

October 15, 2018

Dear Partners in Ministry,

Online (or enclosed, if mailed) is the 2018 3<sup>rd</sup> 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:

	3 <sup>rd</sup> Qtr 2018	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	5.06%	6.52%	11.28%	13.22%	7.78%	6.89%
benchmark*	4.66%	5.49%	10.69%	12.58%	8.27%	7.86%
Moderate Fund	3.67%	4.69%	8.16%	9.53%	5.90%	6.29%
benchmark*	3.31%	3.70%	7.43%	9.49%	6.61%	6.78%
Conservative Fund	1.97%	2.36%	4.43%	5.83%	4.00%	5.61%
benchmark*	1.80%	1.51%	3.81%	6.16%	4.81%	5.59%

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

### **Market Commentary from Envestnet | PMC**

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

"The US economy has experienced a late-cycle acceleration, and if growth remains positive through July 2019, it will become the longest expansion in history. Aggressive fiscal stimulus in the form of deficit-financed tax cuts and increased government spending are the primary drivers fueling the growth, and their effects are likely to result in solid growth for the next few quarters. Although the current economic conditions have created favorable conditions for earnings gains and driven stock prices to record highs, it also is worthwhile to consider potential risks. One such risk is an overheating economy that produces increased wage pressure and inflation. Inflation currently remains fairly well contained at about the 2% level, but with the economy at or near full employment, it will be more difficult to restrain prices if growth continues to accelerate. The trade war also poses risks. The financial markets have so far done an excellent job of digesting the heated rhetoric on all sides of the trade debate; however, if the size of tariffs ratchets higher, investors could expect volatility to ensue."

This investor letter corresponds with the third quarter of 2018, but as I write this paragraph I would like to comment on the "letting out of air" from stock prices in the first half of this month. On October 10, the S&P 500 closed down 3.3%, which is obviously a big single day move downward. However, for the year of 2018 the S&P 500 is still up about 4%. What does this mean? Well, if you watch cable TV and read the internet, there are all sorts of analysis and seeking for explanations. The fact is, however, that no one knows the near-term future of stock prices. Envestnet, the investment consultant for the



Foundation, advised clients going into 2018 that this year would likely be volatile, and that forecast has been true.

This is one of my favorite quotes from Benjamin Graham (Warren Buffett's teacher and the "father of value investing"): "In the short run, the market is a voting machine but in the long run, it is a weighing machine." I cannot share this quote enough. I see that I shared this quote in my October 2016 investor letter, and I will probably share it again in the future. It is like scripture. The wisdom of this quote deserves meditation, especially in a time of market volatility. In other words, in the short-term, the market can be fickle, voting up and down stock prices based on often incomplete information. But in the long-term, the market properly weighs the growing value of corporations as they create financial returns for their shareholders.

Back on June 19, writing for The Motley Fool in a week when the Dow Jones Industrial Average dropped 700 points, Matthew Frankel, CFP, offered solid encouragement to long-term investors in the midst of volatility:

"While stocks can be wildly unpredictable over shorter time periods, they are surprisingly predictable over long periods. Over periods of several decades, the stock market has generated annualized returns of 9% to 10% per year. Since 1965, the S&P 500 has produced annualized total returns of 9.9%, for example, and this includes the dot-com bust, Black Monday in 1987, and the Great Recession. The point: Even the worst crashes are rather meaningless when it comes to long-term returns."<sup>1</sup>

### **Online Access to Statements and Account Activity**

To begin 2018 the Foundation rolled out online access to account statements and activity, which is made possible by the account management platform provided by Stellar Technology Solutions. The Foundation transitioned all accounts to Stellar's platform—iPhi Core Enterprise—July 1, 2017. So far about 100 users have been granted online access to their church's / organization's accounts, but there are still several account holders who have not replied to Foundation communications earlier this year to gain access.

**If your church or organization does not yet have at least one or two people designated to have online access to retrieve statements, please contact me at [cwalters@umfnc.org](mailto:cwalters@umfnc.org) to request access.**

**Authorized signers and senior pastors / organization executives can appoint who has online access to account statements. Please make sure that your church / organization appoints at least one or two people to have online access and to be responsible for distributing statements to whomever your church / organization deems necessary.**

Your church / organization can appoint as many people as you would like to have online access, which allows users to ...

- download PDF statements dating back to July 1, 2017, by the following periods: month, quarter, semi-annual, and annual
- search for account activity by date range dating back to July 1, 2017, and export the activity to an Excel file or PDF
- consolidate statement PDFs and activity for account holders with multiple accounts
- view who are the "interested parties" on accounts, i.e. people who have online access to account statements
- download quarterly investor letters and other information

The Foundation has discontinued **manually emailing statements every quarter.**

Please note that at this time **users with online access cannot withdraw or reallocate funds via the website.** The website is only for accessing information.

To download forms to manage your account(s), please visit: <https://umfnic.org/resources/>

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

Respectfully,



Rev. Chris Walters, President

312.334.0703, [cwalters@umfnic.org](mailto:cwalters@umfnic.org)

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<sup>1</sup> Matthew Frankel, "5 Warren Buffett Principles to Remember in a Volatile Stock Market," <https://www.fool.com/investing/2018/06/19/5-warren-buffett-principles-to-remember-in-a-volat.aspx>

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