

INVESTMENT COMMITTEE

Role in Church Governance

The Investment Committee is charged with setting investment policies for the Church's endowment and restricted funds, subject to approval by the Board of Governors. It also provides oversight as outlined in the policies, including for the general endowment and thirteen restricted funds. As of the end of the fourth quarter of 2022, \$5,954,299 was held in the general endowment and an aggregate of \$2,684,262 was held in various restricted funds (ranging in size from \$15,071 to \$716,250).

Activities to Date

Updated February 20, 2023

The Committee uses three investment advisors, Manning & Napier, Alesco, and Canandaigua National Bank. It receives investment reports from the advisors at each quarterly meeting and each advisor meets in person with the Committee at least twice per year. The Committee monitors advisor performance against benchmarks, and performance is near benchmark targets, varying quarter by quarter among the advisors.

While painful, losses are realized from time to time with market swings. Although not yet to levels prior to the earlier 2022 decline, the endowment and restricted funds regained some of the lost ground. The general endowment increased by \$355,949 in the fourth quarter and another \$70,228 of distributions were made.

The Committee continues a long-term investment strategy that has returned well in excess of the Committee's strategic goal of a minimum 6% return over time. Studies of market swings over numerous cycles show that long-term market returns are dramatically better when investors ride out downturns rather than trying to time the market.

The Committee distributes 4.5% of the 20-quarter average balance of each fund (or the rough equivalent for newer funds) for the Annual Operating Plan, capital funds and restricted fund-designated purposes. This is a strategy generally accepted by endowments as a way to smooth distributions through market swings but also provide for long term principal growth. Thus, when the market spikes distributions do not correspondingly increase, and when the market turns down, distributions are not decreased as much. The 4.5% rate used is more conservative than the 5% distribution rate most commonly used by endowments.

Several years ago, the Committee established a Dreamscape Goal of an aggregate of \$10,000,000 for endowment and restricted funds. That goal was achieved 18 months before plan and despite adverse market conditions remains within \$2,000 of the Goal.

Over the past year the Committee has been considering adding an ESG component to our Investment Policy. ESG stands for investments that are positive from an Environment, Social, or Governance perspective. This positive focus is in addition to investments in a number of areas (such as tobacco, alcohol, and defense) already prohibited by our policy. Although ESG is still an emerging field, heavily nuanced, and without broad market acceptance of standard measurements, the Committee is interested in using our investments in an ESG-positive manner to the extent prudent. In 2021 the Committee started requesting our advisors to report on ESG status within our portfolio on a pilot basis, using one available measurement tool. Our portfolio's ESG scores have seen a modest upward trend, continuing upward in the fourth quarter. The Committee will continue to monitor progress and opportunities in this emerging field.