



July 8, 2020

Dear Partners in Ministry,

Enclosed is the 2020 2<sup>nd</sup> quarter statement for your account(s) at the United Methodist Foundation (statements from 7/1/17 are accessible online). Net of fees, the returns of the fund models are:

As of 6/30/2020	2 <sup>nd</sup> Qtr 2020	Year to Date	Last 1 Year <sup>†</sup>	Last 3 Years <sup>†</sup>	Last 5 Years <sup>†</sup>	Last 10 Years <sup>†</sup>
Aggressive Fund	17.05%	-3.23%	4.63%	7.88%	7.34%	8.29%
benchmark*	17.63%	-4.59%	3.58%	7.04%	6.78%	8.74%
Moderate Fund	11.88%	-0.85%	5.28%	6.90%	6.04%	6.76%
Mod. Ex-Carbon	10.58%	-2.41%	3.08%	n/a	n/a	n/a
benchmark*	12.92%	-1.67%	5.04%	6.71%	6.20%	7.43%
Conservative Fund	6.94%	1.33%	5.28%	5.45%	4.52%	5.48%
benchmark*	8.03%	1.08%	6.11%	6.07%	5.39%	5.95%

\*"Benchmark" is a blend of benchmarks for the fund's underlying portfolios of stocks and fixed income, relative to the portfolio allocations within the fund's model. †Rates of return (1+ years) are annualized.

**Market Commentary from Envestnet | PMC**

Kristina Hooper, Chief Global Market Strategist, Invesco, concluded their "Weekly Market Compass" on July 6, 2020, with the following observations and commentary:

"June's positive jobs report and PMI data for the US are certainly nice to see, but I feel less positive about the US than I do about Europe and China. I would not be surprised to see US economic data lose momentum in the coming months if policymakers become complacent. I believe investors need to be prepared for that possibility and for the market volatility that could likely follow."

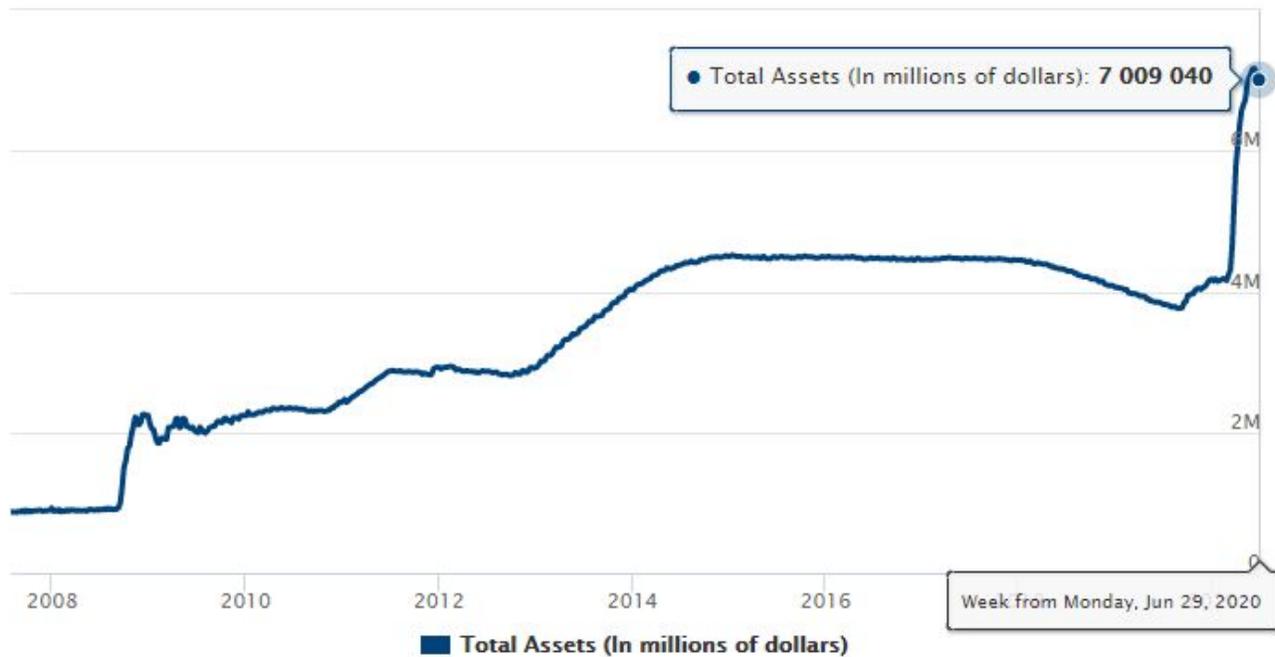
"For now, I continue to believe that the massive monetary policy accommodation by the Federal Reserve and other central banks provides an upward bias to stocks. But I also maintain my long-held view that a three-tiered approach to this crisis — encompassing monetary policy, fiscal policy and public health policy — is necessary for solid economic growth. In other words, while central banks are doing what they can, I believe more fiscal stimulus and better control of the virus's spread are needed to support the economy until a vaccine can be developed and efficiently deployed around the world. And while the stock market has decoupled from the economy in recent months, there is the potential that earnings season could reunite them, albeit temporarily, and make stocks more sensitive to rising infection rates as well as a possible lack of fiscal stimulus. And so we will, of course, be following earnings season closely."<sup>1</sup>

**"massive monetary policy accommodation"**

The Fed has slashed rates to near zero and has added three trillion dollars to its balance sheet:<sup>2</sup>



**Total Assets of the Federal Reserve**



From just before the 2008 crisis when the Fed’s balance sheet was just under one trillion dollars to the time it increased three trillion to four trillion dollars, it took more than five years for that increase to take place. This time the three trillion dollar increase took THREE MONTHS!

The Fed learned their lesson from the financial crisis. From 2009 to 2019 the Federal Reserve remitted an average of \$77 billion net profits back to the U.S. Treasury. According to one projection, the Fed may remit \$140 billion in net profits in 2021. To put that in perspective, the entire banking sector earned \$233 billion in profits last year.<sup>3</sup> The lesson learned is that the Fed is doing and will do whatever it takes to keep this temporary virus-related economic disruption from morphing into a structural financial crisis.

**“more fiscal stimulus”**

More than 21 million people became unemployed in March and April, and then more than 7 million people regained employment in May and June.



Congress passed an array of fiscal stimulus legislation: sending out billions in direct payments to taxpayers, dramatically increasing unemployment benefits, granting easily forgivable loans to businesses (and churches!), and a host of other efforts. And now Congress is considering more stimulus.

Brandon Thomas, Chief Investment Officer of Envestnet|PMC, concluded their “Economic and Market Overview: Second Quarter 2020” report with the following observations and commentary:

“Economists also believe that continued fiscal policy support will be critical to returning the economy to full employment as quickly as possible. Some have questioned the efficacy of the fiscal programs put in place so far, but analysts are of the opinion that additional fiscal stimulus is necessary so that the rebound is not slowed, and that the economy does not experience a double-dip recession in the latter half of the year.”<sup>4</sup>

### “better control of the virus’s spread”

In his concluding “Outlook,” Brandon Thomas also reminded us: “To many economists, critical to a continuing positive outlook is the avoidance of a second wave of the virus.” I have to wonder why, then, we, collectively, we the American people and elected representatives, cannot unify with the same focus on controlling the spread of the virus as we have with monetary and fiscal policy. We have been quite good at leveraging the massive powers of the government and the Federal Reserve to keep the country from plunging into a 1930s-like depression, a scenario that appears at this time highly unlikely. But we, collectively, have failed to take the situation with the virus seriously enough to dramatically limit its spread.

### “Choose life ...”

As I summoned in my Q1 letter, I leave you again with these words from Deuteronomy 30:19: “I call heaven and earth to witness against you today that I have set before you life and death, blessings and curses. Choose life so that you and your descendants may live.”

Be safe and be blessed,



Rev. Chris Walters, President

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<sup>1</sup><https://www.envestnetinstitute.com/article/weekly-market-compass-how-long-can-economic-data-improve-while-infections-continue-spread>

<sup>2</sup>[https://www.federalreserve.gov/monetarypolicy/bst\\_recenttrends.htm](https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm)

<sup>3</sup><https://www.forbes.com/sites/garthfriesen/2020/05/03/profits-from-fed-balance-sheet-expansion-could-top-140-billion/>

<sup>4</sup>[https://www.investpmc.com/sites/default/files/documents/PMC\\_QuarterlyMarketEnvironment.pdf](https://www.investpmc.com/sites/default/files/documents/PMC_QuarterlyMarketEnvironment.pdf)

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