

Cynthia L. Knipe, CFA
Vice President

July 14, 2008

Ms. Eva Myking
Church House Administrator
Protestant Episcopal Church
Business Affairs Office Episcopal Church House
Mount St. Alban
Washington, DC 20016

Dear Ms. Myking:

After a promising start, the second quarter of 2008 proved to be another difficult period for the markets. After recouping much of the first quarter's losses, the S&P began to slip in May and ended down 2.7% for the quarter. Year-to-date the S&P has declined 11.91%. Bonds fared better than stocks during the quarter but rising inflation pressures and comments from the Federal Reserve about future rate increases weighed on bond prices also. However, bond returns remain positive for the year.

The stocks and bonds in your portfolio have performed better than the broad market. Your stocks have fallen less than the S&P 500 because of our underweight in financial and consumer related stocks. Year-to-date your U.S. stocks have declined only 7.33% while the international and small cap stock funds have declined 9.67% and 10.97% respectively, the bond fund have gained 1.97% and the real estate fund has gained 4.31%. As a whole, the portfolio has returned -4.39% for the year.

While we had anticipated a slow economy for the first half of this year due to the deteriorating housing market and credit worries, we had anticipated that the worst of these events would be behind us as we entered the summer months. However, the spike in oil prices since March and the resultant increase in prices of everything from food to airline tickets has further weakened the consumer. Therefore, a second half rebound will be dependent on how businesses handle these increased costs.

If businesses are able to quickly pass along the higher costs, then earnings growth should continue and their stock prices can rebound. Because the dollar is still weak, exports are strong which benefits companies in the industrial sector. Companies in the energy, materials and technology sectors are also posting strong earnings. These are the sectors that we have overweighted in your portfolio.

Unfortunately, this also implies higher interest rates for the foreseeable future. As we enter a period when the Fed is compelled to raise interest rates to fight inflation, the short maturities of your bonds will cushion the principal value until such time as rates peak and we can then lock in higher yields.

I expect that the markets will remain volatile for the remainder of the year as we work through the economic and coming political uncertainties. Please call me at any time if you have questions about our outlook or your portfolio.

Sincerely,



Cynthia Keith
Vice President

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

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Performance Returns as of 06/30/08

	Year-to-Date	1 Year	3 Years*	5 Years*	10 Years*
Total (includes Mutual Funds)	-4.39%	0.78%	9.21%	9.37%	6.50%
Stocks (includes Mutual Funds)	-7.33%	-3-15%	11.56%	13.26%	6.36%
PMP Core Equity	-7.99%	-3.80%	9.44%	10.74%	5.17%
PIMCO Total Return Fund	1.97%	10.83%	N/A	N/A	N/A
CGM Realty Fund	4.31%	22.27%	28.10%	N/A	N/A
Fidelity Diversified Int'l Fund	-9.67%	-5.66%	14.39%	N/A	N/A
Fidelity Small Cap Stock Fund	-10.97%	-14.48%	5.42%	N/A	N/A
S&P 500	-11.91%	-13.12%	4.41%	7.58%	2.88%
S&P 400 Midcap	-3.90%	-7.34%	7.45%	12.15%	9.62%
FTSE NAREIT	-5.56%	-16.70%	2.39%	N/A	N/A
MSCI EAFE	-12.70%	-13.04%	10.11%	N/A	N/A
Russell 2000	-9.37%	-16.19%	3.79%	10.29%	5.53%
Lehman Aggregate	1.13%	7.12%	4.09%	3.86%	5.68%

•Annualized/Gross of Fees