August 29, 2019

TO: Affiliate Investment Pool Participants

INVESTMENT RETURN INFORMATION

Your Affiliate Investment Pool earnings statement for the period 7/1/2018 – 6/30/19 is available online for you to access, download, and print. The one-year return for the Pool A Balanced Pool was 3.96% compared to a one-year return of +7.54% at June 30, 2018. The one-year return for the Pool B Cash Pool was +2.63% compared to a one-year return of +1.50% at June 30, 2018.

Returns for Pool A tracked with the financial markets for the first half of 2019, with solid gains in the second quarter despite a rollercoaster ride through April, May and June. Because the church is somewhat risk-averse, when we compare our portfolio to the benchmark used by our investment consultant to evaluate its performance, it generally outperforms in down markets but slightly underperforms in up markets. As a reminder, the returns on Pool A will vary year to year, but the long-term performance of the portfolio continues to exceed our benchmark.

Pool B returns were the highest they've been in nearly a decade. As a reminder, Pool B is the appropriate investment pool for funds that are expected to be used within the next three years. This will protect the principal of the investment in the years just before its use.

You can find a complete history of fiscal year returns and the current asset allocation in the enclosed document “Historical Returns & Asset Allocation”. This and additional investment information may be found at http://www.cofchrist.org/investments. Links are in the “Resources” box on the right.

UPDATE FROM THE INVESTMENT COMMITTEE

We expect steady GDP growth in the second half of 2019, continuing at or above 2.0%, improving slightly from the first half of the year. We believe that the markets could be adversely impacted by unexpected inflation, particularly wage inflation brought about by the economy growing too fast in the second half of the year.

The Federal Reserve is poised to lower interest rates again in the coming months helping to grow the GDP. The U.S. dollar weakened slightly versus other currencies during the first half of 2019 as exchange rates fell in anticipation of the Fed’s cuts. We expect the dollar to continue to trend within its long-term trading range through 2019 as economic growth remains steady.

We believe the asset allocation implemented for our portfolio will keep it as well positioned as possible to respond to the opportunities and uncertainties in the market and meet our goal of balancing long-term performance and risk management. At this time, structuring the portfolio with a long-term perspective while also using tactical asset allocation seems the most prudent way to use the reserves we have to support the mission of the church.
The Investment Committee’s next quarterly meeting with our investment consultant, DeMarche Associates, is scheduled November 21st, 2019.

RECOMMENDED SPEND RATE

The Presiding Bishopric wants to stress the importance of following a disciplined approach in how account stewards use the Affiliate Investment Pool if the intent is to maintain principal. As stated previously, based on a review of market returns over the last ten years, the Presiding Bishopric recommends using a Pool A spend rate of no more than 4% for current and future budgets. If they have not already, jurisdictions will need to decrease their spend rate to get to the 4% recommended rate for their 2020 budget or they will be reducing their purchasing power in future years.

For more detailed information regarding the selection of Pool A or Pool B as well as the use of investment earnings to support budgeted activities or special projects, please refer to the document entitled “Affiliate Investment Pool Selected Investment Topics” that can be found at http://www.cofchrist.org/investments in the “Resources” section box.

PAPERLESS ACCOUNT STATEMENTS

As shared last year, AIP statements are now provided in electronic form only. Account stewards may access, download, and print their own statements anytime via their online access. If you have not yet signed up for online access to your AIP account and statements, please go to http://www.cofchrist.org/investments and click on “AIP Account Access” to do so.

We will continue to send this letter to mission centers and congregations via email every six months (February and August) and will continue to make this letter and the Historical Returns and Asset Allocation document available on the church’s website.

Thank you for all of the work you do to provide leadership in your congregation, mission center, or related organization. The Affiliate Investment Pool is provided by the Presiding Bishopric to manage the investments of the church in support of mission. If you wish to contact us, please send an e-mail to FiscalServices@CofChrist.org, or you may call us at 1-816-833-1000, ext.1406. Please let us know if there is anything else we can do to assist you.

Sincerely,

Kraig Johnson
Director of Finance

cc: World Church Leadership Council, World Church Investment Committee, Order of Bishops, Field Support Ministers, Mission Center Officers