

TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED

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July 12, 2010

Dear Pooled Investment Fund (PIF) participant:

After starting the year off constructively, U.S. and global equity markets underwent a correction in the second quarter of 2010. During the quarter, the Dow Jones Industrial Average reached its highest point since September 2008, but finished down 1,082.61 points at 9,774.02. The Standard & Poor's 500 Index followed a similar trajectory to finish down 139.22 points. Despite the correction, the Dow finished the quarter 22.0% above its 52 week low and 49.3% above the low of March 2009. The S&P 500 finished at 1030.71, up 17% from its 52-week low and 54.7% from March 2009. Indications of long-term strength in the domestic and global economies continued.

- The Dow Jones Industrials fell 10.0% for the quarter but were up 15.7% for the 12 months ending June 30. For the S&P 500, the quarterly return was down 11.4%, but the trailing 12-month return was up 14.4%. During the second quarter, all sectors of the S&P 500 declined. The smallest declines were for Utilities (3.7%), telecommunication services (4.2%), and consumer staples (8.1%). Greater declines occurred for consumer discretionary (10.89%), health care (11.79%), information technology (12.3%), industrials (12.3%), energy (12.8%), and financials (13.3%). The most severe decline came for materials (15.3%).
- Small- and mid-cap stocks weathered the correction best. The Russell 1000 Index, a large-cap index, fell 11.5% for the quarter but was still up 15.2% for the 12-month period ending June 30. In comparison, the Russell 2000 Index, a small-cap index, declined 9.9% for the quarter but rose 21.5% for the 12-month period while the Russell Midcap Index also lost 9.9% for the quarter but gained 25.1% for the 12-month period. Value outperformed growth among large- and mid-cap stocks. The large-cap Russell 1000 Value Index was down 11.1% for the quarter and up 19.9% in the 12-months while the Russell 1000 Growth Index fell 11.7% for the quarter and rose 13.6% for the 12-month period. The Russell Midcap Value Index fell 9.6% for the quarter and rose 28.9% for the 12-months while the Russell Midcap Growth Index fell 10.2% for the quarter and rose 21.3% for the 12-month period. However, in small caps, the Russell 2000 Value Index was down 10.6% for the quarter and up 25.1% for the 12-month period while the Russell 2000 Growth Index fell only 9.2% for the quarter and rose 17.9% for the 12-month period.

- Equity markets abroad also underwent a quarterly correction in what appears to be a longer-term uptrend. In the first quarter, the Morgan Stanley Capital International Europe Australasia Far East Index, a benchmark for developed markets, declined 12.4% in local terms and 13.7% for U.S. dollar-based investors. However, for the 12-month period ending June 30, the returns were up 3.9% (Local) and 0.9% (USD). For the quarter, the MSCI Emerging Markets Index was down 6.9% in local terms and 10.9% in U.S. dollars, but 12-month returns were up 15.2% in local terms and 17.6% in U.S. dollars.
- Fixed-income markets reflected the same swings in investor sentiment. Toward the end of the quarter, the price of U.S. Treasuries rose and the yield declined as jumpy investors moved out of higher-yield but riskier investments. Similarly, once seen as toxic, mortgage-backed securities were in demand, especially when backed by loans from government-sponsored lenders like Freddie Mac and Fannie Mae. Ten-year Treasury yields began the quarter at 3.89% and ended at 2.97%. The Barclays Capital Mortgage Backed Index was up 2.9% for the quarter, while the Barclays Capital High Yield Index was down 0.1%.

For the second quarter of 2010, the PIF has shown a loss of -6.7%, and year-to-date a loss of -3.7%. 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
Pooled Investment Fund (PIF)
Asset Allocation Summary as of June 30, 2010**

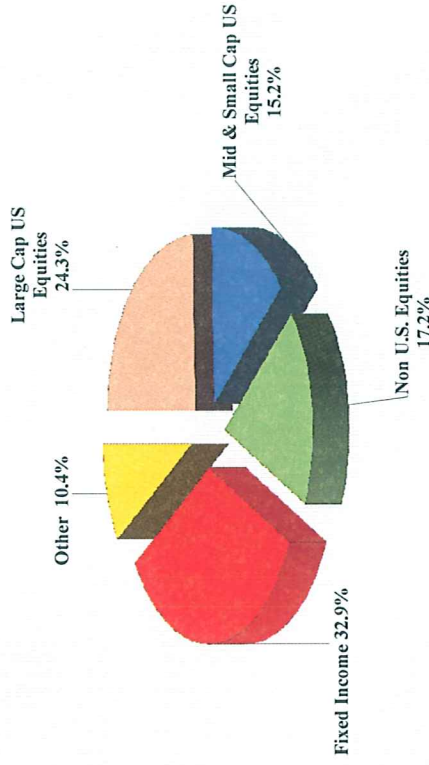
	<u>Trustees' Policy</u>			Smith Barney	Percent of Portfolio	Percentage Point		Dollar Variance from Target
	Target	Low	High			Variance from Target	Within Range?	
<u>EQUITIES</u>								
US Large Capitalization				2,783,738	24.3%			
Total US Large Cap	25%	20%	40%	\$2,783,738	24.3%	-0.7%	YES	(\$112,007)
US Mid & Small Capitalization				2,795,040	15.2%			
Total US Mid & Small Cap	15%	10%	20%	\$2,795,040	15.2%	0.2%	YES	\$32,002
Non-US Equities				3,914,143	17.2%			
Total Non-US Equities	20%	15%	25%	\$3,914,143	17.2%	-2.8%	YES	(\$448,028)
TOTAL EQUITIES	60%	45%	85%	9,492,922	56.7%	-3.3%	YES	(\$528,033)
<u>OTHER</u>								
Fixed Income/Cash				4,838,143	32.9%			
Total Fixed Income/Cash	30%	25%	40%	4,838,143	32.9%	2.9%	YES	\$464,029
Other				1,669,937	10.4%			
TOTAL OTHER	10%	0%	15%	1,669,937	10.4%	0.4%	YES	\$64,004
GRAND TOTAL	100%			\$16,001,003	100.0%			

Trustees of the Diocese of Minnesota, Incorporated
Pooled Investment Fund (PIF)
Quarter Ending June 30, 2010

Total Pooled Investment Fund	Beginning Balance \$17,372,607	Interest 37,807	Dividends 90,867	Smith Barney Fees (13,630)	Other Income/ Gains (Losses) (1,276,975)	Management Fees (23,810)	Investment Income (\$1,185,741)	Contributions 248,157	Withdrawals (286,924)	Distributions (147,096)	Net Change (\$1,371,604)	Ending Balance \$16,001,003
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PIF 2010 Returns / Allocation %'s - Target vs Actual	Actual Returns		Investment Allocation	
	2nd Quarter	YTD	Target %	Actual %
Lg Cap US Equities	-10.7%	-6.0%	20% - 40%	24.3%
Mid & Small Cap US Equities	-8.8%	-1.4%	10% - 20%	15.2%
Non US Equities	-10.9%	-10.9%	15% - 25%	17.2%
Fixed Income	0.3%	2.0%	25% - 40%	32.9%
Other	-5.0%	-2.7%	0% - 15%	10.4%
Total PIF Return	-6.7%	-3.7%		100%

PIF Investment Allocation - Actual



PIF 2010 Activity Information	
Top 5 PIF Participants	New Funds in 2010
Diocese of Minnesota	None as of June 30, 2010
St. Paul's Church, Duluth	
Cathedral of our Merciful Savior, Little Falls	
St. Helen's Church, Wadena	
Episcopal House of Prayer	
	Number of Funds in PIF 154

PIF Historical Performance		
Year	PIF Return	Lipper Mixed Target Moderate Average 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.episcopalminn.org/trustees>
- 2) Benchmarks - 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.
- 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. 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.
- 5) Non-Custodial Accounts Costs - These accounts pay an additional administrative and accounting fee of .81 of 1%. Plan balances in excess of \$1 million dollars pay .25 of 1% to the Trustees for these same services.