

Responsible Investing: **RENEWING THE COMMITMENT**

**2021 ANNUAL
REPORT**

UNITED  CHURCH FUNDS

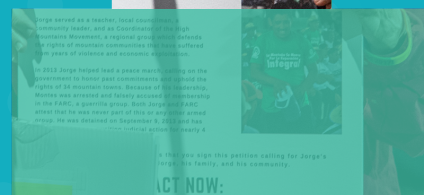
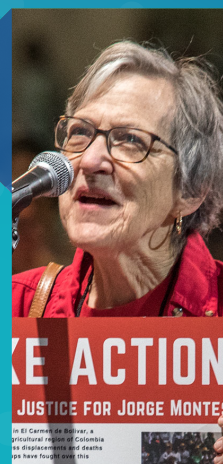


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VALUES

United Church Funds supports the missions of faith-based organizations by providing a competitive, socially responsible investment platform and endowment solutions that reflect their values. For more than 100 years, our performance has been measured by our clients' success in managing their resources and improving the world.



MESSAGE FROM THE PRESIDENT AND BOARD CHAIR

Renewing our Commitment to Responsible Investing

Throughout 2021, we hoped to return to something approaching a pre-pandemic normal. However, in some ways, we ended the year worse for wear: facing a highly contagious Coronavirus variant, the steepest inflation rate since the 1980s, global supply-chain disruptions, renewed travel restrictions and a deadlocked Congress.

Still, there were bright spots in 2021. In addition to the overall strong performance of financial markets, there was a huge inflow of money into environmental, social and governance (ESG) investing, a trend that will only increase as millennials build personal wealth and assume leadership positions.

Related to this was a continued focus on diversity, equity and inclusion and the desire by more organizations and businesses to address systemic racism and foster racial justice; the largest United Nations Climate Change Conference since the 2015 Paris meeting, with over 140 countries stating intentions to be “net-zero” greenhouse gas emitters by 2050; and corporate shareholders achieving notable successes in proxy voting and shareholder resolution efforts.

It was also an encouraging year for responsible investing, elevating ESG and sustainability goals in the public consciousness. For UCF, which has maintained this basic core mission for decades

now, these developments inspire us to renew our commitment to responsible investing.

That means we pledge to redouble our efforts to actively engage with companies on their ESG performance and provide optimal returns for missions. We will continue our commitment to racial equity and advocate for policies and practices that address racism, human rights, global warming and environmental degradation. And we will aggressively address systemic racism by increasing diversity in our investment managers, consultants and vendors and maintaining diversity among our staff and board.

We pledge to redouble our efforts to actively engage with companies on their ESG performance and provide optimal returns for missions.

Like Moses atop Mount Nebo, unable to see the immediate path ahead but reassured by a vision of what lay beyond, we cannot know what 2022 will bring; and yet we are inspired by the vision of a brighter future. With the long view in mind, we renew our commitment to responsible investing, confident that we are making a world of difference for God's creation and the created.



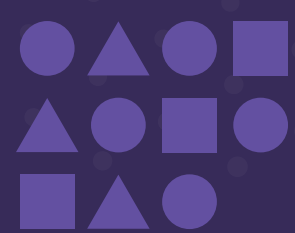
Charles C. Buck
The Rev. Dr. Charles C. Buck
PRESIDENT & CEO



Edith Guffey
Dr. Edith A. Guffey
BOARD CHAIR

2021 by the Numbers

11
funds



\$11 billion
total Assets Under Management



\$23.4 million
in new assets



1,054
clients served



18
new clients



\$48.7 million
of total missions and ministries funded by clients



99.5%
client retention rate



138
average total registrations at quarterly Town Hall meetings



Working to Create a More Just World

Power through Collaboration

UCF partners with other values-aligned investors to help create a more just world for all.



- Coalition of faith and values investors of which UCF is a founding member
- Withdrew 113 Resolutions for Agreement (company commits to social and environmental action)



- 615 of the world's largest investors, representing \$55 trillion in assets
- 52% of CA100+ focus companies have committed to net-zero emissions by 2050 (goal is 100% commitment)

Shareholder Resolutions

On behalf of our clients, UCF encourages responsible corporate citizenship in the companies we invest in by filing shareholder resolutions that bring up specific issues for a vote by shareholders.



Gilead Sciences
Lead filer for a resolution calling for an independent board chair to protect investor interests
Shareholder support: 34.5%



American Express
Co-filer for a resolution requesting a report on the effectiveness of the firm's diversity and inclusion efforts
Shareholder support: 59.6%



Norfolk Southern
Co-filer for a resolution seeking disclosure to clarify if lobbying aligns with Paris Agreement guidelines for emissions reduction
Shareholder support: 76.4%



United Parcel Service
Co-filer for a resolution seeking lobbying disclosure with attention to reputation risk
Shareholder support: 25.3%



Chevron
Co-filer for a resolution seeking lobbying disclosure with attention to reputational risk
Shareholder support: 47.9%



UCF Fixed Income Impact Investments

Example Investments

25% or \$49.8 million invested in Green Bonds

\$1 million Investment: GoodLeap's (\$800 million total issue) bond finances the purchase and installation of residential solar power generation systems equivalent to the power of 14,200 homes, primarily across California, Florida and Texas.

10% or \$10.3 million invested in Social Bonds

\$315,000 Investment: The Ford Foundation bond (\$1 billion total issue) enabled the foundation to double its grant to support and strengthen nonprofit organizations hit hard by Covid-19 pandemic.

4% or \$7.5 million invested in Pandemic Bonds

\$3.7 million Investment: African Development Bank Group (\$3.1 billion total issue) bond helped finance nearly 900,000 Covid-19 tests, over 500 respiratory ventilators and over 1,000 new healthcare personnel across 12 African countries.

The ABC of ESG

CA100+ Climate Action 100, an investor-led initiative to address climate change

COP26 United Nations Climate Change Conference, held from October 31 to November 13, 2021

DEI Diversity, Equity and Inclusion

ESG Environment, Social and Governance

Green Bond Fixed income instrument designed to support specific climate-related or environmental projects

ICCR Interfaith Center on Corporate Responsibility

Impact Investing Investments that seek to solve social and environmental problems

Net Zero Strategy to eliminate carbon emission from business operations

PRI Principles for Responsible Investment (international network of institutional investors)

Proxy Voting Annual voting on important corporate issues on behalf of shareholders

Say on Pay Asking investors to vote on the compensation of the top executives of a company

SRI Sustainable & Responsible Investing or Socially Responsible Investing (legacy name)

Investing for Tomorrow's Church Leaders

As the trustee for the Brown Endowment, United Church Funds manages both investment of the endowed funds and allocation of nearly \$400,000 every year for pastoral scholarships and grants.

Class of 2021



\$219K

in scholarships awarded, ranging from \$7,500 to \$19,000



18

14 Female, 3 Male, 1 Trans-identified



9

Seminaries, divinity schools or regional educational programs that Brown Scholars attend



12

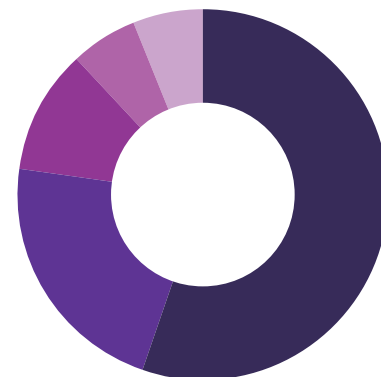
UCC Conferences represented by Brown Scholars

Regions Represented by Brown Scholars



- 28% Great Lakes
- 28% Western
- 22% Southern
- 11% New England
- 6% Mid Atlantic
- 6% West Central

Diversity of Brown Scholars by Ethnicity



- 56% European American
- 22% African American
- 11% Not Identified
- 6% Native American
- 6% Latinx

To learn more, please visit ucfunds.org/brown-scholarship

Supporting Our Clients, Furthering Their Missions



Photo credit: Unleashing Potential

Starting Small, Dreaming Big

Unleashing Potential's (UP) mission is to close the opportunity gap for children and youth by building on their strengths. When we looked for an investment

partner that shared our mission, UCF emerged as the top choice. Its mission to help churches and organizations build wealth for their missions came through loud and clear.

UCF welcomed our initial investment and understood our goal to grow and create a stable endowment strategically and responsibly. In addition, UCF's competitive fees, investment products and active management allowed us to make the most of our money.

UCF's screening processes are also of vital importance to us. For example, gun violence

has a massive impact on the communities we serve. Therefore, it is not an option to invest in firearms manufacturers and other industries that are hurting the children and families we're trying to help. UCF ensures that our money is doing good instead of harm.

Finally, UCF communicates with us regularly, ensuring that our investment philosophy aligns with what we do. You will not get this personal touch from most financial institutions.

Darlene Sowell, President & CEO
Unleashing Potential, St. Louis, Missouri



Photo credit: Northern California Nevada Conference

Values-Aligned Investment Strategy Funds Our Missions

At the Northern California Nevada Conference, UCC, working for justice is central to our mission. So, when it comes to an investment strategy, we are

always looking to find a balanced approach between growing our investment returns and staying true to our values.

UCF's responsible investing strategy and screening processes match our values. In addition, UCF's steady, consistent investment return helps us meet our financial goals and fund our ministries.

Over the past few years, we have used our endowment to provide grants to churches to support new programs and scholarships for continuing education and event participation, as well as camp scholarships for our youth.

In addition, when the Covid-19 pandemic first hit two years ago, through a partnership with Cornerstone Fund, the Conference allocated some of our funds invested in UCF as collateral for churches that needed loans.

Having the trust and the faith that our money is invested responsibly and giving us a return to enable us to do our work is crucial. UCF works very hard to make it possible for us to do both.

Rev. Diane Weible
Conference Minister, Northern California Nevada Conference



"The scholarship has allowed me to learn ministry in so many different capacities by being able to be present. It has been an oasis in the dry land because I didn't have all the funds to do this education. The scholarship has been a balm of Gilead!"

Kim Grice,
Two-time recipient of the Brown Scholarship



A Building Sale That Shored Up Our Ministry and Mission

In 2014, after much careful consideration, the First Congregational Church, Bellevue sold its property – a place we called home for more than a

century. We decided to remain in the downtown area and purchased and remodeled a two-story office building.

Retaining some of the sale proceeds, we were looking for an investment partner to produce a stable, long-term income to support our expenses, mission and ministry.

UCF's investment results, competitive fee structure, superior customer service and affiliation with the UCC are the added values UCF offers. But what sets UCF apart from other managers are UCF's diversified investment strategy, active monitoring of

its investment managers and willingness to change investment partners if need be.

Over the five years that we've been investing with UCF, we have withdrawn over \$600,000 to fund our mission and ministry, and the value of our funds has grown by 30%. These investments are a major part of our income stability, and because we have a predictable income, we can continue to build a more vital church.

Jim Young
Investment Committee Chair,
First Congregational Church,
Bellevue, Washington

New Clients

Below is a sampling of our new clients.

Brentwood Congregational Church, UCC

Brentwood, Missouri

First United Church

Bloomington, Indiana

First Church Congregational, UCC

Rochester, New Hampshire

St. John's UCC

Mokena, Illinois

High Country UCC

Vilas, North Carolina

Illinois South Conference of the United Church of Christ

Highland, Illinois

The Congregational Church on Mercer Island

Mercer Island, Washington

Pawtucket Congregational UCC

Lowell, Massachusetts

Saron UCC

Sheboygan Falls, Wisconsin

Spirit of Peace

Sioux Falls, South Dakota

Zion Blue Mountain UCC

Strausstown, Philadelphia

INVESTMENT COMMENTARY AND MARKET OUTLOOK

U.S. Leads Markets while Economy Remains Volatile

Investment Review

Global markets were mixed as U.S. equity markets (S&P 500) had a solid year, up 28.71%, followed by other developed equity markets (MSCI EAFE), which were up up 11.26%, while emerging markets equity (MSCI EM) ended the year negative, down -2.54%. Fixed income markets were also mixed during the year as rates fluctuated. The Barclays Capital U.S. Government/Credit Index was down -1.75% in 2021. As a sign of volatility, the 10-year U.S. Treasury note yield went from 0.92% at the beginning of the year to a high of 1.74% in March and 1.52% at the end of the year.

The year started with optimism with the rollout of vaccines and fiscal/monetary stimulus, while ending the year with a highly contagious variant and tighter monetary policy.

Performance Summary

Both the Beyond Fossil Fuels Balanced Fund and Equity Fund ranked above their respective peer medians, while the UCF Balanced Fund, formerly known as the Moderate Balanced Fund, ranked below peers according to Lipper, the highly regarded fund rating service.

In 2021, we retained Channing Capital, a minority-owned firm, as a new small cap value equity manager. In addition, we retained a new private growth equity manager, Lumos Capital Group, which invests in the education and human capital development sector.

Equity Funds

The Total Equity Fund returned 16.93%, underperforming its global equity benchmark by -1.29%, net of fees. The International Equity and Small Cap Equity Funds returned 5.64% and 14.18%, respectively underperforming their benchmarks by 7.82% and 14.82%, net of fees. The Domestic Core Equity Fund returned 29.22%, outperforming its benchmark by 0.51%, net of fees.

Fixed-Income Fund

The Fixed Income Fund trailed its benchmark -1.76% vs. -1.24%, which can partially be attributed to significant yield volatility.

Balanced Funds

Performance for the Beyond Fossil Fuels (BFF) Balanced Fund was positive on an absolute basis, relative to its benchmark and its peers. The UCF Balanced Fund was below the benchmark and peers.

Returns ranged from 9.73% for the UCF Balanced Fund to 13.40% for the BFF Balanced Fund.

Alternatives Balanced Fund

The Fund underperformed its benchmark 11.09% vs. 10.19% net of fees. However, all the alternative managers contributed positively to performance with double-digit returns.

Market Outlook

The year is starting out rocky with the new highly contagious Omicron variant and inflation expectations. Markets will likely continue to be positive but with more volatility in 2022.

The valuation gap between the U.S. market and both international developed markets and emerging markets remains wide. As a result, we expect to monitor our asset allocation and strategically allocate it to international markets.

UCF's focus on sustainability not only helps create a just world but is essential for managing risk and providing competitive fund performance.



David A. Klassen
David A. Klassen
CHIEF INVESTMENT
STRATEGIST



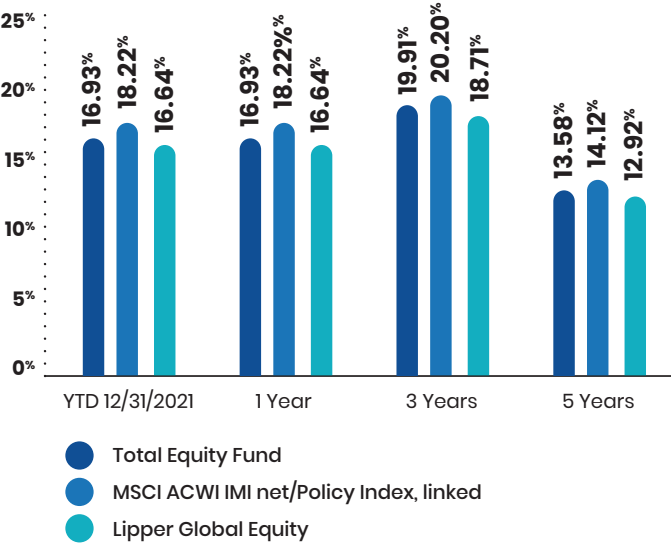
Lan Cai
Lan Cai
DEPUTY CHIEF
INVESTMENT OFFICER



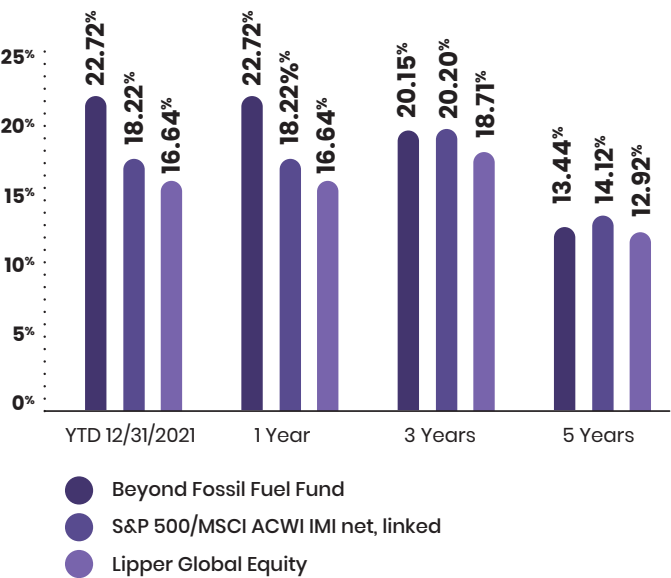
Minoti Dhanaraj
Minoti Dhanaraj
SENIOR MANAGER,
INVESTMENT
RESEARCH

Delivering Competitive Returns

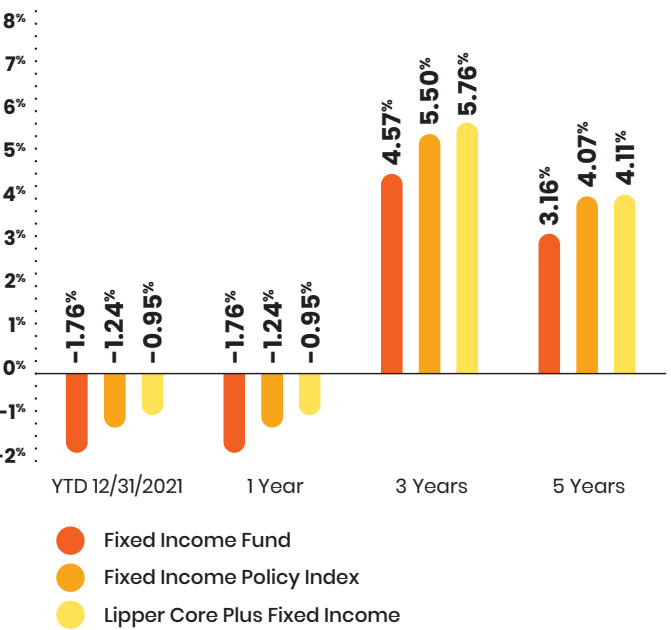
Total Equity Fund



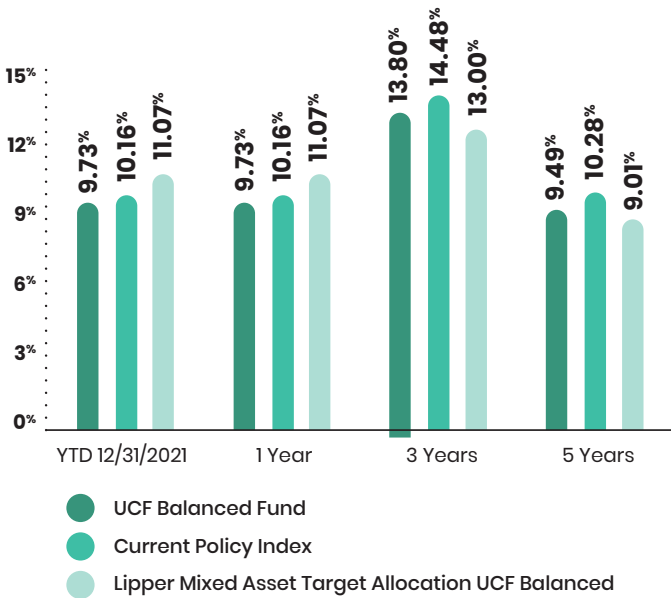
Beyond Fossil Fuels Fund



Fixed Income Fund



UCF Balanced Fund*



*UCF changed the name of Moderate Balanced Fund to UCF Balanced Fund on November 15, 2021

Financial Position

	2021 Unaudited	2020 Audited
Assets		
Investments	\$1,086,037	\$960,251,000
Other Assets	\$52,801,000	\$40,460,000
Total	\$1,138,837,000	\$1,000,711,000
Liabilities		
Common Investment Funds	\$1,000,844,000	\$879,536,000
Endowments, Split-Interest Agreements & Other	\$125,058,000	\$110,060,000
Total	\$1,125,902,000	\$989,596,000
Net Assets	\$12,935,000	\$11,115,000

Selected Financial Information Narrative

UCF is primarily comprised of client assets under management in the Common Investment Fund (CIF), endowments entrusted to UCF and obligations under split-interest agreements for the UCC Planned Giving Program.

Legacy UCC endowments include the Pilgrim Memorial Fund and the Richard and Helen Brown Endowment Fund restricted for Pastoral Scholarships.

UCF also participates in a Securities Lending program

through its custodian, Bank of New York Mellon. The CIF and the Securities Lending Program are reported as an asset and liability on the UCF consolidated financial statements.

UCF balances its operating budget primarily through revenues earned from fees on the CIF and reimbursements from endowments served by UCF. Total revenues were (unaudited) \$7,636,000 for 2021 and \$6,565,000 for 2020 as compared to expenses in 2021 of (unaudited) \$6,942,000 and 2020 of \$6,301,000.

In 2021, UCF maintained its 99.5% client retention rate while adding

approximately \$23 million of new and additional assets invested. UCF's investment strategy continued to uphold the values of the UCC as expressed by its churches, organizations and missions acting in concert with General Synod resolutions while seeking optimal performance.

UCF remains dedicated to supporting its mission by deepening client relationships, identifying and securing new clients who share these goals, and controlling costs and generating revenue—all to the end of creating a just world for all.

Staff

The Rev. Dr. Charles C. Buck
President & CEO

Mr. Matthew W. Wagner, AIF
Vice President,
Institutional Relationships

Ms. Karen Sherman-Chang
Director, Finance &
Administration

Mr. Matthew Illian, CFP
Director, Responsible
Investing

Ms. Stacey Pettice
Executive, Institutional
Relationships

Ms. Milagros Hernandez
Client Services Team Leader &
Planned Giving Associate

Ms. Crysta Seelal
Client Services
Representative

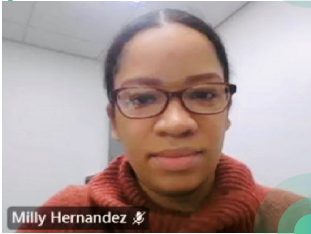
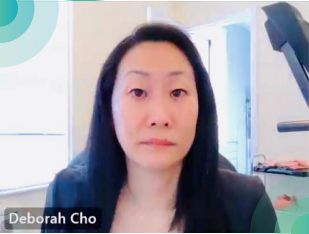
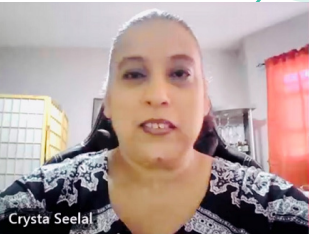
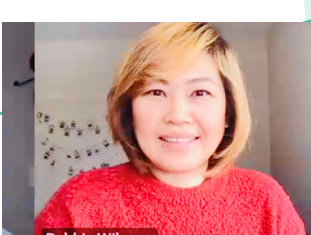
Ms. Deborah Cho
Senior Accountant

Ms. Michele Hamilton
Staff Accountant

Mr. Gaylord Tang
Administrative Assistant,
Administration

Mr. Adam Sank
Associate, Communications
& Administration

Ms. Debbie Wibowo
Associate, Marketing
& Communications



Board of Directors



Dr. Edith A. Guffey, Chair
Kansas-Oklahoma Conference
Lawrence, Kansas



The Rev. Dr. Lynn L. Bujnak
Conference Minister
Vermont Conference, United
Church of Christ
Randolph, Vermont



Dr. Jiakai Chen
Assistant Professor of Finance
Shidler College of Business,
University of Hawai'i at Mānoa
Honolulu, Hawai'i



Ms. Lisa Hinds
Managing Director, Client
Engagement & Sustainability
Xponance
Philadelphia, Pennsylvania



The Honorable Brian F. Holeman
Associate Judge (Retired)
Superior Court of the District of
Columbia, Washington, D.C.



Ms. Connie L. Lindsey
Executive Vice President and
Head of Corporate Social
Responsibility and Global
Diversity & Inclusion (Retired)
Northern Trust
Chicago, Illinois



The Rev. Penny Lowes
Writer and Retired Pastor
Port Huron, Michigan



Mr. William P. Morgan
Chief Executive Officer
WPM Properties Inc.
Cleveland, Ohio



Mr. Bryan A. Thomas
Vice President, Private Client
Associate
Momentum Advisors
Washington, D.C.



The Rev. Stephen R. Silver
Minister
First Congregational Church
Lebanon, New Hampshire



Ms. Doni Mooberry Slough
Owner and Financial Adviser
Mooberry Financial
Management, LLC
Lawrence, Kansas



Ms. Darlene Y. Sowell
President & CEO
Unleashing Potential
St. Louis, Missouri



Mr. Noah Tabor
Senior Government Relations
Specialist and Iowa Office Lead
Fredrikson & Byron, P.A.
Des Moines, Iowa



The Rev. Dr. Bernard R. Wilson
Senior Minister
Norfield Congregational Church
Weston, Connecticut



Mr. Wade Zick
Managing Director
Pilgrim Firs Camp &
Conference Center
Port Orchard, Washington



The Rev. Dr. John C. Dorhauer
General Minister & President
United Church of Christ
Cleveland, Ohio



The Rev. Dr. Cameron Barr
Senior Pastor
United Church of Chapel Hill
Chapel Hill, North Carolina

Ex-officio

Commitment to Diversity

Board



Race/Ethnicity

- 7 African/American
- 1 Asian/American
- 9 European/American



Gender

- 7 Female
- 10 Male

Staff



Race/Ethnicity

- 4 African/American
- 4 Asian/American
- 1 Latinx
- 3 White



Gender

- 7 Female
- 5 Male

Investing with a Mission:
**PERFORMANCE
BEYOND
THE NUMBERS**

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