The U.S. economy has made remarkable progress since the financial crisis in 2008. While dramatic changes can and do occur, sometimes very quickly, we do not presently see a high risk of a near-term economic "bubble." Certainly as the fourth quarter begins there are potentially significant hurdles for investors, including the November mid-term elections and a potential rate increase from the Federal Reserve. In addition, the current market run of nearly 10 years could at any point find itself at a correction point.

Our investment style is value-based, with a disciplined approach that involves regular reviews of buy and sell targets for each stock we follow. While a number of equity holdings have reached price points resulting in partial or full sales of positions, with the strong economic trends over the past nearly 10 years (going back to March 2009), we have continued to maintain our strategy to be fully invested. In contrast to our style, another investment style is "momentum" based investing, a very aggressive approach focusing on stocks that are performing well, often with little consideration of the underlying valuation. This approach can produce very good results in strong markets, but is often subject to significant downside when markets rotate or correct. In dramatic market movements, such as in 2000-2002, and also from July 2007 through March 2009, many "momentum" stocks suffered staggering levels of losses. During the third quarter the markets did experience some movement away from many of these "momentum" stocks and into other sectors.

Equities, in general, moved higher in the third quarter. One of our focused investment sectors, Health Care, had overall exceptional stock price appreciation. Looking forward, we expect that Infrastructure companies will be significantly more attractive than most others, and while we have relatively small commitments in foreign equities, this sector – particularly for certain developing countries – has recently become more attractive.

While interest rates are still historically low, they are trending up and have increased in the near term, with one-year and two-year U.S. Treasuries at approximately 2.60% and 2.85% respectively. Corporate bonds purchased today, with maturities in late 2020, are generally exceeding 3.0%. Even with the likelihood of an additional interest rate hike by the Federal Reserve before year end there is an expectation that the current rates will not rise significantly higher in the near term because the additional rate increase has already been priced into the current rates.

THE FUNDS

The Diversified Equity Fund, the 100% stock Fund had very strong performance in July and September; however, compared to its benchmark these results were more than offset by the strength of stocks with high valuation, high trading flows, and high momentum (collectively known as the FAANG stocks). Given our valuation-tilted approach that is focused on high quality stocks, this kept the Fund from fully participating in the market upside with the benchmark reflecting FAANG's dominance during August. Investment flows into "expensive" momentum stocks with high growth expectation have driven the largest three FAANG companies to account for over 10% of the S&P 500 index, a phenomenon that was lastly seen during the technology bubble back in early 2000's.

The Fund's overweighed sector is in healthcare, followed by slight overweight in consumer staple and utilities due to a combination of favorable long-term trends as well as our considerations for the phases of current economic cycles. Sector rotation in the US equity market is signaling moving towards the late stage of the current economic cycle with Healthcare surpassing Technology as the best performing sector during this past quarter; this is the first time the Healthcare Sector showed such leadership since the beginning of the market rally in the second quarter of 2016. Historically, the Healthcare Sector along with the Energy Sector were the two sectors with the most consistent and significant relative strength to the broad market during late cycles. The church's initiatives of reducing fossil fuel exposures have kept the Fund from overweighting in the energy sector. Compared to the benchmark, the Fund is slightly overweight 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 as we see more signs indicating late cycle phase in global economy.

The Growth & Income Fund, is an actively rebalanced Fund that offers a mix of half equities and half fixed income securities, its benchmark is blended to reflect the same asset balance. The Fund performed as expected given the avoidance of the "expensive" momentum stocks (similar to the Diversified Equity Fund strategy above), and benefited from the fixed income strategy of maintaining shorter duration bonds (similar to the Bond Fund strategy below).

The Balanced Income Fund is an actively rebalanced Fund that offers a mix of 30-40% equities and 60-70% fixed income securities, its benchmark is blended to reflect the same asset balance. The Fund performed proportionally as expected given the avoidance of the "expensive" momentum stocks (similar to the Diversified Equity Fund strategy above), and benefited from the fixed income strategy of maintaining shorter duration bonds (similar to the Bond Fund strategy below).

The Bond Fund: Compared to its benchmark, which blends short term and intermediate term bond offerings, this 100% bond Fund outperformed given the Fund's underlying holdings have an aggregated effective maturity of 2.1 years versus the benchmark's 3.0 years. In addition, the Bond Fund invested in U.S. investment grade corporate bonds and taxable municipality debt for the purposes of capital protection and was insulated from the volatilities in the emerging debt markets.

Current Challenges:

- Global economic growth is becoming less robust and less synchronized and moving towards the late stage of current economic cycle.
- Deceleration in domestic demand, economic growth, and corporate earnings growth towards the end of 2018 in the U.S as indicated by leading economic indicators and earning revision trends.
- Currency depreciation against USD, increased volatility in equity markets, and decelerated economic activities in emerging countries amid tightening monetary policies.
- Increased U.S. fiscal deficit and Treasury bill issuance that drive short term rates higher while the Federal Reserve continues to hike rates to some extent that it is no longer accommodative to financial conditions.

Current Opportunities

- Global trade conflicts are concluding with US signing bilateral deals with its major trading partners in the Americas and Europe.
- China easing its financial deleveraging efforts with PBOC injecting liquidity in the credit market before its trade war with the U.S. can be concluded.
- Regulatory and political headlines headwinds on Healthcare sectors were threatening but ended up with less severe outcomes as efforts to cut drug price de-escalated from the federal level to the state level.
- Valuation gap between Value stocks and Growth stocks at historic highs, implying better upside potential for Value stocks relative to the market.

Please refer to the UMFF Q3 2018 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.