

# Investing for a Sustainable Future



## 2023 ANNUAL REPORT



# CONTENTS



**4**  
MESSAGE  
FROM THE  
**PRESIDENT AND  
BOARD CHAIR**

**6**  
2023  
**HIGHLIGHTS AND  
ACHIEVEMENTS**

**8**  
RESPONSIBLE  
INVESTING FOR  
**A SUSTAINABLE  
FUTURE**



**10**  
RESPONSIBLE  
INVESTING FOR  
**A MORE JUST  
FUTURE**

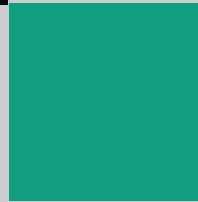
**12**  
COMPETITIVE  
PERFORMANCE FOR  
**A SUSTAINABLE  
FUTURE**



**14**  
SELECTED FUND  
**PERFORMANCE**

**15**  
SELECTED  
**FINANCIAL  
INFORMATION**

**16**  
**LEADERSHIP**



**Our Vision**  
Investment that  
creates a just world  
for all.

**Our Mission**  
To support our clients' missions and  
generate outstanding values-aligned  
investment performance.

# PRESIDENT AND BOARD CHAIR



“Sustainability is key to carrying out, faithfully and consistently, our God-given mission for our churches and organizations.”

**T**he year 2023 was an eventful one – by turns challenging and hopeful, in so many ways. In the economy, around the globe, within our churches and communities and probably in our own lives, it was a seesaw year, filled with ups and downs, good news and bad.

Fortunately, we saw brightening signs of hope in the economy, with markets generally ending on a high note amidst easing inflation, movements toward lower interest rates, continued low unemployment and little sign of recession. And we are pleased to report that the assets you have entrusted to us at United Church Funds benefited from solid performance at the year's end.

Still, it was a rocky ride, and as we reflect on that undulating journey, one key concept emerges

that is fundamental to the way we invest and steward your assets: sustainability.

Sustainability is key to carrying out, faithfully and consistently, our God-given mission for our churches and organizations. Just as it is important to sustain our hearts and souls in God's nourishing word and in life-giving community, so it is with investing in ways that sustain both financial growth and the earth and its people. Otherwise, we would give up, lose steam and run dry at times of challenge or crisis.

“Investing for a Sustainable Future” describes our approach to responsible stewardship, and in the pages that follow, we report to you many of the ways we've accomplished this — from our robust responsible investing program to our competitive investment performance. You will also learn of our

ongoing commitments to ensuring a sustainable future through our work in racial justice, climate and nature, human rights and worker justice.

A 2023 CNBC story, reporting on our shareholder engagements, described UCF as an “activist investment firm” (Dollar General, Dollar Tree urged to improve worker safety, wages). For some, that is a pejorative term, describing perhaps a pesky shareholder meddling in corporate affairs and management. But at UCF, we consider it a badge of honor and an apt description of our approach. We invest actively and unabashedly, to make a difference, to ensure a sustainable future, for God's people and God's earth.

Thank you for allowing us to be partners with you in the ongoing journey of responsible stewardship.

**The Rev. Dr. Charles C. Buck**  
President & CEO

**Rev. Penny Lowes**  
Board Chair

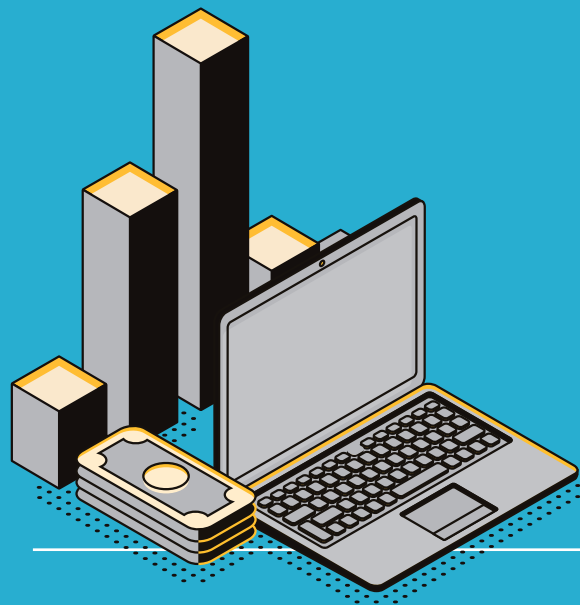
# 2023 HIGHLIGHTS + ACHIEVEMENTS



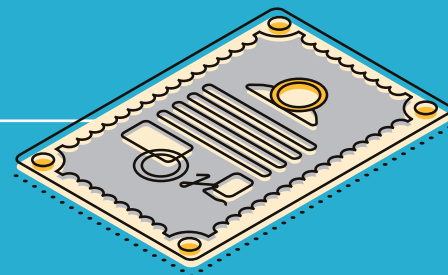
## FINANCIAL CAPITAL

ASSETS UNDER  
MANAGEMENT  
**\$993M**

NEW ASSETS  
**\$28M**



MISSIONS AND  
MINISTRIES FUNDED  
BY CLIENTS  
**\$60M**



**BROWN  
ENDOWMENT**

**SCHOLARSHIPS**

**\$182K** MID  
SCHOLARSHIPS

**24** AWARDEES

**17** UCC  
CONFERENCES  
REPRESENTED

**GRANTS**

**\$90K** CLERGY  
CONTINUING  
EDUCATION

**11** PROGRAMS

**400** AUTHORIZED  
MINISTERS

## RELATIONSHIP CAPITAL

NUMBER OF  
CLIENTS  
**1,067**

NUMBER OF CLIENTS  
BASED ON CATEGORIES

**929** CHURCHES  
**5** NATIONAL MINISTRIES  
**27** CONFERENCES & ASSOCIATIONS  
**28** HEALTH, WELFARE & PENSIONS  
**4** COLLEGE & SEMINARIES  
**74** OTHERS

CLIENT RETENTION RATE  
**97.8%**

## DIVERSITY, EQUITY, INCLUSION

**4** DIVERSE MANAGERS  
OVERSEEING OVER **60%**  
OF DOMESTIC PORTFOLIO



54% female  
46% male  
69% people  
of color  
31% white



56% female  
44% male  
62.5% layperson  
37.5% clergy  
50% people  
of color  
50% white

## RESPONSIBLE & IMPACT INVESTING

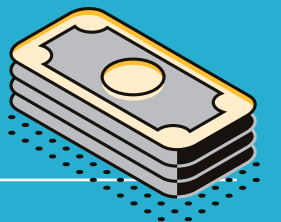
**SHAREHOLDER  
RESOLUTIONS**

**11** SHAREHOLDER RESOLUTIONS FILED  
**7** LEAD FILER AND **4** CO-FILER  
**3** SHAREHOLDER RESOLUTIONS  
WITHDRAWN FOR AGREEMENT  
**20.8%** AVERAGE SUPPORT FOR  
SHAREHOLDER RESOLUTIONS GOING  
TO A VOTE

**IMPACT  
INVESTMENTS**

**\$250,000** INVESTED IN  
GREEN BONDS

**\$1,750,000** INVESTED  
IN SOCIAL BONDS



# A SUSTAINABLE FUTURE

## A FOCUS ON ESG

**U**CF, in collaboration with our partners, such as the Interfaith Center on Corporate Responsibility (ICCR), filed 11 shareholder resolutions on behalf of our clients to help create positive and meaningful changes in corporate practices.

These resolutions break down into the following ESG categories:



### ENVIRONMENTAL

**Phillips 66:** Alignment of lobbying activities with Paris Agreement goals (Withdrawn: company agreed to enhanced lobbying disclosure)

**Westlake:** Reduction of single-use plastics (9.5% support and 41% of independent votes)

**Goldman Sachs:** Reduction in greenhouse gas financing (12.6% support)

### SOCIAL Advancing Workers' Rights

**Dollar Tree:** Reports on wage gaps (6.9% support)



UCC minister and former conference minister Rev. Dr. Ginny Brown Daniel represented UCF at the Westlake Chemical shareholder meeting on May 11 in Houston, Texas.

**Dollar General:** Third-party audit of policies and practices around worker safety (Passed with 68% support)

**YUM! Brands:** Enhanced paid sick leave (20.5% support)

### Advancing Human Rights

**Keysight Technologies:** Third-party review of human rights policy and Know Your Customer protocols (Withdrawn: company agreed to update disclosures and protocols)

**Citi:** Indigenous human rights impact assessment (31.4% support)

### Advancing Reproductive Rights

**HCA Healthcare:** Affirmation of patients' rights to emergency abortions (Withdrawn: company agreed to add disclosure notices)

### GOVERNANCE

**Alphabet (lead filer):** Enhanced lobbying disclosure (17.8% support and 47.7% of independent votes)

**Meta/Facebook (lead filer):** Enhanced lobbying disclosure (14.6% support with 39.2% of independent votes)

### INVESTING FOR IMPACT

**Green Bond**  
**World Bank Emission Reduction-Linked Bond**  
UCF Principal Amount: \$250,000. Used to help manufacture water purifiers and make clean water available to around 2 million children in Vietnam.



**Social Bond**  
**Japan International Cooperation Agency (JICA) Peace Building Bond**  
UCF Principal Amount: \$1,750,000

Loan assistance projects related to peace, stability and reconstruction in countries and regions that were or are affected by conflicts.

**Living Wage Campaign**  
UCF joined a coalition of investors with \$4.5 trillion in assets under management calling for a living wage and fairer labor practices.

ICCR Event, A Seat at the Table: Centering Workers to Build a More Inclusive and Equitable Economy. Photo credit: ICCR.

# A MORE JUST FUTURE

## EDGEWOOD UNITED CHURCH: THREADS OF JUSTICE, COMPASSION AND COMMUNITY IMPACT

In the rich tapestry of Edgewood United Church's history, the threads of justice, compassion, and community intricately weave together, creating a compelling narrative of impact and change. Since its inception in 1953 as an offshoot of The People's Church, Edgewood has stood as a beacon of social justice, consistently striving for positive transformation in our community of East Lansing, Michigan, and beyond.



Throughout our journey, UCF has stood as a crucial financial stewardship partner for Edgewood. Our church has strategically chosen UCF, driven by the alignment of UCF's responsible investing principles with our deeply rooted values. The decision to entrust UCF with our endowment has proven instrumental in advancing our mission of promoting racial, social and environmental justice. Through judicious investments at UCF, Edgewood has not only grown our financial resources but has also leveraged them to contribute meaningfully to the church's broader goals.

One noteworthy initiative is our dedication to faith-based reparations. The Racial Justice Task Force, established in 2016, played a pivotal role in fostering understanding within our predominantly white congregation about institutional and systemic racism. This groundwork helped the work of the Justice League of Greater Lansing Michigan (JLGL). Formed in 2021 to facilitate reparations between houses of worship and collaborative partners, it quickly gained traction. In a momentous meeting in June 2023, Edgewood's congregational members unanimously voted to contribute \$100,000 from our church endowment funds to JLGL's reparation efforts. Edgewood's members and friends added \$73,000, bringing the total to \$173,000.

In addition to racial and social justice, environmental and climate justice are key cornerstones of our theology. We aspire to become a carbon-neutral, net-zero-energy institution and serve as an inspiring example for others. We manifested this aspiration by installing 70 solar panels and playing an instrumental role in the growth of the

Amy Dalton, Edgewood moderator (center), delivers the congregations' check to Prince Jerold Solace (left), president of JLGL, and Willye Bryan, founder and vice president of JLGL (right).

“

**Selecting UCF as our investment partner is essential because of their rigorous screening processes and shareholder activism. It gives us peace of mind that, as a congregation, we invest responsibly and are helping to create a more just world.**

”

Michigan Interfaith Power and Light to promote renewable and energy conservation throughout churches in Michigan and nationally.

Meanwhile, the Louise Sternberg Impact Fund exemplifies our commitment to significantly impacting an organization or project above and beyond their regular programs. Established in 2021 following a bequest from Louise Sternberg, a devoted church member, the fund awarded its inaugural grant of \$30,000 to the Salus Center, serving Lansing's LGBTQIA+ communities, to aid in board development and strategic planning.

Our work brought our congregants closer and fostered awareness of the needs around us, the interconnectedness and the role we've played. We aim to continue to promote social, racial and climate justice and to refuse engagement with unjust business practices. Selecting UCF as our investment partner is essential because of their rigorous screening processes and shareholder activism. It gives us peace of mind that, as a congregation, we invest responsibly and are helping to create a just world.

# STRONG MARKET PERFORMANCE SUPPORTS A SUSTAINABLE FUTURE

## INVESTMENT REVIEW

Global markets recovered strongly in 2023 after a challenging 2022, with markets up close to prior peaks. The only broad asset class and geography to end the year negative were the energy sector and China, respectively. U.S. equity markets (S&P 500) were up +26.29%, led by the top 10 companies contributing 86% of the return; international developed equity markets (MSCI EAFE) were up +18.24%; and emerging markets equities (MSCI EM) were up +9.83%. In fixed income markets, bonds, as represented by the Barclays Capital U.S. Government/Credit Index, were up +5.72% in 2023. The 10-year U.S. Treasury note yield was volatile but ended where it began the year at 3.88%.

UCF has engaged the Pension Boards – United Church of Christ, Inc., an Affiliated Financial Ministry of the United Church of Christ, to provide investment management services.

## Performance Summary

Most of the UCF managed funds and fund of funds ranked above their respective peer medians, except the Fixed Income Fund and International Equity Fund. The performance of the UCF Balanced Fund and Total Equity Fund exceeded peers while trailing the index. The Beyond Fossil Fuels (BFF) Balanced Fund had strong outperformance relative to peers and the index. The Alternatives Balanced Fund underperformed its benchmark.

During 2023, UCF redeemed its investment in Voya Bank Loans and funded a new fixed income strategy, PIMCO ESG Income. The team also initiated a redemption of the Heitman Real Estate Fund.

**Equity Funds** The Total Equity Fund returned +20.44%, underperforming its benchmark by 1.14%, net of fees. The Domestic Core Equity and Small Cap Equity Funds returned +26.94% and +18.34%, respectively, outperforming their benchmarks by 0.65% and 1.41%, net of fees. The International Equity Fund returned +14.22%, underperforming its benchmark by 1.40%, net of fees. The weakness in the International Equity Fund was due to growth-oriented managers.

**The Fixed Income Fund** slightly trailed its benchmark, +5.70% vs. +5.72%, which can partially be attributed to significant yield volatility.

**Balanced Funds** The BFF Balanced Fund's performance of +16.52% was well above the benchmark and peers, outperforming by 0.97%

and 4.39%, respectively. The UCF Balanced Fund performance of +14.53% was below its benchmark but above peers.

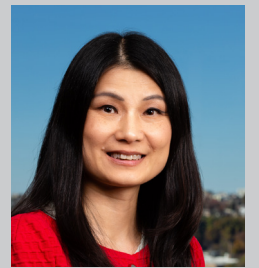
**Alternatives Balanced Funds** The Alternatives Balanced Fund underperformed its benchmark with a return of 11.03%, net of fees. Alternative managers had mixed performances.

## MARKET OUTLOOK

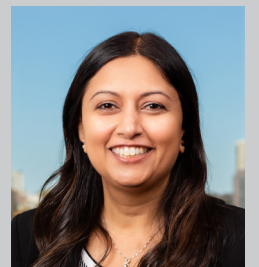
Market participants are now expecting a soft economic landing with continued growth but at a slower pace, inflation moderating further and central banks cutting interest rates in 2024. Volatility and risks will continue, given that it's an election year for countries representing 70% of global GDP, and geopolitical tensions remain.



*David A. Klassen*  
**David A. Klassen**  
Chief Investment Strategist



*Lan Cai*  
**Lan Cai**  
Deputy Chief Investment Strategist



*Minoti Dhanaraj*  
**Minoti Dhanaraj**  
Director of Investments

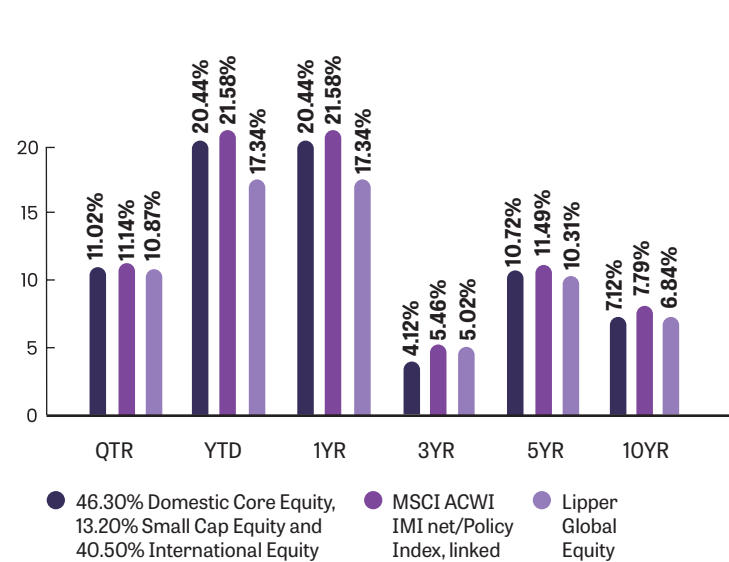


# SELECTED FUND PERFORMANCE

As of 12/31/2023

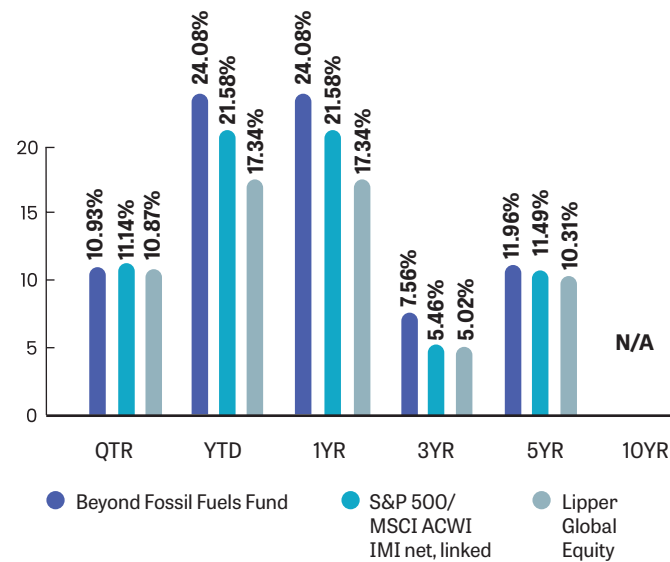
## TOTAL EQUITY PERFORMANCE

Current Yield: 2.07% Unit Value: \$23.86 Market Value: \$399.2M



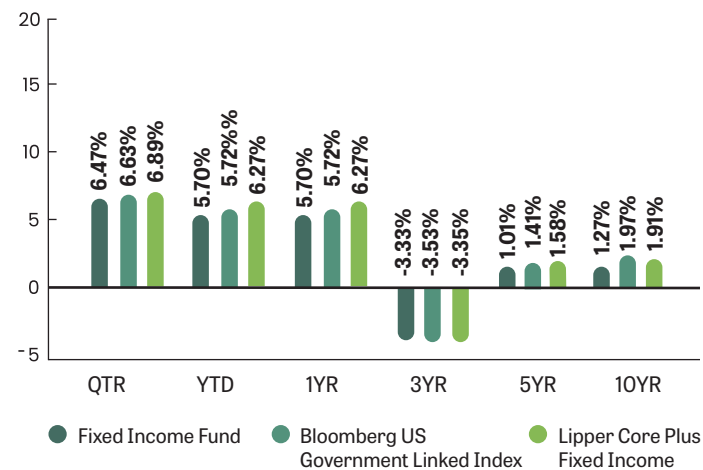
## BEYOND FOSSIL FUELS PERFORMANCE

Current Yield: 2.43% Unit Value: \$18.07 Market Value: \$127.1M



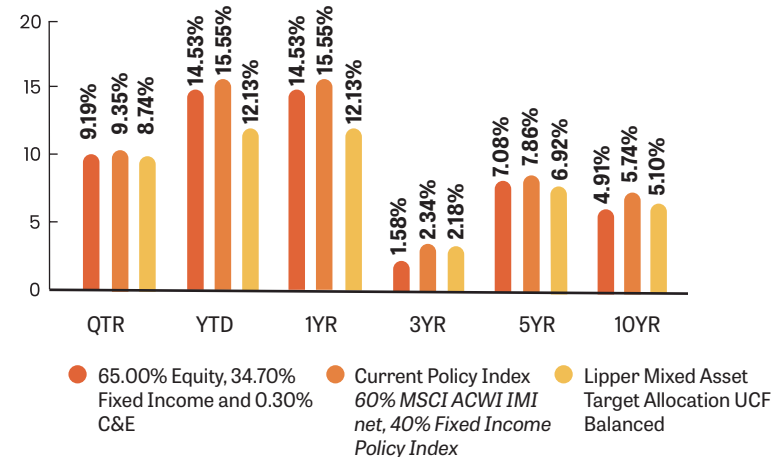
## FIXED INCOME PERFORMANCE

Current Yield: 3.66% Unit Value: \$4.47 Market Value: \$180.9M



## UCF BALANCED PERFORMANCE

Current Yield: 2.61% Unit Value: \$13.56 Market Value: \$319.3M



# SELECTED FINANCIAL INFORMATION

As of 12/31/2023

## FINANCIAL POSITION

2023 UNAUDITED

2022 AUDITED

### ASSETS

Investments	\$ 995,634,339	\$ 895,208,000
Other Assets	\$ 32,840,661	\$ 34,490,000

### Total

\$ 1,028,475,000

\$ 929,698,000

### LIABILITIES

Common Investment Funds	\$ 989,738,000	\$ 890,051,000
Endowments, Split-Interest Agreements & Other	\$ 27,924,000	\$ 29,552,000

### Total

\$ 1,017,662,000

\$ 919,603,000

## NET ASSETS

\$ 10,813,000

\$ 10,095,000

UCF is primarily comprised of client assets under management in the Common Investment Fund (CIF), endowments entrusted to UCF and obligations under split-interest agreements for the UCC Planned Giving Program. Legacy UCC endowments include the Pilgrim Memorial Fund and the Richard and Helen Brown Endowment Fund restricted for Pastoral Scholarships. UCF also participates in a Securities Lending program through its custodian, Bank of New York Mellon. The CIF and the Securities Lending Program are reported as an asset and liability on the UCF consolidated financial statements.

UCF balances its operating budget primarily through revenues earned from fees on the CIF and reimbursements from endowments served by UCF. Total revenues were (unaudited) \$7,620,000 for 2023 and \$5,780,000 for 2022 as compared to expenses in 2023 of (unaudited) \$6,903,000 and 2022 of \$8,620,000.

In 2023, UCF maintained its 98% client retention rate while accepting approximately \$28.07 million of new and additional assets invested. UCF's investment strategy continued to uphold the values of the UCC as expressed by its churches, organizations and missions, acting in concert with General Synod resolutions while seeking optimal performance. UCF remains dedicated to supporting its mission by deepening client relationships, identifying and securing new clients who share these goals and controlling costs and generating revenue – all to the end of creating a just world for all.



# LEADERSHIP

## STAFF



**The Rev. Dr. Charles C. Buck**  
President & CEO



**Mr. Matthew W. Wagner, MBA, AIF**  
Vice President, Institutional Relationships



**Ms. Karen Sherman-Chang, CPA**  
Director, Finance & Administration



**Mr. Matthew Illian, CFP**  
Director, Responsible Investing



**Ms. Deborah Cho**  
Senior Accountant



**Mr. Jason Gonzalez**  
Accounting and Client Services Associate



**Ms. Michele Hamilton**  
Staff Accountant



**Ms. Stacey Pettice**  
Executive, Institutional Relationships



**Ms. Kelsey Cameron Rose**  
Institutional Relationships Associate



**Mr. Adam Sank**  
Associate, Communications & Administration



**Ms. Debbie Wibowo**  
Associate, Marketing & Communications



**Ms. Tiffany Williams**  
Accounting & Client Services Associate



**Mr. Michael Zivanov**  
Junior Accountant

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Vermont Conference, United Church of Christ  
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Shidler College of Business,  
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Morgan Stanley  
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General Minister & President  
United Church of Christ  
Cleveland, Ohio

**Julia Gaughan**  
Chair  
United Church of Christ Board  
Cleveland, Ohio

# Investing with a Mission: Performance Beyond the Numbers



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The Interfaith Center on Corporate Responsibility

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