UMFF FUND OVERVIEW____as of SEPTEMBER 2022

The third quarter of this year was marked by a very weak equity market, particularly in September. The sharp downward movement of equities this year has been broad based. Momentum stocks were significantly impacted by market conditions, with almost all investment sectors under pressure. However, there has been an exceptionally strong and positive start for the equity markets in October.

As we look toward the future, there is much more uncertainty than typically exists. The risk of the U.S. and the world moving into a recession, potentially severe, is real. The ongoing extremely unfortunate health and economic consequences from COVID-19 continue. The war in Ukraine has the possibility of tragically expanding. Additionally, the impact of this war on energy needs, particularly in Europe, is serious.

With all of these circumstances, it is definitely possible that both equity and bond markets could be under significant additional pressure. As illustrations, higher interest rates do adversely affect housing and real estate values and normally will slow larger purchases by both companies and individuals. Much attention and focus has been and will continue to be on the Federal Reserve and its monetary policy. Other impactful factors that we believe are not widely discussed or communicated are as follows:

1. Fiscal policy, as well as monetary policy, greatly affect the economy. While higher interest rates slow down the economy, increased government spending stimulates the economy. While the numbers could significantly vary from current projections, the federal deficit is currently running at about $1 Trillion per year and is likely to increase.
2. Social Security, Medicare, the Affordable Care Act, and Medicaid are not fiscally sustainable with costs expected to escalate greatly (increased deficit).
3. The federal government has more than $31 Trillion in debt. Each 1% increase in interest rates generates an additional $310 Billion of additional annual costs which, after tax collections (pension funds and foreign government holders do not pay taxes on interest received), reduces the cost to about $250 Billion per year.
4. Many proposed federal programs will further increase the deficit if offsetting additional revenues do not actually materialize.
5. With COVID-19 limitations since early 2020, and the unavailability of many goods (supply problems), there continues to be delayed demand that, going forward, is positive for the economy.

THE FUNDS

The Diversified Equity Fund, the 100% stock Fund, has outperformed its benchmark year-to-date but significantly underperformed its benchmark over the past quarter. The underperformance was partially due to the underweight in the energy sector as 5% of the benchmark's Russell 3000 index is in energy companies that include integrated oil companies, natural gas pipeline companies and refineries. These fossil fuel generating companies have gained in valuation this year with the high price of oil on supply concerns stemming from Russia's invasion on Ukraine combined with OPEC+ production cuts. While all other sectors in the equity benchmark have sold off materially this year, Energy is up 35% year-to-date and 4% over the past quarter. The Diversified Equity Fund's large overweight in Utilities also weighed on performance this past quarter. Utilities have had strong risk adjusted returns over several decades as they are historically far less volatile than other equities and less correlated with the overall market. However, Utilities tend to trade on their dividend yields that have become less attractive as the "risk free" Treasury bond yields increased dramatically. The two-year Treasury bond yield increased from 0.73% at the beginning of the year to 4.22% on the last day of September. The rising interest rate environment has a profound impact across all global capital markets but especially hurt high dividend paying sectors this last quarter as investors see the higher rates lasting longer than previously expected. With the core inflation rate now at 6.6% year-over-year, hopes of peak inflation have faded and high dividend sectors sold off as a result.

The Growth & Income Fund, offers a mix of half equities and half fixed income securities. The Fund underperformed its blended benchmark over the past quarter year by 1.5% but outperformed the blended benchmark year-to-date by 2.5%. The Fund's performance was weighed down by an asset class overweight in equities with 57% of the Fund in equities and the remaining 43% in Fixed Income securities while the Fund's benchmark is blended with a 50/50 asset class split. In the fast rising interest rate environment, both bonds and equities dropped in valuation but equities at a higher degree. The Russell 3000 equity index declined 24.6% this year while the Merrill Lynch Investment Grade 3-4 Year Corporate and Government Bonds dropped 9.5%. The Fund's equities had a collective dividend yield of 3.4%, higher than the index's 2.4% but were out of favor as yield investors rotated into higher yielding bonds with less risk.

The Balanced Income Fund offers a mix of 30-40% equities and 60-70% fixed income securities and underperformed its blended benchmark by 0.1% this past quarter, dropping 3.1%, while outperforming the blended benchmark year-to-date by 2.3%. The Fund was slightly overweight equities vs the blended benchmark which acted as a headwind on performance. On the other hand, the Fund's short-term bond positioning with an average effective maturity of 1.4 years benefited performance as they were less sensitive to interest rate movements than the benchmark bonds that had an average effective maturity of 3.0 years.

The Bond Fund of 100% bonds dropped in value by 1% over the past quarter and 3.9% over the past year but outperformed its blended benchmark that was down 2.4% and 7.1% over the same respective time periods as interest rates rose. The outperformance was due to disciplined investing in high quality short-duration bonds. Although the Fund's average Macaulay Duration is 1.5 years as compared to the benchmark's 2.8 years, its average yield to maturity is 4.7%, higher than the benchmark's yield to maturity of 4.6%. This unusual circumstance of shorter duration bonds yielding more than longer duration ones reflects the current inverted yield curve that is an ominous leading economic indicator for the overall economy.

Current Challenges:

- Core inflation remaining stubbornly high despite rate hikes from the Federal Reserve Bank that may lead to an upcoming recession as mortgage rates reach 7%.
- Massive federal government deficits as spending far outpaces tax receipts that may force a cut in expenditures as high interest payments become a factor.
- Chinese GDP growing at a sluggish pace and weighing on the global economy as the country continues to shut down regions with COVID infections.

Current Opportunities

- Valuations are much lower than before, offering opportunities for value-based investors as the S&P 500 Price to Earnings ratio has shrunk from 26x at the beginning of the year to 18x.
- The labor market is still strong with the unemployment rate at 3.6% as corporations continue to hire and retain employees on fears of a labor shortage post pandemic.
- The higher interest rate environment offers attractive opportunities within fixed income that have been lacking in yield since the 2008 recession along with the quantitative easing response.

Please refer to the UMFF Q3 2022 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.