



**United Methodist Foundation**  
*of* NEW ENGLAND

# INVESTING WITH IMPACT!

*Discover the Foundation Advantage*

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# Impact Investing / Impact Ministry for Change

- The UMFNE is your Foundation
  - Independent 501c3 organization
  - Sole Purpose: to support the mission and ministries of NE churches and the NEC
  - 100% of the Foundation's investment fees are used to further our mission to serve and support the churches and agencies in New England.
- The Foundation's Investment Committee guides investment portfolios
  - reflect the values stated in the *United Methodist Book of Discipline* and the *Social Principles of the United Methodist Church*.
  - As an independent organization, the Foundation proactively divested from fossil fuel companies.

## UMFNE Impact Investing Seeks Change & Returns

We want to own  
certain types of  
companies



ESG incorporation

Screens | Integration

We want  
companies we  
own to behave  
differently



Proxy Voting

Resolutions

# Impact Investing for Ministry

- Investing with the Foundation benefits your church and others
- **UMFNE offers many unique programs and services** for churches, clergy and donors in New England:
  - **Pastoral Leadership Development** - “Innovate, Integrate, Elevate” from a \$900,000 Lilly Grant
  - **“Justice in Our Time Fund”** is an anti-racism initiative created by the Foundation’s Board of Directors to overcome barriers caused by systemic racism
  - **Donor Centric Philanthropy** services assist individuals and families explore interests and develop gift plans to benefit their churches and communities.

# De-Mystifying Endowments Language

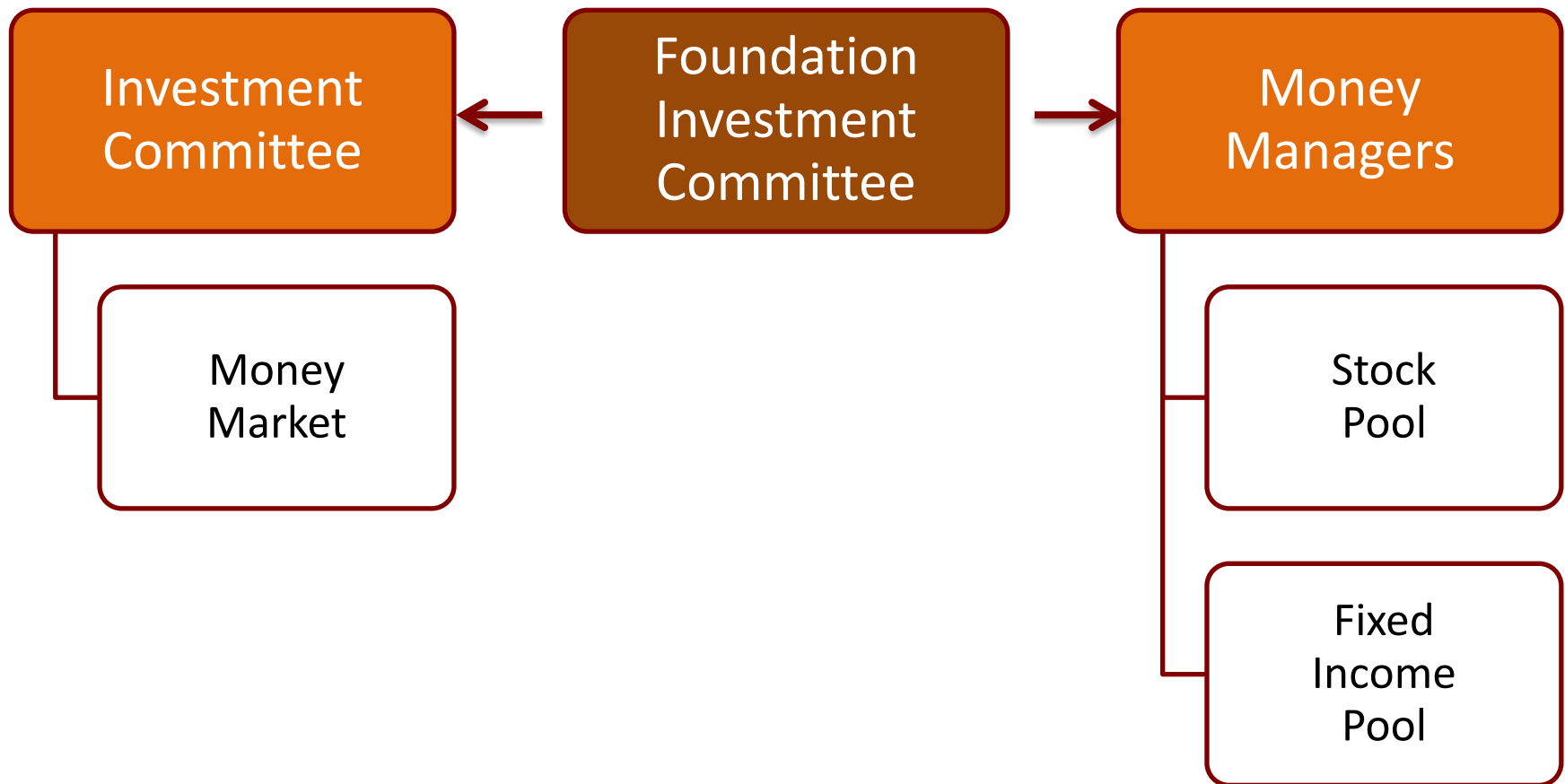
**True Endowment:** Restricted Income Only, Gift by Donor or devise (Will, Beneficiary, DAF) May have designated purpose as well

**Term-Endowment:** Restricted Income Only Gift by Donor or devise (Will, Beneficiary, DAF) for a period of years, maybe for a Designated Purpose. At the end of the term, the balance to be spent, or returned to the heirs.

**Quasi Endowment:** Donor gives unrestricted gift – Church votes to use income only

# INVESTMENT OPERATIONAL STRUCTURE

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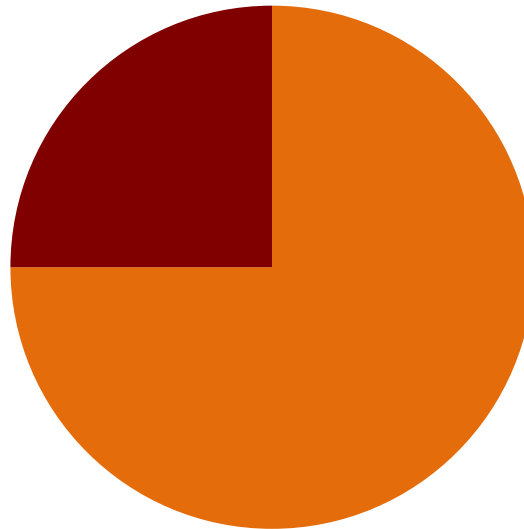


# OPTIMIZED STOCK PORTFOLIO

*A Managed Index Approach*

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## Asset Allocation



■ 75 %Russell 3000 Portfolio ■ 25% MSCI World Portfolio

# DOMESTIC RUSSELL 3000 PORTFOLIO

## *Socially Screened Portfolio*

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- Portfolio holds 885 names
- 85 % Large Cap Stocks (\$10 Billion or more)
- 9% Mid Cap Stocks (Between \$2 an \$10 Billion)
- 6% Small Cap Stocks (Below \$2 Billion)
- Portfolio has a 0.73% “tracking error” with the benchmark
- This is an “Socially Screened” index” type of strategy

# International MSCI ACWI ex-US Portfolio

## *Socially Screened Portfolio*

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- Portfolio Holds 493 names
- Invests through American Deposit Receipts (ADR's)
- The Portfolio is invested in Non-US Developed Countries as well as Emerging Markets
- Portfolio has a 1.23% “tracking error” with the benchmark

# FIXED INCOME

## *Socially Screened Portfolio*

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- Invests in Debt instruments of the United States Government
- Invests in quality US Corporations
- Up to 30% of the Fixed income portfolio may be invested the Foundation's Church Loan Program.
- Benchmark: Barclays Capital US Intermediate Gov./Corp Index

# INVESTMENT OPTIONS

## *Foundation Model Portfolios*

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- In addition to the Stock and, Fixed Income, the Foundation has created 7 blended Model portfolios so that trustees may align assets and liabilities.
- The Foundation offers a Money Market option for those churches who need a vehicle for short-term investment objectives.

## AVERAGE ANNUAL TOTAL RETURNS FOR MODEL PORTFOLIOS

*(Calculated using actual United Methodist Foundation Investment Pool Performance as of 12/31/2021)*

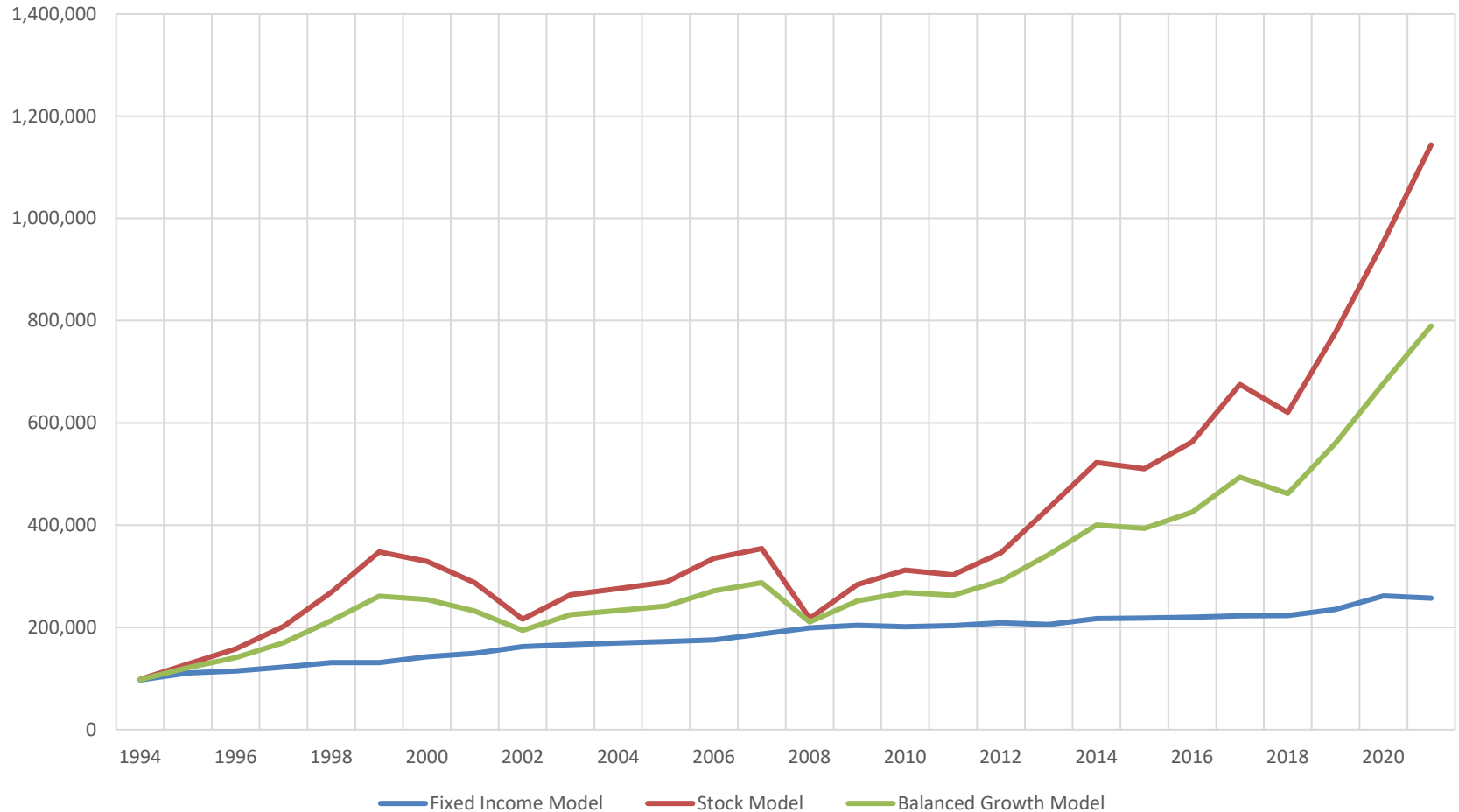
<u>Model Name/Asset Allocation</u>		<u>4th Quarter</u>	<u>Year-to-Date</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Stock</b> 100%	<b>Total Return</b>	6.96%	20.10%	20.10%	20.74%	14.22%	12.40%
	**Custom Index	7.00%	20.09%	20.09%	21.92%	15.46%	13.63%
<b>Capital Appreciation</b> 80%/20%	<b>Total Return</b>	5.43%	15.71%	15.71%	17.20%	11.80%	10.23%
	Blended Index	5.49%	15.78%	15.78%	18.31%	12.95%	11.38%
<b>Weighted Growth &amp; Income</b> 70%/30%	<b>Total Return</b>	4.67%	13.51%	13.51%	15.43%	10.58%	9.14%
	Blended Index	4.73%	13.63%	13.63%	16.51%	11.70%	10.25%
<b>Balanced Growth</b> 60%/40%	<b>Total Return</b>	3.90%	11.32%	11.32%	13.66%	9.37%	8.06%
	Blended Index	3.97%	11.48%	11.48%	14.70%	10.44%	9.13%
<b>Moderate Growth &amp; Income</b> 50%/50%	<b>Total Return</b>	3.14%	9.12%	9.12%	11.89%	8.16%	6.97%
	Blended Index	3.22%	9.33%	9.33%	12.90%	9.19%	8.00%
<b>Balanced Income</b> 40%/60%	<b>Total Return</b>	2.37%	6.92%	6.92%	10.12%	6.95%	5.88%
	Blended Index	2.46%	7.17%	7.17%	11.09%	7.93%	6.87%
<b>Weighted Income &amp; Growth</b> 30%/70%	<b>Total Return</b>	1.61%	4.73%	4.73%	8.35%	5.74%	4.80%
	Blended Index	1.70%	5.02%	5.02%	9.29%	6.68%	5.75%
<b>Income &amp; Capital Preservation</b> 20%/80%	<b>Total Return</b>	0.84%	2.53%	2.53%	6.58%	4.52%	3.71%
	Blended Index	0.94%	2.87%	2.87%	7.48%	5.42%	4.62%
<b>Fixed Income</b> 100%	<b>***Total Return</b>	-0.69%	-1.86%	-1.86%	3.04%	2.10%	1.54%
	Barclays Int.Gov/Credit Index	-0.57%	-1.44%	-1.44%	3.87%	2.91%	2.37%

UM Foundation of New England Total Return Performance is Net of Fees. Benchmarks are hypothetical returns that do not have any associated costs or management fees. BLUE: Performance of UM Foundation Stock Pool (100%), Fixed Income Pool (100%). Current Quarter: Dec. 31, 2021. Returns assume that all distributions of income and capital gains are reinvested. GREEN: Calculated returns for Model Portfolios with different percentages of stock/fixed income. Past performance does not guarantee future results. \*Inception Date: 12/31/94 \*\*Custom Index is comprised of: 75% Russell 3000 Index, 25% MSCI ACWI Ex US Index. \*\*\*From January 2004 forward, the Fixed Income Pool performance includes income from the Foundation Loan Program. The Fixed Income Index is the Barclays Int. Gov/Credit Index.

## GROWTH COMPARISON

1/1/1994 to 12/31/2021

Initial Investment \$100,00



# FIXED PERCENTAGE PAYOUT OPTION

*(Balanced Growth Model Only)*

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- Based on ***Uniform Prudent Management of Institutional Funds Act***
- Incorporates the Total Return Approach  
Dividends + Interest + Capital Appreciation
- A Percentage of the Market Value *(averaged over a rolling 12 quarter period)*
- 2022 Payout Rate 3.75%

# ORDINARY INCOME vs FIXED PERCENTAGE PAYOUT

**EXAMPLE: Market Up - Balanced Growth Model Performance +11.32%**

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## **OPTION 1 – *Ordinary Income***

- Market Value: \$677,425
- Income from Dividends (Stocks) + Interest (Bonds) = 2.04% Yield:  
***Total Annual Income \$13,819***

## **OPTION 2 – *Fixed Percentage Payout***

- Market Value: \$677,425
- 3 year – 12 quarter Market Value Average: \$526,376
- Average Market Value x 3.5% Payout Rate  
***Total Annual Income \$19,739 (\$5,920 more Income for Ministry!)***

# ORDINARY INCOME vs FIXED PERCENTAGE PAYOUT

**EXAMPLE: Market Down - Balanced Growth Model (-11.32%)**

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## **OPTION 1 – *Ordinary Income***

- Market Value: \$483,701
- Income from Dividends (Stocks) + Interest (Bonds) = 2.04 Yield:  
***Total Annual Income \$9,867***

## **OPTION 2 – *Fixed Percentage Payout***

- Market Value: \$483,701
- 3 year – 12 quarter Market Value Average: \$510,232
- Average Market Value x 3.5% Payout Rate  
***Total Annual Income \$19,133 (\$9,266 more Income for Ministry!)***

# FOUNDATION MODEL PORTFOLIOS

## *All Inclusive Fees*

Model Name	Stock %	Fixed Income %	Annual Fee
Stock	100%		1.35%
Fixed Income		100%	1.00%
Model Portfolios			
Capital Appreciation	80%	20%	1.28%
Weighted Growth & Income	70%	30%	1.24%
Balanced Growth	60%	40%	1.21%
Moderate Growth & Income	50%	50%	1.18%
Balanced Income	40%	60%	1.14%
Weighted Income & Growth	30	70%	1.11%
Income & Capital Preservation	20	80%	1.08%