

MARKET UPDATE TOWNHALL MEETING FIRST QUARTER 2023

May 4, 2023



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.

Townhall Meeting Agenda

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

United Church Funds — Organizational Updates Q2 2023

- UCF issues statement promoting climate justice in investments, engagements and advocacy.
- Helen & Richard Brown Endowment funds over \$180,000 in 2023 scholarships to Members in Discernment.
- UCF portfolio had minimal exposure (<.03%) to failed banks (Silicon Valley, Signature).
- Transaction processing time and new client forms.
- UCF to sponsor conference annual meetings, Back Bay Mission and General Synod 34.
 - ❑ Lead sponsor of Valerie Russell Luncheon, featuring Bryan Stevenson

Poll Question

Responsible Investing

Investment that Creates a Just World for All



Responsible Investing – Ten Years of Beyond Fossil Fuels

The Growth of the Beyond Fossil Fuels Funds

In July 2013, a UCC General Synod resolution called on all settings of the church to engage in various strategies to address climate change.

That resolution led to the establishment of UCF's Beyond Fossil Fuels Fund (BFF) and Beyond Fossil Fuels Balanced Fund in 2014.



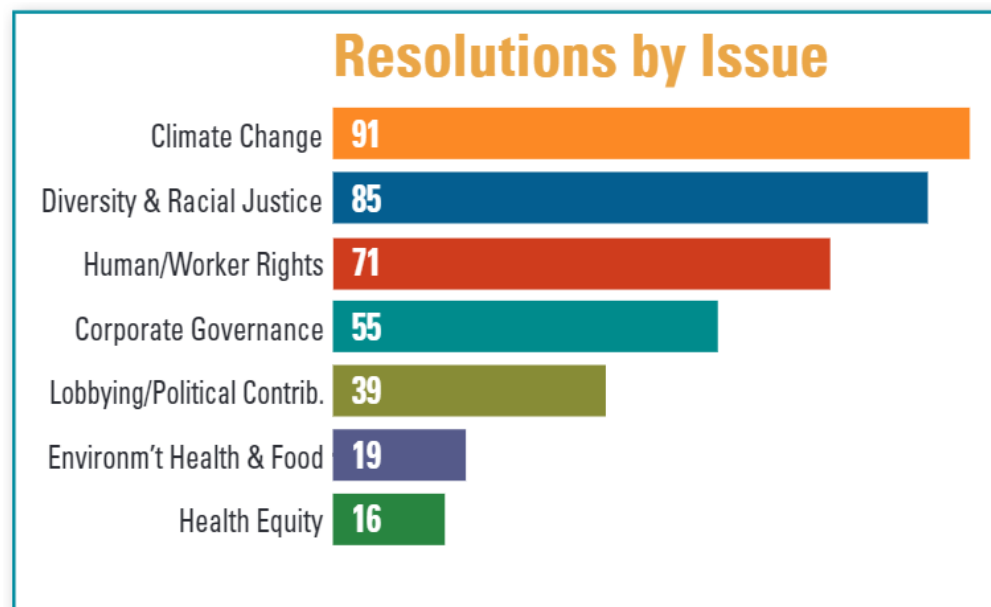
2014: \$20 Million, 10 Clients



2023: \$141 Million, 115 Clients

ICCR Shareholder Resolutions for 2023:

- Total of 376 member-sponsored resolutions — both as lead- and co-filer — filed for 2023 corporate proxies, as of February 16, 2023.
- Climate Change and Diversity/Racial Justice rank as top two issues.



Source: [ICCR's 2023 Proxy Resolutions & Voting Guide](#)

UCF Co-Files Citigroup Shareholder Vote on Human Rights Standards for Indigenous Peoples

- April 25th resolution requests report on Citigroup's policies, practices and performance.
- Citigroup was a leading financier of the Dakota Access pipeline in 2016 and, more recently, financed Enbridge, which builds and maintains the widely opposed Line 3 and Line 5 tar sands pipelines.



Responsible Investing – Shareholder Engagements



**'You know what the
money is going to.
Enbridge is a pipeline
company'**

**Tara Houska confronts Citi's board
over Line 3 & Line 5 funding**



Dollar Tree: An Ongoing UCF Shareholder Engagement

- Resolution calls for DT Board to commission report on compensation and workforce practices at DT that create economic and social risks to the broader economy.
- DT has 210,500 associates and reports annual median pay at \$13,490. Federal poverty rate is \$13,500 for a single person, and a living wage is \$36,311.*
- While DT's workforce is 67.8% female and 55.2% minority, these groups only make up 24.8% and 18.4% of officer and director-level management positions.
- Eliminating racial and gender pay gaps in the U.S. Economy would add \$2.6 Trillion to GDP.**

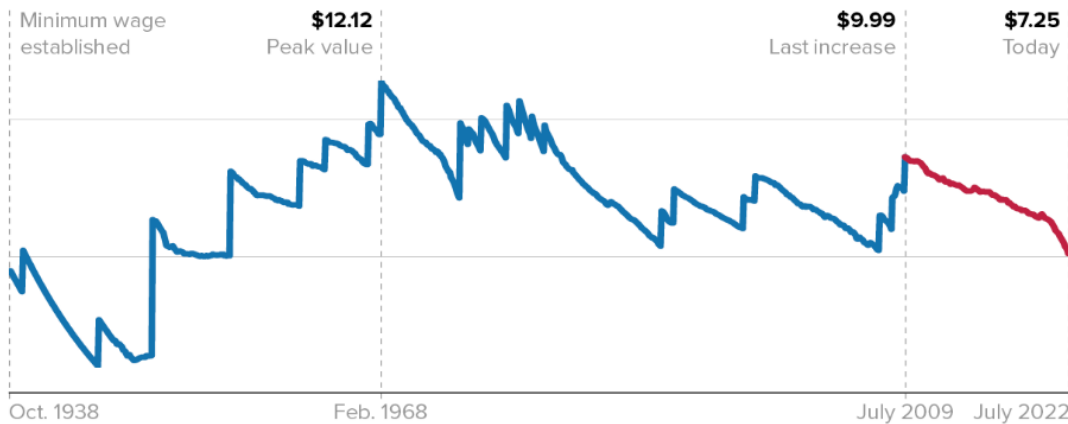
*[MIT Living wage calculator](#)

**[Federal Reserve Bank of San Francisco](#)

Responsible Investing – Income Inequality in the U.S.

After the longest period in history without an increase, the federal minimum wage today is worth 27% less than 13 years ago—and 40% less than in 1968.

Real Value of Minimum Wage (Adjusted for Inflation)



1968 Peak value of minimum wage

\$12.12/hr (\$25,210/yr)

2009 Last minimum wage increase

\$9.99 (\$20,779)

2022 Today

\$7.25 (\$15,080)



Note: All values in June 2022 dollars, adjusted using the CPI-U in 2022 chained to the CPI-U-RS (1978–2021) and CPI-U-X1 (1967–1977) and CPI-U (1966 and before).

Source: Fair Labor Standards Act and amendments.

Poll Question

Investment Performance — Themes

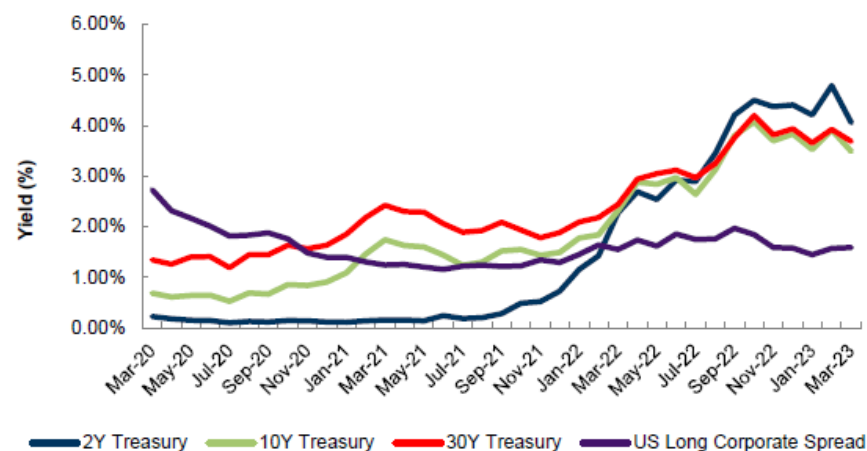
- **Equity Markets Regain Footing:** After losing approximately 20% of their value in 2022, U.S. and international developed markets started 2023 off with positive returns. The S&P 500 gained 7.5% in Q1, with international developed markets (MSCI EAFE) gaining 8.5%. Emerging equity markets (4.0%) and U.S. Small Cap (2.6%) were also positive.
- **Recession Fears Abate:** Despite some short-lived turmoil in the banking industry due to the collapse of two regional banks, continued strong unemployment and cooling inflation may signal a trend of a strengthening economy in the U.S. and global development markets and could pause further rate hikes by the Federal Reserve and other central banks.
- **Interest Rate Signals:** After 2022 saw historic YTD increases in interest rates (2-yr Treasury +3.68%, 10-yr Treasury +2.34%, 30-yr Treasury +2.04%), interest rates ended 2022 with a 2-yr note yielding over 0.50% more than a 10-yr note. Q1 2023 saw rates come down slightly, with spreads remaining essentially unchanged, signaling at least a short-term breather for bond investors.
- **Macro Risks Remain:** U.S.-China relations continue to be a front-burner issue for investors, as could a spring offensive in the Russia-Ukraine conflict. Q2 may see market volatility related to a political fight over the raising of the U.S. debt ceiling.

Investment Performance – Economic and Market Outlook

Public Markets Performance (USD)

	Q1	2022	3 Yr	5 Yr	10 Yr
MSCI World	7.7%	-18.2%	16.4%	8.0%	8.9%
MSCI World ESG Leaders	8.2%	-19.6%	15.9%	8.4%	8.8%
ACWI IMI	7.0%	-18.4%	15.6%	6.6%	7.9%
S&P 500	7.5%	-18.1%	18.6%	11.2%	12.3%
Russell 1000	7.5%	-19.1%	18.6%	10.9%	12.0%
MSCI EAFE	8.5%	-14.5%	13.0%	3.5%	5.0%
Russell 2000	2.6%	-20.7%	17.1%	4.3%	7.6%
MSCI EM Equity	4.0%	-20.1%	7.8%	-0.9%	2.0%
Barclays US Govt/Credit	3.2%	-13.6%	-2.6%	1.2%	1.5%
Barclays Global Aggregate	3.0%	-16.3%	-3.4%	-1.3%	0.1%
Barclays US Long Treasury	6.2%	-29.3%	-11.3%	-0.4%	1.5%
Barclays US Long Corporate	5.4%	-25.6%	-2.6%	1.1%	3.0%
JPM EM Debt	1.9%	-17.8%	0.0%	-0.6%	2.0%
JPM EM Debt Local	5.2%	-11.7%	0.9%	-2.4%	-1.5%
Barclays Global High Yield	3.2%	-12.7%	4.6%	1.1%	3.2%
FTSE/NAREIT Global	0.8%	-25.0%	6.8%	1.0%	2.6%
GSCI Commodities	-4.9%	26.0%	30.5%	4.9%	-3.8%

Yields & Spreads (%)

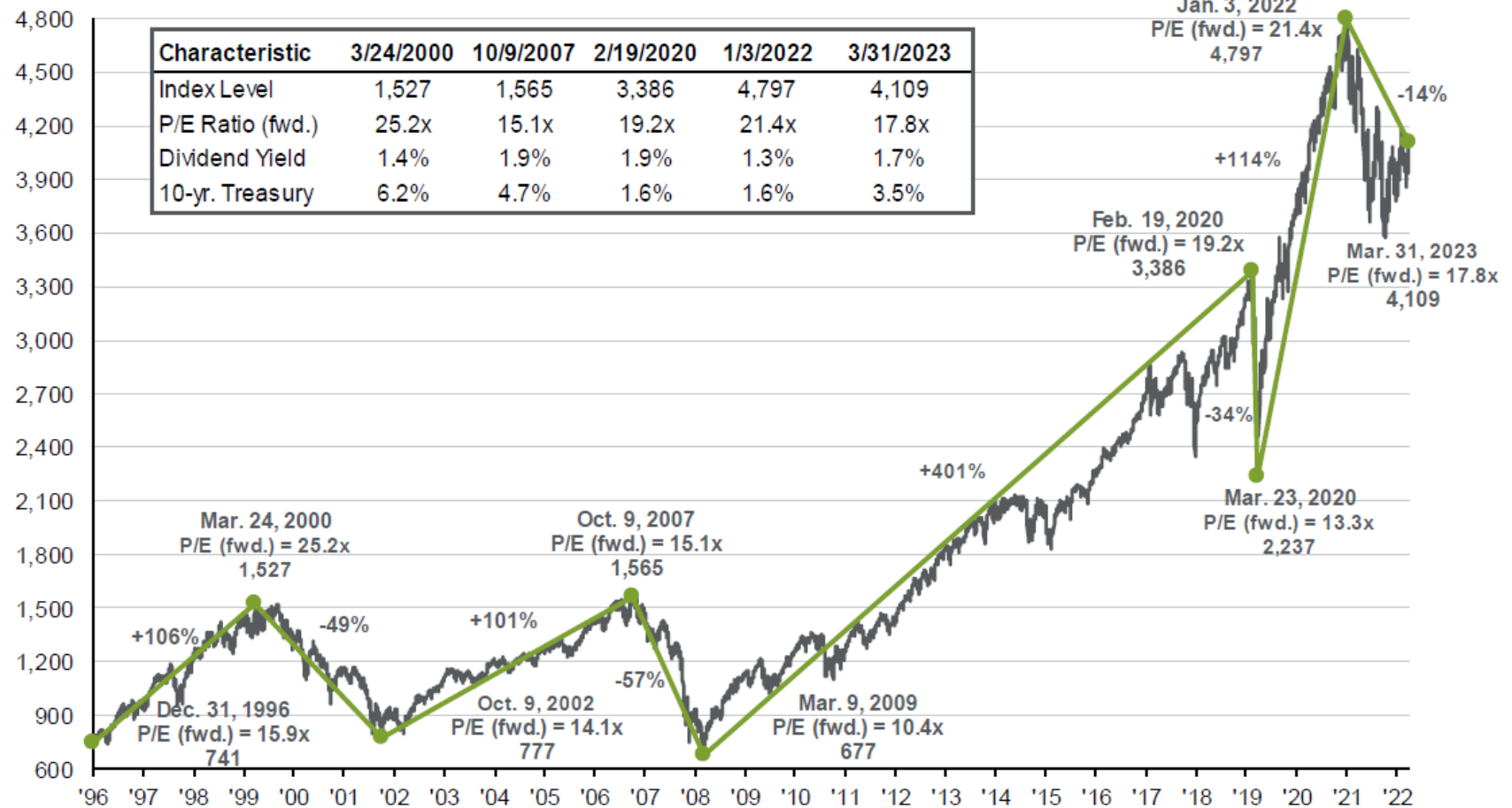


Changes in Yields and Spreads by Maturity (%)

	31 Mar 2023 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
Risk Free				
2Y Treasury	4.06	(0.73)	(0.35)	(0.35)
10Y Treasury	3.49	(0.42)	(0.34)	(0.34)
30Y Treasury	3.69	(0.24)	(0.25)	(0.25)
US Long Corporate Spread	1.60	0.02	0.02	0.02
Moody's Long AA Corporate Yield	4.81	(0.25)	(0.23)	(0.23)

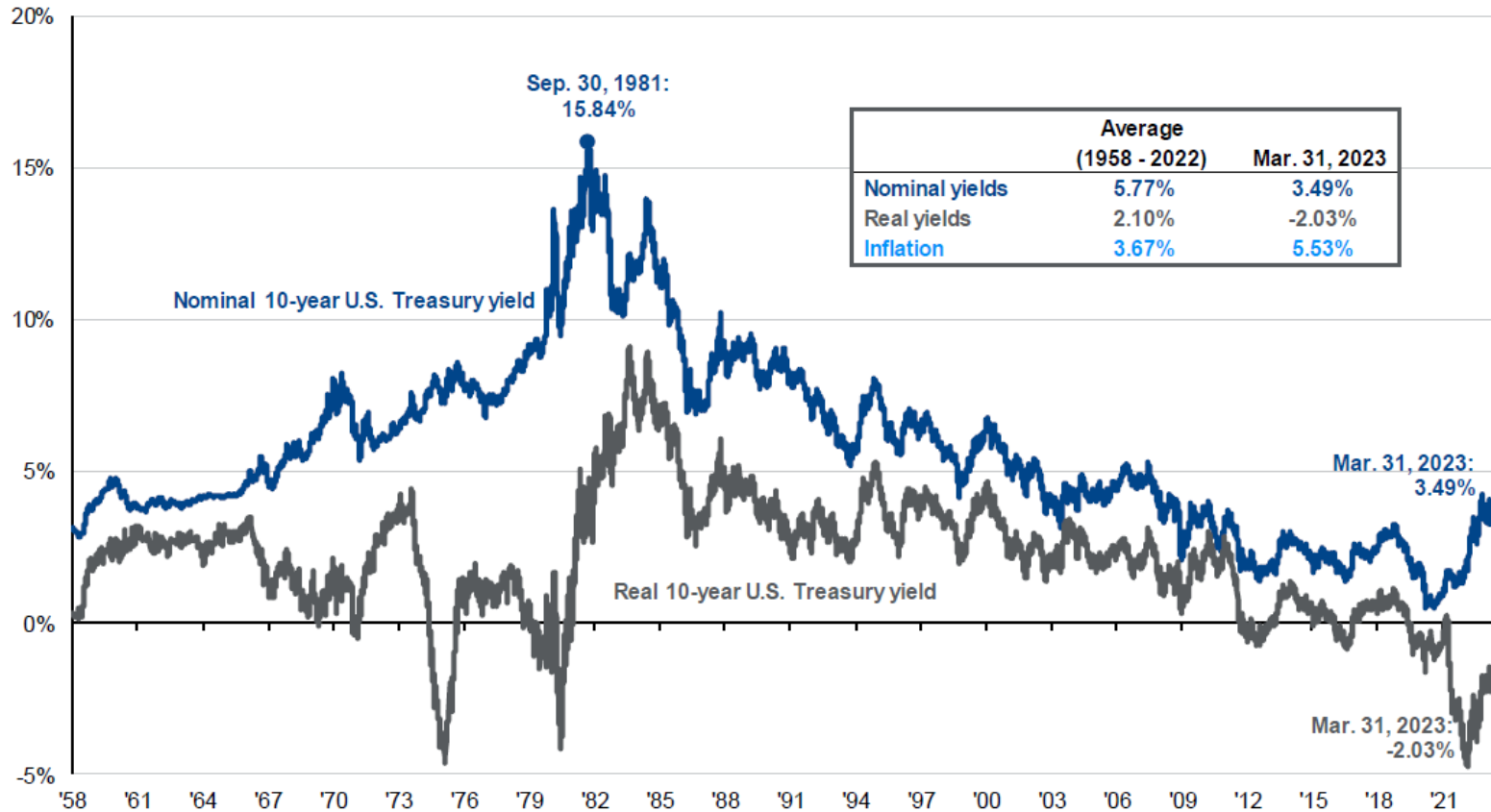
Strategy and Positioning — S&P 500 at Inflection Points

S&P 500 Price Index



Strategy and Positioning — Interest Rates and Inflation

Nominal and real U.S. 10-year Treasury yields



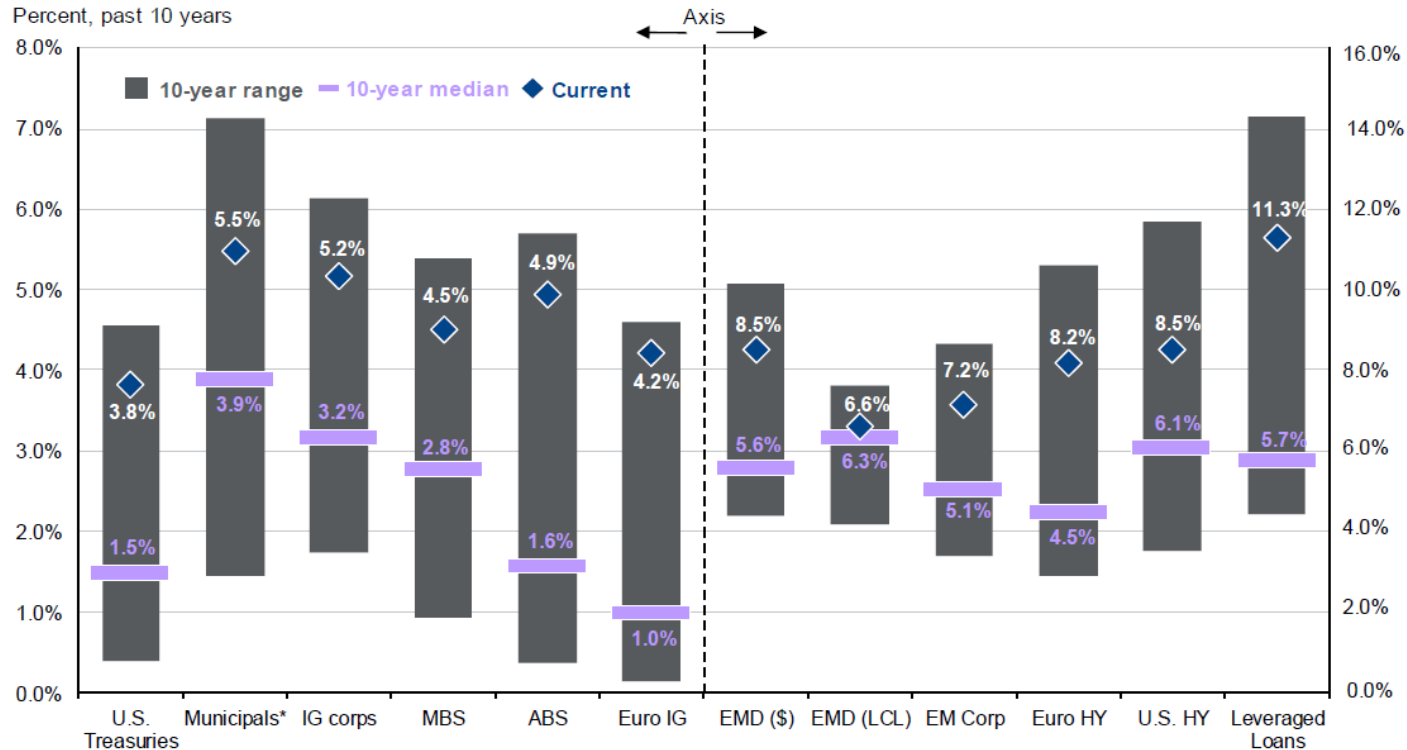
- Is the recent rise in nominal and real interest rates a temporary blip, or an important inflection point after a 40-year down cycle?

Strategy and Positioning — What Comes Next for Fixed Income?

Fixed income valuations

Yield-to-worst across fixed income sectors

Percent, past 10 years



- The current fixed income market appears to be attractive compared to the last decade, with expected yield and return much higher than 10-year median.

Strategy and Positioning — Where is the Dollar Heading?

The U.S. dollar

U.S. Dollar Index



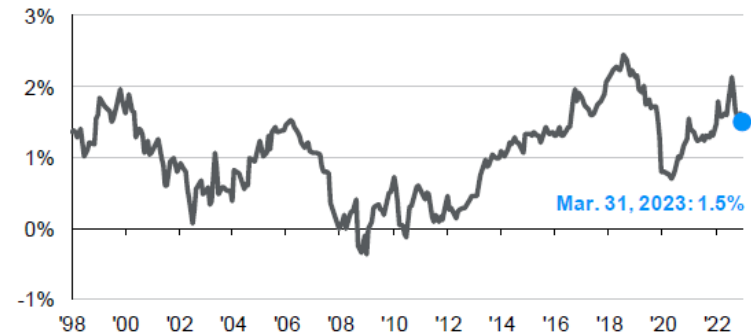
The U.S. trade balance

Current account balance, % of GDP



Developed markets interest rate differentials

Difference between U.S. and international 10-year yields*

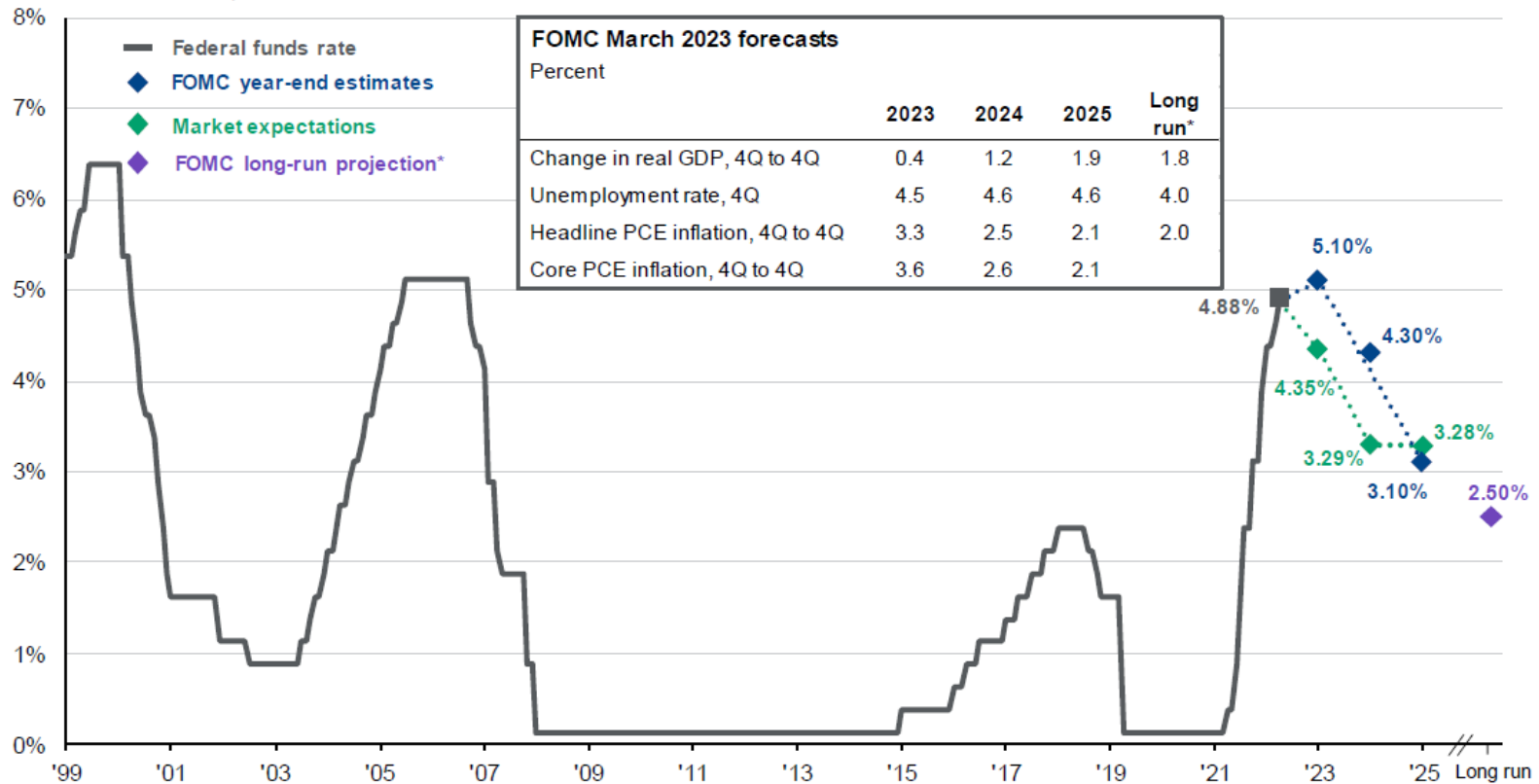


- The relative strength of the U.S. Dollar has implications to international markets and various asset classes. We are watching closely while remaining diversified.

Strategy and Positioning — Fed Fund Rate and Market Expectations

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

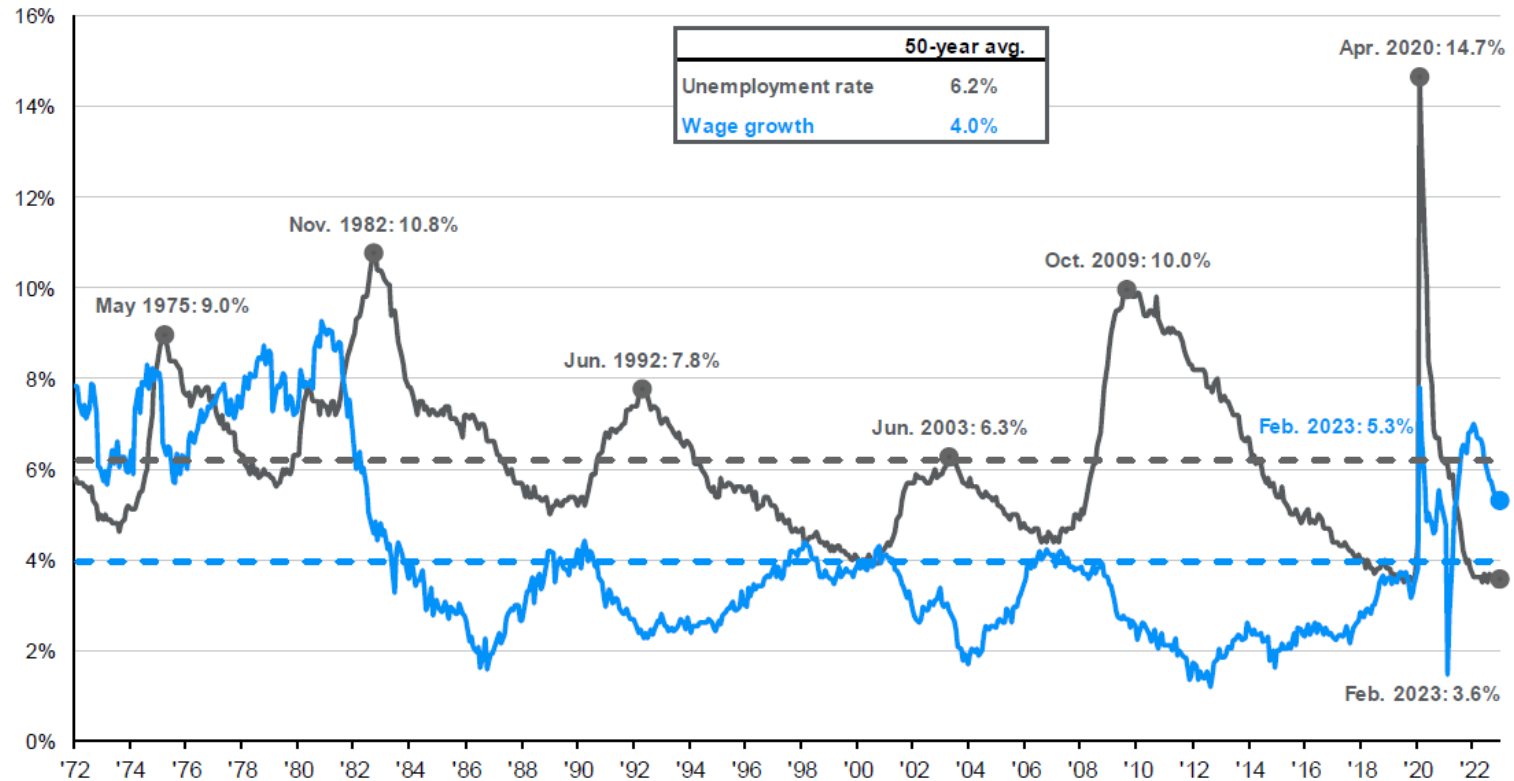


- Silicon Valley Bank and Signature Bank failures have caused the market to reduce Federal Reserve rate hike expectations. Is the market ahead of itself?

Strategy and Positioning — Unemployment and Wages

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



- Wage growth finally breaks the 4% ceiling in place since 1982. Will it be sustained? How will increasing labor costs and rising financing costs impact earnings?

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.

Investment Performance — Managed Funds as of March 31, 2023

TOTAL RATES OF RETURN AS OF 3/31/23		ANNUALIZED								
<i>Returns on UCF's funds are presented net of fees</i>		<i>Inception Date</i>	Quarter	Year To Date	One Year	Two Years	Three Years	Five Years	Ten Years	Current Yield
Fixed Income Fund		10/1/1994	3.00%	3.00%	-5.28%	-4.59%	-1.95%	0.33%	0.80%	3.34%
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			3.20%	3.20%	-4.01%	-3.68%	-1.38%	1.32%	1.60%	
Domestic Core Equity Fund		10/1/2005	7.61%	7.61%	-8.58%	2.71%	18.02%	9.69%	11.18%	1.61%
S&P 500 Index			7.50%	7.50%	-7.73%	3.30%	18.60%	11.19%	12.24%	
Lipper Large Cap Core			6.63%	6.63%	-7.71%	0.00%	17.57%	10.31%	11.29%	
Beyond Fossil Fuels Fund		11/3/2014	6.76%	6.76%	-7.54%	-0.41%	16.50%	5.72%	N/A	3.03%
S&P 500/MSCI ACWI IMI net, linked			6.95%	6.95%	-7.68%	-0.94%	15.64%	6.58%		
Lipper Global Equity			6.27%	6.27%	-5.83%	0.00%	14.44%	5.76%		
Small Cap Equity Fund		10/1/2005	4.20%	4.20%	-10.77%	-7.50%	18.04%	6.47%	8.45%	1.21%
Russell 2000 Index			2.74%	2.74%	-11.61%	-8.74%	17.51%	4.71%	8.04%	
Lipper Small Cap Core			2.57%	2.57%	-7.97%	0.00%	21.44%	5.56%	8.01%	
International Equity Fund		10/1/2005	7.30%	7.30%	-5.06%	-7.19%	11.26%	1.81%	3.66%	3.15%
MSCI ACWI ex US net/Custom Index, linked			6.87%	6.87%	-5.07%	-3.29%	11.80%	2.47%	4.24%	
Lipper International Equity			7.71%	7.71%	-2.39%	0.00%	12.91%	2.68%	4.51%	
Alternatives Fund		7/1/2010	-0.07%	-0.07%	2.06%	8.23%	7.73%	5.84%	5.36%	N/A
Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index			0.50%	0.50%	-1.25%	3.70%	8.01%	4.70%	5.24%	

MANAGED FUNDS

Investment Performance — Funds of Funds as of March 31, 2023

TOTAL RATES OF RETURN AS OF 3/31/23		ANNUALIZED								
<i>Returns on UCF's funds are presented net of fees</i>		<i>Inception Date</i>	Quarter	Year To Date	One Year	Two Years	Three Years	Five Years	Ten Years	Current Yield
FUNDS OF FUNDS	Total Equity Fund									
	46.20% Domestic Core Equity, 12.30% Small Cap Equity and 41.50% International Equity	10/1/1994	7.03%	7.03%	-7.44%	-2.67%	14.96%	5.63%	7.30%	2.20%
	MSCI ACWI IMI net/Policy Index, linked		6.95%	6.95%	-7.68%	-0.94%	15.64%	6.58%	8.00%	
	Lipper Global Equity		6.27%	6.27%	-5.83%	0.00%	14.44%	5.76%	0.00%	
	UCF Balanced Fund	<i>circa 1958</i>	5.31%	5.31%	-6.23%	-3.05%	8.33%	3.76%	4.84%	2.54%
	62.00% Equity, 35.30% Fixed Income and 2.70% C&E									
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		5.46%	5.46%	-5.97%	-1.85%	8.78%	4.76%	5.62%	
	Lipper Mixed Asset Target Allocation UCF Balanced		4.12%	4.12%	-6.09%	0.00%	8.45%	4.28%	5.24%	
	Beyond Fossil Fuels Balanced Fund	11/3/2014	5.33%	5.33%	-6.26%	-1.48%	9.32%	4.42%	N/A	2.82%
	62.10% BFF, 35.10% Fixed Income and 2.80% C&E									
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		5.46%	5.46%	-5.97%	-1.85%	8.78%	4.76%		
	Lipper Mixed Asset Target Allocation UCF Balanced		4.12%	4.12%	-6.09%	0.00%	8.45%	4.28%		
	Alternatives Balanced Fund	7/1/2010	3.57%	3.57%	-4.31%	-0.09%	9.19%	4.55%	5.34%	N/A
49.7% Equity, 16.0% Fixed Income, 32.8% Alternatives, 1.5% C&E										
Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy		4.54%	4.54%	-4.95%	-0.60%	9.07%	4.93%	5.72%		