



# Embracing the Future

Annual Report  
**2019**



Best investment returns  
in ELFEC history



National Church and  
4 Synods are now  
investment partners



3 New  
partners



Over 55 partner  
investment  
accounts held



Hired new  
investment  
manager,  
Fiera Capital



Nearly \$11.5K awarded  
in social impact grants  
to 7 partners



\$4.7M Distributed to  
Canadian Charities in 2019  
\$16M since 2008



32 Partner  
meetings



Assets grew  
to \$46M



\$248K  
Donations  
of securities  
processed



\$250K Direct investment  
in BC affordable housing



# 2019 Highlights

# Your responsible investments reach new heights in 2019



As we work to continue to grow your investments and their impact, a range of successful steps this past year helped benefit our partners across Canada.

Through 2019 we saw more growth spurred by new investment partners, strong returns, plus capital added by existing partners to increase overall assets under management by \$10.8 million.

Dedication to our mission means more of your dollars are put to work to support good in the world, more churches and charities receive grants for their work and we see healthy long-term financial returns.

As you will read throughout this report, we continue to take new strides to improve returns on your investments and contribute to the financial stability of our Church and your future.

At the time of this writing, global concern about COVID-19 was beginning to widely impact our daily lives, as fears over impact of the virus roiled financial markets. Despite this, our efforts continue to be specifically designed for the long-term through our diversified and balanced investments.

As always, thank you for entrusting us with your accumulated assets. We look forward to welcoming many more supporters like you in the years ahead.

– *Bill Gastmeier, Chair, Board of Directors*

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## HIGHLIGHTS FROM 2019



### **Assets under management reach a record \$46.7M**

This year we welcomed three new investment partners from the ELCIC community. Additionally, our existing partners added to their funds, with capital and market returns, increasing our total assets under management to \$46.7M as of Dec. 31, 2019 - an increase of 30% in just the past year.

Our Investment Committee continues to offer strong focus on our investments and guidance to our growth. A review process in 2019 led to an update of our investment policy, plus the selection of a new investment manager, Fiera Capital.

We also recorded new planned gifts, which means more faithful people acted to ensure the work of the Church will continue after they're gone. Donations of securities reached \$248,000, another notable milestone.

This demonstrates that Lutherans are thoughtful, generous people who want to help their church now and into the future. Also, we're meeting a real need for dependable, trustworthy financial stewardship. And finally, our existing partners are expressing their confidence by entrusting us with more of their financial assets.

### **Responsible investment, plus strong returns**

In 2019 we continued to ensure partner dollars are invested in ways that benefit the world while earning a reasonable income. Our impact and faith-based investments continue to grow. Of particular note was a new \$250,000 investment in an 82-unit affordable housing project in Langley, British Columbia.

Also, overall distributions to Canadian charities reached \$4.7 million in 2019, bringing our total charitable contributions to \$16.7 million since 2008.

Finally, during 2019, I gave notice to the ELFEC Board that I will be leaving my position at the end of June 2020. A search for a new Executive Director is currently underway. We hope the successful candidate can begin work before I leave, ensuring a smooth transition in leadership.

We at ELFEC are extremely proud of our progress in 2019. I hope you enjoy reading about activities that we undertook on your behalf in the following pages.

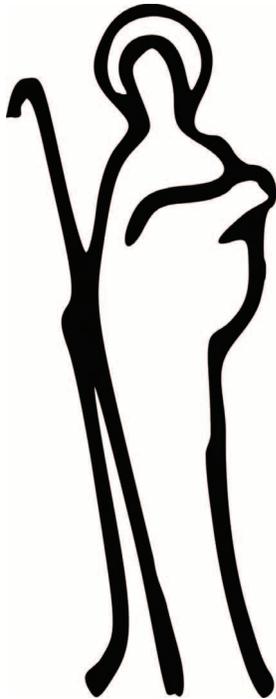
– *Jeff Pym, Executive Director*



# Impact Investment in Affordable Housing



emmaus place



**“We’re very excited that ELFEC is investing with our project partners, Catalyst Community Developments, to help make our affordable housing project, Emmaus Place, possible.”**

– Reverend Kristen Steele, pastor at SVLC

Since its earliest days in 2008, ELFEC has focused on responsible investing, which refers to the use of environmental, social and governance factors to select and manage investments. More recently, our strategy has included Impact Investments in organizations whose primary purpose is producing social or environmental benefits.

## Progress in 2019: Affordable Housing

In 2019, ELFEC finalized its financial support for an affordable housing project in Langley, BC.

Located on property belonging to Shepherd of the Valley Lutheran Church (SVLC), Emmaus Place will provide 82 units of affordable housing in apartment and townhouse suites.

“We’re very excited that ELFEC is investing with our project partners, Catalyst Community Developments, to help make our affordable housing project, Emmaus Place, possible,” said Rev. Kristen Steele, pastor at SVLC.

“This development of housing for seniors and families has been a vision this congregation has held for many years and we are excited to see it come to fruition. Thank you ELFEC for investing in the work of the church here in Langley.”

Construction on the housing project began in July 2019 and residents are expected to begin occupying their new homes in early 2021. The project is a partnership of Shepherd of the Valley Lutheran Church Housing Society, BC Housing and Catalyst Community Development Corporation.

The investment will provide interest income to ELFEC partners, while generating social benefits to residents and the broader community of Langley.

Bill Gastmeier, chair of the ELFEC board, is proud of the work being done by SVLC and the opportunity they’ve provided for ethical investment to be shared with the wider church.

“Addressing homelessness is also one of the Compassionate Justice Principles of the Evangelical Lutheran Church in Canada,” he said. “So Emmaus Place represents a project which is wonderfully aligned with our goals and which our partners are pleased to support.”



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*Through 2019, ELFEC continued to expand impact investing with a focus on making a real difference in our society.*

## Partnerships grow across the ELCIC

When the national office of the Evangelical Lutheran Church in Canada placed an investment of \$500,000 with ELFEC, just days after Christmas in 2018, it marked a vote of confidence in the foundation's ongoing work for Lutherans across Canada.

The foundation's growth is reflected in partnerships with the national church and now four Synods across the country. Most recently, Synods in British Columbia and Alberta have opened funds with the foundation.

"It certainly is gratifying to see the growth, right across the country," says Keith Myra, treasurer of the Eastern Synod, which was a founding partner when ELFEC was first created. "It's something that I don't think any of us envisioned at the time, but now it's grown to provide a service to the Church as a whole in most areas of Canada."

Jeff Pym first met with members of the national church finance committee several years ago to outline possible advantages of allowing ELFEC to look after at least some of its investments. As finance officials there reviewed ELFEC's performance, they liked the idea of channeling some investments to the foundation.

The national church continues to work with traditional investment advisors and has been happy with the financial returns. But a number of elements offered by ELFEC make it attractive to partner with the foundation.

### Socially responsible investing a key

"Their relationship with the Lutheran church family was certainly key to our initial involvement," explains national church treasurer Gene Blishen. "ELFEC really is a leader in the Church, taking a thoughtful and prayerful look at how the whole investing environment needs to be viewed."

Stephen Holmes, chair of the BC Synod, echoes that ELFEC offers unique advantages for investment tailored to the Church. Sale of property in the Metro Vancouver area enabled the BC Synod to dramatically increase its investment with ELFEC last year, pushing its holdings from about \$70,000 in early 2019 to almost \$10 million by year-end.

"There's a level of trust in the ELFEC organization," Stephen explains. "There are strong returns, but also a balanced approach to investing, which is very important. There is the ethical stance around how they measure and decide where they invest, which is important to us as an organization. The additional benefits are the relationships it has and grants it provides to congregations for some activities."

"Their initiatives in micro-lending and responsible investing have a good feel for us as a religious organization. We're not just investing in stocks and bonds, but also investing in the lives of individuals and organizations."

### Investment at a reasonable cost

"One of our biggest challenges before we started ELFEC was that congregations had nowhere to go," explains Keith. "Most of them were invested in guaranteed investment certificates. I was getting questions from many congregations about where to invest their money. There were a lot of congregations struggling to decide what to do."

Another benefit has been that the larger number of partners and overall assets under management mean reduced management fees paid by each partner, "allowing more of our dollars to go toward what we need to do in the Ministry within the Synod, rather than covering management fees," Keith said. "That critical mass is important."



## Making a Difference in Your Community: St. Paul's Lutheran Church, Neustadt, Ontario

Like many congregations, members of St. Paul's Lutheran Church in Neustadt weren't quite certain what to do after a former parishioner left a large bequest to the church in the 1980s, followed by a similar amount from his sister.

Council member Dave Zimmerman recalls it this way:

"Pastor Mike (Michael Pryse, now Bishop of the Eastern Synod) said we've got to get a committee together to figure out how we can use this money for the betterment of the wider community, not just for church operations. He instilled that attitude in us and we still carry it on today. We're grateful to have the chance to benefit groups and individuals in need. It makes you feel good."

After ELFEC was created in 2008 and the foundation began to grow, the congregation kept watch on its evolution as a potential place to invest. By 2012, St. Paul's opened a partner fund with ELFEC and is among various congregational partners across the country.

Investing with ELFEC "really addresses the question of what happens as churches adjust," explains ELFEC Chair Bill Gastmeier. "ELFEC provides a way for congregations to maintain charitable investments in a way that they know it will continue to be managed ethically and go toward goals that ultimately are Christian and faith-based in nature."

The social impact of congregations is significant. Neustadt Council chair Darlene Divers speaks proudly about the numerous fund-raising events St. Paul's holds each year in aid of local charities, including barbecues, luncheons and bake sales.

They enter a float in the annual Christmas parade and host a community pot-luck dinner every few months.

For several years they've grown potatoes in a field donated by one of their members. After harvest, some of the potatoes are sold and the remainder are donated to the Owen Sound food bank. "Two tons of potatoes feeds a lot of hungry people", adds Dave Zimmerman.



Along with the food bank, the list of charities supported by St. Paul's through the years includes an area hospice, a riding school for children with disabilities, and the Neustadt volunteer fire department. "The fire department needed a tool that would effectively cut the windshield of a vehicle to rescue people," Darlene Divers explains. "We didn't quite raise enough with the fundraiser so the church donated the difference."

ELFEC is proud to be in partnership with St. Paul's, Neustadt and – through the congregation's ministries – with the wider community of Grey County, Ontario.



**"ELFEC provides a way for congregations to maintain charitable investments in a way that they know it will continue to be managed ethically and go toward goals that ultimately are Christian and faith-based in nature."**

– Bill Gastmeier, ELFEC Chair

# ELFEC is firmly committed to faith-based, responsible investing. Among the strategies we use to execute this commitment is impact investing.

ELFEC delivers on its commitment to responsible investing by:

- Directing the asset manager to screen potential investments during the selection process, and regularly monitoring those investments against our policy;
- Authorizing our asset manager to take part in governance of companies we invest in, by voting proxies;
- Engaging with companies through corporate engagement programs, and;
- Investing directly in organizations that produce social or environmental benefits, as well as financial returns.

## Portfolio management

As Jeff Pym explains, the foundation has been practicing this approach itself for some time, but in 2019 the Board and its investment committee, conducted a thorough review of its main investment policies and manager, choosing Fiera Capital as its new investment manager.

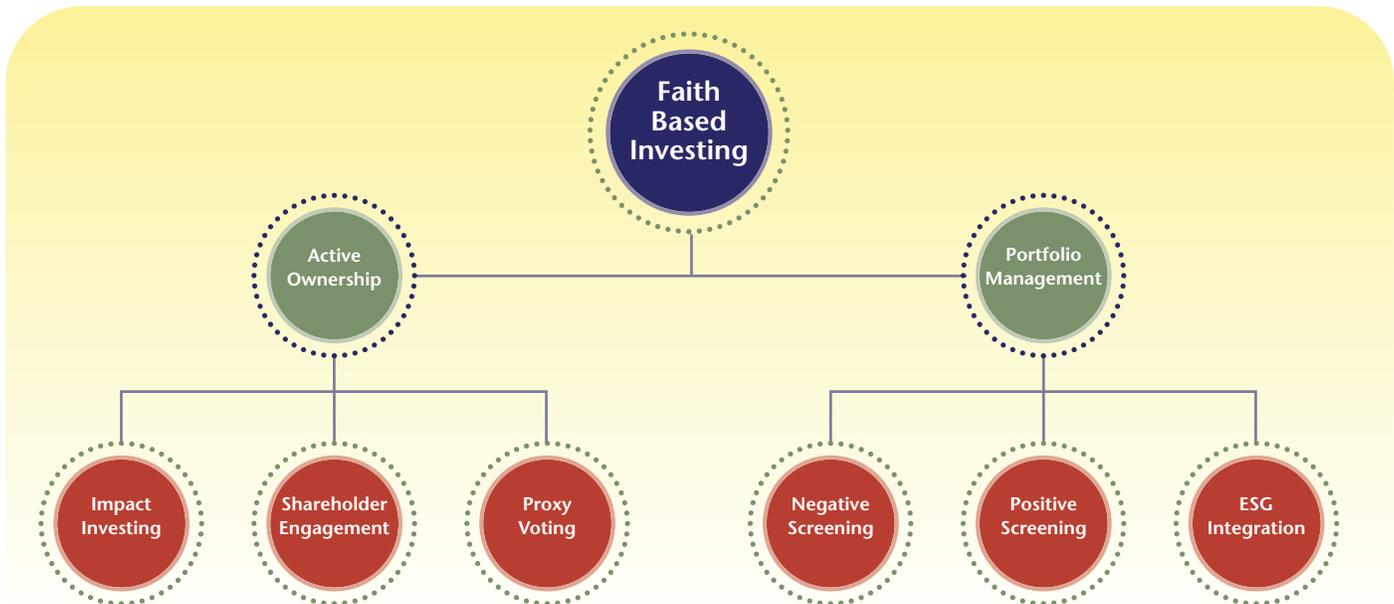
“When we chose Fiera, the deciding factor was that they were stronger than other investment

managers when it comes to responsible investing,” explains Jeff.

Through the investment policy and manager review, “we were able to look at what we were already doing and seek to codify them so the policy reflected our asset allocation, the framework around impact investing,” says Lars Boggild, a member of ELFEC’s investment committee. “We also wanted to more clearly focus our attention on impacts around several key areas: poverty alleviation, environmental sustainability and indigenous reconciliation.”

According to their public principles, Fiera Capital is committed to ensuring that environmental, social and governance (ESG) considerations are integrated not only in the firm’s investment processes, but into how they do business in general.

In early February, Fiera opened a new Global Impact Fund tied to the UN Sustainable Development Goals, so a part of the ELFEC portfolio is invested there, as well as some fossil-fuel free pooled funds. “We were very pleased that they followed through to create that fund and see this as consistent with our own goals,” Jeff explains.





Every member of every congregation with an ELFEC partner fund can feel good about the impact their investment has on the well-being of people and our planet.

### Active ownership

As part of its corporate engagement approach, ELFEC also works with SHARE, the Shareholder Association for Research and Education, which is dedicated to building a sustainable, inclusive and productive economy.

SHARE conducts focused and constructive shareholder engagement dialogues with public corporations on behalf of ELFEC, to improve the environmental, social and governance performance of companies in our investment portfolios. In the final quarter of 2019, SHARE corresponded with eight companies with shares held by the foundation to influence how their policies and practices align with our responsible investing goals.

### Impact investing

In addition to responsible investments at Fiera, ELFEC has holdings in four organizations whose programs meet at least one of our environmental and social priorities. Each impact investment also generates income that contributes to total investment income. Such direct investments are key to making a difference in our society.

In addition to the investment in Emmaus Place featured above, ELFEC holds an interest-bearing community bond from a charity called

Windmill Microlending. Windmill microloans provide up to \$15,000 to internationally trained immigrants, so they can obtain training or Canadian licences that they need to work in their field.

Once loan recipients complete their program of study and gain Canadian accreditation, Windmill reports that their unemployment rate drops to 10 per cent, from 40 per cent, while their average household income rises 340 per cent.

While newcomers and their families can gain from a Windmill loan, all of us benefit when highly trained and experienced professionals find jobs in their chosen field and can put their talents to fullest use.

Part of each dollar contributed to or invested in an ELFEC fund helps Windmill provide more loans. It also helps other organizations to provide affordable housing, produce solar power or reduce green-house gas emissions.

These are just some concrete examples of the difference we can make, as we continue to put our money to work in alignment with our values as people of God. Every member of every congregation with an ELFEC partner fund can feel good about the impact their investment has on the well-being of people and our planet.

# Partnering with ELFEC, how we can help

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## What ELFEC does:



### Investment Oversight:

An ELFEC fund allows congregations to pool their investments with ours, benefiting from professional asset management and a faith perspective.



### Faith-based Investing:

Our investment practices contribute to the health and sustainability of the communities in which we invest.



### Donor-advised funds:

A Donor Advised Fund with ELFEC has most of the advantages of a family foundation without the high costs.



### Gift Planning:

Our Lutheran Planned Giving (LPG) program encourages and assists people to make planned gifts to the church.



### Donations of Investments:

We accept gifts of stocks and mutual funds, provide a donation receipt to the donor, and send the cash proceeds to the beneficiary congregation.



### Learning:

ELFEC provides educational resources to congregations and individuals on Faith Based Investing and Gift Planning.

## As of December 31, 2019

# 2019 Foundation Financials

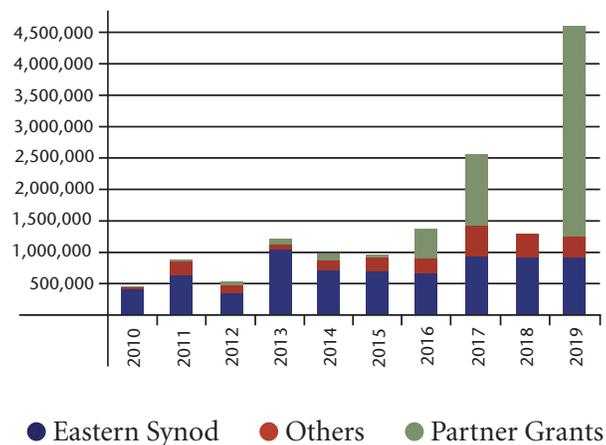
### Statement of Financial Position (000s)

Assets	
Cash	3,778
Accounts Receivables	632
Donated Life Insurance	13
Investments	42,957
<b>TOTAL</b>	<b>47,380</b>
Liabilities	
Accounts Payables	764
Partner Fund Income Due	2,865
Partner Fund Capital	24,349
Fund Balances	
Endowment	13,707
Restricted	5,606
Unrestricted	89
<b>TOTAL</b>	<b>47,380</b>

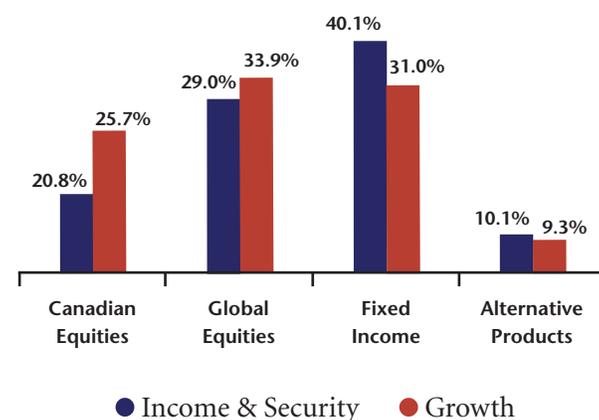
### Statement of Operations (000s)

Donations	877
Investment Gain	2,572
Other Income	268
<b>Total Income</b>	<b>3,717</b>
Expenses	335
Grants	1,180
<b>Reinvested Investment Income</b>	<b>2,202</b>

### Charitable Distributions



### Asset Mix by Portfolio



In keeping with our commitment to financial accountability and transparency, full audited financial statements prepared by RLB LLP are available at [www.elfec.ca](http://www.elfec.ca).

Many thanks to our supporters and partners

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**Board of Directors 2019**



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