



# THE TRUSTEES OF THE DIOCESE OF MICHIGAN

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October 20, 2015

Dear Growth and Income Fund Investor:

The Third Quarter 2015 was a tough quarter for us and most every investor throughout the world. Equities were down everywhere, especially overseas. The larger of our two international funds, DFA International Social Core - which typically represents about 18% of our total - fell by 10.29% during the quarter. The smaller Emerging Markets International Fund (4% of total) dropped by 16.81%. Our two domestic equities funds, which each get a weighting of about 20%, dropped by 9.2% and 6.91% respectively. Helping to offset these losses were modest gains in both the bond portfolio and our real estate holdings, up 1.18% and 2.01% respectively. Overall the net quarterly return for our portfolio was -5.56% while the benchmark was -5.22%, for a 34 bps shortfall for the quarter – an amount equal to our annual expense ratio.

Over the past twelve months the fund has lost 1.85% in value, which matches the benchmark of -1.82% over the same timeframe.

Share value of the Fund as of September 30, 2015 was \$25.9560, down from the June 30 balance of \$27.7907 and the September 30, 2014 balance of \$27.5831. To put the quarter's performance in a "per share" basis, net investment performance was -\$1.5429 per share for the quarter, administrative fees (audit, accounting) were -\$0.0043, and the quarterly dividend was -\$0.2875. Over the past twelve months, net investment performance was -\$0.4616 per share, admin fees were -\$0.0229, and dividend distributions were -\$1.1426.

The next dividend distribution of \$0.2875 per share is scheduled for late December. The total amount of your upcoming dividend is displayed in the lower right hand corner of the Investor Balance and Activity Report.

Regarding the dividend for 2016 and beyond, the Trustees, based on the recommendation of the Investment Committee, approved a revision to the dividend policy. The current policy is to pay out annually 4.5% of the trailing twelve quarter average of the Fund. To address sustainability concerns for 2016 and beyond, the Trustees agreed to drop the payout rate from

4.5% to 4.25%. To address volatility concerns, the Trustees expanded the number of quarters in the formula from twelve to twenty. The Trustees believe that this new distribution policy will better ensure that the Fund grows its purchasing power over the long term, while producing a steady, reliable stream of current income for investors. The net result of these revisions is that **the payout for 2016 is now scheduled to be \$0.2763 per share per quarter**, which represents a 3.9% drop compared to 2015. Please plan accordingly.

We have begun developing a webpage for Growth and Income Fund reports, forms, and news. It is still very much a work-in-progress, but I invite you to check it out at <http://www.edomi.org/finance/growth-and-income-fund/>. Let me know the types of things that you, as an investor, would like to see on this webpage. Thanks!

If you have any questions about these reports, the performance, or the dividend policy revision, please do not hesitate to contact me at 313-833-4427 or [mmiliotto@edomi.org](mailto:mmiliotto@edomi.org).

Sincerely,



Mark Miliotto  
Treasurer and Director of Finance

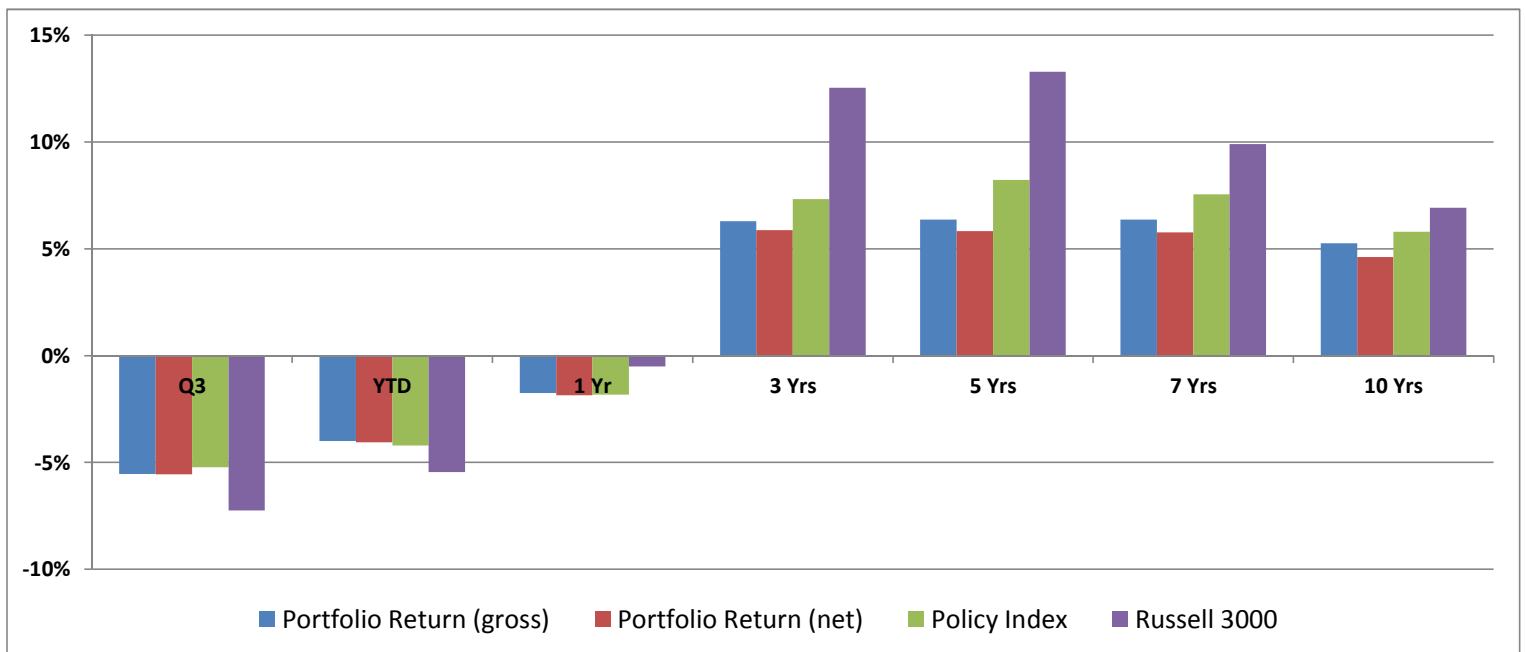
**Trustees of the Episcopal Diocese of Michigan  
Growth and Income Fund  
Portfolio Review  
3rd Quarter 2015**

**Asset Allocation and Quarter Returns by Class**

Asset Allocation by Class	Investment Vehicle	Target Allocation	Actual Allocation	Actual Returns	Benchmark Returns
US Large Cap Stocks	Vanguard FTSE Soc Index Instit (VFTNX)	20%	19.8%	-6.91%	-6.44%
US All Cap Value Stocks	DFA US Social Core 2 (DFUEX)	22%	21.4%	-9.20%	-8.59%
Developed Market Int'l Stocks	DFA Int'l Social Core (DCLX)	18%	17.6%	-10.29%	-10.19%
Emerging Market Stocks	DFA Emerg Mkts Social Core (DFESX)	4%	3.6%	-16.81%	-17.78%
Real Estate	Vanguard REIT Index (VGSLX)	4%	3.8%	2.01%	3.09%
Fixed Income	Vanguard Total Bond Index Instit (VBTIX)	31%	33.3%	1.18%	1.23%
Cash	Schwab Money Market	1%	0.5%	0.00%	0.00%
Total Portfolio (net)				-5.56%	-5.22%

**Overall Performance History**

	Q3	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Portfolio Return (gross)	-5.54%	-3.99%	-1.75%	6.30%	6.37%	6.37%	5.26%
Portfolio Return (net)	-5.56%	-4.06%	-1.85%	5.87%	5.83%	5.77%	4.62%
Policy Index	-5.22%	-4.21%	-1.82%	7.32%	8.22%	7.55%	5.80%
Russell 3000	-7.25%	-5.45%	-0.50%	12.54%	13.29%	9.91%	6.92%
# Share Outstanding	1,090,825	1,030,983	1,052,055	968,982	990,480	992,292	1,044,611
Net Asset Value	28,313,516	28,806,943	29,018,979	24,096,380	24,030,666	24,026,754	27,975,571
Share Value	25.9560	27.9412	27.5831	24.8677	24.2616	24.2134	26.7809



**Trustees of the Diocese of Michigan**  
**Growth and Income Fund Activity**  
**For the Twelve Months Ending September 30, 2015**

	<u>Net Assets</u>	<u># Shares</u>	<u>Share Value</u>	<u>Return on Avg Value</u>
Balance at 9-30-2014	29,018,979	1,052,054.87	27.5831	
New deposits	1,756,397	62,560.50		
Dividends Reinvested	309,998	11,116.56		
Withdrawals	-964,031	-34,906.46		
Dividend and Interest Income	666,628		0.6282	2.35%
Invest Mgmt Fees	-29,417		-0.0278	-0.10%
Audit, Accounting, Other	-24,521		-0.0229	-0.09%
Realized/Unrealized Gains (Losses)	-1,208,813		-1.0620	-3.97%
Balance Before Dividend	<u>29,525,220</u>		<u>27.0986</u>	<u>-1.81%</u>
Dividend Distribution	-1,211,704		-1.1426	-4.27%
Balance After Dividend at 9-30-2015	<u><u>28,313,516</u></u>	<u><u>1,090,825.47</u></u>	<u><u>25.9560</u></u>	<u><u>-6.08%</u></u>