

**Domestic and Foreign Missionary Society  
Custodial Trust Funds  
Standard Operating Procedures**

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## **General**

Any Episcopal parish, diocese or other Episcopal-affiliated organization is welcome to place funds in custody in the DFMS Trust Portfolio.

The Trust portfolios function similar to, but not exactly like, public mutual funds:

- Assets are “pooled” for investment purposes. Each trust fund holds shares in the pool. The number of shares assigned to each trust fund changes when additions and/or withdrawals are made.
- The value of a share fluctuates with the changing value of the investments in the pool. Share values are determined monthly. See the accompanying page for calculation details.
- Investment management expenses are shared proportionately by all participants.
- The DFMS does not impose any additional charge for its costs to administer the portfolio.

## **Guidelines**

### ***Contributions***

In order to minimize transaction costs, funds are moved into and out of the portfolio only once each month. New contributions will be deposited with our portfolio managers within ten (10) business days after the end of each calendar month. Contributions received prior to the end of a month are deposited in the DFMS non-interest-bearing checking account.

### ***Distributions and Withdrawals***

**Dividends** are distributed quarterly through wire transfer or check usually by the 10th day after the end of a calendar quarter. Participants may elect to receive dividend distributions quarterly, semi-annually or annually; or may elect to reinvest and add the dividends to principal. See the accompanying page for calculation details.

**Withdrawals** are normally processed at the same time as dividend distributions.

- Participants who need 90% or less of their funds before the end of a quarter will be accommodated as soon as possible.
- Participants who need more than 90% of their fund balance before the end of a quarter will receive 90% of the estimated market value as soon as practicable; the remaining 10% will be remitted with the regular distribution.

### ***Account Information***

When final accounting for each quarter is received, a report is posted on the DFMS Finance Office website <http://www.episcopalchurch.org/page/finance-office>; and participants are notified via e-mail that the report is available. The report includes: The trust fund and account numbers, the distribution amount, the ending market value, the number of shares, and any transactions during the quarter. Individual participation statements are available upon request for audit purposes only.

### ***Account Instructions***

All elections and changes **must** be made in writing and received by the Treasurer’s Office at least two business days before the end of a month. The most convenient method is by completing the DFMS Trust Fund Account Data Sheet (also available on the Finance Office website).

### ***Unit Value Calculation***

The equation for calculating unit value is based upon total market value of the pool divided by the total number of units.

$$\text{Unit Value} = \frac{\text{Market value of investments (Includes Received \& Accrued Income, Realized \& Unrealized Gains, Receivables (unsettled sales), Payables (unsettled purchases) \& Expenses)}}{\text{Number of units}}$$

A simple example of a quarter end calculation is:

$$\text{Unit Value} = \frac{\text{Market value of investments} = \$330,227,133.77}{\text{Number of units} = 16,300,130.4134787}$$

$$\text{Unit Value} = \$20.25917127$$

Based upon these calculations, at quarter end, this trust fund owned 523,095.123 units valued at \$20.25917127 each, for a total market value of \$10,597,473.68

Fees are charged to the individual manager's account when they are paid and are included in the total market value of Investments. No trust is individually charged for fees. The unit value calculation includes fees that are paid.

### ***Dividend Distribution Calculation***

Distributions from the invested funds are based on the two components of total return: yield and appreciation. A portion of the total return of those funds for which the Society is the beneficiary is distributed for current operating expenses. The distribution rate currently approximates 5.0% of a **five-year rolling average** market value per share.

$$\text{First Quarter Dividend} = \frac{\text{Average Number of Units (December + January + February)}}{\text{X}} \times \text{Annual payout rate determined by Executive Council} \div 4$$

*Note: All custodial trust fund participants will be asked to provide the names and signatures of those individuals authorized to give account instructions.*

Revised March 2014