

Investment Strategies for 2016

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What is the Episcopal Church Foundation (ECF)?

Overview:

- Independent and lay-led foundation
- ECF's mission is to strengthen the **leadership** and **financial** capabilities of Episcopal congregations, dioceses, and other institutions
- ECF carries out this mission through a wide array of programs including...



Leadership Resources

- ECF Vital Practices (ecfvp.org)
- Vestry Resource Guide
- Fellowship Partners Program
- Educational Events
- Vital Teams

Financial Resources

- Vision and Strategic Planning
- Capital Campaigns
- Planned Giving
- Endowment Management
- Annual Giving/Stewardship

Using UPMIFA as a Guide for Investing

1. What is UPMIFA ?
2. Applies to all non-profits, including churches
3. Applies only to “true” endowments
4. Use standards for both “true” and “quasi” endowments

Prudent Investing under UPMIFA

- Authorize only costs that are reasonable
- Set risk & return objectives suited to the institution
- Diversify investments
- Make investment decisions as part of an overall investment strategy

Prudent Spending under UPMIFA

- Use a total return spending policy
- Maintain the spending power of the endowment
- Consider general economic conditions
- Calculate the effect of inflation/deflation
- Consider what other non-profits are spending

The Investment Goal of Endowments

“Maintain the spending power of the Endowment”

Accomplished by investing in such a way to achieve a return that exceeds or equals Draw + Inflation + Fees

Spending Rule Calculation

Spending Rate	5%	4%	3%
Inflation	1%	1%	1%
Fees	1%	1%	1%
Return Needed	7%	6%	5%

Setting a Spending Rate

- Link your spending rate to your investment strategy
- Consider ways to project future returns
 - Long-term asset class forecasts (see 1 & 3-year projections)
 - Historical data (see 20-year history of asset class returns)
 - Market trends (see year-end performance since 2004)

Linking Spending Rate to Investment Strategy

Expected returns based on long-range forecasts as of 9/30/15
 70/30 Equities/Fixed Income Portfolio: 5.19% annualized for three years
 60/40 Equities/Fixed Income Portfolio: 4.78% annualized for three years

Spending Rate	5.00%	4.00%	3.00%
Fees	1.00%	1.00%	1.00%
Inflation	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
	7.00%	6.00%	5.00%
Expected Return on 70/30 portfolio	5.19%	5.19%	5.19%
Difference	(1.81%)	(0.81%)	0.19%

Putting Total Return into Context

Three-Year Average & Annual Draw Percentage

General Endowment Draw for 2010

<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
199,276.10	132,274.14	164,043.76	165,198.00	6,607.92	4,955.94

General Endowment Draw for 2011

<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
132,274.14	164,043.76	186,951.92	161,089.94	6,443.59	4,832.69

General Endowment Draw for 2012

<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
164,043.76	186,951.92	177,421.89	176,139.19	7,045.56	5,284.17

General Endowment Draw for 2013

<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
186,126.73	177,421.89	220,248.28	194,598.89	7,783.95	5,837.96

General Endowment Draw for 2014

<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
177,421.89	220,348.28	268,088.57	221,952.91	8,878.81	6,658.58

Current Market Conditions

- Correction or a crash?
- Time to move to cash and fixed income?
- What is SSgA's forecast for 2016, for next three years?
- How does SSgA protect in a down market?
- How does tactical asset allocation make a difference?

- ECF Pooled Fund 4Q2015 Performance

- Reasonable Responses to Current Market

Upcoming Free Live Webinars

Senior Warden Ministry: Mission Impossible?

- January 28, 2016– 7:00 PM – 8:00 PM Eastern Time

Vestry Orientation

- February 4, 2016– 7:00 PM – 8:00 PM Eastern Time

Choosing a Planned Giving Shepherd for your Church or Episcopal Entity

- February 11, 2016– 7:00 PM – 8:00 PM Eastern Time

Check our website, under Events, for more info.

At your service

ECF always available to assist at (800) 697-2858

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