

In Faith We Trust

The Epiphany Faith and Family Values 100 Fund seeks long-term growth of capital. The Fund invests in companies whose business activities and practices meet fundamental Catholic moral and ethical principles.

What is the purpose of the fund and how it meets Catholic values?

The fund invests in large companies included in the Faith & Family Values 100 Index, an equal weighted index of the largest companies from the S&P 500 that pass our Catholic value screens. The fund can hold all of those hundred companies but it doesn't have to. Currently, it holds about 60 of those companies.

The goal is to achieve market returns through investing in companies that match the social value screening that we've put forth. The screening is based on the moral and social teachings of the Catholic Church. The holdings have to pass both an exclusion test and a scorecard of positives and negatives.

The exclusions are automatics, for example, if a company donates to the Planned Parenthood or had environmental violations in the last two years that add up to a fine of more than a million dollars.

Also, we complete a score card for each company. In that report card, there would be positives and negatives. The company has to have a neutral or positive score to be in the index and considered for the fund. For 2009, we had to screen about 193 companies build the index.

What is your screening process?

Our fund does not invest in any company that directly or indirectly performs or supports abortion. AIG has a property and casualty policy specifically written for abortion clinics that they sell, so the company failed to meet the exclusion test. This showed up on our quarterly screening cycle.

If a company makes pornography it is excluded but it garners a negative point if it distributes it. That could be a hotel chain, supermarket, cable and internet services provider.

We also have negative score card for executive compensation. If a chief executive makes more than \$12.5 million in cash compensation, they get one negative mark and two if they make more than \$25 million. On the positive side, if they have a 401(k) retirement plan that matches above 6% of pay, that's a positive mark. If they have an automatic enrollment plan in their 401(k) retirement plan they get a positive mark. If they do adult stem cell research, they get a positive mark. If they have employee ownership they get a positive mark.

In this economy, the companies that we've invested in have a tendency to



SAM SALADINO has 14 years experience managing assets for retail clients. Early in his career he developed a large, successful financial planning practice under the Ameriprise platform. His success led him to become a district manager responsible for recruiting, training, and developing new financial advisors while managing his own practice. Saladino sold his practice and established Trinity Fiduciary Partners in January 2005. Trinity is a registered investment advisor specializing in Catholic money. Trinity provides financial planning, investment consulting, and discretionary asset management for clients. Saladino conceived the idea for a Catholic mutual fund and managed the process for creating, registering, and launching the Epiphany Fund. He currently serves as Portfolio Manager for the Fund and CEO of Trinity Fiduciary Partners.

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focus on a core product line and have a good relationship with their employees.

Maybe you can explain two or three examples of the companies that did make the screen and what were the reasons why they passed the screen?

Bank of New York Mellon is one of our largest holdings. It does not have any exclusion and has two negatives and three positives on our score card and the company consistently rates high on a list for working mothers to work.

They are a focused business and recently they exchanged retail banking operations of their business for JP Morgan's trust operations which added more fire power to their bread and butter business. They are one of the largest custodians and have large economies of scale.

What happens if Bank of New York provides a very large loan to a merger or acquisition in tobacco or alcohol sector? What about same sex marriage; it is a big focus of the most religious funds?

In our current screen, alcohol and tobacco are both negatives but not exclusions on the scorecard. In their case, it would not be counted because Bank of New York doesn't make either one of those products. Even if it were a tobacco company, it would be a negative mark on the scorecard, but it wouldn't necessarily knock them out of the fund. We currently don't hold any alcohol or tobacco companies, but we could.

An issue that is very divisive in the religious fund area is homosexuality. That's a big issue for religious-based funds. Our approach is based on Church teaching, but we do not exclude a company unless they are involved in legislation that promotes the non-traditional family union. We exclude companies that give to organizations and have a heavy involvement with

organizations that promote legislation because that is clearly defined in Catechism of the Catholic Church.

Because of the make-up of the S&P 500 in 2008, we have a lot invested in financial companies. The Allstate Corporation is one of the companies that are in the fund. The insurance company passes our exclusion list.

They rank high on the list for companies for working mothers and are included in the Dow Jones Sustainability Index. They have a very good employee ownership program and have a nice retirement plan contribution. They have a +4 on their scorecard which is at the top.

They are an excellent company for investment because they have a large network of brokers and insurance agents across the country. They have about 30,000 insurance sellers that have access to their products. In the past, they have focused sales on property and casualty insurance, but they have now expanded to include life insurance and disability. This is a great cross-sell opportunity.

We added positions in companies right now since we have had inflows. I like companies that have an international focus and are involved in the international markets even though they're domestic companies and John Deere fits that mold.

Our screening is one of our biggest strengths because it is all done in-house and we don't rely on third parties to produce the screening. It gives us a lot of flexibility. We are able to screen any company that we want to look at versus using a service that may have old data.

What is your portfolio construction process?

As a matter of practice, we try to

limit any individual stock holding to 4% and reduce the holding if it reaches 5% as a way to control risk.

Over the last five years, the financials have increased market share of the S&P 500 index. Five years ago financials were approximately 12% of the index which had risen to 20% in the index at the end of 2007. It is true that we have been generally sector neutral to the S&P 500 index, but that is not a requirement. This year, for example, I have a larger exposure to the consumer discretionary than the S&P 500 index has and lower in financials than in the index.

There are about 55 holdings but I expect the number to rise to 65. We'll hold about 60% of the index.

When companies pass our screens, many times I cross-reference with their fiduciary rating from independent services. I have found that companies that meet our criteria tend to have a high fiduciary rating.

Generally speaking, when I add a new position, I invest 1% of the assets in the fund into each position added.

How long has the fund been around?

The fund started in January of 2007. The current holdings have grown from 20 to about 53 and will continue to grow as assets come into the fund.

How do you manage risk?

I am a big proponent of purchasing companies that pay a dividend because I think it dampens risk. I think when a company pays a dividend, it's a little harder to 'cook the books.'

I think that the fund's risk profile is derived from sectors, size of the companies, and the active screening. I keep my sector percentages in mind when I buy. I do make some changes in the sector weightings if something is out of the ordinary. I am buying companies


that are large. The screening seems to find companies that are fairly valued and focused on their core businesses.

In general we don't own any conglomerates and prefer to invest in companies that are focused on their core businesses. The fund doesn't own any options. It's not hedged in any way and the fund is almost totally invested in large cap equities. The fund holds a small percentage of its assets in cash.

Is there any one screen that saved you from big mistakes?

One screen that I think is most interesting is the CEO compensation screen. Many of the companies that had massive losses in valuations had large CEO compensation structures. To me, it's one of the most eye-opening parts of the screen. Lower paid CEOs normally have more equity incentives and I am a fan of that. We avoided Lehman Brothers which had one of the highest paid CEOs. Even though CEO compensation is not an automatic exclusion, it seems to set a pattern for poor corporate governance and other exclusions.

One investment in our fund is Lincoln Electric. Lincoln Electric employs nine thousand employees and makes welding equipment. Their CEO makes less than a million dollars a year and lives in a regular neighborhood. They see him as a guy who cares about them. Once every quarter, he has a meeting where you can ask him anything. They have one of the best profit sharing programs that I have seen.

That company, for over 80 years, has given half their profits to their employees at the end of the year as a bonus. Lincoln Electric did not have the best stock performance last year. But if you look at the company and how they're setting themselves up for the future it looks like a good opportunity. 

The Epiphany Faith & Family Values 100 Fund

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PORTFOLIO	
Total Net Assets*	\$1.7
Avg Mkt Cap (\$ Weighted) *	\$34,100
Average Price/Earnings Ratio	16.01x
Average Price/Book Ratio	3.41x
Turnover Ratio	80%

INVESTMENT INFORMATION	
New Investment	Open
Min Initial Investment	\$2,500
Min Subsequent Investment	\$250
Min Initial IRA Investment	\$1,000

RISK (AGAINST S&P 500 DAILY REINV IX - 3 YEARS)	
Alpha	N/A
Beta	N/A
R-Squared	N/A
Ann Std Deviation	N/A
Sharpe Ratio	N/A

RETURNS VS. S&P 500 DAILY REINV INDEX		
	Fund	Index
1 Year (Cum.)	-32.72%	-38.63%
3 Year (Ann.)	N/A	-11.78%
5 Year (Ann.)	N/A	-4.24%

FEES AND EXPENSES	
Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee**	2.00%
Total Expense Ratio	1.50%

PORTFOLIO MANAGER	
Sam Saladino	2007

*millions **2 months after purchase
 01/31/2009; Source: Company Documents; Lipper

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