

MARKET UPDATE TOWNHALL MEETING

FOURTH QUARTER 2021

February 15, 2022



Townhall Meeting Agenda

1. Welcome and Introductions Matt Wagner, VP, Institutional Relationships
2. UCF Organizational Updates Stacey Pettice, Executive, Institutional Relationships
3. Responsible Investing Matthew Illian, Director of Responsible Investing
4. Market and Fund Updates UCF Investments Team
Matt Wagner, VP, Institutional Relationships
Stacey Pettice, Executive, Institutional Relationships
5. Q&A with Townhall Participants

Poll Question

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 — Fourth Quarter 2021

- Fund Fees Lowered (Again) for 2022
 - All UCF fund expense ratios lowered by 1 basis point (bps) for 2022, following a 5 to 6 bps reduction from 2020 to 2021. Lower fees mean more money for mission and ministry!

- Two Balanced Funds Eliminated, Moderate Balanced Fund Renamed
 - Re-Named UCF Moderate Balanced Fund to **UCF Balanced Fund**.
 - Clients with holdings in eliminated balanced funds should contact info@ucfunds.org now.

- Cryptocurrency Now Accepted for Planned Giving Donations
 - Initiated custodial relationship with Coinbase, allowing UCF to accept various cryptocurrencies by donors to fund charitable gift annuities or other planned giving instruments.

- Accepting applications through March 1, 2022 for Brown Endowment scholarships, pastoral support and grants for 2022-23 academic year.
 - UCF manages Endowment, awarding approximately \$300,000 annually.

Responsible Investing

Investment that Creates a Just World for All



Responsible Investing – Just a “Craze”? Or Here to Stay?

THE WALL STREET JOURNAL.

MARKETS | STREETWISE

Why the Sustainable Investment Craze Is Flawed



By [James Mackintosh](#)

Updated Jan. 23, 2022 5:36 am ET

- All the ESG low-hanging fruit has been picked, and future improvements will be costly to the bottom line and to investors.
- Pursuing this path isn't virtuous but rather just part of regular profit-maximizing. (So don't feel too good about yourselves.)
- Divesting from bad stuff (e.g. coal mines) does nothing to make the world better because someone else will buy them.
- Attempting to change corporate practice through sustainable investing is a distraction from the simpler and more effective approach of maximizing social utility through the government's powers of taxation and regulation.

Responsible Investing – Just a “Craze”? Or Here to Stay?



The Wall Street Journal is Wrong About ESG

Jon Hale | 1 February, 2022 |

- Government action (taxation and regulation) is not a simple approach, and anyone who argues as much is naïve.
- Investors can invest sustainably and promote good social and environmental policy at the same time (the “walk and chew gum” approach).
- Shareholder engagement, whereby shareholders use their influence as owners, is a very effective way to communicate with management.

Responsible Investing – Just a “Craze”? Or Here to Stay?



Hale is Correct, But He Doesn't Go Far Enough

- Shareholder engagement isn't just an effective addition to sustainable investing; it is integral.
- Protests against apartheid in South Africa in the 1980s pressured banks and other corporations to divest from the region, which helped bring about vital reforms. Shareholder engagement is needed just as much today.
- We partner with ICCR and ClimateAction 100+, joining scores of other asset managers that can accomplish what no one organization could on its own.
- UCF believes in the power of responsible investing, and we remain committed to using our investments to create a just world for all.

UCF – 2022 Shareholder Resolutions



UCF is lead filer for resolution calling for an independent board chair (separate from CEO) in order to protect investor interests.



Meta

UCF is lead filer calling for enhanced oversight and disclosure of lobbying payments



DOLLAR TREE

UCF is lead filer calling for report that analyzes company's wages, benefits and employee safety, with particular attention to lowest paid employees.

Chevron



UCF is co-filer calling for enhanced disclosure of lobbying payments and oversight.



UCF is co-filer calling for evaluation and report describing how lobbying aligns with Paris Climate Agreement's goal of limiting global warming

J.P.Morgan

UCF is co-filer calling for an end to fossil fuel financing.



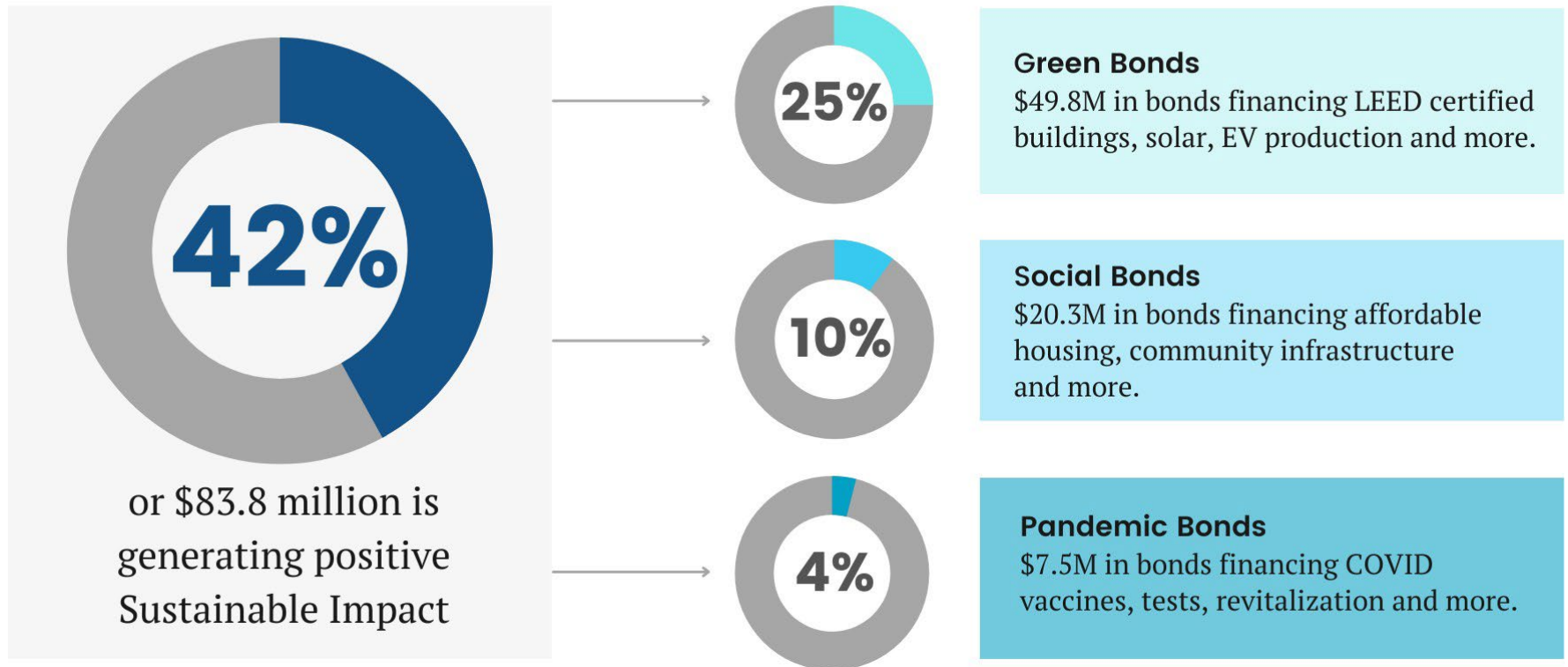
NVIDIA

UCF is co-filer calling for third-party report of surveillance technology and A.I. contributions to human rights harms.



UCF Fixed Income – Sustainable Impact

FIXED INCOME FUND



*Remaining 3% finances other projects in alignment with U.N. Sustainable Development Goals.

Poll Question

Investment Performance — Themes

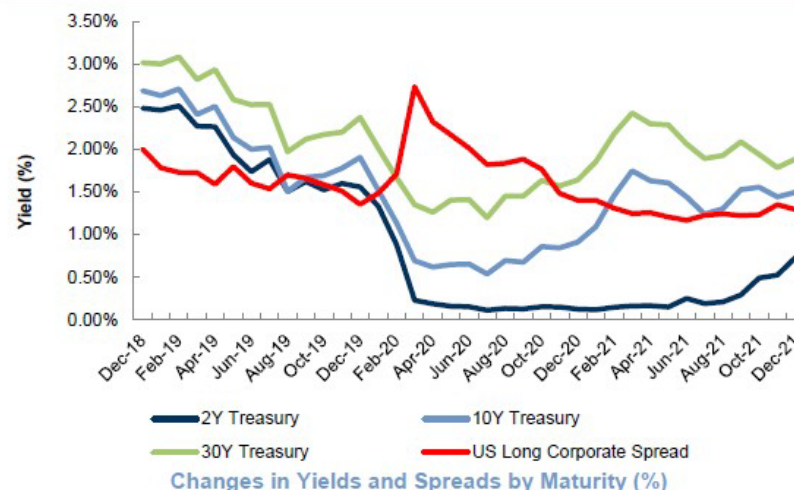
- **Developed Markets Strong Despite New Variant Concerns:** Global equity markets were mixed in the fourth quarter, with strong gains in the U.S. market and positive returns in non-U.S. developed markets; while returns were negative in emerging markets mainly due to China. Fixed income returns were slightly positive during the quarter.
- **Economy Growth Slowing:** The economy accelerated in 2021 due to two engines – the world’s largest economies re-opening and significant government stimulus. Fiscal spending declines and more permanent inflation will be a headwind going forward. That said, wage and employment growth will create demand to keep the economy growing, but more slowly.
- **Macro Risks:** Beyond the emergence of a new variant, other macro risks exist. These include Russian aggression, China-U.S. relations, continued supply chain disruptions and inflation, and growing income inequality.
- **Dynamic Allocations, Long-Term Strategy:** We continue to be vigilant about increased risks and potential opportunities from market volatility. The portfolio continues to maintain a slight overweight to equities, but we remain nimble given market conditions. UCF’s primary focus is on long-term investment results, balancing the need for liquidity and returns through asset allocation decisions and manager selection.

Investment Performance — Markets

Public Markets Performance (USD)

	Q4	2021	3 Yr	5 Yr	10 Yr
MSCI World	7.8%	21.8%	21.7%	15.0%	12.7%
ACWI IMI	6.1%	18.2%	20.2%	14.1%	11.8%
S&P 500	11.0%	28.7%	26.1%	18.5%	16.6%
MSCI EAFE	2.7%	11.3%	13.5%	9.5%	8.0%
Russell 2000	2.1%	14.5%	19.6%	11.6%	12.8%
MSCI World ex-US Small Cap	0.4%	11.1%	16.3%	11.0%	10.0%
MSCI EM Equity	-1.3%	-2.5%	10.9%	9.9%	5.5%
Barclays Global Aggregate	-0.7%	-4.7%	3.6%	3.4%	1.8%
Barclays US Long Treasury	3.1%	-4.7%	8.8%	6.5%	4.5%
Barclays US Long Corporate	1.5%	-1.1%	11.8%	7.7%	6.5%
JPM EM Debt	-0.4%	-1.8%	5.9%	4.6%	5.3%
JPM EM Debt Local	-2.5%	-8.7%	2.1%	2.8%	0.7%
Barclays Global High Yield	-0.7%	1.0%	6.8%	5.2%	6.3%
FTSE/NAREIT Global	10.2%	26.4%	12.0%	8.0%	8.8%
GSCI Commodities	1.5%	40.3%	8.0%	2.8%	-5.5%

Discount Rate Factors (%)



	Dec 2021	Δ 1 mth	Δ 3 mth	Δ 1 yr
Risk Free				
2Y Treasury	0.73	0.21	0.44	0.61
10Y Treasury	1.50	0.06	(0.03)	0.58
30Y Treasury	1.89	0.10	(0.20)	0.25
US Long Corporate Spread	1.30	(0.06)	0.08	(0.11)
Moody's Long AA Corporate Yield	2.82	0.08	(0.07)	0.40

As of 31-December-2021. Source: MAS, 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 — Managed Funds as of December 31, 2021

TOTAL RATES OF RETURN AS OF 12/31/21					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	-0.26%	-1.76%	-1.76%	4.57%	3.16%	2.49%	2.59%
	Fixed Income Policy Index 85% Barclays US Gov't/Credit Aggregate, 5% JPM GBI-EM Global Diversified, 10% S&P Lipper Core Plus Fixed Income		0.16%	-1.24%	-1.24%	5.50%	4.07%	3.11%	
	Domestic Core Equity Fund	10/1/2005	10.88%	29.22%	29.22%	23.70%	16.86%	15.76%	1.29%
	S&P 500 Index		11.03%	28.71%	28.71%	26.07%	18.47%	16.55%	
	Lipper Large Cap Core		10.19%	26.90%	26.90%	25.26%	17.63%	15.61%	
	Beyond Fossil Fuels Fund	11/3/2014	7.16%	22.72%	22.72%	20.15%	13.44%	N/A	2.12%
	S&P 500/MSCI ACWI IMI net, linked		6.10%	18.22%	18.22%	20.20%	14.12%		
	Lipper Global Equity		6.21%	16.64%	16.64%	18.71%	12.92%		
	Small Cap Equity Fund	10/1/2005	3.75%	14.18%	14.18%	23.48%	13.62%	13.63%	0.88%
	Russell 2000 Index		2.14%	14.82%	14.82%	20.02%	12.02%	13.23%	
	Lipper Small Cap Core		6.25%	25.53%	25.53%	19.39%	10.72%	12.49%	
	International Equity Fund	10/1/2005	0.41%	5.64%	5.64%	15.42%	10.63%	7.51%	2.23%
	MSCI ACWI ex US net/Custom Index, linked		1.82%	7.82%	7.82%	13.18%	9.61%	7.42%	
	Lipper International Equity		2.78%	11.01%	11.01%	13.25%	9.03%	7.61%	
	Alternatives Fund	7/1/2010	0.92%	10.77%	10.77%	8.67%	6.21%	6.04%	N/A
	Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index		0.18%	8.17%	8.17%	7.90%	6.15%	6.09%	

Investment Performance — Funds of Funds as of December 31, 2021

TOTAL RATES OF RETURN AS OF 12/31/21					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
FUNDS OF FUNDS	Total Equity Fund 48.10% Domestic Core Equity, 11.80% Small Cap Equity and 40.10% International Equity	10/1/1994	5.66%	16.93%	16.93%	19.91%	13.58%	11.56%	1.62%
	MSCI ACWI IMI net/Policy Index, linked		6.10%	18.22%	18.22%	20.20%	14.12%	11.96%	
	Lipper Global Equity		6.21%	16.64%	16.64%	18.71%	12.92%	11.18%	
	UCF Balanced Fund 65.70% Equity, 29.10% Fixed Income and 5.20% C&E	<i>circa 1958</i>	3.52%	9.73%	9.73%	13.80%	9.49%	7.99%	1.82%
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		3.74%	10.16%	10.16%	14.48%	10.28%	8.57%	
	Lipper Mixed Asset Target Allocation UCF Balanced		3.69%	11.07%	11.07%	13.00%	9.01%	8.17%	
	Beyond Fossil Fuels Balanced Fund 67.00% BFF, 27.90% Fixed Income and 5.10% C&E	11/3/2014	4.67%	13.40%	13.40%	14.87%	10.04%	N/A	1.95%
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		3.74%	10.16%	10.16%	14.48%	10.28%		
	Lipper Mixed Asset Target Allocation UCF Balanced		3.69%	11.07%	11.07%	13.00%	9.01%		
	Alternatives Balanced Fund 55.2% Equity, 16.4% Fixed Income, 26.6% Alternatives, 1.8% C&E	7/1/2010	3.30%	11.09%	11.09%	13.48%	9.31%	8.00%	N/A
	Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy		3.14%	10.19%	10.19%	13.48%	9.68%	8.35%	

Investment Performance – Markets

S&P 500 valuation measures

GTM

U.S.

5

S&P 500 Index: Forward P/E ratio



- Valuations were elevated due to significant concentration in a few names, especially in tech.
- Easy money is ending, therefore valuations are coming down.

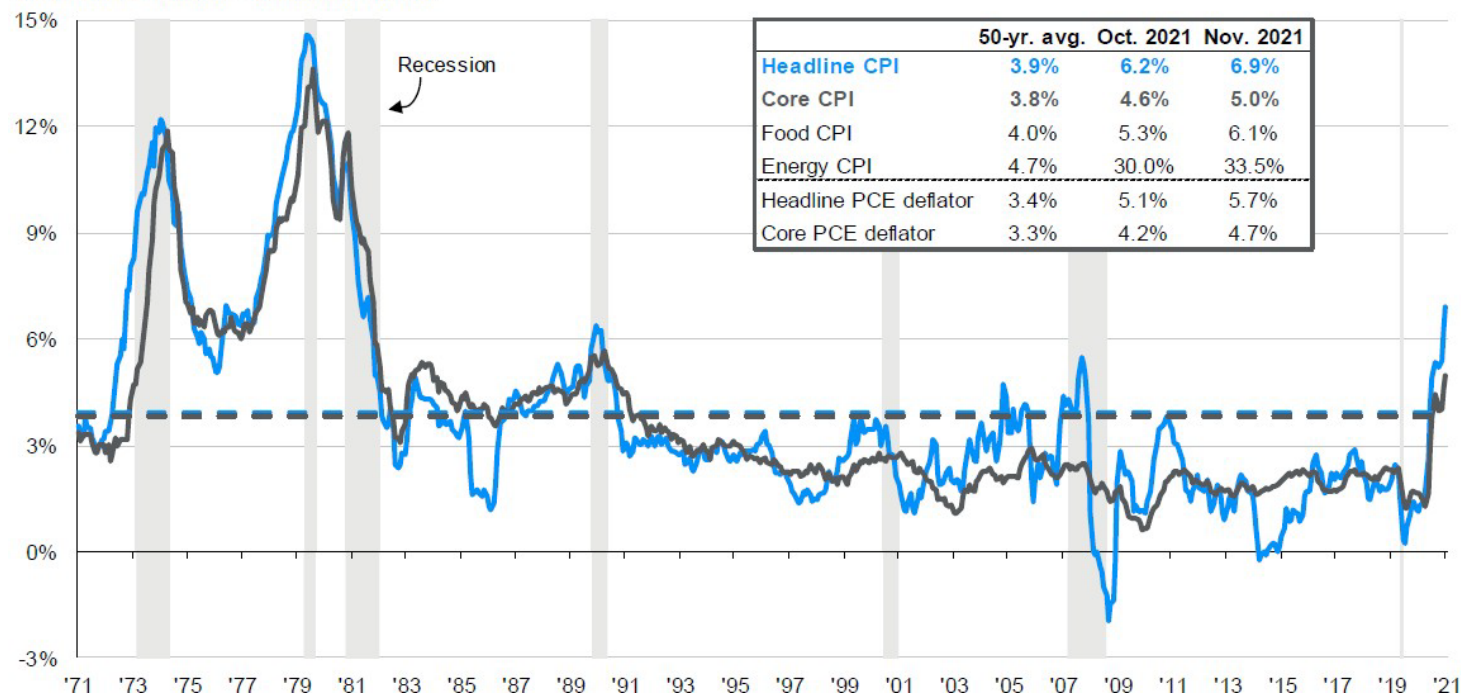
Strategy & Positioning – Inflation

Inflation

GTM U.S. 27

CPI and core CPI

% change vs. prior year, seasonally adjusted



- As inflation appears to be more permanent, we see the Fed increasing interest rates to curb inflation levels.

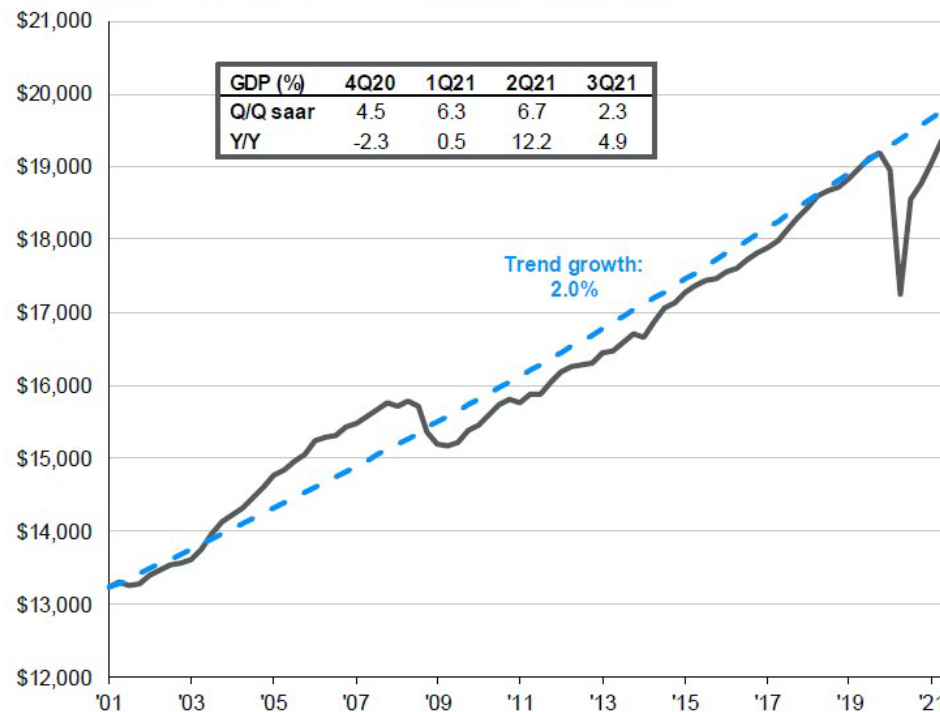
Strategy & Positioning – GDP Expectations

Economic growth and the composition of GDP

GTM U.S. 18

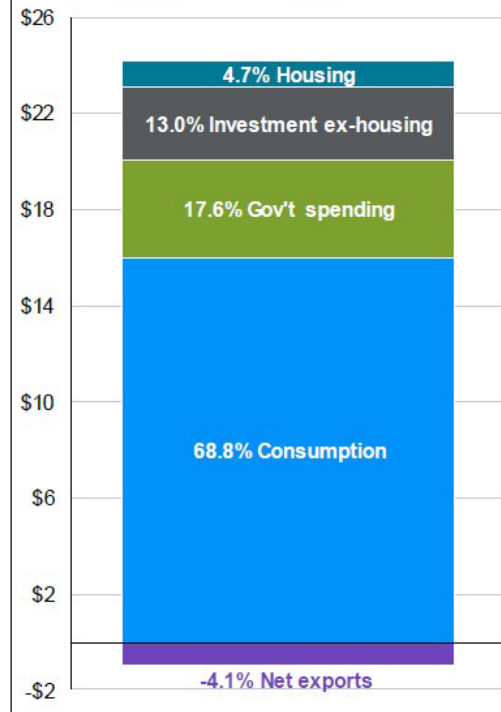
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



Components of GDP

3Q21 nominal GDP, USD trillions



- Economic growth expected to continue along trend line, yet at a slower pace.

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.