

*Turn Giving into Long-Term Funding for Ministry*

# Investment Services



LCMS Foundation  
TODAY | TOMORROW | FOREVER

# LCMS Foundation *at a glance*



The LCMS Foundation has been serving LCMS members, congregations, and ministries since 1958, providing expertise in charitable giving and investing.

The Foundation's primary activities are:

- **GIFT PLANNING:** discussing Christian estate and gift planning with LCMS members, and assisting LCMS members in making the very best gifts possible to family and ministry.
- **ENDOWMENT AND INVESTMENT MANAGEMENT:** offering a diversified investment model to LCMS congregations and ministries.
- **TRUST ADMINISTRATION:** expertise in all aspects of trust management, including charitable remainder trusts, gift annuities, and donor advised funds.
- **MARKETING:** creating opportunities to learn about and respond to gift planning and endowment initiatives.

---

Since its founding, the Foundation has distributed more than

# \$1 BILLION

to LCMS ministries. The LCMS Foundation is chartered to serve LCMS congregations, their members, and ministries with LCMS affiliations.

# Overview

By managing assets collectively for the church, the Foundation is able to allow LCMS ministries access to a sophisticated, diversified investment model at a low cost. The Foundation embraces its role of serving the church to make it stronger today, tomorrow and forever.

# Expertise

The Foundation has a team of 51 church workers, committed to helping LCMS ministries and members to be good stewards of the resources God has entrusted to them. The Foundation staff includes finance professionals, trust administrators, gift planners, marketing and support staff as well as three attorneys with specific expertise in this field.

# Getting Started

A new investment account with the LCMS Foundation can be opened with as little as \$5,000. Two forms are required to start a new account. These forms may be downloaded from [www.lcmsfoundation.org](http://www.lcmsfoundation.org).

1. Investment Account Agreement: the contract that establishes the new fund
2. New Account Worksheet: the form that provides the new fund's investment options and organizational contact information

Funds can be withdrawn by account holders as needed within the Foundation's monthly accounting cycle. Dollar cost averaging is available for deposits greater than \$50,000.

# Contact

Ralph Simon, Vice-President  
Ralph.Simon@lfnd.org  
314-996-1056

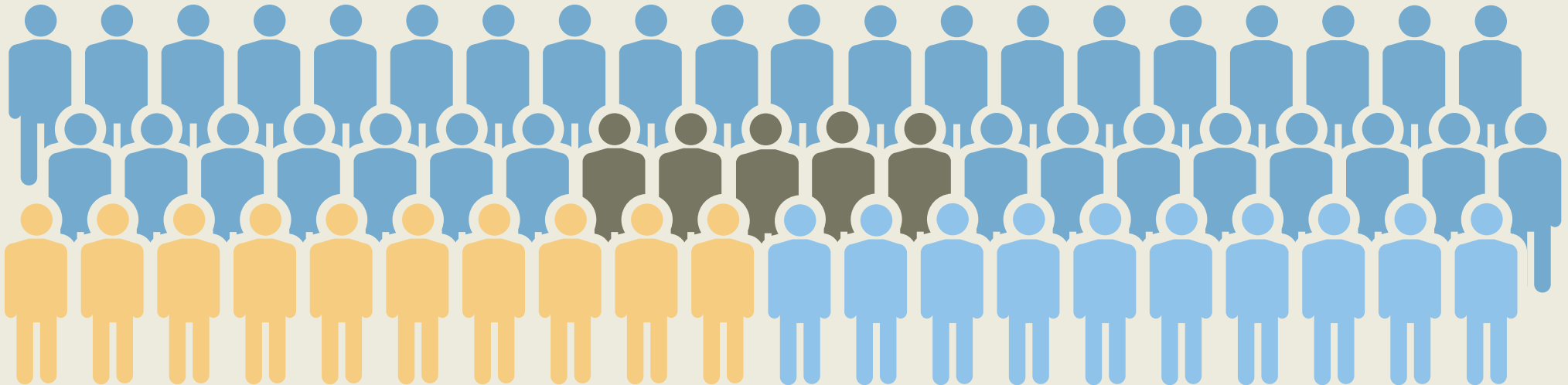
Mark Cannon, Chief Financial Officer  
Mark.Cannon@lfnd.org  
314-996-1462

# Governance

The LCMS Foundation is an independent corporation, chartered in the state of Missouri in 1958. The Foundation is governed by a 12 member Board of Trustees, who are LCMS leaders from around the country. Board members can serve up to four three-year terms.

The Foundation's financial statements are audited annually by Brown Smith Wallace who also reviews the Foundation's monthly fund pricing process, to document and verify its accuracy.

The Foundation's 60 members, who meet annually, elect a majority of the Board of Trustees. The Foundation's members include one member from each of the 35 LCMS Districts; one member from each of the Concordia Universities; one member each from the seminaries and other LCMS entities; and five at-large members appointed by the Synod.



# Foundation *investment* PHILOSOPHY

The LCMS Foundation has developed its investment philosophy in conjunction with investment advisors. This philosophy is based upon a set of factors which have a widely accepted theoretical basis.

1

**Long-term:** Investment objectives are achieved through prudent risk management.

2

**No market timing:** It is very difficult to time market cycles. Investment strategies will predominantly focus on processes which do not incorporate market-timing activity.

3

**Reversion to mean:** Capital markets are mean reverting over long periods. Investment strategies will be long term in nature.

4

**Active and passive:** Some markets are efficient while others are less so or inefficient. Investment strategies will reflect a mix of active and passive investments.

5

**Manage costs:** Costs have a meaningful impact on returns. Investment strategies will favor cost effective approaches.

6

**Asset allocation:** The most significant impact on investment results. The Foundation will focus the majority of its efforts on the development and maintenance of asset allocation strategies, which will optimally fulfill investment objectives.

7

**Fundamentals:** Valuation and analysis based upon fundamentals generally produce superior return/risk results.


8

**Performance:** The diversity of the Foundation's clients calls for product offerings that favor consistent performance relative to market benchmarks.

The Foundation uses both separately managed accounts and commingled funds in its investment portfolios. As part of its fiduciary responsibility, the Foundation imposes investment restrictions on managers of separately managed accounts and closely monitors the investment practices of managers of commingled funds. Rebalancing of investment strategies will be undertaken as needed to ensure the optimal investment structure is maintained despite market shifts.

With the assistance of its investment consultant, NEPC, the Foundation has established a variety of investment options in order to meet the specific investing needs of a wide range of clients. Please visit [www.lcmsfoundation.org](http://www.lcmsfoundation.org) for more information.

# Building BLOCKS



Preference Funds are the building blocks of the Foundation's investment portfolios. They are broadly diversified to maximize return and minimize risk. They also allow investment account holders the greatest flexibility to tailor their investment programs to meet specific investment objectives.

# Structure

# Preference FUNDS

## INVESTMENT OPTIONS

<i>Money Market</i>	This is a fund holding short-term securities.
<i>Core Bond</i>	A fixed income fund that invests primarily in government issues, mortgage-backed securities, and investment grade corporate bonds with a wide range of maturities. The fund is designed to provide exposure to the broad domestic fixed income market as represented by the Barclays Aggregate Index. These bonds are investment grade, rated BBB and higher. <b>MANAGERS:</b> BLACKROCK, JP MORGAN, PRUDENTIAL
<i>High Yield Bond</i>	A fixed income fund that invests in bonds that are lower in quality, and pay interest rates that are higher than investment grade bonds. Bonds in this fund are primarily rated BB and B, the two grades immediately below the lowest investment grade rating of BBB with a limited exposure to CCC. These assets consist primarily of corporate bonds, with some exposure to bank loans. <b>MANAGERS:</b> CREDIT SUISSE, FORT WASHINGTON, NOMURA
<i>Domestic Equity</i>	An equity fund that invests in common stock issued by domestic corporations and traded on domestic exchanges. The fund is designed to provide exposure to the entire domestic equity market as represented by the Russell 3000, with market weighting of size (large capitalization versus small capitalization) and style (value versus growth). <b>MANAGERS:</b> BLACKROCK, CENTER SQUARE, JACOBS LEVY, PEREGRINE, RHUMBLINE, WELLINGTON
<i>International Equity</i>	An equity fund that invests in common stock issued by foreign corporations and traded on foreign exchanges. The fund invests in securities of both developed and emerging markets. Fund performance is impacted not only by the securities held, but also by the fluctuations in currency exchange rates. <b>MANAGERS:</b> ABERDEEN, AQR, BLACKROCK, MARATHON, MFS, OFI,

# Structure

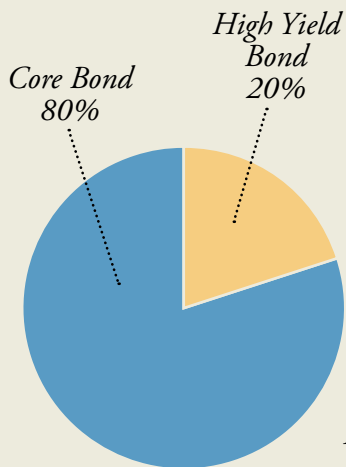
# Standard FUNDS

The Standard Funds are comprised of Preference Fund blends to accomplish specific investment objectives based on an organization's risk preference and time horizon. Each of the Standard Funds is re-balanced monthly to match investment portfolio asset class targets. They are highly diversified to maximize return and minimize risk.

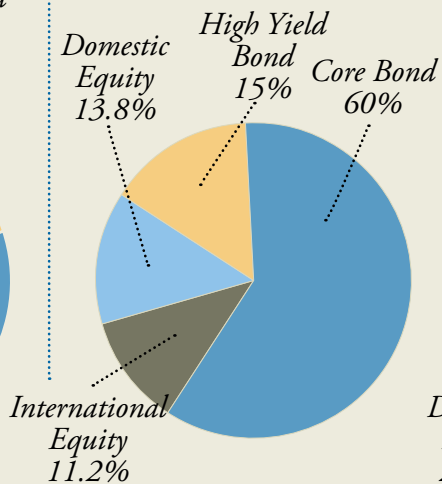
## INVESTMENT OPTIONS

<i>Fixed Income</i> 100% Fixed Income	<i>Conservative Balanced</i> 75% Fixed Income 25% Equity	<i>Moderate Balanced</i> 50% Equity 50% Fixed Income	<i>Aggressive Balanced</i> 75% Equity 25% Fixed Income	<i>Equity</i> 100% Equity
80% Core Bond 20% High Yield	60% Core Bond 15% High Yield 13.8% Domestic Equity 11.2% International Equity	40% Core Bond 10% High Yield 27.5% Domestic Equity 22.5% International Equity	20% Core Bond 5% High Yield 41.3% Domestic Equity 33.7% International Equity	55% Domestic Equity 45% International Equity

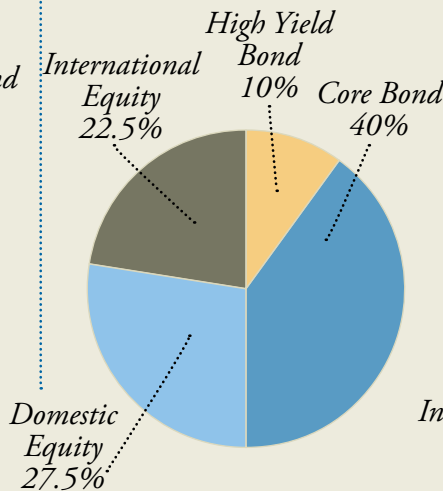
**FIXED INCOME:** A fixed income portfolio holding a broad range of investment grade bonds and higher quality, non-investment grade bonds. The portfolio's focus is income generation.



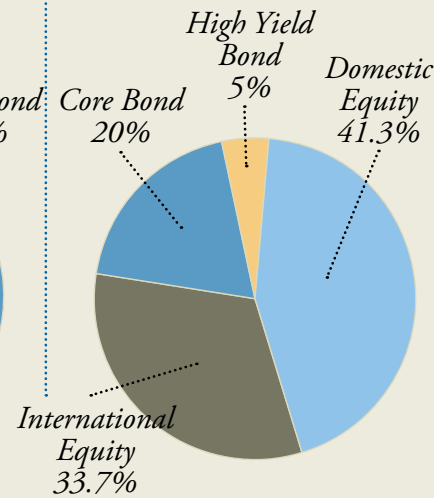
**CONSERVATIVE BALANCED:** A blended portfolio that holds both fixed income and equity securities. This portfolio has a high exposure to fixed income, focusing primarily on income generation with a limited potential for growth.



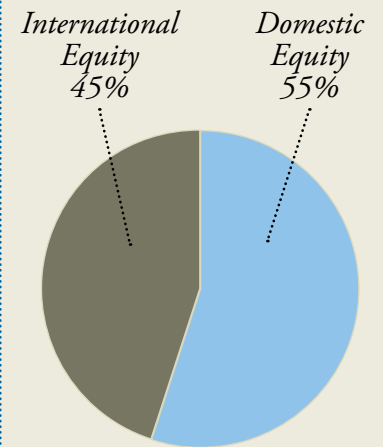
**MODERATE BALANCED:** A blended portfolio that holds both fixed income and equity securities. This portfolio is more evenly balanced between fixed income and equity, providing modest income generation and potential for growth.



**AGGRESSIVE BALANCED:** A blended portfolio that holds both fixed income and equity securities. This portfolio has a high exposure to equity, focusing primarily on potential for growth with limited income generation.



**EQUITY:** An equity portfolio holding both U.S. stocks, and foreign stocks in developed and emerging markets. The portfolio's focus is long-term growth.

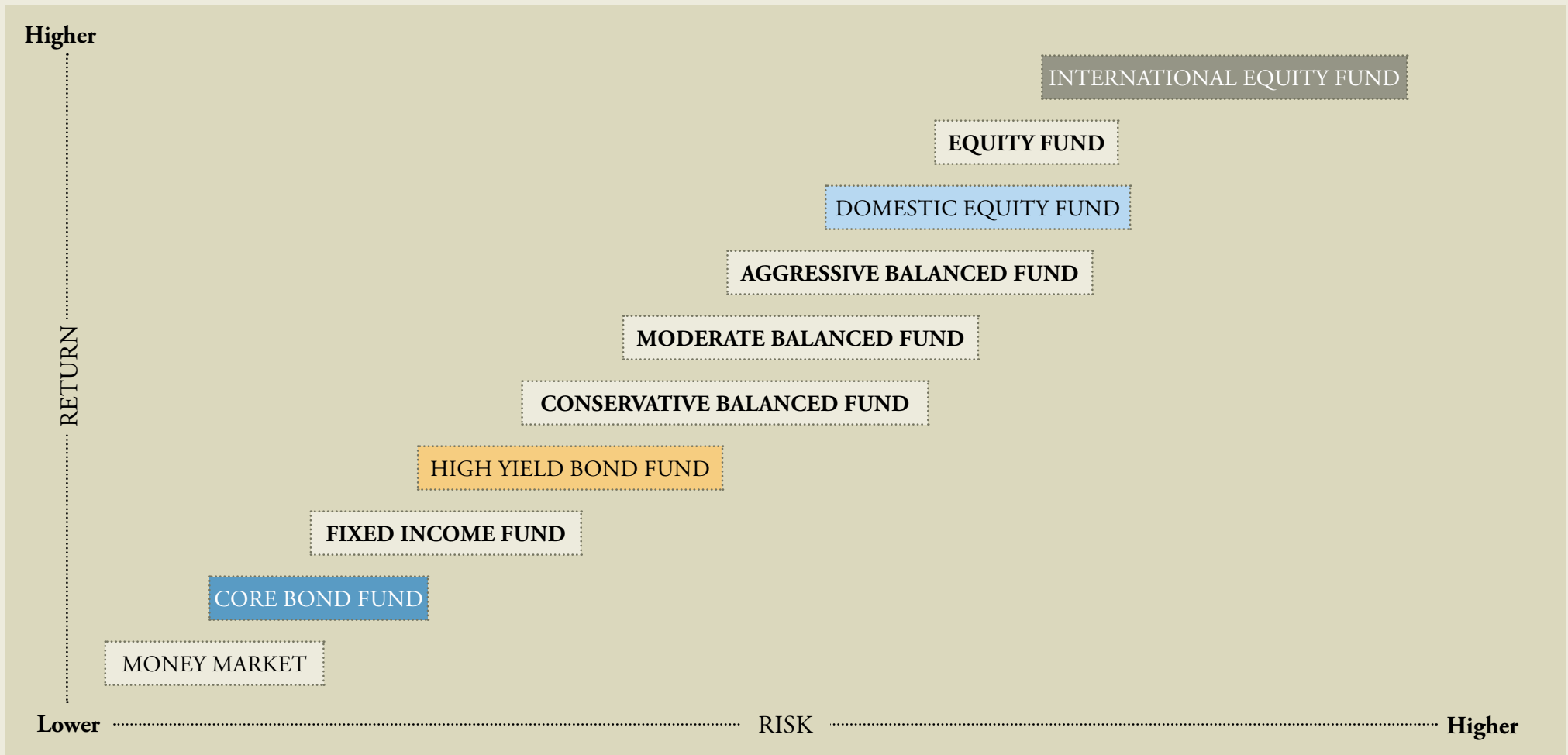




# Structure

## Standard and Preference FUNDS

RISK & RETURN CHARACTERISTICS



When accepting *more risk* for potentially *more return*, a long-term investment perspective is recommended.

# Portfolio MONITORING

The Foundation works continually to ensure that its assets are invested in conformity with established portfolio targets, and to ensure that portfolio return goals are being met. The Foundation and its partners perform ongoing monitoring of its investment portfolio as outlined below:

## Daily

- Foundation Staff and investment advisor NEPC continually review market activity in the Foundation's investment accounts.
- Activity in these accounts is handled by 16 external fund managers, hired by the Foundation to trade stocks and bonds each day in financial markets on behalf of Foundation account holders.

## Monthly

- The Foundation's investment committee meets monthly to review the long and short term investment results for each of the Foundation's external fund managers, and all of the investment funds offered to its account holders.
- NEPC performs a monthly report comparing the Foundation's investment performance to market indices.

## Quarterly

- The Foundation Board of Trustees' Investment Committee meets quarterly with NEPC and Foundation staff to review investment performance, and to consider any possible changes to the portfolio.

## Annually

- The Foundation staff meets with each of the external fund managers to review fund performance, and adherence to investment guidelines.
- The Foundation Board of Trustees reviews the Investment Policy Statement annually, modifying it as needed.
- Foundation members receive the auditor's report at the annual meeting, and the annual ministry report as well.
- The Foundation's financial statements are audited by an outside CPA firm.

The Foundation's assets are held in custody with U.S. Bank, an industry leader for asset management. U.S. Bank is one of the largest commercial banks in the United States with more than \$400 billion in assets. [www.USBank.com](http://www.USBank.com)

*Our Mission:*  
**Linking Christians  
 with Giving  
 Opportunities.**<sup>TM</sup>

*Endowment Expertise*

Creating the proper governance for an endowment is essential for a ministry hoping to strengthen its financial position. Donors will be keenly interested in how funds are invested and spent. With a knowledgeable team experienced in planned giving and endowment management, the Foundation can serve as a helpful advisor in establishing a formal endowment for a congregation or ministry. Endowment templates are available from the Foundation upon request.

*Customer Service*

Each investment account is assigned to one of the Foundation's five trust administrators. Changes to portfolio weightings, additions, and withdrawals can be handled by working with the trust administrators. Each of the trust administrators is a Certified Trust and Financial Administrator (CTFA). Funds from the investment accounts can be withdrawn as needed with up to 30 days required for processing. The minimum account balance is \$5,000.

*Fee Schedule*

The LCMS Foundation works continually to be good stewards and to manage its expenses carefully. By collectively managing investments for thousands of donors and hundreds of ministries, the Foundation is able to attain favorable pricing from its investment managers, and to keep its expenses very low.

Balance:	<\$1M	\$1-10M	\$10-25M	\$25M+ negotiable
Fee:	.55%	.45%	.35%	thereafter

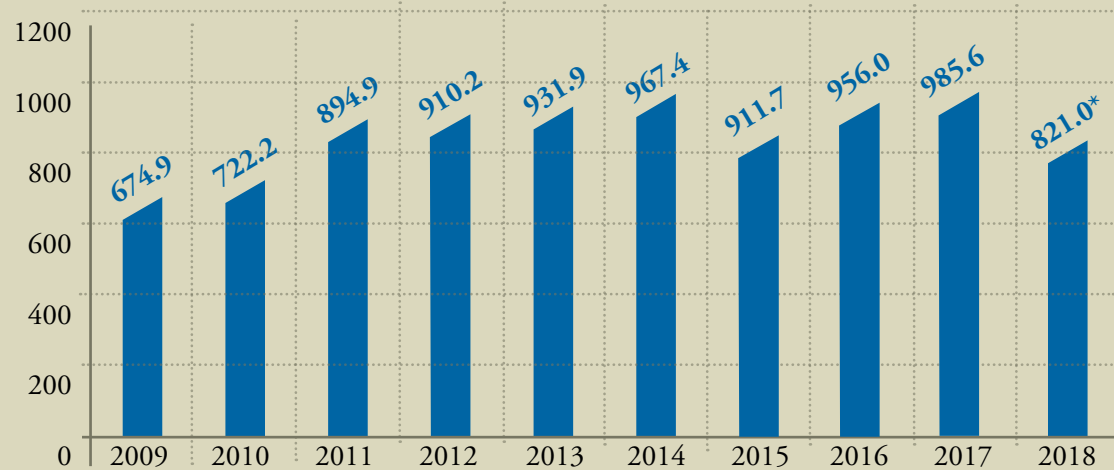
*Investment Advisor*

The LCMS Foundation has partnered with NEPC to develop the Foundation's investment model and to select and monitor the Foundation's Fund Managers. NEPC was founded in 1986, and is a leading investment management firm with client assets of more than \$900 billion. NEPC's consulting team works closely with the Foundation's staff, board of trustees, and investment committee in two areas:

- to develop, review, and update the Foundation's investment model
- to recommend, monitor, and select external fund managers for the Foundation

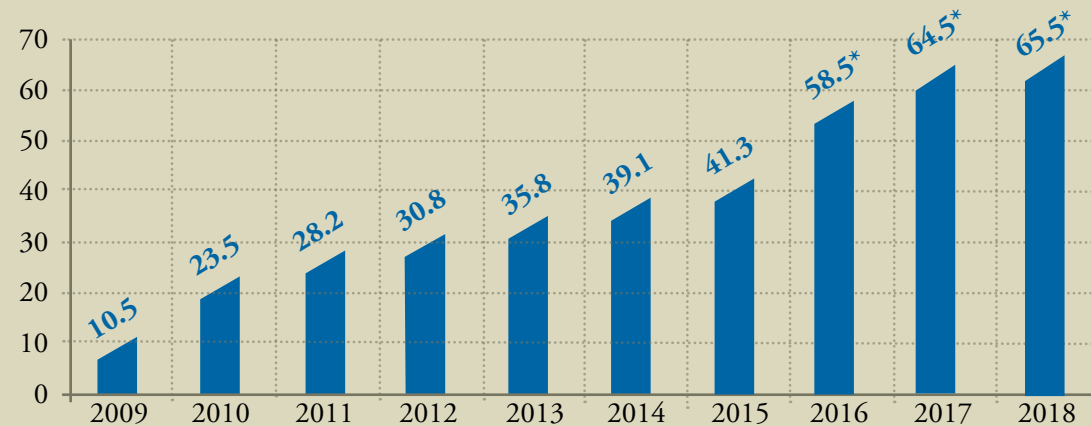
# Assets *under* MANAGEMENT

## LCMS Foundation TOTAL ASSETS (\$ millions)



*\*Effective August 31, 2017, the Lutheran Church Extension Fund (LCEF) closed its custodial account with the Foundation. The assets from this account represent a material amount, but are very different from the Foundation's primary assets, which are investments related to gifts and endowments held on behalf of ministries and donors.*

## LCMS Foundation NET ASSETS (\$ millions)



*\*Endowments valued at \$20.4 million were reclassified from liabilities to net assets in June 2016.*

*Our Vision:* Every  
Christian with a  
Lifetime Plan for  
Giving.<sup>TM</sup>

*For more information*

Please contact:

Ralph Simon, Vice-President  
Ralph.Simon@lfnd.org  
314-996-1056

Mark Cannon, Chief Financial Officer  
Mark.Cannon@lfnd.org  
314-996-1462

David Fiedler, President  
David.Fiedler@lfnd.org  
314-996-1450

*Disclosure*

Note that investment programs offered by the LCMS Foundation involve risk. Past performance is no guarantee of future returns. Funds are not FDIC insured, and may lose value.

The logo graphic consists of three overlapping, curved, horizontal bands in shades of blue and light blue, resembling a stylized wave or a ribbon.  
**LCMS Foundation**  
TODAY | TOMORROW | FOREVER

1333 South Kirkwood Road  
Saint Louis, MO 63122  
(800) 325-7912  
[www.lcmsfoundation.org](http://www.lcmsfoundation.org)

