

# Investment Strategies for 2017

*Presented by Kenneth H. Quigley, Senior Program Director  
Endowment Management Solutions*

*John Serhant, Portfolio Manger  
State Street Global Advisors*

# The Episcopal Church Foundation (ECF)

Independent, lay led organization, founded in 1949

Empowers congregations through visioning and planning, leadership development, and raising financial resources for ministry

Through our programs, ECF is helping to build a Church characterized by:

- Lay and clergy leaders work together to transform the Church
- Healthy, vital, vibrant Episcopal communities of faith
- Meaningful opportunities for Christian stewardship and effective fundraising
- Innovative, mission-based ways to be the Church of the future



# What is the Episcopal Church Foundation (ECF)?

## Overview:

- Independent and lay-led foundation
- ECF's mission is to strengthen the **leadership** and **financial** capabilities of Episcopal congregations, dioceses, and other institutions
- ECF carries out this mission through a wide array of programs including...



## Leadership Resources

- ECF Vital Practices ([ecfvp.org](http://ecfvp.org))
- Vestry Resource Guide
- Fellowship Partners Program
- Educational Events
- Vital Teams

## Financial Resources

- Capital Campaigns
- Planned Giving
- Endowment Management
- Annual Giving/Stewardship

# Investment Goal of Endowments Funds

**“Maintain the spending power of the Endowment”**

*Accomplished by investing in such a way to achieve a return that exceeds or equals Draw + Inflation + Fees*

# Total Return Spending Rule

- Applies to both “income” and capital “appreciation/depreciation”
- Use a well-diversified portfolio
- Apply a “prudent” spending rule – usually 3% to 5% of a rolling three-year average value of your portfolio

# Total Return Calculation

<b>Spending Rate</b>	5%	4%	3%
<b>Inflation</b>	1%	1%	1%
<b>Fees</b>	1%	1%	1%
<b>Return Needed</b>	7%	6%	5%

# Setting a Spending Rate

- Link your spending rate to your investment strategy
- Consider ways to project future returns
  - Long-term asset class forecasts (see 1 & 3-year projections)
  - Market trends (see year-end performance since 2005)
  - Consult with your investment advisor

# ECF Fund Asset Class Forecasts

## ECF Growth Fund

One Year 4.35%  
Three Years 6.43%

## ECF Income Fund

1.79%  
1.40%

With addition of tactical overlays and actively managed funds

One Year	50/50: 3.82%	60/40: 4.07%	70/30: 4.33%
Three Year	50/50: 4.91%	60/40: 5.42%	70/30: 5.92%

# Linking Spending Rate to Investment Strategy

Expected returns based on long-range forecasts as of 12/31/16  
70/30 Equities/Fixed Income Portfolio: 6.00% annualized for three years  
60/40 Equities/Fixed Income Portfolio: 5.50% annualized for three years

<b>Spending Rate</b>	5.00%	4.00%	3.00%
<b>Fees</b>	1.00%	1.00%	1.00%
<b>Inflation</b>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
	7.00%	6.00%	5.00%
<b>Expected Return on 70/30 portfolio</b>	6.00%	6.00%	6.00%
<b>Difference</b>	(1.00%)	(0%)	1.00%

# Putting Total Return into Context

## Three-Year Average & Annual Draw Percentage

### General Endowment Draw for 2010

<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
199,276.10	132,274.14	164,043.76	165,198.00	6,607.92	4,955.94

### General Endowment Draw for 2011

<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
132,274.14	164,043.76	186,951.92	161,089.94	6,443.59	4,832.69

### General Endowment Draw for 2012

<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
164,043.76	186,951.92	177,421.89	176,139.19	7,045.56	5,284.17

### General Endowment Draw for 2013

<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
186,126.73	177,421.89	220,248.28	194,598.89	7,783.95	5,837.96

### General Endowment Draw for 2014

<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
177,421.89	220,348.28	268,088.57	221,952.91	8,878.81	6,658.58

# Current Market Conditions

- Will the “Trump” bump continue?
- How will rising interest rates affect your portfolio?
- What is SSgA’s forecast for 2017, for the next three years?
- How does SSgA protect in a down market?
- How does tactical asset allocation make a difference?
- Can actively managed funds achieve outperformance over time?

# Performance Information

- ECF Pooled Funds 4Q2016 Performance  
*(and trailing time periods)*
- ECF Pooled Funds Year-End Performance  
*(from 2005 thru 2016)*
- SSgA Long-Term Asset Class Forecast  
*(as of September 30, 2016)*

# Changing Asset Allocation

- Any proportionate mix between the ECF Growth and Income Funds (in increments of 5%)
- Changes possible at any month-end following month-end valuation

# Questions?

# Recorded Webinars to Empower your Leaders

- Basics of Planned Giving for Parish Leaders
- Basics of Endowment Management for Parish Leaders
- Prospective Donors of Planned Gifts
- Basics of a Capital Campaign
- Annual Stewardship
- Vestry Leadership 101

**For links to recordings visit: [www.ecfvp.org](http://www.ecfvp.org)**

# Upcoming Free Live Webinars

*Check our website, under  
Events, for more info.*

# At your service

**ECF always available to assist at (800) 697-2858**

Jim Murphy, Managing Program Director, Financial Resources

[jmurphy@episcopalfoundation.org](mailto:jmurphy@episcopalfoundation.org)

Ken Quigley, Senior Program Director, Endowment Management Solutions

[ken@episcopalfoundation.org](mailto:ken@episcopalfoundation.org)

Susan Erdey, Program Director, Endowment Management Solutions

[serdey@episcopalfoundation.org](mailto:serdey@episcopalfoundation.org)

Josh Anderson, Assistant Program Director, Financial Resources

[janderson@episcopalfoundation.org](mailto:janderson@episcopalfoundation.org)

Demi Prentiss, Financial Resources Consultant

[dprentiss@episcopalfoundation.org](mailto:dprentiss@episcopalfoundation.org)

Andrea Zmuda, Program Associate, Constituent Relations

[azmuda@episcopalfoundation.org](mailto:azmuda@episcopalfoundation.org)

