

2019 Annual Report



In many respects, 2019 exceeded our expectations. We continued to grow and prosper under God's direction, driven by a variety of economic factors that were mostly positive. By the end of the year, our asset base topped the \$50 million mark for the first time in our history. It was the third year since rebranding as Legacy Deo and the second since engaging new investment counsel, who breathed new life into our investment program. We will remember 2019 and its outcomes as a fitting way to end our sixth decade of service to the Christian community.

The backdrop to 2019 was the global economy, which experienced its own successes and struggles all year. Slowing growth amidst a 10-year bull market for stocks caused concern for investors and central banks around the globe. The United States was not immune from these concerns. Some of the slowdown was cyclical, but also taking their toll were external factors such as growing barriers to trade, social unrest, and geopolitical tensions. This uncertainty led to lower capital spending by corporations and lessening demand for durable goods by consumers, both of which contributed to slowing industrial production the world over. In response, central banks cut interest rates – to negative levels in some foreign countries – as a means of spurring new growth. In the US, the Federal Reserve reversed its incremental rate-growth policy – which triggered a sharp market decline late in 2018 – in favor of easing interest rates three times in 2019. Lower interest rates reinforced demand for services and non-durable goods. Tightening labor markets and rising wages, especially in the US, boosted consumer confidence and spending. The US economy saw moderate GDP growth of 2.2%, inflation of 3.1%, and unemployment at a near-historic low of 3.5%. These factors, along with a phase-one trade deal with China and passage of the US-Mexico-Canada Agreement, fueled a booming economy not seen in the US for decades.

The US investment markets responded favorably. All major stock indexes were up 20% or more for the year. The broad-market S&P 500 index was up 31.5%. The Barclay's Capital Aggregate index – reflecting the broad market for fixed income – was up 8.7%, due to brisk demand for US government credit by foreign investors and US investors who grew increasingly wary of the frothy stock market. Our portfolio, consisting of two equity funds, two bond funds, and a non-correlated alternative investment fund, returned a combined 17.6% for the year. The bright spot was our Equity Growth Fund, which returned 23.5%. With these results in mind and an eye toward the growing possibility of a future economic slowdown, our board elected to keep our endowment distribution rate at 3.5% – slightly below its 4% target.

Legacy Deo ended the year with 441 managed accounts valued at \$51 million. We received gifts of \$1.1 million, passed through a record-setting 37 stock gifts to donor-selected ministries and charities, and added eight new accounts (five endowments, two donor-advised funds, and a charitable remainder trust). Our most noteworthy achievement is that we distributed over \$2.6 million to ministries, charities, agencies, and individuals. We also awarded \$65,000 of grants to deserving ministry endeavors, our highest amount to date. God did marvelous works through Legacy Deo in 2019. It is with a grateful heart that we praise Him and ask for new opportunities going forward to fulfill our corporate vision: that God's people, each and every one, will leave a legacy for faith and family.

Sources: International Monetary Fund, Federal Reserve Bank, Morgan Stanley, Legacy Deo