



United Church Funds
Investing Together for a Sustainable World

Client Town Hall Meeting

Second Quarter 2024

August 15, 2024



United Church Funds (UCF) – Overview

Investing Together for a Sustainable Future

- ✓ Trusted investment provider to 1,200 local churches, religious judicatories and faith-based non-profits, with over \$1.2 billion in assets under management
- ✓ Experienced non-profit partner to fiduciaries in the development, management and governance of endowments
- ✓ Recognized leader in responsible investing strategies aligned with the United Church of Christ and like-minded progressive Christians



Poll Question

UCF Responds to Congress

 BACK TO NEWS & RESOURCES

UCF Responds to Congressional Inquiry Over Responsible Investing

On Tuesday, July 30, Congressman Jim Jordan (R) of Ohio Chairman of the House Judiciary Committee, and Congressman Thomas Massie (R) of Kentucky, Chair of the Subcommittee on the Administrative State, Regulatory Reform, and Antitrust, sent a **letter** to United Church Funds (UCF) and over 130 other institutional asset owners and managers requesting information on their responsible investing strategies as they relate to climate goals.

To read the full letter and UCF's response, visit

<https://ucfunds.org/ucf-responds-to-congressional-inquiry-over-responsible-investing/>

Welcome!

Town Hall Meeting Agenda

- **Welcome and Introduction** 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

Organizational Updates

- UCF Welcomes Noah Tabor as General Counsel.
- UCF Releases Infographic Showing Continuing Efforts to Increase DEI Across Our Organizations. View it [HERE](#).
- UCF Celebrates 30 Years as Administrator of Brown Endowment. View a Report on the Program's Impact [HERE](#).
- Fund Fact Sheets for Q224 are now available! View and download them [HERE](#).
- UCF Staff Near You in Fall 2024:
 - Responsible Investment Forum West (Palo Alto, CA): September 4-5
 - Climate Week NYC: September 24-25
 - Heartland Conference (Columbus, OH): September 27-28
 - Kansas-Oklahoma Conference (Wichita, KS) : October 4-5
 - Central Atlantic Conference (Baltimore, MD): October 4-5
 - PRI in Person (Toronto, Canada): October 8-10
 - Florida Conference (Orlando, FL): October 17-19
 - Missouri Mid-South Conference: October 17-19
 - Illinois Conference (Western Springs, Illinois): October 31-November 2



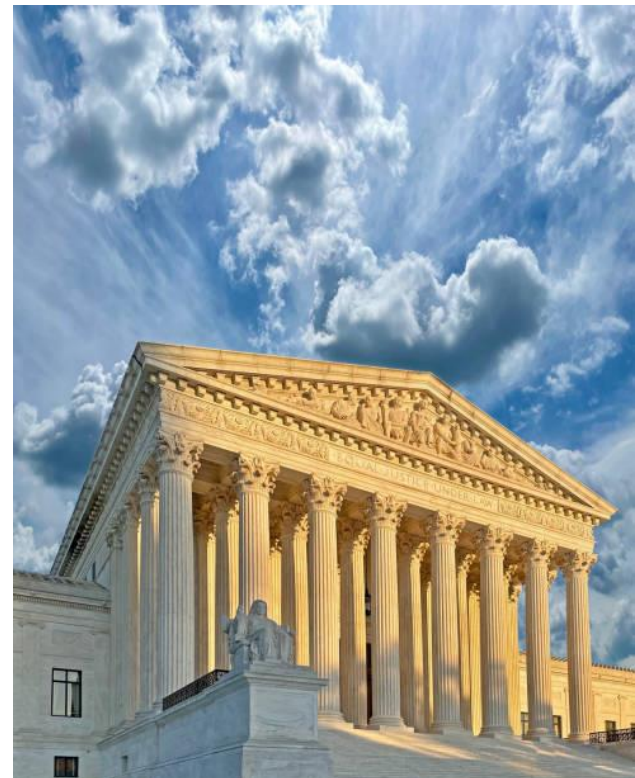
Responsible Investing

Poll Questions

Responsible Investing – Supreme Court Regulator Shakeup

Four Recent Supreme Court Decisions Have Major Impact on Federal Regulators

- **Loper Bright Enterprises v. Raimondo:** Overturns 40-Year-Old “Chevron Decision,” Rolling Back Authority of FDA and Other Federal Agencies.
- **Corner Post v. Fed Board of Governors:** Alters Statute of Limitations for Challenging Agency Actions.
- **Ohio v. EPA:** Pauses “Good Neighbor Rule” Intended to Curb Emissions from Power Plants.
- **SEC v. Jarkesy:** Strips SEC of Key Enforcement Tool in Seeking Civil Penalties Against Defendants for Securities Fraud.



Responsible Investing – Supreme Court Regulator Shakeup

Reaction from Responsible Investors



The Corner Post decision, coupled with the Court ending Chevron deference in the Loper/Relentless decision, is an unprecedented attack on the federal government's ability to protect people and the environment they depend on.

– Raúl García, Earthjustice
Read the full statement [here](#).

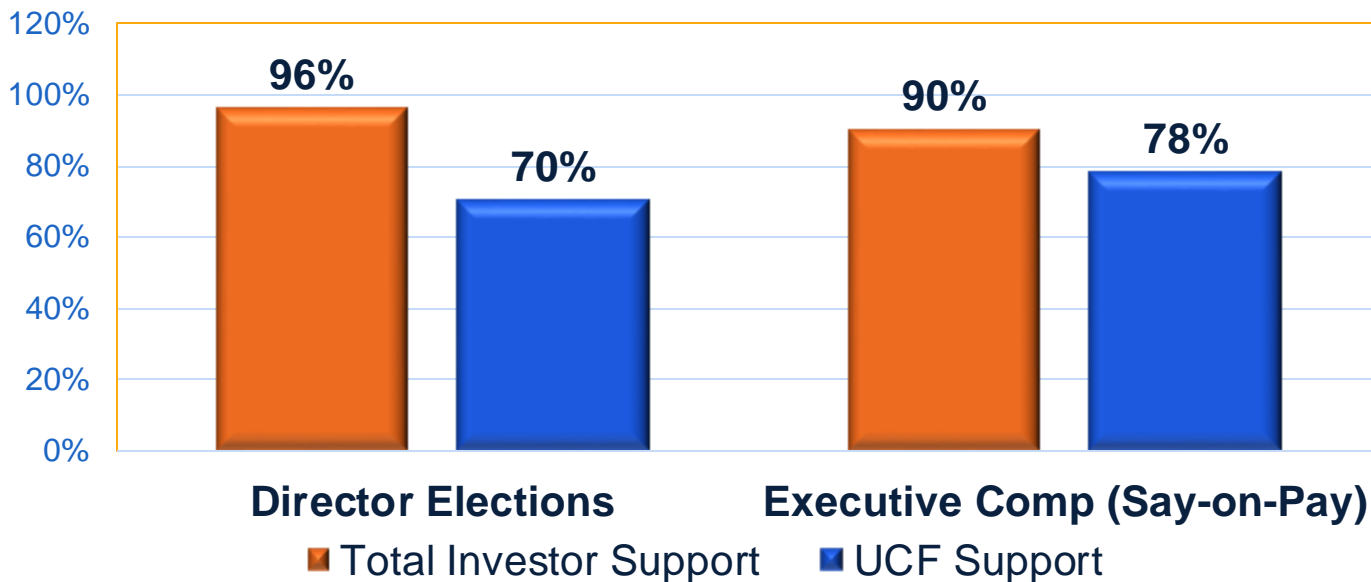


We will not be able to fully gauge the impact of these rulings on the markets and our democracy for many years. Taken together, these rulings shift more environmental and human rights battles to the courtroom, which will likely benefit law firms more than the planet, the general public or investors.

– Matthew Illian, UCF

Responsible Investing – Proxy Voting

2024 Proxy Voting Summary



Source: EY Center for Board Matters (for Total Investor Support data)

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.
(Vote Result: 30.4%)

ExxonMobil

Review of Support for
Single-Use Plastics.
(Vote Result: 21%)

HCA 
Healthcare

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



**Alphabet
Google**

Enhanced Lobbying Disclosure.
(Vote Result: 15.3%)

Westlake

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

FedEx

Assessment of Lobbying Impact
on 2040 Carbon Goal.
(September 23)

Responsible Investing – ExxonMobil Shareholder Engagement

- UCF and As You Sow filed shareholder resolution urging Exxon to confront its role in plastic pollution crisis.
- UCF peers, including Arjuna Capital, filed shareholder resolution urging Exxon to confront its contributions to Scope 3 GHG emissions.
- Exxon sued Arjuna Capital and solicited business lobby groups, including U.S. Chamber of Commerce and Business Roundtable, to lend support.
- Exxon's case dismissed after Arjuna Capital rescinded shareholder proposal despite Exxon's efforts to keep lawsuit active.
- Despite all of Exxon's pushback, UCF's proposal on plastic pollution received a notable 20.8% in support.



Responsible Investing – Investment Manager Interview



Kelsey Rose
Associate, Institutional Relationships
United Church Funds



Andy Russell
Director, Fixed Income Investments
Pension Boards-United Church of Christ

Responsible Investing – Investment Manager Interview



Watch the full video [here](#).

Investment Performance and Strategy & Positioning

Strategy & Positioning – Market Themes

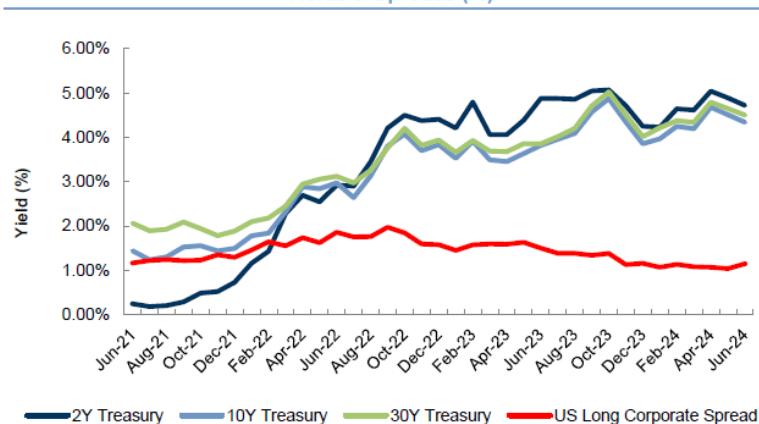
- **Magnificent-7 Dominance Continues:** Top 7 stocks in the U.S. continue to lead market rally, largely driven by direct and indirect beneficiaries of artificial intelligence theme.
- **Small Cap Stocks Continue to Lag:** Investors have neglected smaller cap companies given their greater vulnerability to high interest rates. May change once central banks' rate cutting cycle is anticipated.
- **Passive Funds Outperform Actively Managed Funds:** With the narrow leadership in stocks, active managers have generally underperformed passive index funds. Encouraging to see our U.S. small cap and emerging market managers' outperform during difficult period for active management.
- **Selective Opportunities Within Fixed Income:** Yields across maturities rose during quarter, and yield curve started steepening. Increased yields across curve have improved fixed income's role as diversifier and return enhancer.
- **Dynamic and Diversified Allocations:** We continue to remain diversified across asset classes and reduced our tactical equity overweight at the end of the second quarter; our asset allocation approach continues to focus on long-term trends, with lens of sustainability, while being cycle-aware.

Investment Performance – Markets as of June 30, 2024

Public Markets Performance (USD)

	Q2	YTD	3 Yr	5 Yr	10 Yr
MSCI World	2.6%	11.7%	6.9%	11.8%	9.2%
MSCI World ESG Leaders	2.9%	12.9%	7.7%	12.5%	9.4%
ACWI IMI	2.4%	10.3%	4.7%	10.4%	8.2%
S&P 500	4.3%	15.3%	10.0%	15.1%	12.9%
Russell 1000	3.6%	14.2%	8.7%	14.6%	12.5%
MSCI EAFE	-0.4%	5.3%	2.9%	6.5%	4.3%
Russell 2000	-3.4%	1.5%	-3.0%	6.5%	6.6%
MSCI EM Equity	5.0%	7.5%	-5.1%	3.1%	2.8%
Barclays US Govt/Credit	0.0%	-0.7%	-3.1%	-0.1%	1.5%
Barclays Global Aggregate	-1.1%	-3.2%	-5.5%	-2.0%	-0.4%
Barclays US Long Treasury	-1.8%	-5.0%	-10.5%	-4.3%	0.6%
Barclays US Long Corporate	-1.7%	-3.4%	-6.9%	-0.8%	2.5%
JPM EM Debt	0.3%	2.3%	-2.6%	0.0%	2.6%
JPM EM Debt Local	-1.6%	-3.7%	-3.3%	-1.3%	-0.9%
Barclays Global High Yield	1.0%	3.2%	0.5%	2.7%	3.3%
FTSE/NAREIT Global	-2.4%	-3.6%	-4.6%	-0.5%	2.2%
GSCI Commodities	0.7%	11.1%	12.7%	8.3%	-3.1%

Yields & Spreads (%)

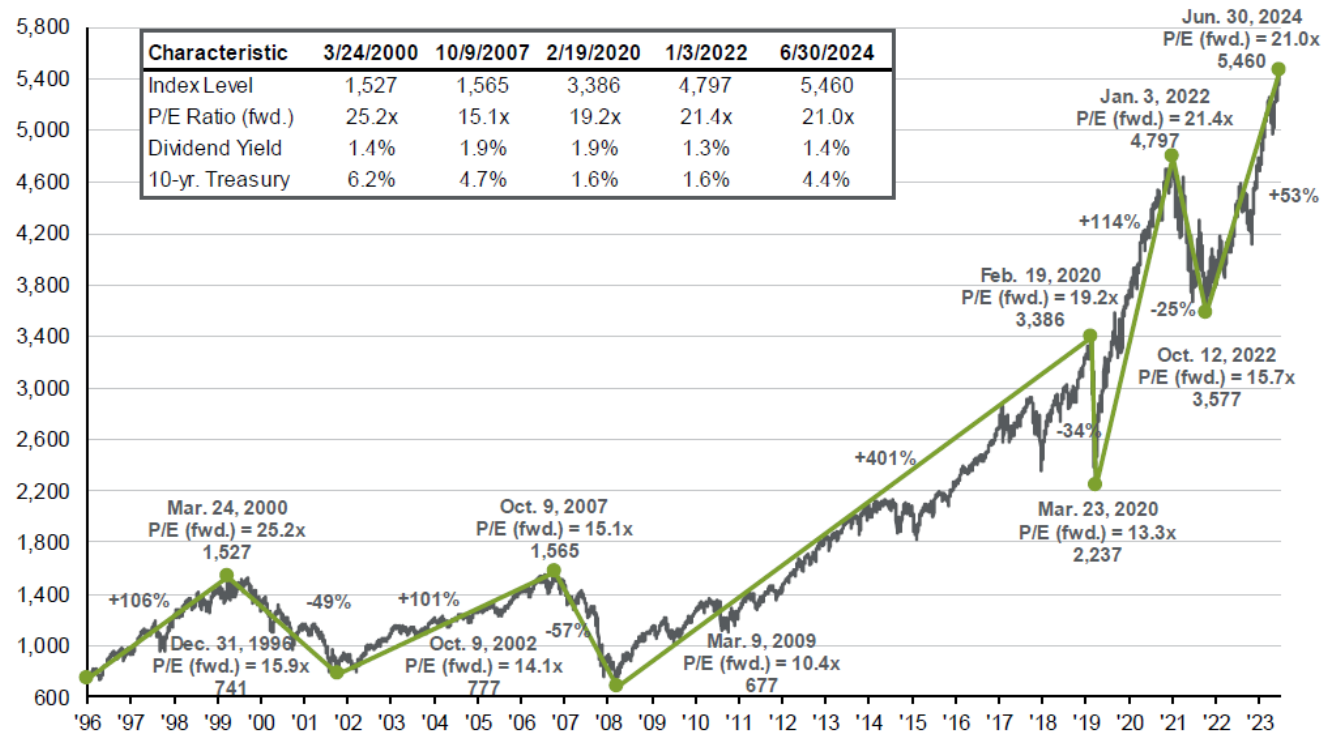


Changes in Yields and Spreads by Maturity (%)

	Jun 2024 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
Risk Free				
2Y Treasury	4.72	(0.17)	0.08	0.47
10Y Treasury	4.34	(0.17)	0.11	0.48
30Y Treasury	4.50	(0.15)	0.13	0.49
US Long Corporate Yield	5.70	(0.00)	0.25	0.48
US Long Corporate Spread	1.15	0.10	0.06	(0.01)

Strategy & Positioning - S&P 500 at Inflection Points

S&P 500 Price Index

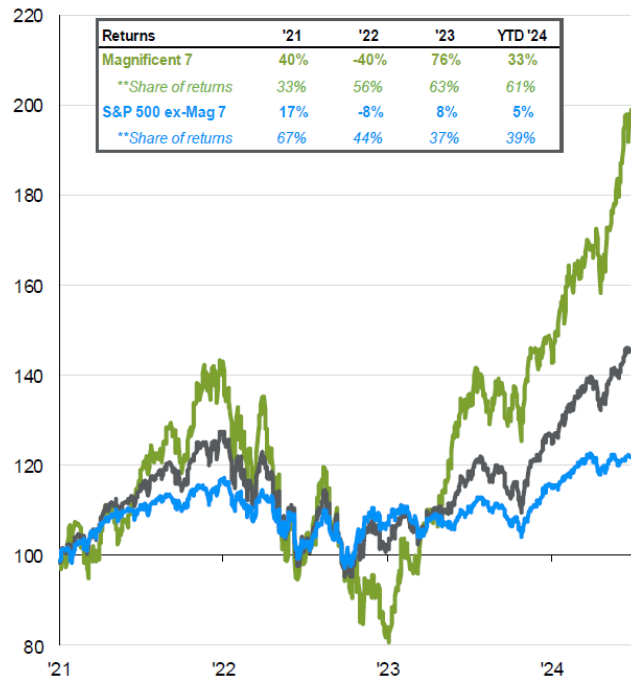


- Once again U.S. Equity is at relatively highly valuation level. We are on higher alert given the historical context.

Strategy & Positioning – High Concentration

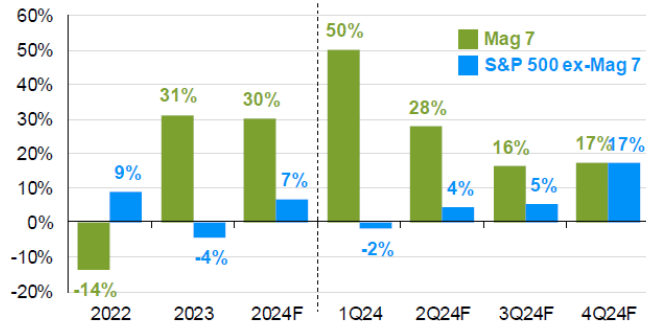
Performance of “Magnificent 7” stocks in S&P 500*

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



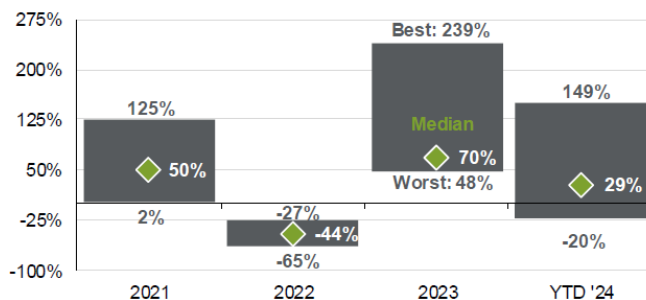
Earnings growth

Pro-forma EPS, y/y



Magnificent 7 performance dispersion

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

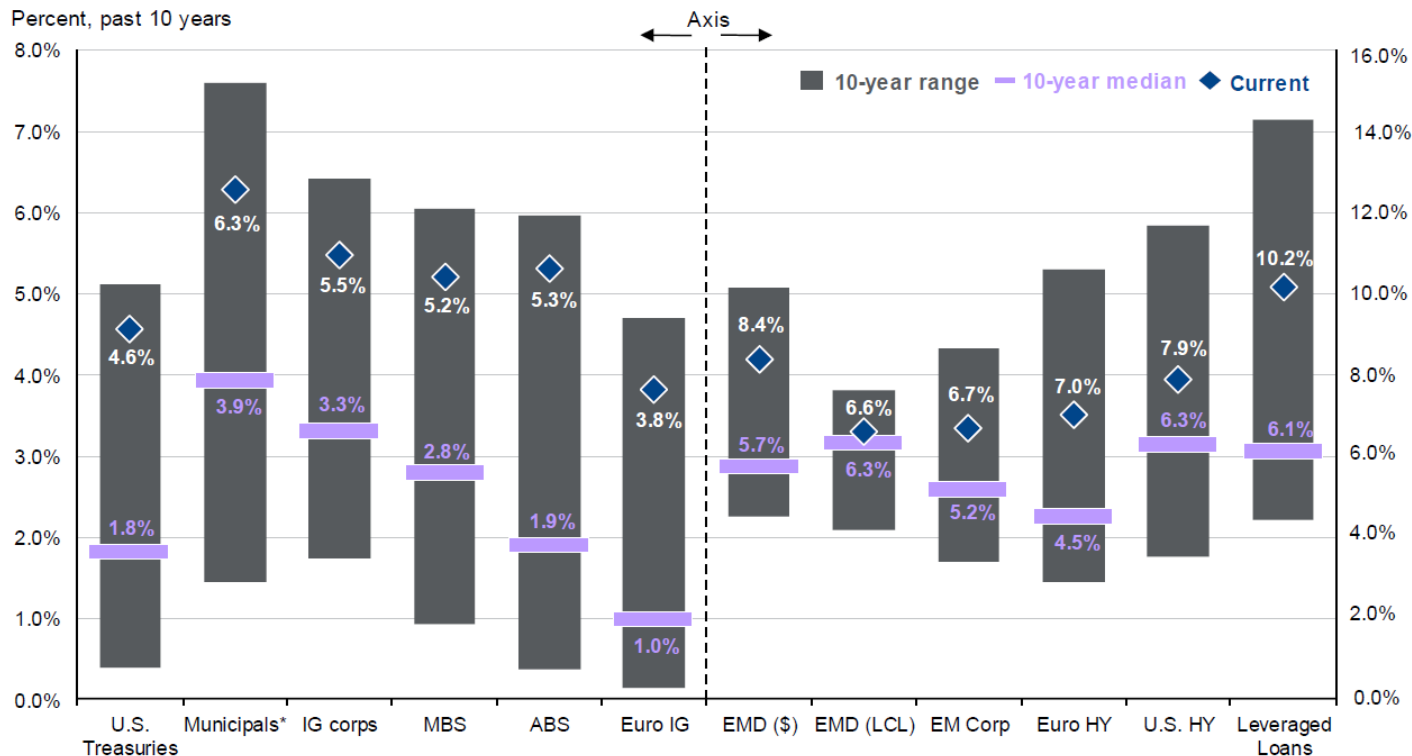


- U.S. large cap index is trading at a 27% premium compared to the historical average, driven primarily by top 10 stocks. In addition, the market concentration of current top 10 stocks is at historical high.

Strategy & Positioning – Selectively Attractive Fixed Income

Yield-to-worst across fixed income sectors

Percent, past 10 years

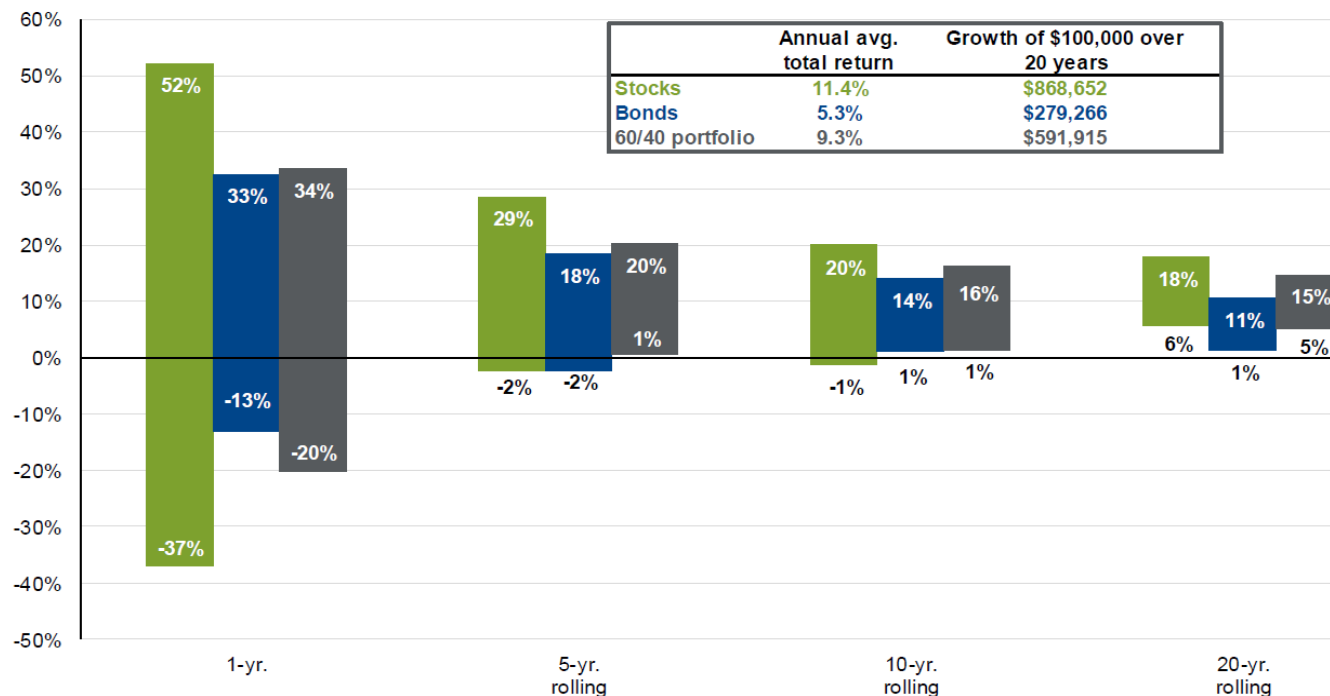


- Fixed Income continues to provide attractive opportunities selectively in various subsectors and geographies, as the starting yields continue to be at the highest levels in more than a decade.

Strategy & Positioning – Diversification is Key to Success

Range of stock, bond and blended total returns

Annual total returns, 1950-2023



- While some of our funds provide further diversification through allocation to alternatives, the above chart is a strong representation of the benefits of 60/40 portfolio in providing downside protection and achieving smoother long-term returns.

Thank You!

Q&A



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For questions regarding this disclaimer, please contact Noah Tabor at noah.tabor@ucfunds.org.



United Church Funds
Investing Together for a Sustainable World



Investment Performance

Managed Funds as of June 30, 2024

TOTAL RATES OF RETURN AS OF 6/30/24		ANNUALIZED							Current Yield	Unit Value	Market Value
<i>Returns on UCF's funds are presented net of fees</i>		Quarter	Year To Date	One Year	Two Years	Three Years	Five Years	Ten Years			
MANAGED FUNDS	Beyond Fossil Fuels Fund	3.22%	15.31%	25.22%	21.35%	7.67%	11.90%	N/A	2.20%	\$20.65	\$188.0M
	S&P 500/MSCI ACWI IMI net, linked	2.38%	10.28%	18.40%	17.26%	4.70%	10.36%				
	Lipper Global Equity	0.72%	7.05%	13.12%	0.00%	3.77%	8.52%				
	Domestic Core Equity Fund	4.32%	15.86%	25.31%	22.17%	10.01%	14.01%	11.86%	1.31%	\$43.37	\$289.0M
	S&P 500 Index	4.28%	15.29%	24.56%	22.05%	10.01%	15.05%	12.86%			
	Lipper Large Cap Core	3.57%	14.70%	24.02%	0.00%	8.69%	14.12%	11.85%			
	International Equity Fund	0.85%	4.16%	8.58%	11.50%	-3.16%	4.64%	3.36%	3.10%	\$15.45	\$170.5M
	MSCI ACWI ex US net/Custom Index, linked	0.96%	5.69%	11.62%	12.17%	0.46%	5.55%	4.00%			
	Lipper International Equity	-0.04%	5.34%	11.02%	0.00%	1.59%	6.01%	3.94%			
	Small Cap Equity Fund	-4.65%	2.42%	10.03%	11.84%	-1.16%	8.33%	7.39%	1.08%	\$31.28	\$ 58.7M
	Russell 2000 Index	-3.28%	1.73%	10.06%	11.18%	-2.58%	6.94%	7.00%			
	Lipper Small Cap Core	-3.47%	2.02%	10.23%	0.00%	1.37%	8.10%	7.08%			
	Fixed Income Fund	-0.02%	-0.33%	2.85%	1.21%	-3.04%	-0.34%	0.86%	3.68%	\$ 4.37	\$207.3M
	Bloomberg U.S. Govt/Credit Index, Linked	0.05%	-0.68%	2.74%	1.00%	-3.11%	-0.07%	1.51%			
	Lipper Core Plus Fixed Income	0.27%	-0.01%	3.74%	0.00%	-2.97%	0.24%	1.45%			
	Alternatives Fund	2.33%	6.90%	7.23%	3.94%	5.29%	6.87%	5.55%	N/A	\$20.50	\$ 112.8M
	Custom Index 70% HFRI Funds of Funds Composite, 30% NCREIF Fund Index	0.31%	2.50%	3.06%	1.24%	2.18%	4.43%	4.44%			
	Cash & Equivalent Fund	1.22%	2.52%	5.15%	4.37%	2.95%	2.03%	1.40%	5.18%	\$1.0000	\$51.0M
	Lipper Money Market Funds Index	1.32%	2.64%	5.35%	4.53%	3.05%	2.08%	1.39%			

Investment Performance

Funds of Funds as of June 30, 2024

TOTAL RATES OF RETURN AS OF 6/30/24		ANNUALIZED								
<i>Returns on UCF's funds are presented net of fees</i>		Quarter	Year To Date	One Year	Three Years	Five Years	Ten Years	Current Yield	Unit Value	Market Value
FUNDS OF FUNDS	Total Equity Fund									
	50.00% Domestic Core Equity, 12.60% Small Cap Equity and 37.40% International Equity	1.82%	9.35%	16.39%	3.12%	9.30%	7.47%	1.95%	\$25.89	\$432.3M
	MSCI ACWI IMI net/Policy Index, linked	2.38%	10.28%	18.40%	4.70%	10.36%	8.24%			
	Lipper Global Equity	0.72%	7.05%	13.12%	3.77%	8.52%				
	UCF Balanced Fund									
	61.90% Equity, 36.60% Fixed Income and 1.50% C&E	0.99%	5.62%	11.18%	1.06%	5.85%	4.97%	2.63%	\$14.17	\$373.4M
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index	1.45%	5.81%	12.15%	2.00%	6.54%	5.81%			
	Lipper Mixed Asset Target Allocation UCF Balanced	0.66%	4.87%	10.46%	1.54%	5.77%	5.16%			
	Beyond Fossil Fuels Balanced Fund									
	62.40% BFF, 35.40% Fixed Income and 2.20% C&E	1.89%	8.67%	15.55%	3.63%	7.72%	N/A	2.81%	\$14.95	\$238.3M
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index	1.45%	5.81%	12.15%	2.00%	6.54%				
	Lipper Mixed Asset Target Allocation UCF Balanced	0.66%	4.87%	10.46%	1.54%	5.77%				
Alternatives Balanced Fund										
51.6% Equity, 13.8% Fixed Income, 32.3% Alternatives, 2.3% C&E	1.50%	6.64%	10.97%	2.49%	6.66%	5.50%	N/A	\$20.67	\$292.8M	
Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy	1.28%	5.38%	10.66%	2.28%	6.40%	5.72%				