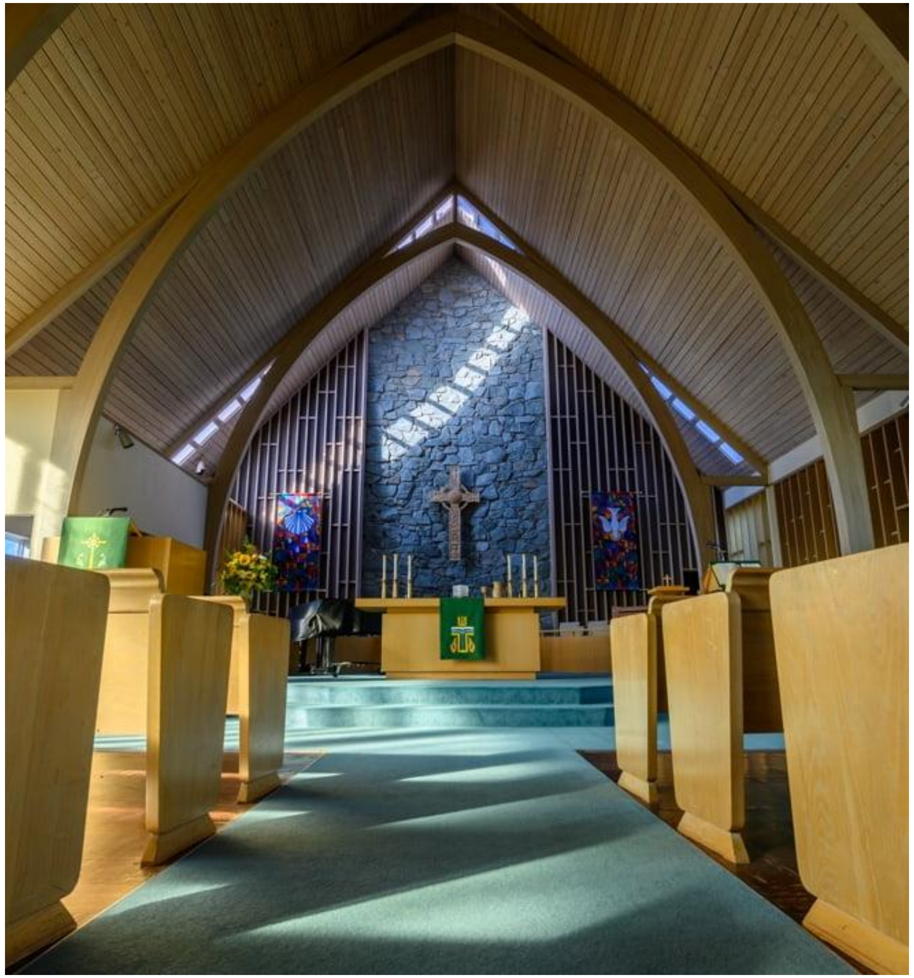
# 5 Superpowers Every Great Financial Advisor Should Have

NEW COVENANT TRUST

A Subsidiary of the Presbyterian Foundation

# NCTC- Who We Are

- New Covenant Trust Company empowers churches, church institutions and church members to create and sustain healthy and vibrant ministries through faithful stewardship of their investments.
- Wholly owned subsidiary of the Presbyterian Foundation
- A limited purpose national bank regulated by the Office of the Comptroller of the Currency.
- Through a culture of servant leadership and unparalleled expertise, our people and our lasting relationships with our clients are our greatest assets.
- Our philosophy, approach and services are driven by the shared faith, values and integrity of the Presbyterian Church (U.S.A.).
- Our priority is the same now as it has always been — to take excellent care of each and every client, no matter the size of their account.



# Superpower #1

## Serve as a fiduciary


# What is Fiduciary Responsibility?

Fiduciary responsibility is a legal and ethical obligation that requires financial advisors to act in the best interests of their clients. The advisors are expected to act with prudence, loyalty, and care.

# Who is a Fiduciary?

### Who is a Fiduciary?

A fiduciary is a financial professional who is legally obligated to put their clients' interests ahead of their own when giving financial advice or managing their clients' money.

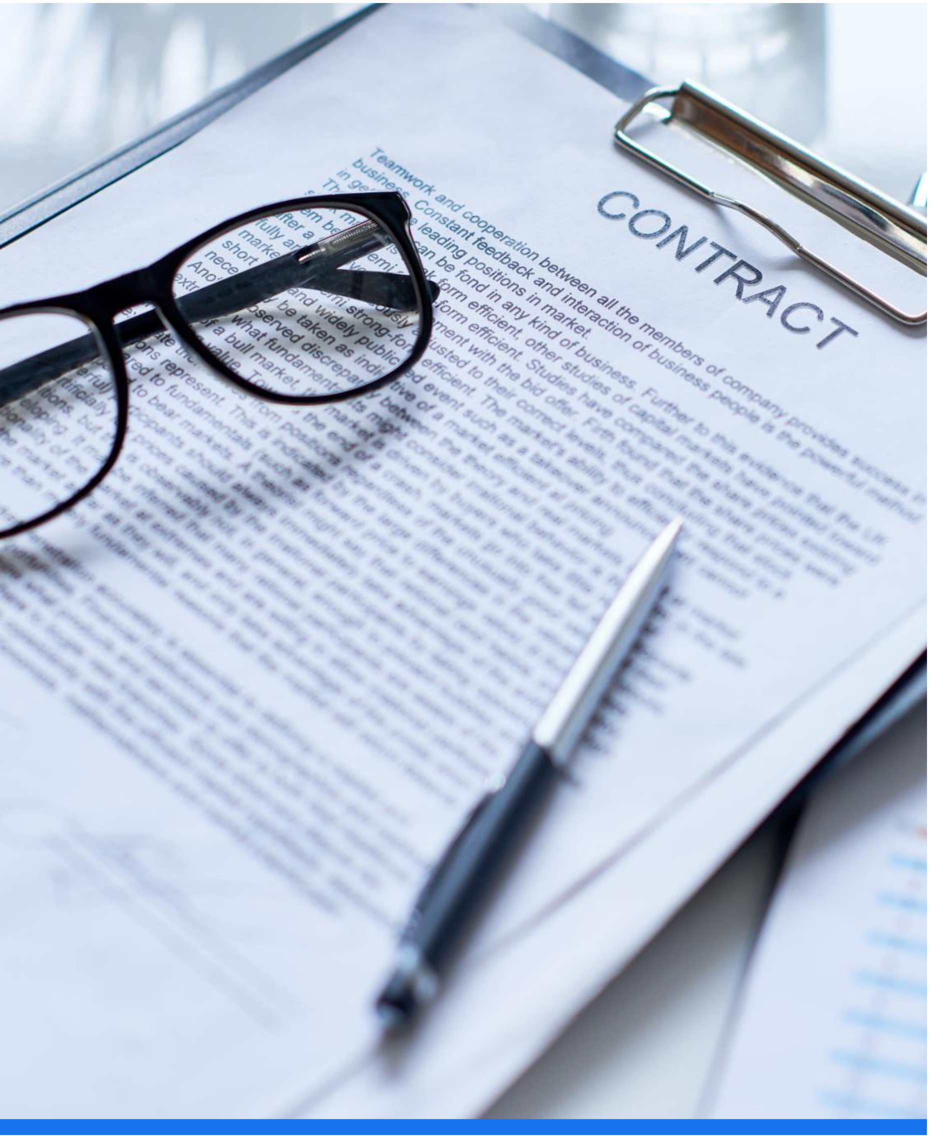
### Different Types of Financial Advisors

Not all financial professionals are fiduciaries. Look for a financial advisor who will always act in your best interest.

Request to see their client covenant so you have clarity as to what they will (or will not) do.

### Pro Tip

Check to see if your advisor is only investing in their own proprietary funds. If so, are they disclosing the fees collected at the pool level.




# Compliance

## Regulatory requirements

Advisors who are regulated entities are required to comply with all applicable laws and regulations. They are routinely examined by their regulators. Additionally, your financial advisor should have a plan for regular internal audits– not just financial statement audits.

## Conduct Regular Reviews

Your advisor should agree to conduct regular investment reviews. Reviews will identify any changes needed for your Investment Policy Statement. Your advisor should ask about your needs for the upcoming year.

# Superpower #2

Customize a plan that is specific to you

# Church and Mid-Council Experience

### Mission, Ministry, & Operations

We believe it is helpful to engage an organization who understands the unique culture and mission - oriented aspects of serving a Church/Mid-Council.

### Restricted, Unrestricted, Designated & Undesignated Funds

Not all investment funds are the same.  Understanding the specific purpose as well as the short-, mid-, and long-term plans for different funds is critical.

### Holistic Approach - Trends, Opportunities, & Challenges

Most investment firms are focused exclusively on two things– investments and making profits.

For most Churches and Mid-Councils, a much wider range of services, resources, and support are necessary to support creative, thriving, and sustainable ministries.

# Developing a Comprehensive Investment Plan

### Setting Investment Objectives

Setting investment objectives is the first step in developing a comprehensive investment plan. It involves defining the investment goals, risk tolerance, and time horizon for the investment portfolio.

### Selecting Suitable Investments

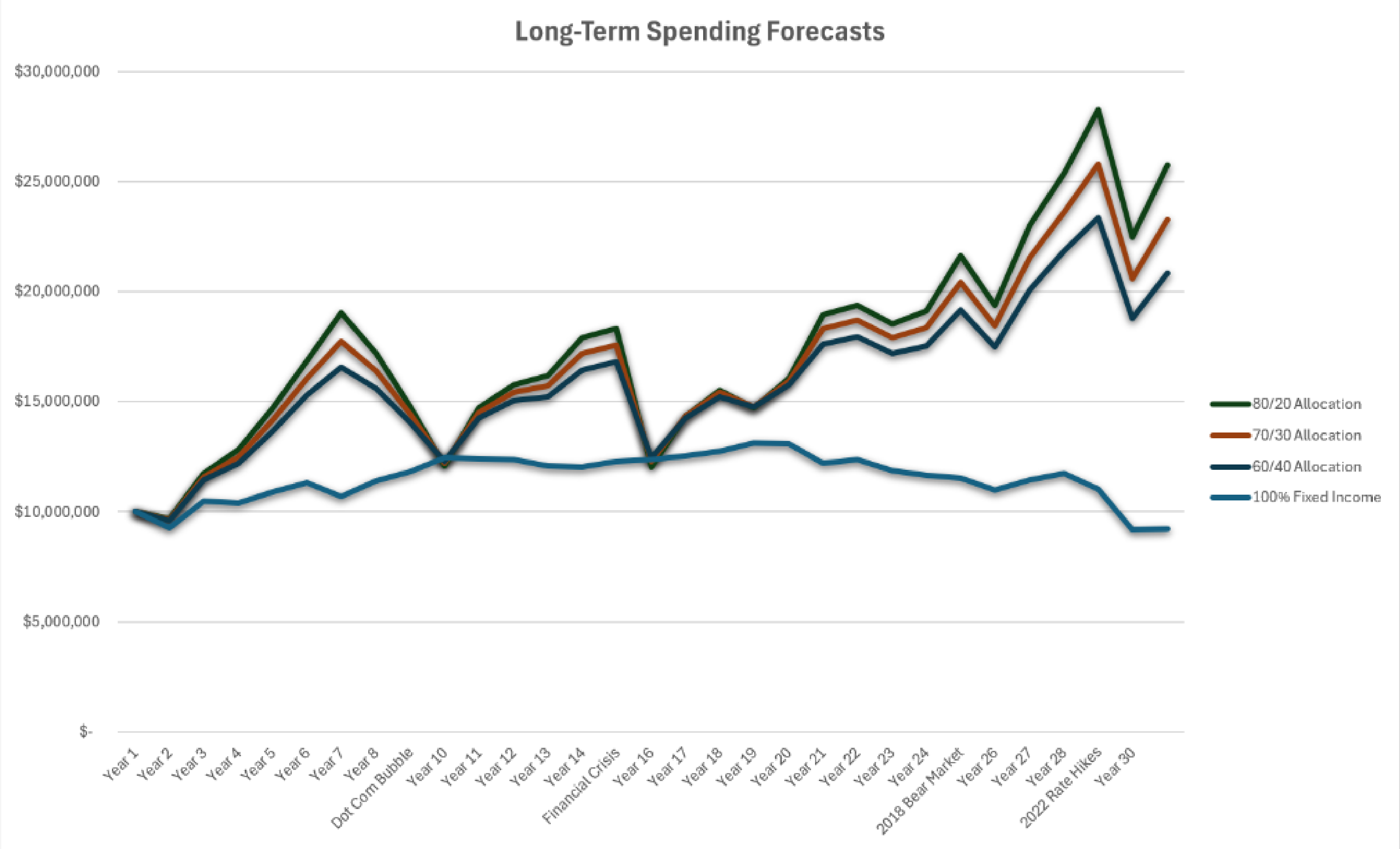
Selecting suitable investments is the second step in developing a comprehensive investment plan. It involves choosing investments that align with the investment objectives, including values, and risk tolerance of the investor.

### Monitoring Performance

Monitoring performance involves regularly evaluating the performance of the investment portfolio and making necessary changes to keep it aligned with the investment objectives.

# Discerning an Appropriate Spend Rate:

NCTC offers consultation with an asset allocation and spending model to help Committees, Sessions, and Boards calibrate specific and unique spending strategies.




| | |
|---|---|
| 4.00% | **Spend Rate** |
| $ 10,000,000.00 | **Portfolio Size** |
| 0.52% | **Fee** |
| $ - | **Annual Contribution** |

For demonstration and educational purposes only. Dollar amounts provided are estimates based on return values provided by Morningstar, using annual returns from 1993 through 2023. Fixed Income return data is based on the Bloomberg Barclays Aggregate Bond Index. Equity return data is based on a blended benchmark using the Russell 3000 Total Return Index (70%) and the MSCI EAFE Index (30%). Past performance is no guarantee of future results.

# Communicating Effectively with Clients

### Clear Expectations

Setting clear expectations is essential to effective communication with clients. This includes outlining goals and objectives, discussing timelines, and defining client responsibilities.

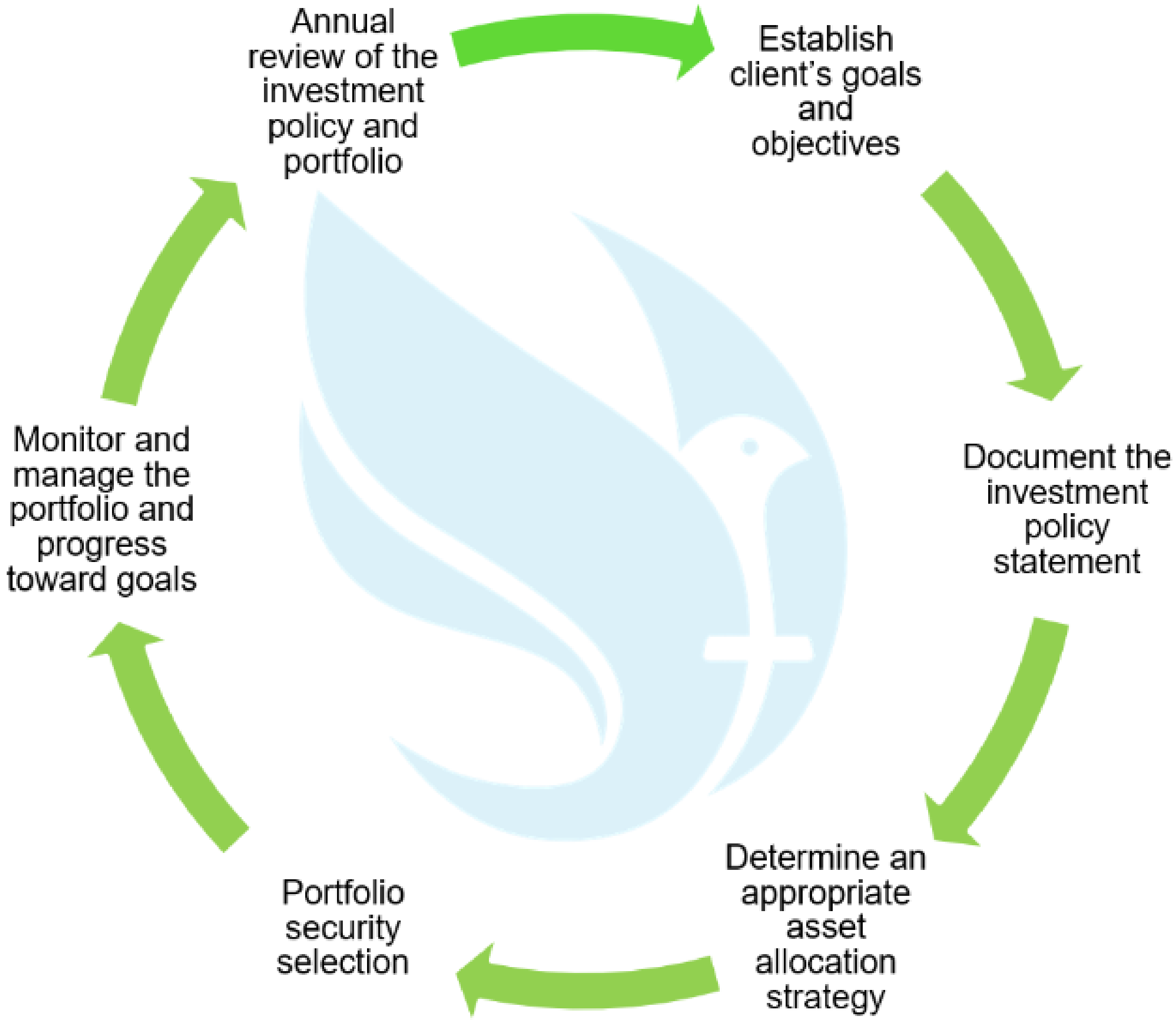
### Client Understanding

Ensuring client understanding is crucial to effective communication. This includes using plain language, clarifying complex terms, and checking for comprehension.

### Open Lines of Communication

Maintaining open lines of communication is key to building trust and strong relationships with clients. This includes being responsive, proactive, and transparent. What happens if you try to call your financial advisor?

# Our Process



Annual review of the investment policy and portfolio
Establish client's goals and objectives
Document the investment policy statement
Determine an appropriate asset allocation strategy
Portfolio security selection
Monitor and manage the portfolio and progress toward goals

# Superpower #3

# Incorporate Your Values Into Your Investments

# Presbyterians Have a Long History of Pursuing Mission Goals Through Investment


700 clergymen and members of the United Presbyterian Church in the U.S.A.'s Presbytery of New York march in a peaceful pre-Independence Day demonstration in support of President John F. Kennedy's pending civil rights legislation. *Religious News Service, photograph by James E. Curry, 1963.* (Image ID: 3095)

Church investment is more than a practical question. It is also "**an instrument of mission and includes theological, social and economic considerations**" (183rd General Assembly, UPCUSA, 1971)

Our understanding of the stewardship of God's resources entrusted to the church. Thus, "**we confess that the Lord is really the acknowledged Master of our entire life-moral, physical and material**" (116th General Assembly, PCUS, 1976).

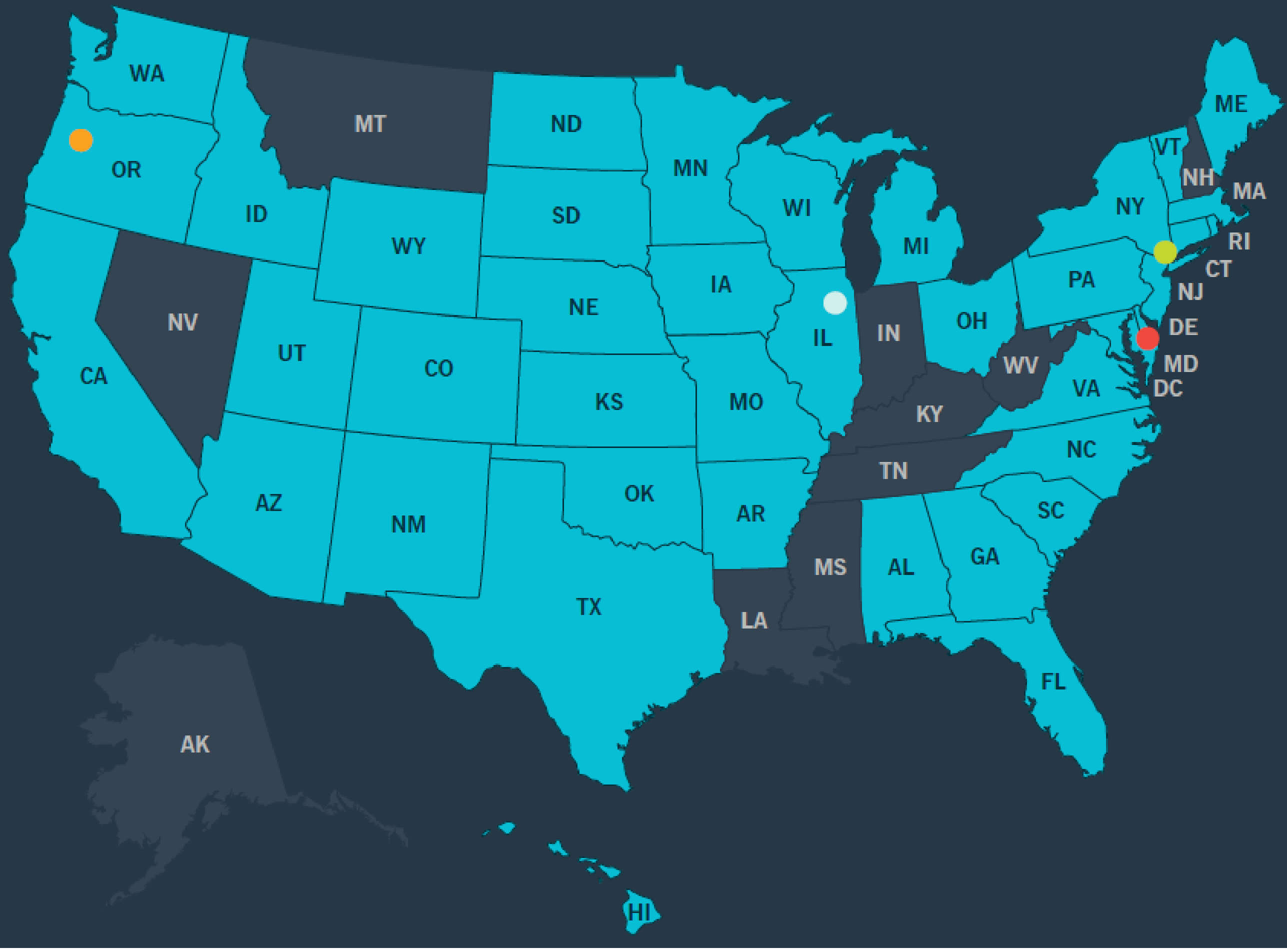
# What is Socially Responsible Investing?

| CONSIDERING ESG ISSUES WHEN BUILDING A PORTFOLIO (known as: ESG incorporation) | | | IMPROVING INVESTEES' ESG PERFORMANCE (known as: active ownership or stewardship) | |
|---|---|---|---|---|
| ESG issues can be incorporated into existing investment practices using a combination of three approaches: integration, screening and thematic. | | | Investors can encourage the companies they are already invested in to improve their ESG risk management or develop more sustainable business practices | |
| **Integration** | **Screening** | **Thematic** | **Engagement** | **Proxy voting** |
| Explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns. | Applying filters to lists of potential investments to rule companies in or out of contention for investment, based on an investor's preferences, values or ethics | Seeking to combine attractive risk return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing. | Discussing ESG issues with companies to improve their handling, including disclosure, of such issues. Can be done individually, or in collaboration with other investors. | Formally expressing approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG issues. |

# United States: $5.4 billion in impact investments financing projects in 40 states and the District of Columbia

## EXAMPLES

| | | | | |
|---|---|---|---|---|
| **Issuer** | **Enterprise Community Loan Fund** | **YMCA of Greater New York** | **Warm Spring Reservation of Oregon** | **Metro Water Reclamation District of Greater Chicago** |
| **Locations** | Maryland | New York | Oregon | Illinois |
| **Theme** | Affordable housing | Community and economic development | Renewable energy and climate change | Natural resources |
| **Use of proceeds** | Finance low to moderate income housing | YMCA community programs | Finance hydroelectric projects | Environmental upgrades to water/sewer systems |
| **Impact** | Housing units built or supported: 76,000 | People reached through community programs: 250,000 | Total renewable capacity: 152 MW | Water treated: 1.2 billion gallons/day |
| **SDG alignment** | 11 | 3 4 | 7 13 | 6 11 |



## Rhino Bond

> "The Wildlife Conservation Bond (WCB) has already made a meaningful impact for the parks and local communities in South Africa by providing essential and significant financing for rhino conservation and creating new jobs during a challenging economic period following COVID-19. The WCB has inspired the teams on the ground to deliver greater impact and serves as a template to transform how nature conservation is funded by channeling capital market resources towards sustainable development solutions in rural underserved areas of Africa and beyond. Nuveen's important contribution as the lead WCB investor was instrumental to make the WCB operation a reality."
>
> *—Elisson Wright,*
> *Senior Environmental Finance Specialist, World Bank*

# Natural resources

## RHINO BOND

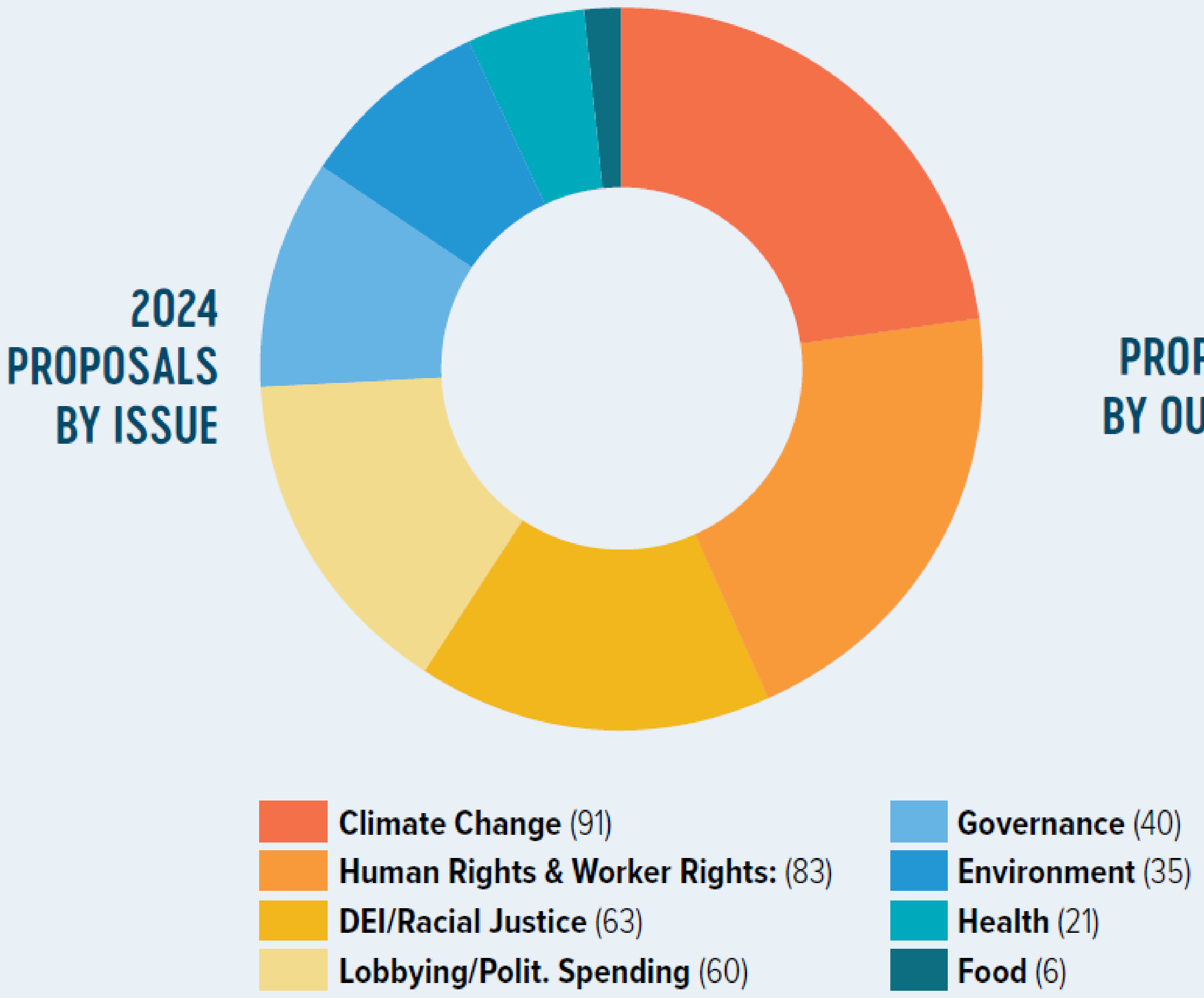
### Mission and intended outcomes

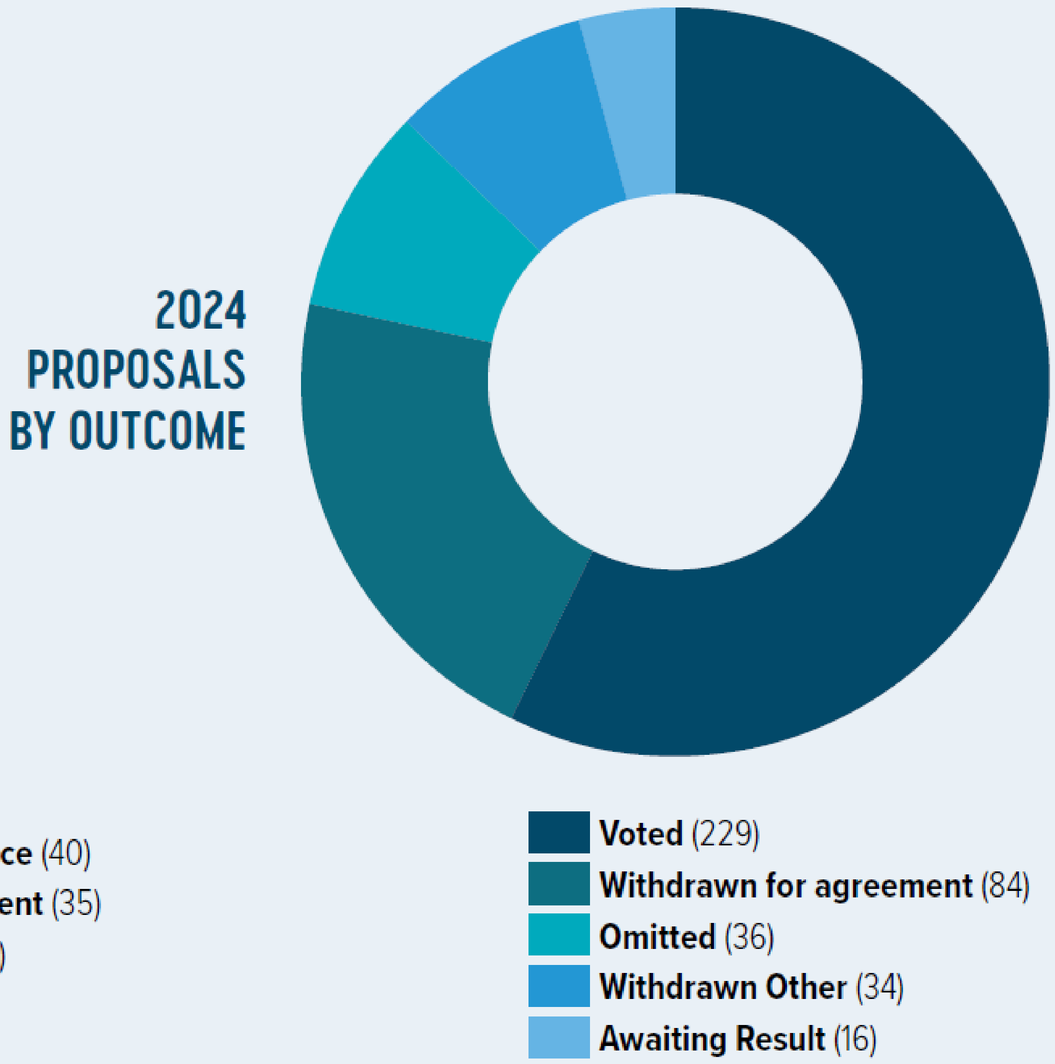
To protect and increase the rhino population, the World Bank issued a first-of-its-kind "Rhino Bond" — a five-year, AAA rated, $150 million outcome-based credit that directly links investors to the survival of an endangered species. Nuveen was the lead order in the deal, which priced in early 2022.

### Measurable impact

- Between 1960 and 1995, approximately 98% of the black rhino population was wiped out, mainly because of poaching and habitat loss. Although rhinos have made a comeback because of intensive mitigation efforts — their numbers have since doubled, to about 6,000 — this "Big Five" safari animal remains critically endangered.
- As a keystone species, rhinos help other species that share their habitat, contributing to South Africa's national economy through tourism and job creation, while simultaneously reducing the incentives for poaching.
- Conservation efforts at Addo Elephant National Park and Great Fish River Nature Reserve strengthen ecosystem services like clean water and habitats for pollinators that serve the local citrus industry. The project is expected to lead to the improved conservation of 153 thousand hectares.

# Don’t Ignore Proxy Voting



## 2023 PROXY SEASON BREAKTHROUGHS

COMPANY
**Cenovus**

LEAD FILER
**Investors for Paris Compliance**

VOTE
**99%**

The highest-ever vote won by a **Paris-aligned lobbying proposal**

COMPANY
**Dollar General**

LEAD FILER
**Domini Impact Investments**

VOTE
**67%**

The highest-ever vote on a **worker health and safety** audit proposal

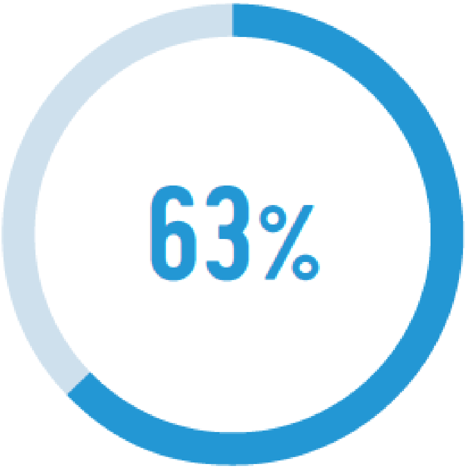
COMPANY
**Expeditors International**

LEAD FILER
**Clean Yield Asset Management**

VOTE
**57%**

One of the highest votes for a proposal calling for greater **disclosure of material corporate DEI data**

## PERCENT OF RESOLUTIONS FILED THAT WERE WITHDRAWN FOR AGREEMENT



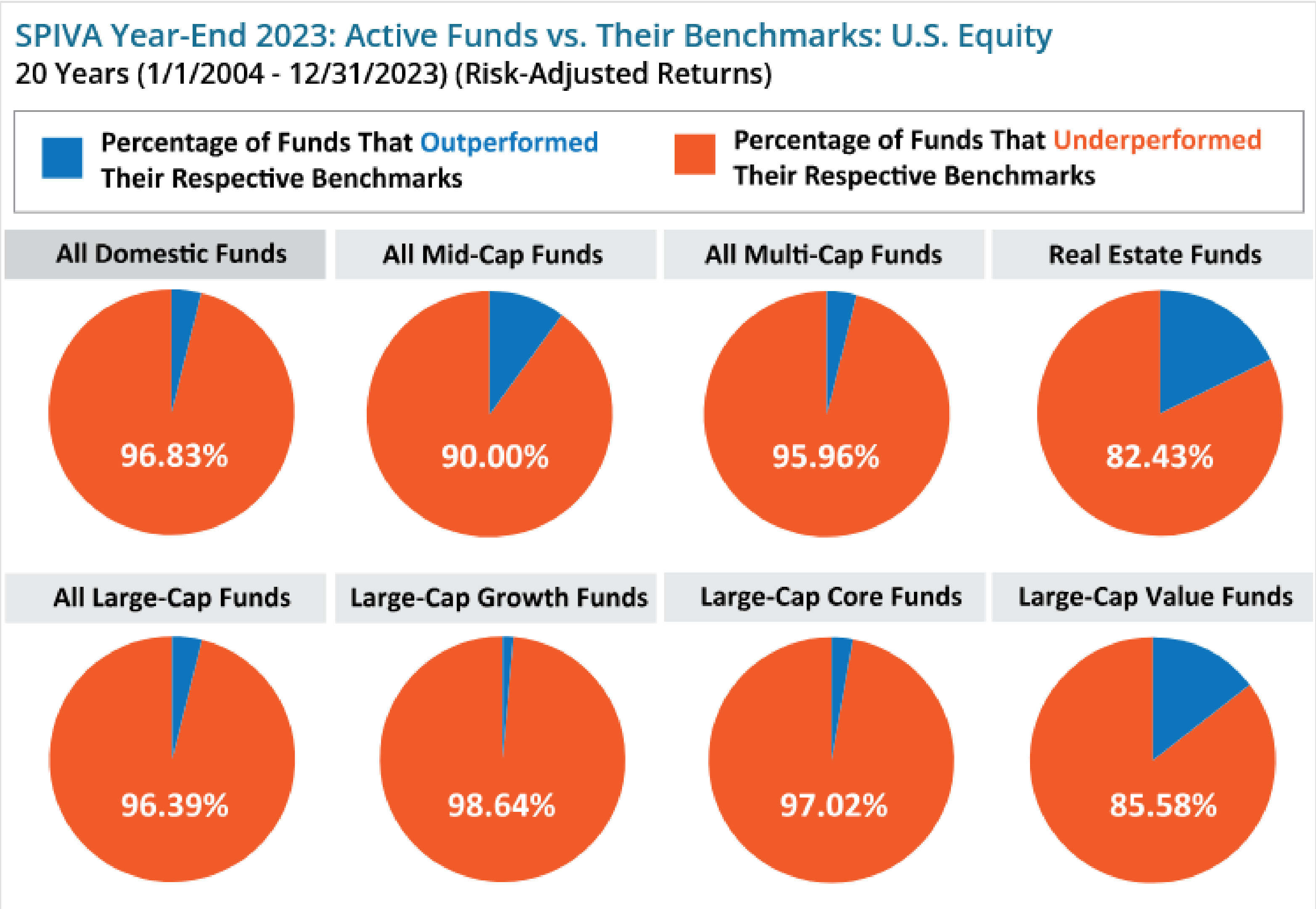

**Greater Disclosure of Material DEI Data**


**Climate Transition Plan & GHG Goals**

# Superpower #4

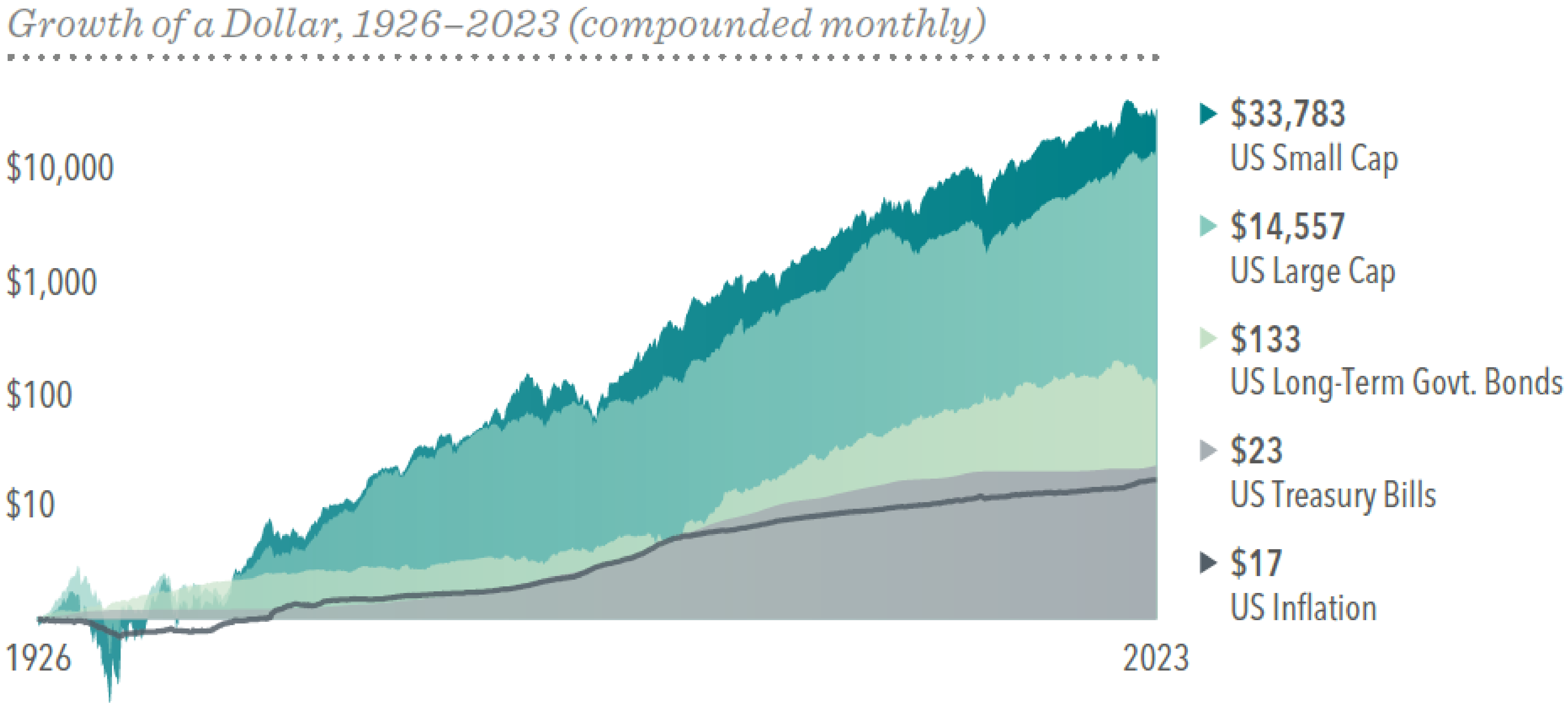
# Allocate Assets Effectively, and Earn Market Returns

# Money Managers Crystal Ball is Historically Not Very Good



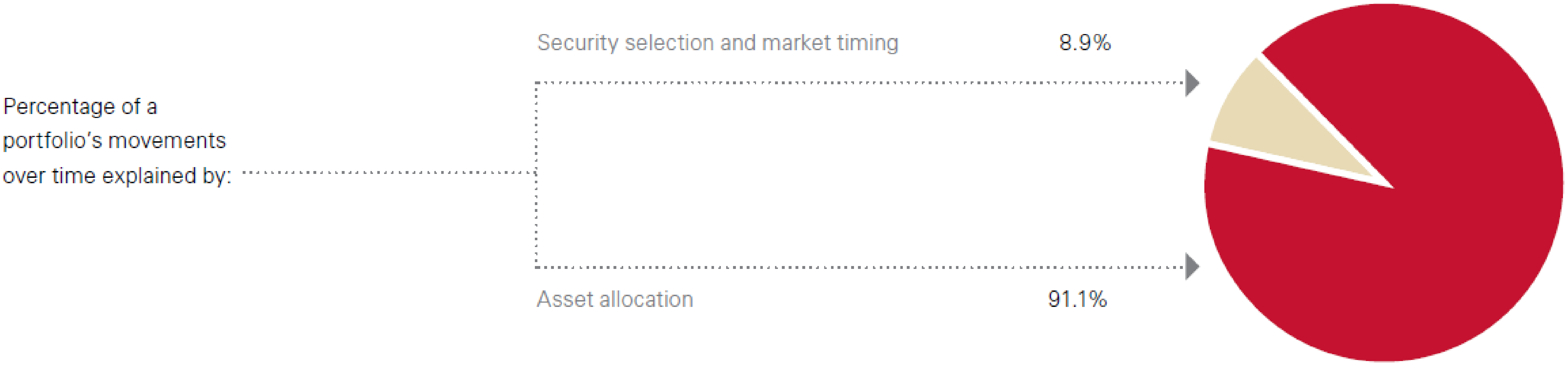

Source: SPIVA® U.S. Scorecard, S&P Dow Jones Indices LLC, eVestment Alliance. | Performance is calculated using returns divided by standard deviation, a measure of risk. | Indexes are not available for direct investment and performance does not reflect expenses of an actual portfolio. Chart is provided for illustrative purposes. This is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, product, service, or considered to be tax advice. There are no guarantees investment strategies will be successful. Past performance is no guarantee of future results. Investing involves risks, including possible loss of principal. 

# Market Returns Have Been Not Inconsiderable



# Asset Allocation is the Driver of Returns

Figure 4. Investment outcomes are largely determined by the long-term mixture of assets in a portfolio




Note: Calculations are based on monthly returns for 709 American funds from January 1990 to September 2015. For details of the methodology, see the Vanguard research paper *The Global Case for Strategic Asset Allocation and an Examination of Home Bias* (Scott et al., 2016).

Sources: Vanguard calculations, using data from Morningstar, Inc.

# Duration Matching Your Assets for Effective Asset Allocation

| | | | |
|---|---|---|---|
| **Immediate:** | **Soon:** | **Later:** | **Much Later:** |
| Monthly liquidity | 1-3 Yrs. | 3-7 Yrs. | 7-10+ Yrs. |
| Bank Checking/Savings | Conservative Income (MMKT, CDs, Bonds) | Balanced (20%-50% stocks) | Balanced Growth (50%-80% stocks) |
| Payroll | Project Funding | Capital Projects | Endowments |
| Bills | Reserves | Specific Savings | Long Term Savings |

Long Term Expected Return Estimates

| | | | |
|---|---|---|---|
| 0.0%-0.40% | 1-3% | 3-5% | 5-8% |

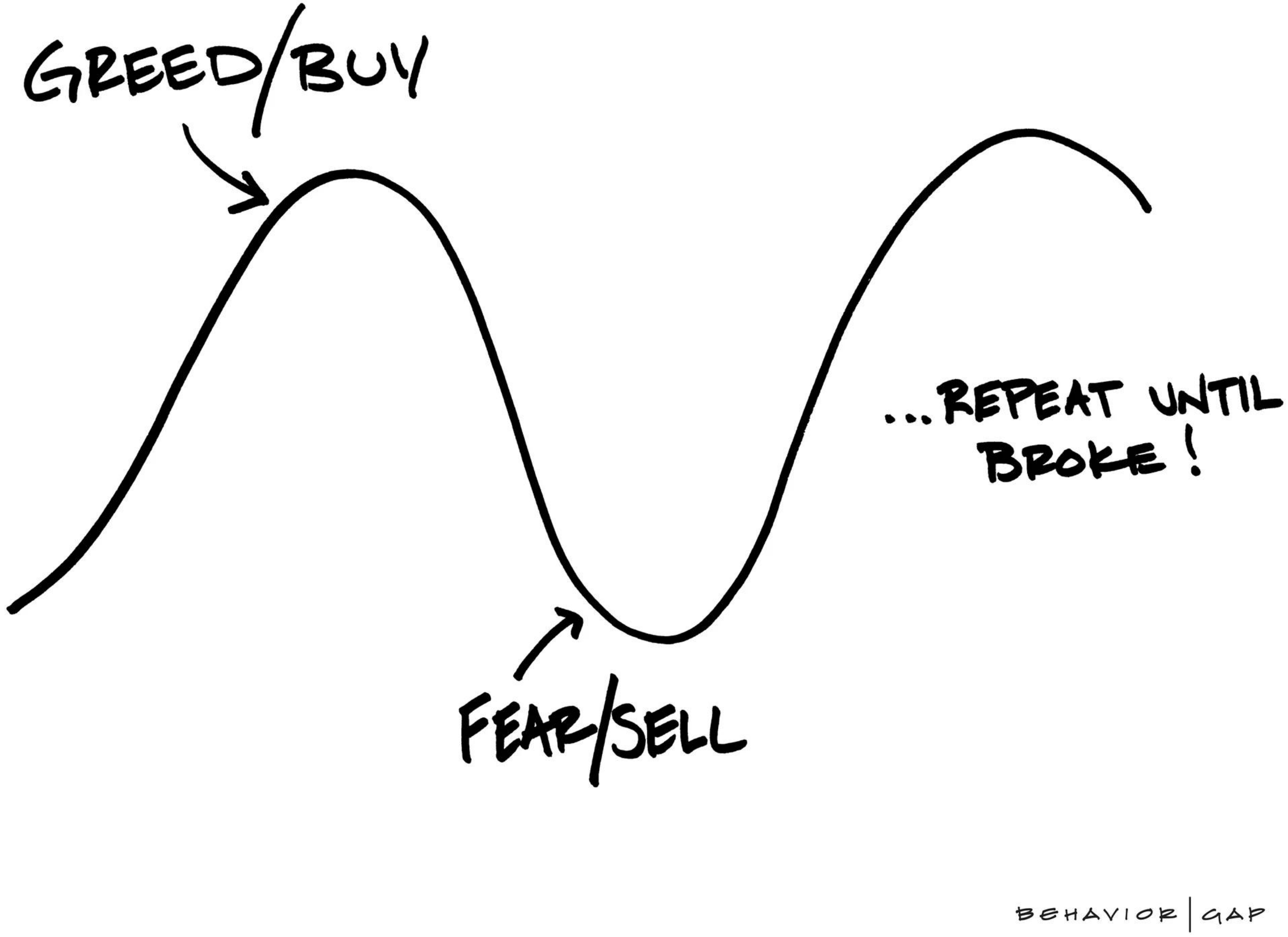
Worst 12-Month Drawdown Risk Estimates

| | | | |
|---|---|---|---|
| Stable Value | -1% -5% | -10%-22% | -20%- 35% |

# Superpower #5

# Be There When You Need Them Most

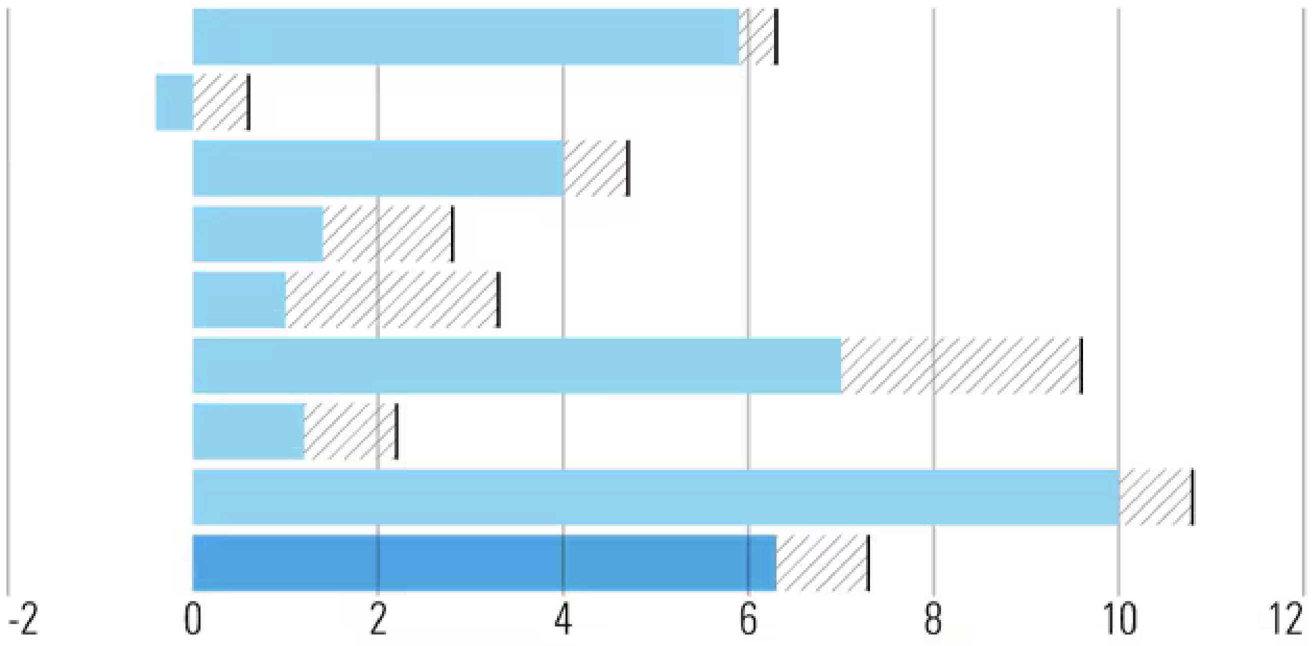
# Human Nature Wires Us to be Poor Investors



# Investors Historically Do Worse Than Their Investments Due to Poor Decisions

## Investor Return Gaps by US Category Group (10-Year Returns)

| U.S. Category Group | Investor Return % | Total Return % | Gap |
|---|---|---|---|
| Allocation | 5.9 | 6.3 | –0.4 |
| Alternative | –0.4 | 0.6 | –1.0 |
| International Equity | 4.0 | 4.7 | –0.7 |
| Municipal Bond | 1.4 | 2.8 | –1.3 |
| Nontraditional Equity | 1.0 | 3.3 | –2.3 |
| Sector Equity | 7.0 | 9.6 | –2.6 |
| Taxable Bond | 1.2 | 2.2 | –1.0 |
| US Equity | 10.0 | 10.8 | –0.8 |
| **Overall** | **6.3** | **7.3** | **–1.1** |



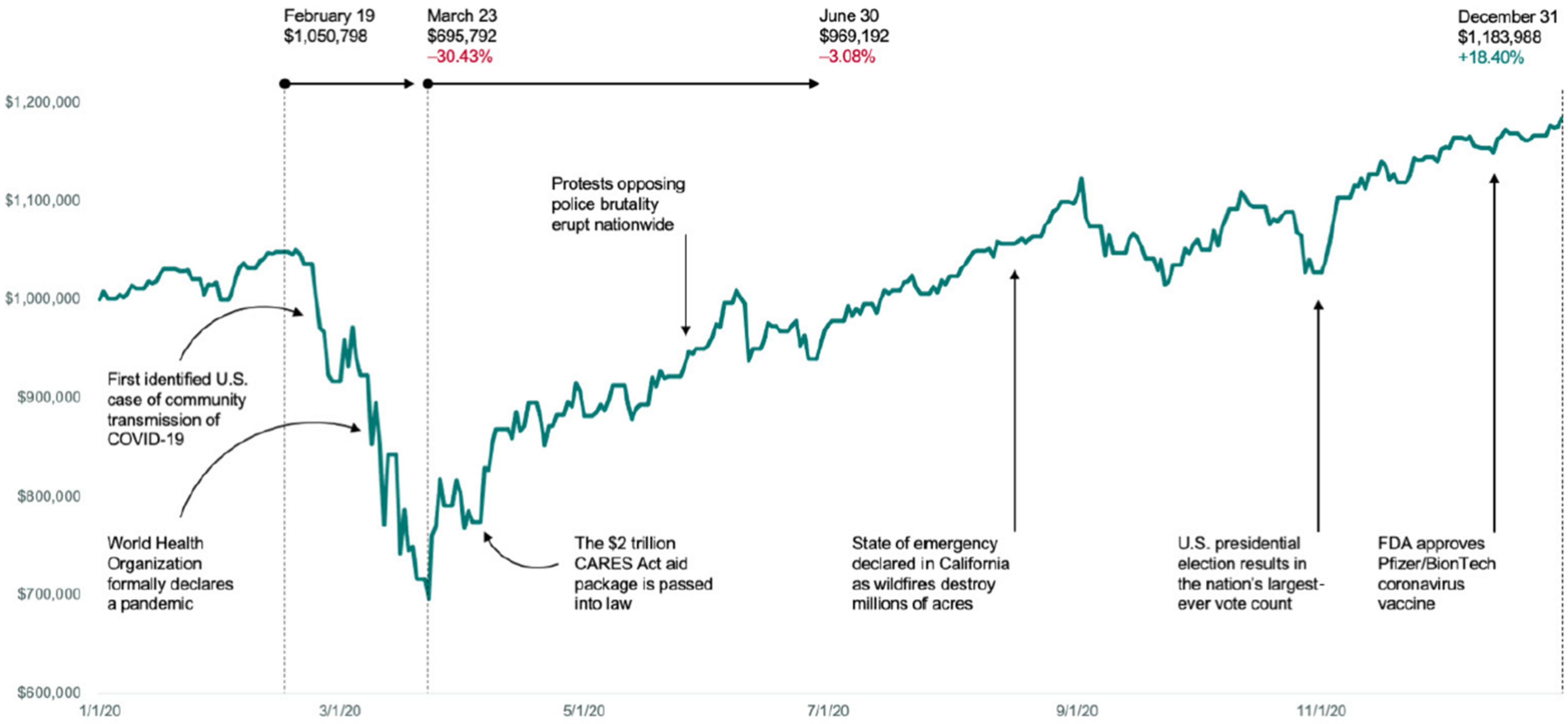

Source: Morningstar. Data as of Dec. 31, 2023. Excludes commodities category group. Gap numbers may not match differences in returns because of rounding.

# When Markets are Scariest, the Consequences of Panicking are Highest

## Historically, in difficult times, markets have proved resilient

Even amid the coronavirus pandemic and widespread social unrest in the United States, the performance of the Standard & Poor's 500 Index in 2020 demonstrated the importance of staying invested.

**Value of a $1 million initial investment in the S&P 500 Index in 2020 demonstrated the importance of staying invested**



# It's Our Purpose to Be There When You Need Us Most

We know the church because we are the church. Serving PC(USA) organizations and churches is our purpose and our focus. We are more than an investment advisor at NCTC, we are your partner in ministry.

# 5 Superpowers Every Great Financial Advisor Should Have

1. Serve as a Fiduciary
2. Customize a plan that is specific to you
3. Incorporate your values into your investments
4. Allocate assets effectively, and earn market returns
5. Be there when you need them most

# We are Here to Help

We're here to help you at any stage of your investment journey.

Brad Masters, CTFA
Vice President – Client Engagement
New Covenant Trust Company
502-569-5910 (office)
502-554-4391 (mobile)
Brad.masters@presbyterianfoundation.org

Presbyterian Foundation Ministry Relations Officers (MRO's)
Ministry Relations Program | Presbyterian Foundation

NEW COVENANT TRUST
A Subsidiary of the Presbyterian Foundation