

# GC Investment Office Introduction

## June 9, 2017

General Conference  
of  
Seventh-day Adventists

GC Treasury



# GC Investment Office

## *Mission*

*Provide Seventh-day Adventist Church organizations, institutions, and related entities, investment services to manage funds entrusted to them by the Lord in order to fulfill the mission of the church to spread the Gospel to the world.*

---

*“Who then is a faithful and wise servant, whom his master made ruler over his household, to give them food in due season? Blessed is that servant whom his master, when he comes, will find so doing.”*

*Matthew 24:45*



# General Conference Investment Office

Investment Services for any SDA Entity or Institution

## Account Types

Pensions/Endowments

Operating / General

Plant / Project Funds

Donor Advised



Long term investments for pensions and retirement funding.

Medium term investments focusing on income generation for operating needs.

Medium to long term investments to meet the needs for property maintenance or project financing.

Funds donated by individuals are held for various mission projects as directed by the donor.



# General Conference Investment Office

## *Investment Services*

### Investment Guidance



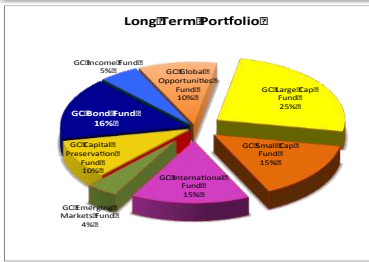
Initial consultation and guidance is provided for SDA entities to develop a sound investment program.

### GC Unitized Funds



The GCIO manages 18 unitized funds which may provide a solid foundation for an investment portfolio.

### Portfolio Construction



Help construct an investment portfolio that is tailored to the objectives and constraints of investors.

### Tactical Asset Allocation



Provide ongoing advice is provided to make changes to the asset mix as needed as the market outlook changes.



# GC Investment Committee (GCIC)



GCIC Chair  
Juan Prestol-Puesán, PhD  
Treasurer  
Administrator  
*General Conference*



GCIC Vice-Chair  
G Thomas Evans  
Treasurer



GCIC Secretary  
Tim H Aka, CFA  
Assoc. Treasurer,



GCIC Assoc. Secretary  
Raymond Jimenez III  
Retirement

*North American Division*

*General Conference*

*North American Division*



Mabio Coelho  
Chief Information  
Security Officer  
*General Conference*



Markus Czettel  
Associate Treasurer  
*Inter-European Division*



William Easterbrook  
President  
*Adventist HealthCare  
Retirement Plan*



Jermaine Jackson  
Chief Financial Officer  
*Adventist Risk Management*



J Raymond Wahlen II  
Under-Treasurer  
*General Conference*



Rodney Neal  
Sr. VP Financial Affairs  
*Loma Linda University*



Michael Jamison  
Assoc. Treasurer  
*North American Division*



Byron Schuneman  
Special Assist to the Adm.  
*Adventist Retirement Plans*



Glynn C W Scott  
Treasurer  
*Lake Union Conference  
North American Division*



## GC Investment Office

Tim Aka, CFA,  
*Associate Treasurer and Investment  
Manager  
General Conference  
of Seventh-day Adventists  
23 years Industry Experience*

Tim has spent the past 23 years in the banking and investment industry with the majority of his career focused on investment management at TD Bank in Toronto, Canada. In his position at TD he took a lead role in managing products for TD Wealth Managed Investment Solutions, overseeing \$17 billion in assets.

The GC Investment office has 7 investment & finance professionals and staff. They manage \$2.3 billion in investments from church clients around the world.



# GC Funds



<p><b>GC Money Fund</b> Short term cash management \$302,673,000</p>	<p><b>GC Capital Preservation Fund</b> Protection of capital plus growth \$201,000,000</p>	<p><b>GC Bond Fund</b> Actively managed core bond portfolio \$140,761,000</p>	<p><b>GC Total Return Bond Fund</b> Actively managed global bonds \$90,504,000</p>	<p><b>GC Income Fund</b> Actively managed balanced income fund \$206,537,000</p>	<p><b>GC Global Opportunities Fund</b> Global balanced growth fund \$156,805,000</p>
<p><b>GC U.S. Large Cap Fund</b> Actively managed U.S. Large Cap portfolio \$174,356,000</p>	<p><b>GC U.S. Small Cap Fund</b> Actively managed U.S. Small Cap Portfolio \$80,175,000</p>	<p><b>GC International Equity Fund</b> Actively managed int'l equity fund \$113,483,000</p>	<p><b>GC Emerging Markets Equity Fund</b> Actively managed emerging markets fund \$52,225,000</p>	<p><b>GC Opportunistic Liability Driven Investment Fund</b> Specialty fund to manage funds for a pension plan. \$409,507,000</p>	<p><b>GC Alternative Investment Fund</b> A fund of funds holding several alternative funds. \$64,689,000</p>
<p><b>SDA Short Term Bond Fund</b> Short term bond index fund \$84,087,000</p>	<p><b>SDA Intermediate Bond Fund</b> Intermediate term bond index fund \$12,512,000</p>	<p><b>SDA Total Market Bond Fund</b> Total market bond index fund \$172,844,000</p>	<p><b>SDA U.S. Large Cap Index Fund</b> U.S. Large Cap Index fund \$451,145,000</p>	<p><b>SDA U.S. Small Cap Index Fund</b> U.S Small Cap Index fund \$326,027,000</p>	<p><b>SDA International Index Fund</b> International Index fund \$278,540,000</p>



# Sub-Advisors



## Fixed Income Funds



## U.S. Equity Funds



## International Equity Funds



## Balanced Funds



# Unitized Fund Structure

## GC Unitized Funds us a Multi-Manager, Multi-Strategy Fund

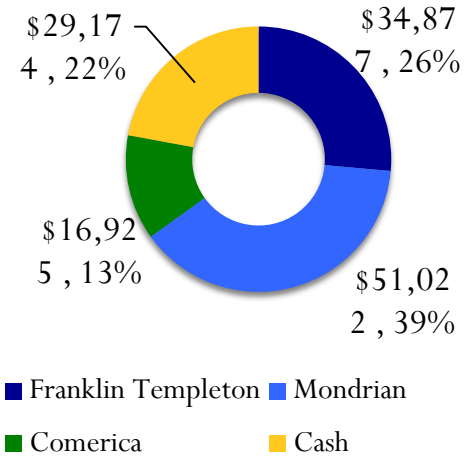
- Diversified approach to fund management.

### Example – GC International Equity Fund

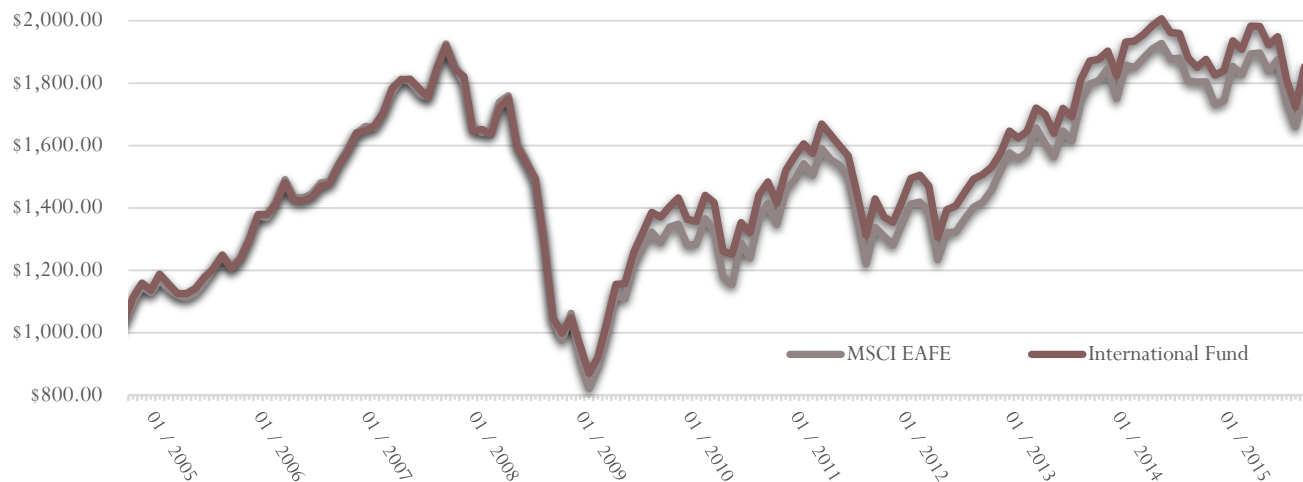
#### Investment Managers & Strategies:

- Franklin Templeton: Medium to Large Cap Growth
- Mondrian Investment Partners: Large Cap Value, with emphasis on downside protection
- Comerica Wealth Management: Index Fund – using MSCI EAFE index
- Cash: Tactical – Safety

## Fund Structure (\$000)



## GROWTH OF \$1000

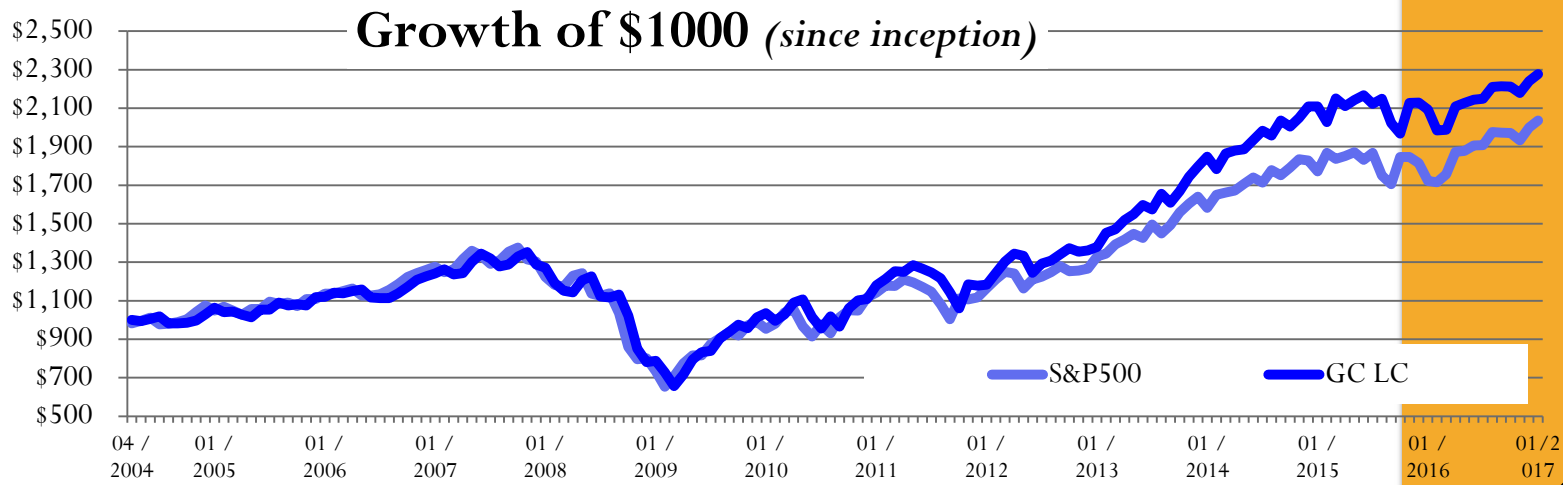
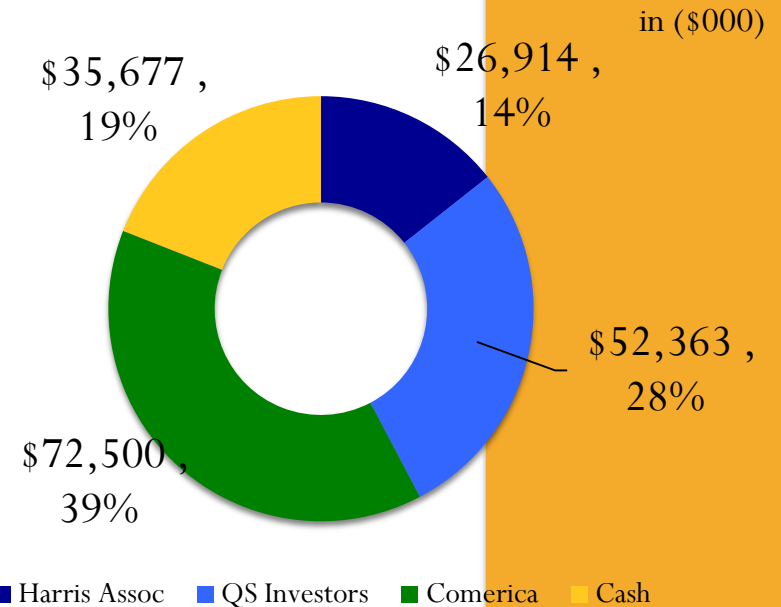




# GC U.S. Large Cap Fund

## Investment Strategies

- Harris Associates: Medium to Large Cap deep value, contrarian
- QS Investors: Dynamic ETF Style Timing using U.S. Low Volatility Dividend Index
- Comerica Wealth Management: Index Fund – using S&P500 index
- Cash: Tactical – Safety

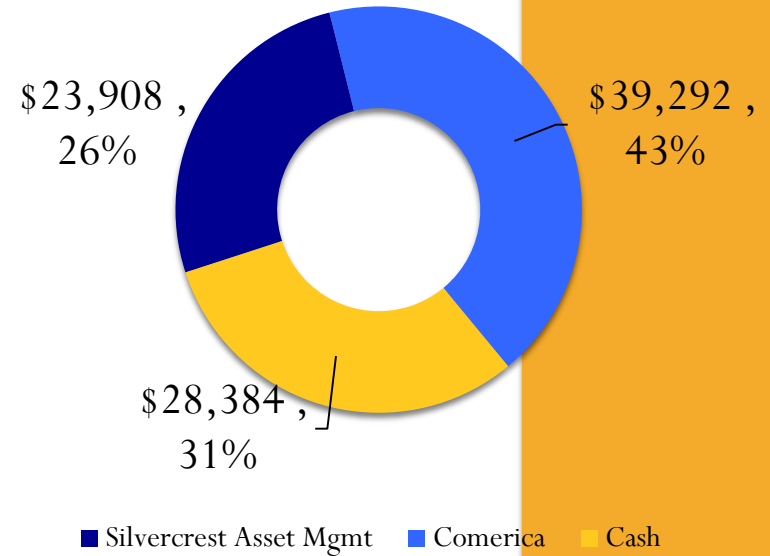


# GC U.S. Small Cap Fund

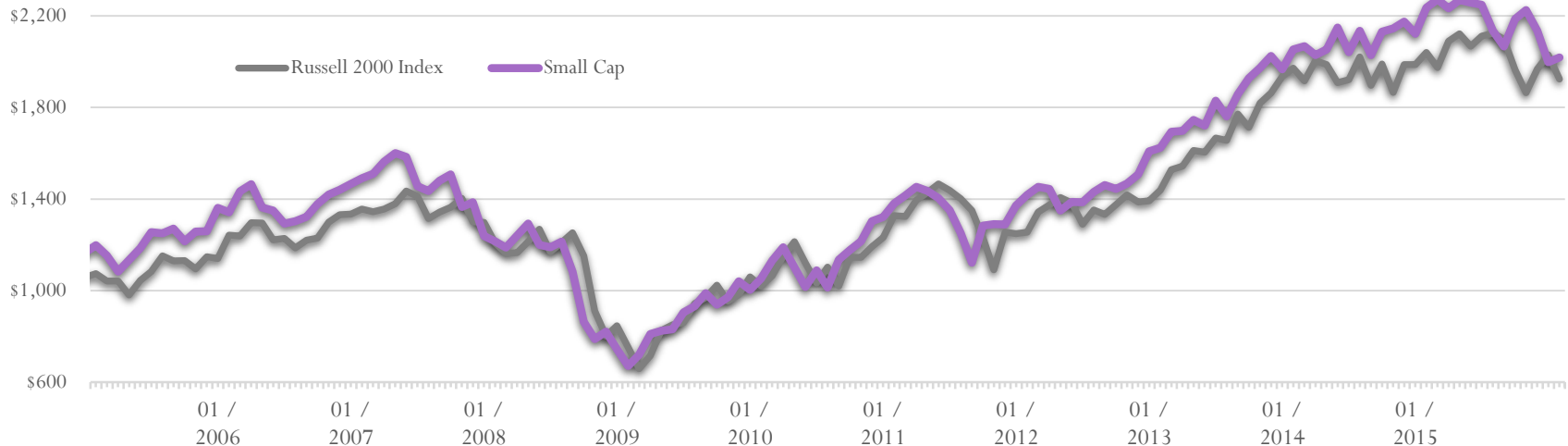
in (\$000)

## Investment Strategies

- Silvercrest Asset Management: Small and Medium Cap value
- Comerica Wealth Management: Index Fund – using S&P1000 index
- Cash: Tactical – Safety



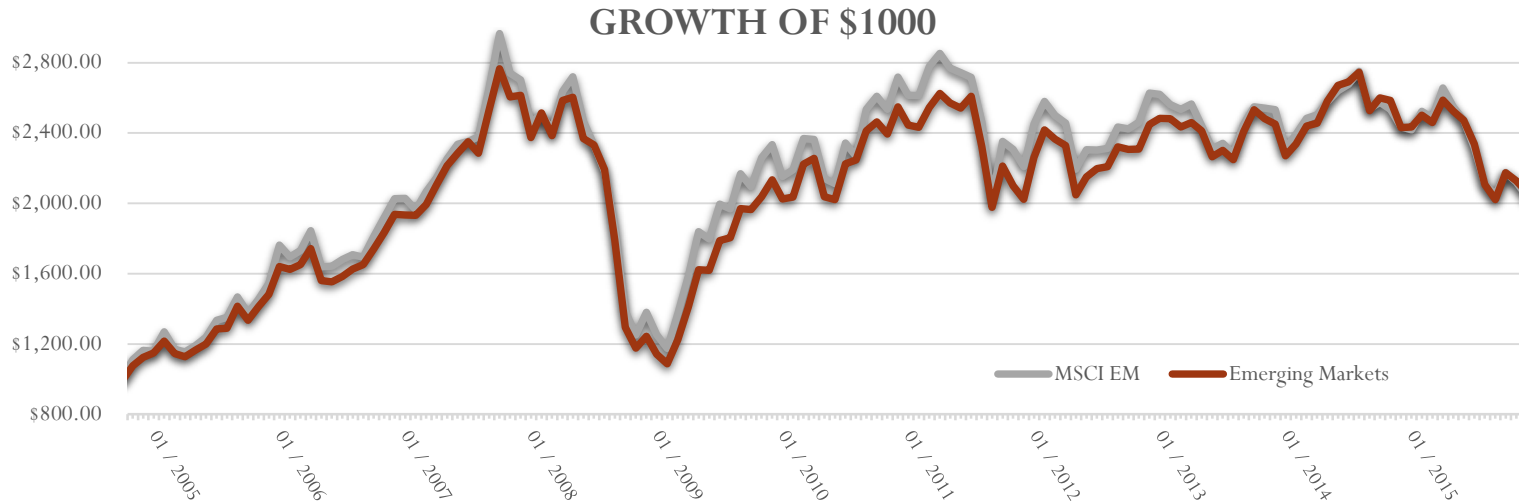
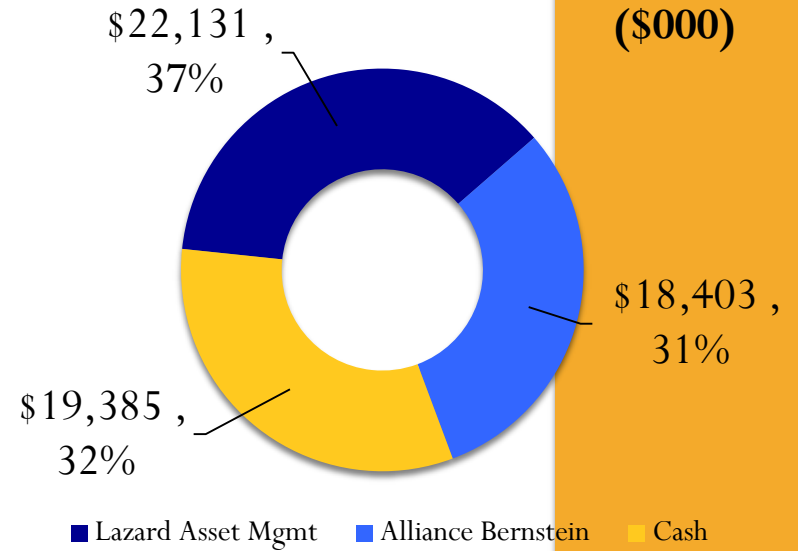
## GROWTH OF \$1000



# GC Emerging Markets Fund

## Investment Strategies

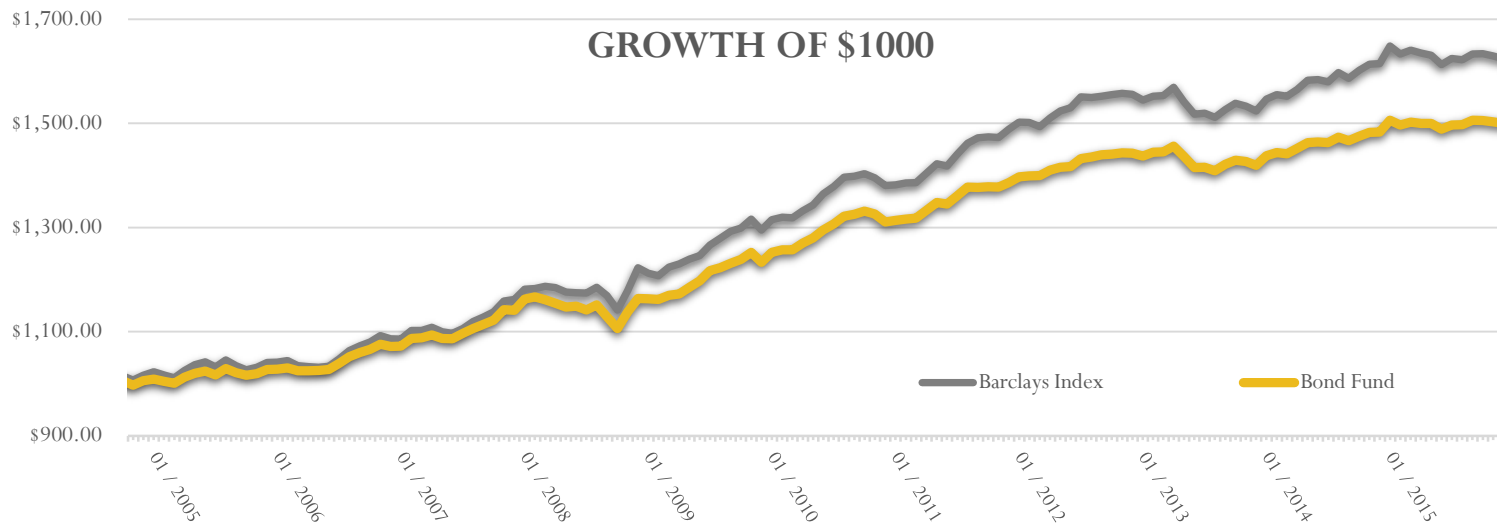
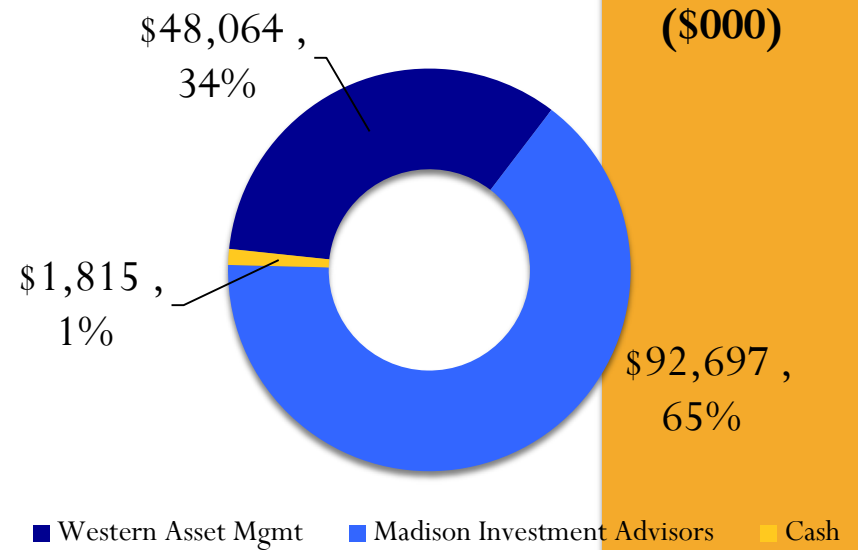
- Lazard Asset Management: Emerging market value. Long term investors in global enterprises.
- Alliance Bernstein: Emerging markets growth. Invests in non-cyclical, high growth sectors.
- Cash: Tactical – Safety



# GC Bond Fund

## Investment Strategies

- Western Asset Management: Conservative core bond portfolio strategy with benchmark duration.
- Madison Investment Advisors: High quality core bond portfolio with minimum A rating. Varies duration according to outlook.
- Cash: Tactical – Safety



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2002 - 2016	
																Ann.	Vol.
Comdty.	EM Equity	REITs	EM Equity	REITs	EM Equity	Fixed Income	EM Equity	REITs	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	REITs	EM Equity
25.9%	56.3%	31.6%	34.5%	35.1%	39.8%	5.2%	79.0%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	10.8%	23.8%	
Fixed Income	Small Cap	EM Equity	Comdty.	EM Equity	Comdty.	Cash	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	EM Equity	REITs	
10.3%	47.3%	26.0%	21.4%	32.6%	16.2%	1.8%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	9.8%	22.6%	
High Yield	DM Equity	DM Equity	DM Equity	DM Equity	DM Equity	Asset Alloc.	DM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	High Yield	Small Cap	
4.1%	39.2%	20.7%	14.0%	26.9%	11.6%	-25.4%	32.5%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	9.2%	20.1%	
REITs	REITs	Small Cap	REITs	Small Cap	Asset Alloc.	High Yield	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	DM Equity	
3.8%	37.1%	18.3%	12.2%	18.4%	7.1%	-26.9%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	8.5%	19.2%	
Cash	High Yield	High Yield	Asset Alloc.	Large Cap	Fixed Income	Small Cap	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Comdty.	
1.7%	32.4%	13.2%	8.1%	15.8%	7.0%	-33.8%	27.2%	15.1%	0.1%	16.3%	7.3%	4.9%	0.4%	11.6%	6.9%	19.0%	
Asset Alloc.	Large Cap	Asset Alloc.	Large Cap	Asset Alloc.	Large Cap	Comdty.	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	Large Cap	Large Cap	
-5.9%	28.7%	12.8%	4.9%	15.3%	5.5%	-35.6%	26.5%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	6.7%	15.9%	
EM Equity	Asset Alloc.	Large Cap	Small Cap	High Yield	Cash	Large Cap	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	DM Equity	High Yield	
-6.0%	26.3%	10.9%	4.6%	13.7%	4.8%	-37.0%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	5.8%	11.7%	
DM Equity	Comdty.	Comdty.	High Yield	Cash	High Yield	REITs	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Asset Alloc.	
-15.7%	23.9%	9.1%	3.6%	4.8%	3.2%	-37.7%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	4.6%	11.0%	
Small Cap	Fixed Income	Fixed Income	Cash	Fixed Income	Small Cap	DM Equity	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Cash	Fixed Income	
-20.5%	4.1%	4.3%	3.0%	4.3%	-1.6%	-43.1%	5.9%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.3%	3.5%	
Large Cap	Cash	Cash	Fixed Income	Comdty.	REITs	EM Equity	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Comdty.	Cash	
-22.1%	1.0%	1.2%	2.4%	2.1%	-15.7%	-53.2%	0.1%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	1.2%	0.8%	

Investing principles

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.  
 Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/01 – 12/31/16. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of December 31, 2016.



Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Cumulative
REIT Return	3.8%	37.1%	31.6%	12.2%	35.1%	-15.7%	-37.7%	28.0%	27.9%	8.3%	19.7%	2.9%	28.0%	2.8%	8.6%	10.8%

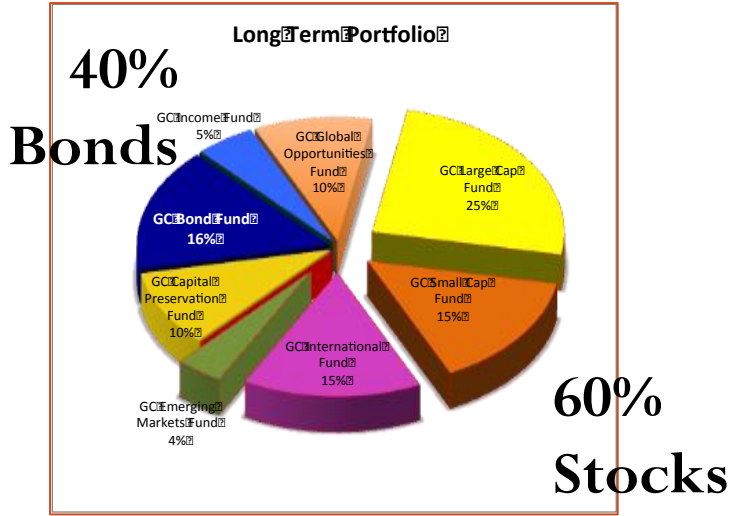


# Portfolio Construction Process

## 1. Assess Investment Needs

- Investment Objective
- Risk Tolerance
- Time Horizon
- Liquidity and Cash Flow

## 2. Determine Asset Class Mix



## 3. Global Stock Allocation

**International Developed 30%**  
(Europe, Japan, Australia)



**North America 55%**  
Large Cap 45%  
Small Cap 10%



# Investment Models & Objectives

## S85 20 Policies

6. **Controlling committees shall complete an asset allocation study in consultation with a non-conflicted, qualified Investment Management Consultant** for asset pools for investment prior to investing any assets.

8. For each asset pool, an Investment Policy Statement in a format understood by the money management industry and consistent with this General Conference Working Policy shall be approved by each controlling committee whether employing external managers or managing funds internally.

Safety of Capital &  
Preservation of  
Purchasing Power  
e.g. Short term  
investment

1. Safety Model

Income Generation  
e.g. Operating  
Fund, revolving  
fund

2. Income Model

Growth of  
Principle  
e.g. retirement  
fund, plant fund.  
3. Low Volatility  
4. Balanced  
5. Long Term



# Strategic Models

Asset Class/Portfolio Mix (in %)	Eq Alloc	Yield	Safety	Income	Low Volatility	Balanced	Long Term
GC Money Fund\Cash	0.0%	0.2%	10.0%	0.0%	0.0%	0.0%	0.0%
GC Capital Preservation Fund	5.0%	1.0%	45.0%	5.0%	0.0%	0.0%	0.0%
Total			55.0%	5.0%	0.0%	0.0%	0.0%
GC Bond Fund	0.0%	1.8%	10.0%	20.0%	10.0%	5.0%	10.0%
GC Total Return Bond Fund	0.0%	1.5%	20.0%	20.0%	25.0%	20.0%	10.0%
GC Income Fund	10.0%	2.7%	15.0%	40.0%	30.0%	20.0%	10.0%
Total			45.0%	80.0%	65.0%	45.0%	30.0%
GC Large Cap Fund	100.0%	2.1%	0.0%	5.0%	10.0%	20.0%	25.0%
GC Small Cap Fund	100.0%	1.7%	0.0%	0.0%	5.0%	5.0%	10.0%
GC International Fund	100.0%	2.0%	0.0%	2.5%	7.5%	15.0%	20.0%
GC Emerging Markets Fund	100.0%	2.4%	0.0%	0.0%	2.5%	5.0%	5.0%
Total			0.0%	7.5%	25.0%	45.0%	60.0%
GC Global Opportunity Fund	35.0%	4.3%	0.0%	7.5%	10.0%	10.0%	10.0%
Total Weight			100%	100%	100%	100%	100%
Look Through Equity Allocation			3.75%	14.38%	31.50%	50.50%	64.50%
Estimated Yield			1.36%	2.27%	2.30%	2.28%	2.24%
<b>Portfolio Return 10 Years</b>			<b>2.91%</b>	<b>4.05%</b>	<b>4.65%</b>	<b>4.37%</b>	<b>5.08%</b>
<b>Standard Deviation 10 Years</b>			<b>2.16%</b>	<b>3.52%</b>	<b>6.14%</b>	<b>9.09%</b>	<b>11.31%</b>





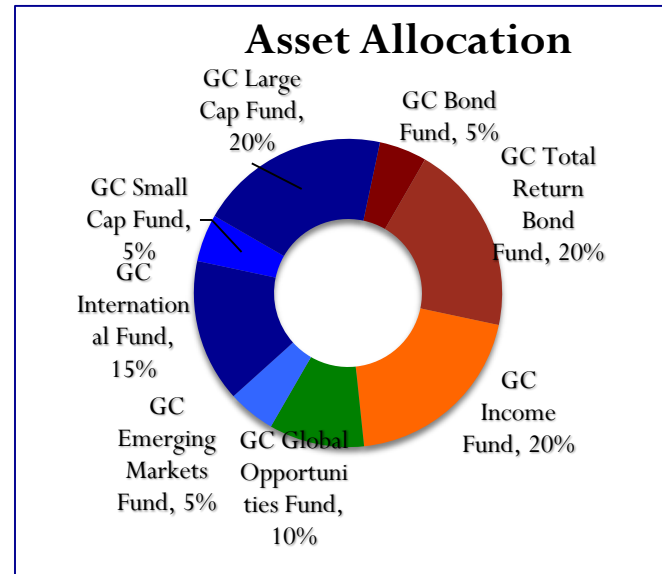
# Performance

## Balanced Growth Model

Balanced Growth Model Objectives:

- Growth of principle over a 3 – 5 year
- Invests in a well diversified portfolio of GC Funds
- Investments may generate some current income.
- Principle will not be needed for 5 years or longer.
- Average fluctuation\* investment value of +/- 10% or more is acceptable.
- Yield – 2.28%

\*As measured by portfolio standard deviation.



Balanced Growth Model	Annualized Returns						12 Month Returns			Success Rate*
	1 Year	3 Year	5 Year	7 Year	10 Year	Since 2001	Average	Worst	Best	
Strategic	3.10%	3.27%	6.20%	6.65%	4.65%	5.55%	6.10%	-33.63%	34.45%	
Tactical	5.09%	4.16%	7.34%	7.84%	6.56%	6.48%	7.05%	-25.81%	34.33%	69%
Standard Deviation (Risk)		5.89%	6.47%	7.76%	9.09%	8.58%				

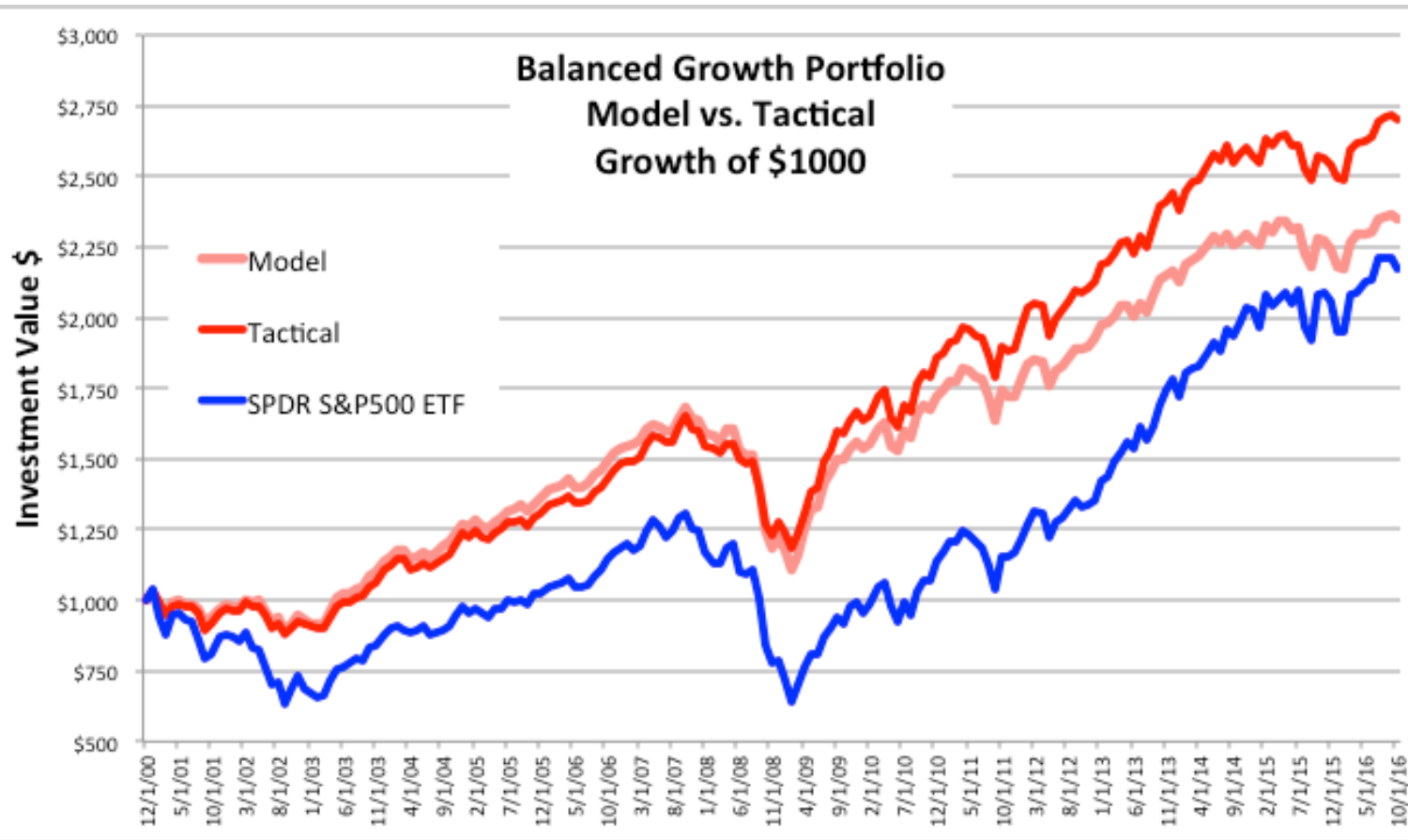
\* Percentage of months where Tactical Positioning Outperformed Strategic Positioning

Balanced Growth Model	Calendar Year Returns: Past 10 Years									
	YTD	2015	2014	2013	2012	2011	2010	2009	2008	2007
Strategic	4.68%	-1.17%	4.80%	12.55%	11.97%	-0.10%	10.58%	27.39%	<b>-25.20%</b>	6.22%
Tactical	6.24%	-1.18%	5.60%	14.50%	12.88%	1.60%	11.35%	30.96%	<b>-20.37%</b>	7.86%
S&P500 Index		1.40%	13.70%	32.40%	16.00%	2.10%	15.10%	26.50%	<b>-37.00%</b>	5.50%
Barclays Aggregate Bond Index		0.50%	6.00%	-2.00%	4.20%	7.80%	6.50%	5.90%	5.20%	7.00%



# Balanced Growth Portfolio

*50% Equities*



# Helping You Be Wise Stewards

- GC Investment Office is here to help all church entities and institutions with their investment needs.
- No advisory fees charged by the GCIO.
- Fund costs include:
  - Operating fees – 34.0bp
  - Sub-advisor fees – 20bp – 60bp (already included in the fund.
  - Sub-advisors include: PIMCO, Western Asset Management & QS Investors (Legg Mason), Franklin Templeton, Lazard, Alliance Bernstein, Harris Associates, Mondrian, Deutsche Asset Management, GMO, Silvercrest, Westwood, Madison Investment Advisors, New Century, Comerica.
- GC Unitized Funds provide access to excellent active investment managers at a low cost.
- Model Portfolio provide reliable long term investment strategies.

