

New Strategies & Improved Performance For Diocesan Investment Fund

By Louise M. Baietto, Deputy for Finance & Administration

2006 marks the 60th anniversary of the Diocesan Investment Fund. Its assets have grown to \$100 million, yet it is one of the least known resources of the Diocese.

Marcia Yeates, editor of *The Dominion*, recently sat down with John H. Andren, Jr., the Trustees' Treasurer, and William A. Dreher, Chairman of the Investment Committee, to discuss the Fund, its current investment strategy and long term performance.

Q. What exactly is the Investment Fund?

A. The Investment Fund is professionally managed and is independent of the general funds of the Diocese. It was created to give parishes and diocesan organization a place to invest their money. (See 1940 resolution)

Q. The Fund has been around a long time. What is its long-term performance record?

A. The Fund has traditionally been invested rather conventionally, with roughly 70% of the assets in a diversified portfolio of U.S. common stocks and about 30% in high quality corporate and government bonds.

Q. Has its investment strategy recently changed?

A. Yes, in early 2004, the Investment Committee decided to conduct a "green field" review of investment policy and of each of the current managers. This was done with advice from Evaluation Associates, a leading practitioner in the investment consulting field.

The review resulted in many changes, all intended to enhance overall investment performance and reduce portfolio volatility: lower exposure to U. S. Equities; additions to the international equity portfolio; hiring a REIT manager; and adding hedge funds with an emphasis on steady and positive monthly returns.

Q. How diverse are the investment managers?

A. Of our four U. S. Equity managers, one is based in Atlanta, one in Chicago and two in New York City. Of our three international managers, two are London-based and one is in Log Angeles.

The REIT manager is based in Boston; the fixed income manager is a New York City firm.

Of the three hedge fund managers, one is in Fort Worth, one in New York City and one in San Francisco.

Q. What has been the performance under the new strategy and management?

A. As of the end of 2005, the Fund's portfolio had a market value slightly above \$100 million. Its total investment return for 2005, net of all fees and expenses, was 7.47%. This compares favorably to several benchmarks. The S&P 500 Stock Index returned 4.91%. The Lehman Bros. Aggregate Bond Index recorded a 2.43% return. We also exceeded our own benchmark, which reflects the different components of our new investment policy and produced a 2005 return of 6.80%.

Q. How is the Fund managed?

A. Under the guidance of an Investment Committee, asset managers are employed based on their demonstrated expertise. The Committee is, in turn, composed of experienced investors and skilled investment professionals (see insert). Five of the Committee members are also Trustees, who have ultimate responsibility for the management of the Fund. The Committee meets quarterly, or more often as circumstances dictate, and utilizes the services of an independent consulting firm to assist in evaluating managers and determining the appropriate allocation of assets.

The Committee monitors the Fund's investment strategy in the light of current market and economic conditions and recommends changes as appropriate. It identifies professional investment organizations to manage distinct segments of the Fund's portfolio, recommends the appointment of qualified firms, and, once approved by the Trustees, monitors and regularly evaluates the performance records and organizational effectiveness of those firms.

Q. Who may invest in the Fund?

A. Any parish or diocesan organization.

Gifts or bequests to the Diocese are also invested in the Fund.

Unfortunately, regulations do not allow for individuals to participate. The minimum investment is \$5,000.

Q. How are you improving communications with shareholders in the Fund?

A. In two ways: first, with a brief quarterly letter or e-mail indicating the performance of the entire Fund and of each segment manager, along with a limited set of relevant market index performance results for the period; and second, a summary of each quarter's investment results, along with any relevant conclusions reached by the Committee.

Q. Are you enthusiastically inviting inquiries from both current shareholders and parishes considering an investment in the Fund?

A. Absolutely. We believe we have an excellent story to tell, and we welcome all inquiries and are prepared to visit local parish vestries or finance committees and discuss in depth the resources we are offering.

Resolution of the Diocesan Convention - 1940

From the proceedings of the 73rd Annual Diocesan Convention of the Diocese of Long Island, held May 21, 1940.

"The Rev. Dr. Saunders offered the following resolution:

WHEREAS, in order to safeguard small bequests or large legacies, and the income from the same, to the Diocese or the individual churches by generous souls for the benefit of the Diocese or individual parishes; and to insure not only the protection of principal but also a continuous monetary return from the same due to the diversity of the investments,

THEREFORE, BE IT RESOLVED, the the Trustees of the Diocese of Long Island be authorized by the Convention to create and establish an investment Trust, with powers and functions to be subsequently and legally established, for the purpose of receiving and advantageously investing bequests and other income of the Diocese and parishes entrusted to it.

The resolution was adopted."

Investment Committee

John H. Andren, Jr.
Consultant

David G. Booth
Private Investor

William A. Dreher
Managing Director,
Compensation Strategies,
Inc.

Frederick W. Gerbracht,
Jr.
Director,
Information Technology,
Credit Suisse First Boston

Edward W. T. Gray III
President, Analytic Asset
Management, Inc.

James M. Large, Jr.
Chairman Emeritus,
Dime Bancorp. Inc.

The Rev. Brenda S.
Overfield, Rector,
Holy Trinity Church,
Valley Stream

Henry R. Pupke, CFP
First Vice President,
Senior Financial
Advisor, Merrill Lynch

John C. Thomas, Jr.
Publishing Executive

**For more information about
the Investment
Fund
visit the
diocesan
website:**

WWW.

dioceselongisland.org



Members of the Investment Committee meet on a regular basis to review, monitor and evaluate the performance of the Fund's investments and advisors.

Trustees of the Estate Belonging to the Diocese of Long Island

The Rt. Rev. Orris G. Walker, Jr., President, ex officio
The Rt. Rev. Rodney R. Michel, Vice President, ex officio

Class of 2006
John C. Thomas, Jr.
John H. Andren, Jr.

Class of 2008
The Rev. Mauricio J. Wilson
Frederick W. Gerbracht, Jr.

Class of 2007
David G. Booth
The Rev. Brenda S. Overfield

Class of 2009
The Rev. Joseph D. Jerome
The Very Rev. David B. Lowry