

## Diocesan Investment Trust

The Diocesan Investment Trust (DIT) provides an institutional-quality investment platform for parishes and other diocesan groups to help manage their endowments and other long-term investments. The DIT's funds are overseen by a board of trustees, who meet quarterly. The DIT Trustees have selected several TIAA-CREF funds that match as closely as possible the Episcopal Church's socially responsible investment guidelines.

At the start of the year, the DIT four investment funds:

1. The Vanguard Bond Fund that employs an indexing investment approach tracking the Bloomberg U.S. Aggregate Float Adjusted Bond Index, consisting of a portfolio of intermediate term ( 5-10 year in duration) bonds;
2. A Social Choice Equity Fund that tracks closely with the Russell 3000 Index, and compares favorably with the Episcopal Church's current No-Buy-List-Of-Prohibited-Stocks;
3. A Social Low Carbon Equity Fund that slightly outperforms the Russell 3000 Index and slightly underperforms (by .3%) the Russell 1000 Index, and compares even more favorably with the Episcopal Church's current No-Buy-List-Of-Prohibited-Stocks; and
4. A Developed Market Large Cap International Equity Fund that benchmarks to and compares favorably with the MSCI EAFE Index.

In the May of this year, the Trustees sent a letter to the parishes about the addition of the Social Low Carbon Equity Fund and the extent to which it tracks the Episcopal Church's current No-Buy-List-Of-Prohibited-Stocks. The letter compared the current portfolio of the Social Choice Equity Fund and the Social Low Carbon Equity Fund in this regard as well as the expense ratio of each fund. The Trustees pointed out that the Social Choice Equity Fund varied only a maximum of 3% from the Episcopal Church's current No-Buy-List-Of-Prohibited-Stocks, and had an expense ratio of only .2%. Over a 10 year period this Fund's performance was within 99.7% of the Russell 3000 index performance and was within 99.5% of the Russell 1000 Index performance. The Social Low Carbon Equity Fund has been in existence only about 6 years, but during that time has slightly outperformed the Russell 3000 Index, but has slightly underperformed the Russell 1000 Index (by.3%), with an expense ratio that is slightly higher than the Social Choice Equity Fund.

The Trustees let the parishes know that that these two Funds with slightly different focuses are both available to parishes and the diocese for investment. However, even though the DIT Trustees let the parishes know that the DIT had added the second domestic equity fund focused on low carbon producing equities last year, none of the parishes have chosen to participate in that fund to date.

This year has not been unkind to investors, but has been relatively flat for the year. Although the interest rates continued to rise, the rise was not as dramatic as last year, with intermediate bond fund value relatively flat—down only .86% over the last year. This compared favorably with the Benchmark, which was down .88%. On the other hand, the U. S. total stock market fund was up 18.86% last year, and the Social Choice Equity Fund was up 17.75% over the last year. Finally, the broad international stock markets were up 16.62% over last year, and the DIT's investment in

the Developed Market Large Cap International Equity Fund was up 16.62%, performing slightly lower than its benchmark. The good news is that none of the equity funds lost value this year.

The long-term outlook for the U.S. economy, and thus the stock markets; continues to look murky due to continued inflation, a rise in interest rates, labor shortages, labor unrest, and concern over whether there will be a government shutdown. However, the talk of a possible recession has lessened. The hope is that ultimately the domestic markets will be able to power through these issues for a robust performance the next 12 months.

The Trustees continue to hold to the investment mix for the funds of the Diocese of Missouri of 40% Bond/50% Equity/10% International Equity, with no more than 5% in cash.

The Trustees encourage every parish to review their portfolio allocation at least quarterly. Ask yourselves whether your portfolio is properly allocated for rising interest rates and economic uncertainty, considering the purpose of your investment portfolio. Contact Desiree Brattin if you have questions or would like to discuss this further.

Parishes using the DIT have direct control of their funds, with all record keeping provided by the sponsor, TIAA-CREF. The DIT is a good solution for parishes without in-house investment expertise, or where account size doesn't justify professional management fees.

There are currently 12 parishes, plus several organizations throughout the diocese participating in the DIT.

The DIT is managed by five lay Trustees plus the Bishop and the Diocesan Treasurer as ex-officio Trustees. The Trustees meet quarterly to review fund performance, perform due diligence, and other fiduciary tasks as needed.

Please see Desiree Brattin if you are interested in using the DIT for your investment program.

Respectfully submitted,

Kathleen R. Sherby  
President, Board of Trustees