

## 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 investment funds consisted of an intermediate term bond fund that compares well with the BB US Aggregate Bond Index, a Social Choice Equity Fund that tracks closely with the Russell 3000 Index, and a Developed Market Large Cap International Equity Fund that benchmarks to the MSCI EAFE Index.

In the spring of this year, the Trustees reexamined the Episcopal Church's current No-Buy-List-Of-Prohibited-Stocks and compared the current portfolio of the Social Choice Equity Fund to this list. The Trustees determined that was a small amount (a maximum of 3%) of exposure in Social Choice Equity Fund to the Episcopal Church's No-Buy list stocks, with the fees for this Fund at .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.

Even though this Fund compares very favorably with the Episcopal Church's No-Buy list, the Trustees then reached out to the TIAA-CREF advisors with the Episcopal Church's No-Buy list to see if there was a fund available that would compare even more favorably, with a similar fee structure and similar performance. TIAA-CREF advisors identified the Social Low Carbon Equity Fund as a possible alternative. The Social Low Carbon Fund has been in existence only 5 years, but during that time has slightly outperformed the Russell 3000 Index, but has slightly underperformed the Russell 1000 Index (by .3%). The cost of the Social Low Carbon Equity Fund is slightly higher than the Social Choice Equity Fund; however, there are slightly fewer stocks held in the fund that appear on the Episcopal Church's No-Buy List.

After considering all possible funds, the Trustees determined that there is no fund in existence that matches perfectly the Episcopal Church's guidelines, and that these two funds performed as well as possible in comparison with these guidelines. Rather than switch from the Social Choice Equity Fund to the Social Low Carbon Fund, the Trustees believe that these Funds had slightly different focuses and that both Funds should be available to parishes and the diocese for investment. Therefore, the Trustees added the Social Low Carbon Fund to the mix of investment opportunities available to parishes and other diocesan fund through the DIT.

Consequently, the DIT now has 4 TIAA-CREF Funds available for investment of parish and other diocesan funds:

- The Intermediate Bond Fund
- The Social Choice Fund
- The Social Low Carbon Fund
- Developed Market Large Cap International Fund

This year has not been kind to investors. While the U. S. total stock market fund was up 15% last year, the Social Choice Equity Fund lost 14.28% over the last year. Due to the rise in interest rates, our intermediate bond fund is down 10.25% over the last year. The broad International stock markets fared no better, with our developed international stock fund is down 20.23% for the last year.

You may be wondering how our bond fund lost money this past year. Inflation along with interest rates have increased this year. As interest rates rise, bond portfolios loose value. The relationship between bond values and interest rates is called duration risk.

At the same time; the long-term outlook for the U.S. economy, and thus the stock market; looks murky due to inflation, with some talk about the possibility of a recession. The hope is that ultimately the domestic markets will be able to power through the labor shortages, rising inflation, rising interest rates, and supply-chain shortages.

In the process of looking at the Funds available to the DIT, the Trustees also determined to establish asset allocation recommendations for the funds held in the DIT by the Diocese of Missouri. The Trustees have recommended that the investment mix for the funds of the Diocese of Missouri should be 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 15 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