



United Church Funds
Investing Together for a Sustainable World



Client Town Hall Meeting

First Quarter 2025

February 19, 2025

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*
- **Market and Fund Updates** Stacey Pettice, *Executive, Institutional Relationships*
Matt Wagner, *Vice President, Institutional Relationships*
- **Q&A with Townhall Participants** Lan Cai, *Investments Team*
Minoti Dhanaraj, *Investments Team*

Organizational Updates – Q1 2025

- UCF Welcomes DeAnna Cook as Director of Client Services. Read her bio [HERE](#).
- UCF Creates New **Trustee Checklist** to Help You Better Succeed as a Steward of Your Church’s Financial Resources. Download it [HERE](#).
- UCF Fund Fact Sheets for Q4 2024 are now available. View them [HERE](#).
- UCF Releases Ep. 5 of the “Just Investing” Podcast! Listen [HERE](#).
- UCF Team Members Near You in Winter 2025!
 - ❑ February 22 – Prepared to Serve (Pembroke, NH)
 - ❑ February 25-27 – ICCR Spring Conference (New York, NY)
 - ❑ March 4-5 – Responsible Investment Forum (New York, NY)
 - ❑ March 11-13 – CHHSM Annual Meeting (Cambridge, MA)



Black History Month – Celebrating UCF’s Asset Managers



Channing Capital Management ^{LLC}



AULDBRESS
PARTNERS

Read about UCF’s ongoing commitment to racial justice [here](#).



Responsible Investing

Poll Question

Responsible Investing – A Major Reversal on Diversity

- **November-December 2024:** Major U.S. companies (with a couple notable exceptions) announce they are dismantling or weakening Diversity, Equity and Inclusion (DEI) policies and programs.
- **December 2024:** U.S. appeals court rules that Nasdaq cannot impose rules designed to increase diversity on Boards.
- **January 2025:** Trump administration directs all federal departments and agencies to end DEI practices, all DEI employees placed on leave, and agencies directed to end “illegal private-sector DEI preferences, mandates, policies, programs and activities.”
- **January 2025:** UCF joins 30 other institutional investors in signing [a letter to WalMart’s CEO](#) urging him to reconsider the company’s commitment to DEI.
- **Ongoing:** UCF votes “No” on anti-DEI resolutions and against Boards of Directors that do not have a reasonable amount of gender, racial and ethnic diversity on a country-by-country basis.



Responsible Investing – 2025 Shareholder Resolutions

United Church Funds is Calling For:

J.P.Morgan

Enhanced
Recognition of
Indigenous Rights

**DOLLAR
GENERAL**

Human Rights
Policy

 **MOLINA**
HEALTHCARE

Enhanced
Lobbying
Disclosure

 **International
Paper**

Enhanced
Lobbying
Disclosure*



Enhanced
Recognition of
Indigenous Rights



Enhanced
Lobbying
Disclosure*



Enhanced
Lobbying
Disclosure*



*Withdrawn for agreement to
provide requested disclosure.

Responsible Investing – 21st Century Screens

UCF avoids securities of companies which derive a relevant portion of their revenues from:

UCF avoids investment in companies whose practices within the following impacts are unacceptable:

- Tobacco Production
- Firearm/Ammunition Production
- Military/Nuclear Weapons Production
- Private Prison Operation
- Coal (Thermal) Extraction
- Oil Extraction via Tar Sands
- Alcohol Production
- Gambling

- Environmental Harm
 - ✓ Carbon Emissions
 - ✓ Toxic Emissions/Waste
 - ✓ Biodiversity
 - ✓ Water Stress

- Labor and Human Rights Harm
 - ✓ Focus on Conflict-Affected Territories
 - ✓ Compliance with Domestic/International Laws
 - ✓ Value Chain Partners

UCF screens out 506 companies in our traditional portfolio. In the Beyond Fossil Fuels funds, an additional 140 companies that produce and/or explore for coal, oil or gas are screened, totaling 646 exclusions.

Investment Performance and Strategy & Positioning

Market Themes – Q4 2024

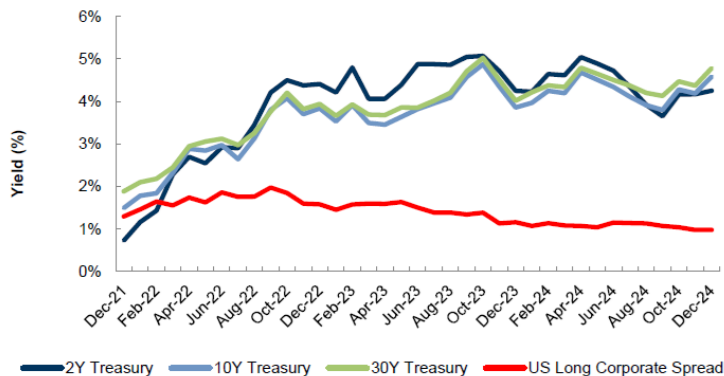
- **U.S. Equities Rallied, but International Lagged:** Magnificent 7 reclaimed its leadership again in the fourth quarter of 2024 and propelled the U.S. equity market higher. International developed and emerging markets struggled as the U.S. Dollar strengthened significantly.
- **Preeminence of the U.S. Market and Narrow Leadership Continued:** Above trend economic growth, outsized earning growth in Mag 7 and investors' expectations for deregulation and tax cuts helped the U.S. large cap indices deliver over 20% returns two years in a row, after a tough 2022.
- **Passive vs. Active:** Passive index market share has risen from 26% in 2009 to 62%. It's hard for active managers to outperform with this dominance of index funds and concentrated leadership. Your investments benefited from index and enhanced index strategies.
- **Policy Uncertainty Remains:** While the U.S. election (among others) is behind us, the policy uncertainty has not decreased. In fact, non-synchronized economic cycles and deglobalization have made things more complicated.
- **Dynamic and Diversified Allocations:** We continue to remain diversified across asset classes, and 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 December 31, 2024

Public Markets Performance (USD)

	Q4	2024	3 Yr	5 Yr	10 Yr
MSCI World	-0.2%	18.7%	6.3%	11.2%	9.9%
MSCI World ESG Leaders	-1.3%	17.3%	5.8%	11.2%	9.9%
ACWI IMI	-1.2%	16.4%	4.9%	9.7%	9.0%
S&P 500	2.4%	25.0%	8.9%	14.5%	13.1%
Russell 1000	2.7%	24.5%	8.4%	14.3%	12.9%
MSCI EAFE	-8.1%	3.8%	1.6%	4.7%	5.2%
Russell 2000	0.2%	11.1%	0.8%	7.0%	7.4%
MSCI EM Equity	-8.0%	7.5%	-1.9%	1.7%	3.6%
Barclays US Govt/Credit	-3.1%	1.2%	-2.6%	-0.2%	1.5%
Barclays Global Aggregate	-5.1%	-1.7%	-4.5%	-2.0%	0.1%
Barclays US Long Treasury	-8.6%	-6.4%	-12.0%	-5.2%	-0.6%
Barclays US Long Corporate	-6.2%	-2.0%	-6.8%	-1.8%	2.2%
JPM EM Debt	-1.9%	6.5%	-0.9%	0.1%	3.1%
JPM EM Debt Local	-7.0%	-2.4%	-1.0%	-1.9%	0.4%
Barclays Global High Yield	-0.4%	9.2%	2.8%	3.3%	4.5%
FTSE/NAREIT Global	-9.7%	1.1%	-5.9%	-0.8%	2.4%
GSCI Commodities	3.8%	9.3%	9.6%	7.1%	1.2%

Yields & Spreads (%)



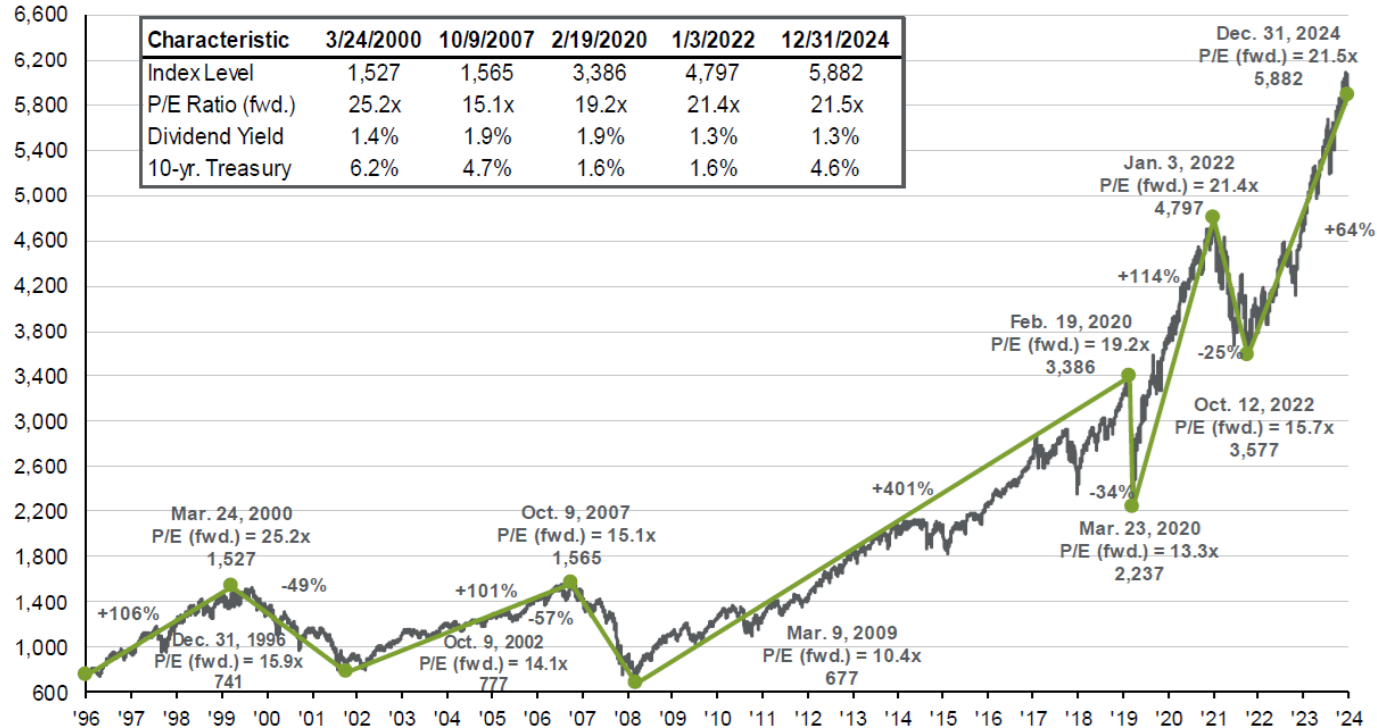
Changes in Yields and Spreads by Maturity (%)

	Dec 2024 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
Risk Free				
2Y Treasury	4.25	0.08	0.60	0.00
10Y Treasury	4.58	0.39	0.78	0.72
30Y Treasury	4.78	0.41	0.65	0.77
US Long Corporate Yield	5.80	0.38	0.61	0.57
US Long Corporate Spread	0.98	(0.00)	(0.09)	(0.18)

As of 31-December-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 – High Valuation in the U.S.

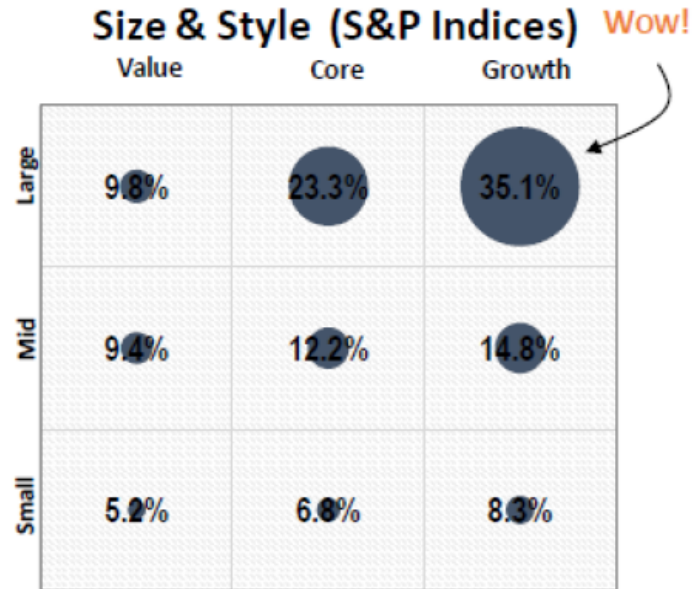
S&P 500 Price Index



- Market valuation is relatively high, and the cycle is extended.

Strategy & Positioning – Dispersion Even in the U.S.

Larger Growth Drove the Gains in '24

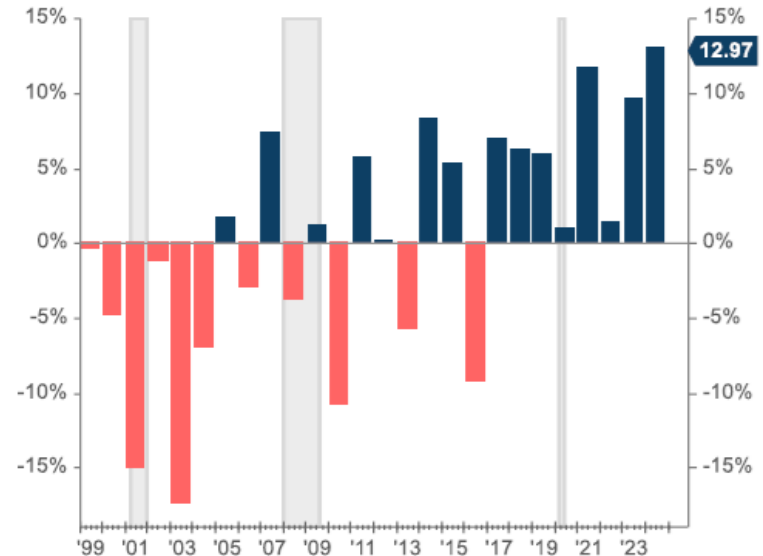


Source: Piper Sandler, as of 12/31/2024

Worst Year for Small vs. Large Since 1998

Large vs. Small

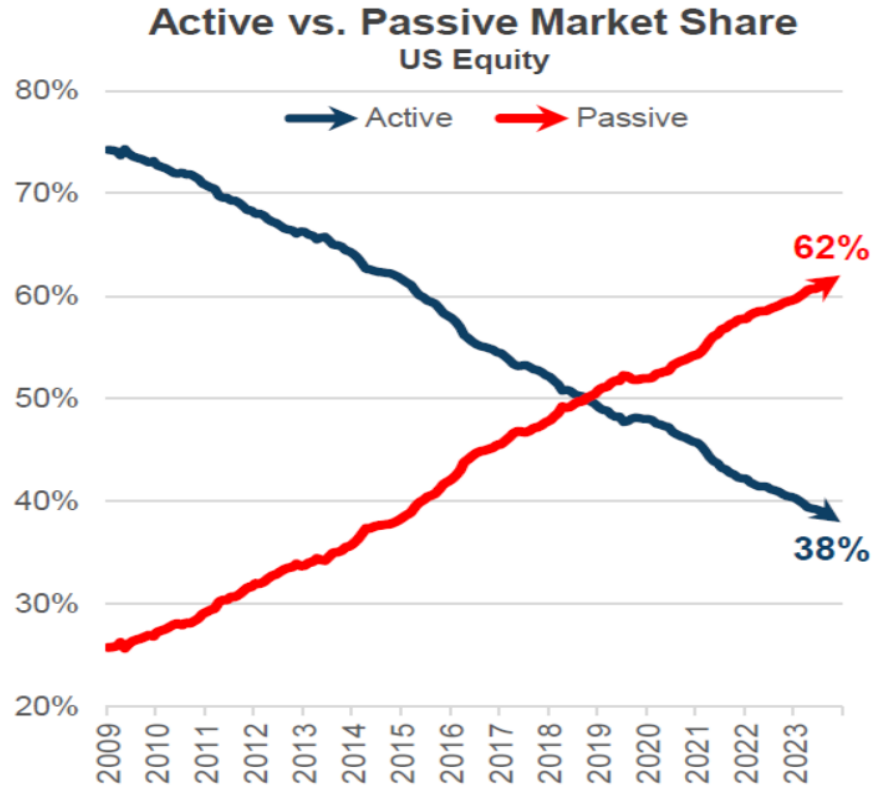
Russell 1000 less Russell 2000



Source: FactSet as of 01/06/2025

- U.S. Large Cap Growth led Small Cap Value by a big margin in 2024.
- For eight years in a row, Large Cap has outperformed Small Cap in the U.S.

Strategy & Positioning – Active vs Passive



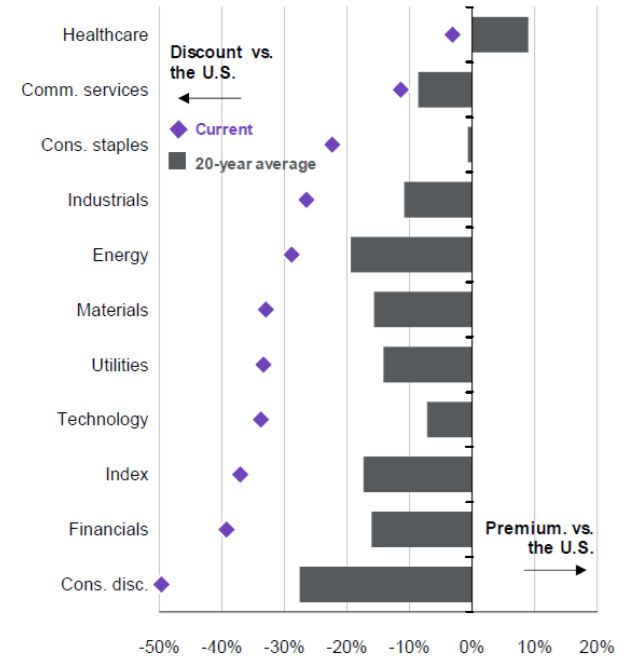
- Passive Market Share has increased from 26% in 2009 to 62%. The dominance of passive index has made active management harder.

Strategy & Positioning – International vs U.S.

The Dollar Index (DXY)



International: Price-to-earnings discount vs. the U.S. by sector
MSCI All Country World ex-U.S. minus S&P 500, next 12 months

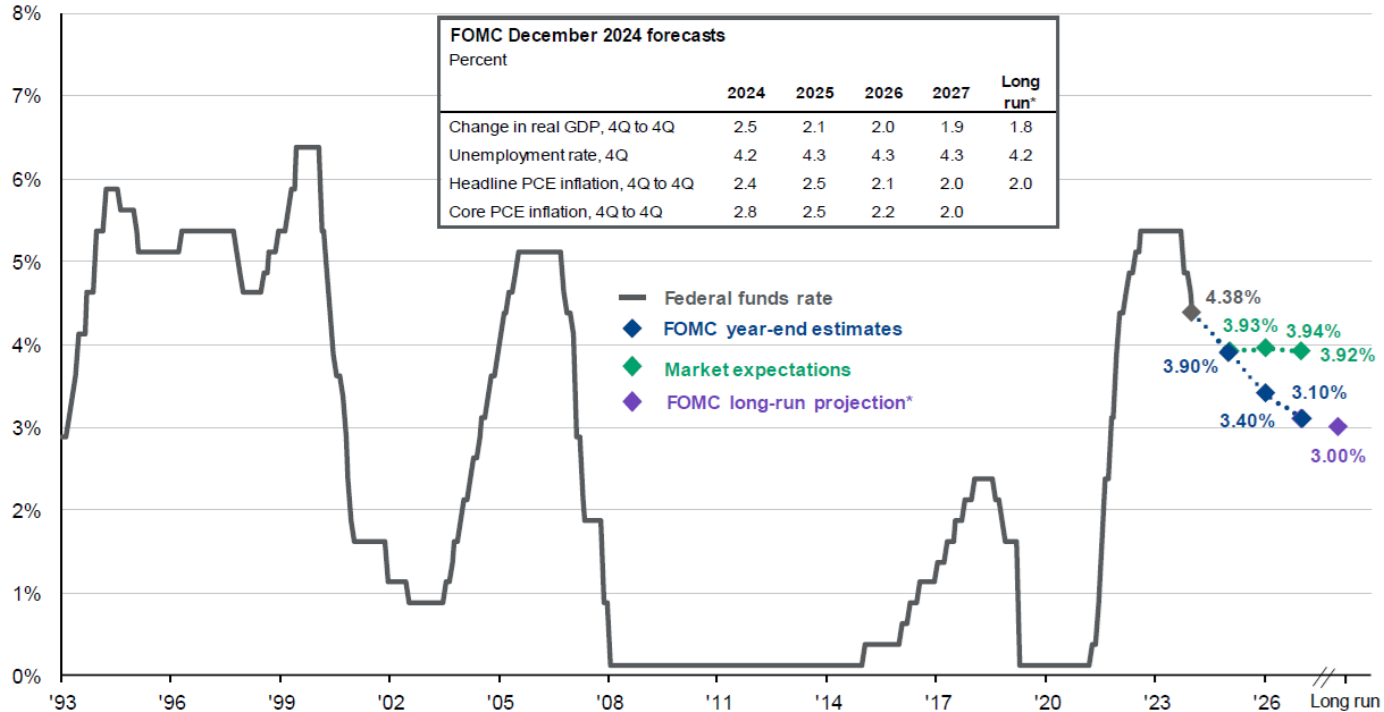


- International Equity struggled with the strong U.S. Dollar, but the valuation discount for International Equity vs U.S. is at 2 standard deviation extreme.

Strategy & Positioning – The Fed and Macro Environment

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- Expectations for rate cuts fluctuated a lot during 2024, while long-run projections are creeping up.

Thank You!

Q&A



Disclaimer

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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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