14.78%	9.03%	10.59%	8.33%			
	Lipper Mixed Asset Target Allocation Aggressive	11.40%	13.36%	13.36%	8.62%	9.78%	8.46%			
	Beyond Fossil Fuels Balanced Fund⁴									
64.50% BFF, 32.20% Fixed Income and 3.30% C&E	8.41%	13.91%	13.91%	6.92%	8.67%	N/A	2.13%	\$13.30	\$137.7M	
Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index	9.95%	13.71%	13.71%	8.52%	9.60%					
Lipper Mixed Asset Target Allocation Moderate	8.64%	10.77%	10.77%	6.87%	8.08%					
Alternatives Balanced Fund³										
55.1% Equity, 20.7% Fixed Income, 24.2% Alternatives, 0.0% C&E	9.74%	12.00%	12.00%	6.93%	8.14%	6.53%	N/A	\$18.43	\$237.9M	
Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy	9.31%	12.65%	12.65%	7.87%	8.83%	7.28%				

¹Inception: October 1, 2005

²Inception: January 1, 2006

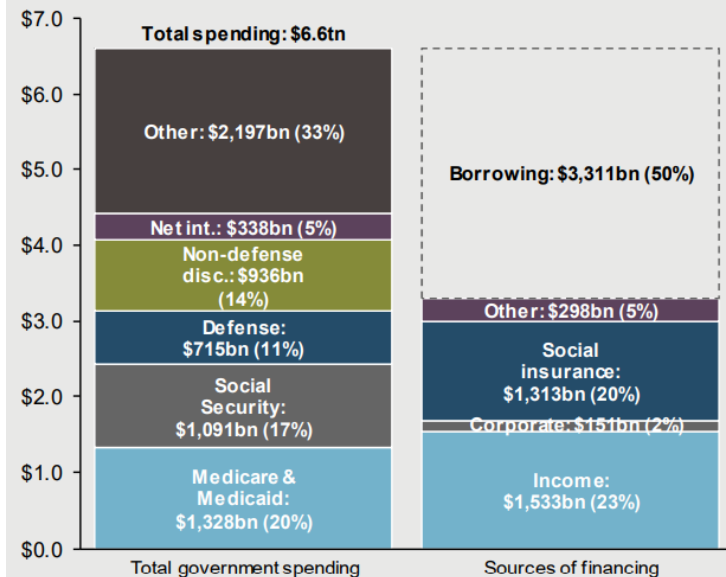
³Inception: July 1, 2010

⁴Inception: November 1, 2014

Strategy and Positioning — Economic Recovery

The 2020 federal budget

CBO Baseline forecast, USD trillions

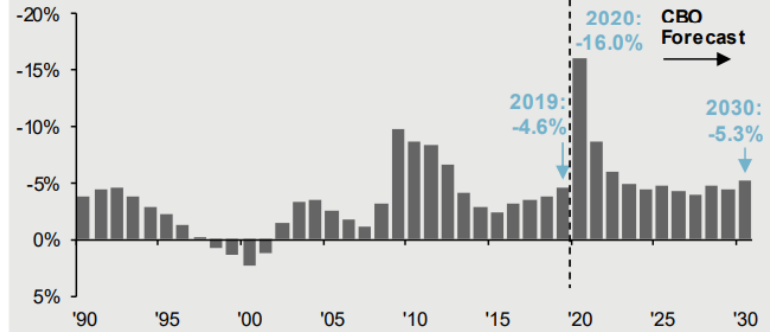


CBO's Baseline economic assumptions

	2020	'21-'22	'23-'24	'25-'30
Real GDP growth	-3.8%	2.4%	2.2%	2.2%
10-year Treasury	1.1%	0.9%	1.4%	2.6%
Headline inflation (CPI)	1.4%	1.3%	2.2%	2.2%
Unemployment	8.8%	8.2%	6.4%	4.9%

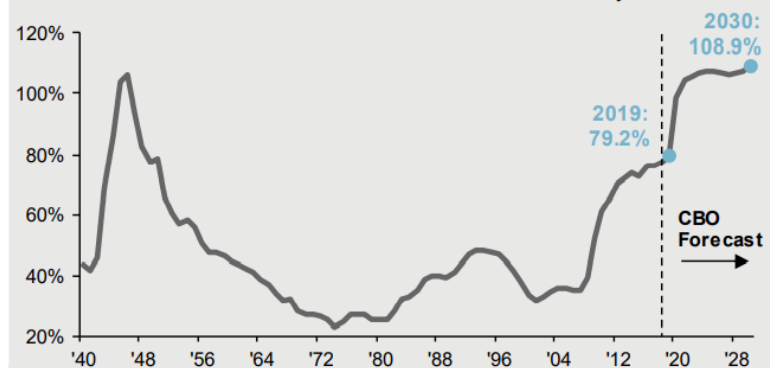
Federal budget surplus/deficit

% of GDP, 1990 – 2030, 2020 CBO Baseline



Federal net debt (accumulated deficits)

% of GDP, 1940 – 2030, 2020 CBO Baseline, end of fiscal year

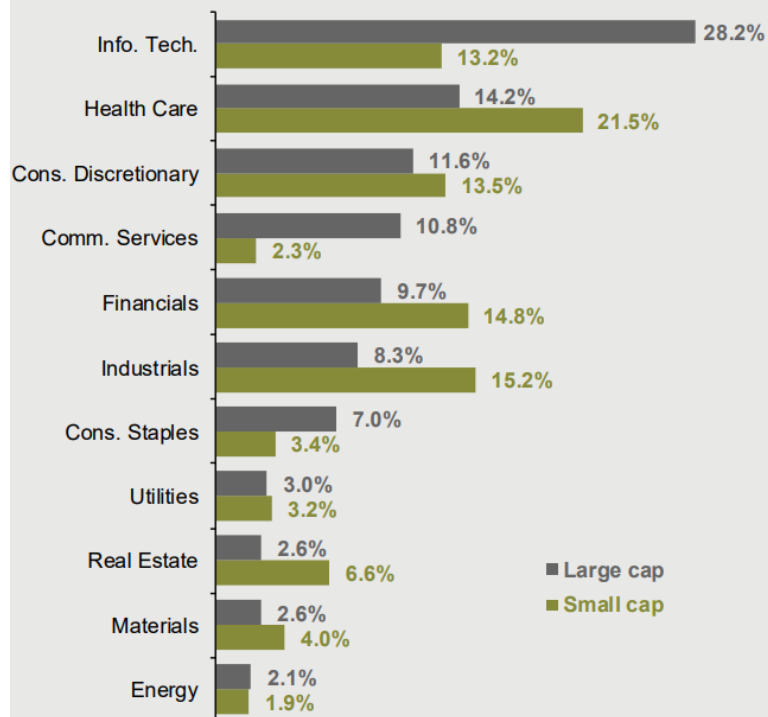


- After low GDP growth in the first quarter, the markets could reaccelerate during the rest of the year. Jobs growth has slowed but will likely recover with vaccine deployment. An additional \$900B of fiscal stimulus at the end of 2020 along with potentially additional stimulus should continue to keep the economy recovering.

Strategy and Positioning — Dynamic Allocations (Large Cap & Small Cap)

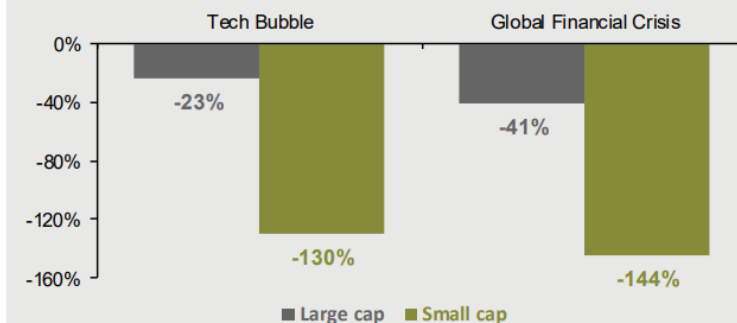
Sector composition

% of index market capitalization



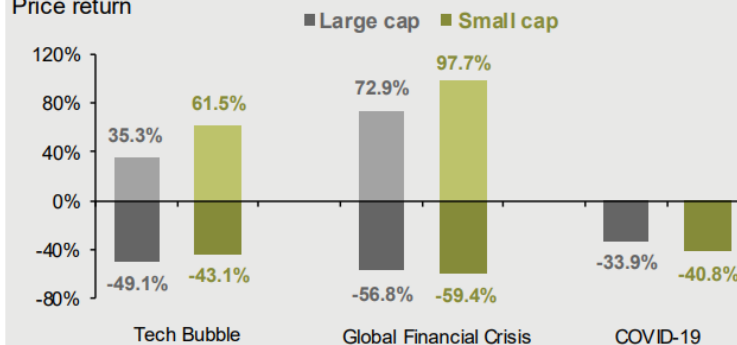
Historical earnings drawdown

Change in LTM EPS during NBER-designated recessions



Historical markets drawdown and next 12-month rebound

Price return

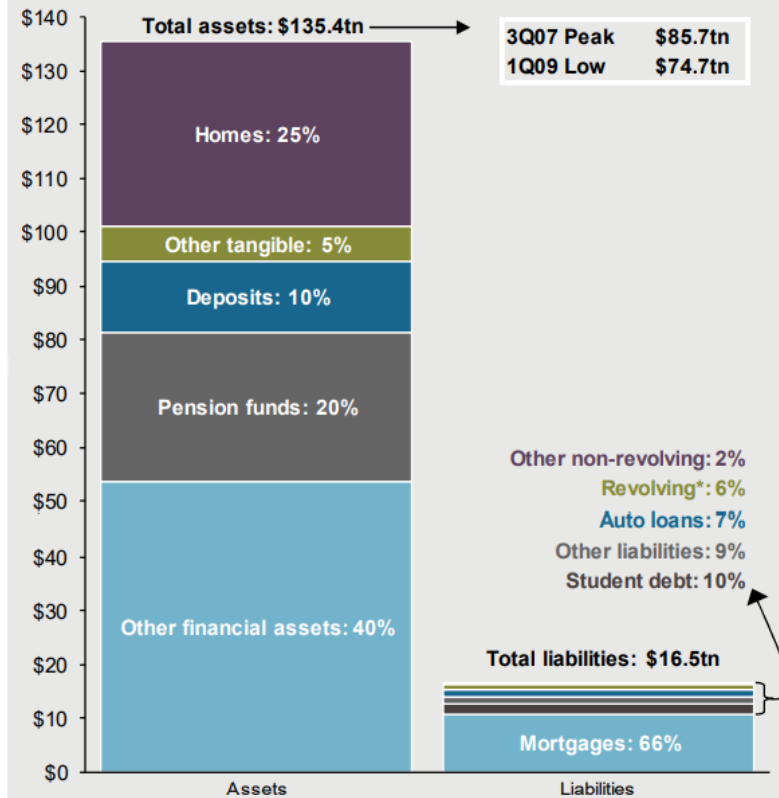


- U.S. small caps have underperformed large caps in 2020, given the larger concentration among large cap stocks (big tech). This has started to shift to small cap stocks that have a different sector composition are set to benefit from a recovery.

Strategy and Positioning — Consumer Finances

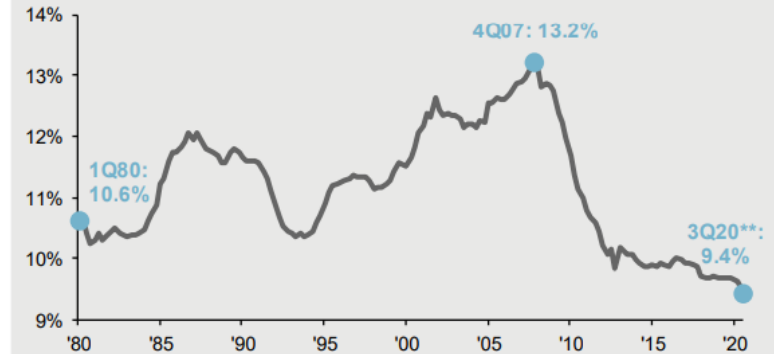
Consumer balance sheet

2Q20, trillions of dollars outstanding, not seasonally adjusted



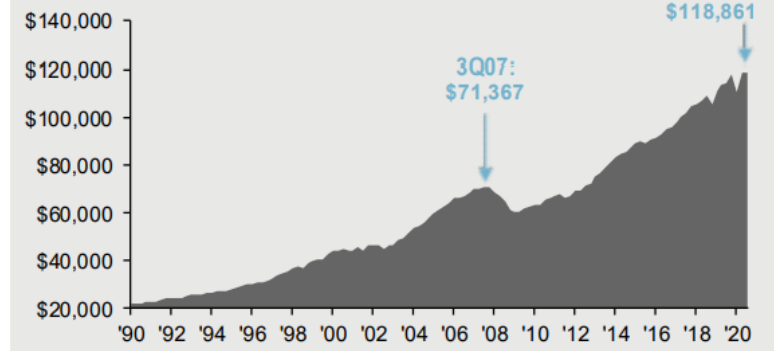
Household debt service ratio

Debt payments as % of disposable personal income, SA



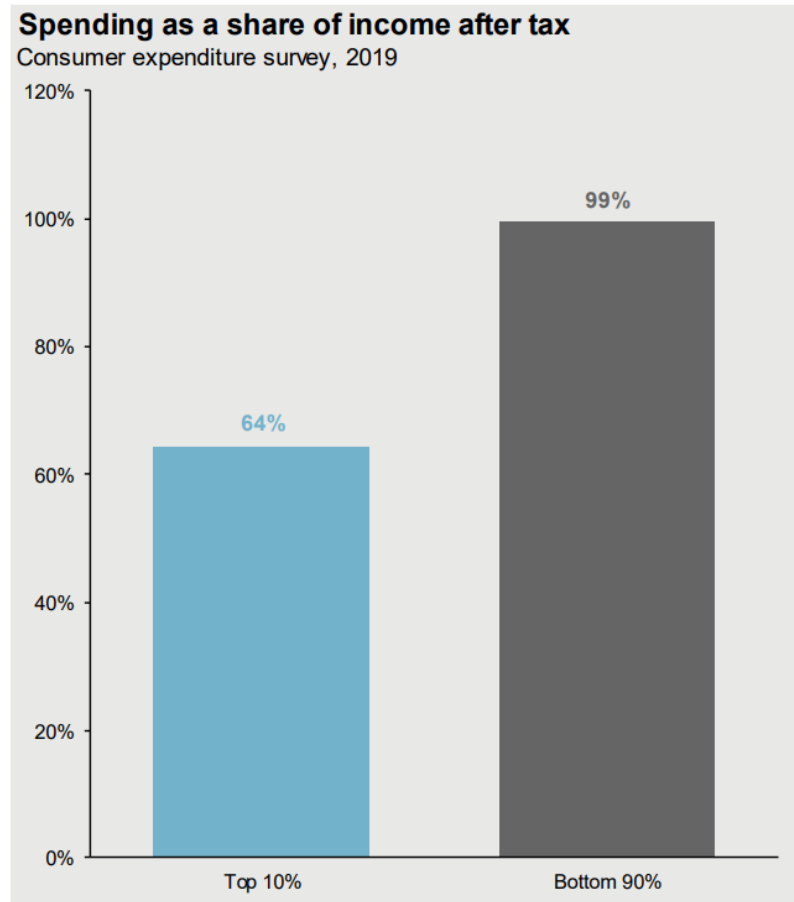
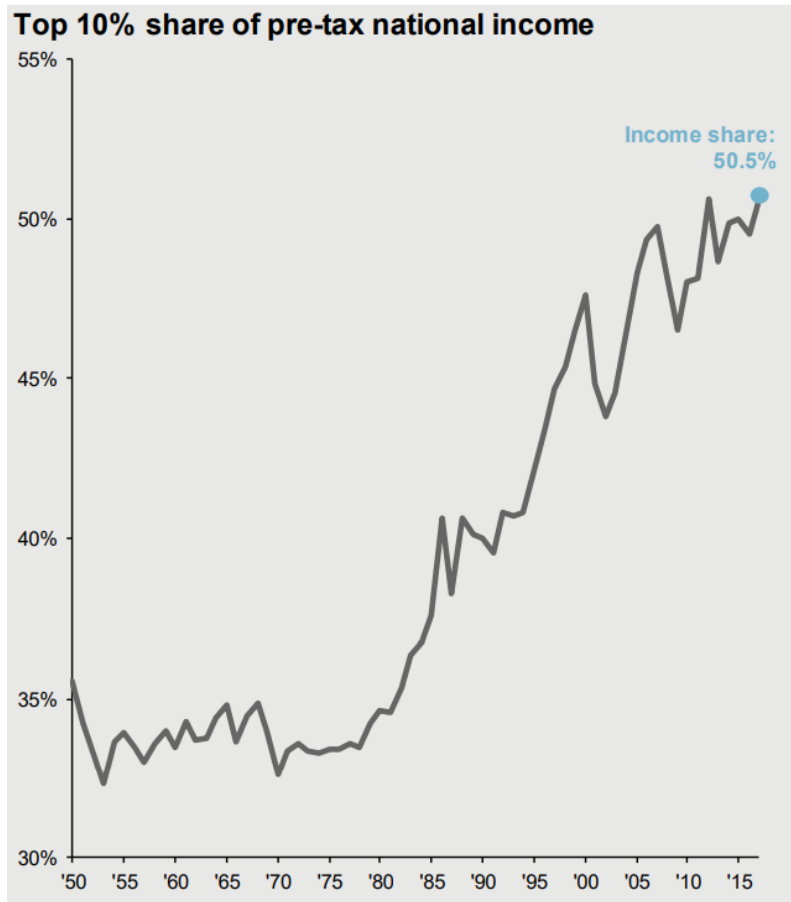
Household net worth

Not seasonally adjusted, USD billions



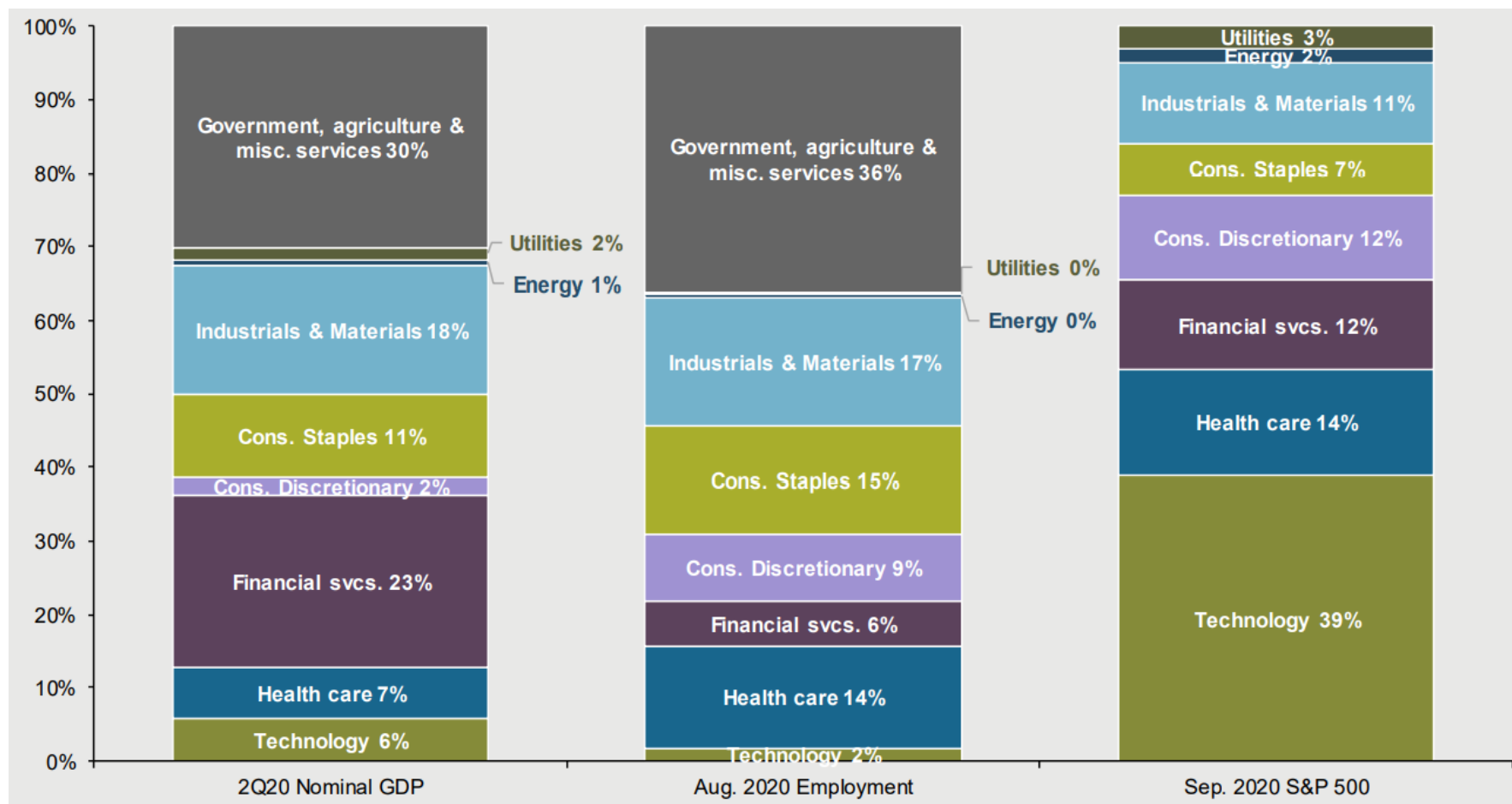
- Middle and upper income earners have benefitted from the lockdown through decrease in discretionary spending (dining out, commuting, traveling).
- We have also seen a slight increase in this demographic's household net worth, most likely due to growth of investments in the market.

Strategy and Positioning — Macro Risk (Income Inequality)



- Aside from ongoing concerns regarding China-U.S. trade, a growing concern has been income inequality. The top 10% earners receive over 50% of the wealth.

Strategy and Positioning — Sector Share of GDP, Employment, S&P 500



- Consumer discretionary is down considerably as a percentage of GDP, while financial services saw a rebound.
- Concentration of technology and healthcare has been the largest contributor of market growth.

Strategy and Positioning — Looking Ahead for Investors

- **Vaccine Deployment and Economic Recovery** – Vaccine roll-out continues to move forward, but supply chain issues persist in some regions, and COVID-19 is mutating into different strains. Real economic bounce-back in hospitality, travel, and retail sectors will require a more consistent vaccine plan for the next 4-6 months.
- **Democrats in Charge** – Democrats now own slim majorities in the House and Senate, and, with the inauguration of President Biden, have a complete mandate to push forward with a progressive agenda on environmental issues, taxation and regulation, trade, minimum wage, infrastructure improvements, and more. What will the administration prioritize for Speaker Pelosi and Majority Leader Schumer to push through Congress?
- **Market Returns vs. Sector Risk** – Goldman Sachs Asset Management (GSAM) is predicting high single-digit global equity returns for 2021 as the global economy recovers. What sectors or investment strategies will win out, and how should prudent investors position portfolios for future volatility?
- **Inflation and Interest Rates** – The Federal Reserve has been clear about holding interest rates low for the foreseeable future to aid in economic recovery. If the U.S. economy sharply recovers, inflation could be a factor for investors to consider in their strategy, albeit more than likely for a short period.

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.