



January 14, 2019

Dear Partners in Ministry,

Online (or enclosed with mailing) is the annual statement for your account(s) at the United Methodist Foundation. Net of fees, the returns of the three fund models are:

	4 th Qtr 2018	Year to Date	Last 1 Year [†]	Last 3 Years [†]	Last 5 Years [†]	Last 10 Years [†]
Aggressive Fund	-11.16%	-5.35%	-5.35%	7.60%	4.04%	8.10%
benchmark*	-11.39%	-6.75%	-6.75%	6.52%	4.34%	8.96%
Moderate Fund	-7.60%	-3.26%	-3.26%	5.77%	3.31%	6.86%
benchmark*	-7.55%	-4.47%	-4.47%	5.45%	3.93%	7.70%
Conservative Fund	-3.52%	-1.27%	-1.27%	3.86%	2.72%	5.87%
benchmark*	-3.46%	-2.27%	-2.27%	4.24%	3.45%	6.21%

*"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.

Online Access to Statements and Account Activity ↩ **IMPORTANT ... PLEASE READ** ↓ ↓ ↓ ↓ ↓ ↓

Happy New Year! Typically I begin each of these quarterly investor letters with market commentary, but with this letter I want to re-emphasize my communication in the Q3 letter about gaining online access to statements and account information. Market commentary begins on page 2.

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 need to gain online 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@umfnic.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://umfnc.org/resources/>

Have a login and password already? Login to your account(s) by visiting umfnc.org, top menu item “Resources,” and then the sub-menu item “Client Login.” This login link is also in the bottom-right of the footer on the website. Or you can simply bookmark: <https://umfnc.iphiview.com/umfnc/>

Market Commentary from Strategas

The Foundation’s investment services manager, Envestnet | PMC, partners with Strategas to provide their clients, like the Foundation, independent macro research and advisory services. In Strategas’ “Insight: Special Report” of December 26, 2018, the advisor wrote in response to “an old client and friend” asking for guidance:

“For me, I would simply go back to first principles—what is the state of the U.S. economy? What are the chances of a recession? And what represents value at current prices? As for the first question, I would simply say that the US economy while likely to slow some in 2019, by any account, is the envy of the world. Our unemployment rate is 3.7%, near a 50-year low, and wages are rising at about 3.1% while core inflation is 2.2%. This combined with lower oil prices is a strong backdrop for the biggest part of the US economy—consumer spending. Capex has not been as strong in the second half of the year as many had hoped but it’s important to remember that corporate profits are going to be up over 20 percent in 2018. The growth will slow in 2019 but I think it’s important to remember that the tax cut passed last year is a supply-side cut rather than a Keynesian one. That is to say the impact will last longer than the ‘sugar high’ some are forecasting. Recessions normally start when the Fed tightens too much, there is some other policy error—fiscal, regulatory, trade—or there is some exogenous event. The Fed is tightening but the real Fed Funds rate is only about 25 basis points. Prior to the start of the last 8 recessions going back to 1960, the real Fed Funds rate was no less than 2%. So, even though the markets are telling the Fed to stop, the Fed has a long way to go before it’s in full-blown error territory.”¹

I write this letter after the December jobs report, which showed nonfarm payrolls surging by 312,000 when a survey of economists expected growth of just 176,000. Unemployment ticked up a bit to 3.9% as more people reportedly were looking for jobs. Wages were up a strong 3.2% year-over-year. This is more news to reinforce the commentary above from Strategas. In short, there is plenty of real data available to support a near-term view of the U.S. economy with stable though moderating growth.

Stock prices are experiencing a lot of volatility, likely due to worries about “some exogenous event,” perhaps to emerge, speculatively, from trade wars, “divided” government (e.g. government shutdown), continued leadership turnover at the highest levels of the current administration, and global tensions in zones of armed conflict, to mention a few worrisome circumstances. These worries feed on noise in the media. Pundits and media talking heads want to pin the tail on the donkey of the next recession and to prophesy when this current bull market will end. No one can accurately predict these things.

Ten years into the bull market in stocks with relatively low volatility (until 2018), we need to remind ourselves that 5% to 10% “corrections” are “normal.” In fact, 5% to 10% corrections are normal one to three times per year. Roughly every three years we can expect at least one correction of 20% or more. As disruptive as the current volatility in stock prices may feel, it is entirely normal and to be expected.

I recently heard on the radio that January 8 marked the day in 1987 when the Dow Jones Industrial Average (DJIA) crossed 2000 for the first time. The DJIA closed at 23,787 on January 8 of this year, a gain of nearly 1100%, which is an 8% annualized return, not including dividends paid by the DJIA companies.

No one knows where stocks will go in the near-term future, but one thing has remained consistent for multiple decades: innovation and growth in the economy yields higher market valuations of businesses over the long-term. I quote again a commentator I highlighted in my 2018 Q3 newsletter: “Even the worst crashes are rather meaningless when it comes to long-term returns.”²

The calendar year is an arbitrary, yet traditional, time frame for measuring investment performance, but the “new year” can also be a good reminder in the medium-term to review your church’s or organization’s asset allocation based on risk tolerance and visibility of when your church/organization may need substantial money from investments. Or, if needing regular income, consider a prudent spending policy that the Foundation can help you establish.

Please contact me if you have any questions or would like to review your church’s or organization’s investments. To read a thorough summary of the Foundation’s investment methods, please visit: umfnc.org/investment-overview.

Respectfully,



Rev. Chris Walters, President

312.334.0703, cwalters@umfnc.org

¹ <https://www.envestnet.com/files/EN-StrategasInsight/images/ENV-STRA-SR-1218.pdf> (not yet available online)

² 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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