

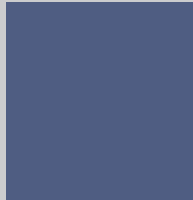
Investing for a Sustainable Future



2023 ANNUAL REPORT



CONTENTS



4

MESSAGE
FROM THE
**PRESIDENT AND
BOARD CHAIR**

6

2023
**HIGHLIGHTS AND
ACHIEVEMENTS**

Our Vision

Investment that
creates a just world
for all.



14

**SELECTED FUND
PERFORMANCE**

Our Mission

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

8

**RESPONSIBLE
INVESTING FOR
A SUSTAINABLE
FUTURE**



responsible
investor

RI USA 2023



10

**RESPONSIBLE
INVESTING FOR
A MORE JUST
FUTURE**

12

**COMPETITIVE
PERFORMANCE FOR
A SUSTAINABLE
FUTURE**



16

LEADERSHIP

15

**SELECTED
FINANCIAL
INFORMATION**

PRESIDENT AND BOARD CHAIR



The year 2023 was an eventful one – by turns challenging and hopeful, in so many ways. In the economy, around the globe, within our churches and communities and probably in our own lives, it was a seesaw year, filled with ups and downs, good news and bad.

Fortunately, we saw brightening signs of hope in the economy, with markets generally ending on a high note amidst easing inflation, movements toward lower interest rates, continued low unemployment and little sign of recession. And we are pleased to report that the assets you have entrusted to us at United Church Funds benefited from solid performance at the year’s end.

Still, it was a rocky ride, and as we reflect on that undulating journey, one key concept emerges

that is fundamental to the way we invest and steward your assets: sustainability.

Sustainability is key to carrying out, faithfully and consistently, our God-given mission for our churches and organizations. Just as it is important to sustain our hearts and souls in God’s nourishing word and in life-giving community, so it is with investing in ways that sustain both financial growth and the earth and its people. Otherwise, we would give up, lose steam and run dry at times of challenge or crisis.

“Investing for a Sustainable Future” describes our approach to responsible stewardship, and in the pages that follow, we report to you many of the ways we’ve accomplished this — from our robust responsible investing program to our competitive investment performance. You will also learn of our



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Sustainability is key to carrying out, faithfully and consistently, our God-given mission for our churches and organizations.

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ongoing commitments to ensuring a sustainable future through our work in racial justice, climate and nature, human rights and worker justice.

A 2023 CNBC story, reporting on our shareholder engagements, described UCF as an “activist investment firm” ([Dollar General, Dollar Tree urged to improve worker safety, wages](#)). For some, that is a pejorative term, describing perhaps a pesky shareholder meddling in corporate affairs and management. But at UCF, we consider it a badge of honor and an apt description of our approach. We invest actively and unabashedly, to make a difference, to ensure a sustainable future, for God’s people and God’s earth.

Thank you for allowing us to be partners with you in the ongoing journey of responsible stewardship.

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

Rev. Penny Lowes
Board Chair

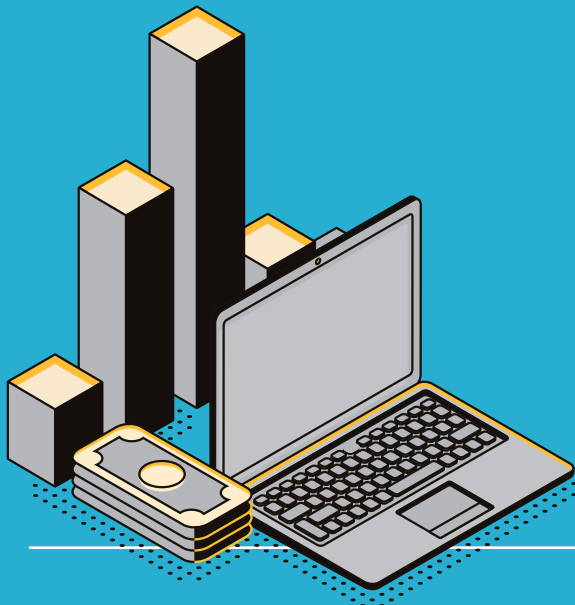
2023 HIGHLIGHTS + ACHIEVEMENTS



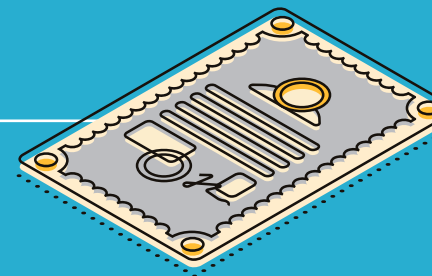
FINANCIAL CAPITAL

ASSETS UNDER
MANAGEMENT
\$993M

NEW ASSETS
\$28M



MISSIONS AND
MINISTRIES FUNDED
BY CLIENTS
\$60M



BROWN ENDOWMENT

SCHOLARSHIPS

\$182K MID
SCHOLARSHIPS

24 AWARDEES

17 UCC
CONFERENCES
REPRESENTED

GRANTS

\$90K CLERGY
CONTINUING
EDUCATION

11 PROGRAMS

400 AUTHORIZED
MINISTERS

RELATIONSHIP CAPITAL

NUMBER OF CLIENTS
1,067

NUMBER OF CLIENTS BASED ON CATEGORIES

929 CHURCHES
5 NATIONAL MINISTRIES
27 CONFERENCES & ASSOCIATIONS
28 HEALTH, WELFARE & PENSIONS
4 COLLEGE & SEMINARIES
74 OTHERS

CLIENT RETENTION RATE
97.8%

RESPONSIBLE & IMPACT INVESTING

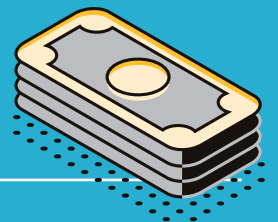
SHAREHOLDER RESOLUTIONS

11 SHAREHOLDER RESOLUTIONS FILED
7 LEAD FILER AND **4** CO-FILER
3 SHAREHOLDER RESOLUTIONS WITHDRAWN FOR AGREEMENT
20.8% AVERAGE SUPPORT FOR SHAREHOLDER RESOLUTIONS GOING TO A VOTE

IMPACT INVESTMENTS

\$250,000 INVESTED IN GREEN BONDS

\$1,750,000 INVESTED IN SOCIAL BONDS



DIVERSITY, EQUITY, INCLUSION

4 DIVERSE MANAGERS OVERSEEING OVER **60%** OF DOMESTIC PORTFOLIO



54% female
46% male
69% people of color
31% white



56% female
44% male
62.5% layperson
37.5% clergy
50% people of color
50% white

A SUSTAINABLE FUTURE

A FOCUS ON ESG

UCF, in collaboration with our partners, such as the Interfaith Center on Corporate Responsibility (ICCR), filed 11 shareholder resolutions on behalf of our clients to help create positive and meaningful changes in corporate practices.

These resolutions break down into the following ESG categories:



ENVIRONMENTAL

Phillips 66: Alignment of lobbying activities with Paris Agreement goals (Withdrawn: company agreed to enhanced lobbying disclosure)

Westlake: Reduction of single-use plastics (9.5% support and 41% of independent votes)

UCF minister and former conference minister Rev. Dr. Ginny Brown Daniel represented UCF at the Westlake Chemical shareholder meeting on May 11 in Houston, Texas.

Goldman Sachs: Reduction in greenhouse gas financing (12.6% support)

SOCIAL Advancing Workers' Rights

Dollar Tree: Reports on wage gaps (6.9% support)



Dollar General: Third-party audit of policies and practices around worker safety (Passed with 68% support)

YUM! Brands: Enhanced paid sick leave (20.5% support)

Advancing Human Rights

Keysight Technologies: Third-party review of human rights policy and Know Your Customer protocols (Withdrawn: company agreed to update disclosures and protocols)

Citi: Indigenous human rights impact assessment (31.4% support)

Advancing Reproductive Rights

HCA Healthcare: Affirmation of patients' rights to emergency abortions (Withdrawn: company agreed to add disclosure notices)

GOVERNANCE

Alphabet (lead filer): Enhanced lobbying disclosure (17.8% support and 47.7% of independent votes)



Meta/Facebook

(lead filer): Enhanced lobbying disclosure (14.6% support with 39.2% of independent votes)

INVESTING FOR IMPACT

Green Bond

World Bank Emission Reduction-Linked Bond
UCF Principal Amount: \$250,000. Used to help manufacture water purifiers and make clean water available to around 2 million children in Vietnam.



Social Bond
Japan International Cooperation Agency (JICA)

Peace Building Bond
UCF Principal Amount: \$1,750,000

Loan assistance projects related to peace, stability and reconstruction in countries and regions that were or are affected by conflicts.

Living Wage Campaign

UCF joined a coalition of investors with \$4.5 trillion in assets under management calling for a living wage and fairer labor practices.

ICCR Event, A Seat at the Table: Centering Workers to Build a More Inclusive and Equitable Economy.
Photo credit: ICCR.

A MORE JUST FUTURE

EDGEWOOD UNITED CHURCH: THREADS OF JUSTICE, COMPASSION AND COMMUNITY IMPACT

In the rich tapestry of Edgewood United Church's history, the threads of justice, compassion, and community intricately weave together, creating a compelling narrative of impact and change. Since its inception in 1953 as an offshoot of The People's Church, Edgewood has stood as a beacon of social justice, consistently striving for positive transformation in our community of East Lansing, Michigan, and beyond.



Throughout our journey, UCF has stood as a crucial financial stewardship partner for Edgewood. Our church has strategically chosen UCF, driven by the alignment of UCF's responsible investing principles with our deeply rooted values. The decision to entrust UCF with our endowment has proven instrumental in advancing our mission of promoting racial, social and environmental justice. Through judicious investments at UCF, Edgewood has not only grown our financial resources but has also leveraged them to contribute meaningfully to the church's broader goals.

One noteworthy initiative is our dedication to faith-based reparations. The Racial Justice Task Force, established in 2016, played a pivotal role in fostering understanding within our predominantly white congregation about institutional and systemic racism. This groundwork helped the work of the Justice League of Greater Lansing Michigan (JLGL). Formed in 2021 to facilitate reparations between houses of worship and collaborative partners, it quickly gained traction. In a momentous meeting in June 2023, Edgewood's congregational members unanimously voted to contribute \$100,000 from our church endowment funds to JLGL's reparation efforts. Edgewood's members and friends added \$73,000, bringing the total to \$173,000.

In addition to racial and social justice, environmental and climate justice are key cornerstones of our theology. We aspire to become a carbon-neutral, net-zero-energy institution and serve as an inspiring example for others. We manifested this aspiration by installing 70 solar panels and playing an instrumental role in the growth of the

Amy Dalton, Edgewood moderator (center), delivers the congregations' check to Prince Jerold Solace (left), president of JLGL, and Willye Bryan, founder and vice president of JLGL (right).

“

Selecting UCF as our investment partner is essential because of their rigorous screening processes and shareholder activism. It gives us peace of mind that, as a congregation, we invest responsibly and are helping to create a more just world.

”

Michigan Interfaith Power and Light to promote renewable and energy conservation throughout churches in Michigan and nationally.

Meanwhile, the Louise Sternberg Impact Fund exemplifies our commitment to significantly impacting an organization or project above and beyond their regular programs. Established in 2021 following a bequest from Louise Sternberg, a devoted church member, the fund awarded its inaugural grant of \$30,000 to the Salus Center, serving Lansing's LGBTQIA+ communities, to aid in board development and strategic planning.

Our work brought our congregants closer and fostered awareness of the needs around us, the interconnectedness and the role we've played. We aim to continue to promote social, racial and climate justice and to refuse engagement with unjust business practices. Selecting UCF as our investment partner is essential because of their rigorous screening processes and shareholder activism. It gives us peace of mind that, as a congregation, we invest responsibly and are helping to create a just world.

STRONG MARKET PERFORMANCE SUPPORTS A SUSTAINABLE FUTURE

INVESTMENT REVIEW

Global markets recovered strongly in 2023 after a challenging 2022, with markets up close to prior peaks. The only broad asset class and geography to end the year negative were the energy sector and China, respectively. U.S. equity markets (S&P 500) were up +26.29%, led by the top 10 companies contributing 86% of the return; international developed equity markets (MSCI EAFE) were up +18.24%; and emerging markets equities (MSCI EM) were up +9.83%. In fixed income markets, bonds, as represented by the Barclays Capital U.S. Government/Credit Index, were up +5.72% in 2023. The 10-year U.S. Treasury note yield was volatile but ended where it began the year at 3.88%.

Performance Summary

Most of the UCF managed funds and fund of funds ranked above their respective peer medians, except the Fixed Income Fund and International Equity Fund. The performance of the UCF Balanced Fund and Total Equity Fund exceeded peers while trailing the index. The Beyond Fossil Fuels (BFF) Balanced Fund had strong outperformance relative to peers and the index. The Alternatives Balanced Fund underperformed its benchmark.

During 2023, UCF redeemed its investment in Voya Bank Loans and funded a new fixed income strategy, PIMCO ESG Income. The team also initiated a redemption of the Heitman Real Estate Fund.

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.

Equity Funds The Total Equity Fund returned +20.44%, underperforming its benchmark by 1.14%, net of fees. The Domestic Core Equity and Small Cap Equity Funds returned +26.94% and +18.34%, respectively, outperforming their benchmarks by 0.65% and 1.41%, net of fees. The International Equity Fund returned +14.22%, underperforming its benchmark by 1.40%, net of fees. The weakness in the International Equity Fund was due to growth-oriented managers.

The Fixed Income Fund slightly trailed its benchmark, +5.70% vs. +5.72%, which can partially be attributed to significant yield volatility.

Balanced Funds The BFF Balanced Fund's performance of +16.52% was well above the benchmark and peers, outperforming by 0.97%

and 4.39%, respectively. The UCF Balanced Fund performance of +14.53% was below its benchmark but above peers.

Alternatives Balanced Funds The Alternatives Balanced Fund underperformed its benchmark with a return of 11.03%, net of fees. Alternative managers had mixed performances.

MARKET OUTLOOK

Market participants are now expecting a soft economic landing with continued growth but at a slower pace, inflation moderating further and central banks cutting interest rates in 2024. Volatility and risks will continue, given that it's an election year for countries representing 70% of global GDP, and geopolitical tensions remain.



David A. Klassen

David A. Klassen
Chief Investment Strategist



Lan Cai

Lan Cai
Deputy Chief Investment Strategist



Minoti Dhanaraj

Minoti Dhanaraj
Director of Investments

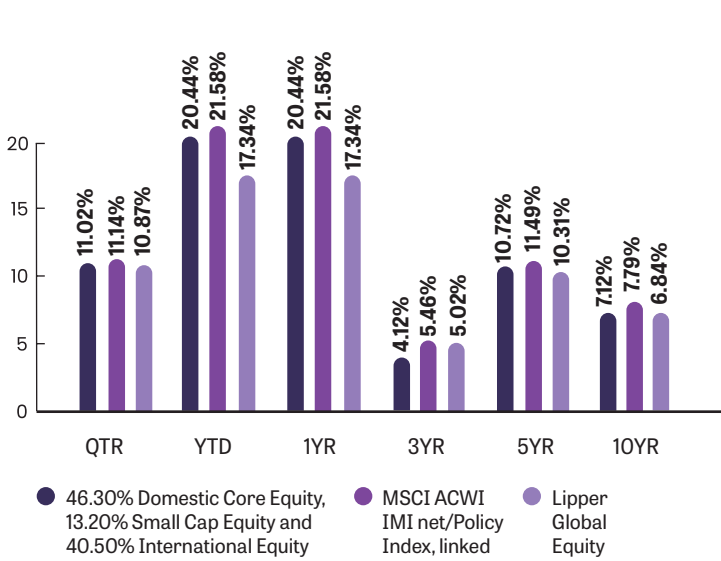


SELECTED FUND PERFORMANCE

As of 12/31/2023

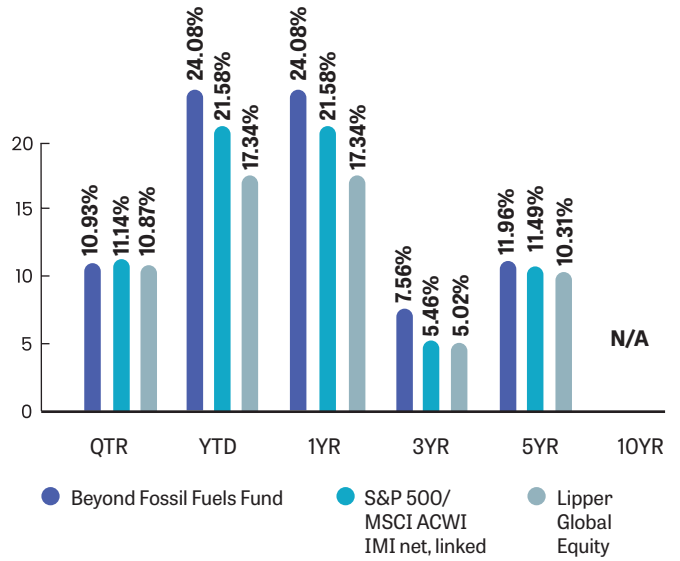
TOTAL EQUITY PERFORMANCE

Current Yield: **2.07%** Unit Value: **\$23.86** Market Value: **\$399.2M**



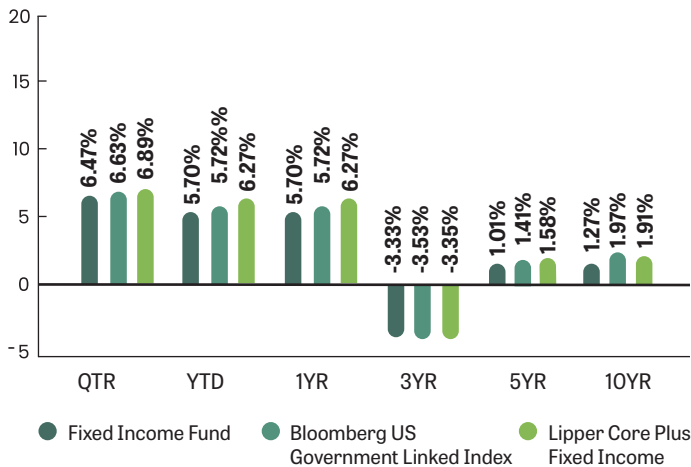
BEYOND FOSSIL FUELS PERFORMANCE

Current Yield: **2.43%** Unit Value: **\$18.07** Market Value: **\$127.1M**



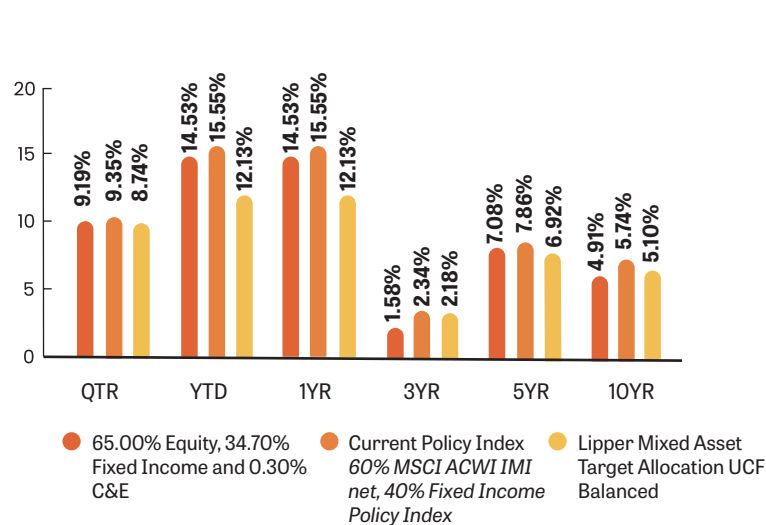
FIXED INCOME PERFORMANCE

Current Yield: **3.66%** Unit Value: **\$4.47** Market Value: **\$180.9M**



UCF BALANCED PERFORMANCE

Current Yield: **2.61%** Unit Value: **\$13.56** Market Value: **\$319.3M**



SELECTED FINANCIAL INFORMATION

As of 12/31/2023

FINANCIAL POSITION	2023 UNAUDITED	2022 AUDITED
ASSETS		
Investments	\$ 995,634,339	\$ 895,208,000
Other Assets	\$ 32,840,661	\$ 34,490,000
Total	\$ 1,028,475,000	\$ 929,698,000
LIABILITIES		
Common Investment Funds	\$ 989,738,000	\$ 890,051,000
Endowments, Split-Interest Agreements & Other	\$ 27,924,000	\$ 29,552,000
Total	\$ 1,017,662,000	\$ 919,603,000
NET ASSETS	\$ 10,813,000	\$ 10,095,000

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) \$7,620,000 for 2023 and \$5,780,000 for 2022 as compared to expenses in 2023 of (unaudited) \$6,903,000 and 2022 of \$8,620,000.

In 2023, UCF maintained its 98% client retention rate while accepting approximately \$28.07 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



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Vice President, Institutional
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Institutional Relationships
Associate



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Associate, Communications
& Administration



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Associate, Marketing &
Communications



Ms. Tiffany Williams
Accounting & Client Services
Associate



Mr. Michael Zivanov
Junior Accountant

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Shidler College of Business,
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United Church of Christ
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Julia Gaughan

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Investing with a Mission: Performance Beyond the Numbers



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The Interfaith Center on Corporate Responsibility

UNITED  CHURCH FUNDS