



INVESTMENT FUNDS Statement of Information

INTRODUCTION

The Colorado Episcopal Foundation operates two pooled investment funds that are designed as long-term investment vehicles. They are the Colorado Episcopal Foundation **Equity Fund** and the Colorado Episcopal Foundation **Bond Fund**.

This Statement of Information for the Colorado Episcopal Foundation Investment Funds describes the material terms of the operation of both Funds and should be thoroughly reviewed before an investment is made in either Fund.

In many ways the Funds are operated similarly. However, in many ways the Funds are dramatically different. This Statement of Information should make clear the similarities and differences of the Colorado Episcopal Foundation Equity and Bond Funds.

THE COLORADO EPISCOPAL FOUNDATION

The Colorado Episcopal Foundation is a charitable religious organization. A Board of Trustees that includes, among others, the Bishop of the Episcopal Diocese of Colorado, ultimately oversees its activities. The Foundation's day-to-day activities are managed by its President and executive staff.

It is the mission of the Colorado Episcopal Foundation to leverage the vision and resources of local congregations to build the Church in Colorado, helping men and women to be ever more effective witnesses to Christ in their communities.

The Colorado Episcopal Foundation accomplishes this mission by employing a variety of consulting and financial services. In this way, the Foundation helps to strengthen congregations while bringing financial stability to parishes and missions.

The financial and consulting services offered by the Foundation include planned giving services, various loan and grant programs, and investment services. The investment services include the operation of the Limited Maturity Income Fund and the operation of the Investment Funds described in this Statement of Information.

THE INVESTMENT FUNDS

The Colorado Episcopal Foundation operates two pooled investment funds that are designed as long-term investment vehicles. They are the Colorado Episcopal Foundation Equity Fund and the Colorado Episcopal Foundation Bond Fund. Each of these Funds is distinctly separate from the other, and in no way are the assets of one fund commingled with the assets of the other fund.

The Colorado Episcopal Foundation operates the Funds primarily for the benefit of the Episcopal Diocese of Colorado and its parishes and missions. Currently, many parishes and missions participate in the Funds along with the Diocese and the Foundation. Participation in the Funds is accomplished through the ownership of units (shares) in one or both of the Funds.

The ultimate responsibility for the operation of the Funds rests with the Foundation's Board of Trustees. The Colorado Episcopal Foundation Investment Committee was established to assist the Foundation's Board of Trustees with overseeing the operation of the Funds.

THE INVESTMENT COMMITTEE

The Colorado Episcopal Foundation Investment Committee is composed of at least five but not more than seven qualified members. One member is appointed by the Bishop, with the remaining members appointed by the Foundation's Board of Trustees. As stated in the Foundation's by-laws, the chair of the Committee will also be a member of the Foundation's Board of Trustees. Members of the Committee serve one-year terms and may be reappointed for successive one-year terms, with a maximum of six one-year terms. The Foundation's Board of Trustees annually designates a member of the Committee to be the Committee's Chairperson.

The Investment Committee is directly responsible to the Foundation's Board of Trustees. It is responsible for making safekeeping, management, and investment decisions of the Funds. It is also responsible for making recommendations to the Board as to any changes to the Fund's Statement of Investment Policy that it feels are in the best interests of the Funds and its participants.

The day-to-day investment activities of the Colorado Episcopal Foundation Investment Funds are managed by one or more investment advisors and/or managers chosen and retained by the Investment Committee. Such management may be in the form of mutual funds. The Committee acts as the liaison between the Board and any such managers and as such is responsible for the regular monitoring of such managers in relation to the investment policy and will make regular reports to the Foundation's Board.

INVESTMENT OBJECTIVES

One of the most notable differences between the Colorado Episcopal Bond and Equity Funds relates to their respective investment objectives. It is recognized that there is always volatility in equity and bond investments and that such investments can decline in value at any time. With this in mind, the preservation of capital and purchasing power is a primary objective of both Funds. Therefore, each Fund's investments will be of such quality and diversification so that over the long-term adverse or negative events from any single investment or group of investments will not materially impair the total capital invested by either Fund.

The Colorado Episcopal Foundation **Equity Fund** is a pooled investment fund seeking long-term growth of capital. Income is a secondary consideration. The Equity Fund invests primarily in publicly traded equity securities (stocks) and mutual funds that focus on equity investments. It is the goal of the Equity Fund to produce, over the long-term, a total return that exceeds the total return of the S&P 500 Stock Index on a risk-adjusted basis and a minimum total return that exceeds the rate of inflation by seven percentage points.

The Colorado Episcopal Foundation **Bond Fund** is a pooled investment fund seeking to provide current income. Capital appreciation is a secondary consideration. The Bond Fund invests primarily in publicly traded fixed income securities (bonds) and mutual funds that focus on fixed income investments. It is the goal of the Bond Fund to produce, over the long-term, a total return that exceeds the total return of the Lehman Brothers Aggregate Bond Index on a risk-adjusted basis and a minimum total return that exceeds the rate of inflation by two percentage points.

RISK FACTORS

There are risks in all investments. The value of an investment may fluctuate and at times the current value of an investment may be less than the amount of the original investment. The principal risk factor associated with an investment in units of either of the Funds is that the market value of the Funds' underlying investment holdings may decrease, resulting in a decrease in the value of the Funds' units and, therefore, the participant's investment.

The Colorado Episcopal Foundation can provide no guarantee that either the Equity Fund or the Bond Fund will meet their respective investment objectives or that the value of an investment in units of either Fund will not decline.

Even though there are risks in all investments it is generally agreed that the risks associated with equity investments (stocks) are greater than those

associated with fixed income investments (bonds). It is also generally agreed that, over the long-term, the total return generated by equity investments should be greater than the total return generated by fixed income investments. Therefore, an investment in units of the Colorado Episcopal Foundation Equity Fund is generally considered to be riskier than an investment in units of the Colorado Episcopal Foundation Bond Fund and should, over the long-term, generate a higher rate of total return, although it might not.

A unique risk associated with an investment in either Fund exists because units of both Funds can only be sold at the end of a calendar quarter. This means that a participant's investment will remain "at risk" until the end of the calendar quarter even though the participant might not want it to be. It is for this reason that **the Colorado Episcopal Foundation Investment Funds should only be used as long-term investment vehicles.**

WHO SHOULD INVEST IN THE FUNDS

An investment in units of either of the Colorado Episcopal Foundation Investment Funds can be made by any qualified charitable organization, at the discretion of the Foundation's Board of Trustees. **Individuals cannot invest in the Funds.** Generally, any parish or mission within the Episcopal Diocese of Colorado may invest the assets of their general endowment or other funds in units of either the Colorado Episcopal Foundation Bond or Equity Fund. This is not to say that an investment in units of either of the Funds is necessarily an appropriate investment for all parishes and missions within the Episcopal Diocese of Colorado.

Before investing in either the Colorado Episcopal Foundation Equity or Bond Fund an investor should thoroughly review this Statement of Information and carefully consider not only the specific and unique nature of the funds to be invested but also the risks associated with an investment in either Fund.

The Colorado Episcopal Foundation **Equity Fund** is intended to be used by investors seeking long-term growth of capital. Very little, if any, income is generated by the Equity Fund. The Equity Fund invests primarily in publicly traded equity securities (stocks) and mutual funds that focus on equity investments. As discussed above, it is generally recognized that these types of investments are considered to be riskier than some other investments. Therefore, investors in the Equity Fund must be prepared to accept the higher levels of risk generally attributed to equity investments.

The Colorado Episcopal Foundation **Bond Fund** is intended to be used by investors seeking current income. The long-term growth of capital generated by the Bond Fund, if any, will be minimal. The Bond Fund invests primarily in

publicly traded fixed income securities (bonds) and mutual funds that focus on fixed income investments. As discussed above, it is generally agreed that these types of investments are considered to be less risky than stocks, but do have a meaningful level of risk. Therefore, investors in the Bond Fund must be prepared to accept the level of risk generally attributed to fixed income investments.

HOW AN INVESTMENT IN THE FUNDS CAN BE MADE

An investment in units of either of the Funds can be requested at any time by forwarding a written request to the Foundation accompanied by the funds to be invested. A request to purchase units must be fully funded and received by the Foundation before 12:00 Noon on the last business day of a calendar quarter in order to be processed using that quarter's ending unit price. Although a request to purchase units of either Fund can be made at any time, it should be noted that the actual purchases are only made at the end of a calendar quarter.

Requests to purchase units must be made in writing and must clearly indicate the exact amount to be invested and which Fund's units are to be purchased. To avoid confusion it is required that the request be made on a Buy or Sell Form provided by the Foundation. A fully completed Initial Investment Designation Form and a properly executed Account Resolution Form must also accompany an initial purchase. Any initial purchase must be no less than \$2,000. **Purchase requests that are not fully funded before 12:00 Noon on the last business day of the calendar quarter will not be honored.**

HOW AN INVESTMENT IN THE FUNDS CAN BE SOLD

An investment in units of either of the Funds can be fully or partially sold at any time by forwarding a written request to the Foundation. A request to sell units must be received by the Foundation before 12:00 Noon on the last business day of a calendar quarter in order to be processed using that quarter's ending unit price. Although a request to sell units of either Fund can be made at any time, it should be noted that the actual sales are only made at the end of a calendar quarter. The proceeds from a sale of units will generally be made available to the selling participant within fifteen days of the end of the calendar quarter.

Requests to sell units must be made in writing and must clearly indicate the exact number of units or dollar amount of units to be sold and which Fund's units are to be sold. To avoid confusion it is required that the request be made on a Buy or Sell Form provided by the Foundation. It is generally required that account balances be at least \$1,000. **Sale requests that are**

not received before 12:00 Noon on the last business day of the calendar quarter will not be honored.

HOW MONEY CAN BE MOVED FROM ONE FUND TO THE OTHER

Money can be moved from one of the Colorado Episcopal Foundation Investment Funds to the other Fund by simply making a request to sell units of one Fund and simultaneously making a request to purchase units of the other Fund. Such requests must be made on a Buy or Sell Form provided by the Foundation.

Many participants choose to own units of both of the Funds in specific relative dollar proportions (for example, 60% Equity Fund and 40% Bond Fund). Those participants can request that the relative dollar proportion of their holdings in both Funds be adjusted at any time. Such requests must be made in writing and must be received by the Foundation before 12:00 Noon on the last business day of the calendar quarter in order to be processed using that quarter's ending unit prices. Although a request to adjust the relative dollar proportion of holdings in both Funds can be made at any time, it should be noted that the actual adjustments are only made at the end of a calendar quarter. **The Foundation will not automatically adjust the relative dollar proportion of a participant's holdings in both Funds.**

Requests to adjust the relative dollar proportion of holdings in both Funds must be made in writing and must clearly indicate the dollar proportions of each Fund. To avoid confusion it is required that the request be made on a Re-Balance form provided by the Foundation. **Requests to adjust the relative dollar proportion of holdings in both Funds that are not received by the Foundation before 12:00 Noon on the last business day of the calendar quarter will not be honored.**

HOW THE FUNDS' UNIT PRICES ARE DETERMINED

The unit prices of both of the Colorado Episcopal Foundation Bond and Equity Funds are determined in a similar manner. Both Funds use a cash basis accounting method. At the end of each calendar quarter the market value of each Fund's underlying investment holdings, including all cash and cash equivalents, as provided by the Funds' various custodians, are totaled. These total market values are then reduced by each Fund's net investment income for the quarter, resulting in each Fund's total net assets. Each Fund's unit price is then calculated by dividing each Fund's total net assets by the number of each Fund's units outstanding. These unit prices are then used in

the processing of any purchases or sales of units, as well as to calculate the value of each participant's account.

ABOUT INCOME

As previously mentioned, the Colorado Episcopal Foundation Bond Fund seeks to provide its participants with current income. Income is a secondary consideration for the Colorado Episcopal Foundation Equity Fund. Both Funds do, however, calculate and distribute net investment income in the same manner.

At the end of each calendar quarter each Fund's total investment income is determined by totaling all dividend and interest payments received by each Fund during the quarter. These total investment incomes are then reduced by the total of all expenses paid by each Fund during the quarter, resulting in each Fund's net investment income for the quarter. Each Fund's income per unit is then calculated by dividing each Fund's net investment income by the number of each Fund's units outstanding. Should either Fund's net investment income be negative it will be charged off against the Fund's net assets at the end of the quarter.

Each participant's total income is determined by multiplying the income per unit by the total number of units owned by that participant. Each participant's total income is then either paid to the participant in cash or reinvested in additional units of the Fund at the option of the participant. The participant's income option (payout or reinvest) must be indicated at the time of initial purchase on the Initial Investment Designation Form. The income option can be changed at any time by forwarding a written request to the Foundation before 12:00 Noon on the last business day of the calendar quarter. In order to avoid confusion it is required that the request be made on an Option Designation Form provided by the Foundation. **Requests to change a participant's income option that are not received before 12:00 Noon on the last business day of the calendar quarter will not be honored.**

ABOUT EXPENSES

No costs are incurred by participants in purchasing or selling units of the Colorado Episcopal Foundation Bond or Equity Funds or in maintaining a holding in either Fund. Each Fund does, however, incur various expenses in the normal course of business. These expenses fall into two general categories, namely, transaction fees and operating expenses.

The transaction fees incurred by each Fund consist of the brokerage commissions that are paid to the firms that execute the actual purchase and sale transactions of each Fund's underlying investments. Transaction fees

for purchases are added to the cost of the investment. Transaction fees for sales are deducted from the proceeds of the sale.

There are three primary types of operating expenses incurred by the Funds and they are as follows:

Advisory Fees – These are the fees paid to the investment advisors and/or managers retained by the Funds to handle the day-to-day management of the Funds' investments and other matters.

Administrative Fees – These are the fees paid to any providers of administrative services to the Funds. These services consist mainly of the ongoing recordkeeping associated with unit pricing and participant accounting.

Custodial Fees – These are the fees, if any, that are paid to the firms that provide the Funds with custodial and/or safekeeping services.

The Colorado Episcopal Foundation receives no payment of any kind for any services that it might provide to or on behalf of the Funds.

THE FUNDS' INVESTMENT MANAGERS

The Foundation's Investment Committee has chosen to invest the assets of the Colorado Episcopal Foundation **Equity Fund** in seven different professionally managed no-load mutual funds -cap international stocks that display growth characteristics. Complete descriptions of the mutual funds in the **Equity Fund** and **Bond Fund** can be found in their respective prospectuses, copies of which can be requested from the Foundation.

The Foundation's Board of Trustees, on the recommendation of the Investment Committee, has chosen to invest the assets of the Colorado Episcopal Foundation **Bond Fund** in three different professionally managed no-load mutual funds.

THE FUNDS' ADMINISTRATIVE SERVICES PROVIDERS

The Colorado State Bank and Trust provides the Funds with various administrative services that consist mainly of the ongoing recordkeeping associated with unit pricing and participant accounting. This means that the Colorado State Bank and Trust has been retained to provide all quarter end unit price calculations, including unit income, as well as to maintain those records necessary to track each participant's holdings of the Funds.

As the operator of the Funds, the Foundation also provides the Funds with a variety of administrative services. These services relate primarily to

“Participant Services,” meaning that the Foundation is the only point of contact between the Funds and the participants. It should be noted, however, that the **Colorado Episcopal Foundation receives no payment of any kind for any services that it might provide to or on behalf of the Funds.**

THE FUNDS’ CUSTODIANS

The assets of the Colorado Episcopal Foundation **Equity Fund and Bond Fund** are custodied with the Colorado State Bank and Trust. The Equity Fund pays Colorado State Bank and Trust a nominal fee for this service.

The custodian has been recommended by the Investment Committee and approved by the Board of Trustees and has been deemed to provide superior service and adequate protection and safekeeping of the Funds’ assets.

PARTICIPANT REPORTING

Participants in the Colorado Episcopal Foundation Investment Funds receive a quarterly statement showing their investment in each Fund. The statements include the total number of units held in each Fund, each Fund’s unit price, the current value of the participant’s holding in each Fund, the income generated by each Fund, and a summary of the Participant’s total account with the Colorado Episcopal Foundation Investment Funds.

Additionally, each participant receives a quarterly Investment Summary Sheet for both Funds that provides a snapshot of the Funds’ investment holdings, investment performance, and other information.

HOW THE FUNDS CAN BE CONTACTED

The Colorado Episcopal Foundation Investment Funds can only be contacted through the offices of the Colorado Episcopal Foundation, which are as follows:

The Colorado Episcopal Foundation
1300 Washington Street
Denver, Colorado 80204
(303) 534-6778
Attn: Scott Asper, Finance Director

ADDITIONAL INFORMATION

A variety of additional information regarding the Colorado Episcopal Foundation Investment Funds is available and should be considered an integral part of this Statement of Information. Such additional information can be requested from the Foundation and includes the following:

Quarterly Investment Summary Sheets for each Fund
The Investment Funds' Statement of Investment Policy

Amended: **March 15, 2007**