

WINTER 2023

INNOVIEWS



Invested in Your Mission

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

IN THIS ISSUE

A Tale for the Tape for 2022

2022 Employee and Client Survey Results

Nonprofit Spotlight: Christian Care Ministry

Crypto: What We Have Learned and Where We Go From Here

2022 in Review and a Look Ahead to 2023

Employee Spotlight: Steve Karsh

Around the Firm

NEW INSTITUTIONAL CLIENTS

Kiddo! Mill Valley Schools Community Foundation

The Archdiocese of Denver

Air Force Academy Foundation

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.

A Tale of the Tape for 2022



Richard Todd
Principal, CEO, and Co-founder

With over 35 years of investment consulting under my belt, 2022 was, in my view, the worst year for investors. Stocks were down -18.04%, the 2nd worst calendar year in history. * Bonds, historically complementary to stocks, suffered the worst calendar year decline in history, losing -17.34%, almost three times further in the red than the previous largest decline. Inflation ravaged the economy, prompting the Federal Reserve to push rates up at a record pace, which caused bonds to get crushed.

Consequently, an investor with a 70% global stock/30% bond portfolio lost -16.59% in 2022. While few investors were left unscathed, our approach to diversified portfolios allocated to alternatives – hedge funds, real assets, private

debt, and equity, among others – into most portfolios, created a much better experience than a typical stock and bond investor.

2022 held some positives despite the markets taking more than they gave. Thanks to incredible client trust and loyalty and robust new business growth, Innovest experienced a record year. The promise we make to our clients is that they will benefit from our growth. 2022 resulted in several new professionals joining our firm, plus improvements in portfolio accounting, performance reporting, and technology. In addition, we moved across the street to a new office, artfully designed by President and Co-founder Wendy Dominguez. Both beautiful and functional, it



has significantly improved the work environment for our team of 56 employees. Keeping our professionals long-term and creating a quality culture is key to our success and ultimately leads to a great experience for our incredible clientele!

For the seventh time in eight years, Innovest was awarded a “Best Places to Work in Money Management” by Pensions and Investments. Each year, our professionals provide P&I with very detailed survey responses on our culture and practices. We are compared to hundreds of other firms, with just a select few chosen as “Best Places to Work.” We are humbled by the recognition and are always seeking ways we can improve. We are proud of the way Innovest stacks up in the industry.

We are also very proud of our team. Many were progressed to new positions throughout the year. Abigail Thomas, Claire DeLine, Brett Minnick, Sydney Aeschmann, Marleen Zakovich, Cos Braswell, Peter Girard, Joe Lemming, Christine Hudek, Kathy Lalone, and Frank Cornett all made advancements within the company.

Annual awards are given to top team members as well. Cos Braswell received our 212 Degree Award, Stephanie Dufano was recognized with the Service to Others Award, Joanne Cinalli was the recipient of the Bill Fender Mentorship Award, and our top yearly honor, the Founders Award, was given to Joe Lemming. We are privileged to work with such outstanding professionals.

We continually strive to be thought leaders in our industry. In 2022, we gave 26 speeches at a variety of conferences for business leaders, investors, and fiduciaries, and our thoughts were published 22 times in journals, magazines, and blogs.

Our stewardship culture is thriving. Collectively, we gave more than

3500 service hours to the community. According to Colorado Gives Day, Innovest ranked 4th in Colorado in dollars donated to charities over that week in December. We are much, much smaller than the three firms ranked ahead of us. Innovest supports monthly volunteer events, and our team continues to be a corporate work study partner with Arrupe Jesuit High School. We employ four Arrupe interns, with their pay offsetting part of their tuition cost. The success of students at Arrupe, all on the margin, is unprecedented.

We have a great business development team. It has become easy for them to sell our advice and services on the strength of a reputation that has been steadily enhanced over the years.

Succession planning is an exciting topic for us as we add to our partners, who have all made a big commitment to Innovest. Pam Cruz, Paul Nacario, Troy Jensen, and Steven Fraley were all made partners this year! Innovest is committed to remain independent as a fee-only fiduciary in a year where many of our competitors sold out to the Wall Street firms and industry aggregators looking to monetize the very clients they purport to serve. We are convinced that our fiduciary model is better, as Wall Street conflicts have never been so egregious as they are currently.

As 2022 closes and the new year begins, we owe tremendous gratitude to our clients! For the last quarter century, the primary source of growth has been client referrals. Thank you! Our young partners have made a sizeable investment in our firm, and we are committed to make the investment a great one!

I wish you all a wonderful 2023!

*MSCI All Country World Index All Cap

**Bloomberg Global Aggregate Index

2022 Employee and Client Survey Results



Wendy Dominguez
Principal, President, and Co-founder

As we reflect on 2022, a difficult year for investors, we nonetheless have much to be thankful for. We are extremely grateful for our team and the care they take in serving our clients. We are also incredibly humbled and thankful for our clients. If it wasn't for their longstanding support, we would be nothing. It is with this focus on reflection that we surveyed both our employees and our clients around how we can build on those partnerships.

Our 2022 employee survey won us recognition as a "2022 Best Places to Work" from Pensions & Investments, an honor bestowed on Innovest for the seventh time in eight years. Some of our highest scores were around our team liking the work they do, affection for the people they work with, quality of physical working conditions, leadership of the company, treating people well, and having fun at work. Our lowest scores were around technology and having problems quickly addressed. We have made significant investment over the last two years in technology, and we are taking concrete steps to make it even more reliable and less frustrating for our team.

The best part of the survey are the comments. My favorite was this one:

"Innovest challenges me on a daily basis, and I live for that. I also love that we are constantly pushing to improve our processes and client deliverables. I appreciate that my work is a place where I can share my ideas, values, and perspective freely. The volunteer opportunities that we can do promote team building. It is always good to help others. I know that the leaders of Innovest live their values and that makes this a best place to work."

We are very proud of the survey results and award because we work hard

to create a positive environment for our employees.

We also ask our clients to let us know how we are doing and if and how we can get better. Our average score for overall satisfaction was 4.8 on a 5.0 scale, equaling the best score that we have ever received. Our customer service score was 4.9, our highest individual score ever! Through the survey, our clients also help us with ways that we can improve, and a large majority are interested in Innovest becoming more digitally oriented and improving our ability to deliver information quickly. We are continually working on both, and 2022 was a big year of investment in technology for us.

As with our employee survey, my favorite part of the client survey is reading the comments. My favorite was:

"All I can add is thank you to Innovest for providing security, oversight, and guidance, especially in this current market!"

Each year we also measure our Net Promoter Score (NPS), a gauge of client loyalty, by asking this key question: "How likely is it that you would recommend Innovest to a friend or colleague?" The NPS has been widely adopted, including by over two-thirds of Fortune 1000 companies. Scoring ranges from -100 to +100, with anything above 70 deemed to be exceptional. The industry average for financial services companies is 44. We are proud of the Innovest NPS for 2022, at 81.

We are humbled by this feedback and remain indebted and to the people and partners who have placed their personal and financial trust in what we do. Our livelihood depends on delivering on that trust. Our satisfaction comes from the wonderful people we get to work with. 2023 holds tremendous promise as we continue to build on that foundation.

Nonprofit Spotlight

Christian Care Ministry

As a provider of investment advice to numerous nonprofit organizations, Innovest has the privilege of introducing you to some of our fantastic clients. This month we are proud to feature Christian Care Ministry.

Christian Care Ministry's mission is to connect people to a Christ-centered community wellness experience based on faith, prayer, and personal responsibility. In 1993, a formalized approach to sharing healthcare burdens began with their Medi-Share® program, a healthcare sharing ministry where members share each other's medical bills and pray for each other's medical challenges. From small beginnings, this big idea took root. More than 28 years later, the Medi-Share program serves around 400,000 members, and more than \$5.6 billion dollars in medical bills have been shared and discounted.

Christian Care Ministry also provides a Christian Disability Sharing program called Manna® where members make voluntary monthly contributions to



help other members replace lost income due to accident or illness. According to the US Census Bureau, 20% of working people age 45 or older will suffer a disability that lasts 90 days or longer during their career. Working adults are three times more likely to become disabled than they are to die before the age of 65, according to the Social Security Administration.

All of Christian Care Ministry's programs are supported by prayer and a faith-filled community. Christian Care Ministry's method is modeled after the early Christian church modeled in the bible (Acts 2-3). To learn more about their incredible work, please visit their website at mychristiancare.org.



Creating a Christian Culture at Innovest



Richard Todd
Principal, CEO, and Co-founder

As an investment consultant to more than 75 nonprofit organizations both secular and religious, we are often surprised how stressed the corporate culture can be at many of these organizations. Culture is the glue that holds organizations together. While values are certainly important, they can't be a substitute for a culture that keeps your team eagerly coming back to work every day. As management consultant Peter Drucker famously said, "Culture eats strategy for breakfast."

Innovest has been awarded "Best Places to Work in Money Management" seven of the past eight years.* We not only credit our corporate culture for this recognition but we also see it as a big reason we have grown 25 of the last 26 years. "Stewardship" is how we define Innovest. As investment fiduciaries, we are legal stewards of our clients' assets, but we are also stewards to our employees and their families, our community, and the Kingdom of God. At times, we have been labeled the "Christian" investment firm, which is likely not just about our values, but the Innovest culture as well. Faith-based organizations, especially, must link Sundays and Mondays.

Here are several key ideas to help create and maintain a quality Christian culture. We believe that you must have a strategy to "feed" the culture, never taking it for granted.

1. What do you stand for?

Your values must be permanently forged and reiterated constantly. Our values are simple: honesty and integrity, hard work, and dedication to our clients. We also ask our employees to consider what they personally stand for. We recently brought in Kent Noble, Chair of Business Ethics at the University of Wyoming, to help our team and clients create "personal codes." Most of our near-60 employees have their personal codes displayed in their email signature.

2. What is your vision?

A well-defined, unclouded vision helps unify your team by creating a deeper meaning to their effort. If an employee can see how their effort leads to a shared vision, they gain dignity and sense of accomplishment. A powerful yet attainable vision can create an energy and enthusiasm that is contagious.

3. Offer gratitude for specific accomplishments – big and small.

A dozen years ago, I started an all-firm email that I would send over the weekend. That "Why We Love Mondays at Innovest" notes extraordinary effort and accomplishments by members of our team. It often includes milestones like promotions, employment anniversaries,

and birthdays. New clients and prospects are mentioned and celebrated. Significant contributions by individuals working on behalf of clients or each other are highlighted. Mentioned are tough travel, long days, covering for others, etc. You get the picture!

Over the years, it has been amazing to me how important it is to our people to be recognized. It has become a team effort as many are excited to recommend a teammate for a highlight. As we grow, it has been important to have those eyes and ears.

4. Do you tithe and volunteer?

There is no team building exercise that does more multiple “goods” than working for those that are less fortunate. Although many faith-based organizations set up various opportunities for their volunteers, many do not create opportunities for their employees to volunteer outside their organization. This practice can be great for the culture of an organization and can enhance their reputation.

At Innovest, we allocate a significant percentage of our revenue to outside causes. Our charitable committee has created opportunities for our team to spend a few hours or even a day of work on behalf of a charitable organization. We pay our people to do this during a normal workday. This year, through partnering with a different charity every month, our team has fed the poor, planted flowers, painted homes, adopted families, and have simply had conversations with homeless people on the street. This practice has been a wonderful way to develop and live out our stewardship mission.

5. Encourage attending family events

Our people go beyond the call of duty. We do not want them missing special family events. Ball games, dance recitals, sports tryouts, swim meets, and spelling bees are all important. We know that their work will get done, and together with their close teammates they will figure out how to solve any problem. It is important that our professionals are dedicated to Innovest, but it is also vital that we are committed to their families as well!

6. Emphasize pulling each other up

A career can be a series of jobs and employers that make up a lifetime of work. We strive to go beyond that, creating a vocation for people, where Innovest becomes a part of their life. We believe that if your employees are vocation-oriented, they will be more committed, happier, better teammates, and much more willing to pull others up. In my personal welcome meetings with all new employees, I emphasize that the best way to get promoted at Innovest is to lift others up beneath and around you. Consequently, it is much easier to promote them when there are others that can competently do their job! This is opposed to a careerist who steps on others like rungs on a ladder to advance. That creates inevitable animosity and only hurts them in the end.

7. Do you evaluate your fellow workers with comprehensive peer reviews?

We believe that anonymous peer reviews are another key to our culture. By nature, many churches and faith-based companies are hierarchical. For that reason, it is especially important that those at the top of the organization are evaluated. This will create trust and accountability throughout and, most importantly, illuminate things that can help you improve. In addition, with the flexibility that we offer, 360-degree reviews hold everyone accountable to the firm, our values, and to each other. These peer reviews are shared with managers and help form a basis for manager reviews as well. We believe that only good things happen from peer reviews – even when they are difficult, they can be a catalyst for positive change.

8. How important is attitude in your organization?

The COVID-19 pandemic was exceedingly difficult for every organization to handle. It was no different at Innovest. Every leadership decision could be questioned because there was no roadmap to follow. Some companies successfully navigated operating remotely. We determined that working remotely was inefficient for us and hurt our collegiality and team-based approach. Consequently, we made the decision to bring our team back early on but were surprised how controversial it was and how it split us.

We were also concerned that the younger employees had the strongest objection with it. Frankly, we believed that they were the ones that had the most to lose by being out of the office. We all know how detrimental bad attitudes can be to an organization. Conversely, positive attitudes are an important characteristic of a quality culture.

After much contemplation, we restructured our employee bonus formula and made “attitude” a full 50% of the calculation. Immediately attitudes changed and it worked so well that we have not changed the formula: 25% manager review, 25% peer reviews and the remaining 50% is based on attitude.

Innovest is over 25 years old. We recognize that some of our tactics are easier for larger firms than smaller firms. We do things today that we could not do in the beginning. But pursuit of a strong culture cannot be dismissed as a function of size. Culture is always a key element of any organization’s success – and often a key contributor to failure as well.

*Innovest has been nationally recognized by Pensions & Investments as a Best Place to Work in Money Management seven times in the last eight years.

2022 in Review and a Look Ahead to 2023



Kristy LeGrande, CFA, MBA
Principal



Frank Cornett, CFP®
Senior Client Manager

Consistent negative headlines throughout 2022 were tough on investors. We experienced the worst bond market in modern history, by a wide margin. We also experienced the worst year for the S&P 500 since the global financial crisis in 2008 and the fourth worst period on record since the index expanded to 500 companies in 1957. The popular FAANG stocks of the 2010s, Facebook (Meta), Apple, Amazon, Netflix, and Google, were down an average of 46%. The S&P 500 recorded its third most volatile year in the last 40, as 87.3% of all trading days in 2022 had swings of more than 1%. As we look ahead into 2023, many questions remain unanswered, but we believe investors should focus what they can control: reaffirming investment objectives, understanding downside risk, rebalancing to policy targets throughout the year, and maintaining exposure to strategies that will do well in various economic outcomes.

Equity markets – reducing exposure now could result in missed up-side

No one can predict when the stock market will bottom. 2022 is also not the first time we have seen negative stock market returns. While past performance never guarantees the same results in the future, previous downturns have often been followed by strong subsequent returns, as depicted in the chart below. Down markets provide periods of opportunity over a longer time horizon. To ensure our clients experience the upside of economic expansion, we recommend maintaining current equity allocations, assuming that risk tolerance has not changed and long-term investment objectives remain intact.

Diversified global equities are a pillar in most portfolios, providing growth over the long term. They can be critical in helping investors to meet long-term return objectives. The U.S. Stock market has cumulatively outperformed international markets for the last 15 years,

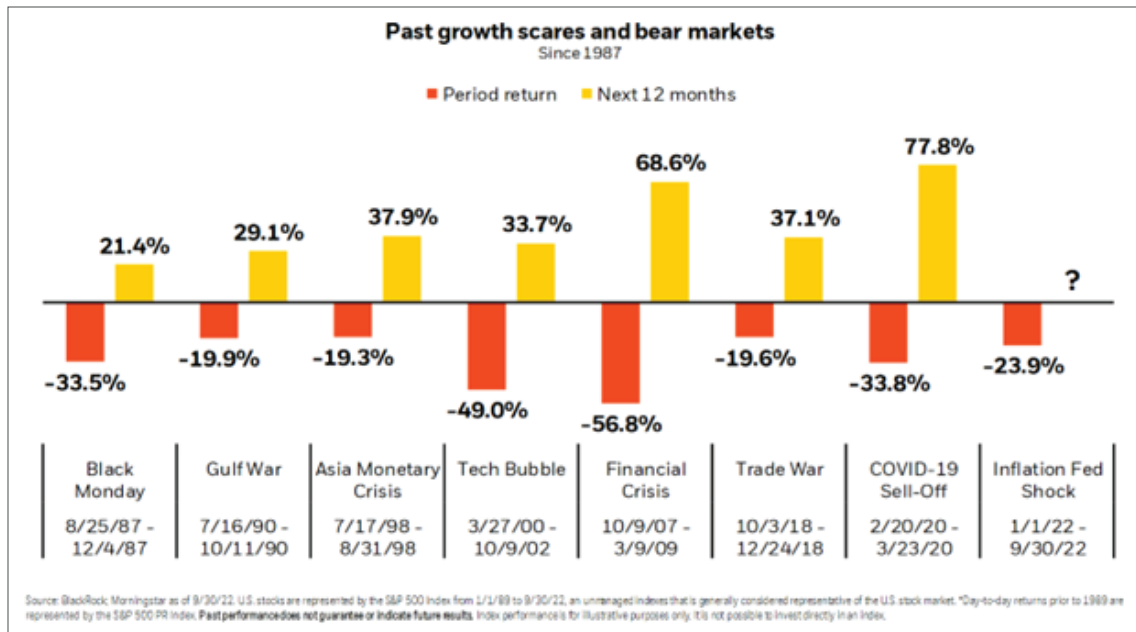
and geopolitical tensions abroad have lead some investors to question the benefit of international equities in their portfolios. However, from a valuation perspective, many international companies are still more attractive than their U.S. counterparts. The U.S. stock market is trading just above its 25-year average, based on a price-to-earnings ratio (P/E) – essentially, how much an investor is willing to pay for every \$1 of company earnings. Europe, Japan, China, and other emerging countries are all trading at or below their 25-year average P/E. Trading at these levels presents potential undervaluation, creating optimism and opportunity for positive future returns. International and emerging market equities should continue to play a role in portfolio construction moving forward.

Bond market yields are attractive once again

Interest rates have been at or near historic lows for the better part of the last three years, and expectations had been for rates to increase slowly over time. However, as inflation rose to 40-year highs in 2022, the Fed embarked on one of the fastest tightening cycles in history. In 2022 we saw seven rate increases totaling 4.25%. The listed rate hikes negatively impacted the face value of bonds, as the U.S. Bond Aggregate Index fell approximately 14% during the calendar year. But there is a sense of optimism in the bond markets, looking forward. While a rising interest rate environment decreases the bonds' face value, as those bonds mature, the proceeds are reinvested into newly issued bonds that pay their investors a larger coupon (or yield) back. For example, 12-month bank Certificates of Deposit (CDs) currently pay a yield of above 4%. In years past, bonds have been primarily used as a tool to mitigate and potentially reduce volatility in portfolios; looking forward, we expect bonds also to provide attractive income generation.

Diversifying strategies provide protection in different economic environments

Investment advisors typically recommend a diversified portfolio to optimize its risk/return profile. Many of these strategies have lower volatility than equities and relatively low correlations to equities and bonds. It's also helpful to think about these strategies in terms of their role in portfolios and how they typically perform in different economic environments. We believe a basket of inflation-hedging





strategies – such as midstream energy, diversified infrastructure, timberland/farmland, and real estate – is prudent when constructing portfolios. They can add value to the portfolio should inflation continue at high levels and can also provide growth and income should inflation levels normalize.

We also utilize specific hedge fund strategies with the objective of providing better-than-bond returns over a complete market cycle. These hedging strategies are still attractive, but investors with a high allocation may consider reducing exposure into 2023, since the overall outlook for bonds is more promising.

In addition, allocation to the private markets – both equity and debt – can improve the overall risk/return profile of portfolios. Investors should pay close attention to overall portfolio liquidity as well as appropriate vintage year diversification.

Focus on what we can control

Investors can't control geopolitical risks, economic outcomes, or market performance, amongst other factors, so we should focus on what we can control and what matters to portfolio performance in the long term. As we ease into our "new normal," understanding our current place in the economic cycle, forward-looking portfolio construction becomes necessary. At Innovest, we value process over prediction and remain focused on the things that we can control and that ultimately matter in the end. We remain focused on confirming investment objectives and downside risk tolerance, asset allocation to appropriate markets, ongoing portfolio rebalancing, tax loss harvesting where possible, and providing excellent customer service. We are looking forward to working with you in 2023.

Employee Spotlight

Steve Karsh

Where is your hometown?

Denver, Colorado

Tell us something unique about you.

I don't look as old as I am – at least I think so, which is all that matters.

What do you like best about working at Innovest?

Besides the colleagues I work with, I get to help my clients meet their investment and financial goals

How do you give back to the community?

Along with participating in Innovest service days, I like to donate money and time to organizations that help military veterans, sick children, and dogs.

What are your hobbies and interests?

I love to golf and go to live sporting events (A's and Broncos)

Tell us about your family.

I'm fourth generation Coloradan. My grandfather was a cattle farmer up in Longmont/Brighton area (there is a street named Karsh Drive



up there). I have two brothers that I'm very close with, and a lot of relatives on my wife's side of the family are also a big part of my life.

What is your favorite dessert?

Anything chocolate!

Around the Firm

PROMOTIONS & TEAM UPDATES

Innovest is honored to again be named a “Best Place to Work” by *Pensions & Investments* for 2022! We are so thankful for our hardworking team members.

The following employees received Innovest’s annual awards: Stephanie Dufano received the Annual Service to Others Award, Joanne Cinalli received the William Fender Mentorship Award, Cos Braswell received the 212 Degree Award, and Joe Lemming received the Founder’s Award.

The recipients of the Service to Others monthly awards were Cos Braswell in October, Stephanie Dufano in November, and Kathy Lalone in December.

Innovest’s Natalie Kuzia passed Level II of the CFA Program. The CFA charter designation represents one of the highest levels of recognition financial professionals can earn and demonstrates a finance professional’s work ethic, analytical skills, and grounding in ethics.

Congratulations to Innovest Principal Paul Nacario for being elected to NAGDCA’s Industry Committee. The NAGDCA Industry Committee offers a unique opportunity for their private sector partners to use their skills to make an impact in the government defined contribution market.

AWARDS & PUBLICATIONS

Innovest’s Peter Girard authored “Consumer Sentiment and the Value of Long-Term Investing,” published by Advisor Perspectives.

Innovest’s Dustin Roberts and Franklin Cornett authored “Your 7 Point Year End Retirement Check List,” published by *401K Specialist*.

Innovest CEO Richard Todd and his wife Joanie were presented with the Sr. LaVonne Guidoni Award at the Seeds of Hope Gala for their dedication to Catholic education throughout Colorado for over 25 years.

SERVICE IN THE COMMUNITY

Innovest employees had the opportunity recently to volunteer with Project Angel Heart. Our team helped to build breakfast packages and



delivered meals.

Innovest employees volunteered at the Denver Santa Claus Shop (DSCS), a nonprofit that collects and gives families the opportunity to shop for free toys each December.

Innovest employees participated in Colorado Gives Day and raised \$20,060 making Innovest the fourth largest company contributor in the state.

Innovest employees made their annual contribution to Adopt-a-Family in December. The Catholic Charities’ Adopt-A-Family program has been helping the Colorado community for over a decade, matching donors with families and individuals who need a little help this holiday season.

CONFERENCES, SPEAKING, EVENTS, & SPONSORSHIPS

Innovest was a proud sponsor of the 3rd Annual Bustin’ Clays, held at Colorado Clays in Brighton, Colorado. The event benefited the Navy SEAL Foundation.

Innovest was a proud sponsor of Juicing the Harvest, held at Balistreri Vineyards in Denver, Colorado. The event benefited A Precious Child and the Marshall Fire families.

The 2022 Arizona Defined Contribution Conference (AZ/DC) was a great success! Innovest President and Co-founder Wendy Dominguez was a featured panelist for a fireside chat.



At Innovest Portfolio Solutions, we are more than an investment firm. We are thoughtful stewards responsible for our clients, professionals and community.

Colorado • Arizona • California • Florida | www.innovestinc.com | 303.694.1900

Unless explicitly stated to the contrary, the material herein is not intended to provide and should not be relied on for investment advice. Under no circumstances does Innovest ever provide tax, accounting, or legal advice.

The statistical analysis contained herein was prepared by Innovest Portfolio Solutions LLC and may contain data provided by Investment Metrics, LLC, Thomson Reuters Lipper, Morningstar, Inc., and other sources. These materials may also include information, returns, and valuations that were compiled, computed or created by Standard & Poor’s Financial Services LLC, MSCI Inc., and other sources. These materials and the information that they contain are intended solely for the use of the intended recipient(s). They may not be reproduced or distributed without written consent.

Reasonable care has been taken to ensure the accuracy of the computer software, databases, and information described in the preceding paragraph. Innovest assumes no responsibility for the accuracy of these computer software, databases or information. All are provided on an “as is” basis and the user assumes all risk related to using it. There is no guarantee of accuracy, adequacy, or completeness. All entities identified in this disclaimer hereby expressly disclaim any and all express or implied warranties. None of these entities, nor any affiliate or other person involved in compiling, computing, or creating this information, may be held liable for damages of any type or any other costs or fees related to any person’s use of the data.

Returns included in these materials may represent mutual funds share classes or vehicles other than those in which clients are or may be invested. Typically, any differences are the result of efforts to present the longest track record of the investment strategies.

Assumptions, opinions, and forecasts herein constitute Innovest’s judgment and are subject to change without notice. Past performance is no guarantee of future results. The investment products discussed are not insured by the FDIC and involve investment risk including the possible loss of all principal.

Innovest is an independent Registered Investment Adviser registered with the Securities and Exchange Commission. Copyright 2019 by Innovest Portfolio Solutions LLC Inc.

Principals

Richard Todd, CEO
Wendy Dominguez, President
Bill Fender
Peter Mustian, COO
Steven Karsh
Garry Beaulieu
Gordon Tewell
Nancy Swanson
Kristy LeGrande
Jared Martin
Sloan Smith, Director
Rick Rodgers
Pam Cruz
Paul Nacario
Troy Jensen
Steven Fraley, Director

Editor/Design

Stephanie Dufano