

Investment Watch Your Quarterly Financial Market Review

Presenters:

- David A. Klassen, Chief Investment Officer
- Lan Cai, Deputy Chief Investment Officer

- Operations

Thursday, July 20, 2023

• Minoti Dhanaraj, Director Responsible Investing • Rev. Richard Walters, Director Corporate Social Responsibility • Rev. Dr. Jonathan B. Lee, Director, Church Relations and



Introductions:

Today's panel



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



Lan Cai **Deputy Chief Investment Officer**



Minoti Dhanaraj **Director**, Responsible Investing



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

Rev. Richard Walters Director, Corporate Social Responsibility



Today's Agenda

Introductions

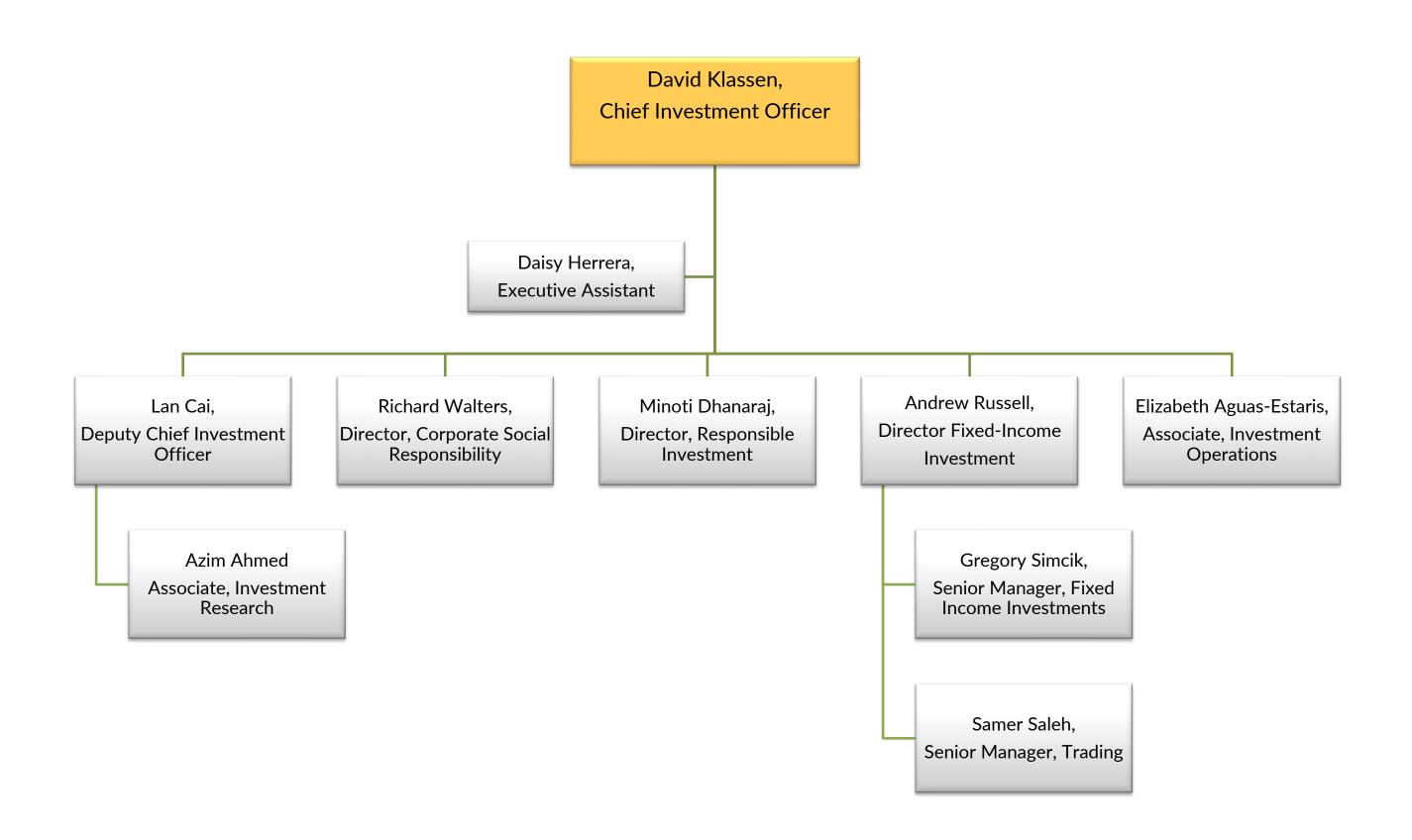
Faith and Finance Timeline Discussion

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.

	2014 / 2015	2016	2017
	 Revision of "Socially Responsive Guidelines" in PBUCC Investment Policy Statement to address climate change PBUCC makes first sustainable bond investment - \$233M of assets (3/31/23) Northern Trust Global Sustainability Index Fund incepted - \$149.7M of assets (3/31/23) 	 Trustees unanimously approve Policy on Faith and Finance Integration of ESG and impact into advisor selection Committed to Fundamental III – municipal and public purpose finance for affordable/student housing, senior care, renewable energy, and other community developments. 	General Synod presentations on Faith an Finance Initial presentation to Investment Comm Faith and Finance Committed to Evercare Health - private and real asset strategy to invest in hospi systems and diagnostics businesses in er market cities.
_ 、	2019	2020	2021 / 2022

- Three key areas of ESG/Impact to align with UCC values – climate/ resource transition, healthcare access, and human capital
- Committed to Lumos I growth equity in human capital development
- Adjusted exclusionary ESG screens to remove alcohol and add firearms
- Introduced Investment Committee to line-up of managers for Sustainable Balanced Fund
- Committed to Builders VC solutions to antiquated industries
- Committed to Fundamental IV (similar focus to fund III)
- Sustainable Balanced Fund incepted managers that proactively invest in ce that are sustainability leaders - \$308. assets (3/31/23)
- First and Second PBUCC Climate Syn (Keynote Speaker Jim Antal in 2021)
- Committed to EnCap I private inves the energy transition
- Committed to Generation Just Climat private investments in most impactfu climate in most underfunded sectors
- ICCR members file 376 resolutions was addressing climate-related topics
- Collaborative engagement with Climate
 100+ on net zero disclosures at Boeing

2018

and

nmittee on

te equity spital emerging Committed to Neuberger Berman's Impact Fund – private equity investments that seek to achieve positive social and environmental outcomes that are aligned with the UN Sustainable Development Goals.

	2023
with companies 3.4M of	Revised "Socially Responsive Guidelines" – now called "Sustainable Investment Guidelines"
mposium) estments in	Created Sustainable Climate Policy section for IPS Committed to EnCap II (similar focus to fund I)
ate (CAF I) – ul areas of	Streamlining manager line-up with greater ESG integration
with 91 ate Action	

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

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



WHERE FAITH AND FINANCE INTERSECT

Creating Change to Impact Our World.

Integrating to Drive Better Performance

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





1.800.642.6543



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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:





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Creating Change to Impact Our World.





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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.



WHERE FAITH AND FINANCE INTERSECT

Creating Change to Impact Our World.











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Statement of Investment **Policy: Find it** here at **PBUCC.ORG**



Corporate Social Responsibility

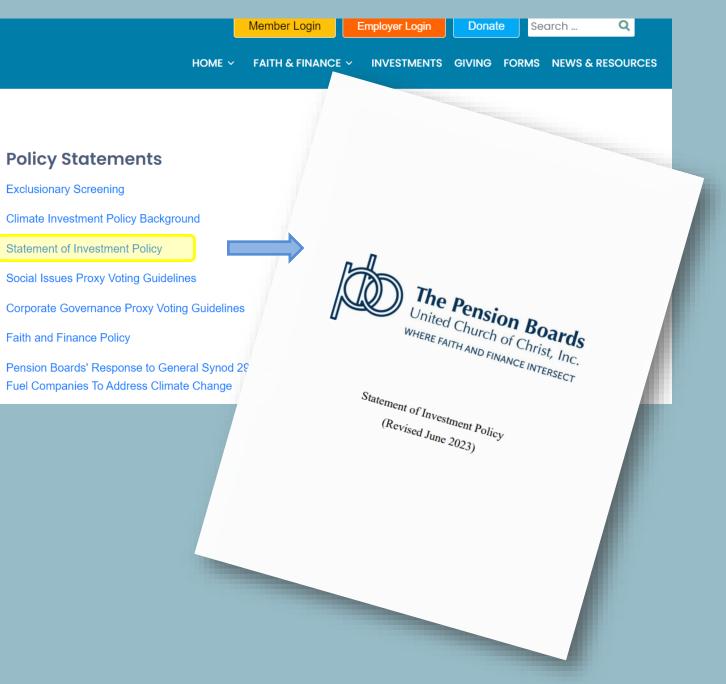
CSR News and Education

Policy Statements

Links & Resources

Climate Change Investing in Peace - Israel and Palestine Proxy Voting

Contact CSR





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.





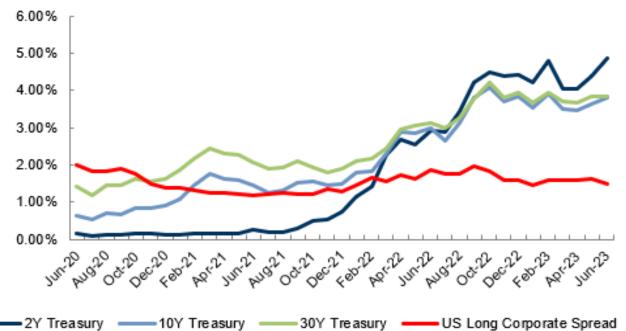
Economic and Market Outlook

Market Review- June 2023

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% MSCI EAFE 3.0% 11.7% 8.9% 4.4% 5.4% 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 US Long Corporate -0.5% 4.9% -6.2% 1.6% 3.5% JPM EM Debt 2.2% 4.1% 0.5% 2.8% -0.6% 3.5% JPM EM Debt Local 2.5% 7.8% -1.4% 0.3% -0.6% 3.5% JPM EM Debt Local 2.5% 7.8% -1.4% 0.3% -0.6% 3.5% JPM EM Debt Local 2.5% 7.8% -1.4% 0.3% -0.6% 3.	Public Ma	rkets Per	formanc	e (USD)			Yields & Spreads (%)					
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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% 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 US Long Corporate -0.5% 4.9% -6.2% 1.6% 3.5% 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% JPM EM Debt Local 2.5% 7.8% -1.4% 0.3% -0.6% JPM ETS/NAREIT Global 0.3% 1.4% 1.9% 3.5% JPM EM Debt Local 2.5% 7.8% -1.4% 0.3% -0.6% JPM EM Debt Local 2.5%	MSCI World	6.8%	15.1%	12.2%	9.1%	9.5%						
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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% US Long Corporate Spread 1.50 (0.13) (0.09)	Barclays US Long Treasury	-2.3%	3.7%	-12.1%	-0.9%	1.8%						
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%	Barclays US Long Corporate	-0.5%	4.9%	-6.2%	1.6%	3.5%	Risk Free					
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FTSE/NAREIT Global 0.3% 1.1% 3.5% 0.1% 3.1% US Long Corporate Spread 1.50 (0.13) (0.09) (0.08)	JPM EM Debt Local	2.5%	7.8%	-1.4%	0.3%	-0.6%	10Y Treasury 3.82 0.18 0.33 (0.02)					
	Barclays Global High Yield	2.0%	5.2%	1.4%	1.9%	3.5%	30Y Treasury 3.85 (0.00) 0.17 (0.09)					
GSCI Commodities -2.7% -7.5% 25.1% 2.8% -3.5% Moody's Long AA Corporate Yield 5.02 (0.04) 0.21 (0.02)	FTSE/NAREIT Global	0.3%	1.1%	3.5%	0.1%	3.1%	US Long Corporate Spread 1.50 (0.13) (0.09) (0.08)					
	GSCI Commodities	-2.7%	-7.5%	25.1%	2.8%	-3.5%	Moody's Long AA Corporate Yield 5.02 (0.04) 0.21 (0.02)					

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

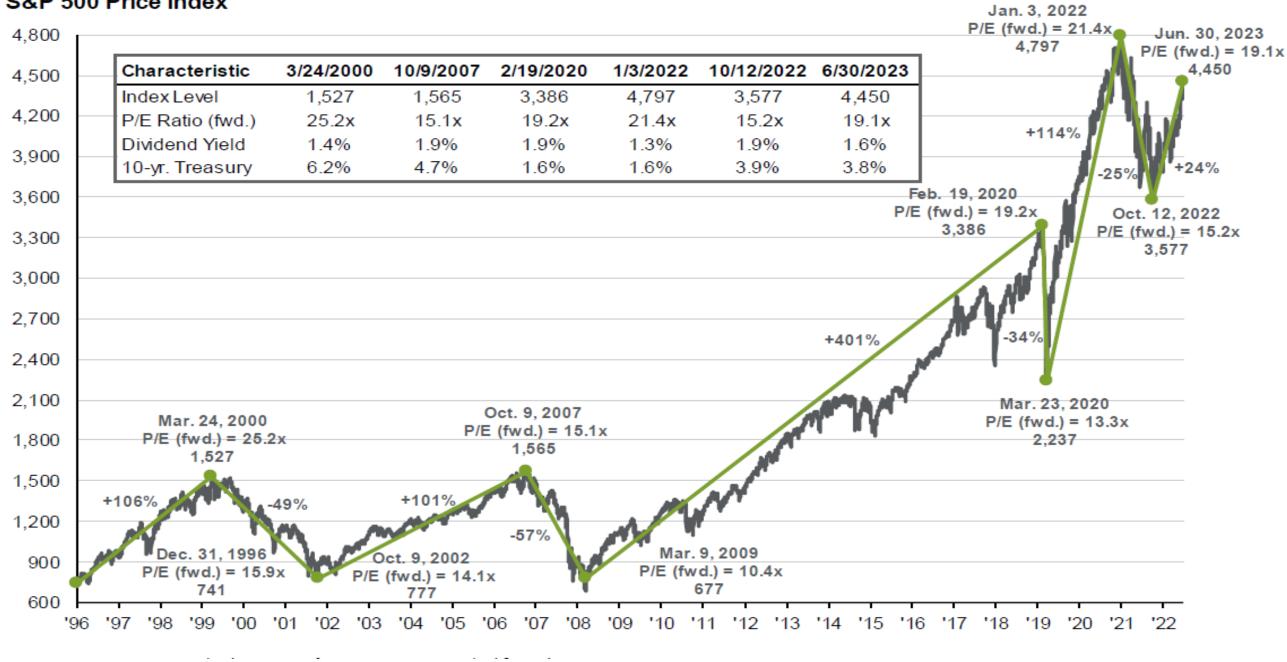




Strategy and Positioning - S&P 500 at Inflection Points

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.

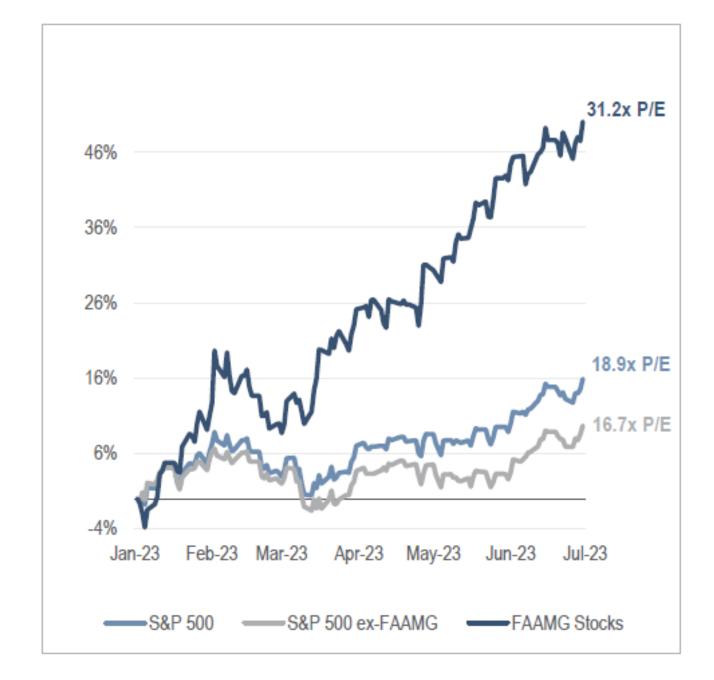
Strategy and Positioning – Narrow Market Rally

The U.S. market rally this year has been led by seven megacap 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.

80% Jul 1932 Jun! 1973 Nov 2000! Feb 1969 Jun 1946 Aug 1985 May 2006 75% 70% 65% 60% 55% 50% 45% 40% 1976 1986 1996 2006 2016 1936 1946 1956 1966 1926

Proportion of Total U.S. Market from Top 10% by Market Value

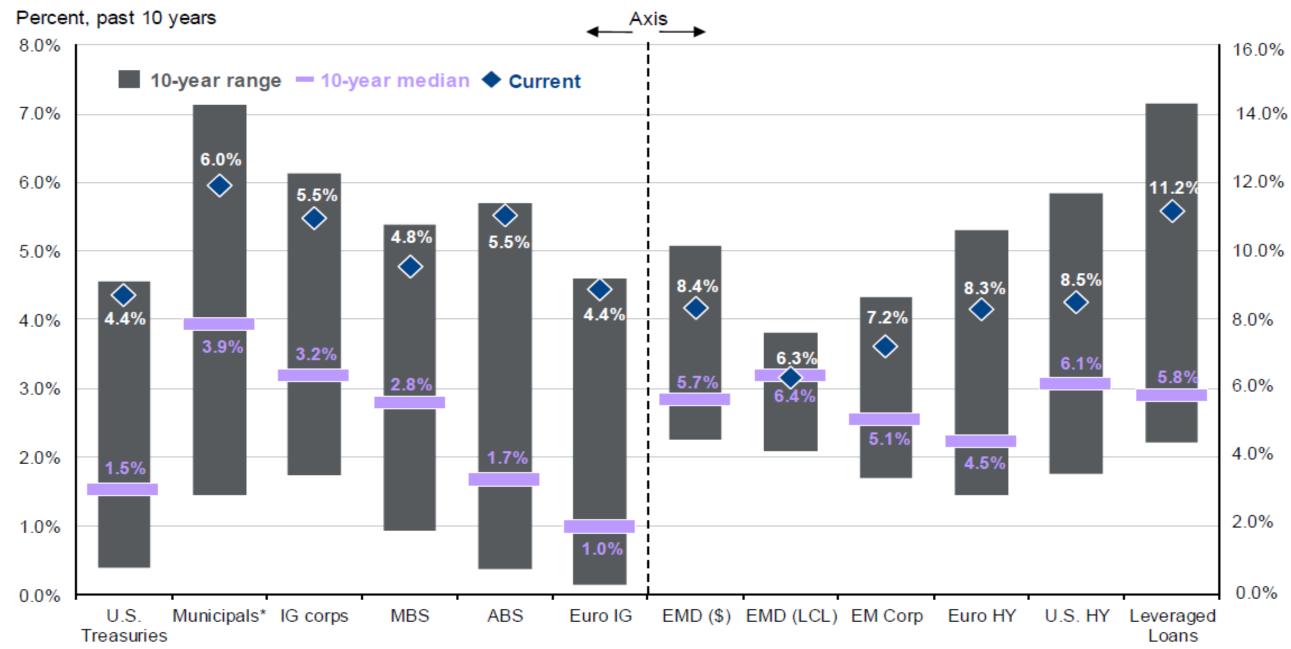
Source: LHS, Absolute Strategy Research, ASR Ltd. Refinitiv Datastream as of May 31, 2023. RHS, Factset, as of June 30, 2023. P/E ratios are on an approximate basis. For illustrative purposes only. Nothing herein constitutes a prediction or projection of future events or future market behavior. Due to 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

- \succ 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



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

Questions?

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