

I am certain that by now you have heard about the recent issues with Silicon Valley Bank (SVB), Signature Bank (SBNY) and others. I wanted to offer a word of explanation as to those events and provide assurance about your investment with the Foundation.

Problems for U.S. banks with exposure to the frothiest asset classes coming out of the COVID pandemic — crypto and tech startups — boiled over with the wind-down of the crypto-centric Silvergate Bank. While that firm's demise had been long expected, it helped ignite a panic about banks with high levels of uninsured deposits. Venture capital investors and founders drained their SVB accounts Thursday, leading to its seizure by regulators midday Friday.



The basic issue was that SVB purchased large amounts of bonds when rates were historically very low. As rates rose, the value of the bond portfolio was reduced dramatically. Additionally, the bank saw a reduction in deposits, creating a liquidity issue. The combination of these two events caused the bank to fail.

What does all this mean for the average American?

Regulators have arranged to cover all depositors at SVB and Signature Bank. They are also putting together a borrowing facility to stabilize other financial institutions caught in the downdraft.

What is the impact on the Michigan Area Loan Fund?

It is very important to remember the Michigan Area Loan Fund makes loans to churches and other not-for-profit entities related to Christian ministry. These loans are secured loans. They are collateralized by real estate within properly margined guidelines. Moreover, the Fund is regulated by the State of Michigan which carefully reviews our financial statements annually. We have never had a default on one of our loans. Our cash position remains strong and stable. As of today, we remain very well capitalized and have cash levels far more than state requirements.

What is the impact on the Money Market Fund?

The MMF is invested in one primary holding – the BlackRock FedFund (TFDXX). In addition, some funds are placed in the Merrill Lynch Bank Deposit Fund for liquidity purposes. The TFDXX 7 day SEC yield has been in line with Federal Reserve rate activity. We do not anticipate any foreseeable impact on the MMF.

What is the impact on the UMF Collective Funds of Michigan LLC?

In these moments, we are reminded of our core investment principles, which include maintaining a diversified, long-term perspective. While these events could have mild adverse near-term impacts, we remain steadfast in our belief the U.S. and world economies have been – and will continue to be – resilient in the face of

near-term setbacks. Our Bond Fund is comprised of almost exclusively investment grade corporate bonds with very short duration. With yields now rising, our investment advisors will likely ladder out some for longer duration. We have maintained this position on short-term duration to avoid being upside down on the investments. Our Investment Committee monitors all of our investments on a quarterly basis and, of course, our investment advisors oversee the portfolio daily. Because of our diversification across specific asset classes, sectors, and fund managers, we do not imagine that these recent issues will have a lingering impact on our church investors. In addition, our value-aligned investment posture also serves as a benefit in situations like this one. The stringent screening process which we employ daily tends to result in a higher quality portfolio than the broader indexes.

Overall, The Foundation's balance sheet remains stronger than ever. Even in a challenging 2022 market, the permanent assets of the Foundation increased year-over-year. We have an operating reserve fund which exceeds twelve months of operating expenses. All of our investment partners serve as fiduciaries for all of these funds and, therefore, are obligated to proceed in a manner which benefits our church investors and keeps their interests at the forefront of our investment strategies.

On behalf of the Foundation's Board of Directors, we appreciate the relationship we have with our churches and individual account holders. We will continue to skillfully manage all of God's resources placed in our care. If you have any questions or concerns regarding your account, please do not hesitate to contact us.

Blessings,

A handwritten signature in blue ink that reads "David P. Bell". The signature is written in a cursive, flowing style.

President and Executive Director