FALL 2023

INNOVIEWS

Invested in Your Mission

INNOVEST'S LATEST UPDATES AND ARTICLES FROM THOUGHT LEADERS IN THE FIRM

IN THIS ISSUE

NEW INSTITUTIONAL CLIENTS

Catholic Benefits Association

Fender Musical Instruments

San Diego Union Tribune

Union Square Advisors

University of Mary

It is not known whether the listed clients approve or disapprove of the services provided. The new clients on page one are listed with their approval and permission.

Should They Stay or Should They Go?

Troy Jensen, QKA, APA
Principal

Kyli M. Soto, AIF®, CPFA®
Vice President

For some 1980's nostalgia, think back to the staccato drum beats and strummed electric guitar chords of English rockers The Clash and allow your mind to drift into the lyrics. We apologize if the song is stuck in your head for the rest of your day. But there is a nice parallel in the lyrics when we're thinking about whether terminated participants – those no longer employed by your organization but still in your retirement plan – should stay or go, particularly those with smaller account balances.

Before we dive into the song, some background feels appropriate. IRS rules allow for plan sponsors, when optionally written into their plan provisions, to remove terminated participants with small balances. Prior to 2023, "small" was any amount up to $5,000. Congress' passage of the SECURE Act 2.0 now gives plan sponsors the option to further increase that threshold up to $7,000. Any participant with a vested balance of $7,000 or less can be forced to take their money out of the plan with required advance notice from the plan sponsor. If between $1,000 and $7,000, this is done as a rollover into an IRA opened in the participant's name. For amounts under $1,000, the rules permit that a check be sent directly to the participant and the money is taxably distributed out of their retirement savings.

Why would plan sponsors do this? For one, if the employer is generously covering the recordkeeping costs on behalf of its participants, it is an extra expense for them to keep paying for someone who is no longer employed. Secondly, it can be more costly to all participants remaining in the plan, over

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time, to hold onto these small balances. Recordkeeping providers generally price their services based on average account balance, so any smaller balance participants can drag down that average, increasing fees for everyone.

The Clash, Verse One: "If you say that you are mine, I'll be here 'til the end of time."

Consider another Englishman, Sir Issac Newton, admittedly less a rocker and more a scientist: his first Law of Motion taught that objects at rest tend to stay at rest unless compelled to change by the action of an external force. Inertia is just as real for plan participants. People tend to behave like those objects and can be resistant to change, or at least find change inconvenient. For participants in your retirement plan, expect that they will tend to stay in your plan "'til the end of time" unless you give them a polite nudge toward moving those assets out.

"If I go there will be trouble…so come on and let me know."

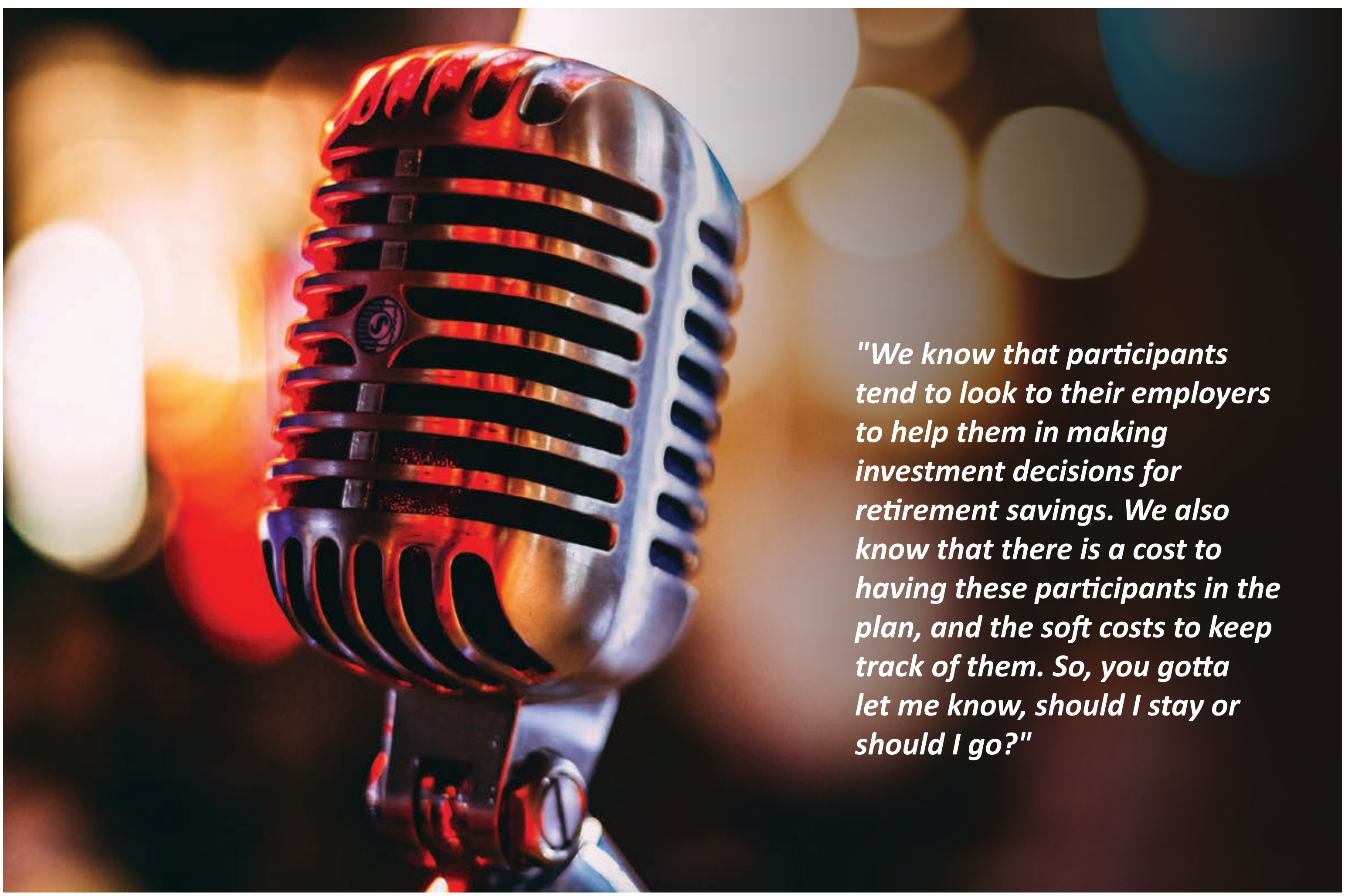
Participants don't always make the best financial decisions when they do things alone. Without proper education and guidance, some may do some 'emotional investing' (selling low when it doesn't feel good and buying high when things seem rosier) or take their funds out of their retirement plan to use for non-retirement purposes. Easy as it may seem to kick out former employees and leave them to fend for themselves, a sense of paternalism may instead spur plan fiduciaries to at least help oversee what little assets they have entrusted to them. Sound fiduciary processes should be in place for overseeing the investments you make available in your plan, and it arguably adds very little risk to maintain that oversight even for small balances.

"…and if I stay, there will be double."

If you allow terminated participants to stay in your plan, there is a fiduciary responsibility on your part to make sure that these participants don't go missing. Many move on, both physically and mentally, when they leave a job and often forget to provide an updated or forwarding address. Uncashed RMD checks, returned mail, no beneficiaries on file…all are signs that a participant may have forgotten or abandoned their retirement assets. Finding those participants is a necessary obligation for employers. For those plan sponsors who pay the recordkeeping fees on behalf of their participants, you're now paying for someone that no longer works for you and may not even be aware that they have an account in your plan. If participant-paid, recordkeeping and other fees may quickly and significantly erode whatever balance remains.

"This indecision's bugging me (esta indecisión me molesta)."

We know that participants tend to look to their employers to help them in making investment decisions for retirement savings. We also know that there is a cost to having these participants in the plan, and the soft costs to keep track of them. So, you gotta let me know, should I stay or should I go? Determine what is best for your participants, even the ones that no longer work for you. The 1980's are counting on us to let them know.



An Interview with Innovest's Paul D'Alessandro on His New Book, *The Future of Fundraising*

Stephanie Dufano
Manager

In an era marked by technology's rapid evolution and a global pandemic, the faith-based nonprofit industry has unfortunately experienced some disruption. More than ever, leaders find themselves navigating uncharted territory and adapting to a new understanding of how donors are approaching solutions to social challenges. Moreover, as the boundary between nonprofit and for-profit entities pursuing social impact blurs, traditional funding paradigms no longer hold sway. The future of fundraising is not on the horizon; it is here, in the present moment.

Innovest Vice President, Paul D'Alessandro, is a seasoned expert in the field with over three decades of experience in raising more than $1 billion and engaging with over 4,000 donors. In his new book, The Future of Fundraising: How Philanthropy's Future is Here with Donors Dictating the Terms, D'Alessandro offers a road map for success in this rapidly evolving landscape.

The book discusses the power and future implications of artificial intelligence in the nonprofit sector, comprehensively capturing donor-advised funds, social impact investing, and the revolutionary potential of blockchain philanthropy. D'Alessandro also sheds light on the complexities of fundraising compensation, a potential hindrance to innovation in these critical times.

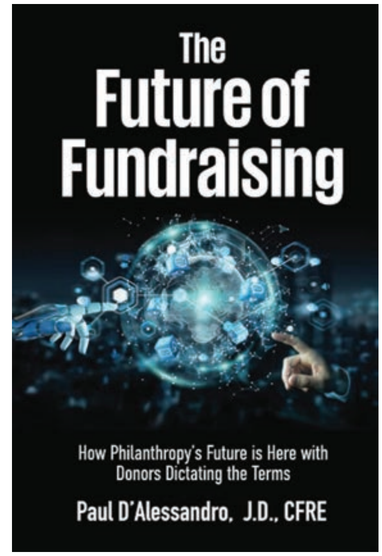
We sat down with Paul to unravel the inspiration and insights behind his new book.

1. What motivated you to write this particular book?

PD: *I wanted to write something that wasn't a "How to Raise Money" or about giving trends. The concept comes from watching how tech companies are having an impact on making nonprofits more efficient. It also came from ongoing conversations with donors who are frustrated with nonprofits, especially their ability to "move the needle" on change. Donors are looking at other options for making an impact, including donor-advised funds, Impact Investment, and venture philanthropy funds. They have choices that are varied regarding where to put their money.*

2. What do you think are the biggest disrupters of the nonprofit industry in the past decade or so?

PD: T*echnology, absolutely – especially AI and ChatGPT. Tech companies have zettabytes of information about millions of households and individuals. They use this to inform a nonprofit who would give to them and how much, while also notifying them on the vast amount of money moving into DAFs. DAFs from Fidelity and Vanguard, for example, are becoming the largest nonprofits in the country so there is a shift in how donors give and when they give. There are billions of dollars now "parked" in DAFs that can be deployed for a great good but for now a lot of it is being managed by an asset manager. More money comes into*



DAFs each year then goes out. Another disruptor is government – the standard charitable deduction has caused, in some people's minds, a decline in individual giving.

3. What themes or messages do you hope readers will take away from your book?

PD: *The theme that I've been stressing to nonprofits is to think five to ten, even twenty years ahead and realize that the old models of fundraising, like year-end giving appeals, are not necessarily going to work in the future. Fatih-based onprofits need to invest in technology and look more towards consolidation and collaboration because the competition for donor dollars is fierce. Topics like Impact investing, diaspora giving, AI, cyber security, and building a revenue-generating mechanism for the nonprofit are all things that nonprofits should be thinking about. It truly is a time to adapt to the shifting sands in fundraising and nonprofit growth.*

4. Is there anything else you'd like to share with your readers or potential readers about your book?

PD: *The book was written during the time of the COVID pandemic, giving a lot of people time to reflect. Some nonprofits adapted and worked together in communities for a great good. It is a book to cause leaders to think proactively about the future and how all the changes, particularly with AI and the shift in donor thinking, will affect them in the long term. It is a good time for boards to be made aware and understand that it will require greater investment in new things to sustain and grow.*

Paul's book serves as an indispensable resource for faith-based nonprofit leadership teams, providing the essential knowledge to stay ahead of the curve and prepare for what lies ahead by unlocking the minds of 21st century donors. Pick up your copy of *The Future of Fundraising: How Philanthropy's Future is Here with Donors Dictating the Terms* today, available on Amazon and other outlets.

Nonprofit Spotlight: Christian Care Ministries

Innovest provides investment advice to many faith-based nonprofit organizations, and every month, we are honored to introduce you to one of our clients. This month, we are excited to feature Christian Care Ministry.

Established in 1993, Christian Care Ministry stands as a beacon of hope and assistance for individuals in search of an alternative to traditional health insurance. Through Christian Care Ministry's Medi-Share program, members contribute a monthly shared amount which is distributed to other members who have eligible medical expenses. The Medi-Share program assists individuals in meeting their medical needs and invites members to become part of a community of disciples who share each other's burdens. Today, the organization employs over 700 individuals and has over 400,000 members who have shared more than $7 billion in medical bills.

Christian Care Ministry's mission is connecting people to a Christ-centered community wellness experience based on faith, prayer, and personal responsibility. The organization strives to mirror the support of the early Christians illustrated in Acts Chapter 6. Get involved by donating to Christian Care Ministry with their National Outreach Program. You can also join Christian Care Ministry through becoming a partner. The Partner Program allows faith-based businesses promote Medi-Share, grow their audience, earn incentives, and impact the Kingdom.

The Case for Mid Cap Equities

Brett Minnick, CFA
Vice President

Sydney Aeschlimann
Senior Analyst

Mid-cap equities, like middle children, can often be overlooked. It is easy to be captivated by large-cap equities, with their impressive scale or an up-and-coming small-cap tech company that is slated to be the next big thing, but nestled between these two extremes are mid-cap companies. With market capitalizations ranging from $2 Billion to $10 Billion, mid-cap companies inhabit a sweet spot in the market, balancing growth potential and security.

Mid-cap equities include components of both small- and large-cap stocks. Small-cap equities can be unpredictable and volatile and large-cap equities may have already experienced most of their exponential growth. Mid-cap companies often offer a more balanced approach, with the opportunity for considerable growth along with better stability. In many instances, mid-cap companies are more than just a good idea. Many have a demonstrated history that they can prosper through various market conditions in their respective industries, providing investors with desirable returns.

Rapid growth and expansion are common traits of mid-cap companies; new ideas and products are generated and tested leading to market expansion and brand recognition. This growth potential can lead to significant capital appreciation over time, especially if these companies transition into large caps. Apple, Amazon, Alphabet, and many other well-known large companies were once mid-cap stocks. Successful companies can experience significant growth over time, moving from mid- to large-cap status as their businesses expand and market capitalizations increase. Investing during the mid-cap phase can yield substantial returns if they continue to innovate and grow.

Another benefit of investing in mid-cap equities is that they typically trade at lower valuation multiples compared to large-cap equities. Investors can participate in companies with strong growth opportunities and avoid paying the premium valuations that typically accompany investing in large companies. For example, the price-to-earnings ratio for the Russell Mid Cap Index was 17.99 as of 8/31/2023, whereas the Russell 1000 index had a price-to-earnings ratio of 21.92.

Diversification benefits are another compelling reason to include mid-cap equities in an investment portfolio. A well-balanced and diversified portfolio allocates risk in a variety of ways, including across various asset classes and market capitalizations. Adding mid-cap equities to a portfolio of large- and small-cap equities can

mitigate unsystematic risks pertaining to company size and certain sectors of the economy.

Market cycles are dynamic, and what has been performing well recently may not continue to do so. For many years, the markets have favored large technology stocks like Apple and Alphabet. The S&P 500 Index, which holds the 500 largest publicly-traded companies in the U.S., including the large technology names, has become incredibly concentrated. As of mid-August, the largest ten stocks in the index have accounted for around 90% of its year-to-date return in 2023. Investors looking to truly diversify their assets from a size and sector perspective might consider the addition of mid-cap equities to diversify some concentration risk away from the large-cap markets.

When it comes to performance, mid-cap equities have demonstrated their superiority over longer time periods. The Russell Mid Cap Index has outperformed large and small cap equities in a majority of the 10-year rolling time periods in the past 20 years as well as the 20-year return.

Mid-cap equities are often overlooked, but it is this underestimation that can make them a great opportunity. They can play a pivotal role for long-term investors, offering growth, diversification, and valuation benefits. Rather than likening mid-cap equities to middle children, consider them more akin to the middle finger. While it might seem unremarkable at first glance, it can make a significant impact when employed effectively.

	120 Months Ending Dec-2022	120 Months Ending Dec-2021	120 Months Ending Dec-2020	120 Months Ending Dec-2019	120 Months Ending Dec-2018	120 Months Ending Dec-2017	120 Months Ending Dec-2016	120 Months Ending Dec-2015	120 Months Ending Dec-2014	120 Months Ending Dec-2013	120 Months Ending Dec-2012	Dec-2002 To Dec-2022
Large Cap Equity												
Russell 1000 Index	12.37	16.54	14.01	13.54	13.28	8.59	7.08	7.40	7.96	7.78	7.52	9.56
Mid Cap Equity												
Russell Midcap Index	10.96	14.91	12.41	13.19	14.03	9.11	7.86	8.00	9.56	10.22	10.65	10.53
Small Cap Equity												
Russell 2000 Index	9.01	13.23	11.20	11.83	11.97	8.71	7.07	6.80	7.77	9.07	9.72	9.01

Mutal fund, ETF, and alternative investment returns are reported net of fees, unless otherwise stated, and are provided by the product manager. Numbers in parentheses represent the percentile rank of a return as compared to a universe of funds using similar investment strategies.Returns for periods longer than one year are annualized.

Employee Spotlight: Steven Fraley

Where is your hometown?

I was born in St. Louis, Missouri and moved out to Denver with my family at the beginning of 2020.

Tell us something unique about you.

Not sure if it is unique or just crazy, but my wife and I took some time off from our careers to travel. We spent six months in Asia and Europe when our oldest son was nine months old. I truly believe that travel provides us with incredible opportunities to learn and grow by exposing us to diverse cultures, perspectives, and ways of life that we do not experience every day.

What do you like best about working at Innovest?

I really enjoy the people and culture at Innovest. We have an amazing team that always goes above and beyond for our clients, our community, and each other. This is embedded in who we are as a firm and makes coming to work every day very rewarding.

How do you give back to the community?

One of the great things about working at Innovest is our dedication to the community. We typically have monthly on-site volunteer opportunities I try to contribute to. Additionally, my wife and I are very active in supporting our local neighborhood/community and our sons' schools.

What are your hobbies and interests?

At this point, most of my time is spent running our kids from activity to activity. Right now, we have soccer, baseball, taekwondo, and horseback riding, to keep us busy. We also love to ski and hike as a family. When I do have time to sneak away, I am usually golfing or hunting.

Tell us about your family.

I am very lucky to have been married to my amazing wife, Meg, for over 11 years. We have been blessed with three wonderful and wild sons, Charlie (5), Harrison (3), and Weller (2). All of our immediate family is back in St. Louis, so we try to get back to visit when possible and love to host our families in Denver. We also try to spend a lot of time enjoying the mountains in Steamboat Springs.

What is your favorite dessert?

My favorite dessert is authentic key lime pie, you just can't beat it. Our favorite family tradition is walking or riding our bikes up to Bonnie Brae ice cream!

Around the Firm

Promotions & Team Updates

We are excited to announce the addition of exceptional talent to our team! Firstly, we welcome Tomas Jansson, our new Vice President and Consultant on the Retirement Plan Practice Group. Tomas brings more than two decades of experience in optimizing company-sponsored retirement plans. In addition, Christian O'Dwyer, CFA, returns to Innovest as a Principal. Christian, with a wealth of experience acquired during his previous five-year tenure at Innovest and roles at UBS Financial Services and BOK Financial, will guide families, foundations, endowments, and nonprofits in investment strategy and financial planning. Next up, Analyst Assistant, John Walsh, joins the team. John is a graduate in finance and business analytics from Santa Clara University. Finally, we welcome Analyst Assistant Austin Cleveland, a University of Missouri alum with degrees in finance and French. Welcome aboard, Tomas, Christian, John, and Austin!

School is back in session, and our Arrupe interns have returned to the office. We are thrilled to have Angel (senior), Osmar (junior), Diego (sophomore), and David (freshman) in our office this year!

Lastly, we would like to recognize the outstanding individuals on our team who embody our core mission of stewardship. In June, Sydney Aeschlimann and Joanne Cinalli, CPFA™ received the Service to Others monthly award, in July, the honor went to Lori Foster, in August, to Christine Hudek, and in September to Tracey Blackford. They inspire our team with their steadfast dedication to our core values.

Awards & Publications

Principal Sloan Smith, CAIA, MBA, CPWA®, recently shared his thoughts on "Private Debt – The Appeal After Bank Failures" in *Advisor Perspectives.* Vice President Frank Cornett, CFP®, provided a deep dive into the dynamics of cyclical markets with his article "What Cyclical Markets Mean For Clients," featured in *Financial Advisor*. Finally, Vice President Paul D'Alessandro explored the changing landscape of fundraising jobs in his article "The End of Traditional Fundraising Jobs and What to Do About It," recently published by NonprofitPRO.

Service

Innovest actively volunteers to support impactful organizations. This quarter, Innovest partnered with Brothers Redevelopment, Inc., an organization that offers affordable housing solutions for low income, elderly, and disabled residents, to complete a "Paint-a-thon." We also participated in the Denver Public Schools Foundation Back to School Bash 2023, where Innovest employees cleaned up a pavilion at a local elementary school. Finally, our team worked alongside Habitat for Humanity of Metro Denver, to assist in the construction of a home. At Innovest, we prioritize providing our employees with opportunities to actively engage with and serve our community.

Conferences, Speaking, Events, & Sponsorships

Innovest proudly supports community initiatives, emphasizing our commitment to social responsibility. We sponsored Sam's Supper, a fundraiser for Samaritan House at Mile High Station on September 16th. Innovest, along with CCIG and Adam James, brought together 130 business leaders at the first Christian C-Suite Leadership Summit on September 21st, 2023 and Innovest's Wendy Dominguez (pictured below) spoke on a panel. This conference discussed the challenges facing Christians in the workplace and how to approach and overcome them. Additionally, we were honored sponsors of the Focus on Finance Gala with Economic Literacy Colorado on October 19th. Innovest also proudly supported the Dig Deep Community Block Party at DIRT Coffee in Littleton, CO. DIRT actively addresses neurodivergent employment disparities by collaborating with individuals, employers, and communities. Through training and support, they foster inclusive workplaces, promoting the hiring, promotion, and retention of neurodivergent individuals and enhancing organizational culture.

Innovest's Sloan Smith gave the Economic Update for AmPhil's *Office Hours* webinar on August 29th, discussing the projections of the world economy and financial markets for the next five to ten years. Innovest's co-founders, Rich Todd and Wendy Dominguez, spoke at the 2023 Diocesan Fiscal Management Conference in Denver on September 27th, 2023, about "Values Based Investing 2.0," educating attendees on the process of mission-aligned investing in the Catholic space.

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Kundinger, Corder & Montoya, P.C.
Certified Public Accountants

AmPhil

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