

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

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January 20, 2010

Dear Pooled Investment Fund (PIF) participant:

The fourth quarter of 2009 ending December 31 marked the third consecutive quarter of positive returns for the equity markets. In October, the Dow Jones Industrial Average climbed above the 10,000 level for the first time in a year. It finished the quarter at 10,428, up 59.3% from the March 9 low. The Standard & Poor's 500 Index finished the quarter at 1115, a 64.8% advance from the bottom.

- The Dow Jones Industrials garnered an 8.1% total return for the three months ending Dec. 31 and 22.7% for 2009 as a whole. The total return for the Standard & Poor's 500 Index was 6.0% for the quarter and 26.5% for the year. During the fourth quarter, all but one of the 10 major economic sectors in the S&P 500 logged positive results; information technology, at 10.7%, fared the best, followed by consumer discretionary and health care, both at 9.1%. Returns for telecommunications, materials and utilities cluster at 7.4%, 7.4% and 7.3%, respectively. Industrials, up 5.3%, and consumer staples, up 5.0%, are next. The financial sector was down 3.3% for the quarter.
- By market capitalization, the Russell Midcap Index earned 5.9% for the quarter and 40.5% for the year versus 6.1% and 28.4% for the Russell 1000 Index, a large-cap index. The Russell 2000 Index, a small-cap index, gained 3.9% and 27.1% for the quarter and the year, respectively. By investment style, growth topped value for the quarter and the year. Among large-cap stocks, the Russell 1000 Growth Index was up 7.9% for the quarter and 37.2% for the year versus 4.2% and 19.7% for the Russell 1000 Value Index. In the mid-cap space, the Russell Midcap Growth Index posted 6.7% and 46.3% for the quarter and the year, respectively, versus 5.2% and 34.2% for the Russell Midcap Value Index. In small caps, the Russell 2000 Growth Index was up 4.1% and 34.5% for the quarter and the year versus 3.6% and 20.5% for the Russell 2000 Value Index.

- Markets abroad rallied along with those in the US—and then some. In the fourth quarter, the Morgan Stanley Capital International Europe Australasia Far East Index, a benchmark for developed markets, rose 3.4% in local terms and 2.2% for US-dollar-based investors. For the year, the returns were 25.4% and 32.5%, respectively. For the quarter, the MSCI Emerging Markets Index was up 7.2% in local terms and 8.6% in U dollars; for the year, the returns were 62.8% in local terms and 79.0% in U.S. dollars.
- In the fixed income markets, investors were starting to take on more risk and bought corporate high-grade and high yield bonds, forcing Treasury yields higher for the quarter and for the year. Ten-year Treasury yields were 3.3% at the beginning of the quarter and rose to 3.9% by the end of the quarter. At year-end 2008, the yield was 2.3%. Similarly, 30-year Treasury yields started the quarter at 4.0% and went as high as 4.7%, but finished the quarter at 4.6%. At the end of 2008, that yield was at 2.7%.

As difficult as the last year has been, I am optimistic that the necessary monetary and fiscal stimulus measures are in place to potentially support an economic recovery. For the fourth quarter of 2009, the PIF has shown an impressive gain of +3.9%, and for the year-to-date a gain of +19.6%. 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 do not hesitate to contact me.

Sincerely,



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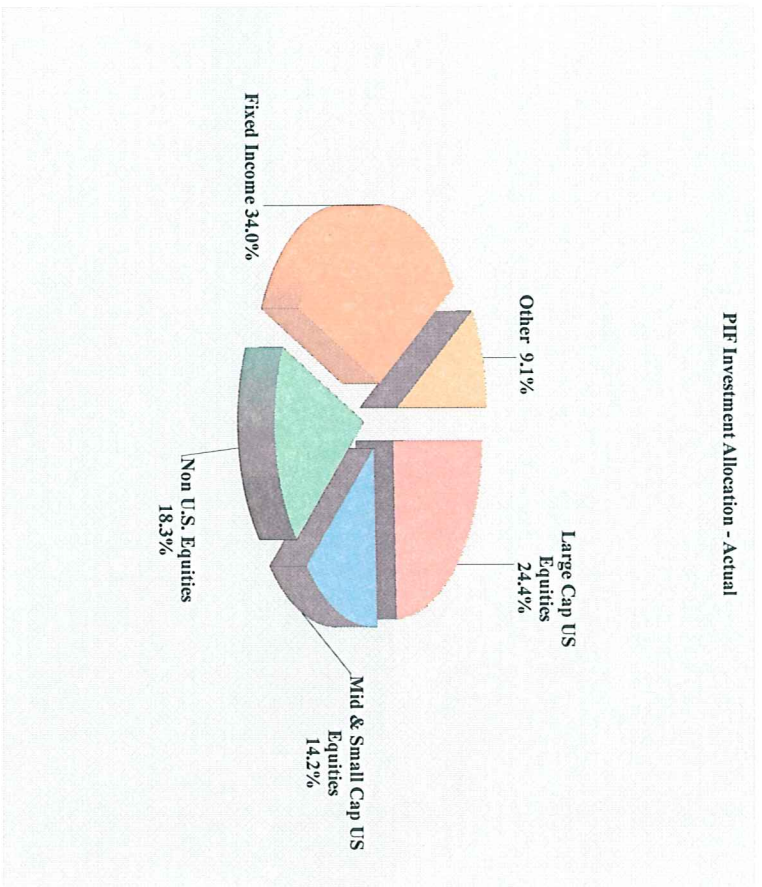
Trustees of the Diocese of Minnesota, Incorporated  
 Pooled Investment Fund (PIF)  
 4th Quarter ending December 31, 2009

Total Pooled Investment Fund	Beginning Balance	Interest	Dividends	Smith Barney Fees	Other Income/ (Losses)	Management Fees	Investment Income	Contributions	Withdrawals	Distributions	Net Change	Ending Balance
	\$16,669,224	53,291	101,436	(14,052)	494,922	(23,961)	\$611,635	355,476	(312,514)	(171,102)	\$483,496	\$17,152,719

PIF 2009 Returns / Allocation %'s - Target vs Actual	Actual Returns		Investment Allocation	
	4th Quarter	YTD	Target %	Actual %
Lg Cap US Equities	6.1%	23.8%	20% - 40%	24.4%
Mid & Small Cap US Equities	5.0%	37.4%	10% - 20%	14.2%
Non US Equities	3.3%	23.2%	15% - 25%	18.3%
Fixed Income	1.8%	9.8%	25% - 40%	34.0%
Other	6.7%	27.0%	0% - 15%	9.1%
<b>Total PIF Return</b>	<b>3.9%</b>	<b>19.6%</b>		<b>100%</b>

PIF 2009 Activity Information	
Top 5 PIF Participants	Number of Funds in PIF
Diocese of Minnesota	157
St. Paul's Church, Duluth	
St. Stephen's Church, Edina	
St. Helen's Church, Wadena	
Episcopal House of Prayer	

Year	PIF Historical Performance	
	PIF Return	Lipper Mixed Target Moderate Avg Vs. Benchmark
2000	3.5%	1.6%
2001	-4.1%	-4.0%
2002	-11.8%	-9.5%
2003	23.9%	19.0%
2004	9.5%	8.3%
2005	5.9%	4.3%
2006	13.1%	11.0%
2007	4.9%	5.3%
2008	-22.9%	-25.6%
2009	19.6%	22.8%



**FOOTNOTES:**

1) **Web Address** - To see a full copy of the current Investment Policy Statement and reports for the PIF, please go to the following web address on the Finance Department Webpage: <http://www.episcopalmn.org/trustees>

2) **Benchmark** - The Lipper Mixed Target Moderate Average is the benchmark to monitor the relative performance of the PIF for its participants. This benchmark was chosen as its overall allocation is very similar to that of the PIF.

3) **Investment Costs** - The total investment management costs for the PIF are currently .58 of 1% on an annualized basis. These costs will change based on asset allocation shifts within the PIF, but generally they should remain in a range of .55 to .65 of 1% on an annualized basis.

4) **Trustee Costs** - PIF participants with plan balances under \$1 million dollars pay an additional fee .45 of 1% on an annualized basis to the Trustees for administrative and custodial services. Plan balances in excess of \$1 million dollars pay .25 of 1% to the Trustees for these same services.

5) **Non-Custodial Accounts Costs** - These accounts pay an additional administrative and accounting fee of .81 of 1%.

**Trustees of the Diocese of Minnesota  
Pooled Investment Fund (PIF)  
Asset Allocation Summary as of December 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				3,391,644	24.4%			
<b>Total US Large Cap</b>	<b>25%</b>	<b>20%</b>	<b>40%</b>	<b>\$3,391,644</b>	<b>24.4%</b>	<b>-0.6%</b>	<b>YES</b>	<b>(\$102,916)</b>
US Mid & Small Capitalization				2,425,703	14.2%			
<b>Total US Mid &amp; Small Cap</b>	<b>15%</b>	<b>10%</b>	<b>20%</b>	<b>\$2,425,703</b>	<b>14.2%</b>	<b>-0.8%</b>	<b>YES</b>	<b>(\$137,222)</b>
Non-US Equities				4,007,671	18.3%			
<b>Total Non-US Equities</b>	<b>20%</b>	<b>15%</b>	<b>25%</b>	<b>\$4,007,671</b>	<b>18.3%</b>	<b>-1.7%</b>	<b>YES</b>	<b>(\$291,596)</b>
<b>TOTAL EQUITIES</b>	<b>60%</b>	<b>45%</b>	<b>85%</b>	<b>9,825,017</b>	<b>56.9%</b>	<b>-3.1%</b>	<b>YES</b>	<b>(\$531,734)</b>
<b><u>OTHER</u></b>								
Fixed Income/Cash				5,762,242	34.0%			
<b>Total Fixed Income/Cash</b>	<b>30%</b>	<b>25%</b>	<b>40%</b>	<b>5,762,242</b>	<b>34.0%</b>	<b>4.0%</b>	<b>YES</b>	<b>\$686,109</b>
Other				1,565,460	9.1%			
<b>TOTAL OTHER</b>	<b>10%</b>	<b>0%</b>	<b>15%</b>	<b>1,565,460</b>	<b>9.1%</b>	<b>-0.9%</b>	<b>YES</b>	<b>(\$154,374)</b>
<b>GRAND TOTAL</b>	<b>100%</b>			<b>\$17,152,719</b>	<b>100.0%</b>			