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Dear Partners in Ministry,

Enclosed is the 2018 1st 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:

	1st Qtr 2018	Year to Date	Last 1 Year†	Last 3 Years†	Last 5 Years†	Inception to Date†
Aggressive Fund	-0.19%	-0.19%	12.22%	7.19%	7.26%	5.04%
benchmark*	-0.42%	-0.42%	13.50%	7.36%	8.36%	5.93%
Moderate Fund	-0.29%	-0.29%	8.89%	4.97%	5.45%	4.93%
benchmark*	-0.55%	-0.55%	10.04%	5.67%	6.62%	5.20%
Conservative Fund	-0.13%	-0.13%	5.97%	3.07%	3.47%	4.92%
benchmark*	-0.70%	-0.70%	6.59%	3.93%	4.77%	4.70%

*"Benchmark" is a blend of benchmarks for stocks and fixed income, relative to allocations. †Rates of return (1+ years) are annualized. Inception dates are: Aggressive Fund: 7/30/08; Moderate Fund: 6/29/08; Conservative Fund: 7/1/08

New Website!

As I mentioned at the end of my January 12 letter, we were very close to rolling out the new website for you to access statements and account activity at your convenience. We did roll out the website two months ago and now await for instructions from an account signatory or someone with executive authority, such as the lead pastor, to designate **at least one person in your church / organization that will be the point person for this access**. Each account may have multiple people with online access to the statements and activity, but to start with, we need at least one person. To create an individual in the system for this purpose we need first and last name and email address; we also prefer to have additional information, such as a personal phone number and address. **This is now the default way for account holders to access statements and account activity**. If you have not already received your user name and password from me, please contact me. Thank you.

Market Commentary from Envestnet|PMC

I want to reiterate a sentence from my previous letter: "One important lesson to learn for healthy investing is to not equate *volatility* with *risk*." Writing for "The Envestnet Edge, March/April 2018," Zachary Karabell, Head of Global Strategies for Envestnet, also reminds us:

> "As we have noted and everyone has noticed, market volatility appears to be back, not as a blip but as a feature of markets just now … For the moment, it seems as though the recent market pullback looks more like what happened at the beginning of 2016 than what happened to financials in 2008. It looks more like a price reset and a general market pause around the uncertainty of interest rates and Washington policy than a harbinger of poor fundamentals."[1]

When Did You Last Review Asset Allocation?

A "general market pause" presents an opportunity to unplug from the noise of financial commentators and political news and to deliberate within your investment committee about the state of affairs of your organization's invested funds. See the current "pause" as a "rest stop" in your long-term journey of healthy investment decision-making. It's a good practice to review asset allocation at least once a year. Now is as good as time as any for review.

For example, if your funds have been tilted toward more risk (allocated more to stocks), then maybe now is a good time to tilt a bit toward less risk (allocate more to fixed income), given the great returns of the stock market during the last ten years and the rising rate environment that appears to be settling in, thus increasing bond yields. Likewise, if your funds have been tilted toward less risk (allocated more to fixed income), then maybe now is a good time to tilt a bit toward more risk (allocate more to stocks), since all of the fundamentals of a strengthening worldwide economy appear to be in place,[2] corporate earnings look good, and the stock market may still have room to price in U.S. corporate tax cuts.

This is food for thought and not advice to "time" the market. Review your allocation and then deliberate by building a consensus understanding of your committee's and organization's appetite for risk, stated mission objective(s) for invested funds, and timeline. Most accounts with the Foundation have long time horizons (even "forever"), therefore it is wise to take on a healthy amount of risk to take advantage of long-term growth in the global economy.

Update on Asset Allocations According to the Foundation's Investment Policy Statement

The typical allocation for long-term investment of charitable funds is 60% stocks & 40% fixed income, which is the Moderate Model. Most of the Foundation's clients are allocated in the Moderate Model. Some clients invest in all three models as a way to think about making investment decisions regarding risk/return. For example, it's much easier cognitively to adjust percentages among the three models than it is to "take a new position" in the "aggressive" model. **Please remember, all three models invest in exactly the same underlying investments, just in different percentages.**

At the end of last year, all three models--Conservative, Moderate, and Aggressive--reset to their target allocations according to the Investment Policy Statement (IPS) of the Foundation:[3]

Aggressive:	85% stocks, 15% fixed income
Moderate:	60% stocks, 40% fixed income
Conservative:	30% stocks, 70% fixed income

The Foundation does not automatically "hard" rebalance the portfolio models to the IPS, except when a model drifts beyond its stated IPS range for an asset class. However, Envestnet does have monthly opportunities through the normal course of managing the pools (through deposits and withdrawals) to maintain the models fairly close to their stated target asset allocations . Because the Foundation adopted the ESG impact methodology for all stocks at the end of 2017, that was a good time to rebalance the models to their targets. The Conservative Model had run up to 35% stocks. The Conservative Model is now back to 30% stocks.

Currently, an account in 32% Conservative, 33% Moderate, and 35% Aggressive is essentially the same as allocating 100% to the Moderate Model. Another example is an account in 50% Conservative, 30% Moderate, and 20% Aggressive; this account would be 50% stocks and 50% fixed income.

I have created an Excel spreadsheet that uses the allocations of the seven portfolios that make up the three models and allows the user to enter percentages in Conservative, Moderate, and Aggressive (or any combination thereof to equal 100%) to display the resultant overall allocation. You can download this spreadsheet from the bottom of this page on the Foundation's website: umfnic.org/investments

This is a screenshot of what the spreadsheet looks like for the first example given above:

	A	B	C	D	E	F	J
1		**Allocation**		**Enter percentages in the green cells to total 100%.**			
2	**Conservative:**	**32%**		Your allocations are revealed in blue Column B.			
3	**Moderate:**	**33%**					
4	**Aggressive:**	**35%**		(These are the model allocations as of the date below.)			
5	**Total:**	**100%**		**Conservative**	**Moderate**	**Agressive**	
6	**Stocks**	**58.69%**		**29.80%**	**58.82%**	**84.98%**	
7	Large & Mid Cap	36.12%		16.16%	37.24%	53.32%	
8	Small Cap	2.07%		0.73%	2.70%	2.70%	
9	Int'l Developed	16.63%		10.29%	15.73%	23.28%	
10	Int'l Emerging	3.87%		2.62%	3.15%	5.68%	
11							
12	**Fixed Income**	**41.31%**		**70.20%**	**41.18%**	**15.02%**	
13	Intermediate Bond	27.36%		46.63%	27.33%	9.76%	
14	Short-Term Bond	5.62%		9.09%	6.05%	2.03%	
15	International Bond	8.34%		14.48%	7.80%	3.23%	
16		(Note: these percentages do not include the modest cash portion in each model.)					
17				Updated:	3/31/2018		
18							
19	For detailed information on the pool level, visit:			https://umfnic.org/investment-performance-reports/			
20							

Please contact me if you have any questions. Thank you.

Respectfully,

Chris Walters

Rev. Chris Walters, President
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1 http://www.investpmc.com/insights/commentaries/envestnet-edge-marchapril-2018

2 https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018
In January 2018, the IMF reported: "The cyclical upswing underway since mid-2016 has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010."

3 https://umfnic.org/investments/