



# THE TRUSTEES OF THE DIOCESE OF MICHIGAN

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January 14, 2019

Dear Growth and Income Fund Investor:

As you may have already heard by now, Q4 2018 was not a very good quarter for the world stock markets. Our portfolio was no exception. The Q4 2018 net investment return for the Growth and Income Fund was -9.21% - the steepest one-quarter decline that our portfolio has experienced since Q3 2011. Our benchmark for the quarter was -7.69%, resulting in an underperformance of 1.52%. The underperformance is attributed mostly to our US Equities and Developed Market holdings with DFA, both of which tilt towards small cap. Our bond portfolio, though, produced a modest gain in the quarter, helping to offset the double-digit equity losses.

For full year 2018, the net investment return was -6.88%, which compares unfavorably with our benchmark of -5.70%. Since we moved to our existing investment strategy in 2014, the net investment performance has exactly matched our policy index of 3.60% per year.

The share value of the Fund as of the end of the fourth quarter 2018 was \$27.6351, down 10.1% from the third quarter share value of \$30.7418, and down from the beginning year balance of \$30.8297. For full year 2018, gross investment performance was about -6.8%, investment management fees were 0.10%, accounting/audit fees were 0.07%, and dividends averaged 3.8%, resulting in a net, after-dividends and after-expenses loss of about -10.7%. That's quite a dramatic turnaround considering that this same figure was +2.8% just one quarter ago.

The Q1 dividend of \$0.2872 per share per quarter will be distributed in late March. The amount of this dividend distribution can be found in the lower right corner of your Q4 Investor Balance and Activity Report. This dividend is derived from a 4.10% payout of the average net asset value of the previous twenty quarters.

If you have any questions about the Growth and Income Fund or your investment in it, please don't hesitate to contact me at 313-833-4427 or [mmiliotto@edomi.org](mailto:mmiliotto@edomi.org). Or visit our website at <https://www.edomi.org/church-admin/finance/growth-income-fund/>.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Miliotto'.

Mark Miliotto  
Treasurer and Director of Finance

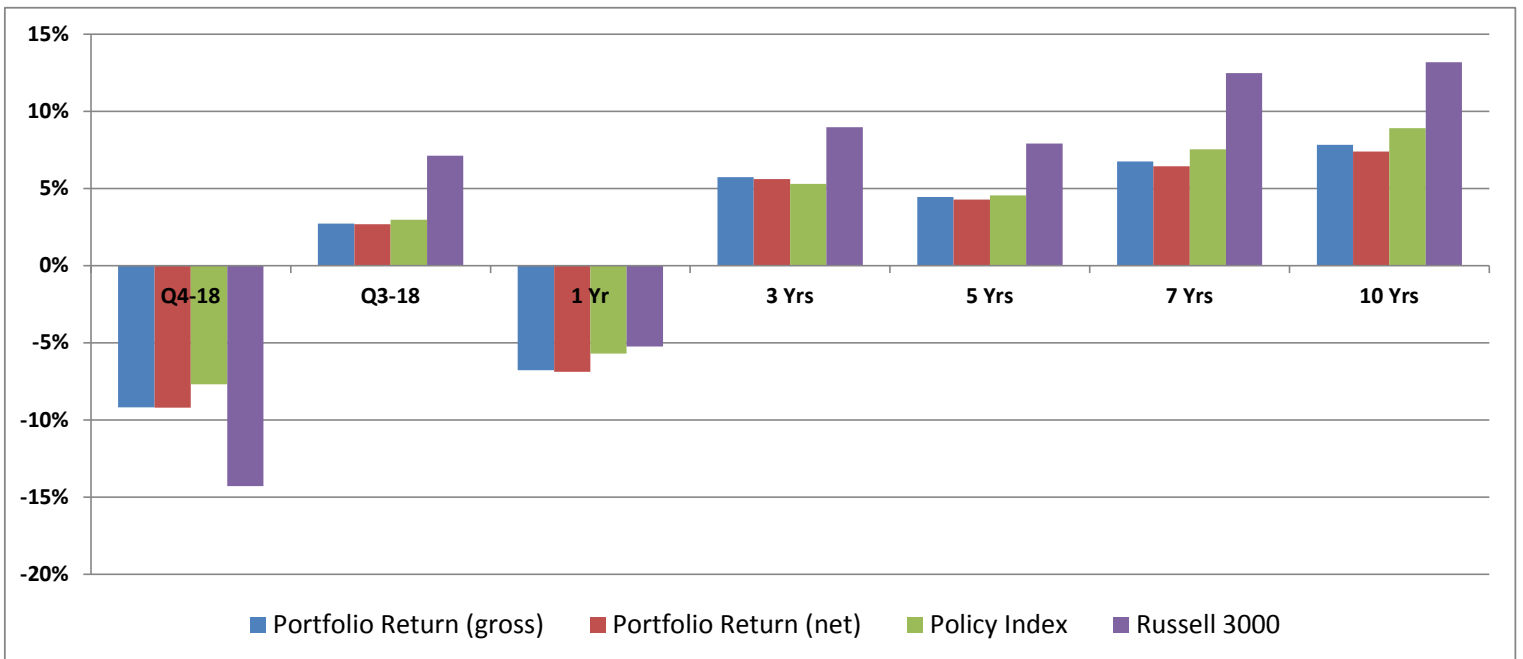
**Trustees of the Episcopal Diocese of Michigan  
Growth and Income Fund  
Portfolio Review  
4th Quarter 2018**

**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%	19.7%	-13.09%	-13.52%
US All Cap Value Stocks	DFA US Social Core 2 (DFUEX)	22%	20.6%	-16.78%	-12.24%
Developed Market Int'l Stocks	DFA Int'l Social Core (DSCLX)	18%	17.6%	-15.18%	-12.50%
Emerging Market Stocks	DFA Emerg Mkts Social Core (DFESX)	4%	4.1%	-6.44%	-7.40%
Real Estate	Vanguard REIT Index (VGSLX)	4%	3.9%	-6.44%	-6.61%
Fixed Income	Vanguard Total Bond Index Instit (VBTIX)	31%	32.6%	1.62%	1.64%
Cash	Schwab Money Market	1%	1.6%	0.49%	0.56%
Total Portfolio (net)				-9.21%	-7.69%

**Overall Performance History**

	Q4-18	Q3-18	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Portfolio Return (gross)	-9.19%	2.72%	-6.78%	5.73%	4.45%	6.76%	7.84%
Portfolio Return (net)	-9.21%	2.69%	-6.88%	5.62%	4.28%	6.45%	7.40%
Policy Index	-7.69%	2.98%	-5.70%	5.29%	4.55%	7.54%	8.91%
Russell 3000	-14.30%	7.13%	-5.25%	8.98%	7.92%	12.47%	13.18%
# Share Outstanding	1,229,016	1,226,266	1,193,412	1,086,046	1,026,356	961,382	998,187
Net Asset Value	33,964,021	37,697,668	36,792,530	28,676,666	28,157,974	22,897,534	20,802,703
Share Value	27.6351	30.7418	30.8297	26.4047	27.4349	23.8173	20.8405



**Growth and Income Fund**  
**Income Statement**  
**As of December 31, 2018**

	Current	per # of	as % of	Last 4	as % of
	Quarter	Shares	Avg	Quarters	Avg
	<u>          </u>	<u>          </u>	<u>Assets</u>	<u>          </u>	<u>Assets</u>
Investment Income					
Dividend Income	225,953	0.184	0.63%	808,142	2.21%
Interest Income	0	0.000	0.00%	0	0.00%
Capital Gain Distributions	123,599	0.101	0.34%	126,415	0.34%
Other Revenues	0	0.000	0.00%	0	0.00%
Total Investment Income	<u>349,552</u>	0.284	0.97%	<u>934,558</u>	2.55%
Expenses					
Legal	0	0.000	0.00%	0	0.00%
Audit	0	0.000	0.00%	12,040	0.03%
Accounting Fees	3,000	0.002	0.01%	12,000	0.03%
Investment Management Expense	8,623	0.007	0.02%	36,601	0.10%
Conference Calls	50	0.000	0.00%	140	0.00%
Printing	0	0.000	0.00%	0	0.00%
Meeting Expenses	28	0.000	0.00%	57	0.00%
Bank Charges	0	0.000	0.00%	164	0.00%
Total Expenses	<u>11,702</u>	0.010	0.03%	<u>61,001</u>	0.17%
Net Investment Income	<u>337,850</u>	0.275	0.94%	<u>873,556</u>	2.38%
Realized and Unrealized Gain (loss) from Investments					
Unrealized Gains (Losses)	-3,762,760	-3.062	-10.46%	-3,622,374	-9.89%
Realized Gains(Losses)	-48,794	-0.040	-0.14%	202,564	0.55%
Total Realized and Unrealized Gain (loss) from Investments	<u>-3,811,554</u>	-3.101	-10.60%	<u>-3,419,809</u>	-9.33%
Net Increase (Decrease) in Net Assets from Operations	<u><u>-3,473,705</u></u>	-2.826	-9.66%	<u><u>-2,546,253</u></u>	-6.95%
Memo					
Dividend Distribution	<u>-344,493</u>	-0.280	-0.96%	<u>-1,372,576</u>	-3.75%
Net Growth after Dividends	<u><u>-3,818,198</u></u>	-3.107	-10.62%	<u><u>-3,918,830</u></u>	-10.69%

**Trustees of the Diocese of Michigan  
Growth and Income Fund Activity**

**For the Quarter Ending December 31, 2018**

	<u>Net Assets</u>	<u># Shares</u>	<u>Share Value</u>	<u>Return on Avg Value</u>	<u>Return on Begin Value</u>
Balance at 9-30-2018	37,697,668	1,226,266.09	30.7418		
New deposits	0	0.01			
Dividends Reinvested	101,912	3,315.08			
Withdrawals	-17,361	-564.74			
Dividend and Interest Income	349,552		0.2844	0.97%	0.93%
Invest Mgmt Fees	-8,623		-0.0070	-0.02%	-0.02%
Audit, Accounting, Other	-3,078		-0.0025	-0.01%	-0.01%
Realized/Unrealized Gains (Losses)	-3,811,554		-3.1013	-10.63%	-10.09%
Balance Before Dividend	<u>34,308,514</u>		<u>27.9154</u>	<u>-9.68%</u>	<u>-9.19%</u>
Dividend Distribution	-344,493		-0.2803	-0.96%	-0.91%
Balance at 12-31-2018	<u><u>33,964,021</u></u>	<u><u>1,229,016.44</u></u>	<u><u>27.6351</u></u>	<u><u>-10.64%</u></u>	<u><u>-10.11%</u></u>

**For the Four Quarters Ending December 31, 2018**

	<u>Net Assets</u>	<u># Shares</u>	<u>Share Value</u>	<u>Return on Avg Value</u>	<u>Return on Begin Value</u>
Balance at 12-31-2017	36,792,530	1,193,411.71	30.8297		
New deposits	1,254,943	1,267,364.77			
Dividends Reinvested	402,943	9,905.22			
Withdrawals	-567,565	-14,834.43			
Dividend and Interest Income	934,558		0.7625	2.55%	2.47%
Invest Mgmt Fees	-36,601		-0.0299	-0.10%	-0.10%
Audit, Accounting, Other	-24,401		-0.0199	-0.07%	-0.06%
Realized/Unrealized Gains (Losses)	-3,419,809		-2.7860	-9.31%	-9.04%
Balance Before Dividend	<u>35,336,597</u>		<u>28.7563</u>	<u>-6.93%</u>	<u>-6.73%</u>
Dividend Distribution	-1,372,576		-1.1212	-3.75%	-3.64%
Balance After Dividend at 12-31-2018	<u><u>33,964,021</u></u>	<u><u>2,455,847.27</u></u>	<u><u>27.6351</u></u>	<u><u>-10.68%</u></u>	<u><u>-10.36%</u></u>