



# THE JAMES F. HODGES DIOCESAN INVESTMENT FUND

A Pooled Investment Fund

*Report to shareholders, year ending*  
**December 31, 2018**

*July 2019*

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**Ms. Judith Andrews**  
*Chancellor of the Diocese*

*Transfer Agent, Registrar and Disbursing Agent*  
**Diocese of Olympia**

## 2018 Performance Report to Shareholders

2018 proved that in certain market environments, it really is all about the Fed. In response to the solidly performing U.S. economy and stable levels of inflation, the Federal Open Market Committee raised its benchmark interest rate four times during 2018. Investors took these rate increases in stride for much of the year. By the fourth quarter however, the fourth rate hike, and the expectation for another two hikes during 2019, became too much and triggered extreme levels of market volatility. Outside of the U.S. the combination of rising short-term interest rates, which kept the dollar strong, and concerns over trade policy negatively impacted overseas markets. Even high quality bond returns were meager. In short, there were few places to hide.

The S&P 500 lost 4.38% in 2018. Outside of large-cap U.S. companies, returns were also negative as the Russell 2000 Index of small U.S. stocks lost 11.01%. Overseas, the MSCI Developed Market (EAFE) Index lost 13.79% and the MSCI Emerging Markets index lost 14.57%. U.S. bonds, as measured by the Barclays Intermediate Government / Credit Index, rose 0.88% on the year.

In 2018 the Fund returned (2.24%) net of fees and expenses. Over the past three and five years, the Fund returned 6.74% and 5.47% annualized. For comparison, the DIF policy benchmark index returned (4.05%) in 2018, 6.22% for the trailing three years, and 5.23% for the past 5 years.

The long-term strategic asset allocation targets are 5% cash, 30% bonds and 65% stocks. At the end of December 2018, the Fund held 3% in money market funds, 32% in bonds and 65% in stocks. The Investment Policy for the DIF calls for rebalancing when the allocation deviates by more than 10% from the strategic target.

Within the stock portfolio the Committee continues to focus on companies with strong fundamentals, sound management, high and/or rising dividend yields, and attractive valuations. Recall that we achieve exposure to small and mid-cap U.S. stocks, foreign and emerging market stocks, and corporate bonds through low-cost mutual funds.

The DIF is managed by a team of seasoned investment professionals and business community leaders that generously volunteer their time, expertise and resources. We believe that a long-term perspective, focused on fundamentals and attention to valuations remain essential in building a sensible portfolio. The fund is a balanced and diversified portfolio with a long term investment horizon. The primary objective is growth; income is a secondary consideration.

<u>Diocesan Investment Fund</u>	<u>Year-End Value Per-Share</u>	<u>Annual Dividend Per-Share</u>	<u>Average Annual Yield Per-Share</u>
12/31/2018	\$259.72	\$6.43	2.37%
12/31/2015 (3 years ago)	\$231.39	\$5.53	2.33%
12/31/2013 (5 years ago)	\$226.09	\$4.76	2.49%
<u>Total Returns</u>	<u>Year ending 12/31/2018</u>	<u>3 Years Annualized</u>	<u>5 Years Annualized</u>
Diocese Investment Fund	(2.24%)	6.74%	5.47%
Policy Index*	(4.05%)	6.22%	5.23%
S&P 500 Stock Index	(4.38%)	9.26%	8.49%

Source: U.S. Bank, Diocese of Olympia, Black Diamond.

\* The Policy Index is 5% 90-day T-Bill; 30% Barclays Intermediate Aggregate Government/Credit Bond Index, 45.5% S&P 500 Index, 4.9% S&P Midcap Index, 4.9% Russell 2000 Index, 6.5% MSCI EAFE Index, 3.3% MSCI Emerging Markets Index.

The S&P 500 Index is a market capitalization-weighted index of 500 large, widely-held U.S. stocks. The S&P Midcap Index is a market capitalization-weighted index of 400 medium-sized, widely-held U.S. stocks. The Russell 2000 Index is a market capitalization-weighted index of 2000 small U.S. stocks. The MSCI EAFE Index is a market capitalization-weighted index of developed market stocks. The MSCI Emerging Markets Index is a market capitalization-weighted index of emerging market stocks. The Barclays Intermediate Aggregate Government/Credit Bond Index is a float-adjusted, diversified index of government and corporate bonds with intermediate term maturities.

Performance of the Diocese Investment Fund is presented net of fees and expenses. Returns include the reinvestment of dividends and interest. Investments are not guaranteed or insured. The performance data shows past performance and is not a guarantee of future results. Principal value and investment returns will fluctuate. This report uses information that is considered reliable, but it does not represent that the information is accurate or complete.

## **The Purpose of the Diocesan Investment Fund**

The Diocesan Investment Fund was organized in 1951 as a co-mingled fund for the endowment funds of the Diocese, its parishes, missions and related institutions. This approach allows small endowment funds to be pooled, thereby providing greater diversification and increased investment opportunity.

The primary objective of the Fund is to build share appreciation over time and to provide a return that significantly exceeds the level of inflation. Another very important objective of the Fund is to provide a high level of income for distribution to congregations and other shareholders to help meet their budgetary needs. The Fund is invested in a diversified portfolio of common stocks and fixed income securities. Since long term growth of principal is the primary objective, the allocation between stocks and bonds will generally favor stocks.

The primary motivation for investing in the Fund should be the desire to offset the constant erosion of the value of the dollar caused by inflation. The Fund will fluctuate in market value and the level of income produced from year to year. Over time, however, it is anticipated that the total investment return should be higher than the return produced by shorter term savings vehicles.

This Fund is suitable for investors with a five year or longer time horizon and who are willing to accept the possibility of negative returns in some years. The Investment Committee for the Fund will do its best to meet the objectives of the Fund. No guarantee can be given, however, that the objectives will be met.

## **Operation of the Fund**

Shares may be purchased by the Diocese itself, by parishes of the Diocese, and by diocesan related institutions. No shares may be purchased by individuals or by organizations other than those listed. Because of its long-range objectives, the Fund does not encourage the purchase of shares unless they are to be held for two years or more.

The assets are valued on the last day of each month, and the per share valuation determined at that time.

Any parish or other organization wishing to purchase shares may do so by notifying the diocesan Treasurer's office by the end of the month. When the share value has been determined, the purchaser will be given evidence of the number of shares purchased the following month.

In the event that the owner of the shares wishes to sell all or part of them, the Treasurer's Office must be notified by the end of the month. A shareholder should give notice thirty days prior to the valuation date of intent to sell and the amount of money to be realized. When the valuation is determined, the shareholder will be advised of the number of shares to be redeemed and a check sent in payment.

A shareholder may elect to have dividends from earned income re-invested rather than distributed in cash. If so requested, the Fund will fully invest the dividend and issue evidence of additional shares. Further particulars may be obtained from the Comptroller in the diocesan Treasurer's Office.

Requests for purchases and sales of shares and for investment of dividends should be accompanied by a Vestry or Bishop's Committee resolution authorizing such action.

Dividends are distributed monthly. It is customary to distribute all of the earnings of the Fund to shareholders each month as earned.

Earned income only is distributed; capital gains are reinvested to increase the value of the Fund. A shareholder wishing to convert part or all of their capital gains to cash may do so by selling a portion of the shares owned.

The Fund Investment Committee makes no charge for its share in the management and supervision of the Fund. The only charges are those specifically applicable to the operation, such as the agency fee of US Bank, printing and postage expenses, Committee expense, the annual audit fee of our certified public accountants and \$5000 reimbursement to the operating budget. This permits passing on substantially all of the earnings of the Fund to the shareholders with a minimum of shrinkage for operational costs.

**INDEPENDENT AUDITORS' REPORT**

To the Diocesan Council  
Diocese of Olympia, Inc.  
The James F. Hodges Diocesan Investment Fund  
Seattle, Washington

We have audited the accompanying financial statements of the Diocese of Olympia, Inc. – The James F. Hodges Diocesan Investment Fund ("the Fund"), which comprise the statements of assets and liabilities and schedules of investments as of December 31, 2018 and 2017, and the related statements of operations and changes in net assets for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2018 and 2017, and the results of its operations and changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States.

*Peterson Sullivan LLP*

June 25, 2019

**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

STATEMENTS OF ASSETS AND LIABILITIES

December 31, 2018 and 2017

ASSETS	2018	2017
Investment Income Receivable	\$ 139,523	\$ 92,310
Investments, at fair value		
Equity securities	50,463,233	53,021,434
Bonds, notes, and other	25,230,196	21,173,774
Cash equivalents	2,721,008	4,707,752
Total investments	78,414,437	78,902,960
Total assets	78,553,960	78,995,270
LIABILITIES AND NET ASSETS		
Liabilities		
Participant income payable	280,268	225,447
Investment fees payable	16,737	16,052
Due to the Diocese of Olympia	546	
Total liabilities	297,551	241,499
Net Assets	\$ 78,256,409	\$ 78,753,771

See Notes to Financial Statements

**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

SCHEDULE OF INVESTMENTS

December 31, 2018

EQUITY SECURITIES	Number of Shares	Fair Value
Abbot Laboratories	9,300	\$ 672,669
AbbVie Inc.	9,300	857,367
Air Products and Chemicals, Inc.	5,700	912,285
Alaska Air Group Inc.	8,200	498,970
Alphabet Inc. Class A	1,258	1,314,560
Apple Inc.	6,540	1,031,620
Automatic Data Processing	8,600	1,127,632
Becton Dickinson & Co	5,200	1,171,664
Berkshire Hathaway Inc. Class B	5,800	1,184,244
Blackrock Inc.	2,485	976,158
Boeing Company	1,995	643,387
Chevron Corp	8,871	965,076
Chubb Ltd.	6,255	808,021
Coca Cola Company	12,900	610,815
ConAgra Foods, Inc.	17,100	365,256
Costco Wholesale, Inc.	6,874	1,400,302
Emerson Electric	8,060	481,585
Enterprise Products Partners LP	27,400	673,766
Exxon Mobil Corp	9,845	671,330
Gilead Sciences, Inc.	8,000	500,400
Honeywell International, Inc.	7,100	938,052
Intel Corp	12,700	596,011
iShares S&P Mid Cap ETF	21,560	3,580,254
iShares S&P Small Cap ETF	55,150	3,822,998
Johnson & Johnson	5,200	671,060
JP Morgan Chase & Co	15,165	1,480,407
Lamb Weston Holdings Inc.	7,000	514,920
Microsoft	16,940	1,720,596
Nextera Energy Inc.	5,900	1,025,538
Novartis Ag A	7,200	617,832
Omnicom Group Inc.	10,000	732,400
Paccar, Inc.	12,000	685,680
Parametric Tax Managed Emerging Markets	24,067	1,068,108
Pfizer, Inc.	20,978	915,690
Procter & Gamble Co	9,424	866,254
Public Storage Inc.	1,473	298,150
Qualcomm Inc.	8,700	495,117
Resideo Technologies Inc.	1	7
Schlumberger Ltd.	9,615	346,909
Starbucks Co	13,620	877,128
Sysco Corp	14,400	902,304
United Technologies	7,500	798,600
Vanguard Developed Markets Index	385,046	4,605,156
V F Corporation	14,884	1,061,824
Ventas Inc.	7,315	428,586
Verizon Communications, Inc.	21,500	1,208,730
Walt Disney Co	9,900	1,085,535
Wells Fargo & Co	17,950	827,136
Zoetis Inc.	6,750	561,998
3M Co	4,530	863,146
Total equity securities		<u>\$ 50,463,233</u>

See Notes to Financial Statements



**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

SCHEDULE OF INVESTMENTS  
(Continued)

December 31, 2018

<u>BONDS, NOTES, AND OTHER</u>	Rate of Interest	Maturity	Shares or Face Value	Fair Value
Federal Farm Credit Bank Debenture	3.050	7/27/22	500,000	\$ 506,495
Federal Home Loan Bank Debenture	4.375	6/14/19	1,000,000	1,007,910
Federal Home Loan Bank Debenture	3.125	12/11/20	500,000	505,445
Federal Home Loan Bank Debenture	2.875	12/10/21	500,000	503,775
Federal National Mortgage Association	2.625	9/6/24	900,000	896,868
Fidelity Conservative Income Bond Fund	Variable	N/A	99,701	997,009
U.S. Treasury Note	2.750	9/30/20	1,000,000	1,003,750
U.S. Treasury Note	2.250	7/31/21	1,000,000	994,450
U.S. Treasury Note	1.750	5/15/23	900,000	872,082
U.S. Treasury Note	2.875	9/30/23	1,000,000	1,016,250
U.S. Treasury Note	2.125	5/15/25	1,000,000	973,130
U.S. Treasury Note	1.625	5/15/26	1,000,000	933,830
U.S. Treasury Note	2.375	5/15/27	1,500,000	1,468,590
Vanguard GNMA Admiral Fund	Variable	N/A	64,220	658,257
Vanguard Intermediate-Term Investment Grade	Variable	N/A	534,420	5,018,206
Vanguard Short-Term Investment Grade	Variable	N/A	754,229	7,874,149
Total bonds, notes, and other				<u>\$ 25,230,196</u>
 <u>CASH EQUIVALENTS</u>				
First America Prime Obligation Fund	Variable	N/A	2,721,008	\$ 2,721,008
Total cash equivalents				<u>\$ 2,721,008</u>

See Notes to Financial Statements

**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

SCHEDULE OF INVESTMENTS

December 31, 2017

EQUITY SECURITIES	Number of Shares	Fair Value
Abbot Laboratories	9,300	\$ 530,751
AbbVie Inc.	9,300	899,403
Air Products and Chemicals, Inc.	5,700	935,256
Alphabet Inc. Class A	1,103	1,161,900
Apple Inc.	6,540	1,106,764
Automatic Data Processing	8,600	1,007,834
Becton Dickinson & Co	5,200	1,113,112
Berkshire Hathaway Inc. Class B	5,800	1,149,676
Blackrock Inc.	2,485	1,276,569
Boeing Company	1,995	588,345
Chevron Corp	8,871	1,110,560
Chubb Ltd.	6,255	914,043
Coca Cola Company	12,900	591,852
ConAgra Foods, Inc.	17,100	644,157
Costco Wholesale, Inc.	6,874	1,279,389
Emerson Electric	8,060	561,701
Enterprise Products Partners LP	27,400	726,374
Exxon Mobil Corp	9,845	823,436
Gilead Sciences, Inc.	8,000	573,120
Honeywell International, Inc.	7,100	1,088,856
Intel Corp	12,700	586,232
iShares S&P Mid Cap ETF	21,560	4,091,658
iShares S&P Small Cap ETF	55,150	4,236,072
Johnson & Johnson	5,200	726,544
JP Morgan Chase & Co	15,165	1,621,745
Lamb Weston Holdings Inc.	7,000	395,150
Microsoft	18,740	1,603,020
Nextera Energy Inc.	5,900	921,521
Novartis Ag A	7,200	604,512
Omnicom Group Inc.	10,000	728,300
Paccar, Inc.	12,000	852,960
Parametric Tax Managed Emerging Markets	22,067	1,153,901
Pfizer, Inc.	20,978	759,823
Procter & Gamble Co	9,424	865,877
Public Storage Inc.	1,473	307,857
Qualcomm Inc.	8,700	556,974
Schlumberger Ltd.	9,615	647,955
Starbucks Co	13,620	782,196
Sysco Corp	14,400	874,512
United Technologies	7,500	956,775
Vanguard Developed Markets Index	367,346	5,293,463
V F Corporation	14,884	1,101,416
Ventas Inc.	7,315	438,973
Verizon Communications, Inc.	21,500	1,137,995
Walt Disney Co	9,900	1,064,349
Wells Fargo & Co	17,950	1,089,027
Zoetis Inc.	6,570	473,303
3M Co	4,530	1,066,226
Total equity securities		<u>\$ 53,021,434</u>

See Notes to Financial Statements

**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

SCHEDULE OF INVESTMENTS  
(Continued)

December 31, 2017

<u>BONDS, NOTES, AND OTHER</u>	Rate of Interest	Maturity	Shares or Face Value	Fair Value
Federal Farm Credit Bank Debenture	3.050	7/27/22	500,000	\$ 516,715
Federal Home Loan Bank Debenture	4.375	6/14/19	1,000,000	1,035,850
Federal Home Loan Bank Debenture	3.125	12/11/20	500,000	514,695
Federal Home Loan Bank Debenture	2.875	12/10/21	500,000	512,675
Federal National Mortgage Association	1.125	7/20/18	900,000	897,426
Federal National Mortgage Association	2.625	9/6/24	900,000	911,988
Fidelity Conservative Income Bond Fund	Variable	N/A	99,701	1,000,997
U.S. Treasury Note	2.250	7/31/21	1,000,000	1,005,820
U.S. Treasury Note	1.750	5/15/23	900,000	877,815
Vanguard GNMA Admiral Fund	Variable	N/A	64,220	671,743
Vanguard Intermediate-Term Investment Grade	Variable	N/A	534,420	5,210,597
Vanguard Short-Term Investment Grade	Variable	N/A	754,229	8,017,453
Total bonds, notes, and other				<u>\$21,173,774</u>
 <u>CASH EQUIVALENTS</u>				
First America Prime Obligation Fund	Variable	N/A	4,707,752	<u>\$ 4,707,752</u>
Total cash equivalents				<u>\$ 4,707,752</u>

See Notes to Financial Statements

**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

STATEMENTS OF OPERATIONS  
For the Years Ended December 31, 2018 and 2017

	2018	2017
Investment Income		
Dividends and interest	\$ 1,980,284	\$ 1,718,048
Securities lending and other income	2,092	3,161
Total investment income	1,982,376	1,721,209
Expenses		
Agency fees	65,901	63,230
Audit and accounting fees	13,000	11,400
Printing and postage		250
Miscellaneous expense	1,998	1,917
Total expenses	80,899	76,797
Excess investment income over expenses	1,901,477	1,644,412
Realized and Unrealized Investment Gain (Loss)		
Net realized investment gain	142,621	1,926,638
Net unrealized investment gain (loss)	(3,879,503)	5,259,301
Net gain (loss) on investments	(3,736,882)	7,185,939
<b>Change in net assets resulting from operations</b>	<b>\$ (1,835,405)</b>	<b>\$ 8,830,351</b>

See Notes to Financial Statements

**DIOCESE OF OLYMPIA, INC.**  
**THE JAMES F. HODGES DIOCESAN INVESTMENT FUND**

STATEMENTS OF CHANGES IN NET ASSETS  
For the Years Ended December 31, 2018 and 2017

	2018	2017
Change in Net Assets Resulting from Operations	\$ (1,835,405)	\$ 8,830,351
Distributions of Dividends Paid to Shareholders	(1,847,341)	(1,681,136)
Capital Share Transactions		
Proceeds from shareholder purchases and dividends reinvested	6,437,584	6,137,329
Shareholder redemptions	(3,252,200)	(2,448,392)
Increase in net assets resulting from capital share transactions	3,185,384	3,688,937
<b>Change in net assets</b>	<b>(497,362)</b>	<b>10,838,152</b>
Net Assets, beginning of year	78,753,771	67,915,619
Net Assets, end of year	\$ 78,256,409	\$ 78,753,771

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Organization and Significant Accounting Policies**

The Diocese of Olympia, Inc. ("the Diocese") is a Diocese of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America ("the Episcopal Church"). The Diocese includes all Episcopal churches in Western Washington.

The James F. Hodges Diocesan Investment Fund ("the Fund") was organized in 1951 as an investment pool for the endowments of the Diocese and its parishes, missions, and related institutions. The Fund's current name was adopted in 1987.

The Fund's investment strategy is to balance the need for current income and growth in asset value to offset inflation by investing in a mixture of equity and debt securities. The securities are currently held by U.S. Bank. The Diocesan Investment Committee makes investment decisions. The funds are not federally insured.

The Diocese has funds other than the Fund, which are called the Operating Funds, Trust Funds, and the Building Loan, Mission Development, and Real Estate Funds. These funds are included in separate financial statements.

### **Financial Statement Presentation**

The Fund follows the accounting policies of an investment pool, in accordance with accounting principles generally accepted in the United States. Securities are valued at fair value based on closing sales prices reported on recognized securities exchanges on the last business day of the year (see Note 2).

Securities transactions are accounted for on a trade-date basis. Realized gains and losses from securities transactions are reported on a specific identification basis. The Fund distributes net cash investment income to shareholders monthly, but net capital gains are reinvested with the exception of procedures provided in the corporate spending policy. Shareholders may reinvest dividends, or purchase or redeem shares, on a monthly basis only.

Requests for purchases are administered by the Diocese, which collects funds for purchases in the current month and then remits the funds to U.S. Bank in the subsequent month. Shares are purchased at the net asset value at the beginning of the month after U.S. Bank receives the funds. At December 31, 2018 and 2017, the Diocese held \$352,987 and \$102,701 in funds for purchase in January 2019 and 2018, respectively. These amounts are not included in the financial statements until shares are purchased. They are included in the financial statements of the Diocese.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## **Concentrations**

Investments in the Vanguard short-term investment grade bond fund represent 10% of total investments at both December 31, 2018 and 2017.

## **Taxes**

The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not required to file a federal tax return.

## **Subsequent Events**

The Fund has evaluated subsequent events through the date these financial statements were available to be issued, which was June 25, 2019.

## **Note 2. Fair Value Measurement**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability.

The fair value of all investments was determined using Level 1 observable inputs (quoted prices in active markets for identical assets) within the fair value hierarchy using quoted market rates.

## **Note 3. Unrealized Appreciation (Depreciation)**

Unrealized appreciation (depreciation) on investments was as follows at December 31, 2018:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 27,704,561	\$ 50,463,233	\$ 22,758,672
Bonds, notes, and other	25,613,098	25,230,196	(382,902)
Cash equivalents	2,721,008	2,721,008	
	<u>\$ 56,038,667</u>	<u>\$ 78,414,437</u>	<u>\$ 22,375,770</u>

Unrealized appreciation (depreciation) on investments was as follows at December 31, 2017:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 26,714,266	\$ 53,021,434	\$ 26,307,168
Bonds, notes, and other	21,239,559	21,173,774	(65,785)
Cash equivalents	4,707,752	4,707,752	
	<u>\$ 52,661,577</u>	<u>\$ 78,902,960</u>	<u>\$ 26,241,383</u>

**Note 4. Shareholders**

The Fund's investment pool activity is as follows:

	<u>Number of Shares</u>	<u>Per Share Value</u>
Shares outstanding, December 31, 2016	275,616	\$ 246
Shares purchased and dividends reinvested	23,740	
Shares redeemed	<u>(9,429)</u>	
Shares outstanding, December 31, 2017	289,927	\$ 272
Shares purchased and dividends reinvested	23,403	
Shares redeemed	<u>(11,951)</u>	
Shares outstanding, December 31, 2018	<u>301,379</u>	<u>\$ 260</u>

**Note 5. Related Party Transaction**

The Fund is charged approximately \$5,000 per year for the common expenses paid by the Diocese.

**Note 6. Investment Policy – Tobacco Stocks**

In accordance with the investment policy recommended by the Executive Council of the Episcopal Church, the Fund does not invest in securities issued by companies that manufacture and distribute tobacco products.



## ***Congregations and Institutions Participating***

Aberdeen, St. Andrew  
Allyn, St. Hugh of Lincoln  
Anacortes, Christ Episcopal Church  
Auburn, St. Matthew-San Mateo

Bainbridge, Grace Church  
Bainbridge, St. Barnabas  
Bellevue, All Saints  
Bellevue, Church of the Resurrection  
Bellevue, St. Margaret  
Bellingham, St. Paul  
Bremerton, St. Paul  
Burien, St. Elizabeth

Camano Island, St. Aidan  
Castle Rock, St. Matthew  
Cathlamet, St. James  
Cathlamet, St. James Family Center  
Chehalis, St. Timothy

Eastsound, Emmanuel Episcopal Parish  
Edmonds, St. Alban  
Elma, St. Luke  
Episcopal Retirement Community Foundation

Federal Way, Church of the Good Shepherd

Hoodspport, St. Germain

Issaquah, St. Michael and All Angels

Kenmore, Church of the Redeemer  
Kent, St. James  
Kingston, Faith Episcopal

Lacey, St. Benedict  
Longview, St. Stephen

Maple Valley, St. George  
Marysville, St. Philip  
Medina, St. Thomas Legacy Foundation  
Mercer Island, Emmanuel Episcopal Church  
Montesano, St. Mark  
Mount Vernon, St. Paul

Oak Harbor, St. Stephen  
Olympia, St. John

Port Angeles, St. Andrew  
Port Orchard, St. Bede  
Port Townsend, St. Paul  
Puyallup, Christ Church

Seattle, Christ Church  
Seattle, Church of the Ascension  
Seattle, Diocese of Olympia  
Seattle, Epiphany Parish of Seattle  
Seattle, Little Sisters of St. Clare  
Seattle, St. Andrew  
Seattle, St. Clement of Rome  
Seattle, St. John the Baptist  
Seattle, St. Mark Cathedral  
Seattle, Cathedral Foundation  
Seattle, St. Paul  
Seattle, St. Peter  
Seattle, Trinity Church  
Seaview, St. Peter  
Sequim, St. Luke  
Shelton, St. David of Wales  
Shoreline, St. David Emmanuel  
Silverdale, St. Antony of Egypt  
Snohomish, St. John  
Snoqualmie, St. Clare  
South Bend, St. John

Tacoma, All Saints  
Tacoma, Annie Wright School  
Tacoma, Christ Church  
Tacoma, St. Andrew  
Tacoma, St. Luke memorial Church  
Tacoma, St. Matthew

Vancouver, All Saints  
Vancouver, Church of the Good Shepherd  
Vancouver, St. Luke  
Vashon, Church of the Holy Spirit

Washougal, St. Anne

Palm Springs-CA, St. Paul's of the Desert