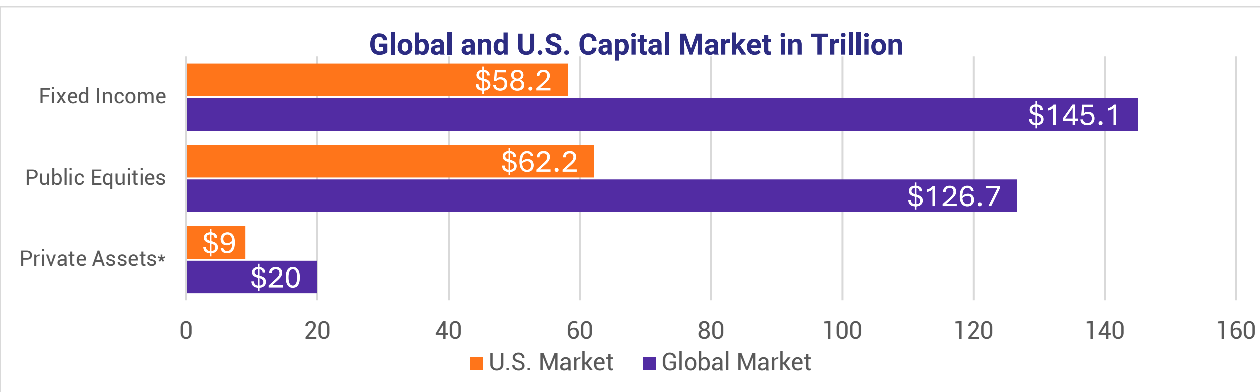
Fixed Income: The Quiet Engine of a Sustainable Portfolio

A quiet but mighty engine powers the mission of many ministries in the United Church of Christ (UCC), including its national ministries, local churches and conferences. This engine is fixed income, or the fixed income allocation in the investment portfolios of these ministries.

United Church Funds (UCF), an Associated Ministry of the UCC, manages over $1.4 billion in assets for UCC organizations, and slightly less than half of that is in fixed income investments.

While most investor attention and investment news are focused on stocks or the public equities market, it is fixed income — U.S. Treasuries, municipal and corporate bonds, asset-backed securities and other debt instruments — that provides the anchor for investment portfolios. Fixed income reduces portfolio volatility while also providing predictable and reliable income streams, supporting long-term sustainability.

The importance of fixed income can be illustrated by comparing its overall size to other asset classes:



Source: 2025 SIFMA Capital Markets Fact Book, McKinsey Global Private Markets Report
* Private Assets include private equity, private debt, venture capital, hedge funds and real estate.

This report will highlight the ways that fixed income contributes to the mission and ministry of the UCC.

THE ROLE OF FIXED INCOME IN A BALANCED PORTFOLIO

UCF's balanced funds, as in many investment portfolios, strategically allocate among different asset classes. For example, a typical moderately balanced portfolio, such as the UCF Balanced Fund and the Beyond Fossil Fuels Balanced Fund, will target 60% equities and 40% fixed income. The fixed income allocations serve the purpose of providing income, stability and diversification.

While fixed income is not typically expected to deliver equity-like returns, it has provided stronger performance in recent years as interest rates have risen from the historically low levels of the previous decade. As of June 30, 2026, UCF's Fixed Income Fund returned 3.94% over the trailing one-year period and 4.27% annualized over three years. Higher interest rates have increased bond yields, improving return potential while continuing to provide the diversification and income that fixed income is designed to deliver.

Fixed Income Investment Performance

Average Annual Performance % as of 06/30/26	Qtr.	Year to Date	One Year	Three Years	Five Years	Ten Years
Fixed Income Fund	1.09%	0.62%	3.94%	4.27%	0.09%	1.46%
Bloomberg U.S. Government/Credit Index	0.70%	0.49%	3.32%	4.10%	0.36%	1.96%
Lipper Core Plus Fixed Income	1.03%	0.79%	4.09%	4.77%	0.30%	2.02%

Fixed Income Policy Index (85% Barclays US Gov't/Credit, 10% S&P LSTA Performing Loans, and 5% JPMorgan GBI-EM Global Diversified

RESPONSIBLE INVESTING IN FIXED INCOME

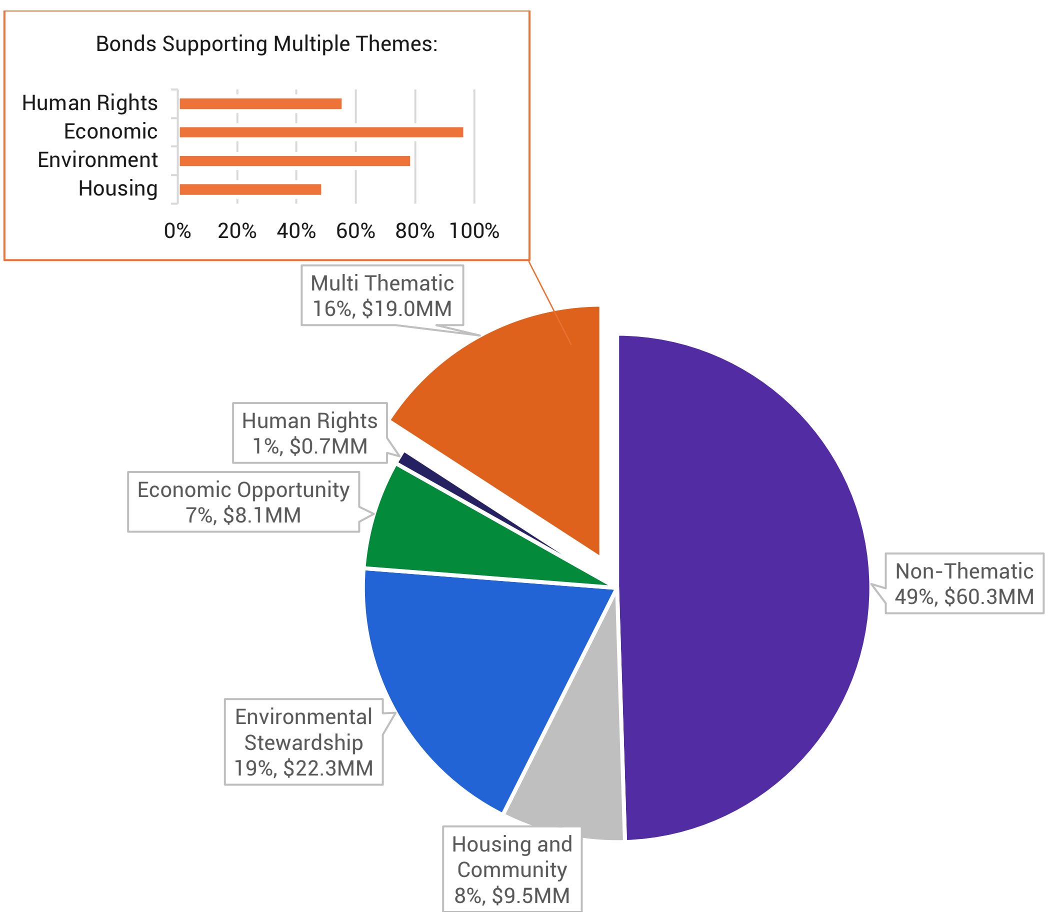
While the performance of UCF's fixed income funds has been highly competitive over the last several years, those funds have also been important components of UCF's responsible investing efforts.

Responsible investing in public equities typically involves screening, engagement and proxy voting, topics on which UCF reports regularly. In fixed income, responsible investing uses different but equally powerful levers.

Equity vs. Fixed Income Responsible Investing Toolkit

RI Tool	Equities	Fixed Income
Screening	Exclude stocks of companies misaligned with values	Exclude issuers misaligned with values
Corporate Engagement	Engage in shareholder dialogue, resolutions and proxy voting	Participate in bondholder engagement working groups to encourage stronger corporate practices
Thematic Investing	Invest in environmental, social and governance (ESG)-focused equity funds or sectors	Invest in green, social, blue, or sustainability bonds to finance projects
Manager Selection	Select equity managers committed to responsible investing	Select fixed income managers committed to responsible investing

UCF has included over $100 million of green bonds, which finance environmentally beneficial projects, and social bonds, which invest in projects that improve people's lives and communities. These bonds are consistent with themes that UCF prioritizes in its responsible investing in public equities.



UCF Green and Social Bonds Portfolio (as of March 2026)

$100+M	571	2014
TOTAL GREEN/SOCIAL BONDS	COMPANIES SCREENED	FIRST GREEN BOND INVESTMENT, BEYOND FOSSIL FUELS FUNDS LAUNCHED

Examples of green and social bonds include:

GREEN BONDS

Offer investors opportunity to participate in financing "green" projects that help mitigate climate change

Examples:

- $550,000 investment in Johnson Controls to refinance green buildings and financing eco-efficient/circular economy projects; estimated savings of 1.2 million metric tons of CO_2 annually
- $300,000 investment in SABESP (Companhia de Saneamento Básico do Estado de São Paulo) to finance sustainable water and wastewater management, biodiversity conservation and climate change adaptation in São Paulo, Brazil

SOCIAL BONDS

Finance projects that address social issues for targeted populations

Examples:

- $1.8 million investment in African Development Bank Group for economic development and social progress

GREEN COMES IN SHADES OF BLUE

UCF is also invested in blue bonds, which are sustainable bond financing projects that support ocean health, freshwater resources and marine ecosystems. Examples of blue bonds include:

BLUE BONDS

A special type of green bond focused on marine environments and whose projects address clean water, sanitation and marine life.

Examples:

- $490,000 investment in Barbados Blue Bonds to support long-term sustainable financing for marine conservation, set to protect 30% of the country's ocean by 2030
- $250,000 investment in Galapagos Life Fund to support sustainable fishing practices and help Ecuador meet European Union standards

FIXED INCOME IN SERVICE OF MISSION

At UCF, fixed income is more than just a strategic allocation. It also offers expansive opportunities for faith- and values-based investors to direct their capital toward climate and social justice solutions, all while earning steady returns.

UCF believes this evolving landscape deserves greater attention, and UCF remains committed to exploring fixed income's full potential – not only as a tool for portfolio resilience but also to advance our clients' missions and values in pursuit of a more just world.