

What does it mean for United Methodist churches to invest with the United Methodist Frontier Foundation (UMFF)?

Providing investment pools for United Methodist church investments since 2002

- These Pooled Funds have a demonstrated **20+ year history** of being suitable for investing church funds.
 - They have delivered competitive investment returns at a reasonable cost.
 - The ten-year returns on these funds are comparable to long term market expectations for the asset classes that they represent:
 - Diversified Equity – 8% annually
 - Growth and Income Fund – 6% annually
 - Balanced Income Fund – 4% annually (similar to a Short-Term Investment Fund)
 - These pools are comprised of 40-60 companies. No company exceeds 5% of the portfolio. They are well diversified, having less concentration than indexes.
 - All pools have less volatility than market indexes.
- The UMFF serves as a **Fiduciary** for selecting the manager of these portfolios.
 - The aggregate size of multiple church portfolios ensures that the UMFF has greater access to the registered investment advisor than an individual church can have.
 - Because this is one of our primary jobs, we are able to review the manager more thoroughly than an individual church could do.
 - Because we only manage church portfolios, we are able to represent the need to incorporate Wesleyan values in the portfolio.

Meeting the Obligation of a Fiduciary

To meet the obligation of a Fiduciary, the UMFF meets semi-annually with the investment advisory firm. This review includes the fundamental **5 Ps of good investment manager reviews: People, Philosophy, Process, Performance and Price.**

People: We get to know the team.

- Each meeting with the investment advisors includes meeting with the President and/or Senior Vice President, the designated Risk Manager, the head of equity investing, the bond guy and the relationship manager.
- Our semi-annual reviews enable us to know:
 - How stable the workforce is.
 - How well management retains and compensates good talent.
 - How the investment team works with each other.
 - How well their good talent is compensated and if it works to retain them.

Philosophy: What is the fundamental underpinning of value in their understanding of investing?

- Where do they expect to find value?
- What drives their investment return over time?
- What drives value? How does their economic outlook impact their value expectations?
- Are they comfortable with and able to set investment criteria that meet the Wesleyan social principles and the expressed desire of our constituent churches that they avoid investing in companies whose processes and products are destructive to our environment?

Process: Is there a process-oriented approach that is repeatable?

- How do they identify value? What research does this entail, what are the sources of their information?
- How do they construct a portfolio? Do they have a model portfolio? How do they control risk in the portfolio?
- What is their buy and sell discipline? What is the turnover in the portfolio?
- What processes are used to ensure all clients are treated equally?
- How does the investment manager integrate Wesleyan social principles, and the expressed desire of our constituents, into the portfolio while striving to generate returns competitive with the market returns?

Performance: Is there consistent performance history?

- We look at performance vs broad benchmarks and benchmarks that reflect their investment philosophy.
- We look at performance in the current period and over long investment cycles.
- We look at performance relative to the risk taken in the portfolio, keeping in mind the needs of churches.
- We recognize that the market returns often reflect security weightings that may be more concentrated or less socially-beneficial than is prudent and/or directed to the social outcomes that we seek to achieve. We evaluate investment returns keeping the broader social benefits that we seek to support.

Price: Are we able to provide a reliable, stable product at a reasonable price?

- Concentrating all our client portfolios with one or two managers enables us to negotiate competitive fees. By identifying medium-sized registered investment advisers, we ensure that our client portfolios are big enough and important enough to get exceptional focus at a reasonable cost.
- Can we set investment criteria that meets the Wesleyan social principals and the expressed desire of our constituents with respect to protecting the environment?

The fees we receive on our investment services enable us to:

- Offer appropriate investment portfolios to churches of all sizes at a reasonable cost.
- Teach churches about stewardship, finance, sustainability, and connection.
- Achieve connection with our host conferences.
- Get to know churches, individuals, and common challenges.
- Make a difference.