

The background of the slide is a solid blue color with a subtle, embossed texture that resembles a mountain range or a series of ridges. The lighting is slightly brighter in the center, creating a sense of depth.

Investing with Us: DFMS Trust Fund Management

February 2023

Why Invest with the DFMS

- **Consistent performance that has ranked in the top 25% of all large endowment funds**
- **Average annual returns to investors after all fees and expenses of nearly 8% since 1992**
- **A broadly diversified portfolio of actively-managed assets even for the smallest investor**
- **Ability to add to or remove assets at any time without charge plus either reinvestment or quarterly dividend payouts**
- **Oversight by Episcopalians with extensive backgrounds in investments**
- **Participation in a fund that seeks to make a difference by investing in socially responsible ways adopted by the Church**
- **No added fees (unlike virtually all other managers). You receive the full return that the DFMS receives**
- **Our sole purpose is to further the mission of The Episcopal Church by maximizing funds available for ministry. Your mission is our mission.**

Investment Strategy has not changed

- Maximize total return with a strong emphasis on **preserving capital** in real terms
- Overall portfolio should generally be less volatile than the market though individual investment managers may show higher levels of volatility
- Goal to **generate an average annual real total return** (after all fees and inflation as measured by the CPI index) in excess of the DFMS current annual spending rate (approx. 5%) over rolling five-year periods

Investment Policy: Asset Mix

- **Adopted July 2021: Remains unchanged upon review in February 2023**

Asset Class as a Percent of Total Assets				
Diversification and Asset Mix				
Asset Class	Minimum	Target	Maximum	Representative Index
Domestic Equities	30%	37%	44%	Russell 3000
International Equities	18%	22%	26%	MSCI All Country World ex US
Emerging Markets Equities	6%	9%	12%	MSCI Emerging Markets
Hedge Fund of Funds	12%	15%	18%	HFRI Fund of Funds Composite
Real Estate	2%	3.5%	5%	FTSE EPRA/NAREIT Developed
Fixed Income	11%	13.5%	16%	Bloomberg Barclays US Aggregate

Performance results from all asset classes; the passive benchmark is a combination of all the asset classes

See our Investment Policy Statement at <https://www.episcopalchurch.org/wp-content/uploads/sites/2/2021/07/FIN-142-Accept-revised-IPS-of-05262021.pdf>

Market Review

- **2022 was a difficult year for both stocks and bonds.**
- **This was a reasonable response to the Federal Reserve's tightening cycle and the resulting uncertainty for economic growth. The rise in interest rates put downward pressure on equity valuations and bond prices.**
- **But the downward pressures have led to increase in relative values.**
- **Value stocks outperformed growth, helping the DFMS portfolio**

	Q4			2022		
	Value	Blend	Growth	Value	Blend	Growth
Russell Top 200	13.4	6.6	1.1	-5.1	-19.8	-29.7
Russell Midcap	10.4	9.2	6.9	-12.0	-17.3	-26.7
Russell 2000	8.4	6.2	4.1	-14.5	-20.4	-26.4

- **Despite a strong dollar in 2022, international developed markets equities (MSCI EAFE) outperformed the S&P 500 for the first time since 2017; should continue as the USD weakens**

Asset Allocation and Performance at 12/31/2022



	Market Value 12/01/22 \$	Market Value 12/31/22 \$	% of Portfolio	Policy (%)	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fund	533,126,945	515,647,079	100.0	100.0	-19.2	2.0	3.8	6.8	7.5	Feb-1993
<i>Custom Benchmark</i>					-15.5	2.6	3.8	6.7	7.3	
Total Equity	358,861,826	346,642,206	67.2	68.0	-21.1	2.6	4.7	8.5	8.6	Feb-1993
<i>Custom Benchmark - Equity</i>					-18.1	3.5	4.8	8.2	8.1	
<i>MSCI AC World Index (Net)</i>					-18.4	4.0	5.2	8.0	7.5	
Total Domestic Equity	206,958,544	195,552,321	37.9	37.0	-22.7	5.5	8.1	11.5	9.8	Feb-1993
<i>Russell 3000 Index</i>					-19.2	7.1	8.8	12.1	9.6	
Total Large Cap	175,552,100	166,019,749	32.2	0.0	-22.1	6.0	9.0	12.3	7.2	Jan-2000
<i>S&P 500</i>					-18.1	7.7	9.4	12.6	6.3	
Legal & General Investment Management America	81,211,590	76,475,048	14.8		-18.9	-	-	-	7.9	Aug-2020
<i>S&P 500</i>					-18.1	7.7	9.4	12.6	8.5	
Edgewood (LCG)	38,185,609	36,069,353	7.0		-40.3	2.2	8.1	13.7	10.7	Sep-2004
<i>Russell 1000 Growth Index</i>					-29.1	7.8	11.0	14.1	10.4	
Westwood (LCV)	56,154,902	53,475,349	10.4		-8.8	5.7	7.5	10.7	7.6	Oct-2000
<i>Russell 1000 Value Index</i>					-7.5	6.0	6.7	10.3	7.0	
Total Small/Mid Cap	31,406,444	29,532,571	5.7	0.0	-24.6	3.1	5.3	9.5	9.4	Feb-2011
<i>Russell 2500 Index</i>					-18.4	5.0	5.9	10.0	9.5	
Wells Capital SMID Cap Growth	12,111,463	11,268,749	2.2		-36.7	-0.3	5.1	9.7	9.6	Feb-2011
<i>Russell 2500 Growth Index</i>					-26.2	2.9	6.0	10.6	10.0	
Boston Partners SMID Cap Value	19,294,981	18,263,822	3.5		-13.6	4.8	4.3	-	8.1	Apr-2016
<i>Russell 2500 Value Index</i>					-13.1	5.2	4.8	8.9	8.1	
Total International Equity	151,884,326	151,070,629	29.3	31.0	-19.0	-0.9	0.7	3.9	6.3	Apr-1993
<i>MSCI AC World ex USA (Net)</i>					-16.0	0.1	0.9	3.8	5.5	
Total Developed International Equity	114,824,536	115,162,523	22.3	22.0	-17.1	0.7	2.1	4.9	6.6	Apr-1993
<i>MSCI AC World ex USA (Net)</i>					-16.0	0.1	0.9	3.8	5.5	
<i>MSCI EAFE (Net)</i>					-14.5	0.9	1.5	4.7	5.3	
Lazard Int'l Strategic Equity	25,700,235	25,611,795	5.0		-21.1	-0.7	1.5	-	4.2	Aug-2013
<i>MSCI AC World ex USA (Net)</i>					-16.0	0.1	0.9	3.8	3.6	
American Century Non-US Growth	25,921,491	25,688,344	5.0		-25.1	1.0	2.6	-	4.0	Feb-2014
<i>MSCI EAFE (Net)</i>					-14.5	0.9	1.5	4.7	3.3	
<i>MSCI AC World ex USA (Net)</i>					-16.0	0.1	0.9	3.8	3.2	
Altrinsic Int'l Eq.	27,238,406	27,404,193	5.3		-10.0	-0.7	-	-	1.5	Aug-2018
<i>MSCI EAFE (Net)</i>					-14.5	0.9	1.5	4.7	1.8	
Arga International Value	35,958,804	36,452,480	7.1		-	-	-	-	22.5	Nov-2022
<i>MSCI EAFE Value Index (Net)</i>					-5.6	0.6	0.2	3.5	12.4	

Asset Allocation and Performance at 12/31/2022

	Market Value 12/01/22 \$	Market Value 12/31/22 \$	% of Portfolio	Policy (%)	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Emerging Markets Equity	37,059,789	35,908,106	7.0	9.0	-24.2	-5.0	-3.5	1.0	0.9	Aug-2011
<i>MSCI Emerging Markets (Net)</i>					-20.1	-2.7	-1.4	1.4	0.9	
Artisan Sustainable Emerging Markets	18,637,049	18,220,893	3.5		-28.1	-	-	-	-17.1	Feb-2021
<i>MSCI Emerging Markets (Net)</i>					-20.1	-2.7	-1.4	1.4	-13.6	
Ninety One Emerging Markets (ZEMIX)	18,422,740	17,687,214	3.4		-	-	-	-	-3.9	Sep-2022
<i>MSCI Emerging Markets (Net)</i>					-20.1	-2.7	-1.4	1.4	-3.2	
Total Hedge Fund of Funds	79,901,573	79,893,380	15.5	15.0	-10.2	2.1	3.0	4.1	3.8	Sep-2007
<i>HFRI Fund of Funds Composite Index</i>					-5.2	3.7	3.0	3.5	2.0	
Blackstone Park Avenue Fund	41,870,374	41,614,978	8.1		-17.1	-0.1	2.1	3.6	3.4	Sep-2007
<i>HFRI FOF: Strategic Index</i>					-11.5	2.5	2.1	3.4	1.7	
Mercer Hedge Fund Investors SP-I	38,031,199	38,278,402	7.4		-0.9	4.7	3.9	-	4.1	May-2017
<i>HFRI Fund of Funds Composite Index</i>					-5.2	3.7	3.0	3.5	3.5	
Total Fixed	68,201,068	67,959,601	13.2	13.5	-15.7	-2.9	0.0	1.6	4.9	Feb-1993
<i>Blmbg. U.S. Aggregate</i>					-13.0	-2.7	0.0	1.1	4.5	
WAMCO US Core	50,307,759	50,087,018	9.7		-17.5	-3.5	-0.1	1.7	4.8	Apr-1997
<i>Blmbg. U.S. Aggregate</i>					-13.0	-2.7	0.0	1.1	4.3	
Loomis Sayles Multi-Credit	17,893,309	17,872,583	3.5		-9.9	-	-	-	0.1	Jul-2020
<i>Loomis Custom Benchmark</i>					-10.9	-	-	-	-1.0	
Total Real Estate	22,622,065	20,864,800	4.0	3.5	-26.7	7.7	6.7	6.0	5.0	Apr-2008
<i>FTSE EPRA/NAREIT Developed Index (Net)</i>					-25.1	-4.9	-0.2	3.0	2.5	
Principal Global REIT (PGRSX)	22,622,065	20,864,800	4.0		-26.7	-	-	-	5.9	Apr-2020
<i>FTSE EPRA/NAREIT Developed Index (Net)</i>					-25.1	-4.9	-0.2	3.0	6.9	
Total Cash	3,540,414	287,093	0.1	0.0						
Cash	3,540,414	287,093	0.1		-0.8	1.7	2.3	-	1.6	Jan-2014
<i>ICE BofAML 3 Month U.S. T-Bill</i>					1.5	0.7	1.3	0.8	0.8	

Market Outlook

- **Markets started 2023 on an optimistic note. Equities, bonds and alternatives generally rose. Rates and spreads declined and equity market volatility fell to its lowest level in almost a year.**
- **Positive market sentiment was helped by US CPI inflation falling for the sixth month in a row. It also seems to have peaked in other developed countries**
- **The global economy is fundamentally resilient. Excess savings were accumulated during the COVID crisis**
- **The UK and the US are in similar positions. Surprisingly, the Eurozone showed better performance than the rest of the world in 2022**
- **Healthy corporate balance sheets are likely to provide a cushion in a period of tightening financial conditions and economic slowdown**

Market Outlook

- **The outlook for inflation and its impact on Fed policy likely will remain the key driver of market direction**
- **The market has priced a 5% peak Fed Funds rate, with the next easing cycle starting late this year**
- **Annual CPI inflation data were recently at a 6.5%, down from a peak of 9.1% in mid-2022. Falling energy and goods prices have contributed. Wage growth has eased somewhat but remains concerning**
- **The labor market remains tight, there are few indications of a rapid easing in wage pressures, which might keep the Fed cautious even if the CPI falls back to target in 2023**
- **Still, markets are pricing a rapid decline in inflation over the next year, possibly enough to allow the Fed to begin easing later this year**
- **The trust portfolio was up and most portfolios outperformed their passive benchmarks**

Asset Allocation and Performance at 1/31/2023

	Allocation					Performance								
	Market Value 1/01/23 \$	1 Mo Net Cash Flow \$	Market Value 1/31/23 \$	% of Portfolio	Policy (%)	1 Month	3 Months	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fund	515,968,661	-5,383,776	545,983,521	100.0	100.0	6.9	11.7	6.9	-8.2	4.4	4.4	7.1	7.8	Feb-1993
<i>Custom Benchmark</i>						6.2	10.4	6.2	-6.5	4.8	4.3	6.9	7.5	
Total Equity	346,642,206	-2,000,217	373,372,688	68.4	68.0	8.3	14.2	8.3	-8.3	5.7	5.2	8.8	8.9	Feb-1993
<i>Custom Benchmark - Equity</i>						7.4	12.4	7.4	-7.7	6.5	5.1	8.5	8.4	
<i>MSCI AC World Index (Net)</i>						7.2	10.9	7.2	-8.0	6.8	5.5	8.2	7.7	
Total Domestic Equity	195,552,321	-2,000,217	207,104,931	37.9	37.0	6.9	7.2	6.9	-10.2	7.7	8.2	11.7	10.0	Feb-1993
<i>Russell 3000 Index</i>						6.9	5.9	6.9	-8.2	9.5	9.1	12.3	9.8	
Total Large Cap	166,019,749	-2,000,001	174,527,580	32.0	0.0	6.3	7.1	6.3	-10.7	8.0	8.8	12.4	7.5	Jan-2000
<i>S&P 500</i>						6.3	5.8	6.3	-8.2	9.9	9.5	12.7	6.5	
Legal & General Investment Management America	76,475,048	-1,000,001	80,240,235	14.7		6.2	5.8	6.2	-8.9	-	-	-	10.3	Aug-2020
<i>S&P 500</i>						6.3	5.8	6.3	-8.2	9.9	9.5	12.7	10.9	
Edgewood (LCG)	36,069,353	0	40,419,079	7.4		12.1	14.0	12.1	-23.0	5.6	8.5	14.4	11.3	Sep-2004
<i>Russell 1000 Growth Index</i>						8.3	4.6	8.3	-16.0	9.9	11.2	14.5	10.9	
Westwood (LCV)	53,475,349	-1,000,000	53,868,266	9.9		2.6	4.2	2.6	-2.6	6.4	7.0	10.5	7.7	Oct-2000
<i>Russell 1000 Value Index</i>						5.2	7.2	5.2	-0.4	8.5	6.9	10.2	7.2	
Total Small/Mid Cap	29,532,571	-216	32,577,351	6.0	0.0	10.3	7.8	10.3	-7.1	6.4	6.6	10.0	10.2	Feb-2011
<i>Russell 2500 Index</i>						10.0	7.8	10.0	-2.1	9.1	7.3	10.3	10.3	
Wells Capital SMID Cap Growth	11,268,749	-216	12,482,843	2.3		10.8	6.7	10.8	-14.1	2.1	5.9	10.2	10.4	Feb-2011
<i>Russell 2500 Growth Index</i>						10.0	6.5	10.0	-6.5	6.2	7.0	10.9	10.8	
Boston Partners SMID Cap Value	18,263,822	0	20,094,508	3.7		10.0	8.5	10.0	-1.4	9.2	6.0	-	9.5	Apr-2016
<i>Russell 2500 Value Index</i>						10.0	8.7	10.0	0.7	10.0	6.5	9.3	9.5	
Total International Equity	151,070,629	0	166,247,364	30.4	31.0	10.0	24.4	10.0	-6.0	3.1	1.6	4.5	6.7	Apr-1993
<i>MSCI AC World ex USA (Net)</i>						8.1	20.0	8.1	-5.7	3.6	1.4	4.2	5.8	
Total Developed International Equity	115,162,523	0	126,715,842	23.2	22.0	10.0	25.3	10.0	-2.8	4.5	3.0	5.4	6.9	Apr-1993
<i>MSCI AC World ex USA (Net)</i>						8.1	20.0	8.1	-5.7	3.6	1.4	4.2	5.8	
<i>MSCI EAFE (Net)</i>						8.1	20.4	8.1	-2.8	4.3	2.1	4.9	5.5	
Lazard Int'l Strategic Equity	25,611,795	0	27,920,807	5.1		9.0	20.3	9.0	-7.4	2.5	2.3	-	5.1	Aug-2013
<i>MSCI AC World ex USA (Net)</i>						8.1	20.0	8.1	-5.7	3.6	1.4	4.2	4.4	
American Century Non-US Growth	25,688,344	0	28,053,878	5.1		9.2	19.5	9.2	-9.0	4.4	3.0	-	5.0	Feb-2014
<i>MSCI EAFE (Net)</i>						8.1	20.4	8.1	-2.8	4.3	2.1	4.9	4.2	
<i>MSCI AC World ex USA (Net)</i>						8.1	20.0	8.1	-5.7	3.6	1.4	4.2	4.0	
Altrinsic Int'l Eq.	27,404,193	0	29,226,928	5.4		6.7	18.3	6.7	-3.0	2.3	-	-	2.9	Aug-2018
<i>MSCI EAFE (Net)</i>						8.1	20.4	8.1	-2.8	4.3	2.1	4.9	3.6	
Arga International Value	36,452,480	0	41,508,459	7.6		13.9	39.5	13.9	-	-	-	-	39.5	Nov-2022
<i>MSCI EAFE Value Index (Net)</i>						7.7	21.1	7.7	0.7	4.4	0.6	3.7	21.1	

Asset Allocation and Performance at 1/31/2023

	Allocation					Performance								Inception Date
	Market Value 1/01/23 \$	1 Mo Net Cash Flow \$	Market Value 1/31/23 \$	% of Portfolio	Policy (%)	1 Month	3 Months	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	
Total Emerging Markets Equity	35,908,106	0	39,531,522	7.2	9.0	10.1	21.6	10.1	-14.7	-0.1	-2.6	1.9	1.7	Aug-2011
<i>MSCI Emerging Markets (Net)</i>						7.9	22.2	7.9	-12.1	1.4	-1.5	2.1	1.6	
Artisan Sustainable Emerging Markets	18,220,893	0	20,191,112	3.7		10.8	21.1	10.8	-15.9	-	-	-	-12.1	Feb-2021
<i>MSCI Emerging Markets (Net)</i>						7.9	22.2	7.9	-12.1	1.4	-1.5	2.1	-9.7	
Ninety One Emerging Markets (ZEMIX)	17,687,214	0	19,340,411	3.5		9.3	22.1	9.3	-	-	-	-	5.1	Sep-2022
<i>MSCI Emerging Markets (Net)</i>						7.9	22.2	7.9	-12.1	1.4	-1.5	2.1	4.5	
Total Hedge Fund of Funds	80,214,962	-35,914	82,102,637	15.0	15.0	2.4	4.3	2.4	-2.9	3.1	3.0	4.1	3.9	Sep-2007
<i>HFRI Fund of Funds Composite Index</i>						2.5	3.8	2.5	-0.4	4.4	3.0	3.5	2.1	
Blackstone Park Avenue Fund	41,806,833	-35,914	43,060,774	7.9		3.0	5.6	3.0	-7.0	1.4	2.1	3.7	3.6	Sep-2007
<i>HFRI FOF: Strategic Index</i>						4.9	7.6	4.9	-2.8	4.1	2.5	3.6	2.0	
Mercer Hedge Fund Investors SP-I	38,408,129	0	39,041,863	7.2		1.7	2.8	1.7	2.2	5.2	4.0	-	4.4	May-2017
<i>HFRI Fund of Funds Composite Index</i>						2.5	3.8	2.5	-0.4	4.4	3.0	3.5	3.9	
Total Fixed	67,959,601	0	70,791,939	13.0	13.5	4.2	8.4	4.2	-10.1	-2.0	0.8	2.1	5.0	Feb-1993
<i>Blmbg. U.S. Aggregate</i>						3.1	6.4	3.1	-8.4	-2.3	0.9	1.4	4.6	
WAMCO US Core	50,087,018	0	52,200,860	9.6		4.2	8.7	4.2	-11.7	-2.8	0.9	2.2	4.9	Apr-1997
<i>Blmbg. U.S. Aggregate</i>						3.1	6.4	3.1	-8.4	-2.3	0.9	1.4	4.4	
Loomis Sayles Multi-Credit	17,872,583	0	18,591,079	3.4		4.0	7.7	4.0	-5.2	-	-	-	1.6	Jul-2020
<i>Loomis Custom Benchmark</i>						3.6	6.9	3.6	-5.5	-	-	-	0.4	
Total Real Estate	20,864,800	-3,350,000	19,422,027	3.6	3.5	9.4	13.7	9.4	-14.8	11.2	8.7	6.8	5.6	Apr-2008
<i>FTSE EPRA/NAREIT Developed Index (Net)</i>						9.0	13.1	9.0	-13.4	-2.4	1.5	3.6	3.1	
Principal Global REIT (PGRSX)	20,864,800	-3,350,000	19,422,027	3.6		9.4	13.7	9.4	-14.8	-	-	-	9.1	Apr-2020
<i>FTSE EPRA/NAREIT Developed Index (Net)</i>						9.0	13.1	9.0	-13.4	-2.4	1.5	3.6	10.0	
Total Cash	287,093	2,355	294,231	0.1	0.0									
Cash	287,093	2,355	294,231	0.1		0.6	1.2	0.6	0.1	1.9	2.3	-	1.7	Jan-2014
<i>ICE BofAML 3 Month U.S. T-Bill</i>						0.3	1.0	0.3	1.8	0.8	1.3	0.8	0.9	

Market Returns are Variable

- Investors have begun to feel comfortable that central banks will be able to control inflation without creating deep recessions. That comfort has been demonstrated in positive market returns so far in 2023
- In summary, DFMS trusts have suffered in line with investment markets across the world. It has happened before; and recoveries thereafter were often just as dramatic.

Endowment Performance

Total Return %

<u>Year</u>	<u>Gross</u>
2006	17.5%
2007	11.2%
2008	-32.6%
2009	26.1%
2010	15.5%
2011	-2.0%
2012	15.3%
2013	22.6%
2014	6.1%
2015	-0.3%

Responsible Investing: Shareholder Advocacy

All work is based on policies and resolutions adopted by the General Convention. Resolutions apply broadly to TEC's mission and guide our work in socially and environmentally responsible investing.

Shareholder resolutions will be filed with

- **Kraft Heinz** -- Human Rights Assessment related to labor trafficking
- **Western Digital** -- operational and human rights risks associated with business activities in conflict-affected and high-risk areas
- **Abb Vie (Pharma)** and **Johnson & Johnson** -- marketing and promotion of opioid drugs that can lead to addiction
- **Chewy** -- environmental justice of their plant operations
- **Anthem** – board diversity
- **United Parcel Service** – we withdrew our resolution because the company will issue a climate lobbying report that we requested in early 2024. Success!...with a company that has resisted lobbying disclosure for years

The background of the slide is a solid blue color with a subtle, embossed texture that resembles a mountain range or a series of ridges. The lighting is slightly brighter in the center, creating a sense of depth and highlighting the texture.

Investing with Us: DFMS Trust Fund Management

February 2023