



**PRESIDENT'S
214th ANNUAL REPORT
(For the Year Ending December 31, 2022)**

The 214th year of the Trustees of Donations was a challenging year for the markets that included elevated volatility, a violent increase in interest rates, and negative returns in both equity and fixed income. With inflation pressures continuing to accelerate into 2022 at the highest readings since the 1980s – further exacerbated by Russia’s invasion of Ukraine, supply chain issues, and COVID-related lockdowns in China – the Federal Reserve started warning investors about the need for aggressive action. But unlike recent years, the Fed finally took significant steps in their attempt to resolve inflation. The Fed hiked interest rates 425 basis points in 2022, bringing the key policy rate to 4.25-4.50%. With the Fed’s surprisingly aggressive rate hike campaign, the equity markets could no longer support higher price-to-earnings ratios, which translated to an approximate 18% drop in the S&P 500 Index during 2022. We saw Treasury yields increase the most in one calendar year on record by an amount even greater than during the 1970s and 1980s when interest rates were significantly higher than today. The upward pressure on yields caused fixed coupon bonds to sell off dramatically in 2022, resulting in the worst year on record for core bonds (-13%).

Undeniably, 2022 was a challenging year for investors and for the TOD – yet through these difficult market conditions, we continued to demonstrate solid accomplishments. New additions into the Diocesan Investment Trust (“DIT”) totaled \$5.1 million for the year, and no participants exited the fund. Our investment performance was strong compared to benchmarks during this volatile time. While investment performance was negative in absolute terms, our DIT returns were ahead of their index as our line-up of active managers added value. The DIT Total Fund return (trusts) was -14.1% compared to the benchmark return of -15.7%. The Stock Fund return was -15.0%, outperforming its benchmark return of -17.5%; the DIT Income Fund return was -12.2% compared to the benchmark return of -13.0%. As an actively managed fund, the DIT’s outperformance for 2022 was driven by equity and fixed income sector allocations, along with strong outperformance of our active investment managers. Our long-term investment performance continues to be world class - we remain in the enviable position of having outperformed the stock and bond benchmarks and our peers over longer-term periods.

Each year as I prepare a President’s report, I am reminded that this is a 214-year-old institution, the product of over two centuries of dedicated work by generations of volunteers with whom we are united across time by a common goal. Our dedicated group of volunteer Trustees and their extraordinary diligence are instrumental in maintaining our tradition of investment management excellence, and I want to thank those who have helped to preserve our tradition. Our success would not have been possible without the commitment and extraordinary diligence without you - our group of dedicated volunteers - in maintaining our long-standing tradition of investment management excellence.

This year, there were significant accomplishments among members of our executive leadership, committees, and several transitions within our Board that I wish to highlight:

Vice President: I am grateful to Nardin Baker, our Vice President, for providing thoughtful guidance surrounding investment matters that have arisen, and his ready availability to provide insight and wisdom. Nardin has served on the TOD board for over 20 years and continues to be a highly valued and active member of our board and its various subcommittees, as a member of the Investment, SRI, and Trust & Governance Committees. We appreciate Nardin’s long-standing commitment to TOD and its mission.

Investment Committee: One of our main responsibilities as fiduciaries is to preserve the value of funds entrusted to us into the future. During periods of instability, we realize the importance maintaining a steady course of action through our long-term commitment of preserving intergenerational wealth. It is important to not deviate from this view and to not operate out of panic from sharp market fluctuations.

It is the active and engaged participation of our experienced investment professionals on the Investment Committee that has led to the quality and effectiveness of our manager selection, asset allocation, and investment decision making processes. Thanks to the leadership of our Investment Committee – under the leadership of George Noyes as its Chair and Daniel Rasmussen as its Deputy – we were successful in maintaining our steady course of action through careful consideration, constrictive group discussion, and thorough review of analytical data provided by our investment consultant, Prime Buchholz.

Several adjustments were made to the DIT during the year, driven by the market volatility caused by high inflation and significant interest rate increases. This included a well-timed rebalancing on trust and delegated agency funds at the end of January 2022. In this higher interest rate environment, we were able to successfully lower interest rate risk while adding excess return for our clients by reducing overall duration through two separate transfers this past spring and summer within the DIT Income Fund into Income Research & Management’s ‘Intermediate’ fund. Opportunistic investment in the high yield sector also added significant value to the DIT Income Fund return.

As a result, the performance of the trust and delegated fund accounts that fall under the direction of the Investment Committee have outperformed that of the aggregated DIT Total Fund over the longer-term time periods (as of December 31, 2022):

Total Returns*	4th Qtr	1 Year	3 Years	5 Years	7 Years	10 Years
DIT Total Fund (Combined Agency & Trust Funds)	7.9%	-14.0%	3.2%	4.4%	6.1%	6.6%
DIT Total Fund (Trust Funds Only)**	8.2%	-14.1%	3.6%	4.7%	6.4%	7.0%
<i>42% Russell 3000/23% MSCI EAFE (net) /35% Blbg Agg</i>	7.7%	-15.7%	2.6%	4.4%	6.2%	6.7%

**Returns are before expenses. Total returns reflect the change in unit values and assume automatic reinvestment of dividends. Periods over one year annualized.*

*** Represents returns for DIT Trust and delegated agency funds where the DIT Stock/Income Fund asset allocation is directed by the TOD Investment Committee.*

Treasurer: I would also like to thank Thatcher Gearhart in the capacity as our Treasurer for his careful financial planning and accounting expertise as well as his input on matters requiring thoughtful consideration. Thatcher continues to keep us on a steady course of sound financial footing.

SRI Committee: Adam Rutledge and the Socially Responsible Investing Committee deserve our deepest gratitude for their work in thoughtfully considering SRI/ESG matters broadly and in relation to companies in which TOD-controlled funds are invested. Their work in directing proxy vote recommendations as well as advising the Investment Committee, the Trust & Governance Committee, and the broader board on SRI-related matters that impact the broader mission and objectives of the TOD has been highly valuable.

Nominating Committee: Thatcher Gearhart and the members of our Nominating Committee, along with Bishop Gates and members of Convention, all deserve our thanks for their ongoing efforts to infuse our board with dedicated, highly knowledgeable Episcopalian volunteers (most recently Solomon Owayda). The parishes of our Diocese have often been blessed with investment experts among their parishioners. The Committee’s efforts to identify and recruit new members with extensive investment management and trusteeship experience will ensure we continue to benefit from their guidance and wisdom for years to come.

Audit Committee: The effective stewardship of institutional assets is essential in helping DIT participants achieve their financial and strategic goals. Thanks to the careful attention of Wayne Kennard and the members of our Audit Committee, we continue to regard the audit process as a fundamental component of maintaining a high level of stewardship, which helps to ensure our fiduciary obligations as Trustees.

I would like to send a special thanks to Timothy Hunt who I previously mentioned is retiring from the TOD board effective today. Tim has been a long-standing member of TOD who served on our board for over 40 years, previously serving on the Investment Committee and chair of the TOD Audit Committee. Tim made a significant contribution to the work of the Trustees, and he will be missed. A token of our appreciation was sent to Tim before today's meeting. Please join me in wishing Tim our sincerest thanks and best wishes for a happy and well-deserved retirement.

Alice V. Johnson Scholarship Committee: My first 'thank you' goes out to The Rev. Robert 'Skip' Windsor for continuing to orchestrate the always complicated and demanding task of scholarships each year to worthy applicants from the Mystic Valley deanery. I would also like to send my special thanks to Skip, who is retiring from the TOD board effective today at the end of his current five-year term where he served as Bishop Gates' appointee. Skip has been an instrumental and long-standing member of TOD who has served on our board for over 15 years. During that time, Skip served as a member of the Nominating and SRI Committees and Chair of the Alice V. Johnson Scholarship Committee. A small token of our appreciation was sent to Skip before today's meeting. Please join me in wishing Skip our expression of gratitude for all he has done for TOD.

I am happy to report that Donald Sanya has graciously accepted our invitation to serve as the new Chair of the Alice V. Johnson Scholarship Committee. Donald has already provided contributions in this effort through initial meetings with Skip and members of the Scholarship Committee for the upcoming scholarship year.

Trust & Governance ('T&G') Committee: We have increased our focus on the organization's efforts regarding matters of governance and trusteeship through the creation of the T&G Committee two years ago. As Chair, I would like to thank the members of the T&G for their significant contributions over a brief period. Last year, we were successful in updating the TOD by-laws and helping to create charters for each of the TOD subcommittees through collaboration with the committee chairs. I would like to send another special thank you to Nardin Baker and Adam Rutledge for their efforts in reviewing certain fund documents and helping the Committee and board to better understand our roles as fiduciaries and our responsibilities as trustees.

Client Service: Finally, I am grateful to our Investment Coordinator, Charlie Jordan, for coordinating these rituals, for overseeing the operations of the DIT, and for serving as our liaison with the DIT's 147 participants. I collaborate closely with Charlie through frequent meetings with parish subcommittees and parish leaders of existing and prospective DIT participants. Feedback from DIT participants on our overall investment performance and client service and responsiveness continues to be positive. We continue to strive to deliver the highest level of customer service to our participants and continue to look for ways to increase overall parish participation.

In closing, I feel privileged to serve as the President of our institution and to face these challenges with all of you, the Trustees who embody it. We are Episcopalian volunteers and experienced investors with an existential commitment to those whom we serve. As active members of our local churches, we understand the needs of our Diocese from within. We are rooted in their values and committed to their mission. And finally, we are volunteers with no other interest than that of promoting the financial health of our spiritual home. I look forward to leading the TOD as we continue to provide exceptional service to our existing participants, and expand parish participation within our Diocese, while continuing to do all that we can to leave for future generations the full value of the gifts that have been entrusted with us.

Respectfully submitted,

Elizabeth Westvold

President