

## **TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED**

Suite 201  
1730 Clifton Place  
Minneapolis, MN 55403-3242

(612) 871-5311  
Fax (612) 871-0552  
MN Toll Free (800) 596-3839

April 22, 2009

Dear Pooled Investment Fund (PIF) participant:

Just days into 2009, it was beginning to look like 2008 all over again. Discouraged by deteriorating economic data and the slow pace of government efforts to unclog the financial system, equities continued their slide, with the Dow Jones Industrial Average hitting a 12-year low of 6547 on March 9. Not long after, the Federal Reserve said it would buy \$300 billion in longer-term Treasuries to help keep interest rates low. Then the Obama administration delivered the details of the Public-Private Investment Program, the aim of which is to remove toxic assets from bank balance sheets. Add in some better-than-expected economic data, and stocks rallied 16% in the final three weeks of the quarter.

- For the three months ending March 31, the Dow Jones Industrial Average declined 12.5%, and 36% over the past 12 months. The Standard & Poor's 500 Index lost 11% for the quarter and 38.1% for the rolling 12 months. Only one of the 10 major economic sectors in the index showed positive returns: information technology, which brought in 4.3% for the quarter. Materials came in second place at -2.1%. Financial stocks turned in the worst showing: -28.8. The energy, industrials, consumer staples and utilities sectors all displayed double-digit losses for the quarter.
- The performances of small-, mid- and large-cap stocks were equally discouraging. For the quarter, the small-cap Russell 2000 Index was down 15%, the Russell Midcap Index dropped by 9% and the large-cap Russell 1000 Index fell 10.5%. Growth stocks posted negative returns for the quarter but were not nearly as low as value stocks. The Russell 2000 Value Index posted a 19.6% loss while the Growth Index was down 9.7%. Midcap value posted a 14.7% loss and growth was down only 3.4%. The Russell 1000 large-cap index lost 16.8% and 4.1% for value and growth, respectively.
- Markets abroad diverged in performance. The Morgan Stanley Capital International Europe Australasia Far East Index, a benchmark for developed markets, fell 10.8% in local terms and 14.6% for US-dollar-based investors for the first quarter; but the Emerging Markets Index was up a comparatively hearty 3.7% in local terms and 0.5% in US dollars. The BRIC index, covering emerging markets Brazil, Russia, India and China, was up even more, showing 4.7% growth in local terms and 4.6% in US-dollar-based returns.
- Fixed income investors found the credit markets inconsistent, with 30-year Treasury bond yields up at 3.6%, nearly a full percent up from the beginning of the year, and 10-year Treasury yields at 2.7%. Investors began to move out of government bonds into corporates. Mortgage rates remained low, hovering around 5%.

As difficult as the last year has been, we are optimistic that the necessary monetary and fiscal stimulus measures are in place to spur an economic recovery later this year. Since the markets move up ahead of a recovery, in our view it is important to stand by your investment plans.

For the first quarter of 2009, the PIF has shown a loss of -7.6%. Enclosed are your reports which include more information on the performance of the PIF and your individual account(s). If you have any questions, please don't hesitate to call.

Sincerely,

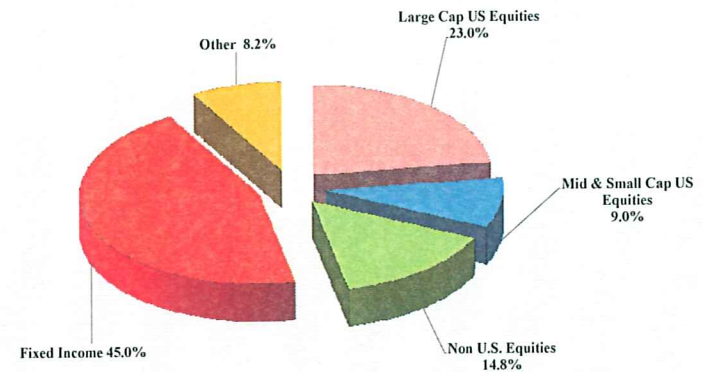
A handwritten signature in black ink that reads "James D. Pavlik". The signature is written in a cursive style with a large, prominent initial "J".

James D. Pavlik  
Principal Financial Officer & Secretary  
Phone: 612-870-3308  
Fax: 612-871-0552  
E-mail: [james.p@episcopalmn.org](mailto:james.p@episcopalmn.org)

Trustees of the Diocese of Minnesota, Incorporated  
Pooled Investment Fund (PIF)  
1st Quarter ending March 31, 2009

	Beginning Balance	Interest	Dividends	SB Fees	Other Income/ Gains (Losses)	Mgmt Fees	Investment Income	Contributions	Withdrawals	Distributions	Net Change	Ending Balance
<b>Total Pooled Investment Fund</b>	\$17,108,852	\$217,311	\$57,701	(\$12,034)	(\$1,535,836)	(\$21,041)	(\$1,293,899)	\$27,594	(\$132,698)	(\$203,407)	(\$1,602,409)	\$15,506,443
	<b>Actual Returns</b>		<b>Benchmark</b>									
<b>PIF Returns - Actual vs Benchmarks</b>	<b>1st Quarter</b>	<b>YTD</b>	<b>YTD Returns</b>	<b>Historical Performance</b>								
Lg Cap US Equities	-10.9%	-10.9%	-11.0%	<u>Year</u>	<u>Return</u>							
Mid & Small Cap US Equities	-9.7%	-9.7%	-15.0%	2000	3.5%							
Non US Equities	-13.2%	-13.2%	-13.9%	2001	-4.1%							
Fixed Income	-2.5%	-2.5%	0.1%	2002	-11.8%							
Other	-10.8%	-10.8%	-31.9%	2003	23.9%							
<b>Total PIF Return</b>	<b>-7.6%</b>	<b>-7.6%</b>	<b>-5.2%</b>	2004	9.5%							
				2005	5.9%							
				2006	13.1%							
				2007	4.9%							
				2008	-22.9%							
				<b>Investment Allocation</b>								
<b>PIF 2009 Benchmarks - Target vs Actual</b>				<b>Target %</b>	<b>Actual %</b>							
Lg Cap US Equities				25%	23.0%							
Mid & Small Cap US Equities				15%	9.0%							
Non US Equities				20%	14.8%							
Fixed Income				30%	45.0%							
Other				10%	8.2%							
<b>Totals</b>				<b>100%</b>	<b>100%</b>							

PIF Investment Allocation - Actual



<b>PIF 2009 Activity Information</b>		
<u>Top 5 PIF Participants</u>	<u>Number of Funds in PIF</u>	<u>New Funds in 2009</u>
Diocese of Minnesota	157	None as of March 31, 2009
St. Paul's Church, Duluth		
St. Stephen's Church, Edina		
St. Helen's Church, Wadena		
Episcopal House of Prayer		

**Trustees of the Diocese of Minnesota  
Pooled Investment Fund (PIF)  
Asset Allocation Summary as of March 31 2009**

	<u>Trustees' Policy</u>			Smith Barney	Percent of Portfolio	Percentage Point		Dollar Variance from Target
	Target	Low	High			Variance from Target	Within Range?	
<b><u>EQUITIES</u></b>								
US Large Capitalization				3,028,442	23.0%			
<b>Total US Large Cap</b>	<b>25%</b>	<b>20%</b>	<b>40%</b>	<b>\$3,028,442</b>	<b>23.0%</b>	<b>-2.0%</b>	<b>YES</b>	<b>(\$310,129)</b>
US Mid & Small Capitalization				1,421,194	9.0%			
<b>Total US Mid &amp; Small Cap</b>	<b>15%</b>	<b>10%</b>	<b>20%</b>	<b>\$1,421,194</b>	<b>9.0%</b>	<b>-6.0%</b>	<b>NO</b>	<b>(\$930,387)</b>
Non-US Equities				3,032,727	14.8%			
<b>Total Non-US Equities</b>	<b>20%</b>	<b>15%</b>	<b>25%</b>	<b>\$3,032,727</b>	<b>14.8%</b>	<b>-5.2%</b>	<b>NO</b>	<b>(\$806,335)</b>
<b>TOTAL EQUITIES</b>	<b>60%</b>	<b>45%</b>	<b>85%</b>	<b>7,482,364</b>	<b>46.8%</b>	<b>-13.2%</b>	<b>YES</b>	<b>(\$2,046,850)</b>
<b><u>OTHER</u></b>								
Fixed Income/Cash				7,017,688	45.0%			
<b>Total Fixed Income/Cash</b>	<b>30%</b>	<b>25%</b>	<b>40%</b>	<b>7,017,688</b>	<b>45.0%</b>	<b>15.0%</b>	<b>NO</b>	<b>\$2,325,966</b>
Other				1,006,391	8.2%			
<b>TOTAL OTHER</b>	<b>10%</b>	<b>0%</b>	<b>15%</b>	<b>1,006,391</b>	<b>8.2%</b>	<b>-1.8%</b>	<b>YES</b>	<b>(\$279,116)</b>
<b>GRAND TOTAL</b>	<b>100%</b>			<b>\$15,506,443</b>	<b>100.0%</b>			