

Investment Watch

Your Quarterly Financial Market Review

Thursday, July 20, 2023

Presenters:

- *David A. Klassen, Chief Investment Officer*
- *Lan Cai, Deputy Chief Investment Officer*
- *Minoti Dhanaraj, Director Responsible Investing*
- *Rev. Richard Walters, Director Corporate Social Responsibility*
- *Rev. Dr. Jonathan B. Lee, Director, Church Relations and Operations*

Introductions:

Today's panel



**David A. Klassen,
Chief Investment Officer**

**Rev. Dr. Jonathan B. Lee
Director, Church Relations and
Operations**



**Lan Cai
Deputy Chief Investment Officer**



**Minoti Dhanaraj
Director, Responsible Investing**

**Rev. Richard Walters
Director, Corporate Social
Responsibility**



Today's Agenda

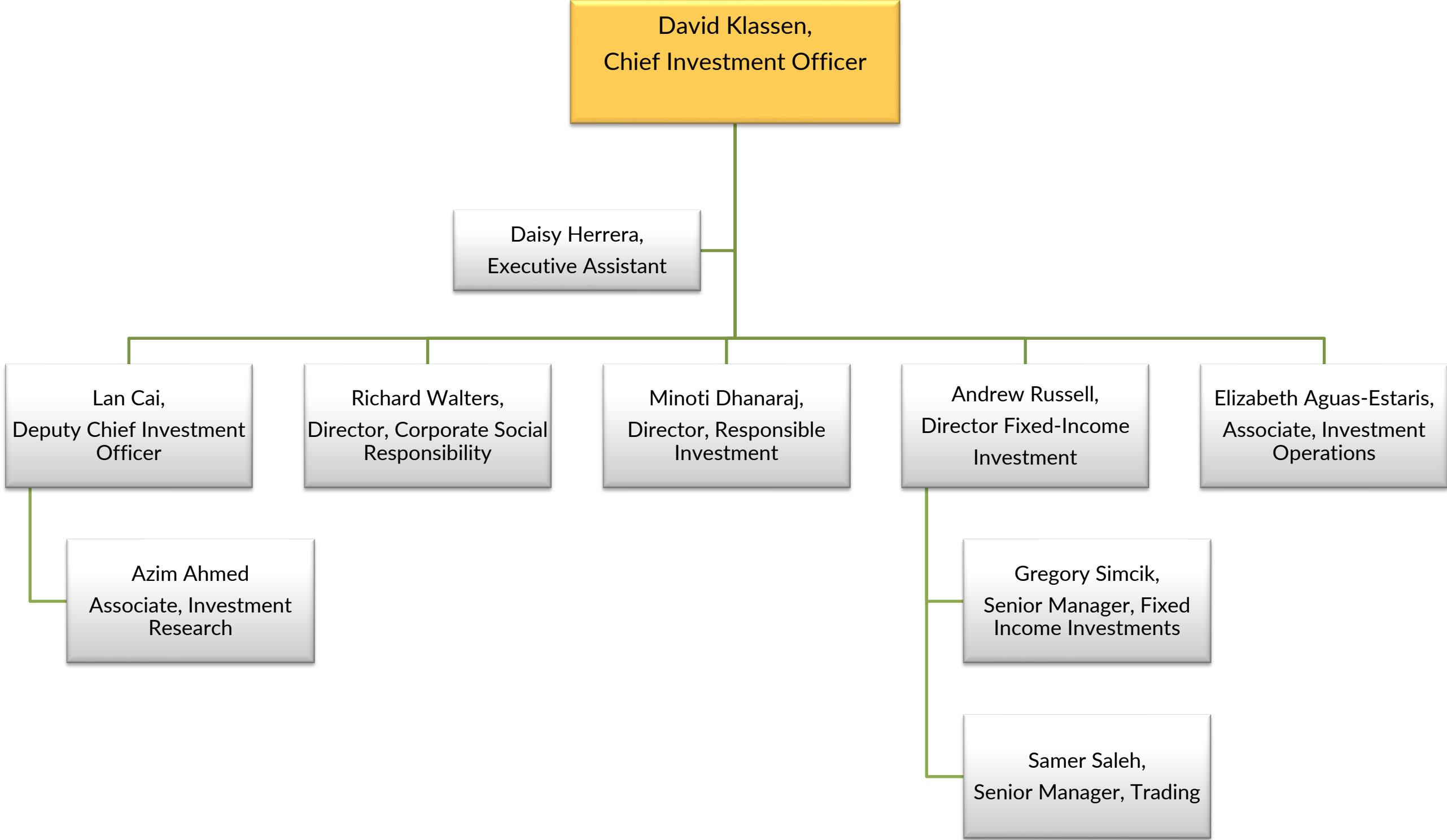
Introductions

Faith and Finance Timeline Discussion

General Synod Review with Richard Walters

Market Review

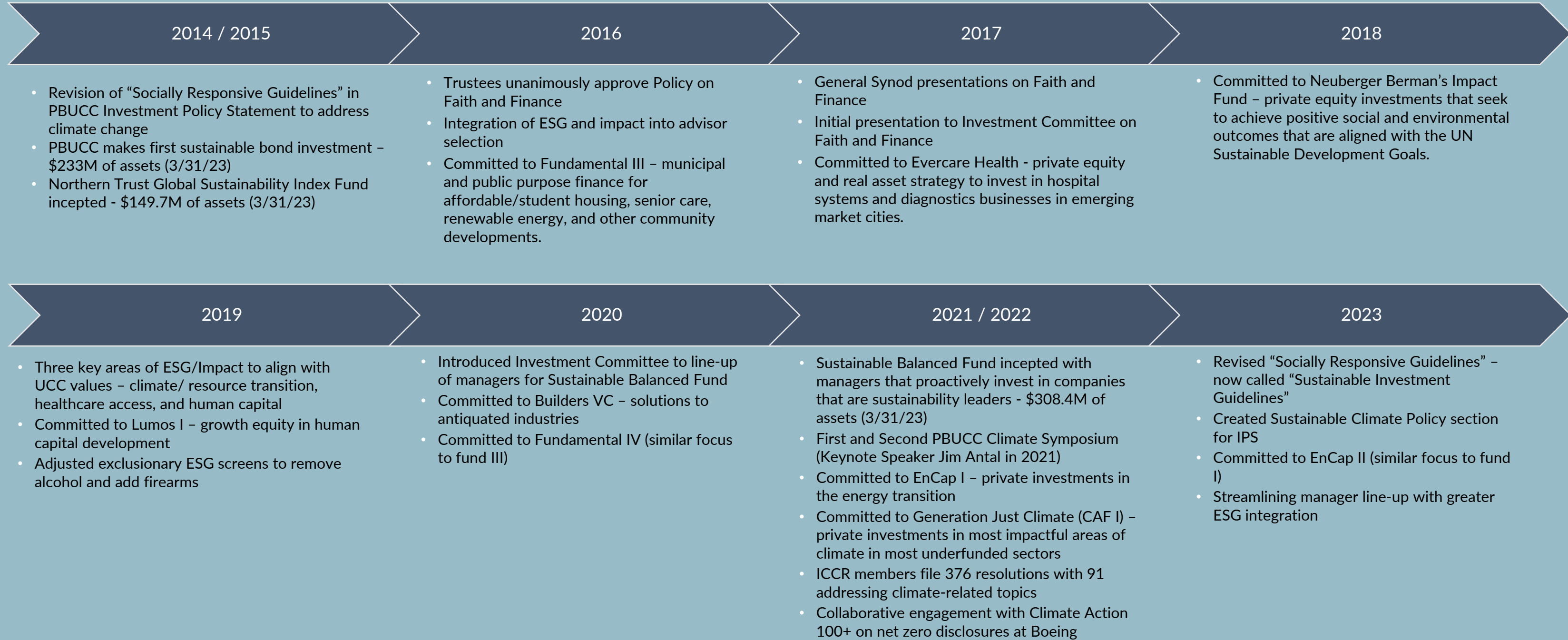
Department- Investments



Faith & Finance: PBUCC's Commitment Over Time

Long-lasting and evolving

PBUCC's commitment to Faith and Finance has been long-lasting and continues to evolve with time.



Integrating to Drive Better Performance

We integrate environmental, social, and governance within our investments.

In 2021, we re-launched the **Sustainable Balanced Fund**

This fund is designed to maximize our exposure to positive **ESG metrics** by selecting leading **managers and strategies**, while generating competitive **risk-adjusted returns**.

ESG



Investing for Measurable Impact

We aspire to do well and do good by investing in strategies with measurable social or environmental impact with a market rate return.

Some areas of focus include:

Healthcare Access



Human Capital



Climate/Resource





General Synod discussion with Rev. Richard Walters

PBUCC proudly shared its new Sustainable Climate Policy on the 10th Anniversary of the passage of the fossil fuel resolution at General Synod 2023

The urgency of the climate crisis; the science and commitments of the Paris Accords' call to Net Zero by 2050; an already robust program of climate related investment; and engagement and collaboration with faith partners, all combined to inform, inspire and commit PB to a bold new course of action to combat climate change.

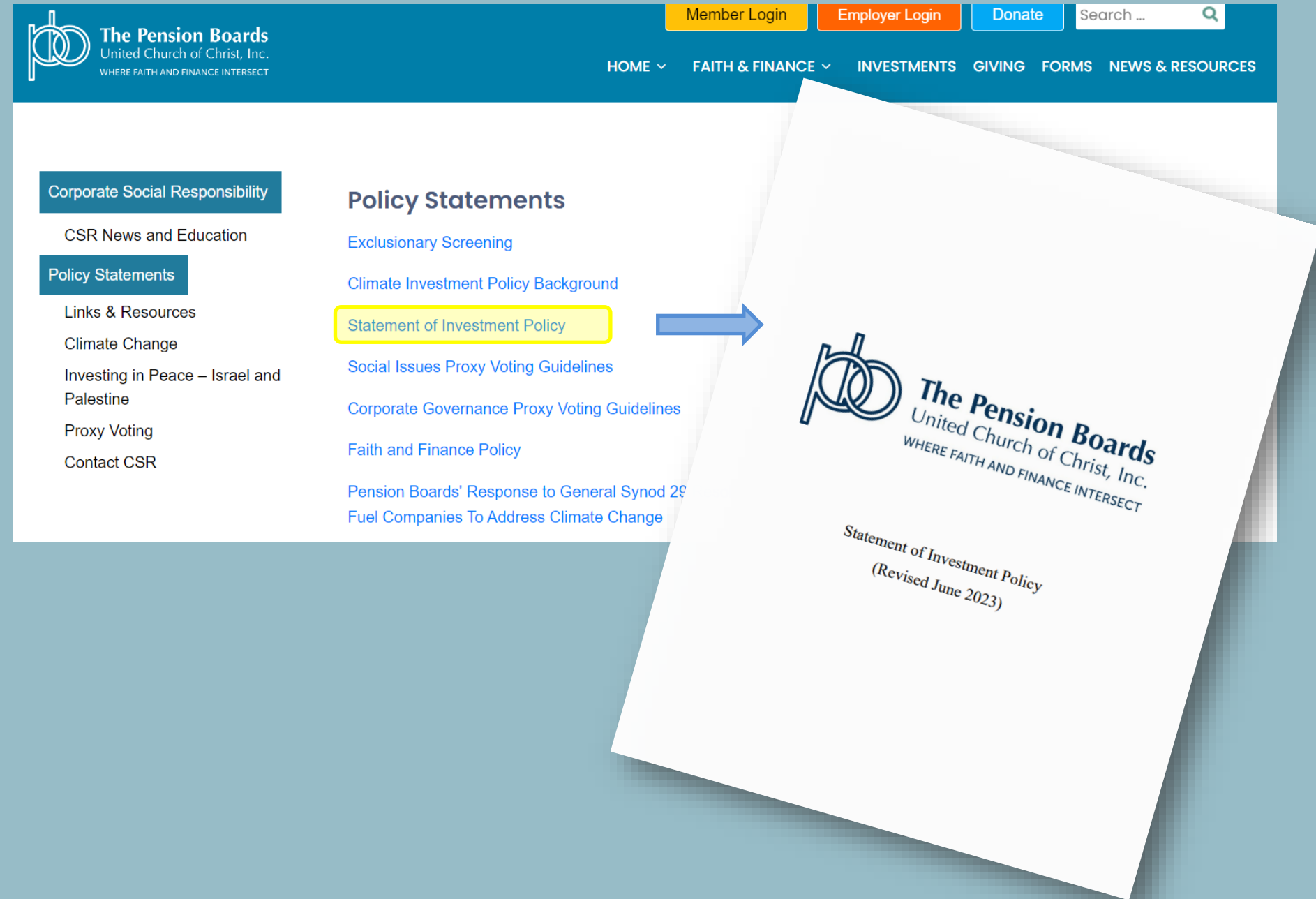
The new Sustainable Climate Policy embodies this plan and is grounded in science, theology and tradition, prior pronouncements of the United Church of Christ and PB's own commitment to climate action, witness and justice.

PBUCC's 2022 Sustainability Report

Utilizing Principles and Practices for a Just Economy, a document ICCR uses to evaluate the sustainability of corporations as a guide, we have attempted to catalogue and evaluate our ongoing commitment to the values of faith and finance, and to the well-being of the planet.



Statement of
Investment
Policy: Find it
here at
[PBUCC.ORG](https://pBUCC.ORG)



The Pension Boards
United Church of Christ, Inc.
WHERE FAITH AND FINANCE INTERSECT

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Corporate Social Responsibility

- CSR News and Education

Policy Statements

- Links & Resources
- Climate Change
- Investing in Peace – Israel and Palestine
- Proxy Voting
- Contact CSR

Policy Statements

- Exclusionary Screening
- Climate Investment Policy Background
- Statement of Investment Policy
- Social Issues Proxy Voting Guidelines
- Corporate Governance Proxy Voting Guidelines
- Faith and Finance Policy
- Pension Boards' Response to General Synod 29
- Fuel Companies To Address Climate Change

The Pension Boards
United Church of Christ, Inc.
WHERE FAITH AND FINANCE INTERSECT

Statement of Investment Policy
(Revised June 2023)



Market Review

Investment Performance – Themes

- **Markets Rally with Narrow Leadership:** Global equity markets rallied in the first half of 2023 led by mega-cap technology companies. This narrow leadership was driven by enthusiasm around artificial intelligence and better first quarter earnings than anticipated.
- **Fixed Income Markets Continue To Be Attractive:** Fixed income markets pulled back in the second quarter after a strong rally at the beginning of the year as rates resumed rising. Relative to other asset classes fixed income provides attractive total return potential.
- **Active Management Performance Dispersion:** The selection of external investment managers is important to long-term performance as dispersion among manager performance is high.
- **Keeping An Eye on International Markets:** The U.S. Dollar has weakened since September 2022; we are vigilantly watching its future path and the implications for allocations to international markets.



Economic and Market Outlook

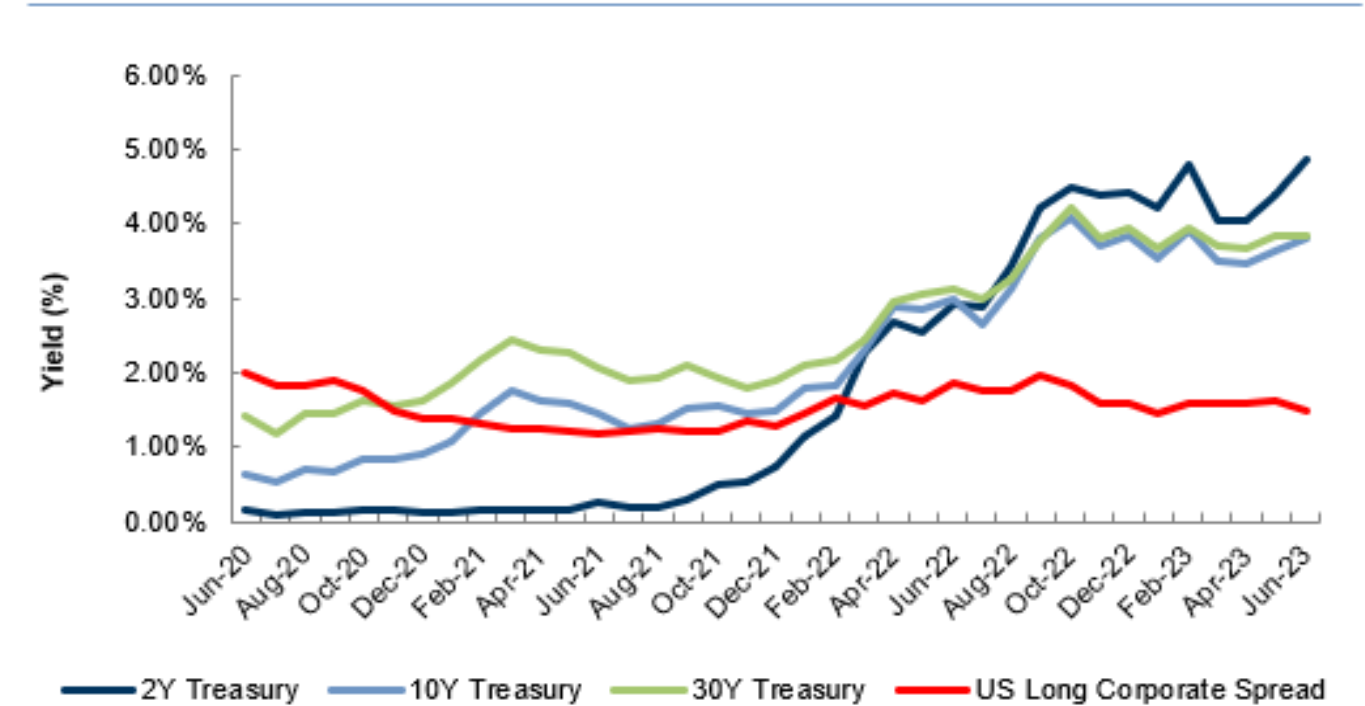
Market Review- June 2023

Public Markets Performance (USD)

	Q2	YTD	3 Yr	5 Yr	10 Yr
MSCI World	6.8%	15.1%	12.2%	9.1%	9.5%
MSCI World ESG Leaders	6.9%	15.7%	12.0%	9.6%	9.4%
ACWI IMI	5.9%	13.2%	11.0%	7.6%	8.6%
S&P 500	8.7%	16.9%	14.6%	12.3%	12.9%
Russell 1000	8.6%	16.7%	14.1%	11.9%	12.6%
MSCI EAFE	3.0%	11.7%	8.9%	4.4%	5.4%
Russell 2000	5.1%	7.9%	10.4%	3.8%	7.8%
MSCI EM Equity	0.9%	4.9%	2.3%	0.9%	3.0%
Barclays US Govt/Credit	-0.9%	2.2%	-4.1%	1.0%	1.7%
Barclays Global Aggregate	-1.5%	1.4%	-5.0%	-1.1%	0.2%
Barclays US Long Treasury	-2.3%	3.7%	-12.1%	-0.9%	1.8%
Barclays US Long Corporate	-0.5%	4.9%	-6.2%	1.6%	3.5%
JPM EM Debt	2.2%	4.1%	-3.1%	0.5%	2.8%
JPM EM Debt Local	2.5%	7.8%	-1.4%	0.3%	-0.6%
Barclays Global High Yield	2.0%	5.2%	1.4%	1.9%	3.5%
FTSE/NAREIT Global	0.3%	1.1%	3.5%	0.1%	3.1%
GSCI Commodities	-2.7%	-7.5%	25.1%	2.8%	-3.5%

Source - GSAM (Multi Asset Solutions), Economic and Market Outlook as of 06/30/23.

Yields & Spreads (%)



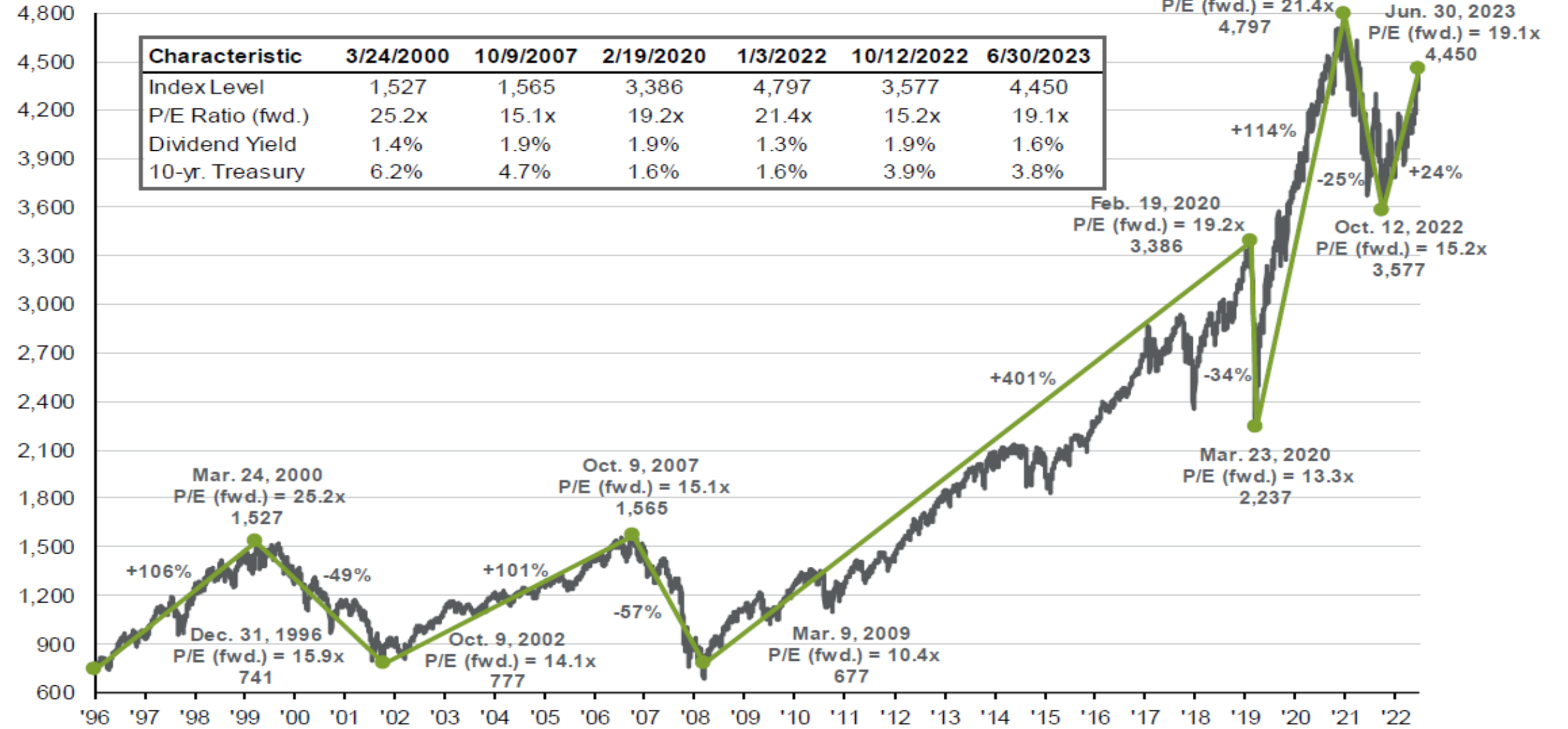
Changes in Yields and Spreads by Maturity (%)

	30 Jun 2023 (%)	Δ MTD (%)	Δ QTD (%)	Δ YTD (%)
Risk Free				
2Y Treasury	4.88	0.49	0.82	0.47
10Y Treasury	3.82	0.18	0.33	(0.02)
30Y Treasury	3.85	(0.00)	0.17	(0.09)
US Long Corporate Spread	1.50	(0.13)	(0.09)	(0.08)
Moody's Long AA Corporate Yield	5.02	(0.04)	0.21	(0.02)

Strategy and Positioning – S&P 500 at Inflection Points

The S&P 500 rebounded strongly in the first half of 2023. The valuation seems high after the rally.

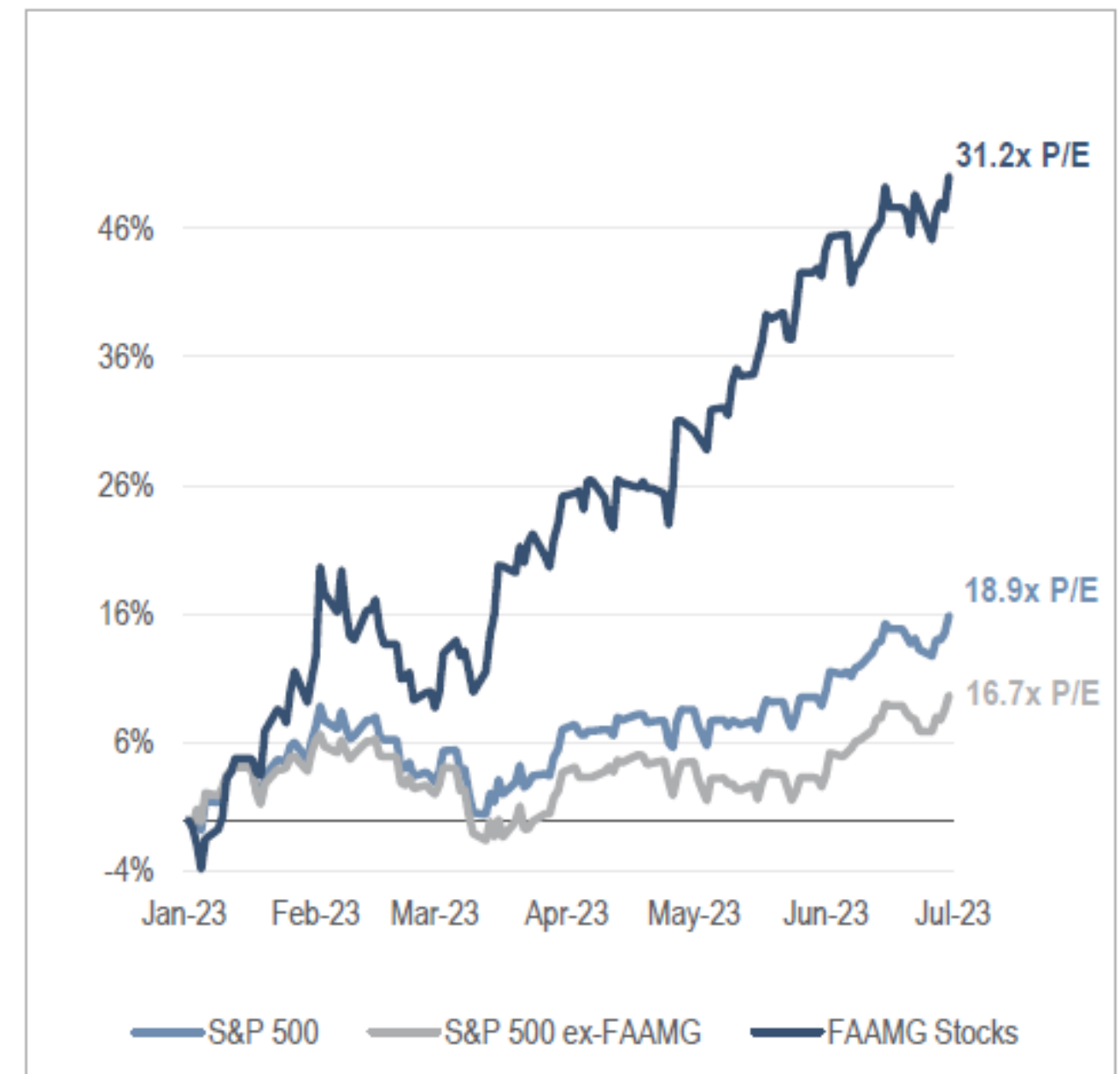
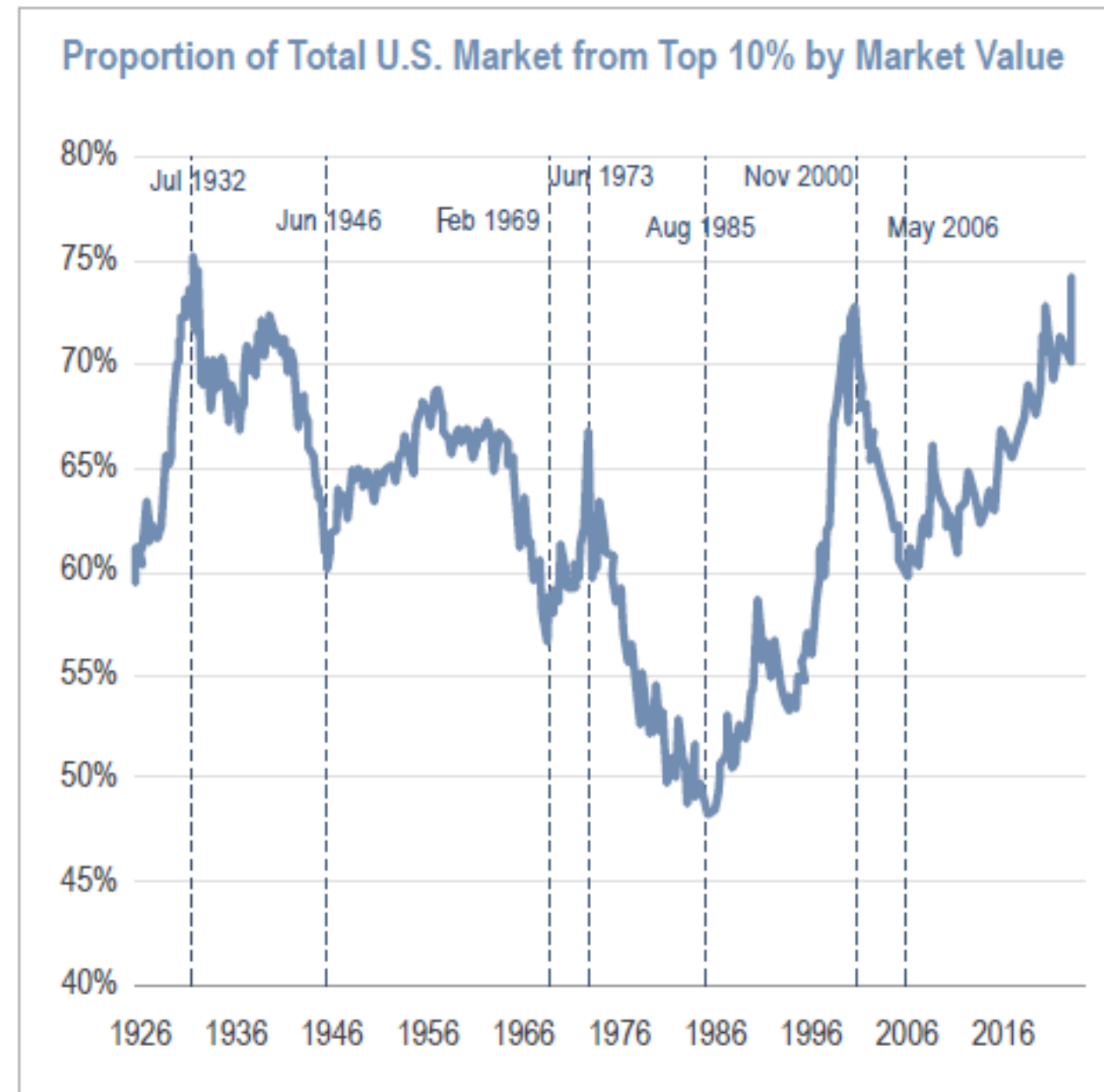
S&P 500 Price Index



Source - JP Morgan Guide to the Markets as of 06/30/23.

Strategy and Positioning – Narrow Market Rally

The U.S. market rally this year has been led by seven mega-cap stocks of the S&P 500 contributing 74% of the index return YTD. This has led to concentration levels of the top 10% of stocks reaching the highest level since July 1932.

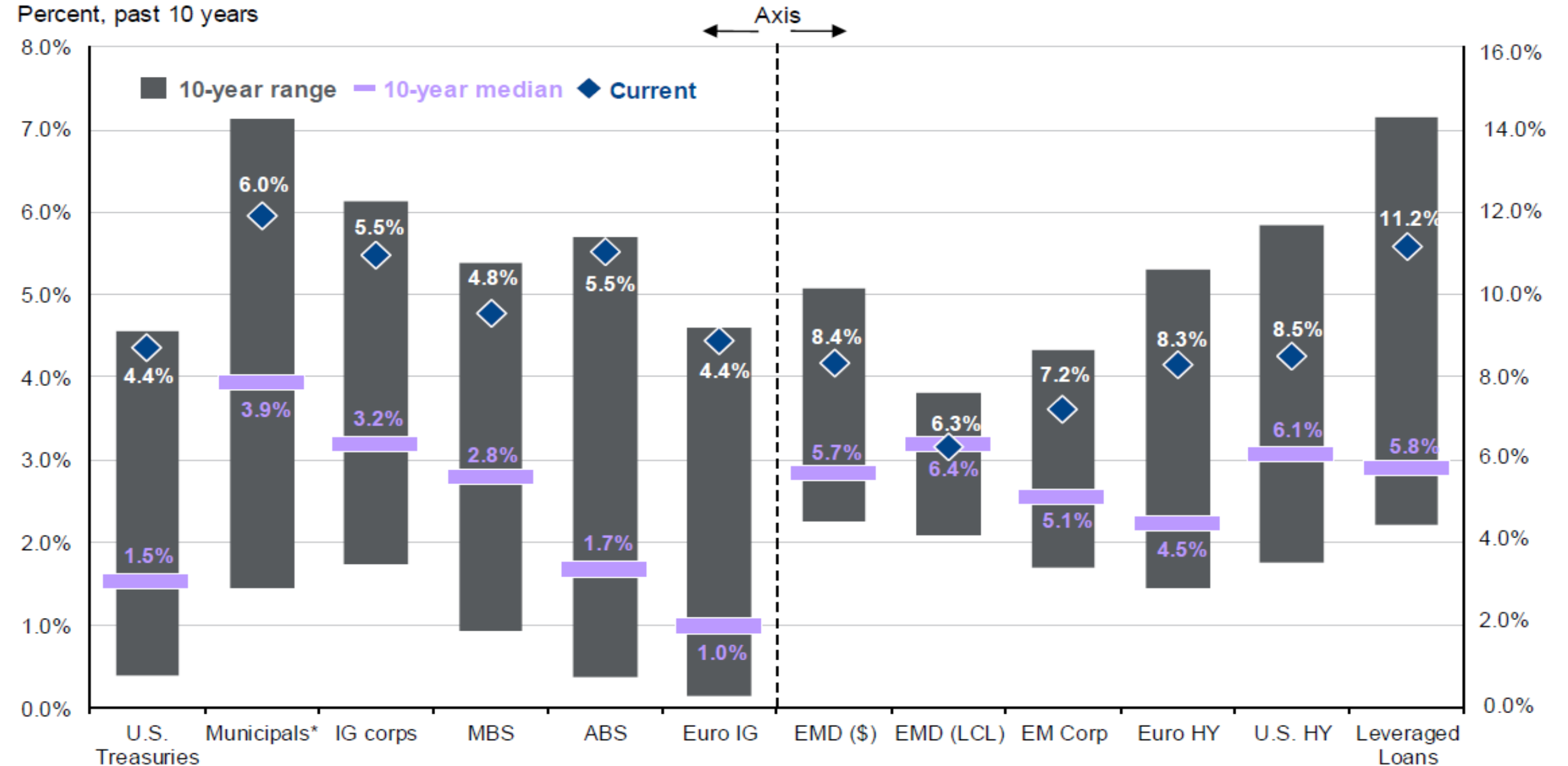


Source: LHS, Absolute Strategy Research, ASR Ltd. Refinitiv Datastream as of May 31, 2023. RHS, Factset, as of June 30, 2023. P/E ratios are on an approximate basis. For illustrative purposes only. Nothing herein constitutes a prediction or projection of future events or future market behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. Past performance is no guarantee of future results.

Strategy and Positioning – Attractive Fixed Income Valuation

- The fixed income market remains attractive as the yields have continued to rise, with little change in default rates. The expected yields and total returns remain much higher across sub-asset classes and geographies than 10-year median.
- This puts fixed income in a relatively attractive position against other asset classes including equities.

Yield-to-worst across fixed income sectors
Percent, past 10 years



Source - JP Morgan Guide to the Markets as of 06/30/23.

Questions?

www.pbucc.org