

## Church Financial Leaders Reflect on Market Crisis

Covenant leaders say their approach to financial and investment management is helping denominational ministries weather the volatility of the current world financial crisis.

Covenant Trust Company (CTC), which manages funds for individuals, is taking the same approach it recommends to clients. Portfolio manager Gary Johnson says, "That includes emphasizing the importance of maintaining an appropriate balance in our portfolios, based upon client risk tolerance, utilizing a disciplined process of blending asset types in order to control risk and achieve positive returns over time."

"For most clients, our investment time horizon is measured in terms of years, not weeks or months," Johnson says. "We do not shift our allocation targets based on short-term movements in markets. We do not attempt to time the markets."

Johnson also emphasizes that CTC's investments are "highly diversified in terms of distribution over market segments, industries, and individual securities issuers."

The market downturn is having a negative effect on Covenant Retirement Communities' current budget, but CRC president Rick Fisk says they also are taking the long-term approach. "This has hit us in two primary areas," he says. Investment income is used to pay overall operating costs, and the rate of return CRC must pay on its variable rate bonds has increased.

Paying the interest on bonds that have funded capital projects has taken additional funds beyond what was budgeted because the variable interest rate has increased significantly, Fisk says.

"It's not the first time we've lived through this," he adds, "it's a matter of how do you manage through it."

Fisk says he understands that may be more difficult for some residents

whose major source of income is their investments. He says CRC will do what it can to help residents through the crisis.

Not everyone is experiencing loss. National Covenant Properties is enjoying another solid year, says Steve Dawson, president. NCP makes construction and real-estate loans to churches.

"NCP has always paid interest and principal on time to investors. NCP has never missed a one," Dawson says.

That track record has actually caused a number of people dissatisfied with losses in the equity markets to shift their investments to NCP.

"We work hard to match our interest rate exposures by having loans adjust at about the same rate as the investments made by Covenanters," Dawson says. "As a result, when rates drop, they drop on both sides of our balance sheet."

Most of NCP's reserve funds are invested into Agency bonds, and those have shown a market increase over the last year as the "flight to safety" has taken place, Dawson says.

The Covenant Pension Plan remains solid despite the market's plunge, says Dean Lundgren, vice-president of finance. It is a defined benefit plan, which means that the Covenant Board of Pensions and Benefits is responsible for assuring that investment assets are sufficient to pay retirement benefits to pastors, missionaries, and their surviving spouses. "We assume responsibility that not only are benefits paid, but individuals can't outlive their benefits," Lundgren says.

"Obviously, in markets where most investment asset classes are facing challenges, our investment portfolio has declined during 2008," Lundgren says. "However, that decline has been significantly less than the market indices against which we compare ourselves."

Diversification and good investment managers have contributed to the better performance relative to other portfolios, Lundgren says. The pension plan also invests with an eye toward

long-term performance, he says.

"Obviously, no one knows when markets will reach bottom and turn around," Lundgren says. "Those of us who are stewards of the Covenant Pension Plan intend to stay the course, continue to invest for the longer term and remain well diversified. As we have done successfully in the past, we also will continue to examine investment options that will generate solid returns and mitigate market risk." □