



United Church Funds
Investing Together for a Sustainable World



Client Town Hall Meeting

Third Quarter 2024

November 14, 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

Welcome!

Town Hall Meeting Agenda

- **Welcome and Introduction** Charles Buck, *President & CEO*
- **UCF Organizational Updates** Kelsey Rose, *Associate, Institutional Relationships*
- **Responsible Investing Updates** Matthew Illian, *Director of Responsible Investing*
- **Beyond Fossil Fuels: 10-Year Anniversary** Matt Wagner, *VP, Institutional Relationships*
- **Market and Fund Updates** Stacey Pettice, *Executive, Institutional Relationships*
- **Q&A with Townhall Participants** Minoti Dhanaraj, *Investments Team*
Andrew Russell, *Pension Boards Fixed Income Team*

Organizational Updates – Q3 2023

- UCF Welcomes Frederick Fougere, Client Services Associate, and two new Board Members – Cathe Evans Williams and Frank L. Sims. Read their bios [HERE](#).
- UCF Publishes “Climate Action: 10 Years and Counting” to highlight Beyond Fossil Fuels investment funds 10-year anniversary. View it [HERE](#).
- UCF Releases Infographic Showing Continuing Efforts to Increase DEI Across Our Organization. View it [HERE](#).
- Year-End Stock Donations by December 10.



Matt Wagner and Karen Sherman-Chang attend the SS&C Deliver Conference in New Orleans.



Matthew Illian, Lan Cai, Minoti Dhanaraj and Charles Buck attend the PRI In Person Conference in Toronto.

Responsible Investing

Responsible Investing – 2024 Shareholder Resolutions

10

Shareholder resolutions filed

3

Withdrawn for agreement



UCF served as

6

Lead filer

4

Co-filer

Average Support for Resolutions Going to a Vote: 18.71%

Responsible Investing – 2024 Shareholder Resolutions

Resolutions Withdrawn for Agreement



Commitment to Independent Human Rights Audit.



Commitment to Publish Climate Transition Plan by 2025.



Commitment to Share Letter Outlining Concerns Over Proxy Voting with Board of Directors.

Responsible Investing – Corporate Lobbying

- In 2024, UCF engaged three companies on lobbying transparency: Alphabet, Meta, and FedEx.
- New Blog Post: “[Shining A Bright Light On Covert Corporate Lobbying.](#)”
- Just Investing Podcast: Jim McRitchie shares personal experiences of lobbying.

Alphabet

Meta

FedEx



Responsible Investing – UCF’s New Podcast



 United Church Funds

JUST INVESTING PODCAST: JAMES MCRITCHIE

Episode 3 • November 8, 2024

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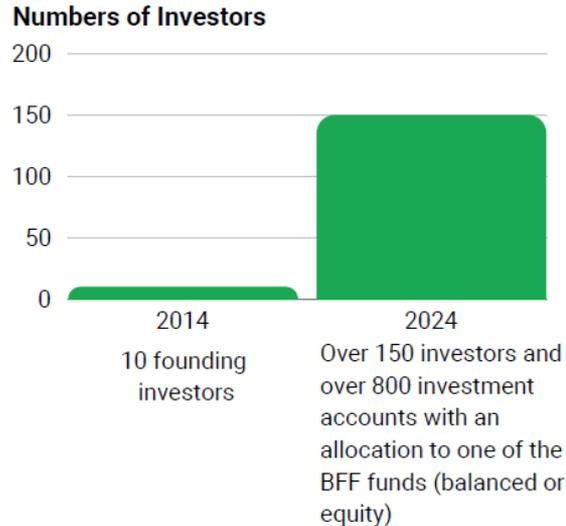
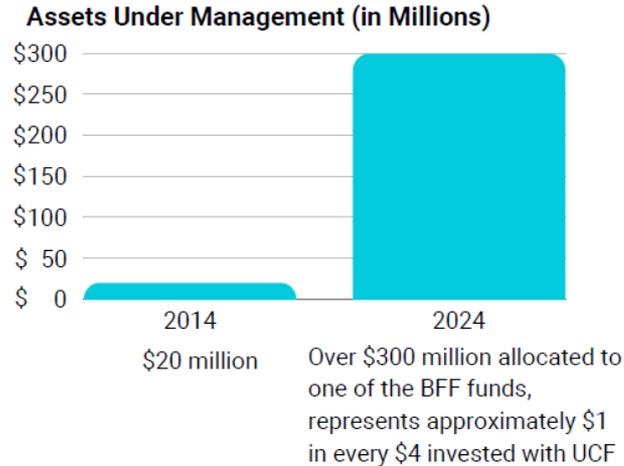
Poll Questions

Ten Years of Beyond Fossil Fuels

UCF Climate Action – 10 Years and Counting

Beyond Fossil Fuels

In 2014, UCF launched **Beyond Fossil Fuels Fund** (BFF), a global equity fund without investments in fossil fuel companies. This was followed by the BFF Balanced Fund (BFFB), which includes a fixed income allocation focusing on “green” and “sustainable” bonds.

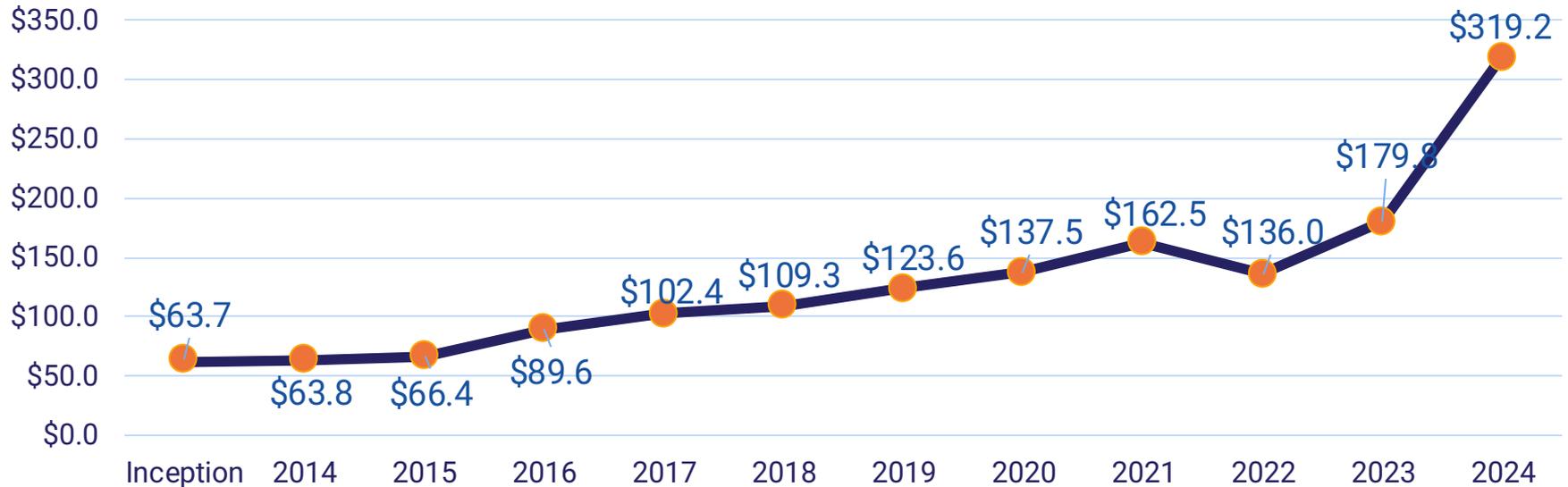


In 2013, the United Church of Christ General Synod passed a resolution and made history as the first denomination urging divestment from fossil fuel companies and calling for a “spectrum of strategies” across all church settings to reduce fossil fuel use and carbon footprint. These charts summarize UCF’s approach, activities and accomplishments in fulfillment of the resolution over the ten-year period, 2013-2023.

Starting with an initial investment of \$20 million and 10 founding investors, the BFF funds have grown to over \$300 million and over 150 investors in 2024. In 2024, the strategy of the BFF funds was updated by reducing the carbon intensity of the portfolio over 50%.

UCF Climate Action – 10 Years and Counting

Beyond Fossil Fuels Balanced Fund Growth of Assets, 2014-2024*



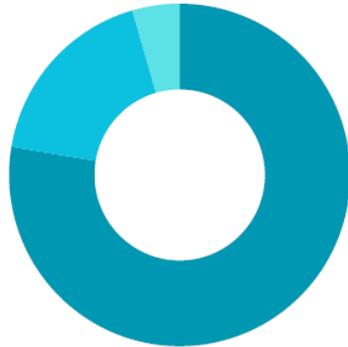
*As of 9/30/24

● \$ in Millions



UCF Climate Action – 10 Years and Counting

BFF Investments



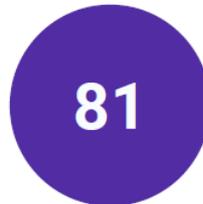
- BFF - Stock (503)
- BFF - Bonds (116)
- BFF Others - (29)
Mortgage Backed Securities,
Short-term notes and Futures

RESTRICTED SECURITIES

UCF's BFF Funds have no exposure to fossil fuel reserves. Beyond these funds, UCF's overall estimated exposure to corporations with fossil fuel reserves is approximately 1%.



Fossil Fuel Reserves
(BFF Funds only)



Climate/Nature
Negligence



Thermal Coal



Oil Sands

UCF Climate Action – 10 Years and Counting

Climate Justice Engagement

In 2023, UCF's Board of Directors adopted a Climate Justice Statement, declaring UCF's commitment to addressing global warming through its investment policies and engagements.

UCF's engagement efforts are magnified through partnerships and strategic networking with other institutional investors, such as ClimateAction 100+ and the Interfaith Center on Corporate Responsibility.

With climate change and global warming continuing to pose dire and existential threats around the globe, UCF remains committed to its core mission of responsible investing and to the ongoing and lifesaving work of climate justice—for the sake of a just world for all.

Investment Performance and Strategy & Positioning

Strategy and Positioning – Market Themes

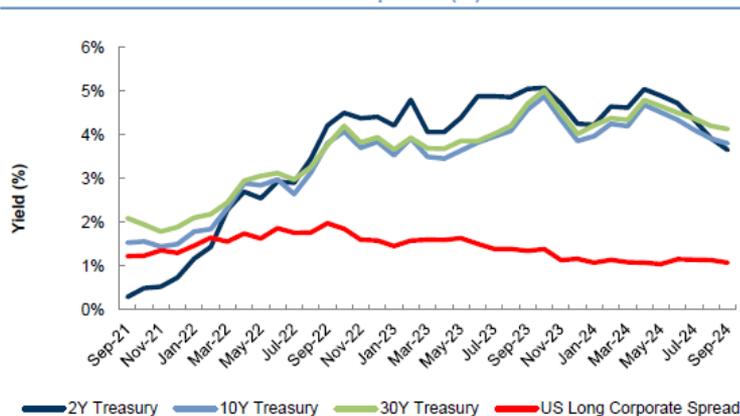
- **Market Rally Broadened, The Mag-7 Lagged:** The market showed signs of broadening in the third quarter of 2024, and small cap stocks outperformed large cap stocks in the U.S. International developed and emerging markets exhibited signs of re-emergence as well, as diversification worked.
- **Changing Earnings Dynamics Created Investment Opportunities:** The massive gap in earnings between Mag 7 and the rest of the market is continuing to become less prominent and thus could provide increased investment opportunities.
- **Macro Economic Environment Remains Uncertain:** The Fed has officially started a rate-cutting cycle, benefitting bonds, but the path will be dependent on developments in inflation and labor markets. U.S. elections (among others worldwide) and the highest geopolitical tensions since WWII all add to uncertainty.
- **Passive Funds vs Actively Managed Funds:** Actively managed funds in the U.S. have dropped from 75% in 2009 to 38% in 2024, while passive index market share rose to 62%. This is a threat and possible opportunity for stock pickers going forward. We have preferred to index U.S. large cap strategies.
- **Dynamic and Diversified Allocations:** We continue to remain diversified across asset classes and reduced our equity exposure to benchmark weight in balanced funds; our asset allocation approach continues to focus on long-term trends, with a lens of sustainability, while being cycle aware.

Investment Performance – Markets as of September 30, 2024

Public Markets Performance (USD)

	Q3	YTD	3 Yr	5 Yr	10 Yr
MSCI World	6.4%	18.9%	23.8%	9.1%	13.0%
MSCI World ESG Leaders	5.2%	18.8%	25.4%	9.4%	13.3%
ACWI IMI	6.9%	17.8%	21.6%	7.4%	11.9%
S&P 500	5.9%	22.1%	26.3%	11.9%	16.0%
Russell 1000	6.1%	21.2%	26.5%	10.8%	15.7%
MSCI EAFE	7.3%	13.0%	18.2%	5.5%	8.2%
Russell 2000	9.2%	10.9%	16.4%	1.4%	9.0%
MSCI EM Equity	8.7%	16.9%	9.8%	0.4%	5.8%
Barclays US Govt/Credit	5.1%	4.4%	5.7%	-1.5%	0.4%
Barclays Global Aggregate	7.0%	3.6%	5.7%	-3.1%	-0.8%
Barclays US Long Treasury	7.8%	2.4%	3.1%	-8.3%	-4.3%
Barclays US Long Corporate	8.2%	4.5%	10.9%	-4.4%	-0.3%
JPM EM Debt	6.2%	8.7%	11.1%	-0.4%	0.9%
JPM EM Debt Local	9.0%	4.9%	12.7%	0.6%	0.6%
Barclays Global High Yield	6.2%	9.6%	14.0%	2.7%	4.1%
FTSE/NAREIT Global	16.1%	11.9%	9.9%	0.6%	1.6%
GSCI Commodities	-5.3%	5.3%	-4.3%	8.8%	8.0%

Yields & Spreads (%)



Changes in Yields and Spreads by Maturity (%)

	Sep 2024 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
<i>Risk Free</i>				
2Y Treasury	3.65	(0.27)	(1.07)	(0.60)
10Y Treasury	3.80	(0.11)	(0.54)	(0.05)
30Y Treasury	4.13	(0.06)	(0.37)	0.12
<i>US Long Corporate Yield</i>	5.18	(0.17)	(0.52)	(0.04)
<i>US Long Corporate Spread</i>	1.07	(0.06)	(0.08)	(0.09)

As of 30-September-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.

Strategy & Positioning - Notable Reversal in Leadership

Complete Reversal in Size and Style Leadership in 3Q

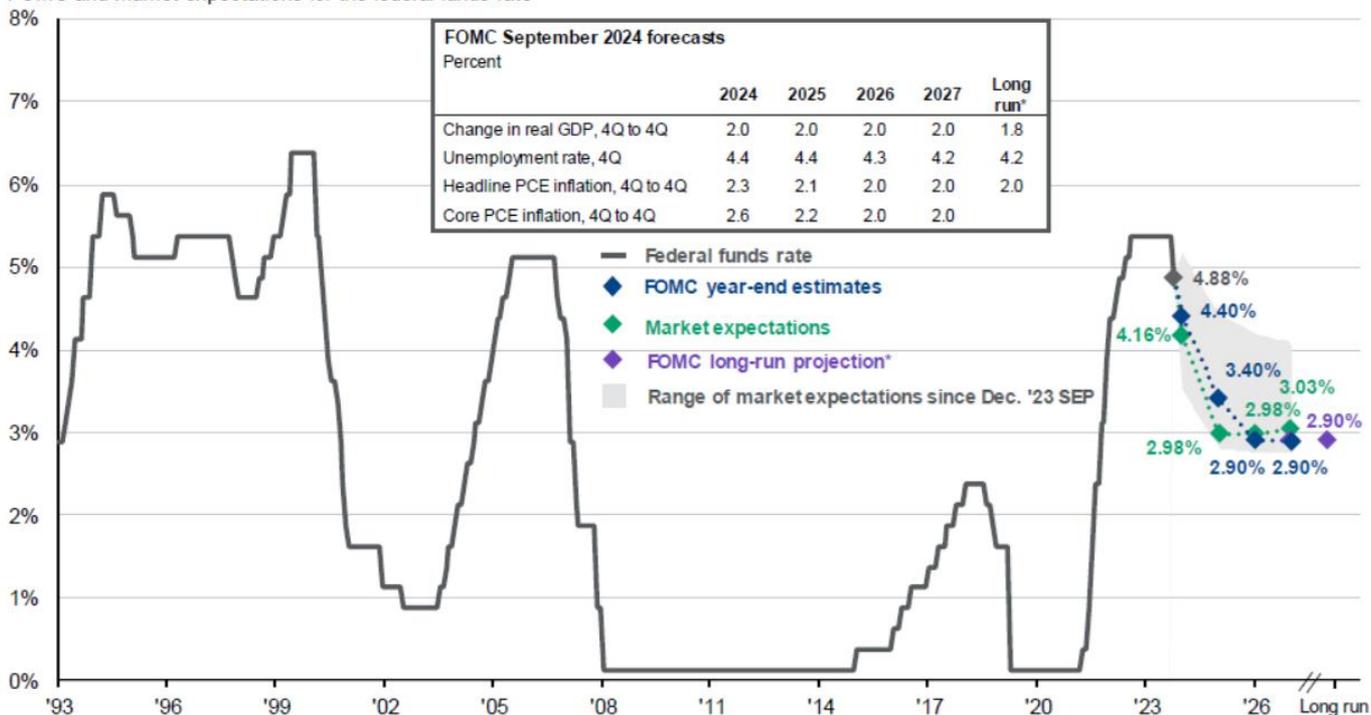


Large Growth Went From Best To Worst!

Strategy & Positioning - The Fed and Macro Environment

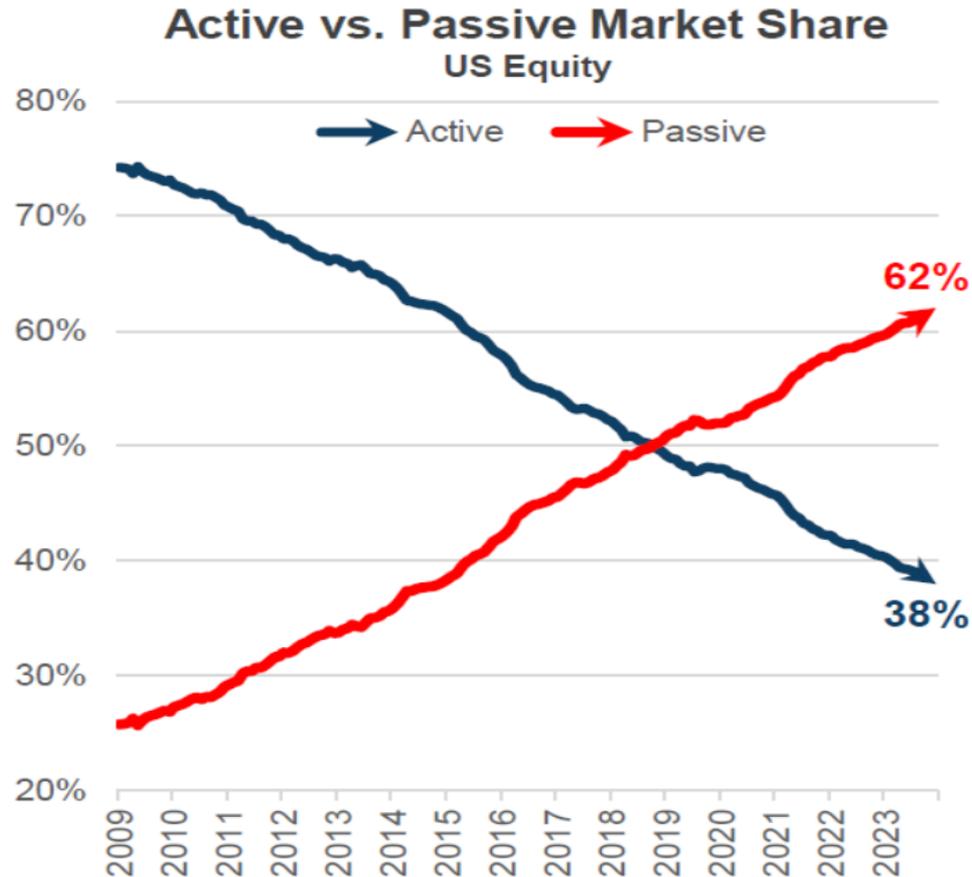
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- As the inflation has continued to come closer to Fed's long-term target, and the risk between unemployment and inflation has become more balanced. the Fed has embarked upon a rate cutting cycle. Other factors such as US elections and geopolitical conflict could continue to drive investor sentiment.

Strategy & Positioning - Active vs Passive



Thank You!

Q&A



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

Investment Performance

Managed Funds as of September 30, 2024

TOTAL RATES OF RETURN AS OF 9/30/24		ANNUALIZED									
<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	Current Yield	Unit Value	Market Value
MANAGED FUNDS	Beyond Fossil Fuels Fund	5.97%	22.19%	35.54%	29.15%	9.91%	13.66%	N/A	2.09%	\$21.80	\$209.9M
	S&P 500/MSCI ACWI IMI net, linked	6.85%	17.83%	30.96%	25.44%	7.44%	11.87%				
	Lipper Global Equity	6.58%	14.07%	26.23%	0.00%	6.52%	9.81%				
	Domestic Core Equity Fund	5.39%	22.10%	36.32%	28.75%	11.77%	14.98%	12.40%	1.26%	\$45.61	\$295.9M
	S&P 500 Index	5.89%	22.08%	36.35%	28.77%	11.91%	15.98%	13.38%			
	Lipper Large Cap Core	5.39%	21.00%	35.39%	0.00%	10.62%	15.02%	12.28%			
	International Equity Fund	7.63%	12.11%	22.99%	21.98%	0.47%	6.66%	4.79%	3.23%	\$16.53	\$170.7M
	MSCI ACWI ex US net/Custom Index, linked	8.06%	14.21%	25.35%	22.85%	4.14%	7.59%	5.36%			
	Lipper International Equity	7.31%	12.95%	24.29%	0.00%	4.61%	7.78%	5.33%			
	Small Cap Equity Fund	8.86%	11.50%	26.14%	18.73%	2.79%	10.54%	8.84%	1.09%	\$34.04	\$ 64.2M
	Russell 2000 Index	9.27%	11.17%	26.76%	17.51%	1.84%	9.39%	8.78%			
	Lipper Small Cap Core	8.37%	10.69%	24.77%	0.00%	4.69%	10.06%	8.67%			
	Fixed Income Fund	5.25%	4.90%	11.69%	6.15%	-1.27%	0.33%	1.44%	3.64%	\$ 4.56	\$215.6M
	Bloomberg U.S. Govt/Credit Index, Linked	5.10%	4.39%	11.31%	5.99%	-1.50%	0.41%	2.00%			
	Lipper Core Plus Fixed Income	5.19%	5.13%	12.49%	0.00%	-1.32%	0.87%	2.00%			
	Alternatives Fund	0.28%	7.21%	5.80%	3.02%	4.65%	6.55%	5.18%	N/A	\$20.57	\$ 113.5M
	Custom Index 70% HFRI Funds of Funds Composite, 30% NCREIF Fund Index	1.31%	3.87%	4.64%	1.95%	1.78%	4.77%	4.46%			
	Cash & Equivalent Fund	1.26%	3.81%	5.14%	4.78%	3.38%	2.18%	1.53%	4.80%	\$1.0000	\$52.1M
	Lipper Money Market Funds Index	1.31%	3.99%	5.37%	4.96%	3.50%	2.25%	1.52%			

Investment Performance

Funds of Funds as of September 30, 2024

TOTAL RATES OF RETURN AS OF 9/30/24		ANNUALIZED									
<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	Current Yield	Unit Value	Market Value
FUNDS OF FUNDS	Total Equity Fund 49.80% Domestic Core Equity, 13.30% Small Cap Equity and 36.90% MSCI ACWI IMI net/Policy Index, linked	6.62%	16.59%	29.44%	24.57%	5.94%	10.86%	8.52%	1.96%	\$27.51	\$444.3M
	Lipper Global Equity	6.58%	14.07%	26.23%	0.00%	6.52%	9.81%				
	UCF Balanced Fund 60.60% Equity, 36.50% Fixed Income and 2.50% C&E	5.85%	11.80%	22.08%	16.93%	3.40%	7.01%	5.81%	2.64%	\$14.92	\$388.4M
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index	6.15%	12.32%	22.82%	17.74%	4.27%	7.63%	6.64%			
	Lipper Mixed Asset Target Allocation UCF Balanced	5.59%	11.04%	20.68%	0.00%	3.65%	6.75%	5.92%			
	Beyond Fossil Fuels Balanced Fund 59.70% BFF, 37.80% Fixed Income and 2.40% C&E	5.68%	14.85%	25.01%	19.39%	5.67%	8.99%	N/A	2.86%	\$15.71	\$282.9M
	Current Policy Index 60% MSCI ACWI IMI net, 40% Fixed Income Policy Index	6.15%	12.32%	22.82%	17.74%	4.27%	7.63%				
	Lipper Mixed Asset Target Allocation UCF Balanced	5.59%	11.04%	20.68%	0.00%	3.65%	6.75%				
	Alternatives Balanced Fund 52.0% Equity, 13.8% Fixed Income, 31.5% Alternatives, 2.7% C&E	4.33%	11.26%	17.97%	13.75%	4.09%	7.44%	6.07%	N/A	\$21.50	\$302.7M
	Current Policy Index 50% MSCI ACWI IMI net, 30% Fixed Income Policy and 20% Alternatives Policy	5.20%	10.87%	19.41%	14.85%	4.03%	7.35%				



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