



Encouraging Lifelong Generosity with God's Abundance

# 2022 in Review

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Dear Friends,

As I reflect on 2022, I realize how much we live in a world of generational transition that is simultaneously exhilarating and intimidating. Representing investments and endowments benefiting more than 140 churches, our goal at the Foundation is to work with donors – across generations – and inspire individual plans for lifelong generosity.

One example of our work is “Mildred’s Stories,” a video series launched last year that captures storytelling across generations. Named for devout Methodist lay leader, Mildred Vannorsdall (1918–2000), the videos are a meaningful way to honor Mildred’s legacy as a church leader and as a librarian who loved stories.

I see hope in our ability to understand and meet the needs of our next generation. We remain committed to partnering with donors and churches on a strategy that reflects their wishes.

The purpose of this report is to provide transparency around how we invest the Foundation’s assets to fund and empower ministry across generations. Our work centers around three distinct areas:

## FIDUCIARY GOVERNANCE

As stewards, the Board has a stated legal duty to act in the best interests of you, our constituents.

## MISSION-ALIGNED PORTFOLIOS

We invest in broadly diversified portfolios that seek competitive returns and align with the ideals of the Social Principles and ¶ 717 *Sustainable and Socially Responsible Investments*.

## PERFORMANCE AND IMPACT ACCOUNTABILITY

We hold ourselves and our work accountable to you through regular, easy-to-understand performance and impact reporting (including this report).

I am also happy to share some exciting news! We have moved the Foundation office (address below) to a space that embraces the technology and flexibility of a more modern workspace. In 2023, we plan to update our brand to better reflect the organization we are today.

With the Board, I am inspired by your stewardship and generosity. The seeds we plant today will continue to provide abundance for future generations.

Sincerely yours,



Chris Walters  
President & CEO

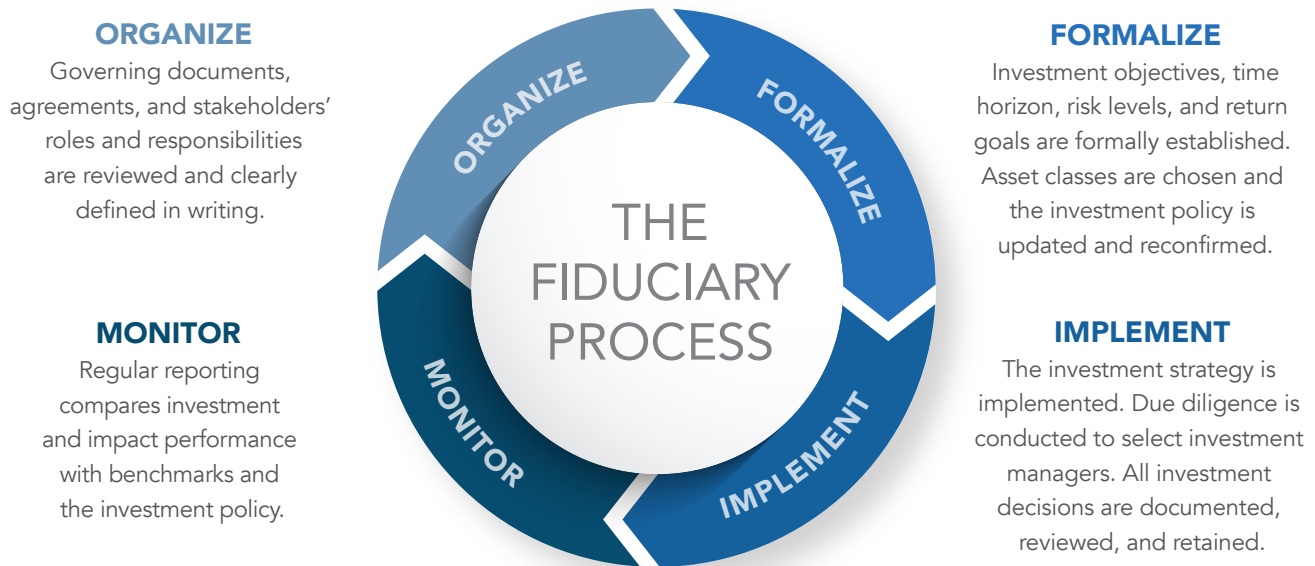
United Methodist Foundation of the Northern Illinois Conference, Inc.

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# Fiduciary Governance

At the United Methodist Foundation, a commitment to fiduciary duty is at the center of our work. As mandated by law, our first priority is to protect the long-term interests of our beneficiaries.

To ensure that we are meeting our fiduciary duty, we work with an investment advisory firm that is both CEFEX Certified and has earned the B Corp Certification. The CEFEX certification helps ensure adherence to a global fiduciary standard of excellence based on case law, regulations, and recognized best practices. The B Corp Certification indicates adherence to high standards of social and environmental impact.



## The CEFEX Seal

The Center for Fiduciary Excellence (CEFEX) is an independent assessment and certification organization with a mission to promote fiduciary best practices in the investment industry. The CEFEX Seal indicates that a firm is certified and can demonstrate adherence to global fiduciary standards and best practices. CEFEX certification is earned through a rigorous and thorough annual audit process. Less than one percent of registered investment advisors are currently CEFEX-certified.

## Certified



## The Certified B Corp Seal

The B Corp Certification process measures a company's entire social and environmental impact. Certification means that a company meets high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices. To maintain certification, Certified B Corps must update their B Impact Assessment (BIA) and verify their updated B Impact score every three years.

# 2022 Market Overview and Portfolio Strategies

## 2022 Market Overview

As the world continued to recover from the COVID-19 pandemic, the global economy faced challenges stemming from inflation and uncertain monetary policies throughout 2022.

The U.S. economy experienced a marked deceleration in growth, with real GDP rising by only 0.9% in 2022, in contrast to a 5.7% increase in 2021. Sharply lower economic gains of 1.6% and 0.6% in the first and second quarters, respectively, provided sources for concern of a looming recession. However, economic activity picked up during the second half of the year, with real GDP averaging 3% in the last two quarters of the year. Gains were largely driven by increased federal expenditures, a surge in private business investment, and a strong labor market that fueled consumer spending.

As parts of the economy rebounded, others succumbed to rising costs and changes in demand. Inflation peaked at 9.1% in June — a level not seen since 1981 — due primarily to ongoing supply chain disruptions, geopolitical tensions, and soaring prices in energy, food, and housing.

Recession concerns grew stronger as the Federal Reserve's policies to combat inflation resulted in the most rapid and steep increase in interest rates since 1988.

The latter half of the year saw U.S. stocks, as measured by the benchmark S&P 500 index, swing between bearish and bullish market conditions as a result of declining investor sentiment. Energy outperformed all other sectors for the year, rising 58% due to demand for oil and alternative

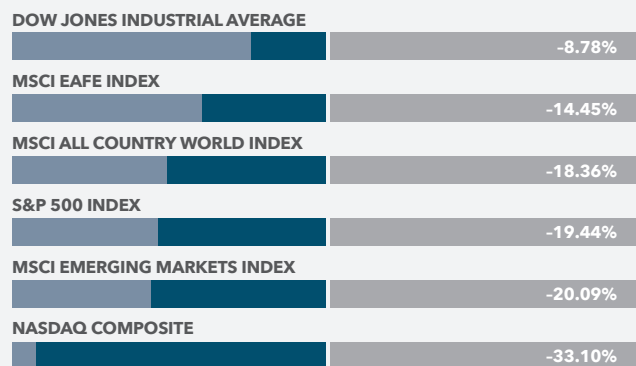
energy solutions. The S&P 500 fell –19.44% for the year, the Dow Jones Industrial Average (DJIA) fell –8.78%, and the Nasdaq Composite had the worst return of the major indexes down –33.10%. Foreign stocks experienced a comparatively modest drop of –14.5% in 2022, as measured by the MSCI EAFE index.

Bond markets also experienced a rocky 2022 as domestic interest rates increased due primarily to the Fed's aggressive interest rate policies. The yield on the 10-year treasury bond increased from 1.63% in January to end the year at 3.88%, contributing to an inverted yield curve that gave yet another sign of a looming recession.

## 2022 Portfolio Strategies

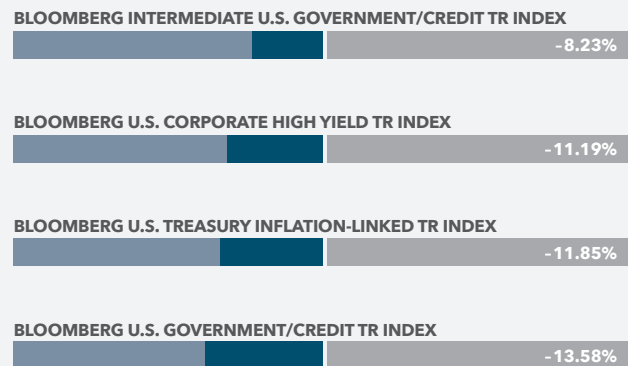
The Investment Committee of the United Methodist Foundation maintained a consistent approach to managing client assets in 2022 as set forth by written investment policies. Based on an understanding that asset allocation is the primary determinant of risk and return, the Foundation managed multiple portfolios with varying degrees of risk and potential return to match diverse client objectives and investment time horizons. Each of the portfolios were constructed to reflect Methodist principles and in adherence with the United Methodist Church *Book of Discipline*. On the following pages we highlight the 2022 portfolio results and provide examples of how the Investment Committee monitored and measured the funds entrusted to our stewardship.

### 2022 Equity Index Returns



Source: Bloomberg

### 2022 Bond Index Returns



Source: Bloomberg



# 2022 Mission-Aligned Portfolio Construction

**Our goal is to build portfolios that reflect our mission, vision, and values. Portfolios are constructed based on three principles:**

## Asset Allocation

We focus on asset allocation as the primary determinant for overall investment performance

## Diversified Market-based Returns

We seek diversified portfolios that provide market-based returns

## Mission Alignment

We seek to invest in companies that reflect our values and empower and amplify our mission

## DO NO HARM | VALUES ALIGNMENT

Our equity portfolios were invested to avoid exposure to companies in the following areas.

	 ALCOHOL	 FIREARMS/ MILITARY WEAPONS	 GAMBLING	 NUCLEAR POWER	 TOBACCO	 SEVERE CONTROVERSIES
COMPANIES IN OUR PORTFOLIO	0	0	0	0	0	0
COMPANIES IN BENCHMARK	5	16	4	17	2	19

## DO GOOD | ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) INTEGRATION

ESG investing considers environmental, social, and governance factors to measure an investment's financial returns and its overall impact. As stewards, we believe that ESG considerations are critical to responsible investment decisions.

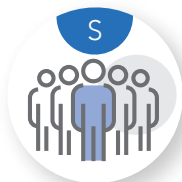
Our equity portfolios are designed and monitored to increase exposure to companies/industries promoting ESG characteristics and reduce exposure to companies/industries with poor ESG characteristics.



### ENVIRONMENTAL

How a company affects the planet, including:

- Resource conservation
- Lower carbon emissions
- Reforestation
- Clean energy



### SOCIAL

How a company treats people, including:

- Human rights
- Education
- Working conditions
- Affordable housing



### GOVERNANCE

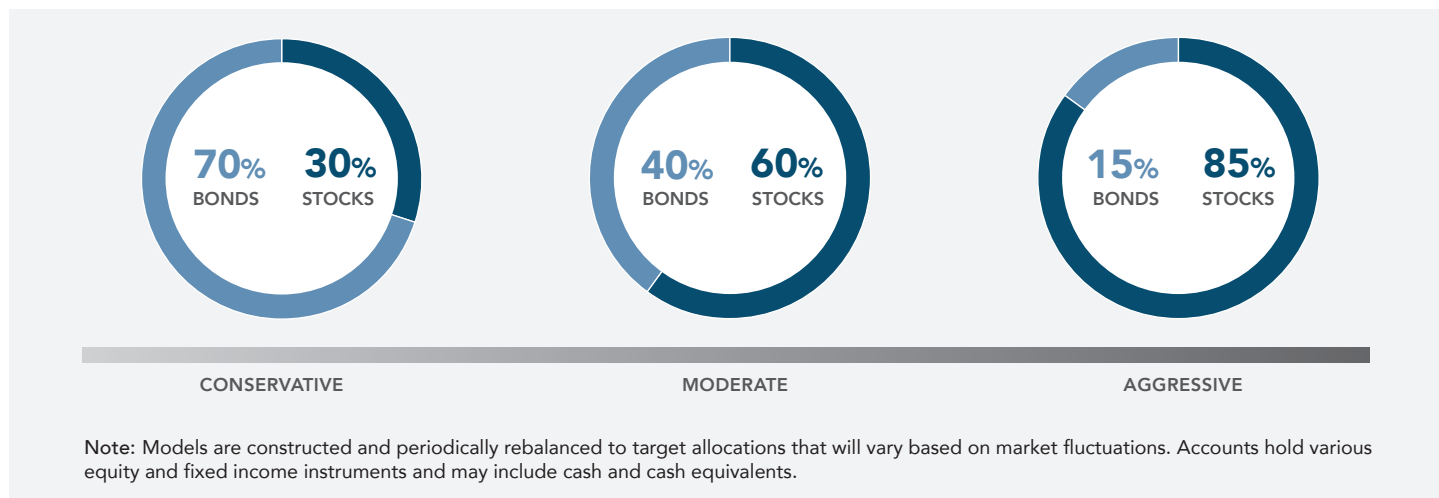
How a company is run at the leadership level, including:

- Equal pay strategy
- Gender equality
- Board diversity, structure
- Tax strategy

The benchmark referenced here for comparison with the equity portion of the portfolios is a blended equity benchmark composed of 64% CRSP U.S. Large Cap Index, 6% CRSP U.S. Small Cap Index, 25% S&P/BNY Mellon ADR Index, and 5% S&P/BNY Mellon Emerging ADR Index. ESG data is not available for the fixed income portion of the portfolios. SouthCol Advisors monitors the selection of fixed income securities in our portfolios to help avoid exposure to companies with poor ESG characteristics. ESG data provided by Envestnet and Sustainalytics, a third party firm that provides ESG research, ratings, and analytics. All data as of 12/31/2022.

# 2022 Model Portfolios and Performance

## Model Portfolios



## Annualized Performance as of December 31, 2022<sup>1</sup>

	TRAILING 1 YR	TRAILING 3 YRS	TRAILING 5 YRS
<b>Aggressive Model</b>			
UMF — Aggressive Model	-15.92 %	5.07 %	6.59 %
Benchmark: UMF Aggressive Blended Benchmark <sup>2</sup>	-15.86	4.41	5.89
<b>Moderate Model</b>			
UMF — Moderate Model	-13.44	3.31	4.91
Benchmark: UMF Moderate Blended Benchmark <sup>3</sup>	-13.28	2.99	4.61
<b>Conservative Model</b>			
UMF — Conservative Model	-10.62	1.22	2.85
Benchmark: UMF Conservative Blended Benchmark <sup>4</sup>	-10.70	1.11	2.92

<sup>1</sup> Time Weighted Rates of Return are calculated net of all fees.

<sup>2</sup> UMF Aggressive Blended Benchmark: The Benchmark is composed of 85% MSCI All Country World Index World(USD)(TRN), 15% Bloomberg U.S. Aggregate Bond TR (1/1/2016–1/1/2018), 54% Russell 1000 TR, 21% BNYM Dev Mkt Classic ADR Ind, 9% Bloomberg Intermediate U.S. Government/Credit TR, 6% BNYM Emg Mkt Classic ADR Ind, 5% S&P Small Cap 600 TR, 3% Bloomberg Gbl Agg Ex USD TR Hdg USD, 2% BOFAML 3-Month U.S. T-Bill TR (1/2/2018 to date).

<sup>3</sup> UMF Moderate Blended Benchmark: The Benchmark is composed of 60% MSCI All Country World Index World(USD)(TRN), 40% Bloomberg U.S. Aggregate Bond TR (1/1/2016–1/1/2018), 38% Russell 1000 TR, 26% Bloomberg Intermediate U.S. Government/Credit TR, 14% BNYM Dev Mkt Classic ADR Ind, 8% Bloomberg Gbl Agg Ex USD TR Hdg USD, 4% BNYM Emg Mkt Classic ADR Ind, 4% S&P Small Cap 600 TR, 4% Bloomberg 1-3 Govt/Credit Bond TR, 2% BOFAML 3-Month U.S. T-Bill TR (1/2/2018 to date).

<sup>4</sup> UMF Conservative Blended Benchmark: The Benchmark is composed of 65% Bloomberg U.S. Aggregate Bond TR, 35% MSCI All Country World Index World(USD)(TRN) (1/1/2016–1/1/2018), 44% Bloomberg Intermediate U.S. Government/Credit TR, 20% Russell 1000 TR, 14% Bloomberg Gbl Agg Ex USD TR Hdg USD, 9% BNYM Dev Mkt Classic ADR Ind, 7% Bloomberg 1-3 Govt/Credit Bond TR, 2% BOFAML 3-Month U.S. T-Bill TR, 2% BNYM Emg Mkt Classic ADR Ind, 2% S&P Small Cap 600 TR (1/2/2018 to date).

Effective June 12, 2020, UMFNIC accounts are managed by SouthCol Advisors, LLC. subject to a discretionary investment advisory agreement. Previously, accounts were managed by Envestnet Asset Management, Inc. James Lumberg served as the investment advisory representative to UMFNIC at Envestnet and continues at SouthCol Advisors, LLC.

Source: Envestnet, Inc.

# 2022 Mission Alignment and Impact Report

As stewards, our goal is to build portfolios that empower and amplify our mission. Considerations of positive, measurable impacts that promote diversity, strengthen communities, mitigate climate change, and conserve natural resources play a critical role in the overall portfolios. Beyond financial performance, our portfolios have the potential to make a real difference in the world.



## ENVIRONMENTAL IMPACT

*Versus the benchmark, the companies in the equity portion of the portfolios:*

Produced  
**286,355 kWh of renewable energy**  
(wind, solar, biomass, geothermal,  
wave tidal, hydroelectric),  
enough to power  
**9,874 homes per day**

Achieved  
**lower water usage,**  
equivalent of  
**648,216,796 water bottles**  
(16.9 floz)

Resulted in  
**54% lower carbon emissions,**  
equivalent to  
**307,149 gallons of gasoline** or  
**3,020,092 pounds of coal**

**We invested in companies that had a measurable impact on the health of our planet.**



## SOCIAL IMPACT

*Versus the benchmark, the companies in the equity portion of the portfolios have:*

**510%**  
more exposure to  
**education technology for  
disadvantaged groups**

**504%**  
more exposure to  
**affordable housing  
construction**

**45%**  
more exposure to  
**medical equipment for major  
and neglected diseases**

**We invested in companies that helped strengthen our communities.**



## GOVERNANCE IMPACT

*Versus the benchmark, the companies in the equity portion of the portfolios have a:*

**50%**  
higher instance of  
**equal pay strategy**

**22%**  
higher instance of a  
**strong diversity  
program**

**20%**  
higher instance of a  
**strong anti-  
discrimination policy**

**9%**  
higher instance of  
**women in senior  
management**

**We invested in companies that promoted diversity and equality.**

The impact portfolio statistics are based on the \$52,362,411 of assets in the equity portion of the UMFNIC portfolios as of 12/31/2022.

The benchmark referenced here for comparison with the equity portion of the portfolios is a blended equity benchmark composed of 64% CRSP U.S. Large Cap Index, 6% CRSP U.S. Small Cap Index, 25% S&P/BNY Mellon ADR Index, and 5% S&P/BNY Mellon Emerging ADR Index. ESG data provided by Envestnet and Sustainalytics, a third party firm that provides ESG research, ratings, and analytics. All data as of 12/31/2022.

## INDEX DEFINITIONS

**Bloomberg 1-3 year Government/Credit Bond TR Index** is a total return index that incorporates bonds in both the Treasury Bond and the Agency Bond Index, as well as U.S. corporate and some foreign debentures and secured notes, with maturities of one to three years.

**Bloomberg Global Agg Ex USD TR Hdg Index** tracks investment grade government, corporate, agency, and mortgage-related bonds in markets outside the U.S.

**Bloomberg Intermediate U.S. Government/Credit TR Index** is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index with less than 10 years to maturity. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

**Bloomberg U.S. Aggregate Bond TR** is an index of U.S. dollar-denominated investment-grade U.S. corporate, government, and mortgage-backed securities.

**Bloomberg U.S. Corporate High Yield TR Index** measures the USD-denominated, high yield, fixed-rate corporate bond market.

**Bloomberg U.S. Government/Credit TR Index** is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

**Bloomberg U.S. Treasury Inflation-Linked TR Index** measures the performance of the U.S. Treasury Inflation Protected Securities (TIPS) market.

**BNYM Dev Market Classic ADR Index** seeks to track developed market-based American depository receipts (ADRs) trading on U.S. stock exchanges, subject to size and liquidity requirements.

**BNYM Emg Mkt Classic ADR Index** is capitalization-weighted and designed to track emerging market-based American depository receipts (ADRs) trading on U.S. stock exchanges. The index is rebalanced and reconstituted quarterly.

**BOFAML 3-MONTH U.S. T-BILL TR Index** is an index of short-term U.S. Government securities with a remaining term to final maturity of less than three months.

**CRSP U.S. Large Cap Index** includes U.S. companies that comprise the top 85% of investable market capitalization.

**CRSP U.S. Small Cap Index** includes U.S. companies that fall between the bottom 2%–15% of the investable market capitalization.

**Dow Jones Industrial Average** is an unmanaged index of 30 common stocks comprising 30 actively traded blue chip stocks, primarily industrials, and assumes reinvestment of dividends.

**MSCI All Country World Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. It captures large and midcap representation across 23 developed markets and 27 emerging markets countries.

**MSCI EAFE Index** is designed to represent the performance of large- and mid-cap securities across 21 developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada.

**MSCI Emerging Markets Index** is a free float-adjusted market-capitalization index that is designed to measure equity market performance in the global emerging markets.

**NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

**Russell 1000® TR** is an index that measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 or the largest companies in the Russell 3000® Index based upon a combination of their market cap and current index membership.

**S&P 500 Index** is an unmanaged index comprising 500 widely held U.S. securities considered to be representative of the stock market in general.

**S&P SMALL CAP 600® TR** is a float-adjusted market capitalization weighted index that is designed to measure the performance of 600 small-sized companies in the U.S.

## IMPORTANT DISCLOSURES

The information, analysis, and opinions contained in this report are for general and educational purposes only. The views expressed are as of the date hereof and may change at any time without notice. SouthCol assumes no obligation to update or otherwise revise our opinions or this report.

Nothing contained in this report is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Portfolio and Performance data (on page 5) and Alignment and Impact statistics (on pages 4, 6) are provided by Envestnet, Inc. Performance data is unaudited. All ESG data including impact scores are believed to be from reliable sources; however, we make no representation as to accuracy or completeness.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for information only and do not imply that an account will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed; unlike these indices and benchmarks, a portfolio may contain types of securities that are different than those reflected in these indices and benchmarks and will not be as diversified as these indices and benchmarks. Indices are unmanaged and investors cannot invest directly in indices. The figures for the index reflect the reinvestment of dividends but do not reflect the deduction of any fees or expenses which would reduce returns.

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Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. This report is for general informational purposes only and is not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally.

Investment losses, including a loss of principal, may occur from time to time. Nothing herein is intended to imply that an account's investment methodology may be considered "safe," "risk free" or "risk averse." **For a complete description of risks, as well as fees, costs and expenses, please refer to the SouthCol Advisors, LLC. Form ADV Part 2A.**

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