

# IOWA UNITED METHODIST FOUNDATION

## 4th Quarter Report 2022

### MARKET REPORT

Our commentary on current market conditions

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### SCHOLARSHIPS

Applications accepted NOW through March 1, 2023

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You can meet with an expert for FREE

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### Market Report: Patience is Key

2022 was a difficult year. We saw high interest rates, high inflation and fear of recession. It was a rare time when stocks and bonds were both down at the same time.



Patience is key in times like these; so you can see that market drops are temporary and earnings will once again begin to compound. We like to remember the adage “Time in the market outperforms timing the market.”

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### Scholarships Open NOW



Thanks to generous donors, the Foundation offers over 100 scholarships annually. Last year, we were able to award over **\$300,000 to 82 students** across Iowa! Make sure the students in your congregation know about this amazing opportunity!

Scholarship criteria are set by individual donors, so some give preference to students of a certain major; or from a certain county; or from a specific church. Visit our website <https://iumf.org/scholarships> to learn the eligibility requirements. When you are ready, click the red ‘APPLY NOW’ button at the top of the page and you will be taken to a third-party website to submit your application.

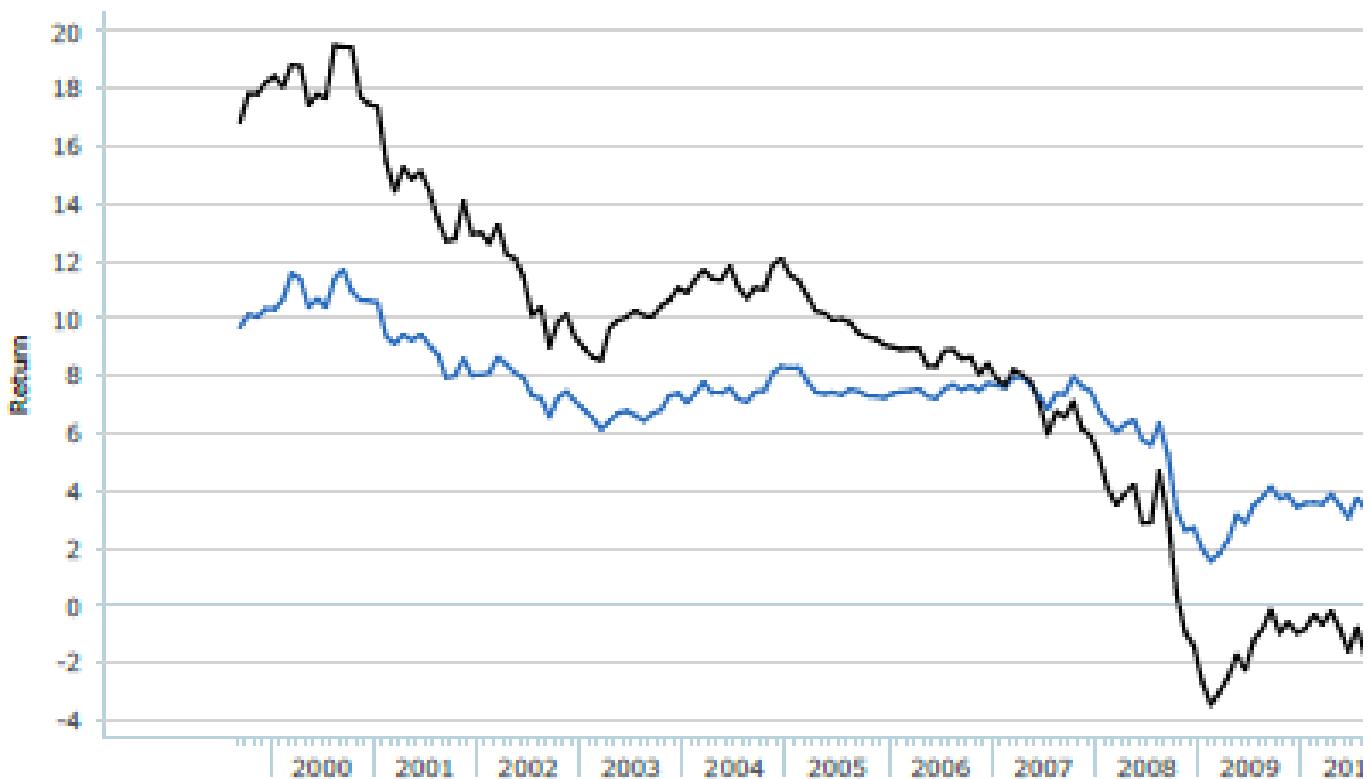
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# MARKET REPORT

*Continued from page 1*

## Trailing Year Returns

10-Year Moving Windows, Computed Monthly, September 1989-September 2022



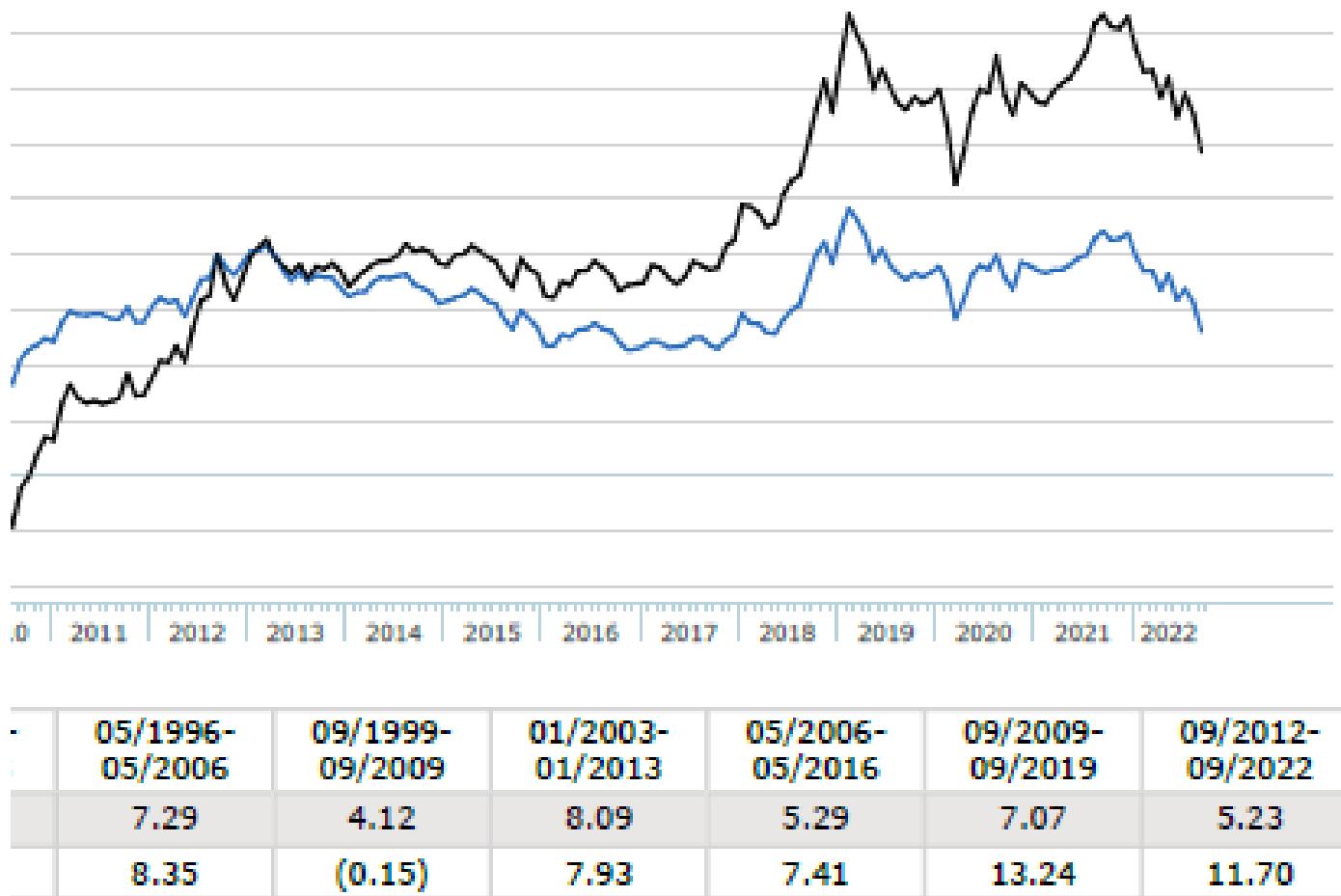
	09/1989-09/1999	01/1993-01/2003
■ 60/40 Portfolio	9.68	6.82
■ S&P 500 (1936)	16.82	8.96

The above graph shows us that in the last 30 years, 60/40 (stock/bond) portfolios (the blue line) were always positive (increased in market value) over any ten years. The percentage returns are charted for every 10 year period (September 1989-September 1999, October 1989-October 1999, etc.), and you can see the lowest return was 4%, which is higher than current Foundation certificate rates. The stocks-only portfolios (S&P 500) had higher highs and lower lows, and only had negative returns during the recession of 2008-2009, before soaring even higher (the black line).

We encourage you to utilize this data and contact the Foundation if you'd like to review your church's investments and goals.

Graph disclaimer: Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy.

Source: Bloomberg, Morgan Stanley Wealth Management GIC; Indices used: S&P 500 Index



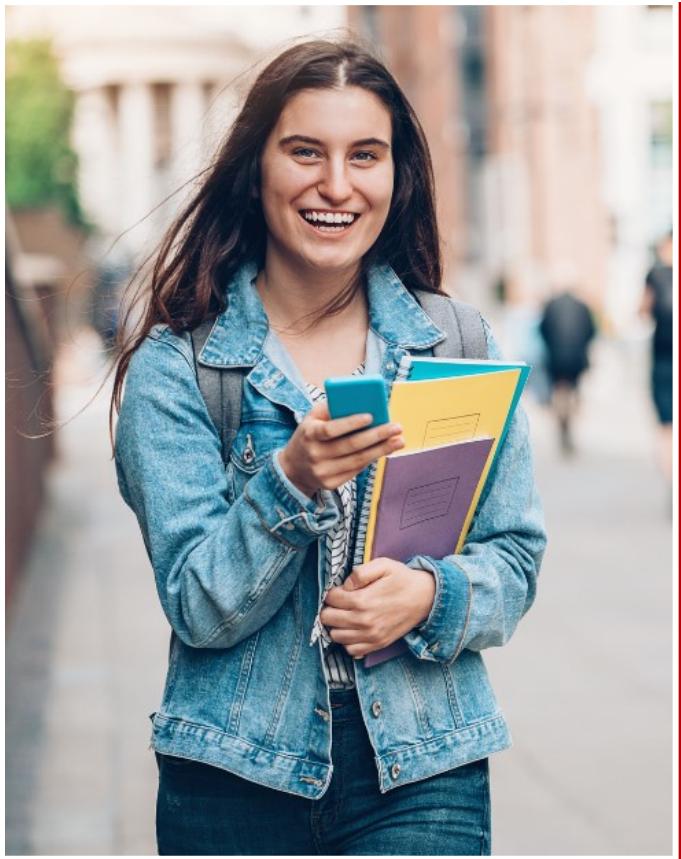
## OTHER MARKET CONDITIONS

**EQUITY FUND:** This was a volatile year for stock prices. High corporate profits from inflation are risky in the short-term, and by historical standards, stock prices are still high, although down significantly from last year. Challenges of the supply chain due to China's zero-COVID policy and the increased geopolitical risk from the Russia/Ukraine war were significant contributors to inflation and the increasing risk of a recession.

**BOND FUND:** After decades of enforced low rates, the Federal Reserve had four historic rate increases in 2022. A rising interest rate environment is difficult for bonds, which is why the Foundation was over-weighted in short-term bonds, which can be more quickly replaced with higher earning ones.

# SCHOLARSHIPS

*Continued from page 1*



Scholarships for the 2023-2024 academic year are now open for application! Applications are accepted December 1st—March 1st. Visit our website to apply: <https://iumf.org/scholarships>. Below please find the answers to some of our most commonly asked scholarship questions:

**Q:** Why should I apply?

**A:** With the cost of education increasing, it's worth the time and energy to apply. Many recipients end up making over \$100/hour of time they took to apply. Pro tip: use the same (or similar) essays and letters of recommendation to apply for multiple scholarships. Each year we have at least one unclaimed scholarship, so make sure you apply for all scholarships for which you are eligible!

**Q:** How do I apply?

**A:** Visit <https://iumf.org/scholarships>. There is a link at the top of the page (APPLY NOW) that takes you to our scholarship software site. Pro tip: take the time to write a thoughtful essay. Often our scholarship committee is moved more by what you write than how well it is written.

**Q:** How will I be notified if I am selected?

**A:** Notifications are emailed by the end of May. We recommend adding these email addresses to your safe senders list so your notice doesn't go to junk mail:

*donotreply@applyISTS.com & contactus@applyISTS.com*

**Q:** What are my responsibilities if I am selected as a recipient?

**A:** You must enroll as a full-time student in the fall and continue the entire academic year. Verification of Enrollment (VOE) must be sent to IUMF by your school's registrar as soon as classes begin. We will not mail your scholarship funds until we receive your VOE.

**Q:** If I received a scholarship last year, do I need to apply again?

**A:** Yes! All scholarships are awarded on an annual basis so recipients must re-apply.

**Q:** How can I set up a scholarship fund?

**A:** Contact us at *info@iumf.org* or 515-974-8927 and we will walk you through the process.

# FUND PERFORMANCE REPORT

**As of December 31, 2022**

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

**The actual net returns for each of the funds as of December 31, 2022**

	December	QTD	YTD	Trailing 12
<b>Balanced</b>	-2.22%	7.79%	-13.40%	-13.40%
<b>Bond</b>	-0.01%	1.67%	-5.52%	-5.52%
<b>Equity</b>	-3.71%	12.31%	-15.84%	-15.84%
<b>STI</b>	-0.08%	1.27%	-5.22%	-5.22%

**Benchmark average gross returns for each of the funds as of December 31, 2022:** (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.)

	December	QTD	YTD	Trailing 12
<b>Balanced<sub>1</sub></b>	-2.17%	8.15%	-13.03%	-13.03%
<b>Bond<sub>2</sub></b>	-0.28%	2.24%	-9.83%	-9.83%
<b>Equity<sub>3</sub></b>	-3.44%	12.07%	-15.38%	-15.38%
<b>STI<sub>4</sub></b>	0.18%	0.74%	-3.87%	-3.87%

<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

**Average annual calendar returns (2018-2022):**

PERFORMANCE (Net Returns)	2022	2020- 2022	2018- 2022	BENCHMARK	2022	2020- 2022	2018- 2022
<b>Balanced</b>	-13.40%	2.77%	3.40%	<b>Balanced</b>	-13.03%	2.82%	4.21%
<b>Bond</b>	-5.52%	-1.17%	0.12%	<b>Bond</b>	-9.83%	-1.30%	0.92%
<b>Equity</b>	-15.84%	4.20%	4.77%	<b>Equity</b>	-15.38%	4.81%	5.34%
<b>STI</b>	-5.22%	-0.90%	0.63%	<b>STI</b>	-3.87%	-0.66%	0.55%

# BALANCED FUND

*As of December 31, 2022*

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.

## RATE OF RETURN—2022

	December	QTD	YTD	Trailing 12
<b>Actual*</b>	-2.22%	7.79%	-13.40%	-13.40%
<b>Benchmark</b>	-2.17%	8.15%	-13.03%	-13.03%

## FIVE YEAR RATE OF RETURN

	2022	2020-2022	2018-2022
<b>Actual*</b>	-13.40%	2.77%	3.40%
<b>Benchmark</b>	-13.03%	2.82%	4.21%

## BALANCED FUND BOND:

Sector:	% of Portfolio
Treasury	13.58%
Corporate (IG)	57.79%
Corporate (HY)	17.74%
Mortgages	0.00%
Cash	10.89%

## BALANCED FUND EQUITY:

Sector:	% of Portfolio
Large Cap	39.50%
Mid Cap	14.20%
Small Cap	5.90%
International	39.90%
Cash	0.50%

## BALANCED FUND BOND

### CHARACTERISTICS:

Duration	2.77
Average Credit Quality	BBB+

**\*Net of fees**

# BOND FUND

*As of December 31, 2022*

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.

## RATE OF RETURN—2022

	December	QTD	YTD	Trailing 12
Actual*	-0.01%	1.67%	-5.52%	-5.52%
Benchmark	-0.28%	2.24%	-9.83%	-9.83%

## ASSET ALLOCATION BOND

Cash	0.70%
Investment Grade	65.27%
High Yield	20.29%
Treasury	13.74%

## FIVE YEAR RATE OF RETURN

	2022	2020-2022	2018-2022
Actual*	-5.52%	-1.17%	0.12%
Benchmark	-9.83%	-1.30%	0.92%

# EQUITY & SHORT TERM INCOME

*As of December 31, 2022*

**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.

## RATE OF RETURN—2022

## FIVE YEAR RATE OF RETURN

	December	QTD	YTD	Trailing 12		2022	2020-2022	2018-2022
Actual*	-3.71%	12.31%	-15.84%	-15.84%	Actual*	-15.84%	4.20%	4.77%
Benchmark	-3.44%	12.07%	-15.38%	-15.38%	Benchmark	-15.38%	4.81%	5.34%

**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.

## RATE OF RETURN—2022

## FIVE YEAR RATE OF RETURN

	December	QTD	YTD	Trailing 12		2022	2020-2022	2018-2022
Actual*	-0.08%	1.27%	-5.22%	-5.22%	Actual*	-5.22%	-0.90%	0.63%
Benchmark	0.18%	0.74%	-3.87%	-3.87%	Benchmark	-3.87%	-0.66%	0.55%

**\*Net of fees**

# OUR GIFT TO YOU

## *Estate Planning Support*

### *Do you have questions about your will?*

Ask an estate planning lawyer—confidentially and at no cost to you!

Creating or reviewing your estate plan is important to ensure your documents appropriately reflect your current situation. The Foundation is providing complimentary assistance with this process through meetings with estate planning expert Johni Hays of Thompson & Associates. These meetings are between you and Johni—no Foundation representatives are present.

The process provides clarity, peace of mind and an incredible sense of significance—you leave knowing your will and estate plan tell your story, reflect your values and support your loved ones.

You can use your meeting time to simply ask a question; there is no obligation to continue. There is also NO obligation or pressure to leave a gift to anyone.

To set up a time for your complimentary conversation with Johni, contact us at [info@iumf.org](mailto:info@iumf.org) or 515-974-8927.



### Meet the Expert

**Johni Hays, Senior Vice President  
Thompson & Associates**

Based out of Johnston, Johni is the estate planner our clients meet with. She has practiced law with an emphasis in charitable and estate planning since 1993. She joined *Thompson & Associates* in 2012 because of their reputation for integrity and her desire to help others. She is also an accomplished writer who enjoys animals and the ocean.

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