



July 13, 2018

Dear Partners in Ministry,

Online (or enclosed, if mailed) is the 2018 2nd quarter statement for your account(s) at the United Methodist Foundation of Northern Illinois. Net of fees, the returns of the three fund models are:

	2 nd Qtr 2018	Year to Date	Last 1 Year [†]	Last 3 Years [†]	Last 5 Years [†]	Inception to Date [†]
Aggressive Fund	1.46%	1.34%	10.85%	7.95%	7.86%	5.07%
benchmark*	1.15%	0.70%	10.49%	7.73%	8.74%	5.90%
Moderate Fund	1.20%	0.95%	7.91%	5.81%	6.16%	4.94%
benchmark*	0.87%	0.30%	7.54%	6.11%	7.03%	5.16%
Conservative Fund	0.47%	0.36%	4.80%	3.71%	4.10%	4.84%
benchmark*	0.38%	-0.33%	4.39%	4.37%	5.17%	4.62%

*“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

Market Commentary from Envestnet | PMC

Brandon Thomas, Chief Investment Officer of Envestnet | PMC, concluded their “Economic and Market Overview: Second Quarter 2018” report with the following observations and commentary:

“The US economy remains strong, and although the current expansion is now the second longest in history, the consensus among economists is that the prospects for further growth are solid. Aggressive fiscal stimulus in the form of deficit-financed tax cuts and increased government spending, according to many economists, has the potential to provide the fuel for continued expansion for at least the next several quarters. It is estimated that these factors will accelerate domestic economic growth to 3% over the next couple of years before slowing down somewhat at the beginning of the next decade. Not all is bright on the horizon, however. The escalation in trade skirmishes poses a real threat to this growth, as investors view tariffs as tax increases, because consumers will spend more on imported goods. If the tariff retaliation were to end with what has already been imposed, leading economic consulting firm Moody’s Analytics projects that the overall effect would not be significant, amounting to a decline of only about 0.1% of GDP. However, if the additional tariffs that have been threatened—and their retaliatory responses—are imposed, Moody’s estimates the adverse impact on GDP would rise to about 0.4% and result in a loss of about 500,000 jobs. For that reason, if the brinksmanship doesn’t subside, there is a real possibility of a tariff-induced recession down the road. But the expectation is that if the equity market continues to have difficulties as a result of the back-and-forth tariff tiff, President Trump will relent, enabling the recent strong growth and employment gains to continue.”¹



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

As I mentioned in my last quarterly investor letter, this bears repeating:

At the end of 2017, all three models—Conservative, Moderate, and Aggressive—reset to their target allocations according to the Investment Policy Statement (IPS) of the Foundation:²

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

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.

All three models invest in the same underlying investments, just in different percentages.

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 that an account in $\frac{1}{3}$ Conservative and $\frac{2}{3}$ Moderate is almost exactly 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

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

Respectfully,



Rev. Chris Walters, President

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¹ <http://www.investpmc.com/insights/commentaries/economic-and-market-overview-second-quarter-2018>

² <https://umfnic.org/investments/>

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