

MARKET UPDATE TOWN HALL MEETING

FIRST QUARTER 2024

May 16, 2024



United Church Funds

Investing Together for a Sustainable World

United Church Funds – About Us

Investing Together for a Sustainable World

- ❖ **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

United Church Funds – Welcome!

Town Hall Meeting Agenda

- ✓ **Welcome and Introductions** Charles Buck, *President & CEO*
- ✓ **UCF Organizational Updates** Stacey Pettice, *Executive, Institutional Relationships*
- ✓ **Responsible Investing Updates** Matthew Illian, *Director of Responsible Investing*
- ✓ **Market and Fund Updates** Matt Wagner, *VP, Institutional Relationships*
Stacey Pettice
- ✓ **Q& A with Townhall Participants** David Klassen, Lan Cai and Minoti Dhanaraj
Investments Team

United Church Funds – Organizational Updates

❖ UCF Unveils New Logo, Branding and Language!



- ❑ **Our Mission:** To support our clients' missions through sustainable and responsible investing.
- ❑ **Our Vision:** A just and sustainable world for all.
- ❑ Read More [Here](#).

❖ UCF Staff Near You in Spring 2024:

- ❑ New York Conference: May 31-June 1
- ❑ Pennsylvania Combined Conferences: June 6-9
- ❑ Southern California-Nevada Conference: June 7-8
- ❑ Hawai'i Conference: June 13-15
- ❑ Southern New England Conference: June 21-22

❖ UCF Releases Statement Responding to Israel Protests and Calls for Divestment. Read It [Here](#).

❖ UCF 2023 Annual Report Available Now. View and Download It [Here](#).

Responsible Investing

Investment that Creates a Just World for All



Responsible Investing – 2024 Shareholder Resolutions

United Church Funds is Calling For:

**WELLS
FARGO**

Respect for Freedom of Association.
(Partnering with AFL-CIO)
(Vote Result: 30.5%)

JPMorgan

Enhanced Recognition of
Indigenous Peoples' Rights.
(May 21)

ExxonMobil

Review of Support for
Single-Use Plastics.
(May 29)

HCA
Healthcare

Report Impacts of State Restrictions
on Providing Emergency Abortions.
(Vote Result: 8.2%)



**Alphabet
Google**

Enhanced Lobbying Disclosure.
(June 7)

Westlake

Independent Report on Shifting
from Virgin to Recycled Plastics.
(Vote Result: 6.6%)

FedEx

Assessment of Lobbying
Impact on 2040 Carbon Goal.
(September)

Poll Questions

Responsible Investing – Evolving Beyond Divesting in BFF

UCF Updates Equity Strategy of Beyond Fossil Fuels Funds to Align with Net Zero Goals

- ❖ BFF funds manager has enhanced strategy to reduce carbon emissions intensity* by 50%. Read more about this [here](#).
- ❖ Watch Stacey Pettice’s interview with Stacie Mintz, PGIM Quantitative Solutions’ Managing Director and Head of Quantitative Equity, [here](#).

*A measurement that helps compare carbon footprints across companies by controlling for sales revenue.



Responsible Investing – Interview with Stacie Mintz



Responsible Investing – The War on Plastic

THE LAUNDROMAT ExxonMobil Picks a Fight With Church

Richard Tyszkiewicz | 5 min. | April 17, 2024



Share post: Facebook X Twitter LinkedIn

ExxonMobil has responded to a shareholder resolution on plastics with an astonishing attack on the filer and arguably the entire concept of shareholder democracy. The resolution was filed by United Church Funds with support from California-based shareholder advocacy nonprofit As You Sow. It raises the issue of single-use plastics and ExxonMobil's exposure to potential regulatory moves to curtail their use. The resolution, and ExxonMobil's response to it come to light when the company filed its 2023 proxy statement with the Securities and Exchange Commission (SEC) on 11 April.

In presenting their case the filers refer to respected source material from the likes of the WWF, United Nations, European Union, National Geographic, and the US Environmental Protection Agency (EPA). The resolution states: "Of particular concern are single-use plastics (SUPs), which make up the bulk of the 20-26 million metric tons of plastic ending up in waterways annually. Without drastic action, this amount could triple by 2050." It argues that a shift away from virgin plastic production is crucial to resolving the fast-growing plastic waste problem, as advocated by the EPA and further laid out in detail in the comprehensive [Breaking the Plastic Wave Report](#) produced by the Pew Charitable Trusts and Systemiq.

NORDSIP INSIGHTS



Ongoing Actions to Reduce Plastic

- ❖ 2023 General Synod Resolution, [Free From Plastic Pollution](#), advocates for approaches that promote alternatives and reduces overall plastic usage.
- ❖ Two UCF shareholder resolutions on plastic pending with ExxonMobil and Westlake, in partnership with [As You Sow](#).
- ❖ UCF Sends letter to Goldman Sachs calling for a cessation of lending to Formosa Plastics Group, in partnership with [Rise St. James](#). Read the letter [here](#).

Read the full article [here](#).

Strategy and Positioning

Market Performance and Analysis for First Quarter, 2024



Strategy and Positioning – Market Themes

- ❖ **Markets Remain Uncertain Despite a Strong Quarter:** Global markets posted strong returns in the first quarter, led by the U.S., defying the headwinds caused by increased uncertainty around inflation and the Fed’s interest rate path. Elevated volatility is expected with lack of clarity in monetary policy and path.
- ❖ **Fixed Income Markets Exhibited a Sharp Reversal:** As the Fed and market expectations around the interest rate path changed substantially during the quarter, the level of rates and the volatility rose, providing opportunities once again within fixed income markets.
- ❖ **Politics and regional conflicts gaining investors’ attention:** Although markets tend to have short-lived reaction towards regional conflicts, investors started to factor in political risks, given that it’s an election year for many countries, and market is at relatively high valuation.
- ❖ **Dynamic and Diversified Allocations:** We continue to approach your investments through the lens of sustainability, and our asset allocation approach continues to focus on long-term trends, while acknowledging and taking advantage of short- to medium-term opportunities.

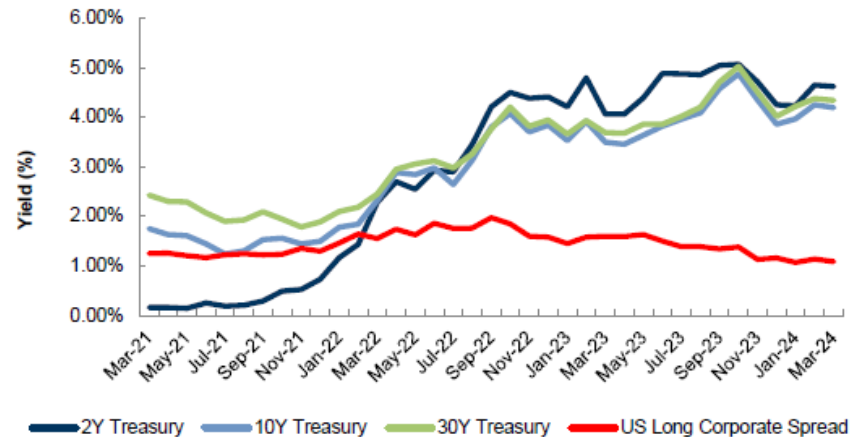
Investment Performance – Markets as of March 31, 2024

Public Markets Performance (USD)

| | Q1 | 2023 | 3 Yr | 5 Yr | 10 Yr |
|----------------------------|-------|-------|-------|-------|-------|
| MSCI World | 8.9% | 23.8% | 8.6% | 12.1% | 9.4% |
| MSCI World ESG Leaders | 9.7% | 25.4% | 9.3% | 12.7% | 9.6% |
| ACWI IMI | 7.7% | 21.6% | 6.3% | 10.6% | 8.4% |
| S&P 500 | 10.6% | 26.3% | 11.5% | 15.1% | 13.0% |
| Russell 1000 | 10.3% | 26.5% | 10.5% | 14.8% | 12.7% |
| MSCI EAFE | 5.8% | 18.2% | 4.8% | 7.3% | 4.8% |
| Russell 2000 | 5.1% | 16.4% | -0.5% | 7.7% | 7.2% |
| MSCI EM Equity | 2.4% | 9.8% | -5.0% | 2.2% | 3.0% |
| Barclays US Govt/Credit | -0.7% | 5.7% | -2.3% | 0.6% | 1.7% |
| Barclays Global Aggregate | -2.1% | 5.7% | -4.7% | -1.2% | -0.1% |
| Barclays US Long Treasury | -3.3% | 3.1% | -8.0% | -2.8% | 1.2% |
| Barclays US Long Corporate | -1.7% | 10.9% | -4.3% | 1.0% | 3.1% |
| JPM EM Debt | 2.0% | 11.1% | -1.4% | 0.7% | 3.0% |
| JPM EM Debt Local | -2.1% | 12.7% | -1.6% | 0.1% | -0.3% |
| Barclays Global High Yield | 2.1% | 14.0% | 1.2% | 3.1% | 3.5% |
| FTSE/NAREIT Global | -1.3% | 9.9% | -1.0% | 0.0% | 3.2% |
| GSCI Commodities | 10.4% | -4.3% | 18.1% | 7.8% | -2.9% |

As of 31-March-2024. 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 (%)

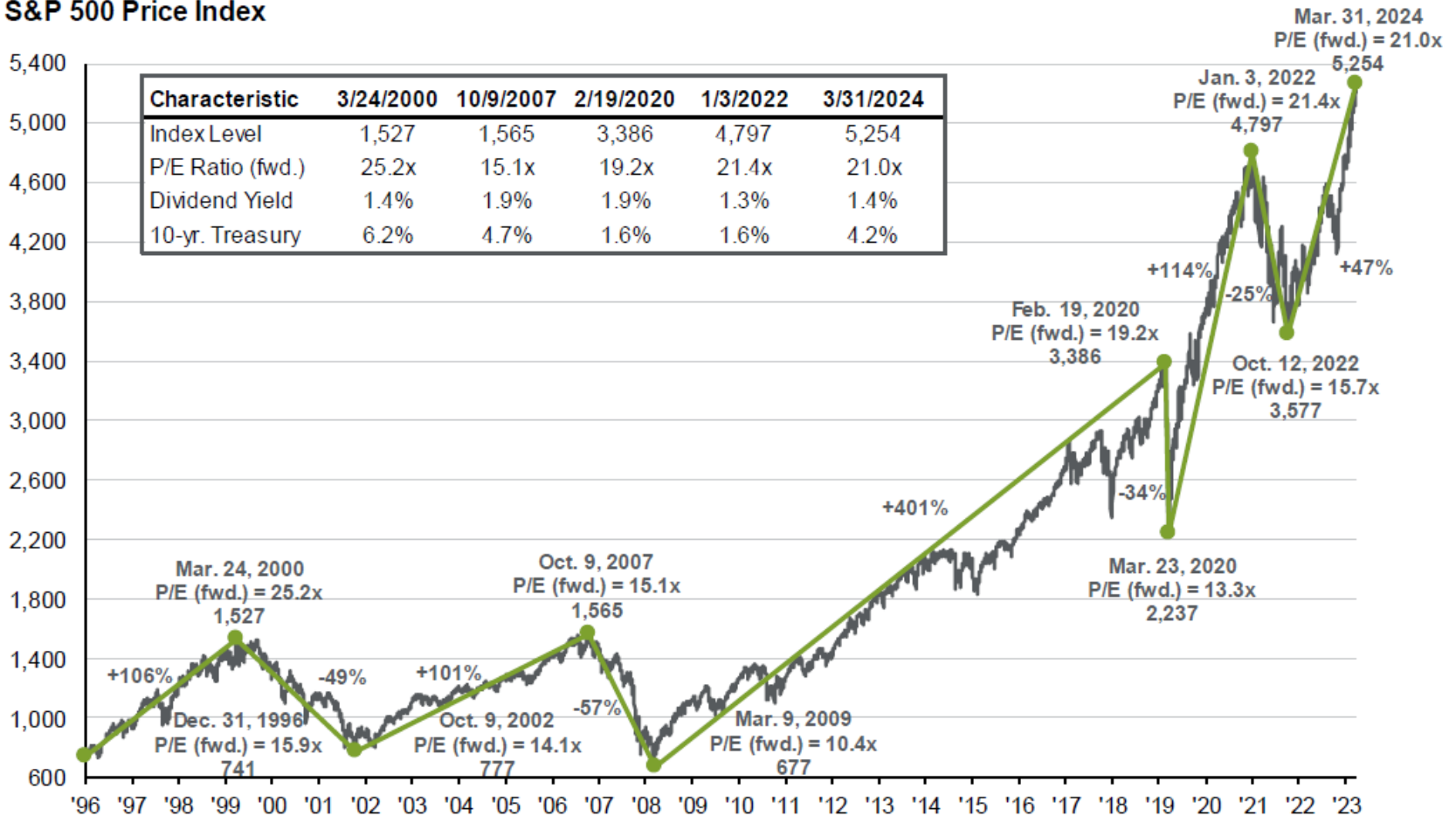


Changes in Yields and Spreads by Maturity (%)

| | Mar 2024 (%) | Δ MTD (%) | Δ QTD (%) | Δ YTD (%) |
|---------------------------------|--------------|-----------|-----------|-----------|
| Risk Free | | | | |
| 2Y Treasury | 4.62 | (0.03) | 0.37 | 0.37 |
| 10Y Treasury | 4.19 | (0.06) | 0.34 | 0.34 |
| 30Y Treasury | 4.34 | (0.04) | 0.32 | 0.32 |
| US Long Corporate Spread | 1.08 | (0.05) | (0.08) | (0.08) |
| US Long Corporate Yield | 5.46 | (0.12) | 0.23 | 0.23 |

Strategy and Positioning – S&P 500 at Inflection Points

S&P 500 Price Index

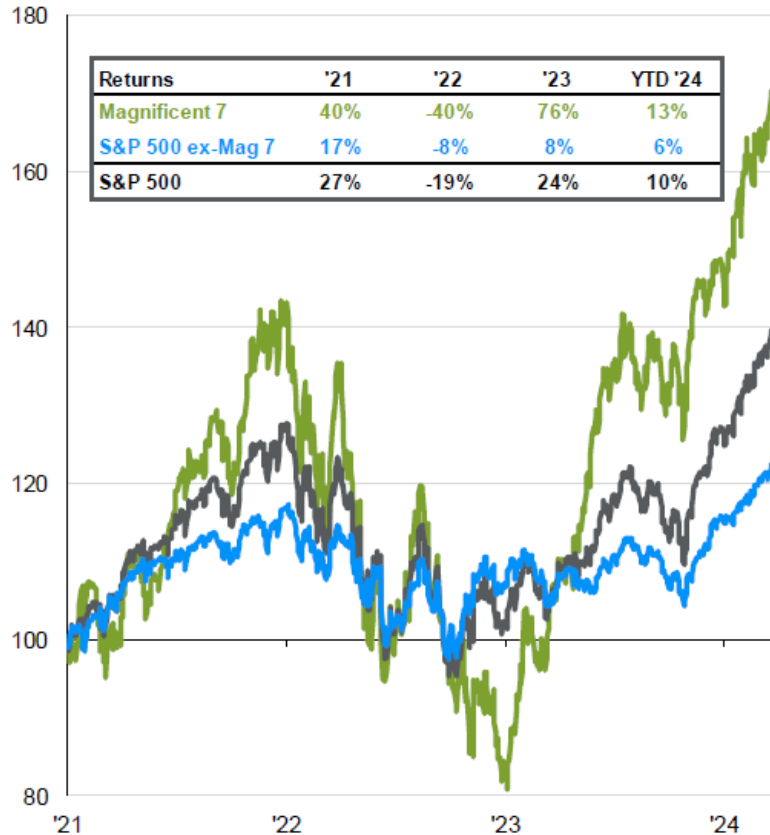


- ❖ The S&P 500 continued its rally in the first quarter as the multiples further expanded, and the “Magnificent 7” continued to outperform the rest of the market.

Strategy and Positioning – S&P 500 Earning Dynamics

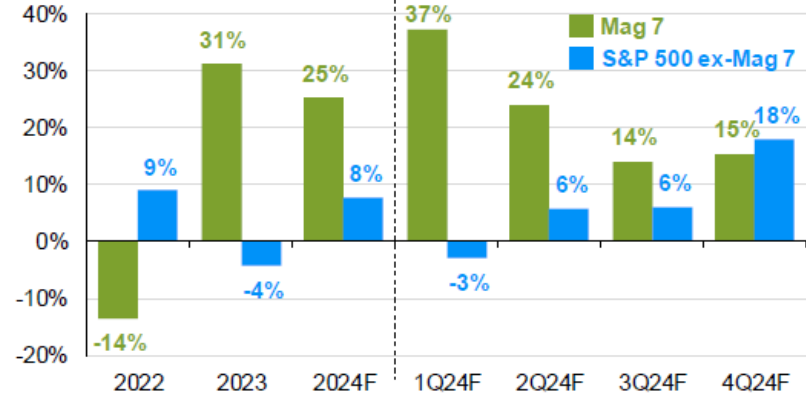
Performance of “Magnificent 7” stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



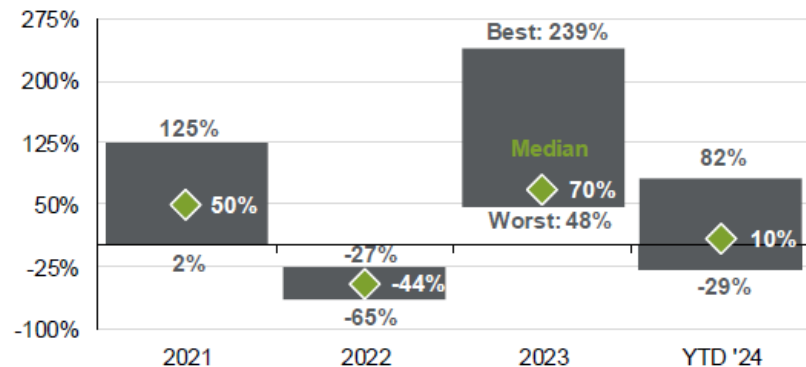
Earnings growth

Pro-forma EPS, y/y



Magnificent 7 performance dispersion

Price returns, best, median and worst performing Mag 7 stock by year

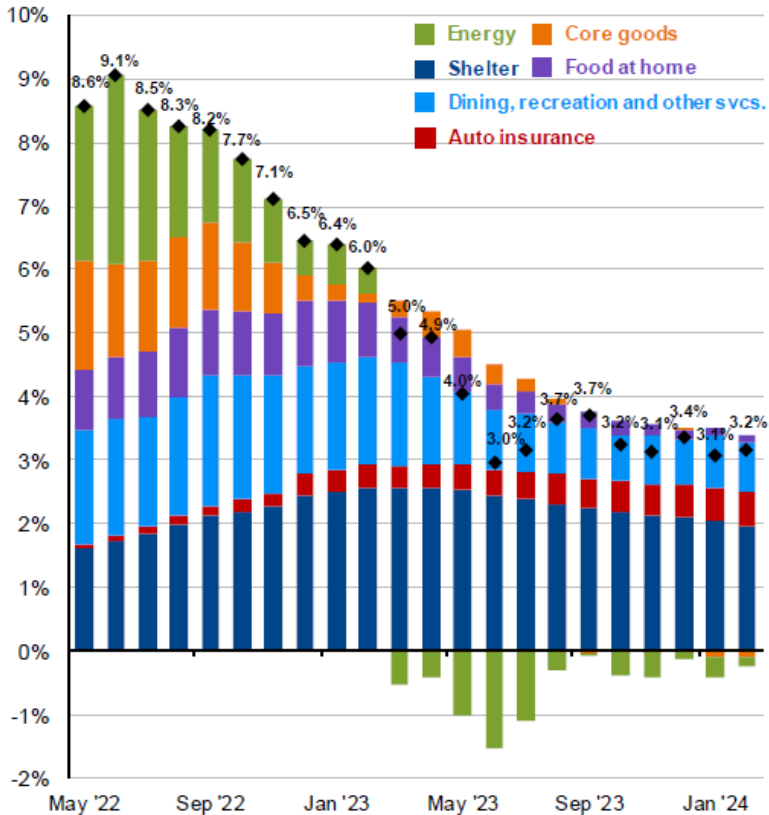


- ❖ As the earnings for the S&P 500 ex-Mag 7 catches up with “Magnificent 7” per market expectations, stock market performance could further broaden out, providing some downside protection to the equity markets.

Strategy and Positioning – Inflationary Dynamics

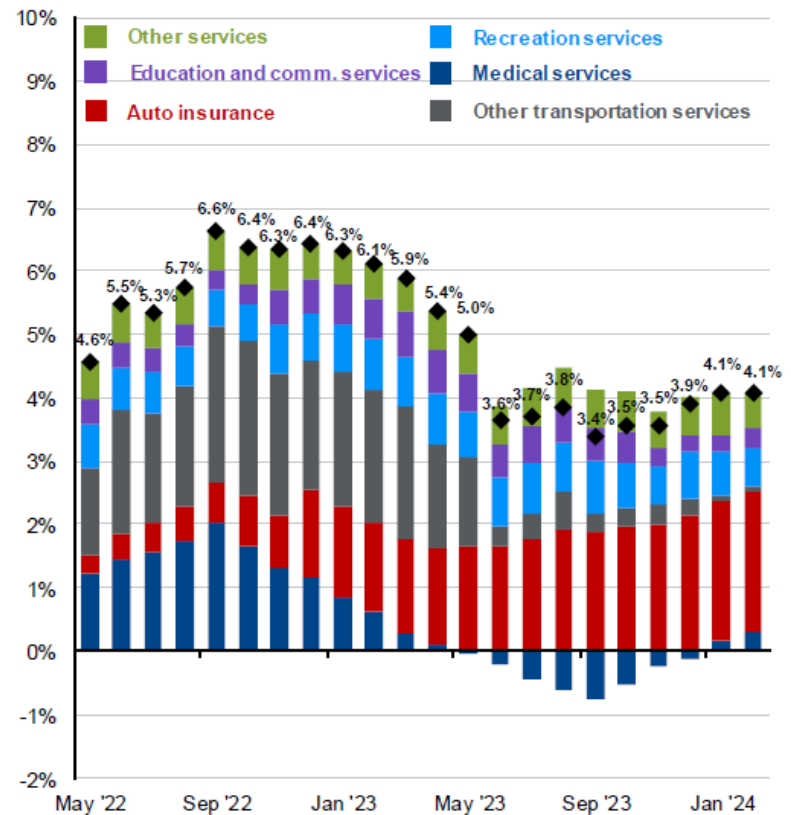
Contributors to headline CPI inflation

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.



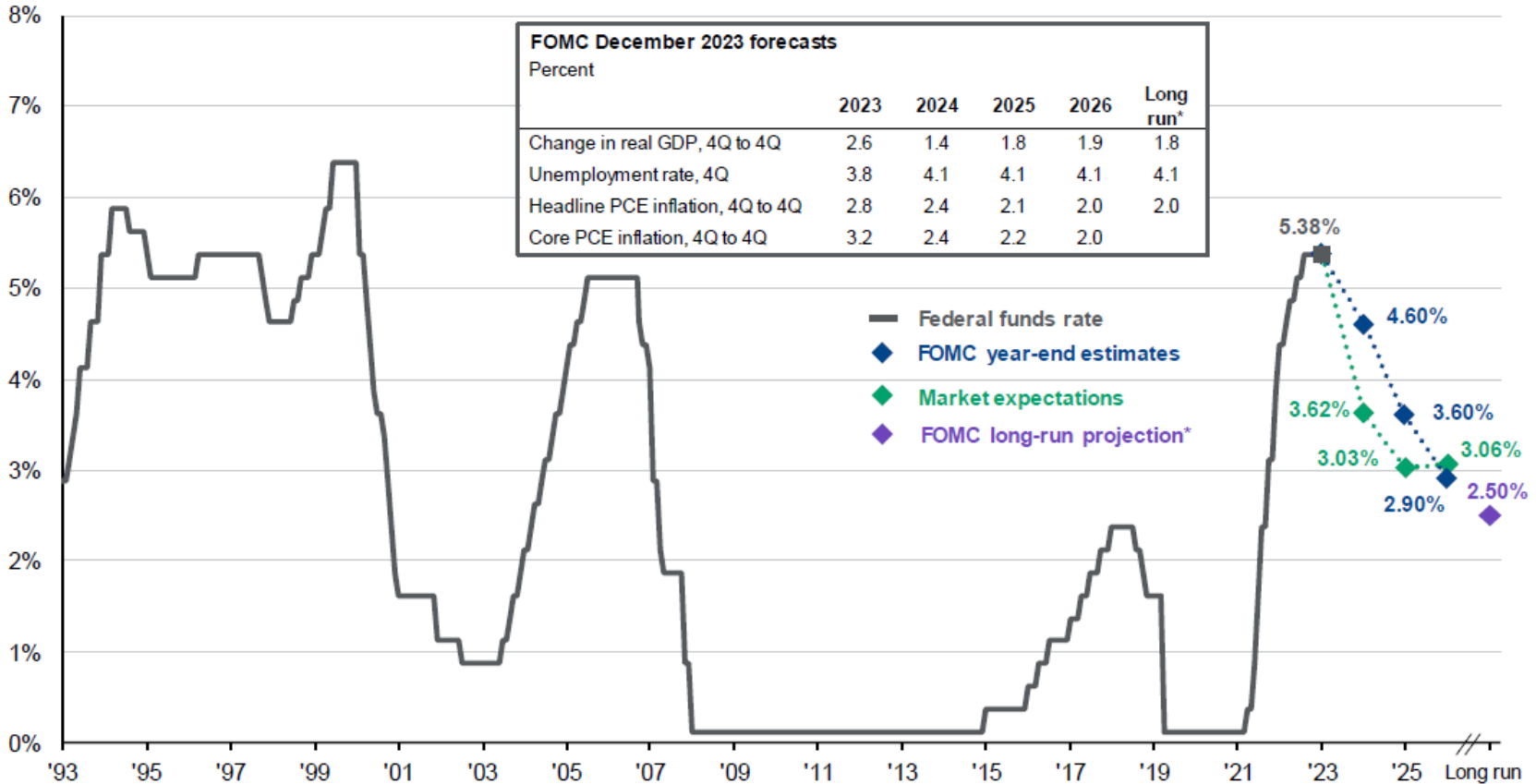
- ❖ The inflation data across core and headline measurements have become stickier in the past few months, while the employment data have remained remarkably strong, forcing the Fed and market participants to reevaluate the interest rate path going forward.

Strategy and Positioning – The Fed and Interest Rates

12/31/23

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



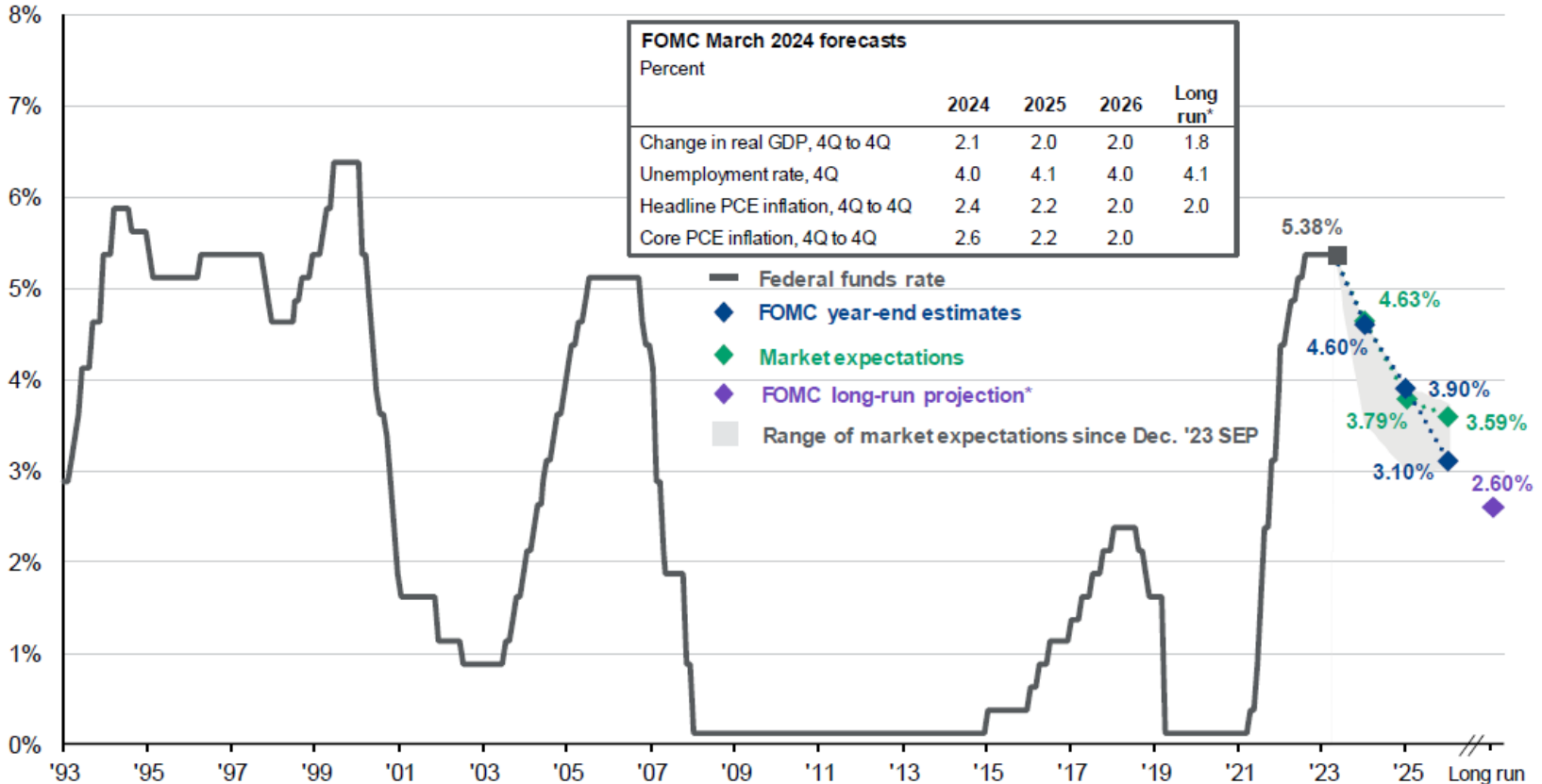
❖ Market expectations for Fed rate cuts changed significantly from the end of 2023 until now.

Strategy and Positioning – The Fed and Interest Rates

4/19/24

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

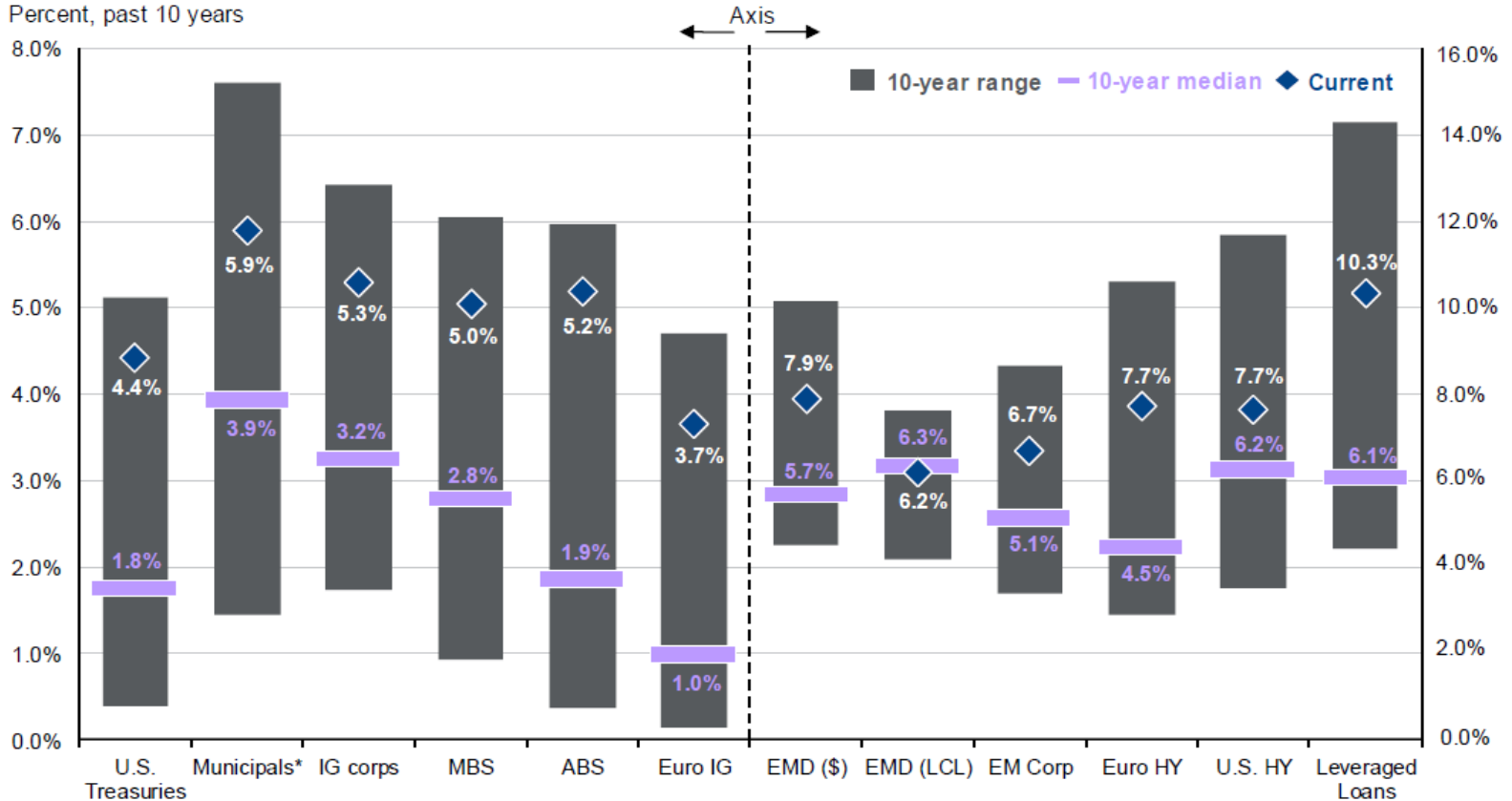


❖ Market expectations for Fed rate cuts changed significantly from the end of 2023 until now.

Strategy and Positioning – Valuation and Dynamics

Yield-to-worst across fixed income sectors

Percent, past 10 years



- ❖ Fixed Income performance reversed during the first quarter of the year and has continued to erode, as yields have jumped sharply in recent weeks on the back of elevated inflation data, creating opportunities across fixed income sub-asset classes.

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, 2024

| TOTAL RATES OF RETURN AS OF 3/31/24 | | ANNUALIZED | | | | | | | | |
|---|-----------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|
| <i>Returns on UCF's funds are presented net of fees</i> | | Inception Date | Quarter | Year To Date | One Year | Two Years | Three Years | Five Years | Ten Years | Current Yield |
| Beyond Fossil Fuels Fund | 11/3/2014 | 11.70% | 11.70% | 29.83% | 9.56% | 8.79% | 11.81% | N/A | 2.23% | |
| S&P 500/MSCI ACWI IMI net, linked | | 7.72% | 7.72% | 22.45% | 6.32% | 6.31% | 10.57% | | | |
| Lipper Global Equity | | 6.25% | 6.25% | 16.93% | 0.00% | 5.13% | 9.01% | | | |
| Domestic Core Equity Fund | 10/1/2005 | 11.06% | 11.06% | 31.01% | 9.44% | 11.39% | 14.00% | 12.01% | 1.33% | |
| S&P 500 Index | | 10.56% | 10.56% | 29.88% | 9.47% | 11.49% | 15.05% | 12.96% | | |
| Lipper Large Cap Core | | 10.79% | 10.79% | 29.78% | 0.00% | 10.40% | 14.19% | 12.03% | | |
| International Equity Fund | 10/1/2005 | 3.28% | 3.28% | 9.94% | 2.17% | -1.80% | 5.21% | 3.63% | 3.07% | |
| MSCI ACWI ex US net/Custom Index, linked | | 4.69% | 4.69% | 13.26% | 3.69% | 1.94% | 5.97% | 4.39% | | |
| Lipper International Equity | | 5.13% | 5.13% | 13.59% | 0.00% | 3.36% | 6.60% | 4.31% | | |
| Small Cap Equity Fund | 10/1/2005 | 7.42% | 7.42% | 22.00% | 4.34% | 1.44% | 10.14% | 8.18% | 1.00% | |
| Russell 2000 Index | | 5.18% | 5.18% | 19.71% | 2.87% | -0.10% | 8.11% | 7.58% | | |
| Lipper Small Cap Core | | 5.74% | 5.74% | 19.51% | 0.00% | 4.22% | 9.52% | 7.69% | | |
| Fixed Income Fund | 10/1/1994 | -0.31% | -0.31% | 2.30% | -1.57% | -2.34% | 0.25% | 1.05% | 3.74% | |
| Bloomberg US Government Linked Index | | -0.72% | -0.72% | 2.69% | -0.72% | -1.60% | 1.06% | 1.91% | | |
| Bloomberg U.S. Government/Credit Index | | -0.72% | -0.72% | 1.74% | -1.59% | -2.35% | 0.62% | 1.70% | | |
| Lipper Core Plus Fixed Income | | -0.28% | -0.28% | 2.73% | 0.00% | -2.38% | 0.80% | 1.66% | | |
| Alternatives Fund | 7/1/2010 | 4.47% | 4.47% | 5.96% | 4.00% | 7.47% | 6.96% | 5.41% | N/A | |
| Custom Index 70% HFRI Funds of Funds Composite Index, 30% NCREIF Fund Index | | 2.74% | 2.74% | 3.57% | 0.66% | 3.34% | 4.76% | 4.67% | | |
| Cash & Equivalent Fund | | 1.28% | 1.28% | 5.12% | 3.82% | 2.54% | 1.90% | 1.28% | 5.19% | |
| Lipper Money Market Funds Index | | 1.30% | 1.30% | 5.25% | 3.91% | 2.60% | 1.92% | | | |

MANAGED FUNDS

Investment Performance — Funds of Funds as of March 31, 2024

| TOTAL RATES OF RETURN AS OF 3/31/24 | | | | | | 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 | 10/1/1994 | 7.40% | 7.40% | 20.86% | 5.77% | 4.62% | 9.74% | 7.72% | 1.97% |
| | 47.10% Domestic Core Equity, 13.40% Small Cap Equity and 39.50% International Equity | | | | | | | | | |
| | MSCI ACWI IMI net/Policy Index, linked | | 7.72% | 7.72% | 22.45% | 6.32% | 6.31% | 10.57% | 8.49% | |
| | Lipper Global Equity | | 6.25% | 6.25% | 16.93% | 0.00% | 5.13% | 9.01% | 7.42% | |
| | UCF Balanced Fund | <i>circa 1958</i> | 4.59% | 4.59% | 13.75% | 3.28% | 2.26% | 6.33% | 5.21% | 2.51% |
| | 65.70% Equity, 32.60% Fixed Income and 1.70% C&E | | | | | | | | | |
| | Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index | | 4.30% | 4.30% | 14.29% | 3.66% | 3.26% | 6.96% | 6.04% | |
| | Lipper Mixed Asset Target Allocation UCF Balanced | | 4.49% | 4.49% | 12.88% | 0.00% | 2.79% | 6.27% | 5.42% | |
| | Beyond Fossil Fuels Balanced Fund | 11/3/2014 | 6.65% | 6.65% | 17.98% | 5.17% | 4.62% | 7.90% | N/A | 2.62% |
| | 63.30% BFF, 34.20% Fixed Income and 2.50% C&E | | | | | | | | | |
| | Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index | | 4.30% | 4.30% | 14.29% | 3.66% | 3.26% | 7.86% | | |
| | Lipper Mixed Asset Target Allocation UCF Balanced | | 4.49% | 4.49% | 12.88% | 0.00% | 2.79% | 6.27% | | |
| Alternatives Balanced Fund | 7/1/2010 | 5.07% | 5.07% | 12.62% | 3.81% | 3.98% | 7.00% | 5.61% | N/A | |
| 51.8% Equity, 15.1% Fixed Income, 32.0% Alternatives, 1.1% C&E | | | | | | | | | | |
| Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy | | 4.16% | 4.16% | 12.53% | 3.33% | 3.53% | 6.79% | 5.95% | | |