

To: Shareholders of the Diocesan Investment Trust

From: The Trustees of the Diocesan Investment Trust

On January 22nd the Trustees of the Diocesan Investment Trust (DIT) met with our two investment managers, Legg Mason and Bank of America, to review the results for 2008 and discuss strategic directions for 2009. Financial markets around the world, both fixed income and equity, suffered sharply negative returns last year in almost all asset classes. Investor confidence has been badly shaken by consumer credit problems that began with housing related financing and a subsequent migration to other forms of consumer lending. The resulting contraction in the consumer's ability or willingness to spend has had a very negative impact on almost all business activity both in the United States and elsewhere around the world.

Within the context of this highly uncertain environment, the DIT fared reasonably well when compared to benchmarks but still had a very large negative return. The DIT unit value declined a little over 29% as compared with a 37% drop in the Standard & Poor's 500 Index and much larger drops in foreign developed and developing markets. Fixed income returns also suffered greatly last year with the exception of US Treasury obligations. The DIT starts 2009 with about 62% of its assets in equities and the balance in fixed income assets, a mix that the Trustees reaffirmed as appropriate to provide for a combination of income generation and longer term growth.

However, the Trustees recognize that great uncertainty exists about how economic conditions will unfold in 2009 and we will be prepared to adjust the portfolio if it seems justified. On that score, the current dividend of 17.5 cents per month or \$2.10 per year for each share now represents a current payout of very close to 6% of the 2008 yearend unit value. The Trustees are reluctant, at this time, to reduce the dividend but we will be monitoring financial market conditions closely over the next few quarters and, if further significant deterioration takes place, it is likely that we will have to react.

Diocesan Investment Trust

Fourth Quarter 2008 Update

Size (000's):	\$28,465
No. of Participant Accounts:	152
No. of Parishes	87
Current Share Value:	\$35.05
Total Return - 2004	9.34%
Total Return - 2005	7.74%
Total Return - 2006	11.28%
Total Return - 2007	14.05%
Total Return - 2008	-29.21%

Performance:

	<u>Equities</u>	<u>S&P500</u>
Last Three Months	-23.80%	-21.94%
Last Twelve Months	-37.64%	-37.00%
Since Inception* (Annualized)	2.85%	-2.89%

	<u>Fixed Income</u>	<u>Barclays Index**</u>
Last Three Months	1.94%	4.84%
Last Twelve Months	0.59%	5.08%
Since Inception* (Annualized)	5.21%	6.06%

*March 1, 2001, when both current investment managers were hired

**Barclays Intermediate Govt./Credit Index

Asset Mix:

	<u>Amount</u> (000's)	<u>Percent</u>
Cash	\$307	1.09%
Equities	17,726	62.27
Fixed Income	5,623	19.75
Hedge Fund*	<u>4,809</u>	<u>16.89</u>
Total	\$28,465	100.00%

*A hedge fund of funds designed as a bond alternative