

# Investment Overview

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The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this material is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment.



# About the United Methodist Foundation

Multiply your church's resources in the Name of Jesus Christ.

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## *Encouraging Lifelong Generosity with God's Abundance*

The Foundation was organized in 1949 and is an **independent 501(c)(3)** public charity, partnering with many individuals, experts, churches, and organizations to provide several ministry-related services:

- **Investment Management**
- **Endowment Genesis & Growth**
- **Trustee & Custodial Services**
- **Planned Giving Programs**
- **Donor Consultation**
- **Stewardship Development**
- **Financial Best Practices**
- **Ministry Grants & Scholarships**

Your local church can benefit from a carefully developed and professionally managed investment program. There are many questions you may be asking when exploring investment options for your church:

- How do we comply with laws governing our charitable investments, especially with endowments and gifts with designated purposes?
- How does professional money management benefit the church?
- What are the costs involved in professional money management?
- What are the pitfalls of not having professional money management?
- How can we be responsible stewards with the assets of our church?
- Are these long-term or short-term investments?
- Does our church need regular income?
- How can we establish a prudent plan to generate and receive income?
- How do we encourage and educate the people of the church about planned giving and leaving a personal legacy?

The Foundation can guide you through these questions and other concerns.



For more information, contact the Foundation:  
312-334-0703 • [UMFNIC.org](http://UMFNIC.org) • [UMFGift.org](http://UMFGift.org)



# Value Comparison to Secular Advisors

Entrust your church's investments with the utmost care.

## *Abiding by Fiduciary Standards to Care for the Church's Best Interests*

Many professionals provide financial services: brokers, accountants, lawyers, insurance agents, and financial planners, many of whom work for networks with well-known brand names. However, it can be confusing to understand who you're really working with and what are the true costs and business obligations of such a professional. The Foundation abides by **fiduciary standards** to care for your church's best interests. There are no hidden costs, such as buy/sell commissions, "load" fees, or fees to open and close an account. The Foundation's **all inclusive** annualized fee structure is about 1%. Considering the other considerable differences, such as **Impact Investing**, we're confident the Foundation's investment services provide your church superior value in aligning your investments with your values and mission.

<u>Secular Investment Advisor</u>		<u>United Methodist Foundation</u>
<b>Investment Advisor Fees:</b>	1.05%*	UMF ..... 0.65% (tiered on AUM)†
<b>Fund Managers' Fees:</b>	0.45%**	..... 0.40% (consultant & managers)
<b>Socially Responsible?</b>	(more cost) Maybe?	..... Yes
<b>Impact / ESG Investing?</b>	(more cost) Maybe?	..... Yes
<b>Mission Alignment?</b>	For-profit, secular values	..... Not-for-profit, shared social, ethical, and religious values
<b>Long-Term Relationship?</b>	Employee turnover?	..... Yes
<b>No-Cost Planned Giving Consultation?</b>	No	..... Yes
<b>Intimate Knowledge of Church?</b>	No	..... Yes
<b>Donor Consultation?</b>	No	..... Yes
<b>Stewardship &amp; Best Practices Help?</b>	No	..... Yes

\*IA Fees: PriceMetrix, "The state of North American retail wealth management," June 2020

\*\*Morningstar "In 2019, the asset-weighted average expense ratio of all U.S. open-end mutual funds and exchange-traded funds was 0.45%"

†Assets Under Management: < \$500,000, 0.65% • \$500,000-\$1,000,000, 0.60% • > \$1,000,000, 0.50%



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# Sustainable and Socially Responsible

Align your church's investments with ethical standards.

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## *Exemplifying the Church's Investment Ethics*

**“United Methodist institutions shall endeavor to avoid investments in companies engaged in core business activities that are not aligned with the Social Principles.” - Book of Discipline ¶717**

The investment ethics of the church are patterned after the “Three Simple Rules” of John Wesley. First, **“do no harm.”** This rule compels us to not investment in companies with core business activities in:

- Alcoholic beverages
- Tobacco products
- Adult entertainment
- Weapons
- Gambling
- Private prisons

The Foundation follows this “clean hands” approach by not investing in such companies, which is often called **“Socially Responsible Investing”** (SRI).

**United Methodist institutions shall also “make a conscious effort to invest ... consistent with the goals outlined in the Social Principles.”**  
- Book of Discipline ¶717

Wesley's second rule to **“do good”** is captured in this directive to invest in companies surpassing the average practices and policies of their peers within the categories of **“Environmental, Social, and Governance”** (ESG).

By combining both the methods of SRI—Rule #1, screening out the companies to be avoided—and by focusing on companies outperforming peers in their ESG practices—Rule #2, the Foundation offers investment options to clients seeking the highest quality strategies in **ethical investing**.



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# Investment Partner & Services Provider

Benefit your church with institutional-class solutions and care.

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*Partnering to Provide Mission-Aligned & High Quality Investment Solutions*

Partnering with with **SouthCol Advisors** and **Investnet | PMC™** the Foundation provides high quality portfolio management aligned with the church's investment ethics and the proven long-term strategy of passively managing portfolio allocations to industry-standard indexes and benchmarks.



Founded in 1999 and headquartered in Chicago, Investnet is a publicly traded company on the New York Stock Exchange and serves **more than 105,000** financial advisors who oversee **nearly 14 million** investor accounts with **nearly \$5 trillion** on Investnet's platform. SouthCol and Investnet provide the following key services for the Foundation and our clients:

- Stewardship: Investment Consulting and Portfolio Solutions
- Governance: Fiduciary Services to Support Investment Committees
- Operations: Administration and Back-Office Solutions
- Accountability: Performance Reporting and Oversight

Investnet | PMC's suite of **Impact Portfolios** is built on a history in impact investing, quantitative expertise, and partnerships with industry leaders, such as **Sustainalytics**, an independent ESG and corporate governance research, ratings, and analysis firm. Sustainalytics provides the stock-level research data for the stock portfolios. The resultant **Quantitative Impact Portfolios** ...

- take a largely sector-neutral approach ...
- must have a minimum Morningstar Sustainability Rating of 51 ...
- a minimum carbon score that is 20% better than that of the index.



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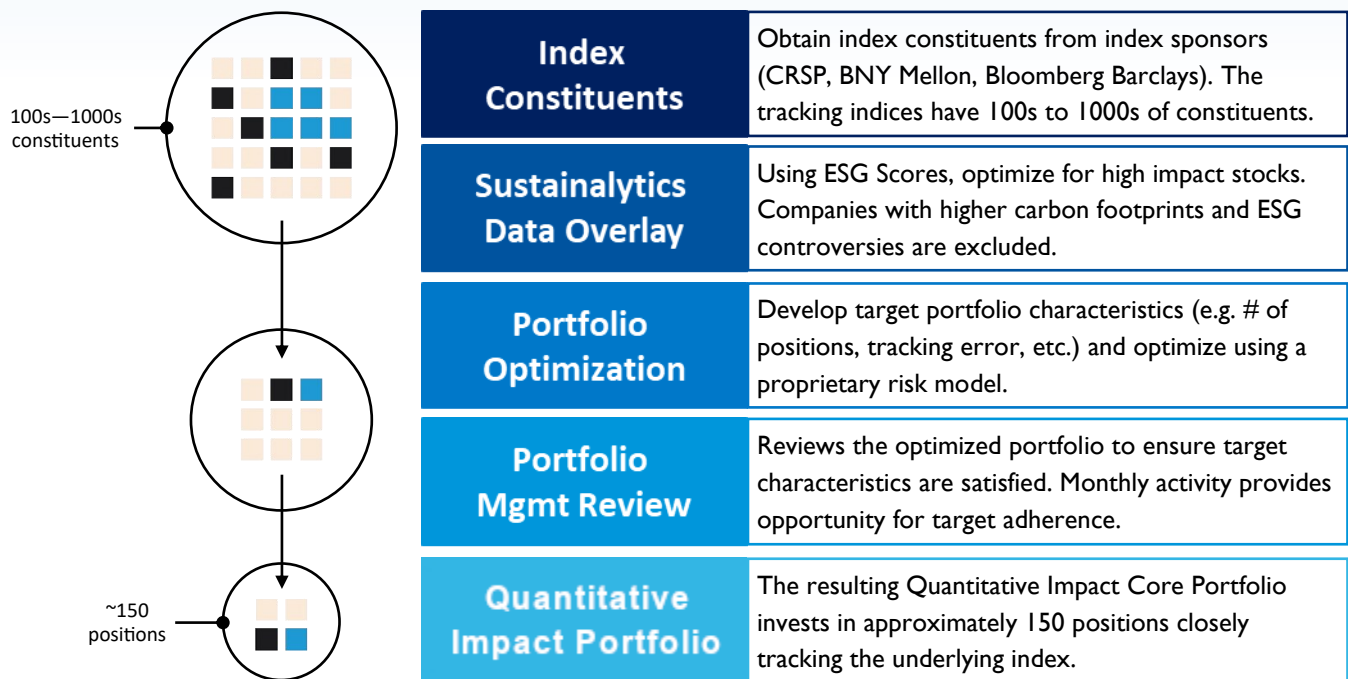


# Quantitative Impact Portfolio Methods

Put the best of the markets to work for your church.

## *Aligning Investments with Impact Priorities*

Each portfolio contains a subset of the constituents of a major market index and is designed to mimic the portfolio characteristics of the index as a whole.



Beginning 2018 the Foundation's fund models contain four **Quantitative Impact Portfolios** to diversify exposure to a wide-range of companies:

- Quantitative Portfolio: Impact Large Cap Core Portfolio - ESG
- Quantitative Portfolio: Impact Small Cap Core Portfolio - ESG
- Quantitative Portfolio: Impact International ADR Portfolio - ESG
- Quantitative Portfolio: Impact Emerging Markets ADR Portfolio - ESG

Additionally, each fund model contains three more portfolios for exposure to a wide-range of fixed income (bonds): intermediate, short-term, and foreign.

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# Prudent Investment Management

Simplify your church's investments through three funds.

## *Allocating Assets through Diversification & Portfolio Optimization*

The Foundation offers to our investment clients three fund models that are broadly diversified and optimized to fulfill SRI & ESG objectives. The three fund names—**Conservative, Moderate, and Aggressive**—reflect their relative risk / return profiles. The pie charts below depict the asset allocations of the funds and their target percentages.

Fixed Income ← DIVERSIFICATION → Equities (Stocks)

•Cash •International •Short-term •Intermediate •International •Small-Cap Core •Large-Cap Core



**The three funds invest in the same seven portfolio components.**

By investing in one, two, or all three of the funds, your church can customize the church's risk / reward profile while remaining diversified across the same seven portfolios. By investing through the Foundation, you free up church staff and leadership to be more fully engaged in mission and ministry. The Foundation is at "arm's length," which promotes a long-term mindset and ameliorates conflicts of interest and adverse decision-making.



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# Overview of Fund Performance (12/31/2020)

Track major benchmarks and aim for outperformance.

## Delivering Diverse Asset Allocation and Optimizing Portfolio Construction

Fund Name	Last 1 Year <sup>†</sup>	Last 3 Years <sup>†</sup>	Last 5 Years <sup>†</sup>	Last 10 Years <sup>†</sup>
<b>Aggressive</b>	<b>17.43%</b>	<b>11.68%</b>	<b>12.88%</b>	<b>8.38%</b>
benchmark*	15.81%	10.64%	11.86%	8.78%
<b>Moderate</b>	<b>14.28%</b>	<b>9.61%</b>	<b>10.01%</b>	<b>6.77%</b>
<b>Mod. Ex-Carbon</b>	<b>11.02%</b>	n/a	n/a	n/a
benchmark*	13.19%	9.08%	9.67%	7.40%
<b>Conservative</b>	<b>10.25%</b>	<b>6.95%</b>	<b>6.78%</b>	<b>5.40%</b>
benchmark*	9.81%	7.05%	7.20%	5.82%

\*"Benchmark" is a blend of benchmarks (see below) for the fund's underlying portfolios of stocks and fixed income, relative to the portfolio allocations within the fund's model. †Percentages (1+ years) are annualized from 12/31/20.

Portfolio Component & Underlying Benchmark	Style Name	Return	Allocation % in Fund		
		1 Yr %	Agg	Mod	Con
<b>Quantitative Portfolio: Impact Large Cap Core Portfolio - ESG</b>	<b>Large/Mid-Cap Core</b>	<b>23.74</b>	<b>54.10</b>	<b>39.56</b>	<b>21.03</b>
Russell 1000 TR	benchmark	21.09			
<b>Quantitative Portfolio: Impact Small Cap Core Portfolio - ESG</b>	<b>Small-Cap Core</b>	<b>15.45</b>	<b>5.13</b>	<b>4.43</b>	<b>2.34</b>
S&P Small Cap 600 TR	benchmark	19.07			
<b>Quantitative Portfolio: Impact International ADR Portfolio - ESG</b>	<b>Int'l Developed Mkts</b>	<b>9.61</b>	<b>22.14</b>	<b>16.31</b>	<b>9.90</b>
BNYM Dev Mkt Classic ADR Ind	benchmark	8.01			
<b>Quantitative Portfolio: Impact Emerging Markets ADR Portfolio - ESG</b>	<b>Int'l Emerging Mkts</b>	<b>19.06</b>	<b>4.98</b>	<b>3.13</b>	<b>2.20</b>
BNYM Emg Mkt Classic ADR Ind	benchmark	18.02			
<b>Tom Johnson Intermediate Fixed Income Managed Account UMA</b>	<b>Intermediate Bond</b>	<b>5.44</b>	<b>8.81</b>	<b>23.78</b>	<b>42.14</b>
Bloomberg Barclays Capital Intermediate U.S. Government/Credit TR	benchmark	6.43			
<b>Vanguard Short-Term Federal Adm</b>	<b>Short Bond</b>	<b>4.39</b>	<b>1.93</b>	<b>5.45</b>	<b>8.71</b>
Bloomberg Barclays Capital 1-3 Govt/Credit Bond TR	benchmark	3.33			
<b>PIMCO International Bond (USD-Hdg) Instl</b>	<b>International Bond</b>	<b>6.07</b>	<b>2.91</b>	<b>7.34</b>	<b>13.68</b>
Bloomberg Barclays Capital Gbl Agg Ex USD TR Hdg USD	benchmark	3.94			

Performance by Fund Name is net of fees (top chart). Trailing 1 Year Performance by Portfolio Component is gross of fees (bottom chart). For the latest performance reports on all three funds, visit [umfnic.org/investments](http://umfnic.org/investments).

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