

IOWA UNITED METHODIST FOUNDATION

4th Quarter Report

A WAY FORWARD LETTER

Despite changes taking place in the United Methodist church, your investments are secure.

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SCHOLARSHIPS AVAILABLE!

There are 100+ scholarships available for you or the students in your life.

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A WAY FORWARD

Anticipating the 2020 General Conference

Concerns have been raised about the Foundation's role in investing funds if congregations or individuals change their membership from the Iowa Annual Conference.

- Your investments are **secure**. No action taken by the 2019 General Conference, or the 2020 General Conference will impact 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 we hold an independent IRS 501(c)(3) tax-exempt ruling.
- **No** apportionment funds are received by the Foundation.
- The **mission** remains. The Foundation continues to serve as prudent investors for ALL non-profit ministers, *regardless of denomination*. The Foundation will continue to partner with individuals and congregations for the **long-term financial support** of the ministries they love.

With the Board of Directors, we continue to pray for the mission and ministry of all congregations.

If you have any questions about the Foundation, and the impact the General Conference may have had on your relationship with the Foundation, please email me at Katharine.yarnell@iumf.org or call me at 515-974-8928.

— Katharine Yarnell, Executive Director



GUIDE TO YOUR ACCOUNT STATEMENT



Save paper and get your statements emailed to you instead!

Fill out the E-Statement Registration Form on our website under the Resources tab and send it to us.

Asset Summary

The description of which investment the account is invested in: Balanced, Bond, Equity, Short-Term Income or a percentage mix. The Current Market Value of the fund(s) and the percentage of each fund.

Account Activity Summary

Beginning Market Value: The total value of the account at the beginning of the statements period

Contributions: Additions to the account

Income: Earnings from interest and dividends, net of fees

Recognized Capital Gains: Gains (or losses) from sales of assets

Disbursements: Scheduled or requested withdrawals of funds

Change in Market Value: Appreciation (or depreciation) of pooled investment funds

Ending Market Value: Beginning Market Value + Contributions + Income +/- Recognized Capital Gains/Losses—Disbursements +/- Change in Market Value

Asset Details

Asset Description: Fund(s) included in the account

Shares: # of units owned by the account holder

Market Price: The per unit value of each investment fund

Net Cost: The original investments plus any additions or reinvested income

Unrealized Gain/(Loss): Change in the market value of investments during the statement period

INVESTMENT REPORT

FOURTH QUARTER—2019

The most significant concern for investors moving forward, is how long these stock prices are going to last. An additional challenge remains the “unknown unknowns” of the economy. Global economic growth weakened in 2019, and the US economy is showing particular signs of weakness. Underlying issues of trade concerns have not been resolved, and escalation is a significant risk.

Equities

While there was a closing rally at the end of 2019, global growth concerns remain a significant weight on economic performance. A multitude of worries remain, including the trade war, monetary policy, and government shutdown. This late in the market cycle, caution is important.

Bonds

Negative bond rates in foreign markets remain a source of concern. Decreasing short-term interest rates may encourage more high -risk behavior, especially with corporate bonds and stock-buy-backs inflating prices. The stage seems to be set for a long-term bear market in bonds, and if interest rates do rise, that will be a significant headwind for economic growth.

Utilize FREE brochures,
flyers & booklets at
[https://iumf.org/
resources/](https://iumf.org/resources/)



FUND PERFORMANCE REPORT

The actual net returns for each of the funds as of December 31, 2019:

	MTD	QTD	YTD	Trailing 12
Balanced	2.02%	5.21%	17.20%	17.20%
Bond	0.27%	0.50%	5.27%	5.27%
Equity	3.32%	8.28%	25.09%	25.09%
STI	0.23%	0.56%	4.90%	4.90%

Benchmark average gross returns for each of the funds as of December 31, 2019 (Please note—This does not include management or administration fees):

	MTD	QTD	YTD	Trailing 12
Balanced ₁	2.01%	5.33%	19.45%	19.45%
Bond ₂	0.39%	0.71%	8.68%	8.68%
Equity ₃	3.09%	8.40%	26.71%	26.71%
STI ₄	0.21%	0.14%	3.22%	3.22%

¹ 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.

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

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

⁴ Barclay's 1-3 year Gov. Index

Average annual calendar net returns (2014-2018):

***Updated return numbers will be available on at <https://iumf.org/services-for-churches/investment-funds/performance> at a later date.**

Call us at 515-974-8927 if you have any questions.

Performance	2018	2016-2018	2014-2018
Balanced	-7.46%	3.41%	2.54%
Bond	-1.00%	0.18%	0.46%
Equity	-10.78%	5.24%	3.86%
STI	0.96%	2.76%	0.92%

Benchmark	2018	2016-	2014-
Balanced	-5.42%	5.06%	3.96%
Bond	0.18%	2.60%	2.37%
Equity	-9.16%	6.70%	5.02%
STI	1.58%	0.96%	0.82%

BALANCED FUND

December 31, 2019

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—2019

	MTD	QTD	YTD	Trailing 12
Actual*	2.02%	5.21%	17.20%	17.20%
Benchmark	2.01%	5.33%	19.45%	19.45%

RATE OF RETURN—2014-2018

	2018	2016-2018	2014-2018
Actual*	-7.46%	3.41%	2.54%
Benchmark	-5.42%	5.06%	3.96%

BALANCED PORTFOLIO BOND CHARACTERISTICS:

Duration	2.57
Average Credit Quality	A-

BALANCED FUND BOND:

Sector	% of Portfolio
Treasury	4.52%
Corporate (IG)	25.30%
Corporate (HY)	6.05%
Mortgages	0.00%
Cash	2.67%

BALANCED FUND EQUITY:	% of Allocations
Large Cap	24.52%
Mid Cap	8.88%
Small Cap	3.55%
International	24.51%
Cash	2.67%

*Net of fees

BOND FUND

December 31, 2019

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—2019

	MTD	QTD	YTD	Trailing 12
Actual*	0.27%	0.50%	5.27%	5.27%
Benchmark	0.39%	0.71%	8.68%	8.68%

RATE OF RETURN—2014-2018

	2018	2016-2018	2014-2018
Actual*	-1.00%	0.18%	0.46%
Benchmark	0.18%	2.60%	2.37%

*Net of fees

ASSET ALLOCATION BOND

Cash	4.89%
Investment Grade	62.95%
High Yield	18.86%
Treasury	13.30%

EQUITY & SHORT-TERM INCOME

December 31, 2019

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—2019

	MTD	QTD	YTD	Trailing 12
Actual*	3.32%	8.28%	25.09%	25.09%
Benchmark	3.09%	8.40%	26.71%	26.71%

RATE OF RETURN—2014-2018

	2018	2016-2018	2014-2018
Actual*	-10.78%	5.24%	3.86%
Benchmark	-9.16%	6.70%	5.02%

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—2019

	MTD	QTD	YTD	Trailing 12
Actual*	0.23%	0.56%	4.90%	4.90%
Benchmark	0.21%	0.14%	3.22%	3.22%

RATE OF RETURN—2014-2018

	2018	2016-2018	2014-2018
Actual*	0.96%	2.76%	0.92%
Benchmark	1.58%	0.96%	0.82%

*Net of fees

BUILDING FUND TRUST

Certificate and loan information

CERTIFICATES

The Building Fund Trust accepts investments from Iowa United Methodist individuals, churches and organizations which is in turn loaned to qualified Iowa United Methodist Churches for capital projects. The Trust offers excellent income for one, three or five-year investments making this a good option for short-term income needs.

January certificate rates:

1-year: 2.00%

3-year: 2.15%

5-year: 2.20%

You can find Building Fund Trust certificate information such as the application, offering circular and disclosure statement on our website at <https://iumf.org> under the Services for Churches and Services for Individuals dropdown menus.



LOANS

If your church needs a loan for a building project, look no further! 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. The Trust also has 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>.

We offer a loyalty discount of half a percent for churches that have an investment account with the Foundation! Contact us at info@iumf.org or 515-974-8927 for more information about our loan program and our current rate.



Would your church like to receive special information about the loan program?

Let us know by emailing us at info@iumf.org!

SCHOLARSHIPS

Over 100 scholarships available right now!

The Foundation has 100+ scholarships to award for the 2020-2021 school year! There are several different types of scholarships available such as scholarships designated for graduating high school seniors, scholarships specifically for students going to United Methodist colleges, scholarships for students going to seminary, and general scholarships for all students of the church.

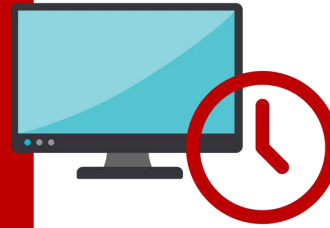
APPLY NOW at <https://iumf.org/scholarships>.



SETTING UP A SCHOLARSHIP

Want to set up your own scholarship, either through a tax-savvy gift now, or in your will? Check out the free and anonymous gift-planning tool at iumf.giftlegacy.com or contact the Foundation office by calling 515-974-8927 or emailing info@iumf.org. We will get back to you with more information and further steps to set up your scholarship fund.

Do you think that applying for scholarships isn't worth all of the time and energy? **Think again!**



Say you spend 20 hours searching and applying for scholarships...

After all of that time and effort, you win two or three scholarships totaling \$2,000.



You just made \$100 an hour, which is over TEN times more than minimum wage!



Taking your time to apply for scholarship is **so worth it!** Also, most of our scholarships ask for the same background information and only require one essay to be written. You are essentially only filling out one application for ALL of the scholarships you are eligible for.

PLANNED GIVING

How might the SECURE Act impact you?

New Legislation going into effect this month may significantly impact your retirement and gifts in your will.

The SECURE Act (Setting Every Community Up for Retirement Enhancement Act) has many parts, but here are the highlights:

- 1) A higher age for RMD's (Required Minimum Distributions) from traditional IRA's and 401(k) plans. Withdrawals may be deferred for another 1.5 years, with the age increasing from the year of turning 70½ to 72.



You may still make a Qualified Charitable Distribution from your IRA to support your favorite ministries at age 70½ - so there is now a window of up to two years where your IRA distribution can count as a charitable contribution, but not as a required minimum distribution.

- 2) If you had a “Stretch” IRA as part of your estate plan, this stretch time has been limited to 10 years, unless you are the surviving spouse. Your plan may need to be updated to a Charitable Stretch Remainder Trust.
- 3) A “Conduit Trust,” which was a very common technique in many estate plans for many years, may now be more of a trap, with the new time limit. These trusts were originally designed to receive retirement benefits used for the life expectancy of the beneficiaries. With the new time limit, this may need to be reviewed in your plan.

Please use the passing of this new law as encouragement to review your will, to be sure it continues to accomplish what you intended. If you have any questions, please contact us at info@iumf.org or 515-974-8928.



**Partners in
Stewardship**

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