

Investment Portfolio Report

The Order of Malta, Federal Association, USA maintains four investment accounts to support its various activities. Two are quite small - a cash equivalent portfolio to assist in the day to day operations and a fixed income portfolio which is used to provide support to Malta House. The other two are much larger - the Blessed Gerard Fund which supports all of our activities and the Lourdes Fund, which supports the annual pilgrimage. Together these four funds currently total almost \$3.7 million.

In late 2011, the Federal Association Board approved a new Investment Policy Statement, replacing one which had been in use for several years. This document provides guidance primarily for the two large funds. Among the major updates were a formal declaration that we would do our best to follow the Socially Responsible Investment Guidelines as published by the U.S. Conference of Catholic Bishops (USCCB) and that we would review those guidelines every two years or sooner if they were changed. The other major goal of the new policy was to improve our degree of investment diversification within the major asset classes. For example, in equities we wanted to improve diversification geographically by adding exposure to foreign markets, both developed and emerging. Within the domestic markets, we wanted to add both medium and smaller capitalization companies to complement our existing large capitalization portfolio.

The changes in investment policy guidelines were discussed with and agreed to by our outside investment manager, Sterling Capital Management, LLC of Washington D.C. late in the first quarter of 2012, with an objective of having them fully implemented in a twelve to eighteen month time frame, markets permitting. To date, they have made reasonable progress in moving to the additional asset classes and hope to complete the transition within the next 6 - 9 months. More importantly, the moves have been accomplished largely without negative impact on portfolio performance.

In terms of adherence to the USCCB guidelines, the Finance Committee conducts regular reviews of direct holdings versus the criteria and where violations are found, directs sale. In its initial review of holdings in the first quarter of 2012, we identified two pharmaceutical companies which had abortifacients within their product lines and directed their immediate sale. Similarly, in a later review we identified a company which, in a small foreign subsidiary, was engaged in embryonic stem cell research. Again, immediate sale was directed. – **Thomas Weiford, KM, Treasurer**