



WELS Investment Funds
Wisconsin Evangelical Lutheran Synod

Your strong partner in ministry



An annual report
to WELS ministries

2023



LETTER FROM THE DIRECTOR



Dear Friend in Christ,

Each July, we look back at the previous fiscal year and examine the numbers. How many new congregations opened investment accounts? What is the total value of our assets under management? How does our investment performance compare to custom benchmarks?

But the numbers are only part of the picture. Underneath those numbers are the **more than 250 ministries that entrust their investments to WELS Investment Funds to support gospel work.** We know that our work directly impacts your work, which impacts people who need Jesus. This is why your partnership is such a privilege and blessing to us as we work together.

One thing I want you to take away from this report is that WELS Investment Funds is here to serve your ministry. If you call me at 414-256-3206, I will answer. I'd love to have a conversation about how we can support your ministry's investment needs to help you reach more people with the good news of Jesus.

A handwritten signature in black ink that reads "James A. Holm".

Mr. James A. Holm, CFP®

Executive Director, WELS Investment Funds

WHAT ARE THE BENEFITS OF INVESTING THROUGH WELS INVESTMENT FUNDS?

- WELS Investment Funds was incorporated as a **support services subsidiary of WELS** in 1997. As of June 30, 2023, it managed nearly \$300 million for 255 WELS and affiliated ministries, including WELS Foundation, Martin Luther College, Wisconsin Lutheran Seminary, Luther Preparatory School, Michigan Lutheran Seminary, WELS Home and World Missions, several area Lutheran high schools, and more than 200 congregations.
- **WELS Investment Funds provides cost-effective, professionally managed investment portfolios exclusively for WELS and affiliated ministries.** By pooling our God-given talents and resources, we can take advantage of lower-cost, institutionally priced investment opportunities that are not available to smaller investment accounts. As more congregations and organizations invest in WELS Investment Funds, the cost-reduction benefits increase. It's a way we can support each other.
- **WELS Investment Funds is easy to use.** Executive Director Jim Holm, an employee of WELS, can meet with your organization (in person or via phone or video) to discuss the various investment options available through WELS. Our investor services specialist, Monica Peavy, is also available to guide you through the steps to open and maintain an investment account.

WHO CAN INVEST IN THE WELS FUNDS?

Any 501(c)(3) organization that is a WELS or Evangelical Lutheran Synod (ELS) ministry or a ministry in fellowship with WELS can invest in WELS Funds. This includes any ministry listed in the WELS Yearbook or otherwise approved by the WELS Conference of Presidents.

Individuals may not invest in WELS Funds, nor can organizations in the following states: CT, MD, PA, TN, or VA.

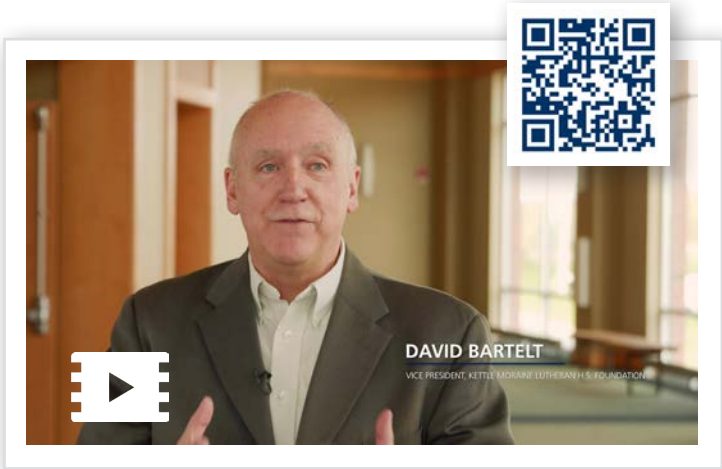
HOW ARE THE FUNDS MANAGED?

The WELS Investment Funds Board of Directors has retained Vanguard Institutional Advisory Services® as the investment consultant. As a co-fiduciary, the investment consultant assists the board in implementing investment policies by focusing on three primary factors: risk through asset allocation and diversification, selection of quality investment managers, and investment-related costs. This benefits the ministries that invest in the WELS Funds in several ways:

- Vanguard is a leader in providing institutions with diversified investment strategies using world-class active and passive investment strategies.
- Vanguard is owned by its mutual fund investors, resulting in low investment fees—leaving more returns for WELS investors.
- Our Vanguard senior investment consultant works exclusively with nonprofits and regularly meets with our board to review portfolio performance and provide Vanguard's market and economic outlook.

WHY WELS INVESTMENT FUNDS?

Scan the QR codes below to hear from some of our investors about why they chose to invest with WELS Investment Funds and how WELS Investment Funds helps them achieve their ministry goals.



DAVID BARTELT
VICE PRESIDENT, KETTLE MORaine LUTHERAN S.S. FOUNDATION



WELS Investment Funds:
A Strong Partner in Ministry

View more videos at wels.net/welsfunds.

MANAGEMENT

The day-to-day affairs of WELS Investment Funds are carried out by its officers and other WELS employees. For administrative convenience, efficiency, and cost effectiveness, WELS Investment Funds leases its personnel from WELS. WELS also provides services relating to the processing of transactions, preparing investor account statements, and the preparation of corporate financial statements.

FINANCIAL OVERSIGHT

WELS has established an Accounting Oversight Committee responsible for assisting management in establishing and maintaining appropriate accounting policies and internal controls, including the engagement of an independent external auditor to conduct annual audits of the financial statements.

BOARD OVERSIGHT

The board of directors of WELS Investment Funds is responsible for the operation of WELS Investment Funds, including the engagement of investment consultants. Directors serve four-year terms and are appointed by the WELS Synodical Council.

Additional information about the board and officers and a copy of the most recent audited financial statements are available on the website at wels.net/welsfunds.

BOARD OF DIRECTORS



Dennis Walters
Chairman

Dennis Walters is retired and formerly VP, administrative controller, and director of corporate financial reporting for Cargill, Inc.



Seth Hansen
Director

Seth Hansen serves as a project management consultant for Millborn Seeds and is a retired vice president of Daktronics, Inc., in Brookings, S.D.



Joel Luehmann
Vice Chairman

Joel Luehmann serves as director, Enterprise Risk Management, for Compeer Financial in Mankato, Minn.



Ronald Schmitz
Director

Ronald Schmitz is retired after a 34-year career as a financial consultant for AXA Advisors (formerly Equitable Life, N.Y.).



John Wenker
Secretary

John Wenker is retired and formerly a managing director at Nuveen Asset Management, a wholly owned subsidiary of TIAA-CREF.



Max Wenck
Director

Max Wenck is a co-owner of MorganMyers, Inc., a multi-million dollar communications consulting firm.



Rev. Em. Charles Degner
Director

Rev. Charles Degner formerly served parishes in Prior Lake and St. Peter, Minn. He served as district vice president in Minnesota for 16 years and as district president for 10 years.



Kyle Egan
Ex-Officio Member

Kyle Egan serves as WELS chief financial officer and treasurer. He formerly served as Assistant Treasurer & Director of Investor Relations at Quad/Graphics, Inc. (Quad).

The Funds

The **WELS Balanced Fund** seeks long-term capital growth and a low to moderate level of current income. It has a target asset allocation comprised of 60 percent equity and 40 percent fixed income and has a mid- to long-range investment time horizon.

The **WELS Endowment Fund** seeks long-term capital growth with some current income and is designed primarily for endowment funds. It has a target asset allocation comprised of 75 percent equity and 25 percent fixed income and has a long-range investment time horizon.

The **WELS Equity Fund** seeks long-term capital growth by investing in a portfolio of equity securities that is well diversified by industry and company size. It is comprised of 100 percent equities and is subject to potential large short-term price fluctuations. It has a long-range investment time horizon.

The **WELS Income Fund** seeks to provide income by investing primarily in investment-quality debt securities. It is comprised of 100 percent fixed income securities and has a short- to mid-range investment time horizon.

The WELS Balanced Fund and WELS Endowment Fund invest in differing ratios of the same underlying mutual funds as the WELS

Equity Fund and WELS Income Fund. The WELS Equity Fund and WELS Income Fund are for those ministries who desire an asset allocation other than the WELS Balanced Fund and WELS Endowment Fund.

FEE AND EXPENSES

All direct expenses and any expenses allocated by WELS related to the operation of WELS Investment Funds (e.g., rent for office space; utilities; and financial, technological, and human resources expenses) are charged directly to the WELS Funds. While these expenses vary from year to year, for the fiscal year 2024, they are anticipated to be 0.17% of the assets in the WELS Funds.

All mutual funds that comprise the WELS Funds have investment expenses significantly below the industry average. The weighted average expense ratios are as follows:

- WELS Balanced Fund: 0.15%
- WELS Endowment Fund: 0.17%
- WELS Equity Fund: 0.20%
- WELS Income Fund: 0.07%

WELS BALANCED FUND—As of June 30, 2023

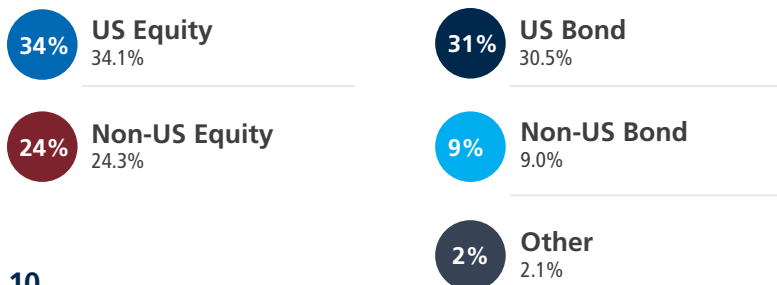
The WELS Balanced Fund seeks long-term capital growth and a low to moderate level of current income. It has a target asset allocation comprised of 60 percent equity and 40 percent fixed income and has a mid- to long-range investment time horizon.

ANNUAL RETURN	3 Mo	6 Mo	1 Yr	5 Yr	10 Yr
Total Return %	3.27%	9.02%	10.07%	5.82%	6.57%

Target Holdings

Vanguard Total Stock Market Index	18.0%
Vanguard Total Bond Market Index	16.0%
Vanguard Total International Stock Index	12.0%
Vanguard Intermediate-Term Investment-Grade	10.0%
Vanguard PRIMECAP Core	9.0%
Vanguard Short-Term Investment-Grade	6.0%
Vanguard International Growth	6.0%
Vanguard International Value	6.0%
Vanguard Total International Bond Index	4.0%
Vanguard Ultra-Short-Term Bond	4.0%
Vanguard U.S. Growth	3.6%
Vanguard Equity Income	3.6%
Vanguard Explorer	1.8%

Asset Allocation



WELS ENDOWMENT FUND—As of June 30, 2023

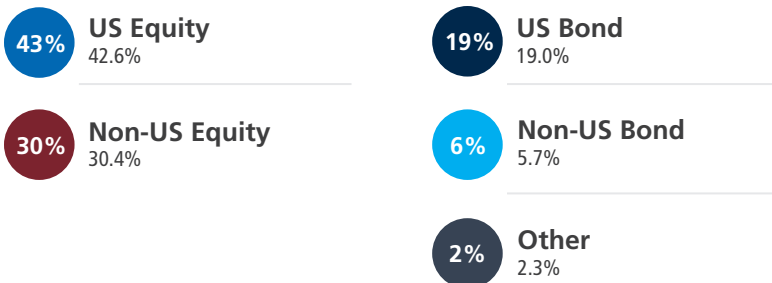
The WELS Endowment Fund seeks long-term capital growth with some current income and is designed primarily for endowment funds. It has a target asset allocation comprised of 75 percent equity and 25 percent fixed income and has a long-range investment time horizon.

ANNUAL RETURN	3 Mo	6 Mo	1 Yr	5 Yr	10 Yr
Total Return %	4.25%	10.73%	12.66%	7.08%	N/A

Target Holdings

Vanguard Total Stock Market Index	22.5%
Vanguard Total International Stock Index	15.0%
Vanguard PRIMECAP Core	11.3%
Vanguard Total Bond Market Index	10.0%
Vanguard International Growth	7.5%
Vanguard International Value	7.5%
Vanguard Intermediate-Term Investment-Grade	5.0%
Vanguard U.S. Growth	4.5%
Vanguard Equity Income	4.5%
Vanguard Short-Term Investment-Grade	4.5%
Vanguard Ultra-Short-Term Bond	3.0%
Vanguard Total International Bond Index	2.5%
Vanguard Explorer	2.2%

Asset Allocation



PORTFOLIO INSIGHTS—EQUITY

Equity investments are globally diversified across domestic and international large-cap, mid-cap, and small-cap securities, including value, core, and growth styles.

The cornerstone equity holding is the Vanguard Total Stock Market Index Fund, Institutional Shares. This fund is diversified across over 4,100 domestic equities.

The Vanguard Total International Stock Index Fund, Institutional Shares hold more than 7,900 equity securities, diversified across more than 50 countries.

These two core equity index funds are complemented by six actively managed Vanguard mutual funds, managed by firms including the following: PRIMECAP Management; Wellington Management; Lazard Asset Management, LLC; and Baillie Gifford Overseas, LTD.

WELS EQUITY FUND—As of June 30, 2023

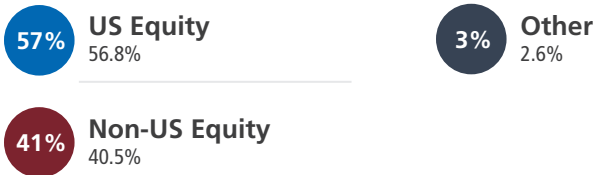
The WELS Equity Fund seeks long-term capital growth by investing in a portfolio of equity securities that is well diversified by industry and company size. It is comprised of 100 percent equities and is subject to potential large short-term price fluctuations. It has a long-range investment time horizon.

ANNUAL RETURN	3 Mo	6 Mo	1 Yr	5 Yr	10 Yr
Total Return %	5.78%	13.50%	16.87%	8.76%	9.80%

Target Holdings

Vanguard Total Stock Market Index	30.0%
Vanguard Total International Stock Index	20.0%
Vanguard PRIMECAP Core	15.0%
Vanguard International Growth	10.0%
Vanguard International Value	10.0%
Vanguard U.S. Growth	6.0%
Vanguard Equity Income	6.0%
Vanguard Explorer	3.0%

Asset Allocation



PORTFOLIO INSIGHTS—FIXED INCOME

The Vanguard Total Bond Market Index Fund, Institutional Shares, is invested in more than 10,100 investment-grade, domestic fixed income securities. Holdings include U.S. Treasury, U.S. agency, and other domestic investment-grade fixed income securities.

For diversification purposes, the Vanguard Total International Bond Index Fund is utilized. This Fund is diversified across more than 6,300 international fixed income securities, representing more than 30 underlying countries. All holdings are currency hedged to the U.S. dollar, for risk-management purposes.

The Vanguard Intermediate-Term Investment Grade Fund, Admiral Shares; the Vanguard Short-Term Investment Grade Fund, Institutional Shares; and the Vanguard Ultra-Short-Term Bond Fund, Admiral Shares are actively managed with an intensive credit analysis and risk-controlled approach.

WELS INCOME FUND—As of June 30, 2023

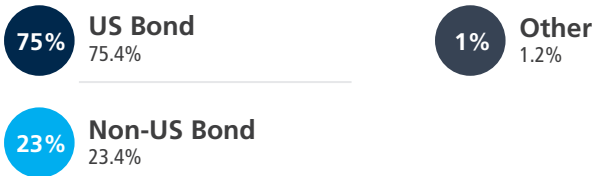
The WELS Income Fund seeks to provide income by investing primarily in investment-quality debt securities. It is comprised of 100 percent fixed income securities and has a short- to mid-range investment time horizon.

ANNUAL RETURN	3 Mo	6 Mo	1 Yr	5 Yr	10 Yr
Total Return %	-0.35%	2.54%	0.10%	0.95%	1.43%

Target Holdings

Vanguard Total Bond Market Index	32.0%
Vanguard Intermediate-Term Investment-Grade	26.0%
Vanguard Short-Term Investment-Grade	22.0%
Vanguard Ultra-Short-Term Bond	10.0%
Vanguard Total International Bond Index	10.0%

Asset Allocation



Past performance is no guarantee of future results. The performance data is current as of June 30, 2023, and is subject to change at any time based on market and other conditions. Participating in the WELS Funds is subject to investment risks, including possible loss of the principal amount invested. Withdrawals from the WELS Funds are payable exclusively from the net assets of the Fund. Accounts are not protected or insured by the FDIC or SIPC and are not guaranteed by WELS or any other person or entity.

MONTHLY PROCESSING

WELS Funds' transactions are processed on the first business day of each month. Additions and/or redemption requests must be received by WELS Investment Funds at least one business day prior to month-end for processing. Funds received prior to month-end will be held in a non-interest-bearing cash account until processed. Redemption proceeds will be deposited in the organization's bank account via direct deposit.

HOW TO INVEST

A custodial agreement and custodial account worksheet must be completed to establish a new account. All investments made pursuant to the custodial agreement will be held in the name of WELS Investment Funds (or such other entity selected by WELS Investment Funds) as nominee for the organization, with actual ownership of the investments remaining in the organization. Each organization investing in the WELS Funds will be assigned an interest (an "Ownership Interest") in the assets of each chosen WELS Fund reflecting the pro rata interest of the organization in the assets of the particular WELS Fund. The value of the organization's Ownership Interest may fluctuate as the value of the particular WELS Fund fluctuates.

A copy of the most recent investment policy statement is available at wels.net/welsfunds or by calling **877-888-8953**.

MINIMUM INVESTMENT AMOUNT

The minimum amount to open an investment account is \$10,000.

MAILING ADDRESS

Investment and redemption requests should be mailed to:

WELS Investment Funds
N16W23377 Stone Ridge Drive
Waukesha, WI 53188-1108

CONTACT US

Please contact us at any time. We are here to serve you!

E-mail: welsfunds@wels.net

Phone: 877-888-8953

Website: wels.net/welsfunds

Jim Holm, CFP®

Executive Director

E-mail: jim.holm@wels.net

Phone: 414-256-3206

Monica Peavy

Investor Services Specialist

E-mail: monica.peavy@wels.net

Phone: 414-256-3207



OTHER WELS SUBSIDIARIES

WELS Church Extension Fund (WELS CEF) exists to provide financing for mission-minded endeavors and projects that are under the direction of WELS Board for Home Missions. WELS CEF provides loans and grants to qualified mission congregations so they can acquire land and build or renovate ministry facilities—used as tools for gospel outreach. The money WELS CEF uses to provide loans and grants comes from two sources—investments and gifts. For more information, visit wels.net/cef.

WELS Foundation has been helping God’s people support the ministries they love since 1965. WELS Foundation provides a channel through which gifts can be administered for the benefit of local and national ministries by:

- Providing knowledgeable planned giving support to WELS Christian giving counselors (800-827-5482) and other WELS mission advancement representatives.
- Facilitating various giving opportunities, including charitable gift annuities, charitable remainder trusts, donor-advised funds, and endowment administration.

Visit wels.net/foundation for more information.

WELS Investment Funds is a charitable non-stock, not-for-profit corporation organized under the laws of the State of Wisconsin. It was formed in 1997 as a support services subsidiary of WELS to provide investment vehicles so that funds of WELS, WELS congregations, and other WELS-related organizations could be invested to achieve the desires of the organizations and their donors.

WELS Investment Funds is not registered as an investment company under the Investment Company Act of 1940, as a broker or dealer under the Securities Exchange Act of 1934, or as an investment adviser under the Investment Advisers Act of 1940. WELS Investment Funds, Inc., administers the WELS Funds for the benefit of WELS ministries pursuant to a claim of exemption from registration under the federal Philanthropy Protection Act of 1995.

Note that investment programs offered by WELS Investment Funds involve risk. Past performance is no guarantee of future returns, WELS Funds are not FDIC or SIPC insured, and may lose value. WELS Funds are not guaranteed by WELS or any other person or entity.

At this time, WELS Funds are NOT available in Connecticut, Maryland, Pennsylvania, Tennessee, or Virginia.



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