

MARKET UPDATE TOWNHALL MEETING

SECOND QUARTER 2023

August 7, 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

Poll Question

United Church Funds — Organizational Updates Q3 2023

- 11 Shareholder Resolutions filed on behalf of UCF clients YTD 2023.
- UCF welcomes new Client Services Associates Jason Gonzalez and Tiffany Williams!
- We are actively seeking two more top-notch candidates for Institutional Relationships and Client Services teams.
- Look for UCF's new and refreshed branding in 2024!
- UCF was proud to be a presenting sponsor of General Synod 34.
 - ▣ Primary sponsor of the Valerie Russell Luncheon with keynote speaker Bryan Stevenson.



General Synod 34 — Valerie Russell Luncheon



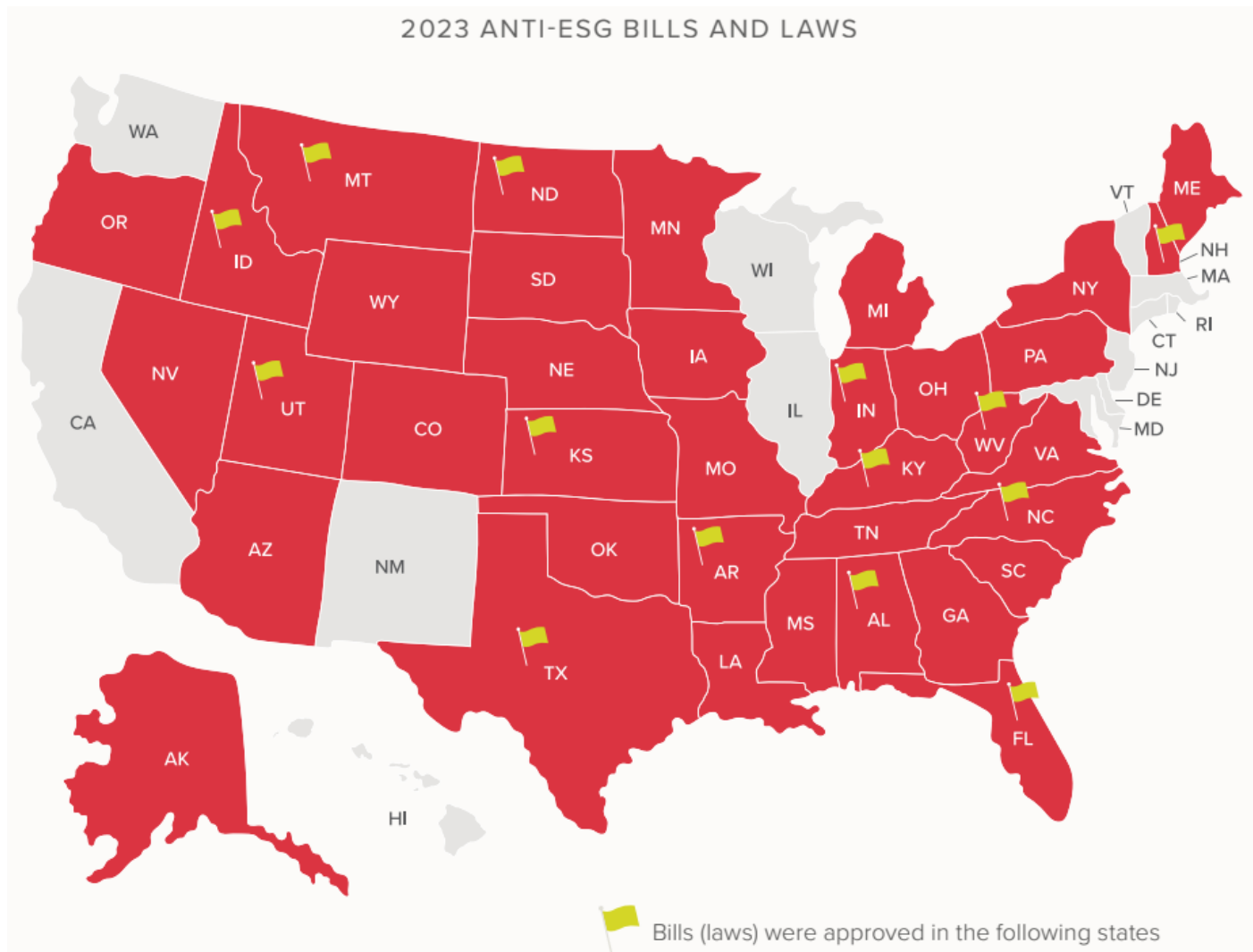
Bryan Stevenson
Executive Director, Equal Justice Initiative

Responsible Investing

Investment that Creates a Just World for All



Responsible Investing – Conservatives and Fossil Fuel Industry Attack Sustainable Investing



Responsible Investing – Wall Street Firms Backtracking



NYC comptroller accuses BlackRock of 'backtracking' over climate commitments



'Anti-woke' reaction? Fund giant Vanguard quits net-zero climate alliance.



Investors Press Large Asset Managers on their Proxy Voting Records on ESG Proposals

Responsible Investing – UCF’s 2023 Shareholder Resolutions

11

Shareholder resolutions filed

1 Majority vote

3 Withdrawn after companies agreed to reforms

UCF served as

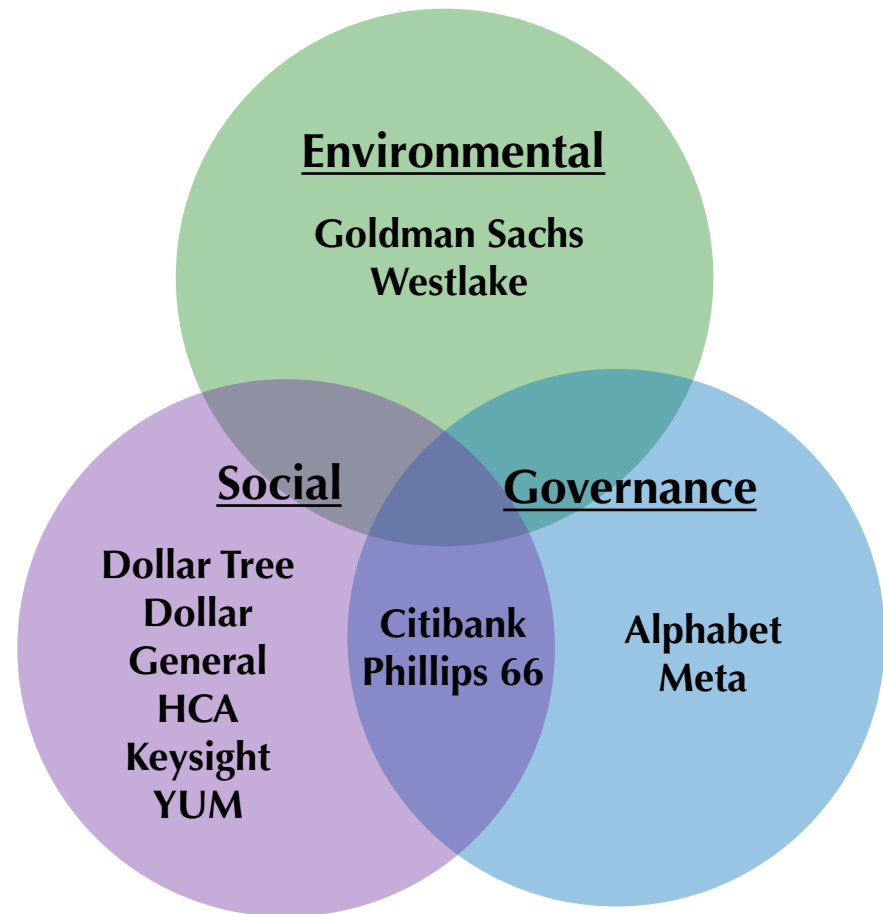
7

Lead Filer

4

Co-Filer

Resolutions Filed on Behalf of the Following Concerns:



Average Support for Resolutions
Going to a Vote: 22.6%

Responsible Investing – UCF’s 2023 Shareholder Resolutions

NOTEWORTHY RESULTS:



**DOLLAR
GENERAL**

- Co-Filer with Domini.
- Called for independent 3rd-party audit to examine how company’s policies and practices impact worker safety.
- Passed with 68% support.



 **KEYSIGHT**

- Co-Filer with Presbyterian Church.
- Called for independent 3rd-party review of human rights policy and enhanced know-your-customer (KYC) protocols.
- Resolution withdrawn after company agreed to review.



HCA 
Healthcare™

- Lead Filer.
- Called for affirmation of pregnant patients’ right to access emergency abortions.
- Resolution withdrawn after HCA agreed to add disclosure on hospital protocols.










PHILLIPS
66

- Lead Filer with Pension Boards-UCC.
- Called for enhanced disclosure of how company’s lobbying activities align with Paris agreement goals.
- Resolution withdrawn after Phillips added lobbying update to [Sustainability Report](#).

Responsible Investing – UCF’s 2023 Shareholder Resolutions

OTHER RESOLUTIONS:

	Lead Filer – Calling for enhanced lobbying disclosure. Received 17.8% support but 47.7% of independent vote.
	Lead Filer – Calling for reduction of single-use plastics. Received 9.5% support but 41% of independent vote.
	Lead Filer – Calling for enhanced lobbying disclosure. Received 14.6% support but 39.2% of independent vote.
	Co-Filer – Calling for indigenous human rights impact assessment. Received 31.4% support.
	Lead Filer – Calling for enhanced paid sick leave. Received 20.5% support.
	Co-Filer – Calling for CHG financing reduction strategy. Received 12.6% support.
	Lead Filer – Calling for compensation report addressing wage gaps. Received 6.9% support.

Poll Question

Investment Performance – Themes

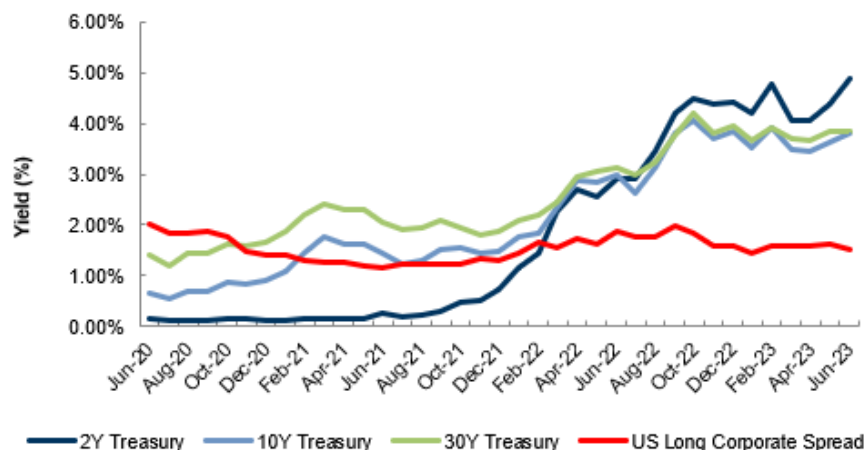
- **Markets Rally with Narrow Leadership:** Global equity markets rallied in the first half of 2023, led by mega-cap technology companies. This narrow leadership was driven by enthusiasm around artificial intelligence, and the first quarter earnings were better than anticipated.
- **Fixed Income Markets Continue To Be Attractive:** Fixed income markets pulled back in the second quarter after a strong rally at the beginning of the year as rates resumed rising. Relative to other asset classes, fixed income provides attractive total return potential.
- **Active Management Performance Dispersion:** The selection of external investment managers is important to long-term performance, as dispersion among manager performance is high.
- **Keeping An Eye on International Markets:** The U.S. Dollar has weakened since September 2022; we are vigilantly watching its future path and the implications for allocations to international markets.

Investment Performance – Economic and Market Outlook

Public Markets Performance (USD)

	Q2	YTD	3 Yr	5 Yr	10 Yr
MSCI World	6.8%	15.1%	12.2%	9.1%	9.5%
MSCI World ESG Leaders	6.9%	15.7%	12.0%	9.6%	9.4%
ACWI IMI	5.9%	13.2%	11.0%	7.6%	8.6%
S&P 500	8.7%	16.9%	14.6%	12.3%	12.9%
Russell 1000	8.6%	16.7%	14.1%	11.9%	12.6%
MSCI EAFE	3.0%	11.7%	8.9%	4.4%	5.4%
Russell 2000	5.1%	7.9%	10.4%	3.8%	7.8%
MSCI EM Equity	0.9%	4.9%	2.3%	0.9%	3.0%
Barclays US Govt/Credit	-0.9%	2.2%	-4.1%	1.0%	1.7%
Barclays Global Aggregate	-1.5%	1.4%	-5.0%	-1.1%	0.2%
Barclays US Long Treasury	-2.3%	3.7%	-12.1%	-0.9%	1.8%
Barclays US Long Corporate	-0.5%	4.9%	-6.2%	1.6%	3.5%
JPM EM Debt	2.2%	4.1%	-3.1%	0.5%	2.8%
JPM EM Debt Local	2.5%	7.8%	-1.4%	0.3%	-0.6%
Barclays Global High Yield	2.0%	5.2%	1.4%	1.9%	3.5%
FTSE/NAREIT Global	0.3%	1.1%	3.5%	0.1%	3.1%
GSCI Commodities	-2.7%	-7.5%	25.1%	2.8%	-3.5%

Yields & Spreads (%)

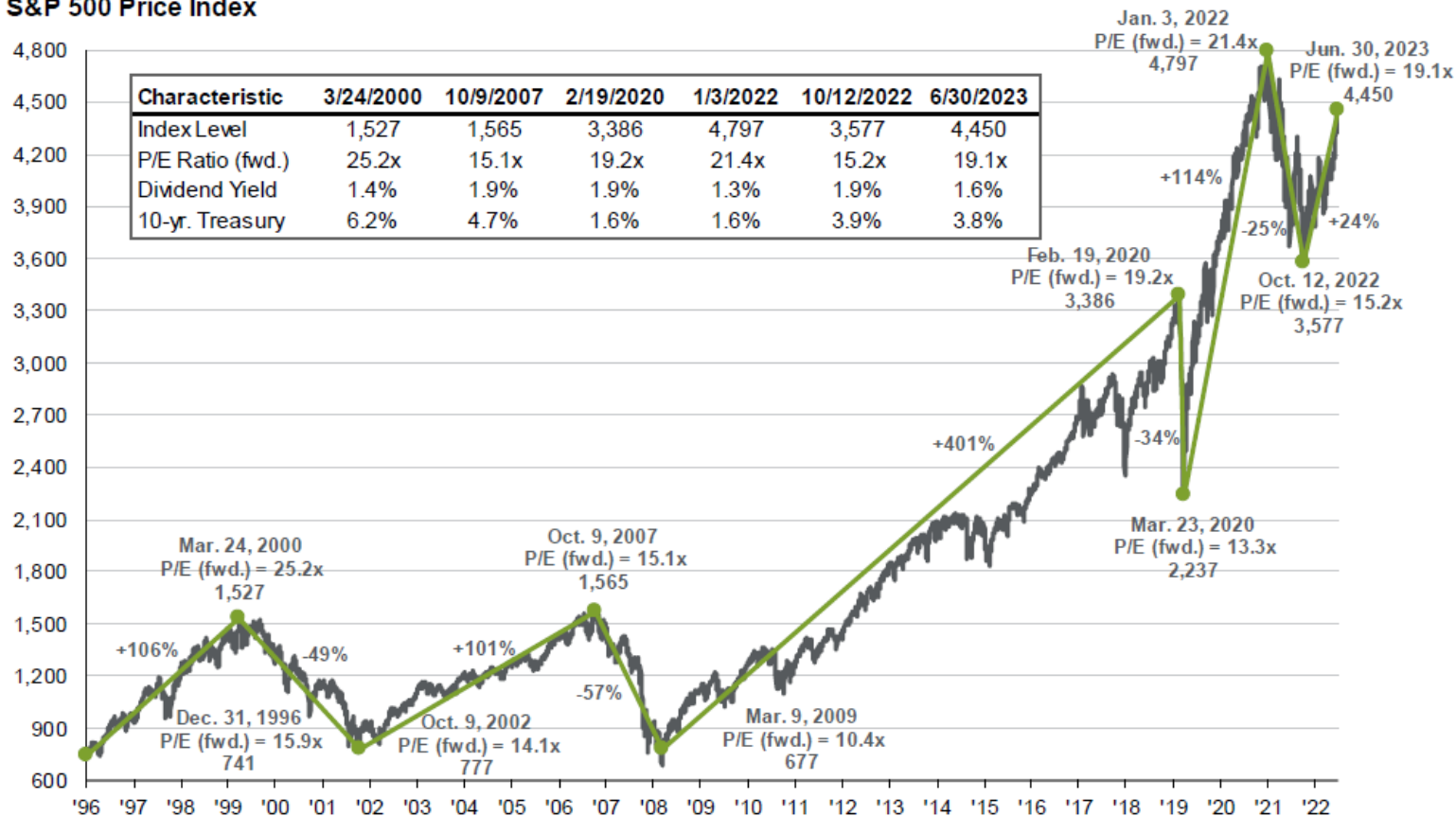


Changes in Yields and Spreads by Maturity (%)

	30 Jun 2023 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
Risk Free				
2Y Treasury	4.88	0.49	0.82	0.47
10Y Treasury	3.82	0.18	0.33	(0.02)
30Y Treasury	3.85	(0.00)	0.17	(0.09)
US Long Corporate Spread	1.50	(0.13)	(0.09)	(0.08)
Moody's Long AA Corporate Yield	5.02	(0.04)	0.21	(0.02)

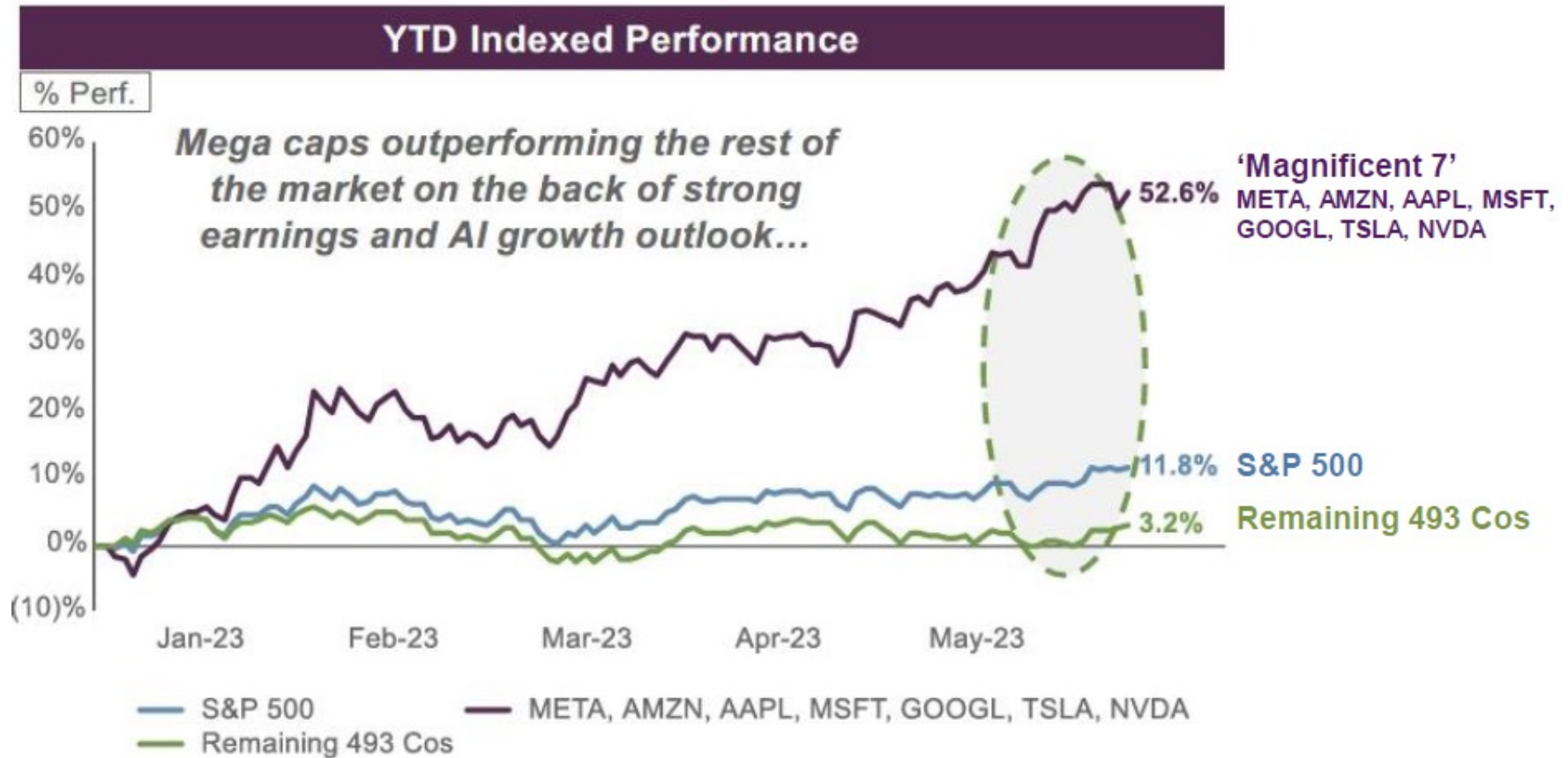
Strategy and Positioning — S&P 500 at Inflection Points

S&P 500 Price Index



- The S&P 500 rebounded strongly in the first half of 2023. The valuation seems high after the rally.

Strategy and Positioning — Mega Caps Leading the Way

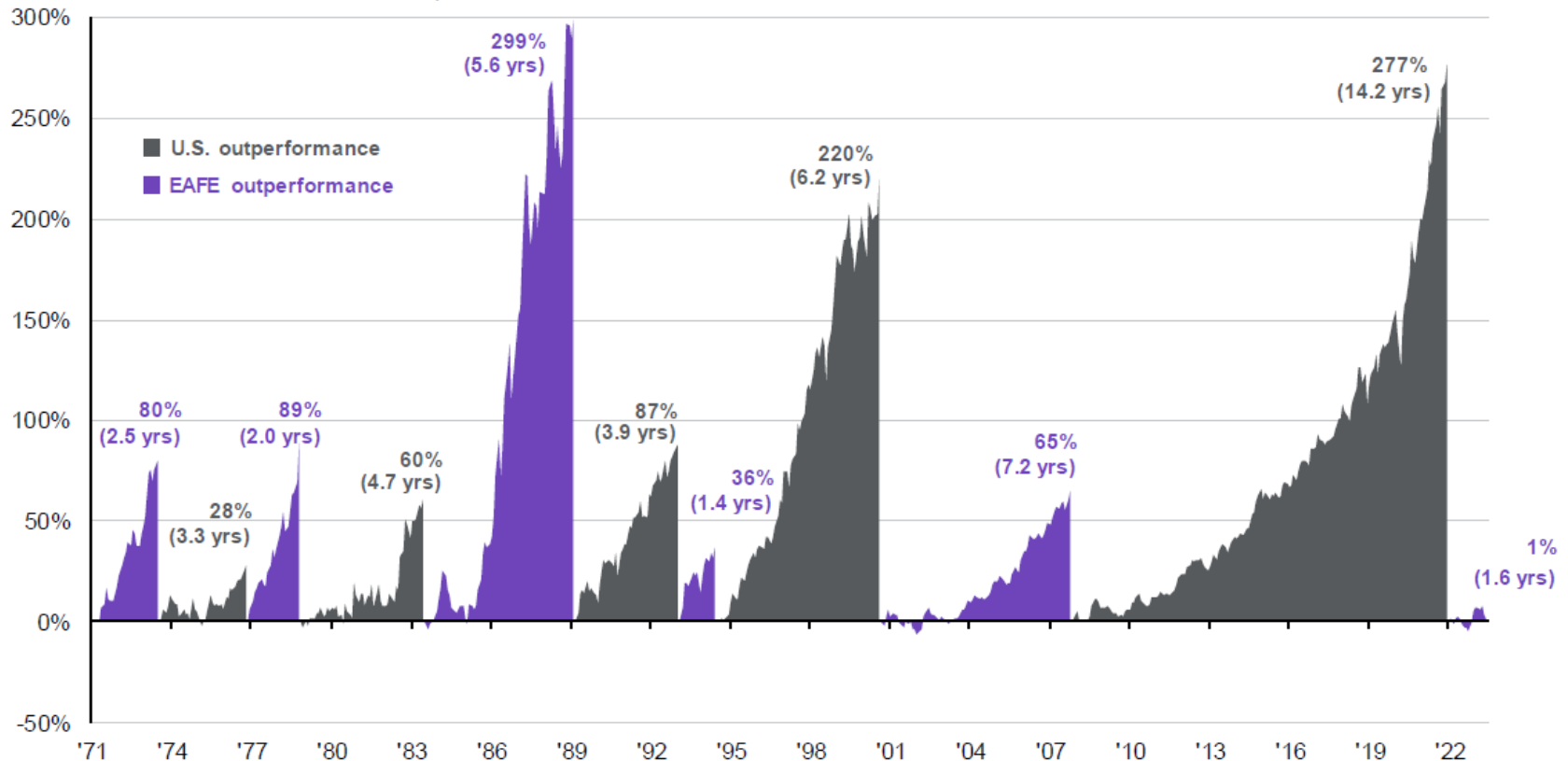


- U.S. market rally this year has been led by seven mega-cap stocks of the S&P 500, contributing 74% of the index return YTD. This has led to concentration levels of the top 10% of stocks, reaching highest level since July 1932.

Strategy and Positioning — U.S Equity Outperformance Comes in Cycles

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance

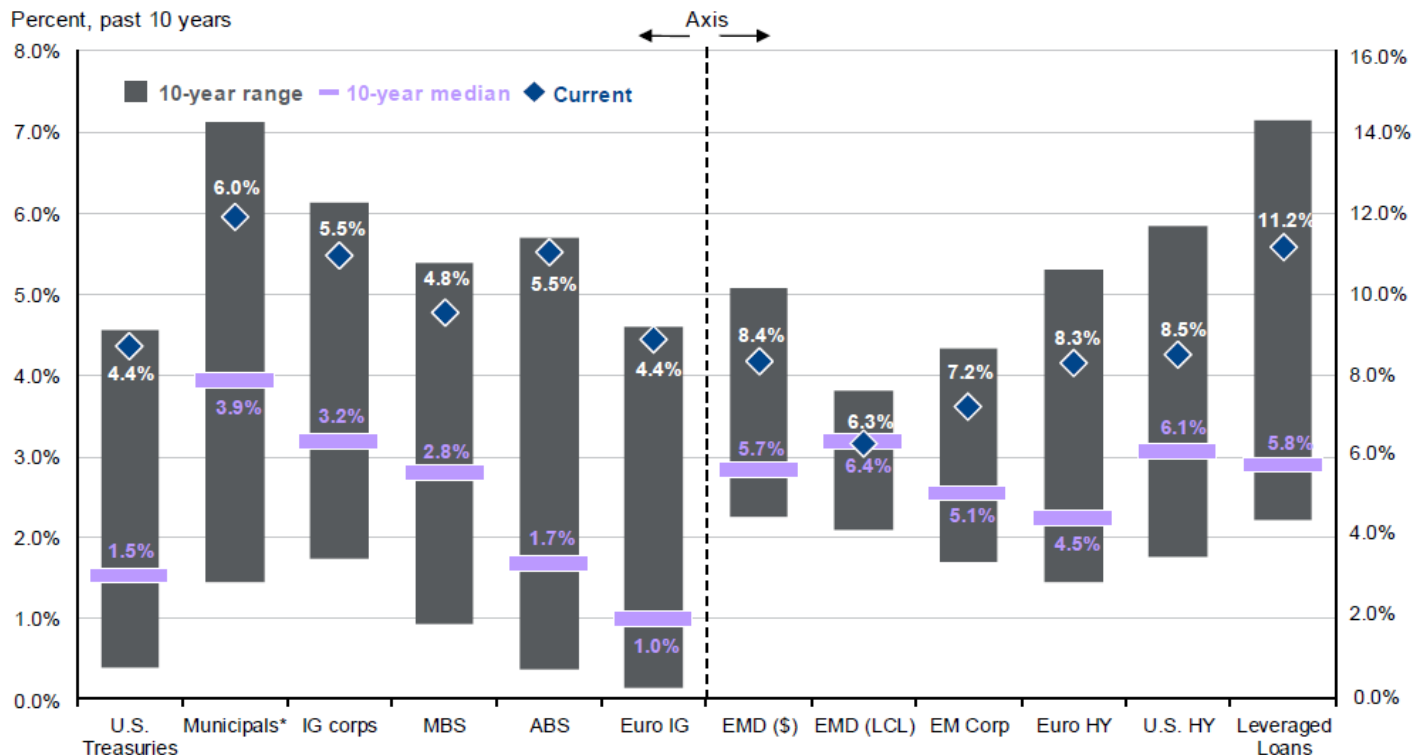


- Historically, there have been swings of outperformance between the U.S and developed markets.

Strategy and Positioning — Attractive Fixed Income Valuation

Yield-to-worst across fixed income sectors

Percent, past 10 years

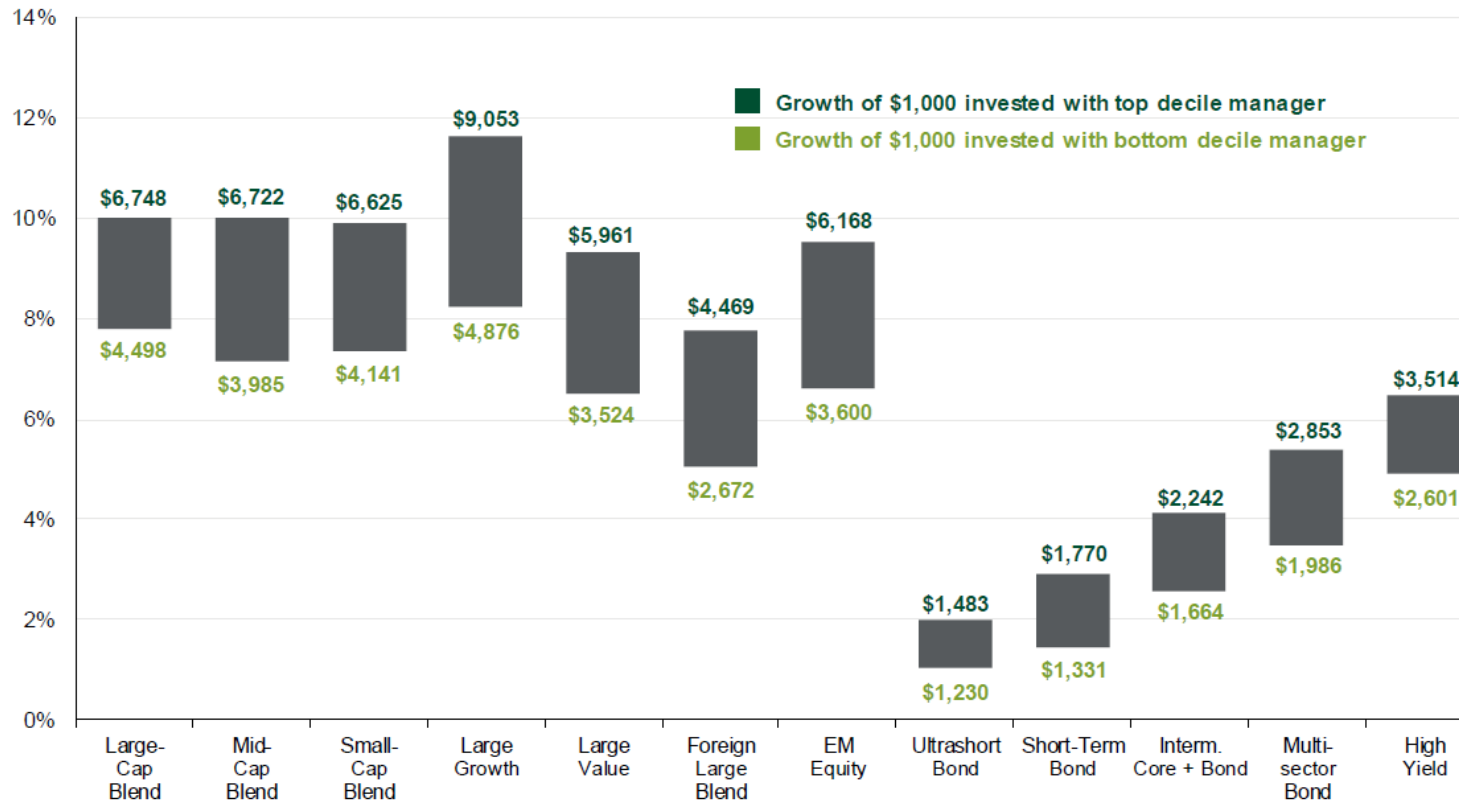


- Fixed income market remains attractive as yields have continued to rise, with little change in default rates. Expected yields and total returns remain much higher across sub-asset classes and geographies than 10-year median. This puts fixed income in a relatively attractive position against other asset classes, including equities.

Strategy and Positioning — Manager Dispersion

20-year manager return dispersion and growth of capital

By asset type, annualized total returns, growth of \$1,000 invested 20 years ago*



- Investment manager performance dispersion across asset classes over the longer term has been significant. Investment due diligence is as crucial as ever in manager selection and asset allocation decisions.

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.