

*Investment Policy Statement*

*For*

*Christ Church Episcopal Endowment*

*June 2020*

**Table of Contents**

- I. Purpose .....3**
- II. Responsibilities.....3**
- III. Investment Objectives and Constraints.....3**
- IV. Asset Allocation Guidelines .....4**
- V. Security Guidelines .....5**
- VI. Selection of Investment Managers .....5**
- VII. Investment Performance Review .....6**
- VIII. Communications.....6**

## I. Purpose

The purpose of this statement is to establish a clear understanding between the Christ Church Endowment Board and the Trustee for the Endowment funds ("Trustee") regarding the investment responsibilities, objectives, guidelines and review procedures for the Christ Church investment portfolio ("the Portfolio"). This statement pertains to the Outreach, Capital & Maintenance, Music, and Program funds (a.k.a. accounts) within the Endowment. This statement is to be viewed as a guideline rather than a rigid statement of policy from which there can be no deviation. This statement should be reviewed and revised periodically to ensure it adequately reflects any changes related to the Portfolio, the Endowment Board or the capital markets.

## II. Responsibilities

The Trustee is responsible for:

- Advising the Endowment Board about the selection of and allocation to asset and style categories, including recommendations for rebalancing
- Identifying suitable investment managers for each asset class and style category
- Monitoring the performance of each manager in accordance with Invest CFA standards
- Recommending changes in managers when appropriate
- Preparing and presenting appropriate reports in accordance with Sections 7& 8 below

The Endowment Board is responsible for:

- An annual review of both investment policy and Portfolio performance. Such reviews may occur more frequently if warranted.
- Defining the investment objectives and policies for the Portfolio
- Communicating to the Trustee the Endowment's spending policy and illustrating as best as possible the expected future cash flows (contributions and withdrawals) of the Endowment.
- Communicating to the Trustee any changes to the Endowment's spending policy and to review and approve the Trustee's recommendations with regard to policy, guidelines, objectives and specific investments.
- Reviewing information regarding each investment manager and investments used in the Portfolio.
- Communicating preferences or unique issues concerning investment policy or manager characteristics

## III. Investment Objectives and Constraints

The Endowment Board's investment objective is growth and income. The Endowment Board is willing to accept a moderate level of risk in exchange for achieving the investment objective and return target. The

investment growth objective is expected to be achieved over the intermediate-to-long-term (7 years or more).

The Trustee's goals are to generate sufficient cash to meet spending and payout requirements and to grow the value of the Portfolio at a rate that is greater than or equal to the rate of inflation.

The Endowment Board expects to withdraw a maximum of 5% of each account every year to meet spending policy and to fund the Endowment's gifts. The Portfolio shall provide adequate liquidity to meet these withdrawals.

## IV. Asset Allocation Guidelines

Based upon the Endowment Board's investment objective, risk tolerance, time frame, and distribution needs, the Portfolio should be structured as a balanced Portfolio, consisting of equity and fixed income securities. The following asset classes and styles are considered to be appropriate for the Portfolio:

- Domestic equity - large-, mid- and small- cap securities. The style within these classes can be growth and/or value.
- Domestic fixed income - U.S. Government/agency, corporate and mortgage-backed/asset-backed securities. Municipal bonds are not appropriate securities for the Portfolio.
- International equity- large-, mid- and small- cap securities. The style within these classes can be growth and/or value.

The Portfolio should be well diversified among asset classes and styles in order to maximize return and reduce risk. Current allocation ranges and selected performance benchmarks are as follows:

Asset Classes	Allocation Range	Performance Benchmarks*
<b>Domestic Fixed Income</b>	30-50%	Bloomberg Barclays Aggregate Bond
<b>Domestic Equity</b>	45-60%	Russell 3000
<b>International Equity</b>	10-25%	MSCI ACWI ex US
		*A blended, customized benchmark may include the above benchmarks such as: <u>60% MSCI ACWI and 40% Bloomberg Barclays Aggregate Bond.</u>

Although no industry standard exists regarding market capitalization ranges for small, mid and large cap stocks, the following ranges are presently considered reasonable: Large cap stocks have a market capitalization exceeding \$10 billion, mid cap \$2-10 billion and small cap less than \$2 billion. Value stocks generally have low price-to-earnings ratios, low price-to-book ratios and high dividend yields. Growth stocks generally have high forecasted sales growth, high return on equity and low dividend yields.

From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the established allocation. At least annually, if the actual weighting is outside the asset allocation range, the Trustee shall rebalance the accounts comprising the Portfolio to within the allocation range.



## V. Security Guidelines

- Equity Investments – The Portfolio may consist of domestic and international common stocks. The Portfolio's equity holdings should be well-diversified to avoid undue exposure to any single economic sector, industry group or individual security. Investments should be in stocks that have adequate market liquidity relative to the size of the investment. No individual security (issuer) can have a portfolio allocation that exceeds 5% of the Portfolio.
- Fixed Income Investments - The Portfolio may consist of U.S. Treasury, Government/ agency, corporate, mortgage backed and/or asset backed securities. The securities should be of investment grade quality overall (as rated by one or more of the following - Standard & Poor's Global Ratings, Moody's, and Fitch). Non-investment grade quality securities ("high yield bonds", etc.) are limited to a 5% allocation in the Portfolio. Corporate debt (notes and bonds) are limited to a 5% portfolio allocation by one issuer.
- Short-term Investments – The Portfolio may consist of U.S. Government obligations with maturities less than or equal to one year, certificates of deposit, commercial paper, and other similar instruments with less than one year to maturity and/or money market funds.
- Ineligible investment strategies - the fund may not engage in the following investment strategies:
  - Annuities
  - Manually traded mutual funds or tender funds
  - Limited partnerships
  - Thinly traded, illiquid and/or worthless securities
  - Securities that do not settle within T+2
  - Commodity trading accounts
  - Speculative futures/ options trading
  - Short selling
  - Use of margin
  - Use of hedge funds
  - Venture capital

## VI. Selection of Investment Managers

Investment Managers may be selected by the Trustee to make decisions related to specific types, styles, or sectors of investments, using mutual funds, exchange traded funds, and managed accounts. Investment Managers shall be selected according to a prudent due diligence process. A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940, a mutual fund, Exchange Traded Fund or a bank or insurance company. There should be no legal or regulatory concerns, or disciplinary action involving the firm or any key personnel.

An Investment Manager is to be placed on "hold" or Watch status by the Trustee when developing changes or weaknesses within the firm may impact the firm's future investment performance. Such developing changes or weaknesses would not represent an intractable problem. The Endowment Board is

to be promptly notified of any Investment Manager who is to be placed on "hold" or Watch status. Unusual, material or extraordinary events or changes in personnel, performance, process, and/or philosophy may be considered as triggers to placing an Investment Manager on Watch status.

An Investment Manager is to be terminated when developing changes or weaknesses within the firm are believed to represent intractable problems, and where investment performance has or is expected to be negatively affected. Although the termination of a firm generally follows the firm's placement on a Watch list, the decision to terminate an Investment Manager should be immediately reported to and discussed with the Endowment Board. A replacement for the terminated firm should be recommended by the Trustee as soon as possible after the termination date.

## VII. Investment Performance Review

When evaluating performance, it is important to first evaluate the performance of the Portfolio as a whole rather than individual accounts. In this context, the equity performance should be measured against a blended benchmark as determined by the Trustee and agreed upon by the Endowment Board.

When evaluating the performance of Investment Managers, the Endowment Board recognizes that all investments go through periods of relatively strong and poor performance. There will be periods where investment objectives are not met or when specific managers fail to meet their expected performance targets. Recognizing that no manager provides consistently strong performance all of the time, and that good years help offset bad ones, the Endowment Board acknowledges that managers must be given an opportunity to make up for poor periods. While there is no standard time period with which to evaluate the performance of all managers given their varying investment styles, a rolling three to five year period will be considered a reasonable length of time with which to evaluate the managers that have been selected to manage the Endowment Board's portfolio. Although there may exist a temptation to evaluate performance over quarterly periods or one year, these periods are considered too short to accurately determine the performance capability of most managers, particularly those whose investment process provides wide latitude (e.g., sector and security weighting) with respect to their performance benchmark.

To accurately evaluate the performance of an Investment Manager, the following measurements should be reviewed:

- absolute return over a set period of time,
- return relative to a comparable benchmark,
- risk adjusted return relative to that of a comparable benchmark,
- rate of return relative to a peer group.

To monitor performance, the Trustee will provide the Endowment Board quarterly performance, or progress, reports. These reports shall show, at a minimum, quarterly performance and calendar year to date performance for the Portfolio as a whole and for each Investment Manager.

## VIII. Communications

The Trustee shall provide the Endowment Board the following information relative to the management of the Endowment Board's total investment Portfolio:

- Quarterly statements summarizing the valuation of their portion of the Portfolio. A detailed listing of transactions should be provided no less than quarterly.
- Quarterly market overview that will serve as a review of the previous quarter and an outlook for the upcoming quarter.

The Endowment Board should review these documents upon receipt and any modifications should be discussed with the Trustee. The Endowment Board should provide to the Trustee information regarding any change in circumstances that might affect the management of Portfolio assets. Such information should be provided in a timely manner.

Endowment Board

Date

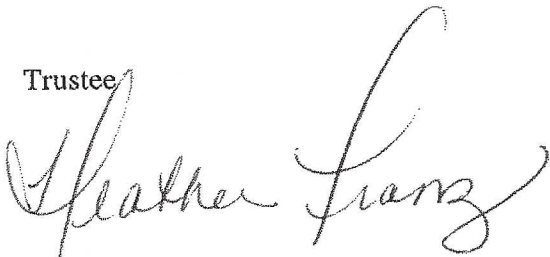


9-29-2020

By: John Roesner, Chair  
Christ Church Endowment Board

Trustee

Date



9-30-2020

By: Heather Franz, WM Trust Officer  
Wealth Management Trust Advisory Center  
U.S. Bank