

DFMS INVESTMENT COMMITTEE (IC) MEETING MINUTES

FINAL

Date: August 15, 2008
Location: The Episcopal Church Center - 815 Second Avenue, New York, NY 10017
Time: 9:00AM – 2:30 PM

Committee Members: James S. Clarke, *Chair*
Joel Motley, *Vice Chair*
Arthur M. Bjontegard, Jr.
Carol O'Neale
Dennis E. Stark
Robert C. Wilkins
Wesley Williams
Sally M. Zimmerman
N. Kurt Barnes

Apologies: The Rev. Maurice Goldsmith

Consultant & Staff: David Hyman, *Evaluation Associates Incorporated*
Margareth Crosnier de Bellaistre, *DFMS Staff*
Lloyd Mondal, *DFMS Staff*
Esther Fajo, *DFMS Staff*

Investment Managers: **Advent Capital** (Lucy E. Pesa; David Hulme; Barry Nelson)

1.0 General

1.1 Wesley Williams opened the meeting with prayer.
1.2 The Chair reconfirmed upcoming meeting dates set for November 21, 2008, February 20, & May 15, 2009 (Previous date May 19 was corrected), and August 21, 2009. Dennis Stark stated he won't be able to attend the next meeting on Nov. 21, 2008.
1.3 The Nominating Committee will conduct a search for potential candidates for nomination to the Committee which are to be presented to the Executive Council in February 2009. The actual appointments will be made at the General Convention in July 2009.

2.0 The minutes of the May 16, 2008 meeting were approved as presented.

3.0 Lloyd Mondal presented the DFMS investment reports.

4.0 Margareth CdeB reviewed the relationship with the custodian bank – Bank of New York Mellon. Joel Motley suggested asking BoNY Mellon for a list rating on underlying collateral and a policy statement on Securities Lending. The Chair requested that the latest securities lending portfolio be sent to David Hyman and Joel Motley for review.
4.1 Margareth gave a brief status of the Unitrusts. The Committee expressed its interest of having Episcopal Church Foundation (ECF) or State Street attend a meeting to review the management of this program.

- 4.3 Margareth shared an updated list of the Responsibilities of the Investment Committee. To fulfill the self-assessment responsibility, the Committee agreed that it should be attached to the Minutes.
- 5.0 Margareth gave a brief report on the SRI meeting she attended.
- 6.0 Margareth reviewed a report on the Economic Justice Loan program with the committee. All loans are current; 4 accounts are expected to be paid off by year end. In total, the EJLC is poised to receive \$1.7m in repayment in 2008. .
- 7.0 **Treasurer's Report** – Kurt Barnes presented his report and reviewed his handout. He stated that income was in line with the budget and that spending was under control. He also indicated that for 2008 there will be underspending resulting from unfilled staff positions. For the 2009 budget it is assumed that there will be no change in diocesan income vs. 2008; and a -10% portfolio decline plus the 5% dividend payout. Kurt has asked for 2009 spending requests to be flat to 2% lower than 2008.
- 7.1 Kurt reported that the Executive Committee has decided that Austin is the preferred site for the Archives. The relocation strategy subcommittee has submitted several offers to the owner of a selected property and will explore alternative sites in Austin should the owner decline the latest offer of \$9.5 million.
- 8.0 **Advent Capital Report**
- 8.1 The Advent team presented their firm's investment philosophy and discussed our portfolio and its performance.
- 8.2 The Committee approved of Advent Capital's management of our portfolio.
- 9.0 **EAI Report – Endowment.**
- 9.1 David Hyman reported that, according to the investment managers, all portfolios were in compliance with guidelines. He reviewed the 2Q2008 performance and indicated that the Total Fund declined 0.7% but bested its benchmark by 90 basis points. Edgewood, Westwood and Century Capital outperformed their respective benchmarks. Mixed results by New Star and Artio Global were posted within the international segment. European Investors significantly trailed its benchmark within the real estate segment.
- 9.2 New benchmarks effective 7/1/08 presented by David were approved. The new benchmarks will be more appropriate for performance measurement given the additional 4 managers.
- 9.3 David reported that Seligman is being sold and expects the deal to close in the 4th quarter 2008. He did not anticipate any concerns because the current managers will continue with the new owner.
- 9.4 He spoke about investments in distressed securities and recommended bringing in managers to discuss distressed securities investing.
- 9.5 The Chair suggested inviting Blackstone to talk about its distressed investment portfolio. He also suggested bringing Century Capital for a presentation in the near future.
- 9.6 It was the general sense of the committee that the DFMS portfolio was well allocated and performed well given the market environment.
- 10.0 The chair adjourned the meeting at 2.30 PM. There was no executive session.