

The Episcopal Church Foundation in West Texas Investment Program

QUARTERLY REPORT

September 30, 2018

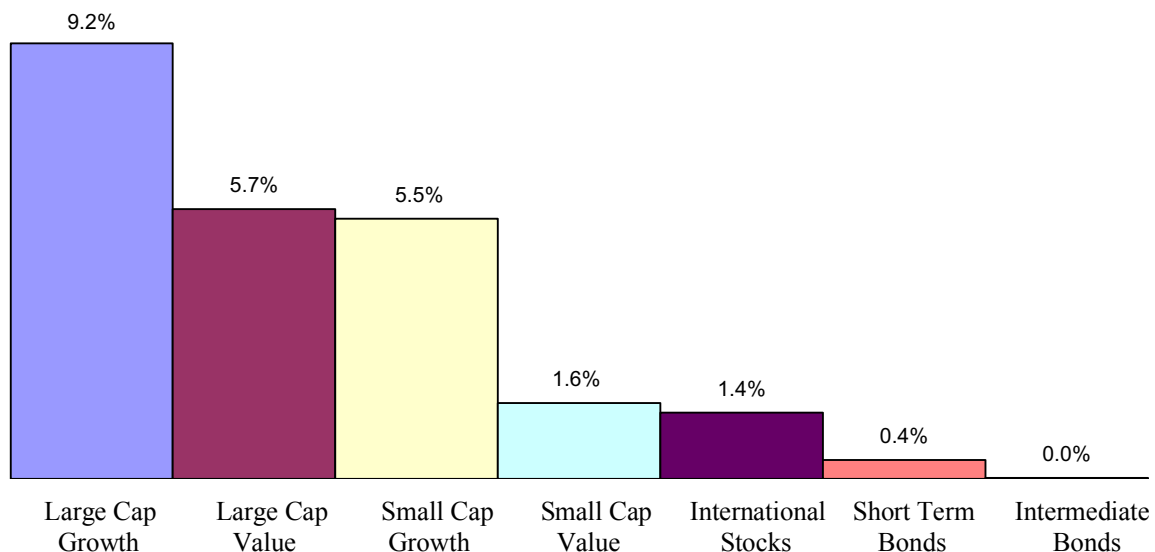
Market Report

Rising interest rates, higher gasoline prices, and worries over possible trade wars were insufficient to overcome US economic indicators and investor optimism during the quarter. As a result, the US stock market achieved impressive gains, with several market indices posting record highs.

The broad US stock market gained 7.1% (using the Vanguard Total Stock Market Index as a proxy for the market). Large capitalization stocks outperformed small cap stocks by almost 400 basis points—a reversal from the prior quarter. As shown below, in both capitalization categories, the growth style outperformed the value style. US stocks outperformed international stocks by a wide margin, however foreign stocks achieved modest gains during the quarter.

Problems continued in the fixed income market, with interest rates rising across the maturity spectrum. When interest rates rise, the value of bonds decline. Cash equivalents outperformed bonds for the third consecutive quarter. The Federal Reserve continued with its plan to increase short-term interest rates. The Fed Funds rate is now above 2% for the first time since 2008.

Market Returns for Quarter



Model Portfolio Review

All four of the Foundation's model portfolios achieved gains, ranging from 0.4% for Capital Maintenance to 3.8% for Growth. Performance relative to peer groups for all models was favorable for the quarter and mostly favorable for the year. Longer-term relative performance for all models is favorable compared to other managers.

Details of the performance of the four models are shown below.

Asset Class Investment Results

The Foundation's performance for the quarter for the three assets classes in which it invests, along with comparative benchmark returns, are shown in the following table.

Asset Class	Return	Benchmark
Common Stocks	5.3%	7.1%
Fixed Income	0.6%	0.0%
Cash Equivalents	0.4%	0.4%

Account Status

Foundation assets at quarter-end totaled \$76.1 million, an increase of \$2.6 million during the quarter and a new high. Investment gains were \$2.6 million or 3.5%. Three new accounts were opened during the quarter, totaling \$243 thousand in initial deposits.

At September 30th, the Foundation had a total of 222 accounts as follows:

Ownership	Number of Accounts	Amount
Churches/Schools	163	\$ 42.5 million
Diocese/Foundation	59	33.6 million

Model Portfolio Performance as of September 30, 2018*

Growth	3 Mo	1 Yr	3 Yr	5 Yr
Portfolio Total Return	3.77	11.79	11.07	7.72
<i>+/- Peer Group Composite</i>	0.52	3.14	1.01	0.26
<i>+/- Index Composite</i>	(0.03)	2.13	(0.09)	(0.78)

Growth & Income	3 Mo	1 Yr	3 Yr	5 Yr
Portfolio Total Return	2.88	8.56	8.88	6.50
<i>+/- Peer Group Composite</i>	0.35	2.26	1.02	0.37
<i>+/- Index Composite</i>	0.00	1.63	0.08	(0.55)

Income	3 Mo	1 Yr	3 Yr	5 Yr
Portfolio Total Return	2.30	6.26	7.13	5.35
<i>+/- Peer Group Composite</i>	0.31	1.76	1.06	0.51
<i>+/- Index Composite</i>	0.11	1.42	0.52	(0.10)

Capital Maintenance	3 Mo	1 Yr	3 Yr	5 Yr
Portfolio Total Return	0.38	0.55	0.94	0.89
<i>+/- Peer Group Composite</i>	0.00	(0.06)	0.08	0.09
<i>+/- Index Composite</i>	0.00	(0.24)	0.10	0.08

* Returns for greater than one year are annualized. Past performance does not guarantee future results.