

**REPORT OF THE CHAIRPERSON OF THE LWF ENDOWMENT FUND**

**Introduction**

The Endowment Fund Board had three primary goals during the past year. The first was to strengthen the performance of the endowment. The results are noted in the first chart below. The second goal was to encourage contributions to the fund. Member churches that had not had a chance to make a contribution have made a contribution which is noted on page three. The third goal was to develop policies that create a reliable distribution from the Endowment Fund to the LWF. This policy change enables the Finance Committee to have a reliable expectation of distributions from year to year to aid in budgeting and our goal of an annual distribution. This change also means that periodic market fluctuations do not have a sudden negative effect in one fiscal year but are spread more evenly over time.

**Financial performance during 2014 (based on the audit report)**

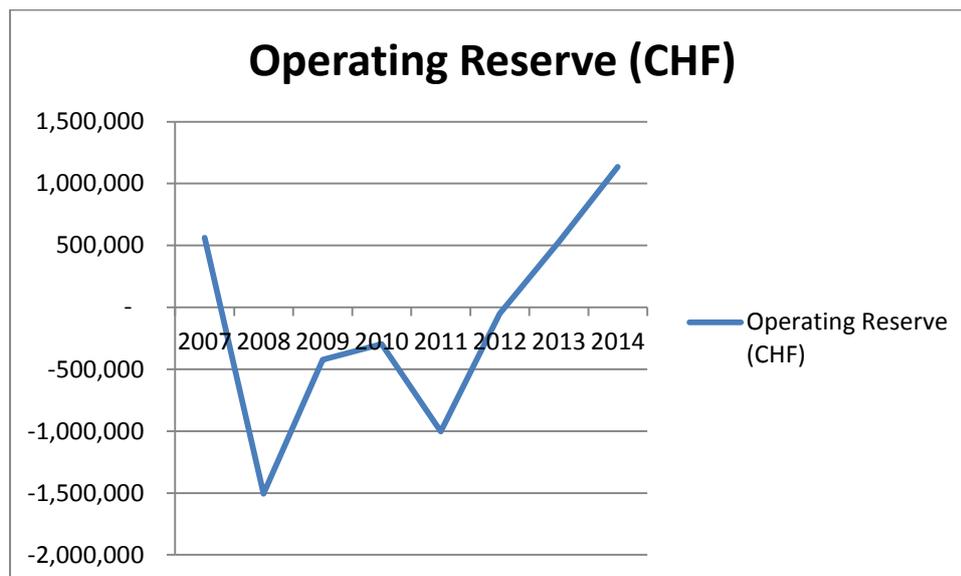
A positive year in stock market performance resulted in another good year of performance for the Endowment Fund during 2014. This second consecutive year of strong performance enabled the Board to approve a distribution of CHF 343,647 to the LWF working budget for the current year.

Table 1 below summarises the performance of the Fund since 2007.

Year	Net Assets in GVA, CHF	Investment Result, CHF	Result of the Year, CHF	Operating Reserve, CHF	Funds in USA, USD	Distributions made to the LWF in CHF
2007	10,089,858	-106,445	-86,384	562,215	1,252,025	581,051
2008	8,709,673	-1,827,280	-1,781,522	-1,505,136	925,718	285,829
2009	10,405,436	1,021,373	1,082,336	-422,800	1,294,718	0
2010	10,790,265	95,940	126,560	-296,240	1,518,098	0
2011	10,226,345	-743,393	-707,128	-1,003,368	1,423,063	0
2012	11,311,762	883,293	951,410	-51,958	1,802,808	0
2013	11,985,082	602,206	582,129	530,171	2,019,476	0
2014	12,658,182	882,121	947,799	1,134,323	2,223,760	343,647
2015						tbc 343,000

Table 1 – Financial performance of the Fund since 2007

The movement of the Operating Reserve over time is represented in the graph on page 2.



In January 2015 the Swiss National Bank decided to de-couple the Swiss Franc from the Euro. This effectively strengthened the Swiss Franc and put a strain on the Swiss investment market. There has been some recovery since and the fund managers at Credit Suisse remain optimistic about a positive overall performance this year. At the next Board meeting (immediately following Council in June), we will be discussing the implications with, Credit Suisse and explore what options are available to the Board to preserve both the value of the fund and the annual distributions to the LWF.

The Endowment Fund balance on 30 April was CHF 12,312,199 compared to CHF 12,510,464 as of 31 December 2014. In the past 4 months gave a negative growth of 1.58 %, we lost CHF 198,265. To some extent the performance of the fund will always fluctuate. I am pleased that the revised distribution policy is already serving to safeguard our ambition to make a distribution every year to the LWF.

#### **ELCA Endowment Fund Pooled Trust**

In addition to the funds received in Geneva, further contributions have been received in the USA and credited to the ELCA Endowment Fund Pooled Trust. These funds remain in the Trust in perpetuity. For the year 2014, income earned totalled 98,120.41 USD (2013 USD 96'385.09). In line with the principles adopted in previous years relating to the transfer of such income to Geneva, USD 95,000 of the amount standing to the credit of the Income account has been accrued as income in 2014 and will be transferred to Geneva in 2015. The investment performance for 2014 was 7.67% (2013 17.27%).

#### **Contributions to the Endowment Fund during 2014**

It is with gratitude that we acknowledge the contributions made to the Endowment Fund by LWF member churches during 2014.

Table 2 below details those member churches that made a contribution to the Endowment Fund during 2014 (all values shown in CHF).

Member Church	2014	2013
EELC Hanover	15,002	15,044
Church of Norway	29,587	32,597
Church of the Lutheran Brethren of Cameroon	0	234
Ethiopian EC Mekane Yesus	0	345
LC of Taiwan (R.O.C.)	0	80
ELC in Namibia (ELCIN)	505	0
ELC in Cameroon	0	303
ELC in Canada	5,267	34,654
UELC in Switzerland	0	800
LC in Singapore	0	1,496
Estonian ELC	0	2,465
LC in Bangladesh	0	37
UELC in India	0	1,239
ELC in Southern Africa	149	0
<b>ELC of Tanzania</b>	<b>382</b>	<b>0</b>
EC of Czech Brethren	1,663	0
ELC Hungary	778	0
EC of the Augsburg Confession in Slovakia	11,860	0
EC of the River Plate in Argentina	423	0
Other private/church donors	3,332	1,895
<b>Total Contributions CHF</b>	<b>68,948</b>	<b>91,191</b>

Table 2 – Contributions to the Endowment Fund during 2014.

While the investment performance has been strong, the amount received in contributions from member churches has continued to decrease. In October, a letter was sent to every member church inviting them to consider their response to the challenge of building the Endowment Fund to CHF 20 million. Some positive responses were received and contributions in the first three months of 2015 are already more than CHF 200,000. However the challenge remains high with more than CHF 5 million required to reach this target.

### **Appointment of Board Members**

In 2014 Ms Adrienn Buday-Malik from the Evangelical Lutheran Church in Hungary joined the Board, replacing Bishop Tamás Fabiny. We thank Bishop Fabiny for his support and we welcome Ms Buday Malik who has already made a strong contribution at her first meeting last December.

### **Distribution to LWF**

The Bylaws of the LWF Foundation state that the principal of the Endowment Fund shall be held in perpetuity. Therefore a distribution may only be made when there is a positive Operating Reserve. The Operating Reserve at the end of 2014 was CHF 1,134,323. According to the principles for calculating the allocation of earnings, 3% of the Net Assets may be distributed. This enables a distribution of CHF 340,000 to be made to support the working budget of the LWF during 2015. The exact amount will be agreed at the next Board meeting in light of the financial picture that is evolving in this current year. The

Board is committed to making a regular distribution each year to the LWF and the current distribution policy is designed to support this ambition.

**Concluding remarks**

The action of the Swiss National Bank caused the greatest uncertainty. I am especially thankful for the immediate response of the staff who worked with our fund managers to reduce the negative impact of this action. We are blessed to have such competent staff who have a clear sense of the mission and purpose of the Endowment Fund as it serves the mission of the LWF for the sake of the world.

Respectfully Submitted

Rev. Dr Robin Steinke  
Chairperson of the Board