United Methodist Foundation
of the Northern Illinois Conference, Inc.

77 W. Washington St.
Suite 1820
Chicago, IL 60602

312.334.0703 OFFICE
312.346.9730 FAX
cwalters@umfnic.org

UMFNIC.org
UMFGift.org

April 13, 2019

Dear Partners in Ministry,

Online (or enclosed, if mailed) is the 2019 1st 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:

	1st Qtr 2019	Year to Date	Last 1 Year†	Last 3 Years†	Last 5 Years†	Last 10 Years†
Aggressive Fund	11.12%	11.12%	5.34%	10.85%	6.06%	10.40%
benchmark*	11.45%	11.45%	4.34%	10.22%	6.36%	11.29%
Moderate Fund	8.20%	8.20%	4.95%	8.13%	4.70%	8.40%
benchmark*	8.87%	8.87%	4.43%	8.01%	5.39%	9.54%
Conservative Fund	5.15%	5.15%	3.92%	5.09%	3.45%	6.68%
benchmark*	6.16%	6.16%	4.31%	5.62%	4.34%	7.46%

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

Market Commentary from Envestnet|PMC

In the March 2019 "Insight: Here's to Ten More Years," prepared for Envestnet by Strategas, a global institutional brokerage and advisory firm, the concluding "takeaway" summarized the current state of the markets:

> "In the wake of softening US economic indicators, the Fed's pivot to lower rates prompted a stock market rally followed by an uptick in consumer confidence, suggesting that despite choppy employment numbers, wages are rising, unemployment is low, and the US consumer appears to be in good shape. However, the delay in resolving trade issues with China, coupled with its sluggish economic data, could trigger a slowdown in business spending, prompting investors to question whether the long cycle is nearing an end. A reasonable 16.5 P/E ratio, combined with a 2.60% yield on the 10-Year U.S. Treasury Note, support a more optimistic outlook, despite increasing volatility."[1]

Using the subtitle, "Here's to Ten More Years," is just begging to jinx this really long bull market, isn't it? It is easy to think that, for that is how our fallible individual human minds work. But we have to remember that the market is a collective "mind" that is not as predisposed to human emotions and pattern-seeking as we are as individuals. With the huge rally of the first quarter this year, the best first quarter since 1987, the December downturn seems like a faint memory.

Every year Envestnet prepares their Capital Market Assumptions for all of the major asset classes going forward for the next ten years. From page five of the 2019 report: "Adding together all the above pieces we get a long-term (10 year) estimate of the nominal arithmetic rate of return for Russell 3000 Index to equal 6.82 percent, which is meaningfully higher than last year's 6.1 percent estimate."[2] The Russell 3000 "index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities." On page eight of the report you will notice that all major equity asset classes (stocks) have an increase in their expected return versus the projections of 2018.[3] For the mathematically-inclined and/or for those interested in the robust analysis that goes into these assumptions, I recommend following the link in footnote #3 to Envestnet's PDF.

People often ask: "What returns can we expect from our investments through the Foundation?"

The answer to that question depends on several factors outlined in Envestnet's Capital Market Assumptions. One important thing to recognize when asking this question and in receiving an answer is to appreciate the vast diversification of the three fund models offered by the Foundation: Aggressive (85% stocks, 15% fixed income), Moderate (60% stocks, 40% fixed income), and Conservative (30% stocks, 70% fixed income). Based on the Capital Market Assumptions we can expect an average annualized return over the next ten years of approximately 6%, 5%, and 4% from Aggressive, Moderate, and Conservative.

While there is no such thing as a guaranteed return in investing, these average annualized return percentages are generally what we can expect based on current valuations and economic fundamentals. In the chart on page one of this letter the 1-year and 5-year annualized returns approximately align with these expectations. The 3-year annualized return is elevated due to the strong years of 2016 and 2017, and in the case of the 10-year, the starting point of March 31, 2009, was near the bottom of the subprime-induced crisis.

Meditation for Holy Week

After Holy Thursday the purple of Lent is removed so that Good Friday and Holy Saturday have no liturgical color, though many churches drape a black cloth on the cross. The time from Jesus's death on the cross to his resurrection on Easter Sunday is removed from all secular notions of time; it is when God's presence is withdrawn from the earth. Without this radical discontinuity, Easter is just the Sunday following the celebratory palms of the Sunday before, and we move from celebration to celebration without experiencing the grand triumph over sin and death on the cross.

As hard as it is for us to accept and comprehend, there is no resurrection without death (1 Corinthians 15:12-19). As we enter Holy Week, let us meditate with humble hearts on the gift of eternal life, even as the path to eternity goes through the removal of God's presence. With this humility, our voices can sing the words of Charles Wesley triumphantly: "Ours the cross, the grave, the skies, Alleluia!" Amen.

Respectfully,

Chris Walters

Rev. Chris Walters, President
312.334.0703, cwalters@umfnic.org

[1] https://www.investpmc.com/insights/commentaries/strategas-insight-here%E2%80%99s-ten-more-years
[2] https://www.investpmc.com/sites/default/files/documents/PMC_CapitalMarketsAssumptions_Update.pdf
[3] https://www.investopedia.com/terms/r/russell_3000.asp