

# IOWA UNITED METHODIST FOUNDATION

## *1st Quarter Report 2020*

### **FOUNDATION UPDATES**

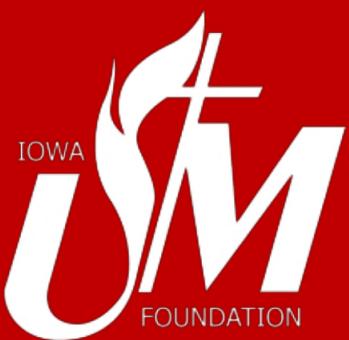
**Updates & resources  
related to the market,  
General Conference  
postponement and  
COVID-19.**

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### **H.E.L.P PROGRAM OPENING SOON**

**Refinance your  
seminary student loan  
debt at a much lower  
rate!**

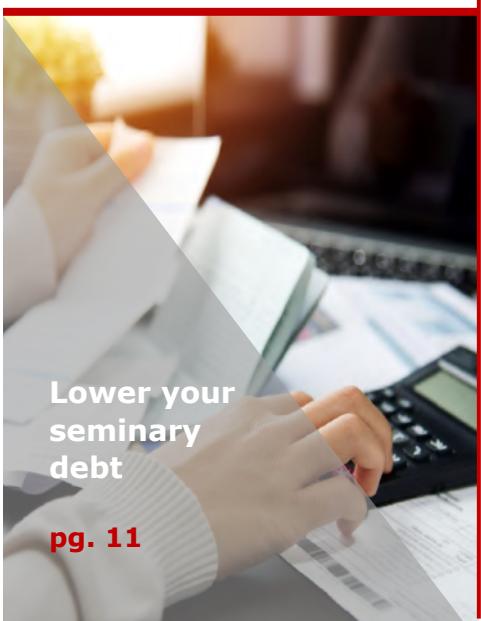
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# MARKET REVIEW

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## THE "CUSHION" WORKED

In the last few years, the investments were made defensively, with an emphasis on Value stocks and high quality bonds. In the recent sell-off, the investments fell only a fraction of the regular markets.

Despite recent drops, the market has seen astronomical gains in the last decade. Having a long-term plan and sticking to it will help avoid the common mistake of selling at the wrong time.

## EMOTIONS OF THE MARKET CYCLE



The graph above shows the emotions we might feel during the market cycle. Right now we could be at the "bumpy bottom," which means there may be sharp swings both up and down.

This is also the point of maximum opportunity. People are selling, even at extremely low rates, compared to what they paid for it. Keeping your investments in for the long-term makes sense. Don't now and make an unrealized loss an actual loss.

Foundation investments are made in accordance with the **Social Principles**, meaning we seek investments in funds that promote racial and gender justice, protect human rights, prevent the use of sweatshop or forced labor, avoid human suffering, and preserve the natural world.

# INVESTMENT REPORT

The first quarter of 2020 has seen a record high in February (due to low unemployment and expectations of high corporate earnings), followed by a rapid and steep decline (6 weeks), similar in reach to October of 1987. For the third time in 20 years, we are seeing a disruption of the economy and are facing a bear market.

A combination of the global COVID-19 virus (which is lowering or discontinuing earnings), and Saudi Arabia and Russia locked in an oil production war for market share, have led to this recession. A secondary effect of the virus-related lockdown is the severe downturn in restaurants, travel, and hotel industries. The Fed has responded with a 2 trillion dollar stimulus package.

With the markets down 25% (back to where they were three years ago), we have been anticipating a significant market correction, and were therefore very cautiously invested. This is where the advantages of a socially responsible, long-term investment plan is most helpful. The Foundation has no investments in alcohol, tobacco, firearms, pornography, for-profit prisons, or gambling. The high volatility of the market (with 1,000 to 3,000 point swings in the Dow) shows that there is a lot of short-term speculation, as well as activity with computer trading algorithms.

The investment focus of the Foundation is “time IN the market” rather than “TIMING the market.” It is extremely difficult to time “getting back in” to the market and usually this results in a loss of the number of shares owned. Also, the focus is not on short-term trading, but rather investments for the long term.

Markets are expected to have a “bumpy bottom” with more volatility expected, before continuing modest growth as the economy recovers. If you sell now, you risk missing the climb. If you have further questions, please feel free to contact us, and we can review the risk level of your investments.

## FAQs??

### Q: How soon can my money be invested?

A: All new and existing accounts have deposits done only on the first business day of the month because we value our funds on a monthly basis.

### Q: How do I go about withdrawing money from my account?

A: Requests for withdrawals must be to the Foundation office in writing by the 10th of the month. Checks go out on the 15th of each month.

### Q: Who are the authorized users of my account?

A: The pastor and/or the positions of the person(s) who signed the agreement. They are the only ones that can make requests or changes to the account.



# FOUNDATION UPDATES

***Now more than ever, we are here to support you***

## **STATEMENT REGARDING THE POSTPONEMENT OF GENERAL CONFERENCE**

With the General Conference originally scheduled for this May, postponed until 2021, there have been concerns about the Foundation's role in investing funds if congregations or individuals change their membership from the Iowa Annual Conference.

- Your investments are secure and no action taken by the General Conference will affect any church's or individual's ability to utilize the Foundation.
- The Foundation is independent of the General Conference, the Iowa Annual Conference, the Council of Bishops, the GCFA, Wespath, and any other United Methodist denominational entity. We are registered as an Iowa Nonprofit Organization and hold an independent IRS 501(c)(3) tax-exempt ruling.
- The Foundation receives no apportionment funds.
- Our mission remains. The Foundation continues to serve as prudent investors for all nonprofit ministries, *regardless of denomination*, and we will continue to partner with individuals and congregations for the long-term financial support of the ministries they love.

If you have any questions about the impact the General Conference may have on your relationship with the Foundation, please contact Katharine Yarnell at [katharine.yarnell@iumf.org](mailto:katharine.yarnell@iumf.org) or 515-974-8928.



## **COVID-19 OFFICE UPDATE**

The Iowa United Methodist Foundation temporarily moved to a remote work model for our staff. We are following socially responsible behavior and limiting group interactions and the use of shared spaces per recommendations from the CDC to create social distancing.

As of now, the Foundation office is closed, but we will continue to evaluate the situation week by week depending on what is recommended. At this time, no Foundation staff have tested positive for the coronavirus.

All phones and emails will be monitored during regular office hours (Mon – Thurs: 7:30 a.m. – 3:30 p.m.; Fri: 7:30 a.m. – 12:30 p.m.). Thank you for your patience with us as we navigate this change.

Together, our partnership has created a mission that has changed lives and will change lives for many years. While these may be tough times, they will pass. Because of you, we are here today and will be stronger tomorrow.

We are praying for all those struggling with this virus, the concerns about the spread, and are especially lifting up all the health care workers and their families during this time of uncertainty.

# FOUNDATION RESOURCES

*Now more than ever, we are here to support you*

## FINANCIAL STEWARDSHIP IN DIFFICULT TIMES

While this has been an unsettling and unprecedeted year so far, the creativity, resilience and faithfulness of our global community and Iowa has been remarkable! The resources that have been shared, and that are available for congregations, is remarkable. We want to do our part in sharing information that may be helpful for you and your faith community.

### **Start with following Jesus.**

As we turn to our faith community, which may be online now, and seek guidance from the Bible, what are we feeling and thinking? Are we like David facing a Goliath of a pandemic? Are we Queen Esther, called to live in such a time as this? Is there a balm in Gilead? Can we be a little less like Martha fretting, and more like Mary listening?

Can we practice being an “Electronic St. Paul” sharing our faith through letters, blogs, YouTube prayers and devotions, FaceTime, texts, phone calls, Zoom meetings, memes on social media? Our narrative of faith may change hour to hour, but this is a deep resource of eternal love and encouragement.

### **Why do we give?**

In a crisis, donors generally drop their financial support of organizations they do not **trust**. We can build trust by A) acknowledging that **many people have been, and will be hit by the financial crisis** and B) offering our **sincere, personal gratitude** for their support. An expression of thanks, especially from the recipients themselves, is most helpful.

### **How should we give?**

Any way you feel like it! If you like to write checks, please consider sending in a check. If you feel comfortable with electronic giving, or setting up ACH from your bank account, or a credit card service, there are many options. Also, please encourage a continuing gift, which will help stabilize income; it can always be changed later. For churches considering these options, check out [\*\*www.umcdiscipleship.org\*\*](http://www.umcdiscipleship.org)—particularly the recorded webinar on how to set up recurring electronic giving.

Check out our website at [\*\*https://iumf.org/resources/\*\*](https://iumf.org/resources/) for a list of even more resources.



# FUND PERFORMANCE REPORT

Investments were made according to the Social Principals (Book of Discipline Paragraph 717) and were focused on high quality bonds and value stocks. Please feel free to contact us if you would like to review your investments.

## The actual net returns for each of the funds as of March 31, 2020:

	March	QTD	YTD	Trailing 12
<b>Balanced</b>	-9.63%	-15.07%	-15.07%	-7.92%
<b>Bond</b>	-2.45%	-1.58%	-1.58%	+1.26%
<b>Equity</b>	-14.44%	-23.36%	-23.36	-14.08%
<b>STI</b>	-0.14%	+1.43%	+1.43%	+4.59%

**Benchmark average gross returns for each of the funds as of March 31, 2020:**  
*(Please note—The benchmark includes higher risk/junk bonds and growth/higher risk stocks, so we aren't quite comparing "apples to apples." This also does not include management or administration fees.)*

	March	QTD	YTD	Trailing 12
<b>Balanced<sub>1</sub></b>	-9.65%	-14.55%	-14.55%	-6.11%
<b>Bond<sub>2</sub></b>	-2.38%	+0.64%	+0.64%	+4.30%
<b>Equity<sub>3</sub></b>	-14.61%	-23.26%	-23.26%	-13.36%
<b>STI<sub>4</sub></b>	-0.12%	+1.32	+1.32%	+3.56%

<sup>1</sup>24% MSCI EAFE /24% S&P 500 / 12% S&P 1000 / 30% Barclay's Government Credit / 10% ML US High Yield BB 1-10 yr.

<sup>2</sup>75% Barclay's Government Credit / 25% ML US High Yield BB 1-10 yr.

<sup>3</sup>40% MSCI EAFE / 40% S&P 500 / 20% S&P 1000

<sup>4</sup>Barclay's 1-3 year Gov. Index

<b>S&amp;P 1000— Stocks</b>	-20.88%	-30.58%	-30.58%	-23.48%
<b>BB Bond Market</b>	-8.72%	-9.97%	-9.97%	-3.50%

## Average annual calendar returns (2015-2019):

PERFORMANCE (Net Returns)	2019	2017- 2019	2015- 2019
<b>Balanced</b>	+17.20%	+6.70%	+5.40%
<b>Bond</b>	+5.27%	+1.10%	+1.32%
<b>Equity</b>	+25.09%	+10.27%	+7.59%
<b>STI</b>	+4.90%	+3.04%	+1.73%

BENCHMARK	2019	2017- 2019	2015- 2019
<b>Balanced</b>	+19.45%	+8.76%	+6.75%
<b>Bond</b>	+8.68%	+3.97%	+3.40%
<b>Equity</b>	+26.71%	+11.96%	+8.99%
<b>STI</b>	+3.22%	+1.87%	+1.40%

# BALANCED FUND

*As of March 31, 2020*

This fund seeks to balance the objectives of long-term capital appreciation and present income. Therefore, the Balanced Fund is invested in a diversified portfolio of fixed income securities, equity securities (including those of foreign issuers and small capitalization companies), cash and cash equivalents and other alternative investments. The Product Mix and Diversification shall strive for a 40/60 balance between equity and fixed income investments, within the following ranges:

**30% to 50%** **Fixed income:** U.S. Government notes and bonds, mortgage and asset backed securities, C.D's, corporate bonds, municipal bonds and international mutual funds with up to 15% of fixed income investments in preferred stock, securities convertible to common stock, real estate and other hybrid issues approved by the Investments committee.

**50% to 70%** **Equity:** 40% large cap domestic stocks, 20% small/mid cap domestic stocks, 40% international stocks.

**Up to 10%** **Cash:** Money market funds, treasury bills and money market equivalents. \*All funds allow a variance of +/- 10% from the stated "Strategic Allocation"

## RATE OF RETURN—2020

	March	QTD	YTD	Trailing 12
<b>Actual*</b>	-9.63%	-15.07%	-15.07%	-7.92%
<b>Benchmark</b>	-9.65%	-14.55%	-14.55%	-6.11%

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+17.20%	+6.70%	+5.40%
<b>Benchmark</b>	+19.45%	+8.76%	+6.75%

**\*Net of fees**

## BALANCED FUND BOND:

Sector	% of Portfolio
<b>Treasury</b>	4.00%
<b>Corporate (IG)</b>	28.00%
<b>Corporate (HY)</b>	7.00%
<b>Mortgages</b>	0.00%

BALANCED FUND EQUITY:	% of Allocations
<b>Large Cap</b>	24.00%
<b>Mid Cap</b>	9.00%
<b>Small Cap</b>	3.00%
<b>International</b>	24.00%
<b>Cash</b>	2.00%

# BOND FUND

**As of March 31, 2020**

This fund's primary investment objective is to maximize present income. The fund's holdings will consist primarily of fixed income securities. Rounding out the portfolio is a small allocation to cash and cash equivalents. This fund has the following target allocation of investments:

**Up to 100%** **Fixed Income:** U.S. Government notes and bonds, mortgage and asset backed securities, C.D.'s, corporate bonds, mutual funds and municipal bond mutual funds, with up to 15% of fixed income investments in preferred stock, securities convertible to common stock real estate and other hybrid issues as approved by the Investment Committee.

**Up to 10%** **Cash:** Money market funds, treasury bills and all money market equivalents.

*Fixed income securities* in which the funds may invest include debt securities of all types, including but not limited to, obligations of the U.S. Government, Federal Agency obligations, corporate bonds and notes, sovereign debt of non-U.S. countries and mutual funds whose underlying assets are primarily fixed income securities. All convertible securities are classified as equity securities. The average maturity of the fixed income instruments will be three to five years with an average investment grade ranking as ranked by S&P or Moody's. *Equity securities* in which the funds may invest include common stocks, securities convertible into equity securities and mutual funds investing primarily in equity securities. As for individual common stocks, the funds are limited to investing in companies whose shares are traded on the New York Stock Exchange, Inc., the American Stock Exchange, Inc., or the National Association of Securities Dealers, Inc., National Market System. The Balanced Fund and the Equity Fund may also invest in securities of foreign issuers which are traded on major U.S. exchanges/markets.

## RATE OF RETURN—2020

	March	QTD	YTD	Trailing 12
<b>Actual*</b>	-2.45%	-1.58%	-1.58%	+1.26%
<b>Benchmark</b>	-2.38%	+0.64%	+0.64%	+4.30%

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+5.27%	+1.10%	+1.32%
<b>Benchmark</b>	+8.68%	+3.97%	+3.40%

**\*Net of fees**

# EQUITY & SHORT-TERM INCOME

*As of March 31, 2020*

**EQUITY:** This fund's investment objective is to seek long-term capital appreciation. Current income is a secondary objective. The fund pursues its objectives by investing primarily in common stocks and securities convertible or exchangeable into common stocks, including warrants and rights. This fund has the following target allocations:

**Up to 100%** **Equity:** 40% large cap domestic stocks, 20% small/mid cap domestic stocks and 40% international stocks  
**Up to 10%** **Cash:** Money market funds, treasury bills and money market equivalents

## RATE OF RETURN—2020

	March	QTD	YTD	Trailing 12
<b>Actual*</b>	-14.44%	-23.36%	-23.36%	-14.08%
<b>Benchmark</b>	-14.61%	-23.26%	-23.26%	-13.36%

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+25.09%	+10.27%	+7.59%
<b>Benchmark</b>	+26.71%	+11.96%	+8.99%

**SHORT-TERM INCOME:** This fund's primary objective is to provide an investment vehicle for shorter term funds seeking to earn a better rate of return than a traditional savings account or money market fund. Under normal market conditions, this fund's holdings will consist primarily of fixed income securities in the U.S. Government, government backed obligations, C.D.'s or similar types of investments with average maturities of three years or less.

The fund has the following target allocations:

**100% Fixed Income:** U.S. Government backed bonds, corporate bonds, treasury bills, C.D.'s, mutual funds and cash equivalents. The fund shall have an average maturity of 3 years or less.

## RATE OF RETURN—2020

## RATE OF RETURN—2015-2019

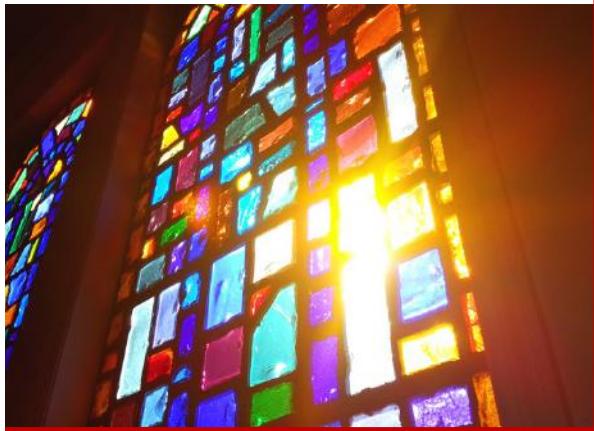
	March	QTD	YTD	Trailing 12
<b>Actual*</b>	-0.14%	+1.43%	+1.43%	+4.59%
<b>Benchmark</b>	-0.12%	+1.32	+1.32	+3.56%

	2019	2017-2019	2015-2019
<b>Actual*</b>	+4.90%	+3.04%	+1.73%
<b>Benchmark</b>	+3.22%	+1.87%	+1.40%

**\*Net of fees**

# **BUILDING FUND TRUST LOANS**

***Now might be the time to make necessary repairs***



We offer a  
**loyalty discount** of

**HALF A  
PERCENT**

for churches that have an  
investment account with  
the Foundation!



What does the future look like for your church? Are there areas in which you can make improvements to keep your congregation happy and to hopefully bring in new members?

One way to do that is by making updates to your church building. Since there aren't any services or events taking place right now, it could be the ideal time to do some remodeling or make much-needed repairs.

If you plan to do some spring cleaning and an inspection of your church, be on the lookout for:

- Leaks in water lines
- Rotten or damaged floors, walls, or ceilings
- Security of doors and windows
- The condition of the parking lot
- The accessibility of the building

If your church needs to make several updates or has a big project in mind, the Foundation can provide a loan for your building projects. Loans can be used for several purposes, including the construction of new buildings, the renovations or additions to existing facilities, repairs, multimedia/technology updates, the purchasing of land or even for buying a parsonage. There are also refinancing options for high-interest loans.

You can find the loan application, the offering circular and other information on our website at  
**<https://iumf.org/church-building-loans>**

Contact us at [info@iumf.org](mailto:info@iumf.org) or 515-974-8927 for more information about our loan program and our current rate.

# H.E.L.P PROGRAM

***Refinance your seminary loans at a low interest rate***

The Higher Education Loan Partners (H.E.L.P) program helps pastors by offering a low interest rate to refinance the student loan debt he or she acquired while attending seminary.

Applications will be open June 1 through September 1 on our website at <https://iumf.org/help-loans/>. Check out the loan criteria now to see if you are eligible to apply.

Core criteria for loan consideration includes:

- Ordained elders and deacons who are members of and serving the Iowa Annual Conference of the United Methodist Church for at least three year will have top priority, but those with at least one year of service will be considered.
- Local pastors who have completed the course of study and are serving full-time in the Iowa Annual Conference of the United Methodist Church for at least two years.
- Loan recipients must enroll in or have completed the Foundation's financial education certification course for faith leaders.
- Loans of higher interest rates.
- Plans to actively serve in the Iowa Conference for the length of the loan.

Refinance your loans at **only**

**1.50%**

to lower your student debt



Don't forget to  
**THANK**  
the clergy members in  
your life for all that they  
do.

Please consider giving to  
the H.E.L.P program to  
show your appreciation  
and **support** our pastors.

# PLANNED GIVING

## *Wills and estate planning*

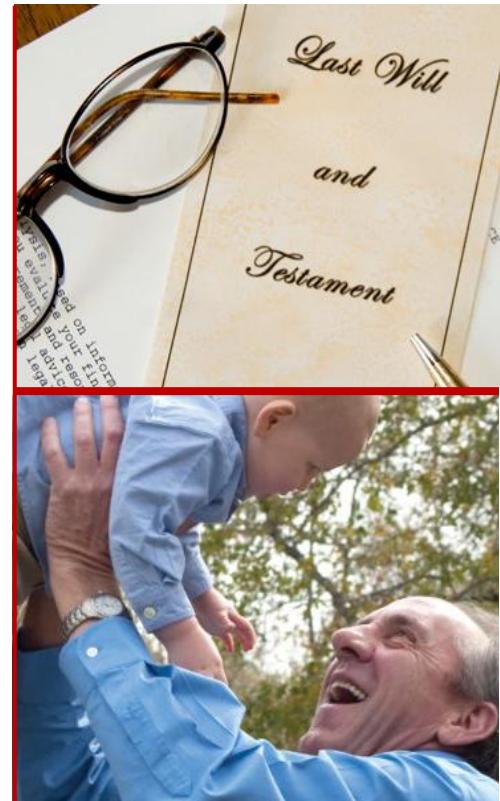
Your will is a very powerful document. It directs every dollar and everything you own to fulfill a specific purpose. Since life is in constant, ever-changing motion, it is extremely valuable to have your will updated to express your values and wishes.

Creating or reviewing your estate plan is important to ensure that your documents appropriately reflect your current situation.

A comprehensive estate plan:

- Limits the money that will be captured by the government
- Provides gifts to loved ones in a reasonable and responsible way
- Eases the burden of estate transfer on loved ones

If you would like more information, please contact the Iowa United Methodist Foundation. Learn more about wills and estate planning at <https://iumf.giftlegacy.com>.



## WHAT ELSE IS HAPPENING AT THE FOUNDATION IN 2020?

**May:** Scholarship applicants will hear back about the status of their applications. If awarded a scholarship, the applicant will receive an email with an acceptance link.

**June:** The H.E.L.P program, which refinances pastor's seminary debt, will start accepting applications June 1 through September 1.

**July:** Carma Mohler Grants, for organizations that are addressing the issue of hunger, will start accepting applications July 1 through October 1. Also, the Foundation is offering a FREE and confidential values-based estate planning service through Thompson & Associates starting in July. Contact us for more information if you are interested.



**Partners in  
Stewardship**

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