



**PRESIDENT'S  
215<sup>th</sup> ANNUAL REPORT  
(For the Year Ending December 31, 2023)**

The 215<sup>th</sup> year of the Trustees of Donations was another challenging year for the markets defined by volatility as investors navigated the effects of inflation, geopolitical tensions, policy decisions post-pandemic consumer trends, and the domination of the “Magnificent Seven” stocks. The U.S. economy remained strong as the consumer proved to be resilient and government spending supported growth. Inflation dynamics and Federal Reserve policy were two primary drivers of the markets during the year. The Fed remained hawkish during the year in reaction to elevated inflation, with four 25 bps rate hikes through the end of July 2023. Though not immediate, the goal of moderating inflation was accomplished by the end of 2023, with the CPI rising 3.4% in 2023, down from 6.5% in 2022 and 7.0% in 2021.

Beyond inflation, major geopolitical events impacted the markets in 2023, including the ongoing war between Russia and Ukraine, hostilities in Gaza and Israel following the October attack by Hamas, and the concerning dynamics of China’s real estate market. Markets shrugged off these risks and risk assets delivered strong positive results after what was a very difficult 2022. The S&P 500 gained 26.3% in 2023, exiting the bear market and falling just short of all-time highs. On the fixed-income side, comparing 2022 to 2023 would suggest stability over the course of the calendar year - in reality, it was anything but a smooth ride. Interest rate volatility remained high while credit spreads remained below long-term averages, with absolute yields remaining at their highest levels in over a decade. With the prospect of rate hikes ending by the end of 2023, the positive 5.5% annual return of the Bloomberg U.S. Aggregate Index was fully attributable to the fourth quarter.

Our charge as fiduciaries and as trustees is to preserve the value of funds entrusted to us by our participants over the long term while generating a stable source of income to help fund their current operating needs. During this recent period of instability, we realized the importance of maintaining a steady course of action through our long-term commitment to preserving intergenerational wealth. I am proud to say that we did not deviate from this view or operate out of panic; we made tactical, well-thought-out decisions on asset allocation and rebalancing transactions that resulted in excess return for our clients. The annual DIT Total Fund return of 16.9% exceeded the benchmark return of 16.8% as our line-up of active managers added value. As an actively managed fund, the DIT’s outperformance for 2023 was driven by equity and fixed income sector allocations, along with strong outperformance of our active investment managers. Thanks to the success of our investment strategies under the oversight and control of our Investment Committee, we continue to meet – and exceed – the requirements set within our investment policy statement.

Each year I look forward to honoring those who have come before us by celebrating the ways in which we have preserved our tradition of excellence during what was another volatile, yet very successful year. Before I highlight some of the significant accomplishments achieved this past year, I would like to take a moment to first honor and recognize a leader, our friend, and one of the long-standing pillars of TOD, who sadly passed away in November.

**Melville “Mel” Hodder:** Mel originally joined the TOD board in 1967 and formerly served as both TOD President and Investment Committee Chair. Before his unfortunate passing, he had retired from Morgan Stanley as Senior Vice President. As a faithful member of Christ Church in Cambridge, Mel was kind a leader, and generous of his time and spirit. I feel it appropriate for this group to formally honor and celebrate Mel Hodder at this moment at our 215<sup>th</sup> Annual Meeting. Mel, we will miss you and will forever appreciate your long-standing commitment to TOD.

You will forever remain in our hearts and our venerable institution remains as successful as it is today because of your efforts.

**Nardin Baker, Vice President:** My sincere thanks to the support and leadership provided by our Vice President, Nardin Baker, who has served on the TOD board for over 20 years and who continues to help us navigate numerous challenges on investment approach and asset allocation. In addition to the Investment Committee, Nardin also serves on the SRI Committee, Trust & Governance Committee, and is frequently called upon for assistance on other projects (including review of the TOD website redesign project currently in process). We appreciate Nardin's long-standing commitment to TOD and its mission.

**Investment Committee:** The strong investment performance results are the direct result of the work of our highly dedicated Investment Committee under the leadership of George Noyes as its Chair and Dan Rasmussen as its Deputy. The active and engaged participation of the experienced investment professionals within this group has led to a higher-quality investment portfolio and improved effectiveness in our investment manager and asset allocation decision making process.

Our investment consultant, Prime Buchholz, continued to provide excellent service for our organization by delivering highly accurate analyses and data for the Investment Committee to make informed decisions. Adjustments were made to the portfolio during the year which resulted in favorable outcomes for the benefit of our participants. Several well-timed rebalancing transactions between equities and fixed income on trust and delegated agency funds were made, along with improved balance between growth and value within the DIT Stock Fund. Overall duration was increased within the DIT Income Fund, and opportunistic investment in the high yield sector contributed to the DIT Income Fund's significant outperformance to benchmark.

As a result, the performance of the trust and delegated fund accounts that fall under the direction of the Investment Committee continued to outperform that of the aggregated DIT Total Fund over the longer-term time periods (as of December 31, 2023):

<b>Total Returns*</b>	<b>4th Qtr</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>	<b>10 Years</b>
<b>DIT Total Fund (Combined Agency &amp; Trust Funds)</b>	<b>9.2%</b>	<b>16.4%</b>	<b>4.6%</b>	<b>8.9%</b>	<b>7.3%</b>	<b>6.4%</b>
<b>DIT Total Fund (Trust Funds Only)**</b>	<b>9.3%</b>	<b>16.9%</b>	<b>5.0%</b>	<b>9.3%</b>	<b>7.7%</b>	<b>6.7%</b>
<b>42% Russell 3000/23% MSCI EAFE (net)/35% Blbg Agg</b>	<b>9.9%</b>	<b>16.8%</b>	<b>3.5%</b>	<b>8.8%</b>	<b>7.6%</b>	<b>6.6%</b>

*\*Returns are before expenses. Total returns reflect the change in unit values and assume automatic reinvestment of dividends. Periods over one year annualized.*

*\*\* Represents returns for DIT Trust and delegated agency funds where the DIT Stock/Income Fund asset allocation is directed by the TOD Investment Committee.*

**Treasurer and Nominating Committee:** I would also like to thank Thatcher Gearhart in his capacity as TOD Treasurer for his financial and budgetary expertise. Thatcher's unique ability to identify, monitor, and explain the risks and complexities of the TOD budget has directly resulted in our sound financial position while allowing us to offer our participants investment vehicles at a low cost.

Thatcher Gearhart also serves as the chair of our Nominating Committee. He, along with Bishop Gates and members of Convention, deserve our thanks for their ongoing efforts to infuse our board with dedicated, highly knowledgeable Episcopalian volunteers (most recently Andree Saulnier and Jeffrey Burton). The Committee's efforts to identify and recruit new members with extensive investment management and trusteeship experience will ensure we continue to benefit from their guidance and wisdom for years to come.

**SRI Committee:** Adam Rutledge and the Socially Responsible Investing Committee deserve our deepest gratitude for their work to keep our proxy voting relevant and rational, and for the broader work of helping to think about the proper balance between our fiduciary responsibilities and the Christian values we exist to serve.

I would like to send a special thanks to Jamie Coats. I previously let this group know that Jamie will be retiring from the TOD Board at the end of his current term effective today. Jamie has been a highly dedicated and long-standing member of TOD who has served on our board for almost 20 years. Jamie served as a member of the SRI Committee and Planned Giving Task Force. A small token of our appreciation was sent to Jamie before today's meeting. Jamie made a significant contribution to the work of TOD and he will be missed. Please join me in wishing Jamie our expression of gratitude and best wishes for all his efforts.

**Audit Committee:** We regard an exacting audit process – both internal and external – as fundamental to fulfilling our fiduciary obligations as Trustees. I am thankful to Wayne Kennard and members of the Audit Committee for ensuring our accounting and administrative procedures accord with best practices. I would like to thank Wayne and the Audit Committee for an unbroken cycle of a legacy of clean opinions from our outside auditor.

**Alice V. Johnson Scholarship Committee:** My next 'thank you' goes out to Donald Sanya for undertaking the time-consuming task of orchestrating the annual distribution of grants from our scholarship fund to worthy recipients from the Mystic Valley Deanery. With the recent and unfortunate closing of Grace Church in Everett, Donald and members of the Scholarship Committee were able to navigate through this difficult time and identify worthy recipients within the deanery in accordance with the terms of the trust so that grant awards will be distributed as scheduled and without interruption or delay.

**Trust & Governance ('T&G') Committee:** A special thank you goes out to Judy Edington and the members of the Trust & Governance Committee. This Committee was established a few years ago with the intention of focusing on the organization's efforts regarding matters of governance and trusteeship. Last year, the Committee continued its work on classification matters pertaining to those funds classified as trust accounts within the DIT. With the assistance of outside counsel, the Committee was able to research and conclude the proper classification of two trust funds at the request of one of its participants. I am grateful to Judy and members of the Trust & Governance Committee and look forward to the continued work and effort on this very important topic.

**Client Service:** Finally, I am thankful to our Investment Coordinator, Charlie Jordan, for serving as the day-to-day liaison with the DIT's 146 participants and for effectively administering the overall operations of TOD. I work closely with Charlie through frequent meetings with parish subcommittees and parish leaders of existing and prospective DIT participants. Feedback from DIT participants on our overall investment performance and client service and responsiveness continues to be positive. Charlie continues to be highly responsive to members of this group and our clients, and I remain confident that he will continue his work on providing high-quality customer service.

As members of the TOD board, many of us step out of the secular world of our normal 'day' jobs into one of a much different type. A world that is more complicated than what it might initially seem. A world where we wear many different hats – one where we not only serve as investment managers, but also as fiduciaries, as Trustees, and where we are called to serve as Christian stewards. We serve our DIT participants while ensuring that we adhere to the conditions set forth by the donors for those accounts where TOD is the named trustee. There are abundant resources within this Diocese, and within the DIT - and we are called not only to preserve them, but also to multiply them. The tremendous efforts and dedication from the members of this group who are currently serving and from members who served in the past (including Mel) helped to guide our organization and to help multiply these resources for generations to come. I hope that you will take great pride in the difference your commitment and involvement has

made for our participants – presently and in the future. With the confidence and support of our 146 participants, I remain proud to serve as your President, and we look ahead into the next year with faith and hope.

Respectfully submitted,

*Elizabeth Westvold*

President