The most recent 4+ months have been extraordinary, and will long be remembered for unimaginable natural disasters in both health care and economics. We hope that the worst of the coronavirus may be behind us; however, a significant number of health care professionals believe it likely that another severe pandemic extension will develop. For most of the world, excluding a few countries such as the United States, Brazil and India, the coronavirus' impact appears to have been substantially reduced. Many regions are opening up with some restrictions and there is a tremendous sense of relief. Expectations for a vaccine are growing, with many anticipating a good solution to this natural health disaster within six months to one year.

While the equity markets were adversely affected when the pandemic became widespread, enormous government efforts to stabilize economies have been highly effective, avoiding what could have been more severe than the Great Depression. The federal government has appropriately and necessarily invested in our economy. The resulting additional debt incurred is beyond anything ever in our history, with potentially more than a 25% increase in nearly six months, and with the possibility of more than a 50% increase within a 2-3 year period. The Federal Reserve will continue to build its holdings of government, corporate and municipal bonds, with these commitments being at extremely low interest rates.

Unemployment levels are almost certainly going to be higher in the next few years than existed in 2019. Fortunately, very high unemployment rates have been markedly reduced in the most recent two months; nevertheless, the likelihood is small that we will return to the prior approximate 3% level of unemployment. Even with these much needed improvements, most forecasts for the U.S. suggest year-end 2020 unemployment levels between 8% and 12%.

When the government provides additional incentives to assist the economy, we expect Infrastructure will be the primary beneficiary and we anticipate adding securities to this sector. We continue to search for value based investments that offer the best possible risk adjusted rates of return. Momentum stocks do cycle upward and have impacted market benchmarks with their excellent performance, but can also experience frequent corrections and large downside risk. We are reminded of when Momentum stocks major impact on market indices was from 1998 to 2000 when from peak to trough, the NASDAQ lost more than 78%.

THE FUNDS

The Diversified Equity Fund, the 100% stock Fund, increased 15.2% in the second quarter this year driven by the broad stock market recovery, having sharply declined in the previous quarter. The Russell 3000 index benchmark increased dramatically throughout Q2, but largely due to the low interest rate and easy money environment rather than improved underlying fundamentals. The index's price valuations expanded with its Price to Earnings ratio increasing from 20x to 24x over the three month time period. As the Federal Reserve poured capital into the markets and decreased interest rates to near nadir levels, equity prices increased and were led by technology companies that benefit from a work at home culture.

The Diversified Equity Fund continues to have large overweights in the Healthcare and Industrial sectors along with a strong valuation pricing discipline. Healthcare's investment thesis remains in-tact over the long-term as demographic dynamics and illnesses force Americans to spend on their health. The need for vaccines and stronger immunities are as great as ever. The federal government has had bipartisan discussions of a large infrastructure bill as part of an economic stimulus package. The Fund is therefore invested in well run infrastructure companies, and overweight Industrials as Infrastructure is a subsector.

Consumers are under economic pressure and may decrease their spending over the current recession with unemployment at a worrisome 11.1%. The Fund is therefore underweight the Consumer Discretionary and Consumer Staple sectors. Our investment management focus is instead on companies with stable long-term cash inflows such as Utilities, where the Fund has an overweight position.

The Growth & Income Fund, increased 8.6% over the second quarter and offers a mix of half equities with half fixed income securities. As with the Diversified Equity Fund, this Fund's equities are positioned in the Health Care, Industrials and Utility sectors with less exposure compared to the benchmark in the Consumer Discretionary, Financials and Consumer Staples sectors. For the bonds, as the Federal Reserve stepped in and purchased government and corporate bonds, fixed income securities did well with the ML 3-5 year Corp/Govt bond index up 2.7% over the quarter and 5.3% year-to-date. Given the record low interest rates, our Fixed Income Portfolio Manager has been selective with a focus on finding very high quality investment grade corporate bonds that offer a decent interest rate. The vast majority (78%) of our fixed income investments mature within three years which protects Fund participants from a scenario of unexpected inflation and a reversal of the Federal Reserve's current low interest rate policy.

The Balanced Income Fund is a target mix of 30% equities with 70% fixed income securities and increased 6.3% over the second quarter of 2020. The fund's 43 equity holdings are positioned similar to the other funds listed above with lower valuation multiples and higher dividend yields compared to the Russell 3000 benchmark. Ninety percent of the Fund's fixed income holdings are in corporate debt as it offers higher yields compared to US Treasury and municipality debt. Our Fixed Income Portfolio Manager continues to be short duration with an average effective maturity of 2.1 compared to the benchmark's 3.0 mitigating duration risk.

The Bond Fund of 100% bonds' increased 2.4% as interest rates dropped and bond prices increased. The Fund shifted exposure towards more corporate debt with 94% of the Fund now in corporate bonds, up from 89% the previous quarter. The Fund's underlying holdings have an aggregated effective maturity of 2.1 years versus the benchmark's 3.0 years. Even with this shorter duration, the Bond Fund offers a much more attractive Average Current Yield of 2.9% compared to the benchmark's very low Current Yield of 0.6%. The investment grade Fund continues to offer participants capital protection and an alternative to the highly volatile equity markets.

Current Challenges:

- Economic and company earnings instability with the United States unemployment rate at 11.1%.
- An increase in Covid-19 cases with Florida, Texas, California, Georgia, North Carolina, South Carolina, Tennessee and Alabama seeing a dramatic spike in new cases.
- High stock valuation multiples as the recent rally has been based on future improved expectations rather than improved earnings or revenues.
- Greater political and government policy uncertainty as we head towards the 2020 national elections.

Current Opportunities

- Record amounts of both fiscal and monetary stimulus for the economy with the Federal Reserve drastically expanding their balance sheet.
- Bi-partisan support and discussions of major infrastructure spending legislation.
- Signs of progress being made for COVID-19 vaccine and treatments, such as the antiviral Remdesivir.

Please refer to the UMFF Q2 2020 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.