



# *Trustees of Donations*

*CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING*

## **Diocesan Investment Trust Funds**

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**July 2023**

**For more information, please contact TOD Investment Coordinator,**

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**[www.trusteesofdonations.org](http://www.trusteesofdonations.org)**

# Trustees of Donations (TOD) Overview



## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

- **Oversees management of the Diocesan Investment Trust (DIT), a pooled investment vehicle of endowment and trust assets with a total market value of \$267 million:**
  - **DIT Stock Fund: \$154 million**
  - **DIT Income Fund: \$91 million**
  - **DIT Fossil Fuel Free Stock Fund: \$22 million**
- **Today 147 participants-including the EDOM, the Cathedral Church of St. Paul, hold over 900 separate accounts in the DIT**
- **The Funds benefit from professional investment management, access to best-in-class managers, asset allocation, with oversight by the TOD and its investment consultant**
- **Organization established as a not-for-profit entity; board of directors consists of professional volunteers**
- **The TOD Investment Committee regularly reviews asset allocation and adjusts exposures as deemed prudent, consistent with investment objectives and risk considerations.**
- **Modest, comprehensive fees\*: 72 bps for the Stock Fund, 35 bps for the Income Fund, 47 bps for the Fossil Fuel Free Stock Fund**

*\* Fees include investment management, consulting, custody, audit, accounting, proxy voting, and administrative staff expenses*

## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

### **Investment Policy**

- **DIT Funds invested with long-term objective of preserving inter-generational wealth and the real (inflation-adjusted) purchasing power**
- **History of strong investment returns with moderate volatility due to conservative investment practices**
- **Careful investment approach designed to maximize long-term returns with prudent approach to risk taking**
- **Portfolio well diversified within the equity and fixed income markets**
- **Socially Responsible Investing considerations observed**
- **Minimum annual real returns of 4% (nominal returns net of inflation and fees) consistently achieved**

## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

- **Offers highly professional approach to investing through continuous portfolio monitoring and optimization to market opportunities/risks, easing the burden on parish vestries/committees**
- **Investment approach continues through periods of parish leadership turnover, minimizing disruptions of return**
- **Investors have the flexibility to invest in the DIT Stock, Income, and/or Fossil Fuel Free Stock Fund individually, or the combined stock/bond mix which includes asset allocation management between stocks and bonds as market opportunities and relative valuations change**
- **Quarterly activity and performance reporting provided; monthly reporting also available upon request**
- **Parishes and affiliated organizations invited to request meetings with TOD representatives (in-person or virtually) to discuss existing or prospective investments**
- **Provides oversight and record keeping for DIT trust funds (documentation, restrictions)**

## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

- **Other optional, complimentary features of the DIT include:**
  - **Automatic fund rebalancing programs:**
    1. **Automatic quarterly**
    2. **In accordance with trust fund rebalancing under TOD recommended policy**
  - **Unlimited number of accounts: all activity (including additions, withdrawals, earnings, and fees) is reported at the account level on quarterly statements**
  - **Electronic access of quarterly statements through the TOD website**
  - **Setting recurring disbursements from agency fund accounts as frequently as monthly (on the last business day of the month)**
  - **Disbursements transferred directly to parish bank account(s) on record**

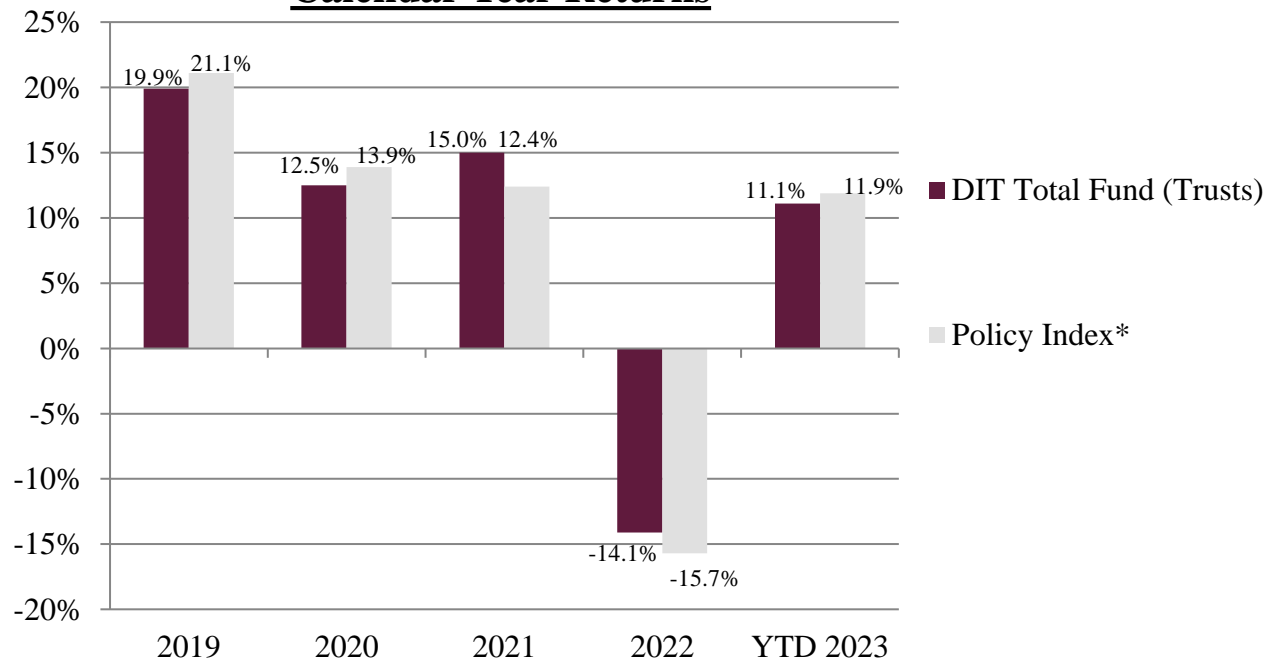
# Trustees of Donations – Diocesan Investment Trust Total Fund Performance



As of June 30, 2023

<b>% RATE OF RETURN (Gross)</b>	<b>QTD</b>	<b>YTD</b>	<b>Trailing 1 Year</b>	<b>Trailing 3 Year</b>	<b>Trailing 5 Year</b>	<b>Trailing 7 Year</b>	<b>Trailing 10 Year</b>
<b>DIT Total Fund (Trusts*)</b>	<b>3.5</b>	<b>8.9</b>	<b>11.1</b>	<b>8.0</b>	<b>6.5</b>	<b>7.3</b>	<b>7.2</b>
<b>DIT Total Fund (Combined)</b>	<b>3.3</b>	<b>8.5</b>	<b>10.5</b>	<b>7.3</b>	<b>6.1</b>	<b>7.0</b>	<b>6.8</b>
<b>Policy Index**</b>	3.9	10.1	11.9	6.7	6.4	7.2	7.1

## Calendar Year Returns



Periods greater than one year are annualized. DIT Total Fund includes the combined performance of the DIT Stock and Income Funds.

\* **DIT Total Fund (Trusts)** returns reflect the performance of DIT trust and delegated agency funds where the asset allocation is controlled by TOD

\*\* **Policy index** is 42% R3000/23% MSCI EAFE/35% Bloomberg U.S. Aggregate

# Trustees of Donations – Diocesan Investment Trust Performance By Fund



As of June 30, 2023

<b>% RATE OF RETURN (Gross)</b>	<b>QTD</b>	<b>YTD</b>	<b>Trailing 1 Year</b>	<b>Trailing 3 Year</b>	<b>Trailing 5 Year</b>	<b>Trailing 7 Year</b>	<b>Trailing 10 Year</b>
<b>DIT Stock Fund</b>	<b>5.7</b>	<b>12.1</b>	<b>16.7</b>	<b>12.8</b>	<b>8.0</b>	<b>9.7</b>	<b>9.4</b>
<b>65% Russell 3000/ 35% MSCI EAFE (Net)</b>	6.5	14.6	19.1	12.2	9.0	10.8	9.9
<b>MSCI ACWI (Net)*</b>	6.2	13.9	16.5	11.0	8.1	9.9	8.8
<b>% RATE OF RETURN (Gross)</b>	<b>QTD</b>	<b>YTD</b>	<b>Trailing 1 Year</b>	<b>Trailing 3 Year</b>	<b>Trailing 5 Year</b>	<b>Trailing 7 Year</b>	<b>Trailing 10 Year</b>
<b>DIT Income Fund</b>	<b>-0.6</b>	<b>2.9</b>	<b>1.2</b>	<b>-1.9</b>	<b>2.2</b>	<b>1.8</b>	<b>2.1</b>
<b>Bloomberg U.S. Aggregate</b>	-0.8	2.1	-0.9	-4.0	0.8	0.4	1.5
<b>% RATE OF RETURN (Gross)</b>	<b>QTD</b>	<b>YTD</b>	<b>Trailing 1 Year</b>	<b>Trailing 3 Year</b>	<b>Trailing 5 Year</b>	<b>Trailing 7 Year</b>	<b>Trailing 10 Year</b>
<b>DIT Fossil Fuel Free Fund**</b>	<b>7.7</b>	<b>15.5</b>	<b>18.5</b>	<b>12.8</b>	<b>10.5</b>	<b>12.1</b>	<b>N/A</b>
<b>85% Russell 3000/ 15% MSCI EAFE</b>	7.6	15.5	19.0	13.2	10.4	12.0	N/A

\* MSCI ACWI (net) represents the DIT Stock Fund's benchmark through July 2020.

\*\* Fossil Fuel Free Fund Inception November 2015. Passively managed; will outperform benchmark during periods of energy sector stocks lagging other market sectors due to fossil fuel company underweight.

## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

- 2022 was a year of elevated volatility, a violent increase in interest rates, negative returns in both equity and fixed income markets. However, global equity and fixed income markets were positive through the six months ending June 30, 2023.
- Declines in regional banks drove financials down sharply (10% in March, 5.2% for Q1-2023).
- The Fed continued hiking rates into 2023 with 25 bps increases February, March, and May 2023, bringing the key policy rate to a range of 5.00%-5.25%.

### **DIT Total Fund (Trusts)**

- Total Fund return 3.5% for Q2-2023, trailing the index by 40 bps.
- Underperformance attributed to DIT Stock Fund's overweight to value and down cap stocks and underweight to domestic large cap growth equities relative to benchmark.

### **DIT Stock Fund**

- Stock Fund return 5.7% for Q2-2023, trailing the index by 80 bps.
- Overweights to value and down cap stocks and underweight to domestic large cap growth equities relative to benchmark dampened overall returns.

### **DIT Fossil Fuel Free Stock Fund**

- Fossil Fuel Free Stock Fund return 7.7% for Q2-2023, surpassing index by 10 bps.
- Passively managed, excludes energy which underperformed during the quarter.



## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

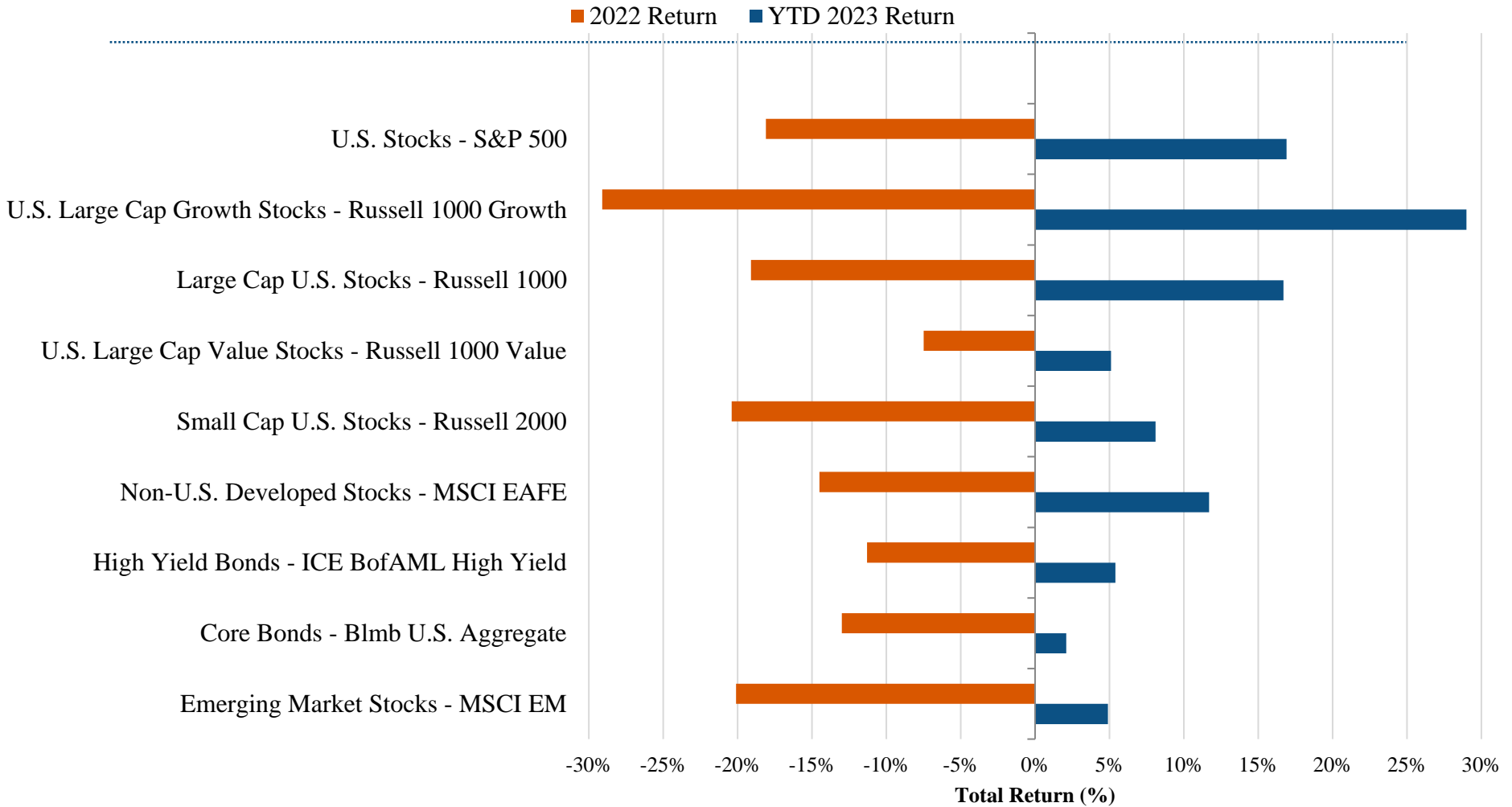
### **DIT Income Fund**

- Income Fund decreased 0.6% for Q2-2023, outperforming index return by 20 bps
- Active fixed income management and allocation to high-yield sector enhanced relative returns.
- Increased overall duration during 2023, which was additive to overall performance.

### **Investment Allocation Changes**

- January: 5% (\$7 million) reallocation within the DIT Stock Fund from Westfield Capital Large Cap Growth to:
  - Silchester International Value (\$3.5 million) and;
  - Vanguard Global Capital Cycles Fund (\$3.5 million), which invests globally in companies where capital spending has declined and holds at least 25% in precious metals and mining.
- January: 8% (\$7 million) reallocation within the DIT Income Fund from the IR&M Intermediate Fund to Loomis Sayles Core Plus.
- April: 4% (\$4 million) reallocation within the DIT Income Fund from the IR&M Intermediate Fund to Loomis Sales Core Plus (\$3 million) and IR&M Core (\$1 million)

# Asset Class Returns Year-to-Date as of June 2023 vs. Calendar 2022



Source: Prime Buchholz

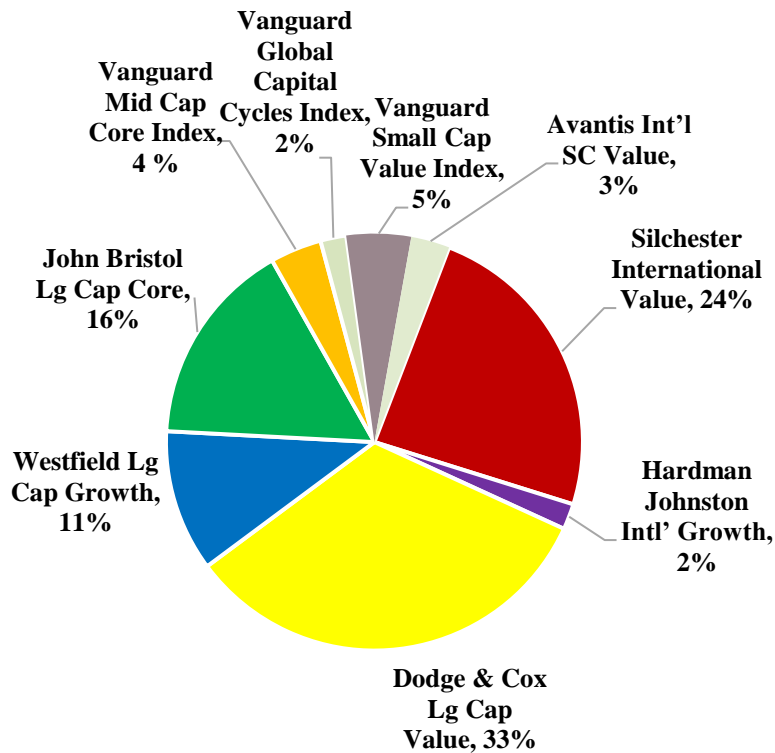
# Trustees of Donations – Diocesan Investment Trust Stock Fund



As of June 30, 2023

% RATE OF RETURN (Gross)	QTD	YTD	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Trailing 7 Year	Trailing 10 Year
<b>DIT Stock Fund</b>	<b>5.7</b>	<b>12.1</b>	<b>16.7</b>	<b>12.8</b>	<b>8.0</b>	<b>9.7</b>	<b>9.4</b>
<b>65% Russell 3000/ 35% MSCI EAFE (Net)</b>	6.5	14.6	19.1	12.2	9.0	10.8	9.9

## Manager Allocation (% of Portfolio Assets)

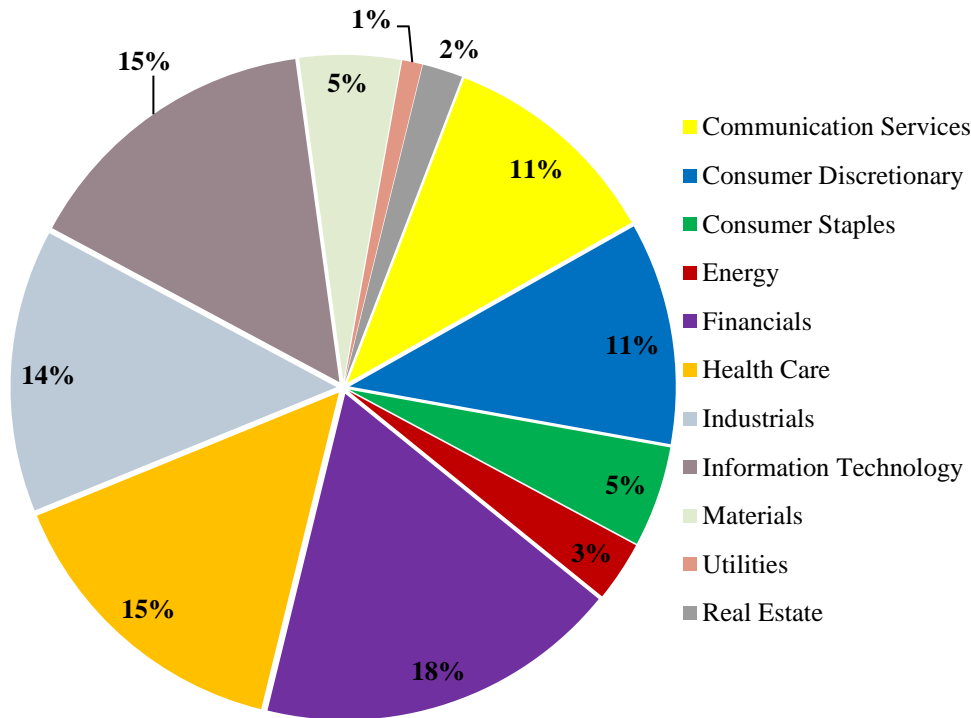


## Regional Allocation - DIT Stock Fund vs. Index

	DIT Stock Fund	65% R3000/ 35 % EAFE	Difference
<b>United States</b>	<b>61.7</b>	<b>65.4</b>	<b>-3.7</b>
<b>Non-U.S. Developed</b>	<b>33.8</b>	<b>34.2</b>	<b>-0.4</b>
<b>Emerging Markets</b>	<b>3.4</b>	<b>-</b>	<b>3.4</b>
<b>Cash/Other</b>	<b>1.1</b>	<b>0.4</b>	<b>0.7</b>

The DIT Stock Fund is well diversified across asset classes and market sectors, helping to reduce risk and mitigate market volatility.

## Stock Fund



## Industry Sector Comparison

% GICS*	DIT Stock Fund	65% R3000/ 35% EAFE	Difference
Energy	3.1	4.2	-1.1
Materials	4.8	4.3	0.5
Industrials	13.8	12.0	1.8
Consumer Disc.	11.1	11.5	-0.4
Consumer Staples	4.6	7.4	-2.8
Health Care	15.4	13.4	2.0
Financials	18.3	14.7	3.6
I.T.	15.0	20.4	-5.4
Communication	10.6	6.6	4.0
Utilities	0.9	2.8	-1.9
Real Estate	2.0	2.7	-0.7
Cash	0.4	-	0.4

\* Global Industry Classification Standard

# Trustees of Donations – Diocesan Investment Trust Income Fund

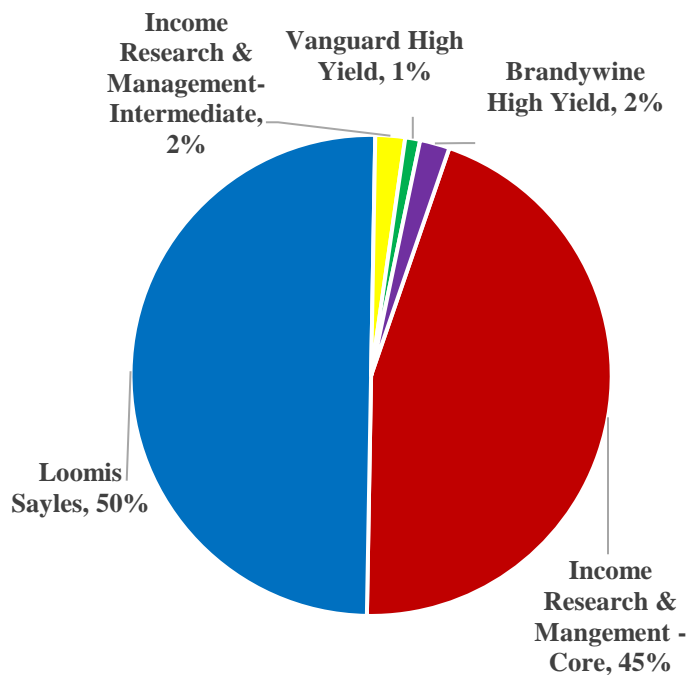


As of June 30, 2023

<b>% RATE OF RETURN (Gross)</b>	<b>QTD</b>	<b>YTD</b>	<b>Trailing 1 Year</b>	<b>Trailing 3 Year</b>	<b>Trailing 5 Year</b>	<b>Trailing 7 Year</b>	<b>Trailing 10 Year</b>
<b>DIT Income Fund</b>	<b>-0.6</b>	<b>2.9</b>	<b>1.2</b>	<b>-1.9</b>	<b>2.2</b>	<b>1.8</b>	<b>2.1</b>
<b>Bloomberg U.S. Aggregate</b>	<b>-0.8</b>	<b>2.1</b>	<b>-0.9</b>	<b>-4.0</b>	<b>0.8</b>	<b>0.4</b>	<b>1.5</b>

## DIT Income Fund Management Exposure & Characteristics

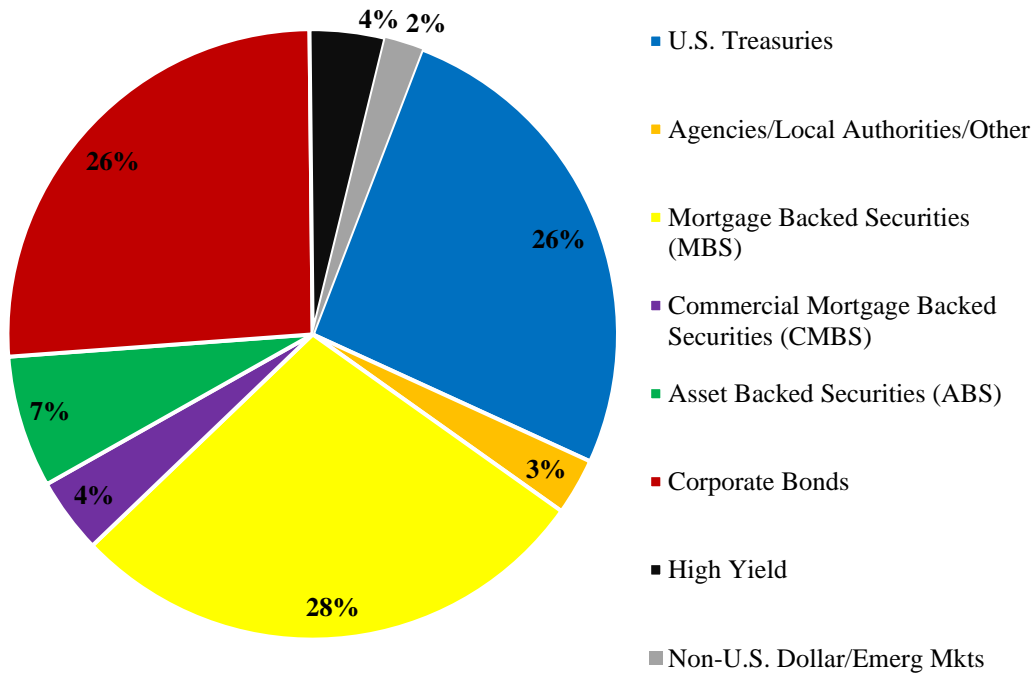
### Manager Allocation (% of Portfolio Assets)



<b>DIT Income Fund</b>	<b>IR&amp;M Core</b>	<b>Loomis</b>	<b>IR&amp;M Intermediate</b>	<b>Vanguard HY</b>	<b>Brandywine HY</b>	<b>Total</b>	<b>Index</b>
<b>Assets Managed</b>	<b>44.5%</b>	<b>50.3%</b>	<b>2.3%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>100%</b>	<b>N/A</b>
<b>Yield</b>	<b>5.6</b>	<b>5.0</b>	<b>5.2</b>	<b>6.9</b>	<b>8.0</b>	<b>5.3</b>	<b>4.8</b>
<b>Duration</b>	<b>6.3</b>	<b>7.3</b>	<b>3.8</b>	<b>3.8</b>	<b>3.4</b>	<b>6.6</b>	<b>6.3</b>
<b>Avg. Maturity</b>	<b>8.8</b>	<b>9.3</b>	<b>4.5</b>	<b>5.2</b>	<b>5.2</b>	<b>8.8</b>	<b>8.6</b>

The DIT Income Fund is well diversified across market sectors, with an overweight in high-quality investment grade corporate credit relative to benchmark.

## Income Fund



## Sector Comparison

Sectors	DIT Income Fund	Bloomberg U.S. Aggregate	Difference
Corporate Bonds	25.8	23.9	1.9
MBS	28.4	27.6	0.8
U.S. Treasuries	26.0	40.9	-14.9
High Yield	3.5	-	3.5
CMBS	3.8	1.8	2.0
ABS	7.2	0.5	6.7
Agencies/Local/Other	3.2	4.0	-0.8
Non-U.S. Dollar/Emerging Mkts	2.1	1.3	0.8

# Trustees of Donations – DIT Fossil Fuel Free Stock Fund

As of June 30, 2023

<b>% RATE OF RETURN (Gross)</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>7 Year</b>
<b>DIT Fossil Fuel Free Fund*</b>	<b>7.7</b>	<b>15.5</b>	<b>18.5</b>	<b>12.8</b>	<b>10.5</b>	<b>12.1</b>
<b>85% Russell 3000/ 15% MSCI EAFE</b>	7.6	15.5	19.0	13.2	10.4	12.0

## Industry Sector Comparison

<b>% GICS**</b>	<b>DIT Fossil Fuel Free Fund</b>	<b>85% R3000/ 15% EAFE</b>	<b>Difference</b>
<b>Energy***</b>	<b>1.9</b>	<b>4.2</b>	<b>-2.3</b>
<b>Materials</b>	<b>4.6</b>	<b>3.3</b>	<b>1.3</b>
<b>Industrials</b>	<b>11.1</b>	<b>10.8</b>	<b>0.3</b>
<b>Consumer Disc.</b>	<b>11.4</b>	<b>11.1</b>	<b>0.3</b>
<b>Consumer Staples</b>	<b>7.0</b>	<b>6.6</b>	<b>0.4</b>
<b>Health Care</b>	<b>13.4</b>	<b>13.4</b>	<b>-</b>
<b>Financials</b>	<b>12.6</b>	<b>13.6</b>	<b>-1.0</b>
<b>I.T.</b>	<b>24.5</b>	<b>24.3</b>	<b>0.2</b>
<b>Communication</b>	<b>7.7</b>	<b>7.3</b>	<b>0.4</b>
<b>Utilities</b>	<b>2.8</b>	<b>2.6</b>	<b>0.2</b>
<b>Real Estate</b>	<b>2.9</b>	<b>2.8</b>	<b>0.1</b>
<b>Cash</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>

- **Portfolio optimized to track a custom 85% Russell 3000 / 15% MSCI EAFE equity benchmark, a benchmark selected by the Financial Advisory Committee of Diocesan Council**
- **Passively managed; will outperform benchmark during periods of energy sector stocks lagging other sectors, due to fossil fuel company underweight**
- **Screens out companies deriving more than 5% of their revenues from fossil fuel production**
- **Allocates 5% of its assets to companies that produce alternative energy, green building, energy efficiency, and pollution prevention technologies**

\* Inception November 2015

\*\* Global Industry Classification Standard

\*\*\* Includes companies defined within the GICS as 'Oil & Gas Equipment & Services,' which are not screened out of the fund.

# Trustees of Donations – Comparative Peer Performance



As of March 31, 2023

- **Outperformance of TOD to Universe over 3-, 5-, and 10-year periods**

As of 3/31/2023 Investment Metrics\* (“IM”) Returns – 703 Endowments & Foundations (“E&F”)

<b>Annualized Returns</b>	<b>Trustees of Donations (Trusts, Net)</b>	<b>IM All E&amp;F (Net)</b>	<b>IM All E&amp;F – \$101-\$500 million (Net)</b>
<b>1-Year Return</b>	<b>-5.6%</b>	-5.1%	-4.9%
<b>3-Year Return</b>	<b>11.1%</b>	10.3%	11.0%
<b>5-Year Return</b>	<b>5.5%</b>	5.1%	5.4%
<b>10-Year Return</b>	<b>6.6%</b>	6.1%	6.3%

\* Reflects Prime Buchholz E&F median client returns and are reported net of investment manager fees

\*\* Trustees of Donations (Trusts, Net) returns reflect trust fund performance which excludes agency directed funds



## ***CELEBRATING OVER 200 YEARS OF PRUDENT INVESTING***

- **Assists the TOD in its efforts to balance its pursuit of strong financial returns for DIT participants with the values of the Episcopal Church**
- **Participates in proxy voting to enhance shareholder value and protect common global life**
- **Supports shareholder resolutions and initiatives that reflect the values of the Church it exists to serve through partnership with:**
  - **Institutional Shareholder Services (ISS);**
  - **Interfaith Center on Corporate Responsibility (ICCR) founding member;**
  - **Ceres Investor Network**
- **Attends annual ICCR conference**
- **Hiring managers that incorporate environmental, social and governance (ESG) factors into their investment processes is preferred**
- **Screens out industries conflicting with the mission and beliefs of the Episcopal Church; currently, the TOD does not permit the DIT's active managers to own tobacco, casino gambling, or coal company securities**

# Trustees of Donations – Trustees



## Trustee

## Title/Committee

## Professional Affiliation

The Rt. Rev. Alan M. Gates  
Elizabeth M. Westvold  
Nardin L. Baker  
Thatcher L. Gearhart  
Charles T. Jordan

CHAIRMAN  
PRESIDENT  
VICE PRESIDENT, SRI & Inv. Committees  
TREASURER, Nominating & Inv. Committees  
CLERK

Bishop, Episcopal Diocese of Massachusetts  
Payden & Rygel  
South Street Advisors  
Bain Capital, Retired  
Trustees of Donations

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William H. Bruins  
Jeffrey J. Burton  
James Coats  
Judith G.H. Edington  
Albert H. Elfner, III  
Ryan Floyd  
Daniel B. Ford  
Charles T. Haydock  
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H. Betsy Munzer  
Edward Notis-McConarty, Esq.  
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Ryan D. Taliaferro  
Theodore Ts'o  
Jacquelyn S. VanderBrug

SRI Committee  
SRI Committee  
SRI Committee  
Trust & Governance Committee Chair  
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Investment Committee  
Investment Committee  
Investment Committee  
Investment Committee  
Audit Committee Chair; Trust & Gov. Committee  
SRI & Trust & Gov. Committees  
SRI Committee  
EDOM Chancellor; Inv. & Trust & Gov. Comm.  
Investment Committee Chair; Audit Committee  
  
Investment & Nominating Committees  
SRI Committee Chair; Trust & Gov. Committee  
Investment and Scholarship Committees  
Trust & Governance Committee  
SRI Committee  
Investment & SRI Committees  
EDOM Treasurer  
SRI Committee

Wisdom & Money  
Moors & Cabot, Retired  
Furey Research Partners, LLC  
SOPHIA Oxford  
Sullivan & Worcester  
Keystone Funds, Retired  
Barca Capital, LLC  
Penobscot Investment Management Co.  
Welch & Forbes, Retired  
Morgan Stanley Wealth Management  
WilmerHale, Retired  
Ropes & Gray  
Munzer & Company  
Hemenway & Barnes  
Longfellow Investment Management Co.  
Mozaic Capital Advisors  
Verdad Advisers  
Rice, Heard & Bigelow Investment Group  
RBC Global Asset Management  
Choate, Hall & Stewart  
St. Andrew's, Wellesley  
Acadian Asset Management  
Episcopal Diocese of Massachusetts  
Putnam Investments