**UMFF FUND OVERVIEW______________________________________________as of DECEMBER 2020**

The past year has been an extraordinary one which will long be remembered. While we are likely facing even more severe near-term challenges from the pandemic, through the genius of our worldwide science and technology it appears that better times are ahead. Our view of the present investment conditions includes the following current expectations:

- Effective vaccines will greatly reduce the effects of the pandemic going forward, especially in the U.S., likely starting on or by the end of the first half of 2021;
- Even with exceptional levels of government support, many sectors of the economy are likely to have long-term effects from the pandemic. Industries such as travel, entertainment, restaurants, hospitals, colleges and universities, urban real estate, small businesses, and charities have been under significant recent pressure and will also see substantial changes in the future;
- The U.S. Government will provide significantly more future support for the economy, including direct subsidies for individuals and businesses along with an additional stimulus package (potentially as large as $3 to $5 Trillion). We expect programs to be substantially focused on investments in health care and infrastructure (including roads, bridges, tunnels, clean energy, etc.);
- Efforts will be made to increase tax collections, predominantly from the most wealthy. While other sources of revenue may be proposed and placed into law, the more likely candidates will include increases in corporate tax rates, individual income tax rates and estate tax rates;
- The unprecedented levels of U.S. debt will, unfortunately, adversely impact the U.S. economy. Government needs for additional revenues will likely reduce consumer spending levels. The amount of debt and cost of servicing, combined with desired increased funding for programs, will likely result in higher market rates of interest, higher levels of inflation, and a weaker U.S. dollar.

The equity markets have been recently impacted by Momentum stocks (some of which are called “FAANG” for Facebook, Amazon, Apple, Netflix, and Google). These companies had an incredible investment year and, while they are extremely expensive currently, they may continue to have excellent future performance. They may also behave similarly to the “Dotcom” stocks of the 2000 to 2002 time period which collapsed more than 75% from the peak. Our style is to generally avoid the extremely high levels of volatility from these types of investments. We generally avoid extremely expensive stocks, looking for sound fundamental value. Our objective is to produce excellent long-term risk-adjusted (at lower levels of risk and volatility) rates of return.

**THE FUNDS**

The Diversified Equity Fund, the 100% stock Fund, was up a remarkable 13.6% in absolute terms but slightly underperformed the Russell 3000 benchmark in Q4 of 2020. The Fund remains overweight Healthcare, Utilities and Industrials while underweight the Consumer, Financial and Real Estate sectors. Utilities have offered attractive valuations with relatively high yields in a period of heightened volatility. Healthcare is witnessing scientific advancements with new biotechnologies including cancer treatments and mRNA vaccines coming to market. In addition, the sector benefits from strong demographic trends. Regarding infrastructure, there is now an increased probability of spending legislation in this area being passed by the United States government as a single party controls Congress, the Senate and the White House.

The Fund profited from its highest weight holding of Taiwan Semiconductor as the semiconductor manufacturer received strong demand from smartphone companies to data centers. The Fund also profited from a position in General Motors as the automotive company seeks to compete with Tesla in the electric vehicle space. The portfolio, however, underperformed with a zero weight in the Energy sector as the price of oil increased from OPEC supply cuts, and increased expected demand with the vaccine rollout.

The Growth & Income Fund, offers a mix of half equities and half fixed income (bonds) securities. The Fund was up 9.5% in Q4 of 2020 outperforming its blended benchmark. On the equity side, the Fund was overweight Utilities, Industrials and Healthcare companies while underweight Consumer Discretionary, Energy and Financial names. The Fund was also underweight Mega Cap companies which includes Big Tech companies that drove the

Russell 3000 index performance throughout the year. With increased regulation of these names and debate around their excessive powers, we see a rotation towards small capitalization equities.

On the fixed income side, the Growth & Income Fund has been short duration versus the index with this strategy protected from a rising interest rate environment. The 10 Year Treasury yield increased from 0.7% (close to historic lows) at the end of September to 0.9% at the end of the year. With an average effective duration of 2.0 years versus the index at 3.8 years, our fixed income holdings are more conservative than the benchmarks in terms of interest rate reinvestment risk. The vast majority of our fixed income holdings are in corporate bonds.

The Balanced Income Fund offers a mix of 30-40% equities and 60-70% fixed income securities and outperformed its blended benchmark in 4Q 2020 with an overweight in conservative utilities. The Fund was up 6.8% for the quarter and benefited from the overweight in utilities as investors searched for yield. Equities in the Balanced Income Fund have a far lower Price to Earnings ratios of 22x than the benchmark's 33x, lower Price to Book of 2.6x vs the benchmark's 4.0x and a higher dividend yield of 2.7% vs the benchmark's 1.5%.

Similar to the Growth & Income Fund, the Balanced Income Fund's fixed income investments are short duration with maturity dates on average only 1.9 years away. The rising interest rate environment in Q4 2020 therefore benefited this investment strategy while the drop of interest rates over the course of 2020 on the other hand hurt the short duration strategy performance.

The Bond Fund of 100% bonds' underlying holdings have an aggregated effective maturity of 1.9 years versus the benchmark's 2.9 years. Similar to the Balanced Income Fund, the Bond Fund's holdings lagged the benchmark over the last year as interest rates dropped and longer term bonds outperformed. The 4Q 2020 performance of 0.3% was slightly lower than the blended benchmark's 0.4% as the yield curve is upward sloping (i.e. 5 year bonds having a higher interest rate than 1 year bonds). 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. High yield bonds are more prone to vulnerability and correlated with equities, while emerging market debt would be adversely affected by global economic uncertainties.

Current Challenges:

- Highly polarized political environment following the elections and uncertainty on stimulus legislation.
- High unemployment rate of 6.8% in the United States may be a drag to the economy.
- Possibility of higher inflation rates from unprecedented monetary support as the Federal Reserve increased money supply by expanding their balance sheet from $4 trillion to over $7 trillion in 2020.

Current Opportunities

- Unemployment rate, although elevated has dropped substantially from a high of 13% last year.
- Fiscal stimulus package likely to be passed will be a boost to the economy and stock market.
- Recent increase in interest rates provides more opportunities within fixed income investments.

**Please refer to the UMFF Q4 2020 Fund Fact pages, which are provided separately, for portfolio performance, sector allocation and other characteristics of each Fund.**