During the first two months of this year, the equity markets were extremely strong. However there are many concerns which warrant caution, including increasing stock market valuations, significant slowing of the U.S. economy, higher interest rates, dysfunctionality in Washington, the breakdown in solving international trade agreements, and our large and growing Federal Deficit – which is an area that is not often discussed. With Federal revenue shortfalls approaching $800 billion and with major entitlement programs projected to add to even larger future deficits, there continues to be excessive government spending beyond our nation's revenues. In the short term, such spending is highly stimulating and generates positive momentum to our economy, adding to employment and sales of products and services. But with our Federal Debt exceeding $22 trillion, and continuing to expand, the implications of this undisciplined spending could easily result in much higher interest rates, inflation, and significant reductions in the value of the U.S. dollar.

Furthermore, with the aging of our society and longer life expectancies, the costs of Medicare and Social Security are projected to increase significantly. The issue is about deficits, not the programs themselves, and options to offset larger spending need to be reviewed (such as raising revenues or cutting costs). With that said, the U.S. economy continues to be strong and while there may be a slowdown in the near term, economic conditions are currently positive. We remain generally optimistic about this year, while being cognizant of the potential need to eventually become more conservative.

THE FUNDS

The Diversified Equity Fund of 100% equities, underperformed its benchmark as the large cap internet service providers (core members of FAANG stocks) contributed a significant portion to the return of the Benchmark (about 17%) after contributing more than 19% to the benchmark's downside during the 4Q of 2018. These stocks have started to move in a coherent manner with the market during the past two quarters. However, given their lack of attractive risk/return profile, our valuation-tilted approach that is focused on high quality stocks will lead to underweight of such stocks that are considered expensive, as well as stocks with low quality fundamentals. Excluding this impact as a result of our investment style, the bulk of the fund's underperformance during this past quarter can be attributed to stocks categorized as ineligible for investment due to ethical exclusions (avoiding companies with significant revenues derived from alcoholic beverages, tobacco products, adult entertainment, weapons, gaming, and privately-operated correctional facilities). Those ineligible stocks account for over 3% of the Benchmark and contributed 0.6% to the Benchmark's return during the 1Q of 2019 after major tobacco companies rallied amid announcement of their acquisition of cannabis business.

Despite the business cycle's continued transition into late stage as evidenced by decelerating economic data, an accommodative Fed and news of China potentially rolling out stimulus policies have reversed economic prospects from recession to expansion, and drove investors to bet on the Technology sector which scores high in terms of earnings growth rate/quality. Amid the year end market sell-off in late 2018, we viewed the Technology sector as offering attractive opportunities and it has subsequently led the market rally during the 1Q of 2019. However, at this point, it is very likely that high expectations of earnings growth are already baked into the sector. The risks of downside surprise have increased as slowing earnings growth is expected to limit stock gains. Additionally, changes of domestic inflation trends can sway the Fed from holding interest rates steady and the Chinese government from implementing an aggressive stimulus policy.

The Fund's most over weighted sector is Healthcare, followed by a slight overweight in Consumer Staples and Utilities due to a combination of favorable long-term trends as well as our considerations for the phases of current economic cycles. Historically, Healthcare was one of the sectors with the most consistent and significant relative strength in the markets during late cycles. Despite solid earnings growth prospect this year, Healthcare has lagged the market.

Compared to the benchmark, the Fund is slightly overweighting small capitalization stocks as our team believes there are market inefficiencies within this asset class to take advantage of through bottom-up analysis. However, we will gradually reduce risks from small capitalization stocks if we see the global economy moving towards the end of the late-cycle stage. We think the current business cycle is at most at its early innings of late cycle. Therefore, we deem it too early to add an overweight position in Utilities (which are considered defensive) and continue to see opportunities in Healthcare given its deep valuation discount compared to the market.

The Growth & Income Fund is balanced between half in equities and half in fixed income securities. The fund performed as expected given the avoidance of "expensive" momentum stocks (similar to the Diversified Equity Fund strategy above) and being overweight in less cyclical sectors. The Fund's fixed income holdings benefit from their short duration which performs better in a rising interest rate environment by providing downside protection, compared to longer duration bonds that are more sensitive to inflation risks.

The Balanced Income Fund is an actively rebalanced Fund that offers a mix of 30-40% equities and 60-70% fixed income securities and performed as expected given the avoidance of "expensive" momentum stocks (similar to the Diversified Equity Fund strategy above) and being overweight in less cyclical sectors. The Fund's fixed income holdings benefit from their short duration which performs better in a rising interest rate environment by providing downside protection, compared to longer duration bonds that are more sensitive to inflation risks.

The Bond Fund's holdings of 100% bonds have an aggregated effective maturity of 1.8 years versus the benchmark's 2.8 years. In addition, all the Fund's bonds are investment grade for the purposes of capital protection and hence insulated from the volatilities in the emerging market debt and high yield bond markets. Emerging market debt was adversely affected by global growth slowdown and a stronger U.S. Dollar, and high yield debt was exposed to increased bankruptcy risks of lower quality credit amid global economic slowdown.

Current Challenges:

- Extreme political polarization in the United States that can add to market uncertainties and also become a drag on the economy.
- Renewed headline risks for the healthcare sector from unfavorable rhetoric towards the healthcare industry (i.e. Medicare for All).
- Company-issued earnings outlooks that are below investors' expectation
- Both the fixed income market and equity market are pricing in very low odds of increased inflation and volatility, and hence are prone to negative surprises.

Current Opportunities:

- Global trade conflicts are expected to conclude with the United States President making a deal with his counterpart in China.
- China is expected to roll out policies to revive its economy from a soft landing that would help boost global GDP growth.
- The current credit cycle remains intact despite wider credit spreads and corrections in the leveraged loan market.

Please refer to the UMFF Q1 2019 Fund Fact pages, which are provided separately, for portfolio performance, sector allocation and other characteristics of each Fund.

1. This document may include forward-looking statements. All statements other than statements of historical fact are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements.

2. Past performance is not indicative of any specific investment or future results. Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor.