

YOUR TRUSTED PARTNER



2022
ANNUAL
REPORT

UNITED  CHURCH FUNDS

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OUR VISION

Investment that creates a just world for all

OUR MISSION

To support our clients' missions and generate outstanding values-aligned investment performance



MESSAGE FROM THE PRESIDENT AND BOARD CHAIR

YOUR TRUSTED PARTNER

To say that 2022 was an eventful year would be an understatement. All through the year, we witnessed – and deeply felt – challenges that tested our patience, questioned our resolve and perhaps even shook our faith.

Globally, the Russian invasion of Ukraine not only displaced millions of people and disrupted world-wide food and fuel supplies but also heightened superpower tensions to levels not seen since the Cold War.

Domestically, a Supreme Court decision reversed *Roe v. Wade*, curtailing abortion rights in many parts of the country. Lawmakers steadfastly refused to effectively address gun violence, allowing mass shootings to continue unabated. Attacks on the environmental, social and governance (ESG) movement – even outright bans in some states on ESG investing – flew in the face of the reality of climate change. And inflation and interest rates soared to levels unseen since the 1980s, contributing to a weak economy, poor market performance and personal financial hardship.

Clearly, 2022 was not the best of times. But neither was it the worst. By year’s end, hopeful signs emerged, evidencing the simple truth that nothing stays the same. Of course, neither does it happen all by itself. In his 1963 “Letter from Birmingham Jail,” Martin Luther King, Jr. wrote that progress “comes through the tireless efforts of [those] willing to be co-workers with God.”

For mission-oriented and faith-driven people like us, those words ring true. Together, whether singly or collectively, our ministries make a difference, righting wrongs and fueling progress. For us at UCF, the challenges of 2022 have reinforced our mission to support your mission through the professional and responsible stewardship of your assets. We will continue to source and hire diverse asset managers; engage companies in their commitments to racial and climate justice; urge employers and health care providers to provide safe and legal avenues for women to exercise their reproductive rights; and so much more.

Together, whether singly or collectively, our ministries make a difference, righting wrongs and fueling progress.

Like disciples crossing the Galilee with Jesus (Matthew 8:23-27), we will from time-to-time face winds and waves that challenge our resolve and paralyze us in fear. But in faith and out of partnership lies the courage needed to hold on, ride the waves and stay the course.

That’s our plan: to be your trusted partner and continue helping you live out your mission and our shared mission as co-workers with God.



Charles C. Buck

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



Edith Guffey

Dr. Edith A. Guffey
BOARD CHAIR

INVESTING OVERVIEW

2022 HIGHLIGHTS AND ACHIEVEMENTS

\$900M

**TOTAL ASSETS UNDER
THE MANAGEMENT**

1,065

**TOTAL NUMBER
OF CLIENTS**

NUMBER OF CLIENTS BASED ON CATEGORIES:

938

Churches

58

Conferences & Associations

6

National Ministries

27

Health and Welfare Ministries

\$54.6M

**TOTAL MISSIONS AND
MINISTRIES FUNDED**

4 College & Seminaries

32 Others

NEW ASSETS

\$8.3M

CLIENT
RETENTION RATE

98%

BROWN ENDOWMENT
SCHOLARSHIPS
AND GRANTS

\$263K

NUMBER OF
NEW CLIENTS

20

DIVERSE MANAGERS
OVERSEEING AT LEAST
60% OF DOMESTIC
PORTFOLIO

4

INVESTING TO CREATE
A JUST WORLD

RESPONSIBLE INVESTING

ENVIRONMENTAL

Establish Climate Justice Task Force to:

- Update UCF's climate justice commitments in corporate engagements and public policy.
- Update UCF's climate justice commitments across all funds – with special focus on the Beyond Fossil Fuels funds.

Lead filer and co-filer in three climate-related shareholder resolutions:

- JPMorgan – calling for an end to new fossil fuel infrastructure financing.
- UPS and FedEx – calling on climate lobbying in alignment with the Paris Agreement.

FedEx

FedEx agreed to update its lobbying report with added transparency and review trade associations for alignment with climate goals.

Photo caption: Matthew Illian, UCF Director of Responsible Investing, third from left, as a speaker at Responsible Investor USA 2022 annual conference focusing on sustainable business and finance issues in North America.



SOCIAL

Advancing Diversity, Equity and Inclusion

- Hired four new managers to meet commitment to increase the diversity of portfolio managers.

Xponance - Large Cap

Channing Capital - Small Cap

Auldbrass - Private Equity

Lumos - Private Equity

Advancing Workers' Rights

- Partnered with the Interfaith Center for Corporate Responsibility (ICCR) and labor rights group StepUp Louisiana to allow local spokespersons to attend Dollar General annual shareholder meeting.

Advancing a Just Peace

- Screened out 178 companies from UCF's portfolio due to ties to weapons manufacturing.
- Co-filed shareholder resolution at NVIDIA calling for third-party report of surveillance technology and artificial intelligence contributions to human rights harms.

Advancing Reproductive Rights

- Sent letters to over 1,000 legislators in 12 states* urging them not to support bills that would restrict access to abortion.
- Sent letters to over 200 companies in those states, urging them to use their influence with lawmakers to protect women's reproductive rights.

* Alabama, Arizona, Florida, Idaho, Maryland, Missouri, Minnesota, Ohio, Oklahoma, Tennessee, West Virginia and Wisconsin.



NVIDIA agreed to create a human rights policy that addresses risks.

GOVERNANCE

Lead filer in two shareholder resolutions and co-filer in one calling for corporate governance best practices

- Gilead - calling for an independent board chair (separate from CEO) to protect investor interests.
- Meta (Facebook) and Chevron - calling for enhanced disclosure on lobbying payments to trade associations and so-called dark money organizations.



Chevron agreed to update its lobbying report with added transparency.

INVESTING FOR MISSION

CLIENT SUCCESS STORIES

A CAREFUL SEARCH YIELDS A TRUSTED PARTNER FOR THE ILLINOIS SOUTH CONFERENCE

At the Illinois South Conference of the United Church of Christ (ISCUCC), when we think about stewarding our financing, our mission is not just about profit. Instead, we think about what we've been entrusted with and how we can use our God-given gifts to create positive impacts.

In 2021, our board commissioned our financial ministry team to do a thorough search for a financial partner. We created a matrix to grow our financial resources and, at the same time, wanted to find a financial partner that reflected our values: diversity and equity in leadership and social and racial justice that includes women, people of color and the LGBTQ community.

We met with seven asset managers, and at the end of the process, it was clear that UCF was the best fit – not just because we were already familiar with UCF and its affiliation with the UCC, but because our due diligence led us to UCF. UCF's competitive investment performance, responsible investing strategies that align with our core values and top-tier customer service are the added values UCF offers. We truly wanted a partner in our financial stewardship, and that's what we have found with UCF.

More importantly, UCF is committed to their relationship with us and the success of our local churches. This is reflected in the offering of continuing education, such as the quarterly Town Hall meetings, planned giving resources and the estate planning booklet; you can't put a price on that.

We truly wanted a partner in our financial stewardship, and that's what we have found with UCF.

ISCUCC was also one of the 2020 Brown Endowment grant recipients, administered through UCF. We used that grant to offer counseling services and support for our clergy, who were exhausted and experiencing deep grief and trauma during the pandemic. We saw firsthand how this grant buoyed our pastors and helped them continue doing their important work at a time when we saw other clergy across the country retiring early or leaving ministry altogether. We are grateful to UCF for this much-needed support.

By selecting UCF as our trusted partner, we are confident that we can continue to responsibly grow our endowment to provide resources for our churches and pastors and, ultimately, our conference's future.

Rev. Shana Johnson
CONFERENCE MINISTER
Illinois South Conference of the
United Church of Christ



INVESTING IN VOLATILE GLOBAL MARKETS

PORTFOLIO COMMENTARY AND MARKET OUTLOOK

INVESTMENT REVIEW

Global markets were negative across the board, with an unusual and simultaneously challenging year for both stocks and bonds. The only broad asset class to buck these trends was commodities, including energy, which is not the favored category for responsible investors. Emerging markets equity (MSCI EM) was down -20.09%, followed by U.S. equity markets (S&P 500) down -18.11% and then other developed equity markets (MSCI EAFE) down -14.45%. In fixed income markets, bonds as represented by the Barclays Capital U.S. Government/Credit Index were down -13.58% in 2022. As a sign of volatility, the 10-year U.S. Treasury note yield went from 1.63% at the beginning of the year to 3.88% at the end of the year.

PERFORMANCE SUMMARY

The UCF Balanced Fund and Total Equity Fund ranked below their respective peer medians. The Beyond Fossil Fuels (BFF) Balanced Fund was slightly below peers but in line with the benchmark. The Alternatives Balanced Fund outperformed its benchmark.

UCF funded a new secondary private equity manager, Auldbrass Partners, and the UCF Investment Committee approved investment in Xponance's screened S&P 500 Index strategy. Both organizations are Black-owned and managed.

EQUITY FUNDS

The Total Equity Fund returned -19.86%, underperforming its benchmark by -1.46%, net of fees. The International Equity and Small Cap Equity Funds returned -21.13% and -20.66%, respectively underperforming their benchmarks by -5.13% and -0.22%, net of fees. The Domestic Core Equity Fund returned -18.76%, underperforming its benchmark by -0.65%, net of fees. The weakness in the International Equity Fund was due to growth-oriented managers, as growth strategies significantly underperformed value strategies in 2022.

FIXED INCOME FUND

The Fixed Income Fund trailed its benchmark -12.99% vs. -12.38%, which can partially be attributed to significant yield volatility.

BALANCED FUNDS

The BFF Balanced Fund's performance was in line with its benchmark. The UCF Balanced Fund was below its benchmark and peers. Returns ranged from -15.77% for the BFF Balanced Fund to -16.60% for the UCF Balanced Fund.

ALTERNATIVES BALANCED FUND

The Alternatives Balanced Fund outperformed its benchmark and peers, with a return of -11.62%, net of fees. Most of the alternative managers had both positive absolute and relative performance to their respective indices.

MARKET OUTLOOK

The valuation gap between the U.S. market and both international developed and emerging markets remains wide. As a result, as we monitor our asset allocation, we expect to strategically continue allocating to international markets, as appropriate, to benefit from diversification over the longer term.

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

UCF has engaged the Pension Boards – United Church of Christ, Inc., an Affiliated Financial Ministry of the United Church of Christ, to provide investment management services.



David A. Klassen

David A. Klassen
CHIEF INVESTMENT STRATEGIST



Lan Cai

Lan Cai
DEPUTY CHIEF INVESTMENT OFFICER



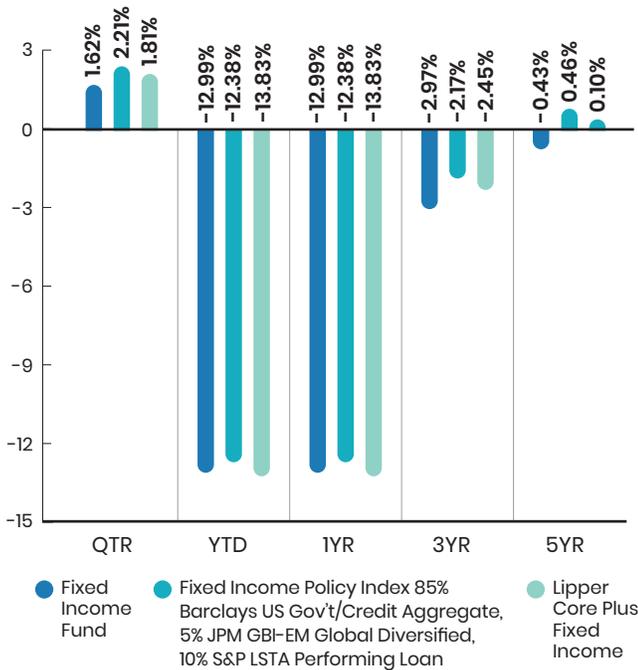
Minoti Dhanaraj

Minoti Dhanaraj
SENIOR MANAGER, INVESTMENT RESEARCH

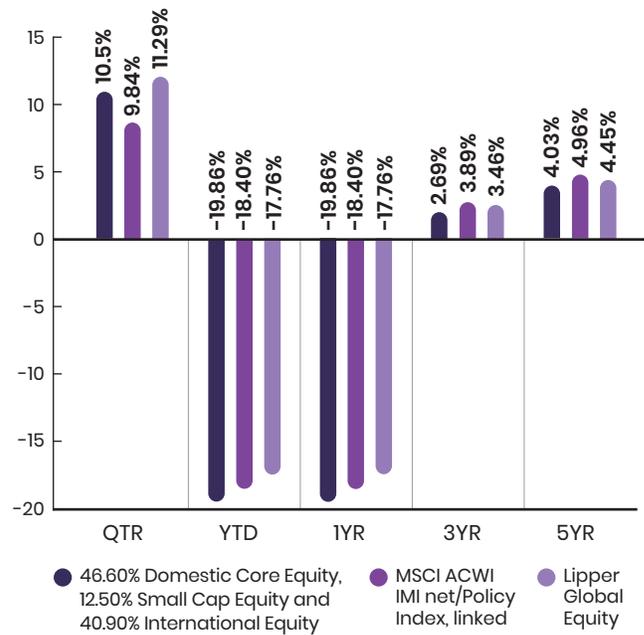
INVESTING FOR THE LONG-TERM

SELECTED FUND PERFORMANCE

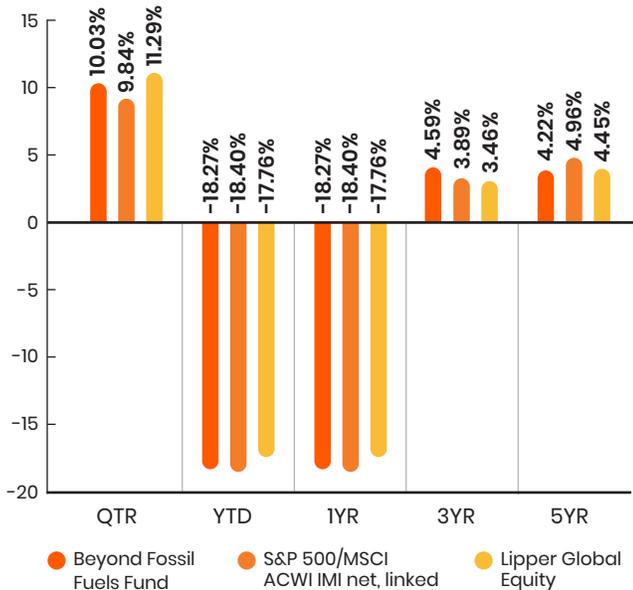
FIXED INCOME FUND



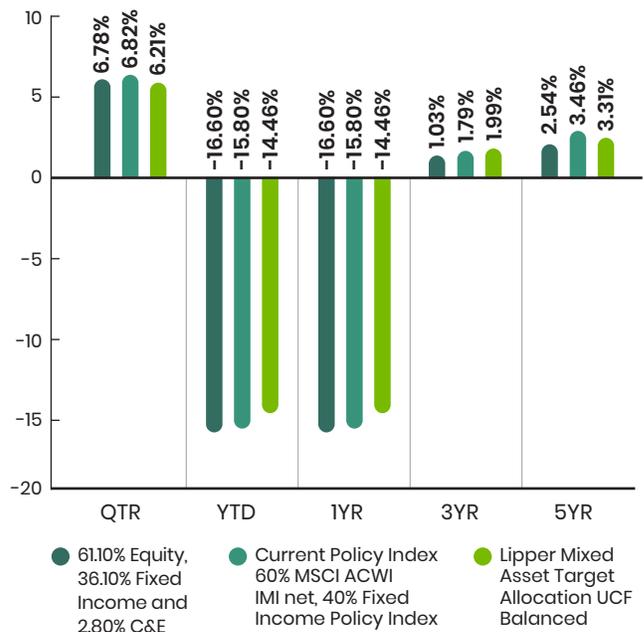
TOTAL EQUITY FUND



BEYOND FOSSIL FUELS FUND



UCF BALANCED FUND



INVESTING BY THE NUMBERS

SELECTED FINANCIAL INFORMATION

ASSETS	2022 Unaudited	2021 Audited
Investments	\$894,680,000	\$1,085,578,000
Other Assets	\$34,496,000	\$52,801,000
Total	\$929,176,000	\$1,138,379,000
LIABILITIES		
Common Investment Funds	\$825,493,000	\$1,000,450,000
Endowments, Split-Interest Agreements & Other	\$93,582,000	\$124,994,000
Total	\$919,075,000	\$1,125,444,000
NET ASSETS	\$10,101,000	\$12,935,000

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) \$6,637,000 for 2022 and \$7,626,000 for 2021 as compared to expenses in 2022 of (unaudited) \$8,619,000 and 2021 of \$6,931,000.

In 2022 UCF maintained its 98% client retention rate while accepting approximately \$8.3 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.

LEADERSHIP

STAFF



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



Ms. Stacey Pettice
Executive, Institutional
Relationships



Ms. Michele Hamilton
Staff Accountant



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



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



Mr. Adam Sank
Associate,
Communications
& Administration



**Ms. Karen Sherman-
Chang, CPA**
Director, Finance
& Administration



Ms. Crysta Seelal
Client Services
Representative



Ms. Debbie Wibowo
Associate, Marketing
& Communications



Mr. Matthew Illian, CFP
Director, Responsible
Investing



Ms. Deborah Cho
Senior Accountant

Ms. Harsha Mirchandani
Administrative Assistant,
Client Services



BOARD OF DIRECTORS

Dr. Edith A. Guffey, Chair

Conference Minister (Retired)
Kansas-Oklahoma Conference,
United Church of Christ, 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,
Xpionance, 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

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

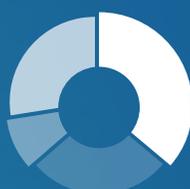
- 7 Female
- 10 Male



MINISTERIAL STANDING

- 10 Layperson
- 7 Clergy

STAFF



RACE/ETHNICITY

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



GENDER

- 8 Female
- 4 Male



INVESTING WITH A MISSION: **PERFORMANCE BEYOND THE NUMBERS**

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