



Endowment Fund of the Evangelical Lutheran Church in America

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Leadership staff

Ms. Christina Jackson-Skelton, *president*
The Rev. Linda O. Norman, *treasurer*

Statement of purpose

The Endowment Fund of the Evangelical Lutheran Church in America (ELCA) is a separately incorporated ministry that holds and manages endowment assets of the churchwide organization and offers pooled investment services for related congregations, synods, agencies and institutions. The constitutional description of this separately incorporated ministry appears in ELCA provision 15.15. and its related bylaws.

Most of the assets of the Endowment Fund are invested in the Endowment Fund Pooled Trust – Fund A (Fund A), which allows for the collective long-term investment of funds belonging to the churchwide organization, Endowment Fund, congregations, synods, seminaries and other eligible affiliated entities. When organizations invest in Fund A, their endowment assets are pooled into a larger aggregate fund, allowing for a diversity of investments that may not otherwise be available to all ministries. To the extent practicable, investments are made in accordance with the ELCA's guidelines for socially responsible investing.

The Trustee, a Minnesota nonprofit corporation, is responsible for administering the Trust in accordance with the terms of the Declaration of the Trust. The Trustee is governed by a board of trustees appointed by the ELCA Church Council. The churchwide organization serves as the administrator of the Pooled Trust, with responsibilities carried out primarily through the Office of the Treasurer, Office of the Secretary and the Mission Advancement unit. The ELCA Board of Pensions, doing business as Portico Benefit Services, serves as investment adviser.

Report of work for 2013-2016

The investment objective of Fund A is to provide participants with a stable, quarterly stream of distributable investment income that grows over time approximately in line with the expected long-term rate of inflation. To the extent consistent with this objective, Fund A also seeks to provide long-term capital appreciation, while assuming a moderate level of investment risk.

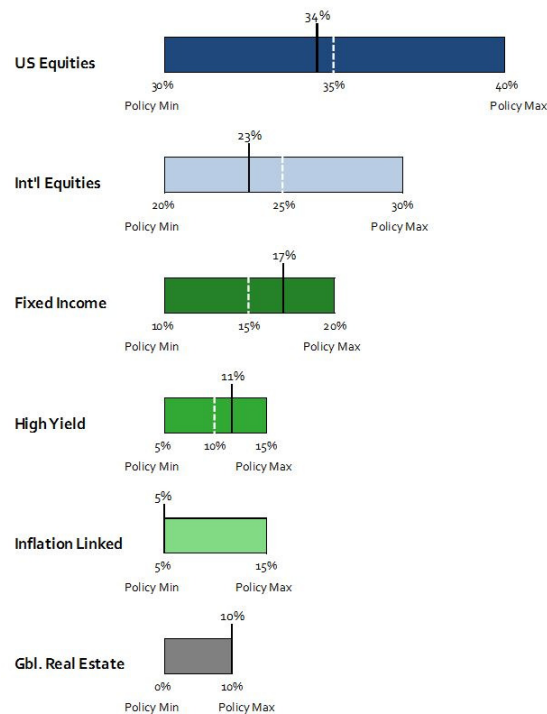
The distribution rate for 2013, 2014 and 2015 was 4.25 percent. The distribution rate for the period 2016-2018 is anticipated to be 4 percent.

The investment adviser endeavors to achieve these objectives by investing Fund A's assets in a diversified portfolio of investment pools primarily comprised of global equities and fixed income securities, selected where feasible in accordance with social responsibility criteria that are consistent with ELCA values and programs. The current target asset allocation is 35 percent U.S. equity, 25 percent non-U.S. equity, 15 percent investment grade fixed income, 5 percent inflation indexed bonds, 10 percent high yield fixed income and 10 percent global real estate securities.

The charts below depict the current asset allocation within the range of investment policy parameters and by asset class as a percentage of the total pool as of March 31, 2016. *[For best results, view charts with at least 200% resolution.]*

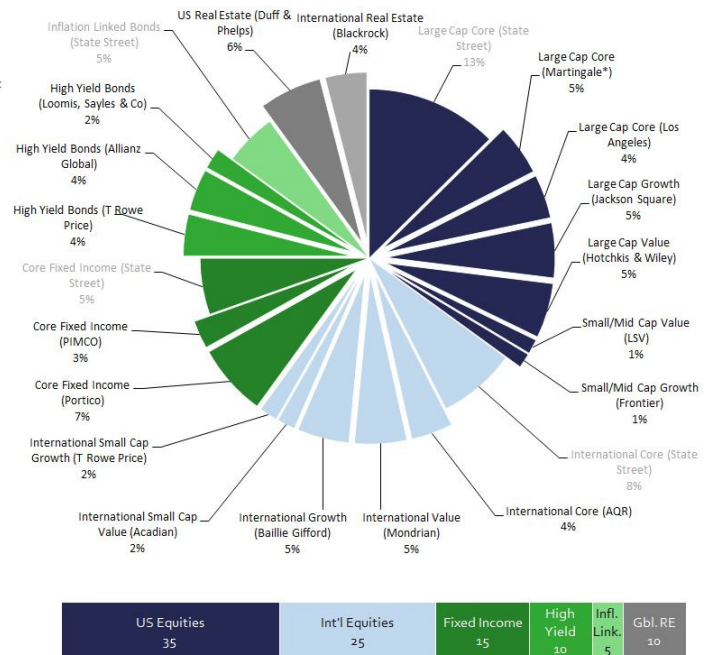
Current Asset Allocation Versus Policy Parameters

Dashed Line represents Strategic Policy



Strategic Policy Asset Allocation

Exploded Areas represent Active Positioning

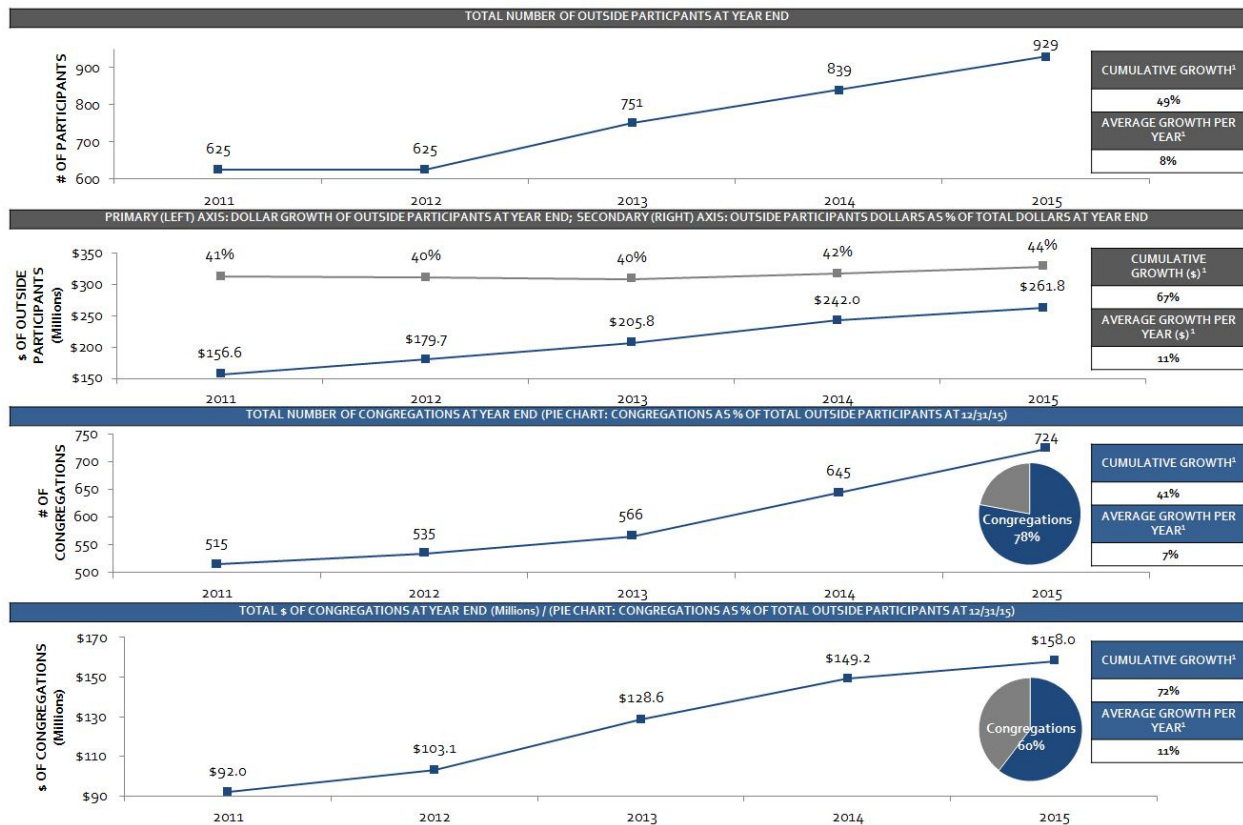


**Martingale replaced JPMorgan on 4/1/2016.*

Over the three-year period, assets in Fund A have gone from \$519.7 million to \$589.8 million – a net increase of 13.5 percent. Individual accounts have increased from 2,015 to 2,332. This growth is due primarily to increases in funds owned by outside investors – 80 percent of the new assets and 88 percent of new accounts. As of Dec. 31, 2015, 982 accounts (\$328 million) were owned by the ELCA churchwide organization and 1,350 (\$261.8 million) were owned by other investor participants. The ratio of internally held endowments to funds owned by outside participants has gone from 60/40 at the end of 2013 to 56/44 at the end of 2015.

During the triennium, Fund A added 236 new investor participants, representing \$34.3 million in new investor deposits. Additions to existing accounts for the same period totaled \$78.4 million. Total withdrawals for the period totaled \$42.3 million, which includes 37 closed accounts representing \$18 million. It should be noted that 25 of the closed accounts (68 percent) and nearly all of the lost assets (\$15.7 million or 87 percent) occurred in 2013 when accounts held by congregations no longer affiliated with the ELCA were closed.

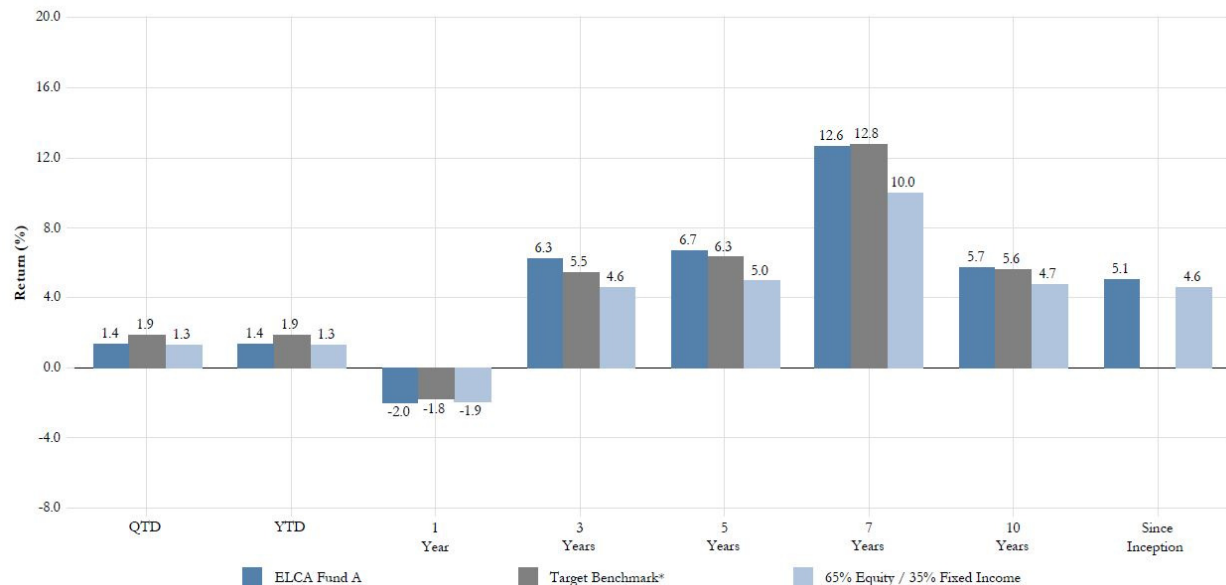
The charts below illustrate upward trends in ELCA-related ministries, particularly congregations, that have invested in Fund A.



¹Cumulative / Average Growth Per Year based on 2011–2015 data.

On March 9, 2016, the current stock market bull celebrated its seventh birthday, but it did begin to show its age throughout 2015. During the triennium, Fund A was well allocated within sectors and fully diversified across segments to take advantage of the market conditions. Returns for the past three years were 17.27 percent in 2013, 7.67 percent in 2014 and -0.57 percent in 2015. As the market conditions deteriorated somewhat in 2015, Portico managed through the volatile environment to remain nearly flat despite declining markets.

Multi-period performance summary (as of March 31, 2016)¹



	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception Jul 1999
ELCA Fund A (Gross)	1.38	1.38	-1.96	6.28	6.69	12.60	5.72	5.06
Target Benchmark*	1.91	1.91	-1.79	5.47	6.34	12.76	5.58	N/A
65% Equity / 35% Fixed Income	1.32	1.32	-1.91	4.64	4.96	9.98	4.72	4.58

¹ Target Benchmark: Russell 3000 (35%), MSCI ACWI xUSA (25%), Dow Jones US Select Real Estate (6%), Dow Jones Gbl. xUSA Select Real Estate (4%), Citigroup Treasury/Government Sponsored (3.75%), Citigroup Collateralized (6%), Citigroup Credit Index (5.25%), Citigroup High Yield Cash Pay Capped (10%), and Citigroup US 1-10 Year Inflation Linked (5%). The benchmark is rebalanced on a monthly basis.

Major directions for 2016-2019

Two years ago the churchwide organization engaged Graystone Consulting, a division of Morgan Stanley, to help create a business strategy that addresses the significant growth in Fund A and the sustainability of the Foundation and its component programs, including the Endowment Fund of the ELCA. It is our goal to provide services at an industry standard upon which our donors and investor participants can depend.

During the next three years, internal administrative procedures for Fund A will be reviewed for efficiency. To retain and continue to grow the number of outside participants in Fund A, it is essential to provide a high level of participant communications, including statements and performance reporting, and to ensure the underlying systems and structure support the aspired level of customer service. Through use of Graystone's interactive tool, SMART Planner, revenues and expenses will be reviewed and projected to ensure that the Foundation can maintain its financial viability and continue to invest in strategic growth and placement of gift planners.

The ELCA Foundation is determined to continue its tradition of providing an excellent donor, participant and beneficiary experience and ensuring that funds invested in the Endowment Fund Pooled Trust are well managed and administered.

Ms. Christina Jackson-Skelton, *president*