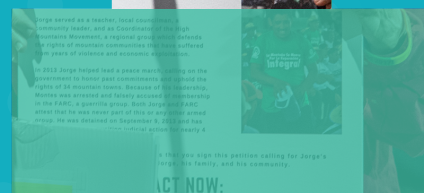
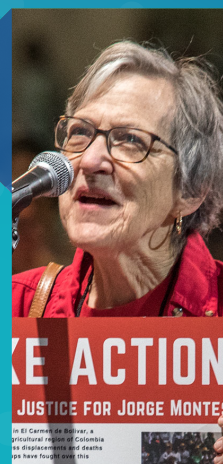


# *Responsible Investing:* **RENEWING THE COMMITMENT**

**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.





# 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.

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

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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**



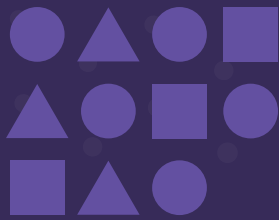
*Edith Guffey*  
Dr. Edith A. Guffey  
**BOARD CHAIR**



## 2021 by the Numbers

---

11



funds

---

\$11 billion



total Assets Under Management

---

1,054



clients served

---

18



new clients

---

99.5%

client  
retention  
rate





---

**\$23.4** million  
in new assets



---

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



---

**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 reputational 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**

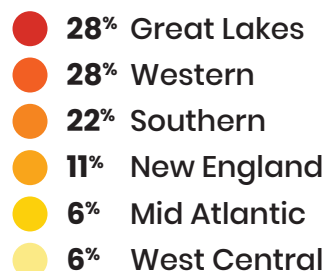
UCC Conferences  
represented  
by Brown Scholars



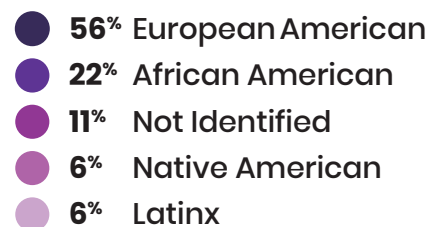
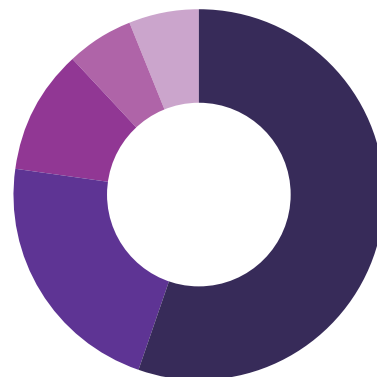
“The scholarship has allowed me to learn ministry in so many different capacities by being able to be present. It has been an oasis in the dry land because I didn’t have all the funds to do this education. The scholarship has been a balm of Gilead!”

—  
**Kim Grice,**  
Two-time recipient of the  
Brown Scholarship

## Regions Represented by Brown Scholars



## Diversity of Brown Scholars by Ethnicity



To learn more, please visit [ucfunds.org/brown-scholarship](https://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*





Photo credit: FCC Bellevue

## 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*

# 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 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**



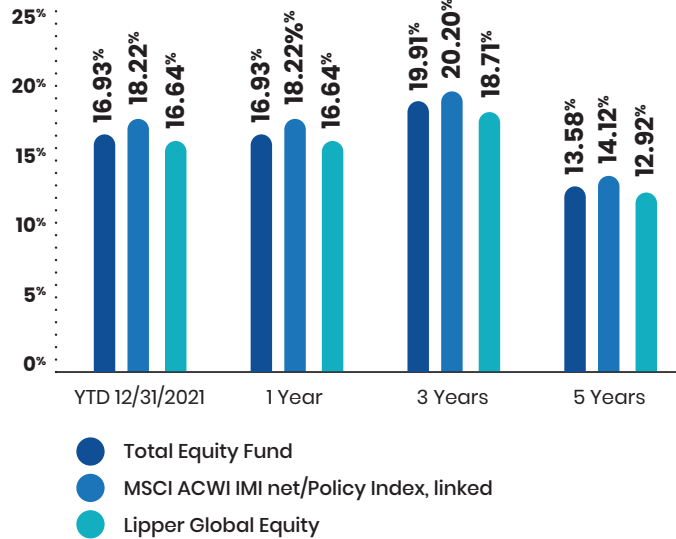
*Lan Cai*  
Lan Cai  
**DEPUTY CHIEF INVESTMENT OFFICER**



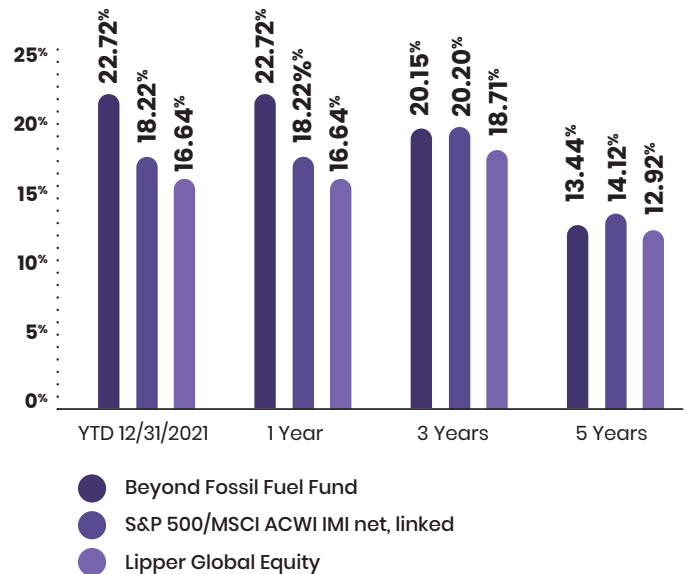
*Minoti Dhanaraj*  
Minoti Dhanaraj  
**SENIOR MANAGER, INVESTMENT RESEARCH**

# Delivering Competitive Returns

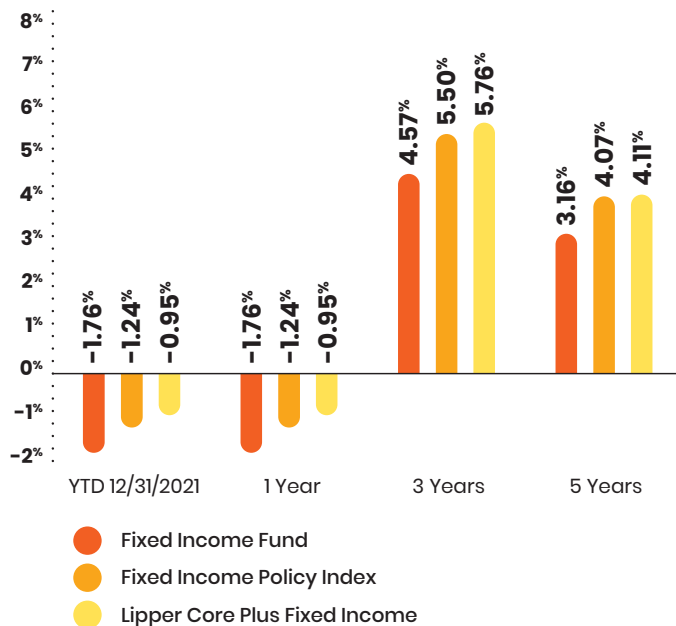
## Total Equity Fund



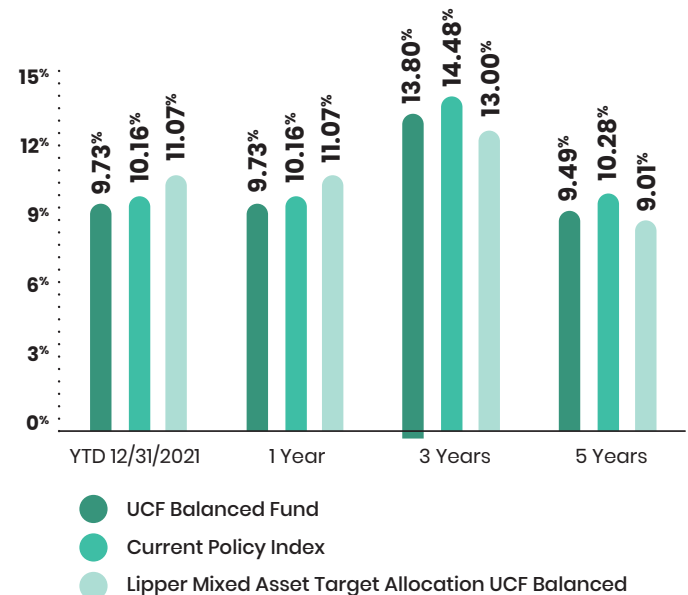
## Beyond Fossil Fuels Fund



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

## 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

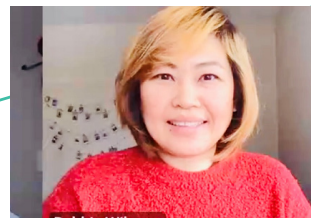
**Ms. Debbie Wibowo**  
Associate, Marketing  
& Communications



Matthew Illian



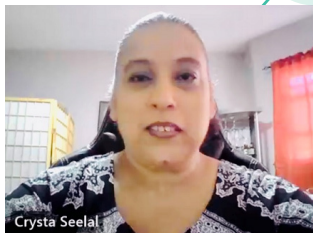
Charles Buck



Debbie Wibowo



Stacey Pettice



Crysta Seelal



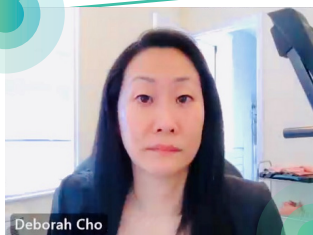
Gaylord Tang



Matt Wagner



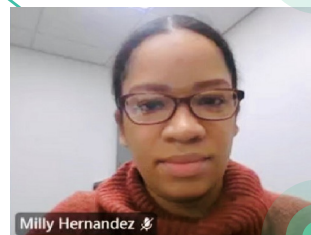
Adam Sank



Deborah Cho



Michele Hamilton



Milly Hernandez



Karen Sherman-Chang

# Board of Directors



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Kansas-Oklahoma Conference  
Lawrence, Kansas



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Conference Minister  
Vermont Conference, United  
Church of Christ  
Randolph, Vermont



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Assistant Professor of Finance  
Shidler College of Business,  
University of Hawai'i at Mānoa  
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Managing Director, Client  
Engagement & Sustainability  
Xponance  
Philadelphia, Pennsylvania



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Associate Judge (Retired)  
Superior Court of the District of  
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Head of Corporate Social  
Responsibility and Global  
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**The Rev. Penny Lowes**  
Writer and Retired Pastor  
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**Mr. Bryan A. Thomas**  
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Associate  
Momentum Advisors  
Washington, D.C.



**The Rev. Stephen R. Silver**  
Minister  
First Congregational Church  
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**Ms. Doni Mooberry Slough**  
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Mooberry Financial  
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**Ms. Darlene Y. Sowell**  
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Unleashing Potential  
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**Mr. Noah Tabor**  
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Senior Minister  
Norfield Congregational Church  
Weston, Connecticut



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

## Ex-officio



**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

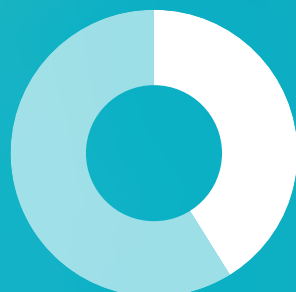
## Commitment to Diversity

### 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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