

MARKET UPDATE TOWNHALL MEETING

FOURTH QUARTER 2023

February 15, 2024



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.

Poll Question

Townhall Meeting Agenda

- ✓ Welcome and Introductions Charles Buck, *President & CEO*
- ✓ UCF Organizational Updates Matt Wagner, *VP Institutional Relationships*
- ✓ Responsible Investing Updates Matthew Illian, *Director of Responsible Investing*
- ✓ Market and Fund Updates Matt Wagner, *VP Institutional Relationships*

David Klassen, Lan Cai & Minoti Dhanaraj
UCF Investments Team
- ✓ Q& A with Townhall Participants

United Church Funds — Organizational Updates Q1 2024



➤ UCF Welcomes Two New Team Members!

- ❑ Kelsey Rose, Institutional Relationships Associate
- ❑ Michael Zivanov, Junior Accountant



➤ See Us in Person!

- ❑ Prepared to Serve, February 25, Pembroke, NH
- ❑ CHHSM Annual Meeting, March 12-14, St. Louis, MO

➤ UCF Lowers Fees Over Five-Year Period

- ❑ Since 2019, we've decreased fees by an average of 9.25% across all funds while hiring new staff and providing an enhanced client experience.

Responsible Investing

Investment that Creates a Just World for All



Responsible Investing – A Living Wage

What is A Living Wage?

- Definition: Remuneration received for standard workweek sufficient to afford a decent standard of living for a worker and her or his family.*
- 51% of workers on the Russell 1000 are not earning a family-sustaining living wage. 11.1 million workers are not making enough working fulltime to support a household with another working adult and 2 children), and 35% of Russell 1000 don't make enough to meet their own basic needs (no dependents).

\$25.02/Hour

Average for a family of four
with two working adults in
the U.S. before taxes**



*Global Living Wage Coalition

** MIT's Living Wage Calculator

Responsible Investing – A Living Wage



INVESTOR SUPPORT FOR A LIVING WAGE FOR U.S. WORKERS

The undersigned investors, representing \$4.5 trillion in assets under management and advisement, call on U.S. companies to take steps towards the payment of a living wage to direct and contract workers, in line with international human rights standards. Long-term investments in the workforce are good for business, helping companies attract and retain talented employees, increase job satisfaction, and improve worker performance. Wage increases for the lowest earners can also aid in addressing broader systemic risks such as income inequality and gender and racial disparities in the U.S. labor market that can have long-term societal and economic impacts.

What is a Living Wage and Why is it Important?

The Global Living Wage Coalition defines a living wage as:

The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.¹

The concept of a living wage as a human right is recognized in multiple international treaties and frameworks such as the Universal Declaration of Human Rights, the Preamble of the International Labour Organization (ILO) Constitution, and the UN Sustainable Development Goals (SDGs).²

According to polls, "84% of Americans believe large companies have a responsibility to pay full-time adult workers in frontline jobs enough to make ends meet."³ 63% of voters believe workers need to earn more than \$20 an hour to have a decent quality of life, including 71% of Democrats, 56% of Republicans, and 63% of independent/third-party voters.⁴

Read the full statement [here](#).

ICCR Living Wage Investor Statement

- Signed by 136 investors, including UCF, representing \$4.5T in assets.
- Calling on U.S. Companies to take steps towards paying a living wage (for both direct and contract workers).
- Not only a justice issue – a strong business case for paying living wages.



Responsible Investing – 2024 Shareholder Engagements

United Church Funds is Calling For:



Climate Transition
Plan



Enhanced Lobbying
Disclosure



Respect for Freedom of
Association (Partnering with AFL-
CIO)



Review of Proxy Voting on
Shareholder Resolutions



Report impacts of state
restrictions on providing
emergency abortions.



Review of Support for Single-
Use Plastics



Independent Report on Shifting
from Virgin to Recycled Plastics



Meta

Enhanced Lobbying
Disclosure



Human Rights Audit –
Resolution Withdrawn



Enhanced Recognition of
Indigenous People's Rights

Responsible Investing – Interview with Fiona Reynolds

About Fiona Reynolds

- Named one of the 20 most influential people in sustainability globally by Barron's magazine; twice named one of Australia's 100 Women of Influence by Australian Financial Review.
- CEO of Principles for Responsible Investment (PRI) for nearly a decade, stepping down in 2022.
- Served on advisory boards of Affirmative Investment Management and ROC Partners. Chairs ESG Advisory Board for Qualitas. Member of Climate Catalyst, UBS Sustainability and Impact Forum, Advisory Committee for NSW Commissioner for Anti-Slavery and Australian Human Rights Institute.



Responsible Investing – Interview with Fiona Reynolds



Poll Question

Investment Performance – Themes

- **Despite Uncertainties, Markets Achieved Good Returns in 2023.** Global equities ended the year strong, defying worries about inflation, recession and geo-conflicts.
- **Uneven Global Market Performance.** Global markets performed well and exceeded expectations; the performance dispersion across geographies and capital structure was outsized, where U.S. exhibited the strongest performance driven by the “Magnificent 7,” followed by developed markets and then emerging markets.
- **Fixed Income Market Reflects End of Fed Rate-Hiking Cycle.** Fixed income markets posted strong performance attributable to the significant rates decline during the last two months of the year.
- **Dynamic and Diversified Allocations.** Our asset allocation approach continues to focus on long-term trends and cycle-aware adjustments. We continue to approach our investments with a lens of sustainability and being tactical when the opportunities arise.

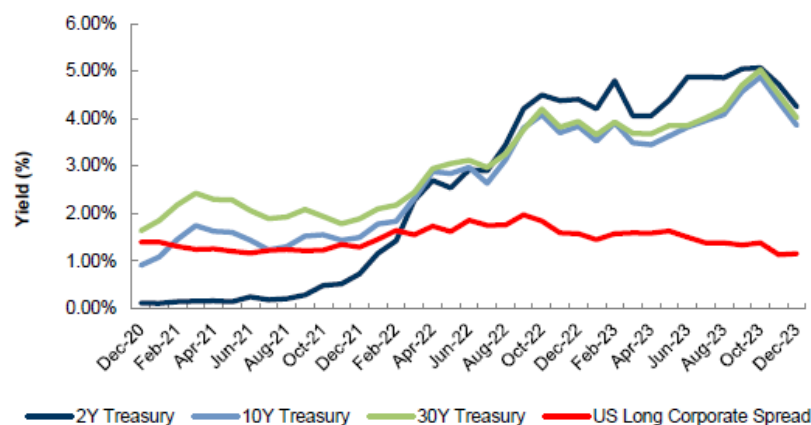
Investment Performance — Economic and Market Outlook

Public Markets Performance (USD)

	Q4	YTD	3 Yr	5 Yr	10 Yr
MSCI World	11.4%	23.8%	7.3%	12.8%	8.6%
MSCI World ESG Leaders	11.9%	25.4%	7.9%	13.2%	8.7%
ACWI IMI	11.1%	21.6%	5.4%	11.5%	7.8%
S&P 500	11.7%	26.3%	10.0%	15.7%	12.0%
Russell 1000	12.0%	26.5%	9.0%	15.5%	11.8%
MSCI EAFE	10.4%	18.2%	4.0%	8.2%	4.3%
Russell 2000	13.9%	16.4%	1.8%	9.5%	6.7%
MSCI EM Equity	7.9%	9.8%	-5.1%	3.7%	2.7%
Barclays US Govt/Credit	6.6%	5.7%	-3.5%	1.4%	2.0%
Barclays Global Aggregate	8.1%	5.7%	-5.5%	-0.3%	0.4%
Barclays US Long Treasury	12.7%	3.1%	-11.4%	-1.2%	2.3%
Barclays US Long Corporate	14.0%	10.9%	-6.6%	2.9%	3.9%
JPM EM Debt	9.2%	11.1%	-3.6%	1.7%	3.2%
JPM EM Debt Local	8.1%	12.7%	-3.2%	1.1%	0.1%
Barclays Global High Yield	8.6%	14.0%	0.2%	3.9%	3.6%
FTSE/NAREIT Global	15.3%	9.9%	1.4%	3.0%	3.7%
GSCI Commodities	-10.7%	-4.3%	19.2%	8.7%	-3.6%

As of 29-December-2023. Source: MAS, Plot Tool. Plot tool is a proprietary analytical tool and database representing developed and emerging markets including the US, Europe, Asia, and Latin America for their respective Fixed Income, Equity, Foreign Exchange, Commodities, and Credit Markets covering thousands of cash, forward, futures, options, and swap instruments. Plot tool houses over 20 years of economic data. Indices are unhedged. Past performance does not guarantee future results, which may vary.

Yields & Spreads (%)



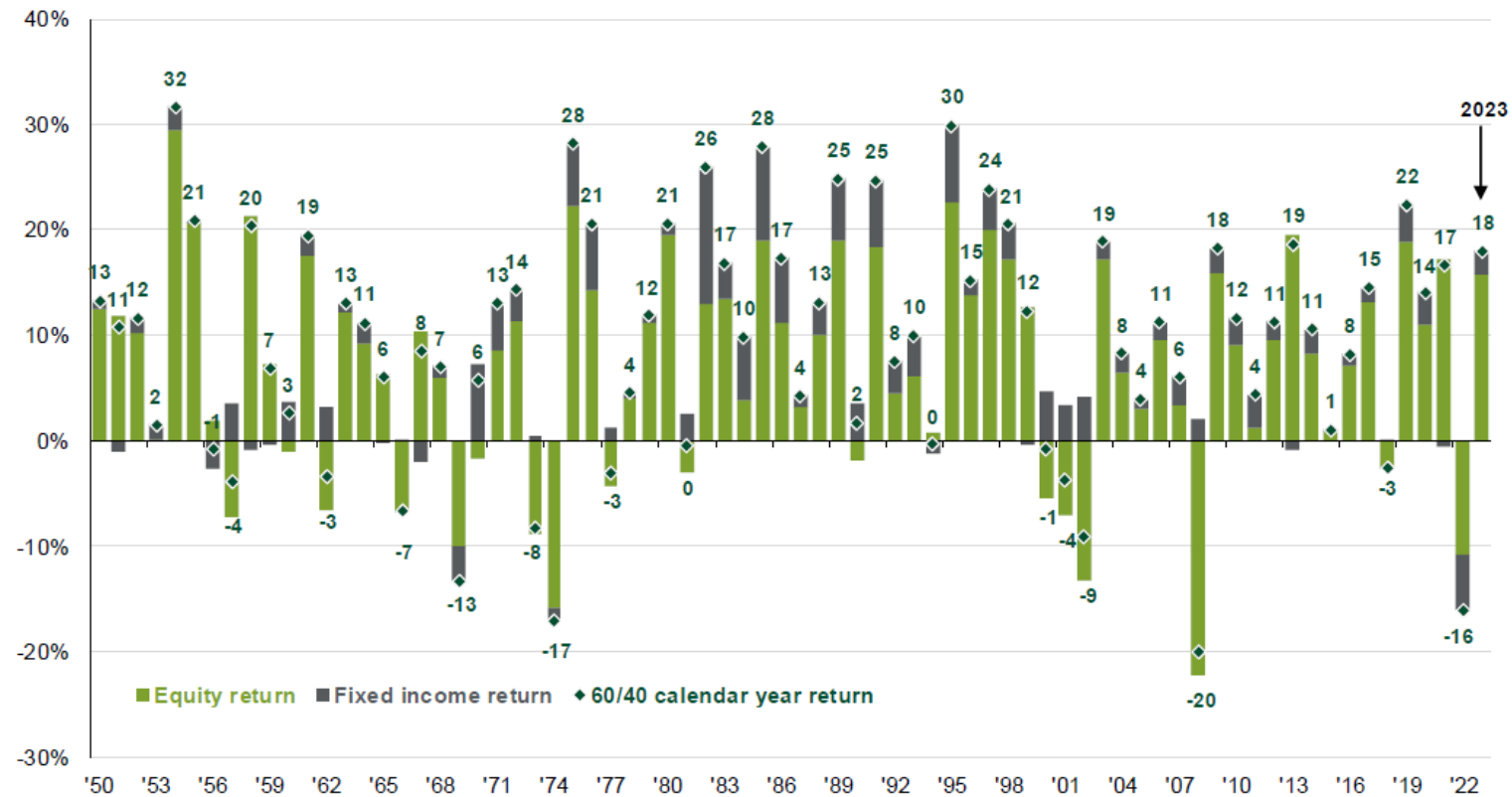
Changes in Yields and Spreads by Maturity (%)

	Dec 2023 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
Risk Free				
2Y Treasury	4.25	(0.47)	(0.80)	(0.16)
10Y Treasury	3.88	(0.49)	(0.71)	0.02
30Y Treasury	4.01	(0.50)	(0.69)	0.07
US Long Corporate Spread	1.16	0.03	(0.18)	(0.42)
Moody's Long AA Corporate Yield	4.88	(0.55)	(0.84)	(0.16)

Strategy and Positioning — Comeback of the 60/40 Portfolio

60/40 annual return decomposition

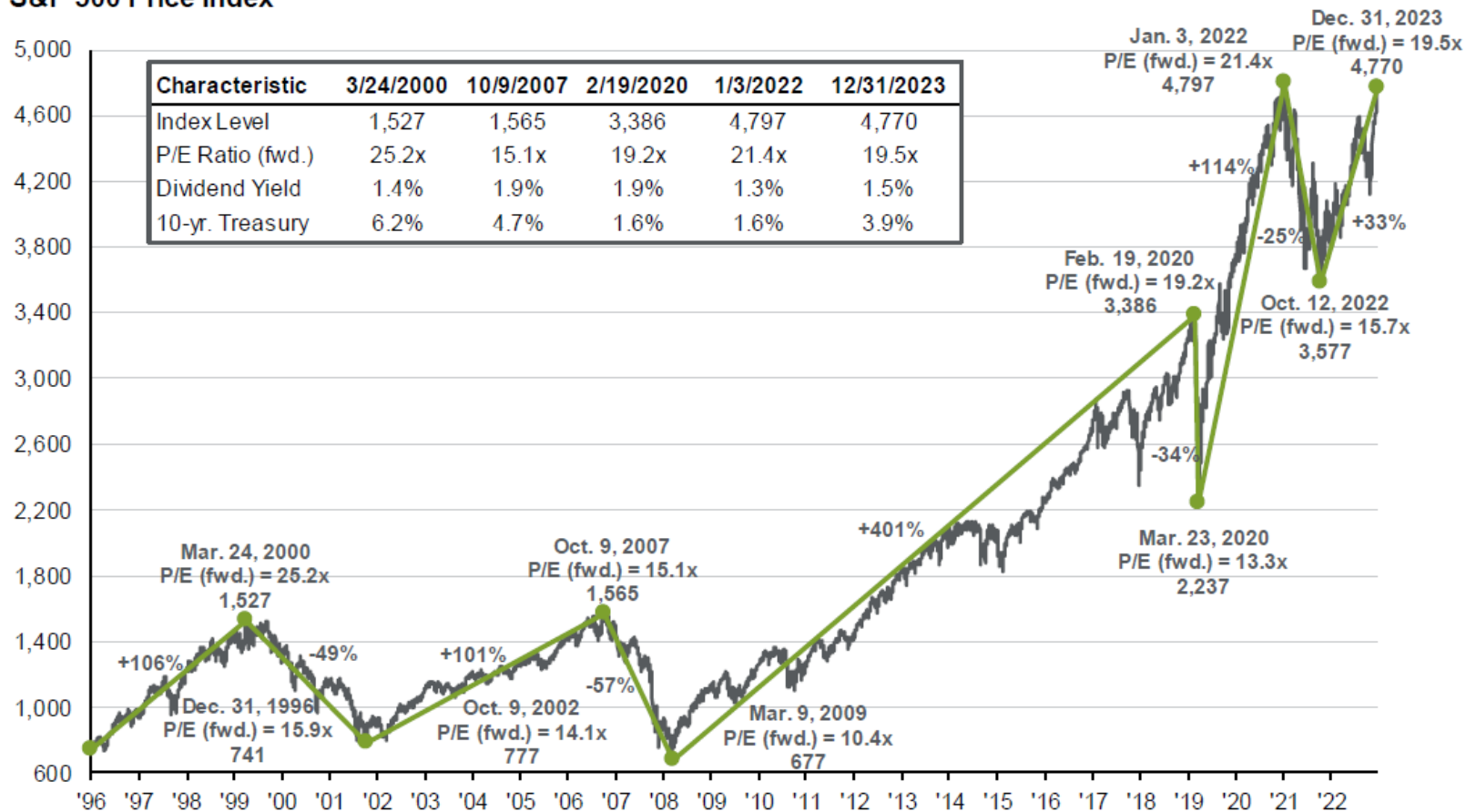
Total returns, 1950 – 2023



- As anticipated, the 60/40 portfolio made a strong comeback in 2023, providing diversification benefits.
- Our dynamic asset allocation approach and tactical overweight to equities have been beneficial.

Strategy and Positioning — S&P 500 at Inflection Points

S&P 500 Price Index

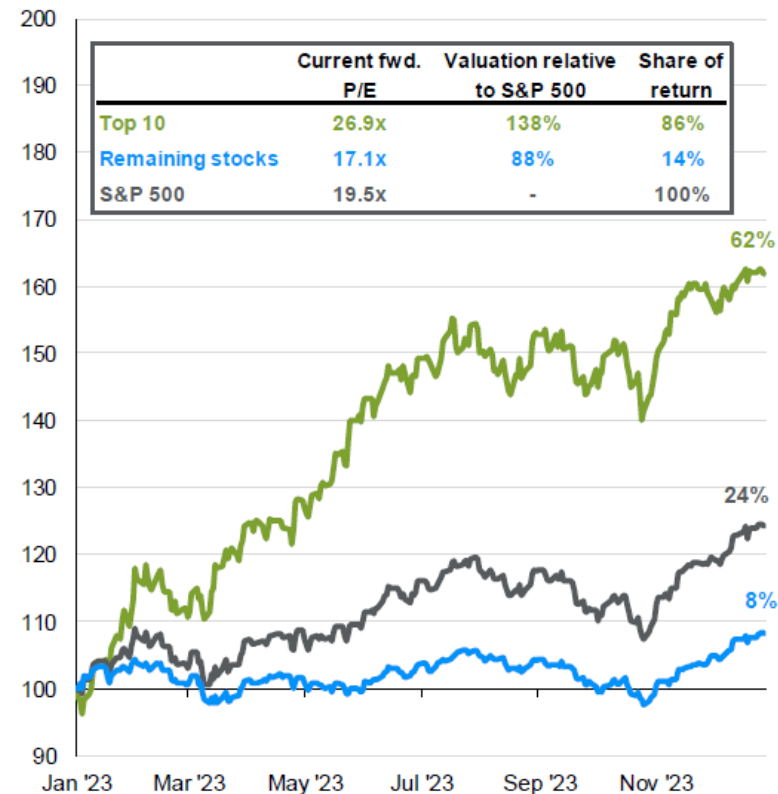


- S&P 500 posted strong returns in the fourth quarter as the fed indicated no more rate hikes.

Strategy and Positioning — Significant Dispersion within S&P 500

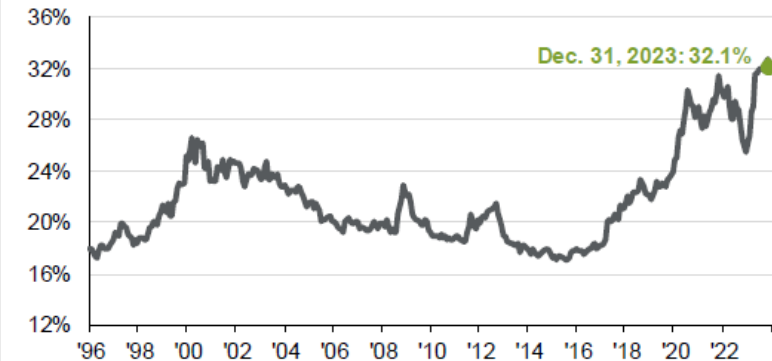
Performance of the top 10 stocks in the S&P 500

Indexed to 100 on 1/1/2023, price return, top 10 held constant



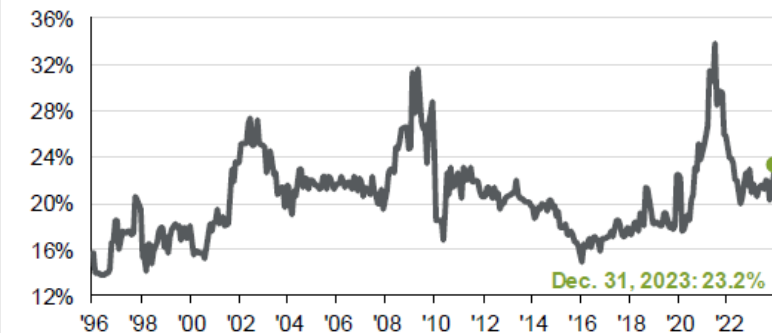
Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500



Earnings contribution of the top 10 in the S&P 500

Based on last 12 months' earnings

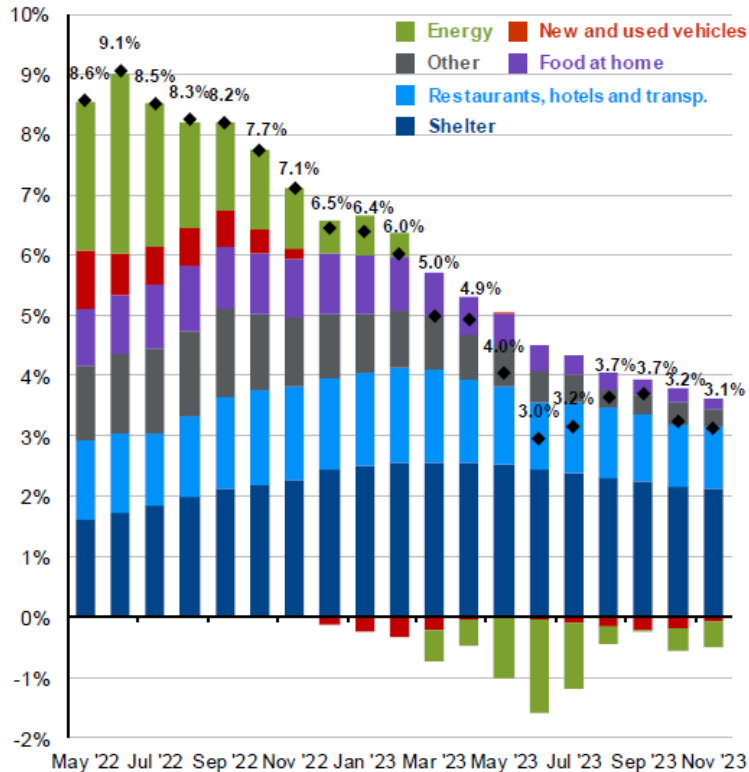


- Although valuation for S&P500 appears to be stretched, most of that is attributable to the top 10 stocks in the index. The market broadened out in the latter part of the year, but uncertainties remain high.

Strategy and Positioning — Inflationary Dynamics

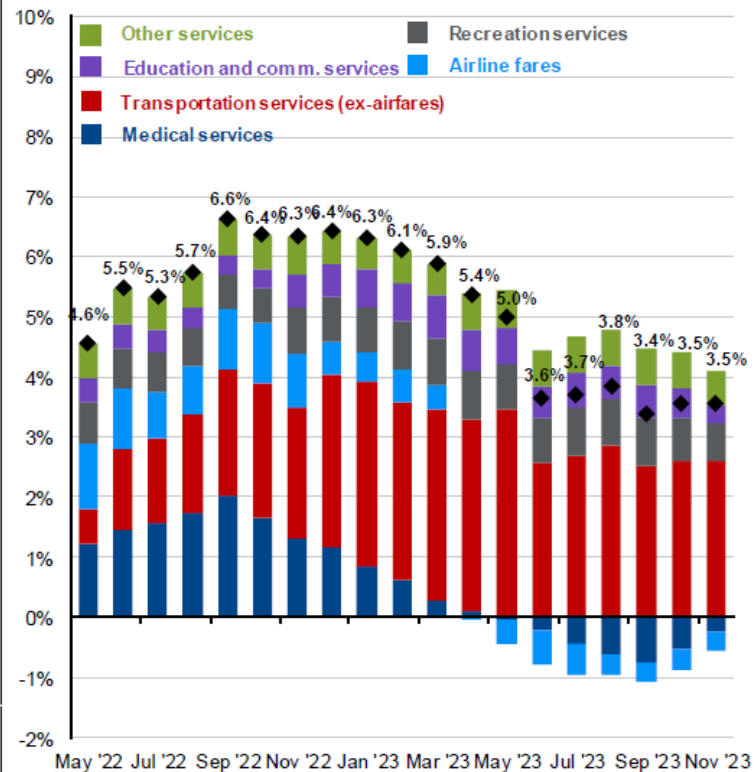
Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Contributors to core services ex-shelter CPI inflation*

Contribution to y/y % change in custom CPI index, non-seasonally adj.



- Inflation has come down over the year and since its peak in 2022, allowing the fed to display a more dovish tone and indicate the peaking of the rate hiking cycle.

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 December 31, 2023

TOTAL RATES OF RETURN AS OF 12/31/23		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
MANAGED FUNDS	Fixed Income Fund	10/1/1994	6.47%	5.70%	5.70%	-4.10%	-3.33%	1.01%	1.27%	3.66%
	Bloomberg U.S. Government/Credit Index		6.63%	5.72%	5.72%	-4.41%	-3.53%	1.41%	1.97%	
	Lipper Core Plus Fixed Income		6.89%	6.27%	6.27%	0.00%	-3.35%	1.58%	1.91%	
	Domestic Core Equity Fund	10/1/2005	11.64%	26.94%	26.94%	1.55%	10.04%	14.31%	11.10%	1.43%
	S&P 500 Index		11.69%	26.29%	26.29%	1.69%	10.00%	15.69%	12.03%	
	Lipper Large Cap Core		11.73%	25.18%	25.18%	0.00%	8.80%	14.65%	10.95%	
	Beyond Fossil Fuels Fund	11/3/2014	10.93%	24.08%	24.08%	0.70%	7.56%	11.96%	N/A	2.43%
	S&P 500/MSCI ACWI IMI net, linked		11.14%	21.58%	21.58%	-0.40%	5.46%	11.49%		
	Lipper Global Equity		10.87%	17.34%	17.34%	0.00%	5.02%	10.31%		
	Small Cap Equity Fund	10/1/2005	13.13%	18.34%	18.34%	-3.10%	2.34%	12.07%	7.57%	1.01%
	Russell 2000 Index		14.03%	16.93%	16.93%	-3.55%	2.22%	9.97%	7.16%	
	Lipper Small Cap Core		12.67%	16.00%	16.00%	0.00%	7.50%	10.98%	7.21%	
	International Equity Fund	10/1/2005	9.71%	14.22%	14.22%	-5.09%	-1.64%	6.73%	3.38%	3.13%
	MSCI ACWI ex US net/Custom Index, linked		9.75%	15.62%	15.62%	-1.45%	1.55%	7.08%	3.95%	
	Lipper International Equity		9.98%	16.65%	16.65%	0.00%	3.11%	7.57%	3.82%	
	Alternatives Fund	7/1/2010	-1.31%	1.36%	1.36%	2.92%	5.47%	6.33%	5.06%	N/A
	Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index		2.55%	2.17%	2.17%	0.31%	3.72%	5.32%	4.69%	

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

TOTAL RATES OF RETURN AS OF 12/31/23		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 46.30% Domestic Core Equity, 13.20% Small Cap Equity and 40.50% International Equity	10/1/1994	11.02%	20.44%	20.44%	-1.75%	4.12%	10.72%	7.12%	2.07%
	MSCI ACWI IMI net/Policy Index, linked		11.14%	21.58%	21.58%	-0.40%	5.46%	11.49%	7.79%	
	Lipper Global Equity		10.87%	17.34%	17.34%	0.00%	5.02%	10.31%	6.84%	
	UCF Balanced Fund 65.00% Equity, 34.70% Fixed Income and 0.30% C&E	<i>circa 1958</i>	9.19%	14.53%	14.53%	-2.27%	1.58%	7.08%	4.91%	2.61%
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		9.35%	15.55%	15.55%	-1.36%	2.34%	7.86%	5.74%	
	Lipper Mixed Asset Target Allocation UCF Balanced		8.74%	12.13%	12.13%	0.00%	2.18%	6.92%	5.10%	
	Beyond Fossil Fuels Balanced Fund 63.60% BFF, 33.00% Fixed Income and 3.40% C&E	11/3/2014	8.85%	16.52%	16.52%	-0.93%	3.63%	8.27%	N/A	2.71%
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index		9.35%	15.55%	15.55%	-1.36%	2.34%	7.86%		
	Lipper Mixed Asset Target Allocation UCF Balanced		8.74%	12.13%	12.13%	0.00%	2.18%	6.92%		
	Alternatives Balanced Fund 51.8% Equity, 15.1% Fixed Income, 32.0% Alternatives, 1.1% C&E	7/1/2010	6.03%	11.03%	11.03%	-0.94%	2.91%	7.48%	5.25%	N/A
	Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy		8.08%	13.13%	13.13%	-0.85%	2.87%	7.62%	5.69%	