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October 12, 2010

Mr. Paul Cooney
Business Affairs Office
Episcopal Church House
Washington, DC 20016

Seek us at LSInvestmentAdvisors.com

Re: 340299 The Episcopal Diocese of Washington - Equity Fund

Dear Mr. Cooney,

Enclosed please find your third quarter investment appraisal and portfolio summary.

The stock market, as measured by the S&P 500, reversed the trend of the first six months of 2010 by gaining 11.3% in the quarter and was up 3.9% for the first nine months of the year. The broad bond market continues to be identified by extremely low short-term rates and a steep yield curve. Treasury yields, in particular, declined in the quarter as investors sought the safety of US government securities. Bonds in the third quarter had a solid return of 3.3% for the taxable bond index and 3.4% for the municipal bond index.

The third quarter was marked by two different periods in terms of performance and investor perceptions. In the first two months of the quarter, countervailing economic reports resulted in continued volatility in stocks and a flight to quality in bonds. During this period, while the economic reports continued to indicate that the economy was in recovery, the statistics were indicating growth, but at a slowing rate. Investors' reaction to this "soft patch" was a sharp concern that the recovery could stall and revert into a "double dip," or another recession. Just after Labor Day indications arose that there was a need and willingness for the Fed and other central banks to have another round of qualitative easing, or substantial money supply growth for the system. Another shorthand title was born as "QE-2" became the prevailing expression and consensus view. The anticipation of qualitative easing combined with improved economic reports changed investors expectations. Stocks rallied almost 9% in the month of September and erased the previous year-to-date declines in the stock market indices.

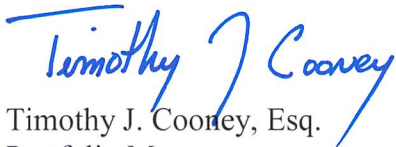
Where are we now? We still see the economy in recovery, but generally bumping along at a GDP growth rate of perhaps 2%. By historical standards, this is one of the more anemic economic recoveries in the post-WW II period. We expect economic reports in the near-term to reflect the current glass-half-full/glass-half-empty reality and will probably not be definitive enough to change convictions either way. As a result, the view

that more monetary easing is likely to occur is a key development for a change to the trajectory of the economy.

Our outlook for the markets includes a view that interest rates are likely to be unchanged for the next few quarters. With little worry that growth or inflation will suddenly spike up near term, we think bond yields will likely remain low. For the equity markets, valuations relative to bonds continue to be very attractive, and we continue to favor the stock market over the bond market for a multi-year time horizon. On an issue-by-issue basis, the companies that will most likely succeed will be those with the best gains in corporate earnings. On a sector basis, we continue to emphasize the technology and materials sector, while we are under-weighting the financial sector and the banks in particular.

If you would like to discuss these developments further, please feel free to contact me. As in the past, thank you for your continued support.

Sincerely,



Timothy J. Cooney, Esq.
Portfolio Manager

cc: John Call
Kate Carr
Terence Collins
Kelly Cooper
M. Anthony Gould
Ellen Martin
Robert Patterson
Wardell Townsend
G. Claude Villarreal
Jeremiah de Michaelis

The Episcopal Diocese of Washington

Performance as of 09/30/10

	YTD	1 Year	3 Years	5 Years
Total (includes mutual funds) ¹	5.93%	8.99%	-1.09%	4.50%
Total- Net of Fee	5.75%	8.74%	-1.31%	4.24%
Stocks (includes mutual funds)	3.43%	8.50%	-6.43%	2.83%
LSIA Core Equity	1.14%	7.07%	-5.06%	3.09%
PIMCO Total Return Fund	9.84%	10.93%	10.85%	N/A
CGM Realty Fund	15.13%	22.38%	-4.58%	N/A
Manning & Napier World Opportunities	2.59%	N/A	N/A	N/A
T. Rowe Small Cap Value Fund	8.14%	13.70%	N/A	N/A
S&P 500	3.89%	10.16%	-7.16%	0.64%
Barclays Aggregate	7.94%	8.16%	7.42%	6.20%
FTSE NAREIT Index	18.48%	28.50%	-6.11%	0.97%
MSCI EAFE Index	-1.25%	0.53%	-12.12%	-0.72%
Russell 2000	9.12%	13.35%	-4.29%	1.60%
S&P 400 Midcap	11.57%	17.78%	-1.67%	3.77%

¹ Includes cash & cash equivalents

Data source: LSIA InSite. Past performance is no guarantee of future results. Returns for multi-year periods are annualized.

Portfolio Summary

The Episcopal Diocese of Washington - Total Fund
380295

Date Run: 10/15/2010
Period Covered: 08/31/2010 to 09/30/2010

Portfolio Composition as of 09/30/2010

	Total Market Value	% of Total
Equities	10,270,954	63.84%
Fixed Income	5,814,991	36.14%
Accrued Income	2,313	0.01%
Total	16,088,258	100.00%

Statement of Changes

Total Market Value at 08/31/2010	15,166,728
Client Cash Additions	2,735
Client Cash Withdrawals	-2,735
Income Earned	8,346
Fees / Expenses / Adjustments	-127
Realized Gains/Losses	0
Unrealized Gains/Losses	913,311
Total Market Value at 09/30/2010	16,088,258

Performance Returns (Supervised Assets)

	3Mths	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Total Portfolio	9.15	5.93	8.99	-1.09	4.50	4.79
Total Portfolio - Net of Fee	9.09	5.75	8.74	-1.31	4.24	
Equities	12.40	3.43	8.50	-6.43	2.83	3.01
Equity Less Funds	12.42	1.14	7.07	-5.06	3.09	2.37
S&P 500	11.29	3.89	10.16	-7.16	0.64	-0.43
Barclays Aggregate	2.48	7.94	8.16	7.42	6.20	6.41
FTSE NAREIT Index	12.35	18.48	28.50	-6.11	0.97	9.82
MSCI EAFE Index	15.79	-1.25	0.53	-12.12	-0.72	0.15
Russell 2000	11.29	9.12	13.35	-4.29	1.60	4.00
S&P 400 Midcap	13.12	11.57	17.78	-1.67	3.77	5.18

* - Returns are annualized

Net Returns only available from 12/31/2000

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Summary of Investment Position

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Date Run: 10/15/2010
As Of: 09/30/2010
Administrative Currency: USD

Classification	Total Market Value	Total Accrued	% of Total Fund	Estimated Annual Income	Current Yield
Fixed Income Holdings					
Cash and Equivalents	44,906		0.3	13	0.0
Bond Mutual Funds	5,770,085		35.9	171,113	3.0
Total Fixed Income	5,814,991		36.1	171,126	2.9
Equity Holdings					
Consumer Discretionary	701,563		4.4	9,413	1.3
Consumer Staples	603,481		3.8	16,764	2.8
Energy	643,904		4.0	12,167	1.9
Financials	634,312	359	3.9	6,732	1.1
Health Care	728,566	600	4.5	11,702	1.6
Industrials	529,116	109	3.3	8,007	1.5
Information Technology	1,409,339	702	8.8	12,248	0.9
Materials	627,168	543	3.9	10,620	1.7
Telecommunication Services	131,560		0.8	7,728	5.9
Equity Mutual Funds	4,261,946		26.5	23,729	0.6
Total Equity	10,270,954	2,313	63.9	119,109	1.2
	Total		100.0	290,235	1.8
	Accrued Income	2,313			
	Total Fund	16,088,258			

Portfolio Diversification

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Date Run: 10/15/2010
As Of: 09/30/2010
Administrative Currency: USD

Classification	Total Cost	Total Market Value	Total Accrued	% of Sector	% of Total Fund	Estimated Annual Income	Current Yield
Fixed Income Holdings							
Cash & Equivalent	44,906	44,906		0.77	0.28	13	0.0
Bond Mutual Funds	5,161,235	5,770,085		99.23	35.87	171,113	3.0
Total Fixed Income	5,206,141	5,814,991		100.00	36.14	171,126	2.9
Equity Holdings							
----Consumer Discretionary----							
Hotels Restaurants & Leisure	143,902	186,275		1.81	1.16	6,100	3.3
Media	209,853	311,460		3.03	1.94	1,313	0.4
Multiline Retail	88,009	110,628		1.08	0.69		
Specialty Retail	107,224	93,200		0.91	0.58	2,000	2.1
Total Consumer Discretionary	548,988	701,563		6.83	4.36	9,413	1.3
----Consumer Staples----							
Beverages	135,891	186,032		1.81	1.16	5,376	2.9
Food & Staples Retailing	110,872	117,250		1.14	0.73	2,450	2.1
Food Products	155,262	146,479		1.43	0.91	4,698	3.2
Household Products	144,373	153,720		1.50	0.96	4,240	2.8
Total Consumer Staples	546,397	603,481		5.87	3.75	16,764	2.8
----Energy----							
Energy Equipment & Services	95,191	102,864		1.00	0.64		
Oil Gas & Consumable Fuels	432,238	541,040		5.27	3.36	12,167	2.2
Total Energy	527,429	643,904		6.27	4.00	12,167	1.9
----Financials----							
Capital Markets	449,696	385,228	359	3.75	2.40	2,556	0.7
Commercial Banks	119,688	93,438		0.91	0.58	720	0.8
Insurance	176,298	155,646		1.52	0.97	3,456	2.2
Total Financials	745,683	634,312	359	6.18	3.94	6,732	1.1
----Health Care----							
Biotechnology	223,446	199,245		1.94	1.24		
Health Care Equipment & Supplies	128,899	120,570	600	1.18	0.75	2,400	2.0
Pharmaceuticals	338,970	408,751		3.98	2.54	9,302	2.3
Total Health Care	691,315	728,566	600	7.10	4.53	11,702	1.6
----Industrials----							
Aerospace & Defense	123,286	165,610		1.61	1.03	3,953	2.4
Electrical Equipment	128,282	142,182		1.38	0.88	3,618	2.5

Portfolio Diversification

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Date Run: 10/15/2010
As Of: 09/30/2010

Administrative Currency: USD

Classification	Total Cost	Total Market Value	Total Accrued	% of Sector	% of Total Fund	Estimated Annual Income	Current Yield
----Industrials (cont.)----							
Machinery	113,185	221,325	109	2.16	1.38	436	0.2
Total Industrials	364,753	529,116	109	5.15	3.29	8,007	1.5
----Information Technology----							
Communications Equipment	470,787	549,558		5.35	3.42	6,800	1.2
Computers & Peripherals	292,854	452,158	177	4.40	2.81	708	0.2
Electronic Equipment & Instruments & IT Services	190,602	149,896		1.46	0.93	1,640	1.1
Semiconductors & Semiconductor Equipment	39,057	80,045	525	0.78	0.50	2,100	2.6
Software	53,106	43,432		0.42	0.27		
Software	109,900	134,250		1.31	0.83	1,000	0.7
Total Information Technology	1,156,306	1,409,339	702	13.73	8.76	12,248	0.9
----Materials----							
Chemicals	158,847	358,110	543	3.49	2.23	5,770	1.6
Metals & Mining	116,416	149,433		1.45	0.93	2,100	1.4
Paper & Forest Products	140,415	119,625		1.16	0.74	2,750	2.3
Total Materials	415,679	627,168	543	6.11	3.90	10,620	1.7
----Telecommunication Services----							
Diversified Telecommunication Services	130,754	131,560		1.28	0.82	7,728	5.9
Total Telecommunication Services	130,754	131,560		1.28	0.82	7,728	5.9
----Equity Mutual Funds----							
Equity Mutual Funds	3,796,898	4,261,946		41.49	26.49	23,729	0.6
Total Equity Mutual Funds	3,796,898	4,261,946		41.49	26.49	23,729	0.6
Total Equity	8,924,202	10,270,954	2,313	100.00	63.86	119,109	1.2
Total	14,130,343	16,085,945			100.00	290,235	1.8
Accrued Income		2,313					
Total Fund		16,088,258					

Portfolio Detail

Date Run: 10/15/2010

As Of: 09/30/2010

Administrative Currency: USD

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Shares	Security Description	Security ID	Total Cost Unit Cost	Price	Market Value Accrued	Income Rate / YTM	Estimated Annual Income	Curr Yield
Fixed Income Holdings								
----Cash and Equivalents----								
44,906.060	STIF US GOVT FUNDS	USD	44,906.06	1.000	44,906.06	0.033	13.47	0.0
340299	0.0300 10/01/2010		1.000					
----Bond Mutual Funds----								
497,421.121	PIMCO TOTAL RETURN FUND INSTL	PTTRX	5,161,234.81	11.600	5,770,085.00	0.344	171,112.87	3.0
340299M	497,421.121E		10.376					
Equity Holdings								
----Consumer Discretionary----								
----Hotels Restaurants & Leisure----								
2,500.000	MCDONALDS	MCD	143,902.04	74.510	186,275.00	3.275	6,100.00	3.3
340299			57.561					
----Media----								
4,500.000	DIRECTV CLASS A	DTV	120,987.00	41.630	187,335.00	0.000	0.00	0.0
340299			26.886					
3,750.000	THE WALT DISNEY CO	DIS	88,866.38	33.100	124,125.00	1.057	1,312.50	1.1
340299			23.698					
----Multiline Retail----								
2,100.000	KOHL'S CORP	KSS	88,009.32	52.680	110,628.00	0.000	0.00	0.0
340299			41.909					
----Specialty Retail----								
5,000.000	GAP INC	GPS	107,223.50	18.640	93,200.00	0.400	2,000.00	2.1
340299			21.445					
----Consumer Staples----								
----Beverages----								
2,800.000	PEPSICO INC	PEP	135,890.50	66.440	186,032.00	1.920	5,376.00	2.9
340299			48.532					
----Food & Staples Retailing----								
3,500.000	WALGREEN CO	WAG	110,872.10	33.500	117,250.00	0.700	2,450.00	2.1
340299			31.678					

Portfolio Detail

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Date Run: 10/15/2010

As Of: 09/30/2010

Administrative Currency: USD

Shares	Security Description	Security ID	Total Cost Unit Cost	Price	Market Value Accrued	Income Rate / YTM	Estimated Annual Income	Curr Yield
Equity Holdings (cont.)								
----Consumer Staples (cont.)----								
----Food Products----								
2,900.000	KELLOGG CO	K	155,261.60	50.510	146,479.00	1.620	4,698.00	3.2
340299			53.538					
----Household Products----								
2,000.000	COLGATE PALMOLIVE	CL	144,373.20	76.860	153,720.00	2.120	4,240.00	2.8
340299			72.187					
----Energy----								
----Energy Equipment & Services----								
1,600.000	TRANSOCEAN LTD	RIG	95,191.01	64.290	102,864.00	0.000	0.00	0.0
340299			59.494					
----Oil Gas & Consumable Fuels----								
2,675.000	MARATHON OIL CORP	MRO	67,677.77	33.100	88,542.50	1.000	2,675.00	3.0
340299			25.300					
1,000.000	APACHE CORP	APA	97,856.10	97.760	97,760.00	0.614	600.00	0.6
340299			97.856					
1,250.000	CHEVRON CORP	CVX	88,653.25	81.050	101,312.50	3.553	3,600.00	3.6
340299			70.923					
1,600.000	DEVON ENERGY CORP	DEV	83,007.98	64.740	103,584.00	0.989	1,024.00	1.0
340299			51.880					
2,425.000	EXXON MOBIL CORP	XOM	95,043.38	61.790	149,840.75	2.848	4,268.00	2.8
340299			39.193					
----Financials----								
----Capital Markets----								
1,500.000	FRANKLIN RESOURCES	BEN	118,571.25	106.900	160,350.00	0.880	1,320.00	0.8
340299			79.048		330.00			
2,900.000	STATE STREET CORP	STT	203,973.22	37.660	109,214.00	0.040	116.00	0.1
340299			70.336		29.00			
800.000	GOLDMAN SACHS GROUP	GS	127,152.00	144.580	115,664.00	0.968	1,120.00	1.0
340299			158.940					
----Commercial Banks----								
1,800.000	PNC FINANCIAL SERVICES	PNC	119,687.94	51.910	93,438.00	0.400	720.00	0.8
340299			66.493					

Portfolio Detail

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Date Run: 10/15/2010
As Of: 09/30/2010
Administrative Currency: USD

Shares	Security Description	Security ID	Total Cost Unit Cost	Price	Market Value Accrued	Income Rate / YTM	Estimated Annual Income	Curr Yield
Equity Holdings (cont.)								
-----Financials (cont.)-----								
-----Insurance-----								
340299	1,800.000 EVEREST RE GROUP LTD	RE	176,298.12 97.943	86.470	155,646.00	1.920	3,456.00	2.2
-----Health Care-----								
-----Biotechnology-----								
340299	2,000.000 AMGEN INC	AMGN	108,116.00 54.058	55.110	110,220.00	0.000	0.00	0.0
340299	2,500.000 GILEAD SCIENCES INC	GILD	115,329.80 46.132	35.610	89,025.00	0.000	0.00	0.0
-----Health Care Equipment & Supplies-----								
340299	3,000.000 COVIDIEN PLC	COV	128,898.90 42.966	40.190	120,570.00 600.00	1.991	2,400.00	2.0
-----Pharmaceuticals-----								
340299	6,000.000 MYLAN LABS	MYL	67,032.00 11.172	18.810	112,860.00	0.000	0.00	0.0
340299	3,125.000 ABBOTT LABS	ABT	151,605.06 48.514	52.240	163,250.00	3.369	5,500.00	3.4
340299	2,300.000 NOVARTIS AG SPON ADR	NVS	120,332.78 52.319	57.670	132,641.00	2.866	3,801.90	2.9
-----Industrials-----								
-----Aerospace & Defense-----								
340299	2,325.000 UNITED TECHNOLOGIES	UTX	123,286.08 53.026	71.230	165,609.75	1.700	3,952.50	2.4
-----Electrical Equipment-----								
340299	2,700.000 EMERSON ELEC	EMR	128,282.13 47.512	52.660	142,182.00	2.545	3,618.00	2.5
-----Machinery-----								
340299	5,450.000 DANAHER CORP	DHR	113,185.04 20.768	40.610	221,324.50 109.00	0.080	436.00	0.2

Portfolio Detail

The Episcopal Diocese of Washington - Total Fund
380295-MASMIL

Date Run: 10/15/2010
As Of: 09/30/2010
Administrative Currency: USD

Shares	Security Description	Security ID	Total Cost Unit Cost	Price	Market Value Accrued	Income Rate / YTM	Estimated Annual Income	Curr Yield
Equity Holdings (cont.)								
-----Information Technology-----								
-----Communications Equipment-----								
8,000.000	CISCO SYSTEMS INC	CSCO	161,850.01 20.231	21.900	175,200.00	0.000	0.00	0.0
340299								
3,200.000	HARRIS CORP	HRS	91,868.46 28.709	44.290	141,728.00	1.000	3,200.00	2.3
340299								
4,000.000	QUALCOMM INC	QCOM	158,043.45 39.511	45.120	180,480.00	0.760	3,040.00	1.7
340299								
7,000.000	TELLABS INC	TLAB	59,025.40 8.432	7.450	52,150.00	0.080	560.00	1.1
340299								
-----Computers & Peripherals-----								
800.000	APPLE INC	AAPL	93,116.43 116.396	283.750	227,000.00	0.000	0.00	0.0
340299								
6,500.000	EMC CORP	EMC	104,225.55 16.035	20.310	132,015.00	0.000	0.00	0.0
340299								
2,214.000	HEWLETT PACKARD	HPQ	95,511.59 43.140	42.070	93,142.98 177.12	0.761	708.48	0.8
340299								
-----Electronic Equipment & Instruments & Components-----								
8,200.000	CORNING INC	GLW	190,602.08 23.244	18.280	149,896.00	1.094	1,640.00	1.1
340299								
-----IT Services-----								
3,500.000	BROADRIDGE FINANCIAL SOLUTIONS INC BR		39,056.85 11.159	22.870	80,045.00 525.00	0.600	2,100.00	2.6
340299								
-----Semiconductors & Semiconductor Equipment-----								
800.000	CREE INC	CREE	53,105.92 66.382	54.290	43,432.00	0.000	0.00	0.0
340299								
-----Software-----								
5,000.000	ORACLE CORP	ORCL	109,900.00 21.980	26.850	134,250.00	0.745	1,000.00	0.7
340299								
-----Materials-----								
-----Chemicals-----								
3,500.000	ECOLAB INC	ECL	119,037.87 34.011	50.740	177,590.00 542.50	0.620	2,170.00	1.2
340299								

Portfolio Detail

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380295-MASMIL

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As Of: 09/30/2010
Administrative Currency: USD

Shares	Security Description	Security ID	Total Cost Unit Cost	Price	Market Value Accrued	Income Rate / YTM	Estimated Annual Income	Curr Yield
Equity Holdings (cont.)								
----Materials (cont.)----								
----Chemicals (cont.)----								
340299	2,000.000 PRAXAIR INC	PX	39,809.56 19.905	90.260	180,520.00	1.800	3,600.00	2.0
----Metals & Mining----								
340299	1,750.000 FREEPORT MCMORAN COPPER & GOLD	FCX	116,416.48 66.524	85.390	149,432.50	1.405	2,100.00	1.4
----Paper & Forest Products----								
340299	5,500.000 INTL PAPER	IP	140,415.00 25.530	21.750	119,625.00	0.500	2,750.00	2.3
----Telecommunication Services----								
----Diversified Telecommunication Services----								
340299	4,600.000 AT&T INC	T	130,753.70 28.425	28.600	131,560.00	5.874	7,728.00	5.9
----Equity Mutual Funds----								
340299M	45,579.524 CGM REALTY FUND <i>45,579.524</i>	CGMRX	1,229,759.09 26.981	23.920	1,090,262.21	0.240	10,939.09	1.0
340299M	205,850.708 MANNING & NAPIER WORLD OPPOR	EXWAX	1,566,523.89 7.610	8.280	1,704,443.86	0.004	823.40	0.0
340299M	46,023.831 T ROWE PRICE SM CAP VAL	PRSVX	1,000,615.00 21.741	31.880	1,467,239.73	0.260	11,966.20	0.8
Total Fixed Income			5,206,140.87		5,814,991.06	0.342	171,126.34	2.9
Total Equity			8,924,201.78		10,270,954.28	0.783	119,109.06	1.2
Total Commodities			0.00		0.00		0.00	1.2
Total Principal Accrued Income			14,130,342.65		16,085,945.34	0.623	290,235.40	1.8
Total Fund					16,088,257.96			

Notes:

- Shares in Italics ending in 'I' are excluded from fee.

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