

John's Episcopal Church, Gloucester, Massachusetts

Endowment COMMITTEE REPORT FOR 2015 (AMENDED)

This amended report has been prepared to more accurately present the endowment performance in light of withdrawal and contribution information that was estimated based on investment reports but clarified in conferences with the Treasurer.

2015 was a very sluggish year for equities all year long, and while there was a little upswing in the fourth quarter, it pooped out. The US stock market was essentially flat. International was down and emerging markets were down for the third straight year. Most experts attribute a great deal of the problem to China's economic issues and the lack of growth of domestic stocks because of the sagging exports, mostly due to the strength of the Dollar and the low price of oil. Interest rates remained at historic lows in spite of the first increase by the Federal Reserve in years in December.

Our account fared reasonably well from an investment standpoint. Domestic equities were down .99% versus the S&P down .72%. We can't expect to outperform the S&P with a portfolio of our size. Our international investments were down, particularly in the emerging markets sector. This is a small portion (7%) of our portfolio, and despite the under performance of internationals for the last 3 years, investment managers, not only for our account, but for other accounts I am involved with, still believe there is significant growth potential long term in international stocks in general and in emerging markets. Our account at year end was \$780,500, including the four small restricted funds that were placed in the endowment for investment purposes which amount to \$15,000. So the "unrestricted" endowment fund is at \$765,500.

Given the investment performance, this drop is primarily due to withdrawals which are necessary for the work of the church. Withdrawals totaled 87,000. The draw target is 4.5% (trailing average) = 36,000. We withdrew 51,000 more than the target. At the present time it is impossible to limit the withdrawals to the target and still carry out the missions of the church.