



January 13, 2017

Dear Partners in Ministry,

Enclosed is the 2016 4th quarter statement for your account(s) at the United Methodist Foundation of Northern Illinois. Net of all fees, the returns of the three fund models are:

	4 th Qtr 2016	Year to Date	Last 1 Year [†]	Last 3 Years [†]	Last 5 Years [†]	Inception to Date [†]
Aggressive Fund	2.95%	11.56%	11.56%	2.97%	6.99%	3.78%
benchmark	0.57%	7.08%	7.08%	3.12%	8.41%	4.50%
Moderate Fund	1.72%	8.18%	8.18%	2.47%	5.38%	4.20%
benchmark	-0.48%	5.78%	5.78%	3.09%	6.74%	4.23%
Conservative Fund	0.12%	4.78%	4.78%	2.14%	4.32%	4.65%
benchmark	-1.52%	4.47%	4.47%	3.07%	4.95%	4.24%

[†]The rates of return in these columns are annualized.

Inception dates are: Aggressive Fund: 7/30/08; Moderate Fund: 6/29/08; Conservative Fund: 7/1/08

I am pleased to report that 2016 investment performance for all three of the Foundation’s portfolio models beat their respective benchmarks, even substantially so in the cases of the Aggressive and Moderate Funds with their deeper exposure to stocks.

Market Outlook from Investnet | PMC

There is no denying that there is still a lot of general anxiety in the U.S. post-election, yet the stock market has progressed upward in what many call a “relief rally.” The markets do not like uncertainty, and now that the election is behind us there is more certainty about what the new Administration may bring regarding federal tax and spending policy. Brandon Thomas, Chief Investment Officer, Investnet | PMC, recently wrote for their “Economic and Market Overview: Fourth Quarter 2016:”

“There are several positive trends: the employment situation continues to steadily improve; the housing market remains on an upward trajectory; consumer confidence hovers at very high levels; energy prices exhibit few signs of resurgence; and stock prices are at record levels. The results of the US presidential election have also generated a significant surge in enthusiasm in the weeks since the election.”

Successful investing should rarely, if ever, be about where we have been but about where we are going in the future. Markets are forward-looking. Humans are too often backward-looking. Zachary Karabell, Head of Global Strategies, Investnet, Inc., concluded his recent commentary:



“The election result has been eclipsed by one of the best post-election performances in about 40 years. As investors anticipate the new Administration’s tax cuts, infrastructure spending, and a more favorable business environment, they are voting with their feet. Small-cap stocks have fared particularly well, responding to investor optimism that economic expansion lies ahead. Rising interest rates and inflation are resetting bond prices and yields, making the case for investors to back away from bond-heavy portfolios and adopt a disciplined equity allocation strategy.”¹

Recent optimism in the stock markets should be tempered, however, by the realities of our world. Mr. Thomas wrote to conclude his 2016 Q4 commentary: “Several potential risks are also on the horizon, including the potential for further disintegration of the European Union following 2016’s Brexit, a hard landing by China’s economy, escalation in aggression by Russia, and increased terrorism.”

Update on Investment Management Services

The Foundation staff, the Board of Directors, and I are extremely pleased with the professional services, advice, and consultancy of Investnet. In the summer of 2015, after nearly a year of due diligence review of the Foundation’s evolving needs for investment advisory services and after considering several candidates, the Foundation engaged the services of Investnet, based in Chicago, after several years with Mercer.

The main reasons powering our decision to engage Investnet were their familiarity with the work of the Foundation and other non-profit foundations like ours, proximity, impeccable customer service, exemplary reputation, solid investment performance, a clear and concise investment methodology, broader capacity for professional services, and cost. The partnership with Investnet in 2015 was the early part of implementing a long-range plan to project the capabilities of the Foundation for ministry in the 21st century.

The next major step in implementing our long-range plan is the transition to a new account management platform, which will incur additional expense. **The new platform will provide online access to statements and other online account management options.** The Foundation’s current annual management fee is a flat 0.50%, which has been the fee for more than 20 years. **As of July 1, 2017**, the Foundation is adopting a tier-based management fee structure:

Total of Account Balances by Tier	Rate
Less than \$500,000	0.65%
\$500,000 - \$1,000,000	0.60%
More than \$1,000,000	0.50%

Our Foundation is making significant changes to increase ministry capacity *beyond the average* for individuals, local churches, and other organizational partners for decades to come. Stay tuned to learn about other exciting opportunities provided by the Foundation, namely **“Impact Investing,”** which we highlighted at the the NIC’s annual conference in June 2016.

¹ <http://www.investpmc.com/insights/commentaries/envestnet-edge-december-2016>

Encouragement for the Body of Christ

“Be strong! Be fearless! Don’t be afraid and don’t be scared by your enemies, because the LORD your God is the one who marches with you. He won’t let you down, and he won’t abandon you.” - Deuteronomy 31:6 (CEB)

As I mentioned earlier, there is still a lot of anxiety in our culture and fear of “what comes next?” No one knows what will happen next in the United States or worldwide. Please remember, however, that we live our lives as individuals within a fairly small circle of influence and connections. Yes, we are at times impacted by large-scale events, such as September 11, 2001, and the financial collapse of 2008. Yet we are created in the image of God, and therefore we are created to be resilient and persevering creatures.

So, if your emotions are more tumultuous than normal and you’re fearful of the unknown future, remember the number one Christmas message, that of incarnation, that “God is with us,” for those were the dying words of John Wesley, the founder of our Methodist Movement.

Thank you, and may God bless you, your church, and your ministries.

Respectfully,



Rev. Chris Walters

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(If you have not yet completed the investment agreement, please download it (umfnic.org, Resources, Investment Documents, [Investment Management Agreement](#)), fill it out, and mail the original to the Foundation office. The Foundation must have this agreement on file to execute withdrawal requests. It is a best practice to review at least annually the objectives of your funds and to review your allocations. If you would like to adjust your allocations, please complete “Appendix A” of the PDF referenced above) and send it to the Foundation office.)

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