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Dear Partners in Ministry,

Online (or enclosed, if mailed) is the 2019 3rd 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:

	3rd Qtr 2019	Year to Date	Last 1 Year†	Last 3 Years†	Last 5 Years†	Last 10 Years†
Aggressive Fund	0.46%	16.42%	3.45%	10.21%	6.35%	7.55%
benchmark*	0.46%	15.92%	2.50%	9.64%	6.70%	8.03%
Moderate Fund	0.88%	13.17%	4.58%	7.99%	5.02%	6.27%
benchmark*	0.81%	13.07%	4.17%	7.73%	5.75%	6.92%
Conservative Fund	0.97%	9.24%	5.40%	5.39%	3.68%	5.33%
benchmark*	1.14%	10.06%	5.97%	5.67%	4.72%	5.67%

*"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 Tom Johnson Investment Management, LLC

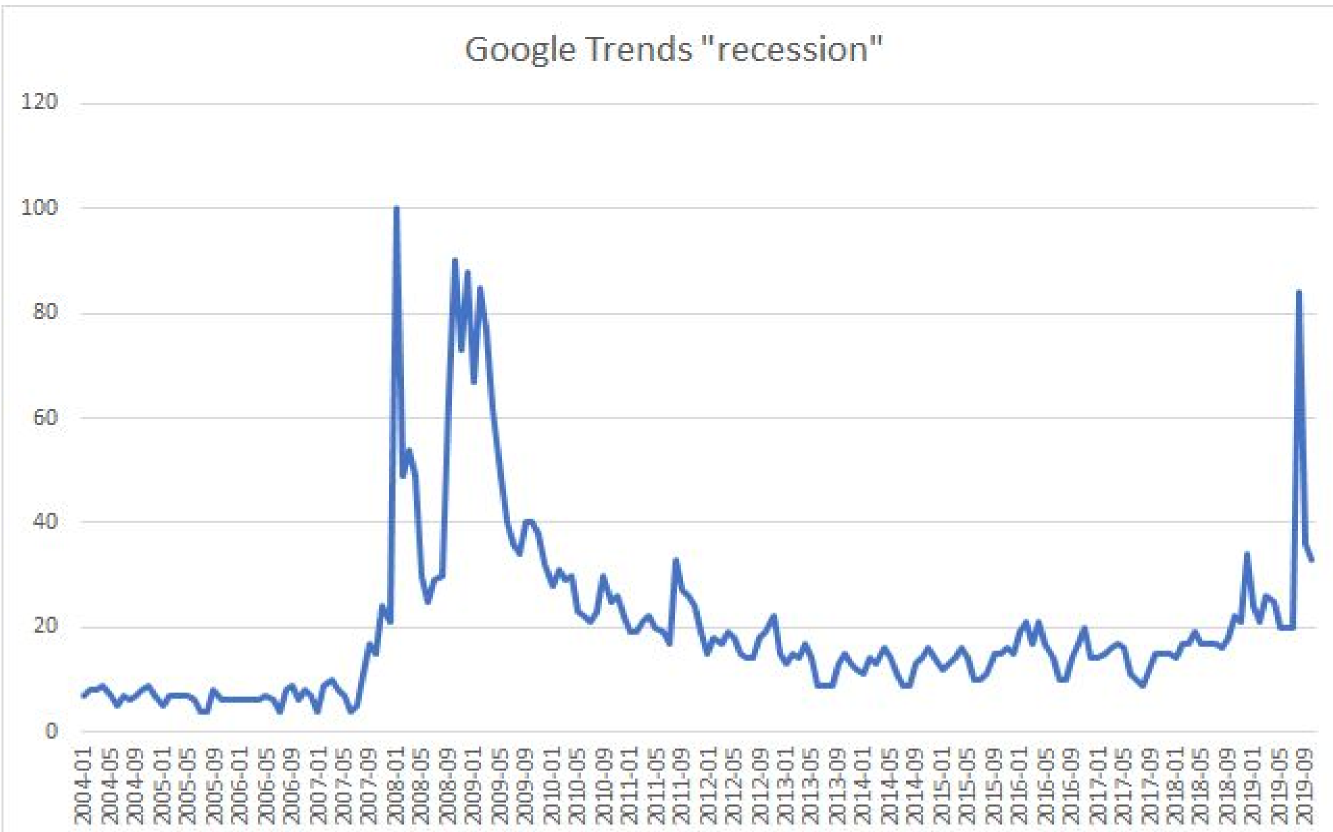
Typically in my quarterly investor letter I begin by sharing a few words about the current macro view of the markets from Envestnet | PMC, the institutional investment consultant for the Foundation. This quarter I am sharing some third quarter insights from one of the underlying portfolio managers, Tom Johnson Investment Management, LLC (TJIM). The Foundation has for several years relied on TJIM to manage the portfolio of intermediate bonds for the investment models offered by the Foundation. The following contains some highlights from TJIM's "Quarterly Insight" for the third quarter of 2019:

> "Entering the 4th quarter the enigmatic march of the stock market continues. Year to date the S&P 500 has returned over 20%. A number that would represent an exceptional year, let alone for only the first three quarters. With such lofty returns entering the 4th quarter, traditionally the best quarter of the year, the market would seemingly be set up for a strong finish. However, we note the enigmatic path of the market and the economic fundamentals which underpin market valuations. Despite the stellar year-to-date performance, the market is only 1.6% above September 2018 levels … The Institute for Supply Management's (ISM) factory index recently fell to 47.8, a level not seen since the 2008 financial crisis. This figure is important as a read out above 50 signifies manufacturing expansion, while a number below 50 signifies manufacturing contraction. As recently as November 2018 this figure was close to 60, well into expansion territory … We think the market signals are not clear, and there is cause for both optimism and apprehension. On the one hand there is plenty of positive signals to continue to push this market forward, as Harry Truman said; 'Can somebody bring me a one handed economist!' Unfortunately, I have two hands and neither one is holding a crystal ball."[1]

"[T]here is cause for both optimism and apprehension."

Using the two-handed approach, the "optimistic" hand holds many market factors typically indicative of a healthy economy: low unemployment, modestly rising wages, stable U.S. growth, and low inflation. The "apprehensive" hand holds signs of recession in the near future: a yield curve that inverted, negative rates in several European countries, U.S.-China trade war intensification, fear of a "hard" Brexit, and seemingly endless political uncertainty about the future direction and sustainability of the modern order of globalization and the spread of democracy. There are huge issues of human history and civilization at play between these two hands, and it seems more and more that present sentiment is falling into the hand of apprehension.

Are we're talking ourselves into a recession?



The above chart was generated by Google Trends, which "provides access to a largely unfiltered sample of actual search requests made to Google."[2] The data above is taken from search requests of users in the United States from 2004 through the present.[3] With the yield curve inverting this summer and with the media coverage of yield curve inversion always preceding a recession in the last 50 years, it makes sense the masses would search more frequently for the term: "recession." "Now the fear is that fear itself will spark a recession," wrote Thomas Garretson, CFA, for RBC Wealth Management.[4]

Manufacturing makes up less than 12% of U.S. GDP. Consumerism drives 70% of the U.S. economy, so consumer sentiment is important to the overall health of the U.S. economy. Currently, U.S. consumerism looks fairly healthy. The fear is real, however, that the chattering class of talking heads on our screens will continue to stoke fear (because that's what they do) over trade wars, Middle East conflict, political battles and entrenched partisanship, and wealth inequality. Fearful people tend to hunker down and spend less, hence the concept of "talking ourselves into a recession."

"Unfortunately, I have two hands and neither one is holding a crystal ball."

No one knows when the next recession will come and how deep or shallow it will be, which is why it is so important to diversify your personal investments and the church's investments across major asset classes. The Foundation's investment models are extremely well-diversified and guided by a prudent investment policy statement, expert managers and processes, and oversight of the Investment Committee to make sure the models continue to do what they are designed to do over the long haul and through all market scenarios: "minimize volatility, maximize total return, and provide a prudent range of risk-return opportunity with which clients can make their own context-appropriate allocation decisions."[5]

<u>Thoughts on "Fear" and "Worry"</u>

In FDR's famous first inaugural speech on March 4, 1933, he said: "So, first of all, let me assert my firm belief that the only thing we have to fear is … fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance." As we know, fear is elemental to the human condition. When we are jolted by sudden stimuli that provokes fear, our reaction is often precognitive: fight or flight … and then we have the conscious experience of fear. Because the reaction to sudden stimuli that makes us fearful is so deeply embedded (and often unconscious), our experience of fear seeks a target because the stimuli is "nameless, unreasoning, unjustified."

In this sense, to say we have "fear" of the next recession is an incorrect usage of the word "fear." We all know what we mean by "fear" in this context; we should be more honest with ourselves and use the word "worry." If we ever have a sudden and direct encounter with God's presence, like Moses, we are struck with the "fear" of God. This is "fear" in its truest manifestation. We are to "fear" God in the sense of having respect for the utmost capacity and potential of divine presence to disrupt and jolt our lives out of the mundane circumstances in which we often find ourselves. Nowhere, however, do we ever encounter the "worry of God." Quite the opposite. Jesus asks us: "Can any one of you by worrying add a single hour to your life? … But seek first his kingdom and his righteousness, and all these things will be given to you as well. Therefore do not worry about tomorrow, for tomorrow will worry about itself. Each day has enough trouble of its own" (Matt. 6:27, 33-34).

Respectfully,

Chris Walters

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[1] http://www.tjim.com/commentary
[2] https://support.google.com/trends/answer/4365533?hl=en&ref_topic=6248052
[3] https://trends.google.com/trends/explore?date=all&geo=US&q=recession
[4] https://www.rbcwealthmanagement.com/us/en/research-insights/can-we-talk-ourselves-into-a-recession/detail/
[5] https://www.umfnic.org/wp-content/uploads/2017/11/UMF-Investment-Policy-Statement-2016-09.pdf