

**THE ENDOWMENT FUND OF THE EPISCOPAL CHURCH OF
ST. MARTIN IN THE FIELDS
INVESTMENT POLICY STATEMENT**

PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (IPS) is to provide a clear statement of the Endowment Fund's investment objective, to define the responsibilities of the Board of Trustees and any other parties involved in managing the Endowment Fund's investments, and to provide target asset allocations, permissible investments and diversification requirements.

REVISIONS

- January 2024

INVESTMENT OBJECTIVE

The overall investment objective of the Endowment Fund is to maximize the risk-adjusted return on invested assets while minimizing expenses and aligning risk to funding horizons. This shall be done through prudent planning, investing and a diversified portfolio.

GENERAL PROVISIONS

- All transactions shall be for the sole benefit of the Endowment Fund.
- The Trustees shall consider updating the Endowment Fund's IPS on an annual basis.
- The Trustees shall conduct an annual review of the Endowment Fund's investment assets to verify the existence and marketability of the underlying assets or satisfy themselves that such a review has been conducted in connection with an independent audit (if any) of the Endowment Fund's financial statements.
- Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Trustees.
- The Trustees shall endeavor to operate the Endowment Fund's investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets
- Investments shall be diversified with a view to reducing risk.

DELEGATION OF RESPONSIBILITY; RELIANCE ON EXPERTS AND ADVISORS

- The Trustees have ultimate responsibility for the investment and management of the Endowment Fund's investment assets.
- The Trustees may delegate authority over the Endowment Fund's investments to a properly formed and constituted Investment Committee, being a Trustee's Committee comprised of Trustees and such other persons as the Trustees shall designate.
- The Trustees will approve the hiring of any outside investment consultants or investment managers.

RESPONSIBILITIES OF THE INVESTMENT COMMITTEE

The Investment Committee is charged with the responsibility of managing the investment assets of the Endowment Fund. The specific responsibilities of the Investment Committee, as applicable, include:

1. Communicating the Endowment Fund's financial needs to the Investment Managers on a timely basis.
2. Determining the Endowment Fund's risk tolerance and investment horizon and communicating these to the appropriate parties.
3. Reviewing this IPS annually to establish reasonable and consistent investment objectives, policy guidelines and allocations which will direct the investment of the assets. Any recommended IPS changes shall be presented to the Board of Trustees for approval.
4. Prudently and diligently selecting one or more qualified investment professionals, including investment manager(s), investment consultant(s), and custodian(s).
5. Regularly evaluating the performance of investment manager(s) to assure adherence to policy guidelines and to monitor investment objective progress.
6. Developing and enacting proper control procedures; e.g., replacing investment manager(s) due to a fundamental change in the investment management process, or for failure to comply with established guidelines.
7. Reporting to the Board of Trustees investment performance, investment manager performance, and other investment management matters.

RESPONSIBILITIES OF INVESTMENT MANAGERS

- Each investment manager will invest assets placed in their care in accordance with this investment policy.
- Each investment manager must acknowledge in writing acceptance of responsibility as a fiduciary.
- Each investment manager will have full discretion in making all investment decisions for the assets placed under their care and management, while operating within all policies, guidelines, constraints, and philosophies outlined in this Investment Policy. Specific responsibilities of investment manager(s) include:
 1. Discretionary investment management, including decisions to buy, sell, or hold individual securities, and to alter allocation within the guidelines established in this statement.

2. Reporting, on a timely basis and at least quarterly, investment performance results.
3. Communicating any major changes in the economic outlook, investment strategy, or any other factors that affect implementation of investment process.
4. Informing the Investment Committee regarding any changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Trustees, or if authority is delegated, the Investment Committee, on behalf of the Endowment Fund.
6. Administering the Endowment Fund's investments at reasonable cost, balanced with avoiding a compromise of quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the Endowment Fund.

GENERAL INVESTMENT GUIDELINES

1. A copy of this Investment Policy shall be provided to all Investment Managers.
2. The Endowment Fund is a part of St. Martin in the Fields Episcopal Church, which is a part of the Episcopal Diocese of Georgia, which is a tax-exempt organization as described in section 501(c)(3) [or section 501(c)(6), etc., as applicable] of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making Endowment Fund investments.
3. The Endowment Fund is expected to operate in perpetuity; therefore, a 10+ year investment horizon shall be employed. Interim fluctuations should be viewed with appropriate perspective.
4. A cash account shall be maintained with a very low risk tolerance to keep cash available for distributions and other anticipated expenses.
5. Transactions shall be executed at reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker.

ASSET ALLOCATION AND BENCHMARKS

Diversification across asset classes is a core principle of prudent portfolio management. The Investment Committee will evaluate asset allocation targets and ranges for the Endowment Fund, and will review them annually. Certain asset classes require substantial time to adjust levels. Consequently, implementation of adjustments to targets and ranges may require months or even years to achieve. The asset allocation policy shall be predicated on the following factors:

1. Historical performance of capital markets adjusted for the perception of the future short and long-term capital market performance.
2. The correlation of returns among the relevant asset classes.
3. The perception of future economic conditions, including inflation and interest rate assumptions.
4. Liquidity requirements for the projected grants and other charitable expenditures.

- The relationship between the current and projected assets of the Organization and projected liabilities.

The target asset allocation of investments other than Church related assets (e.g., loans made to the Church) is as follows:

| Endowment Fund | | | | | | |
|---|-------------------|---------|---------|----------------------|--|--|
| Asset Allocation Targets, Ranges and Benchmarks | | | | | | |
| Investment Class | Target Allocation | Minimum | Maximum | Benchmark | | |
| Cash and equivalents | 5% | 2% | 10% | 90 Day T Bills | | |
| Investment grade debt | 25% | 10% | 40% | Barclay's US AGG 1-5 | | |
| High yield debt | 0% | 0% | 5% | Barclay's US HY Corp | | |
| Total fixed income | 30% | | | | | |
| Global equity | | | | | | |
| U.S. Equity | 45% | 30% | 65% | Russell 3000 | | |
| International developed markets | 20% | 10% | 35% | MSCI EAFE | | |
| International emerging markets | 5% | 0% | 10% | MSCI Emerging Mkts | | |
| Total equity | 70% | | | | | |
| Grand total | 100% | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

Benchmarks

- Overall Benchmark – the Endowment Fund return performance shall be compared to simple weighted average benchmark of the Barclay’s US Aggregate 1-5 Year index for Fixed Income (30% weight) and the All-Country World Index (ACWI) for Total Equity (70% weight). The Investment Manager shall compare the Endowment Fund return on a quarterly, annual, three and five-year basis to the Overall Benchmark for the comparable periods.
- Individual Investment Class benchmarks – The Investment Manager shall report each Investment Class benchmark on a quarterly, annual, three and five-year basis.

LIQUIDITY AND PERMISSIBLE INVESTMENTS

Liquidity

- Liquidity is required to meet operating cash needs and additional short-term unanticipated needs, and to take advantage of unforeseen market opportunities. Because all equity investments are expected to be readily marketable, emergency cash needs can be funded by liquidation of equity securities.
- Further liquidity guidelines: Investments will be made through a combination of externally managed portfolios (mutual funds, exchange traded funds and separately

managed accounts) with various liquidity terms. At all times, cash and cash equivalents and equity investments should offer daily liquidity.

Permissible Investments

1. **Cash and cash equivalents** are intended to serve as the principal source of liquidity for operating cash flow for the Endowment Fund. It will be invested in only the safest assets including Treasury bills, Agency notes, or very safe money market instruments that focus on Treasury bills and equivalents. The focus is on safe, highly liquid assets as opposed to generating significant yield. There are no manager-specified limits for cash.
2. The purposes of the **Debt Instruments** allocation are to (i) provide current cash income to support operating cash flow; and (ii) to create some measure of diversification. As a result, both credit quality and preservation of principal are core emphases of this allocation. The Endowment Fund will invest in investment grade debt instruments (rated AAA to BBB by S&P Global) and non-investment grade debt instruments (rated BB and lower by S&P Global). Additionally, to reduce the possibility of returns which are less than the rate of inflation, the Endowment Fund will limit interest rate risk by ensuring the weighted average duration cap does not exceed 7 years.
3. The purpose of the allocation to **Global Equities** is to provide long-term capital appreciation and current income. The Endowment Fund does not invest in individual equity securities except when a donor contributes an illiquid security or a marketable security stipulated as permanently restricted. The objective is to maintain a portfolio of mutual funds, exchange traded funds and separate accounts that is diversified by economic sector, industry, geography and market capitalization. The objective in selecting equity managers is to generate average annual returns consistent with the relevant broad market indices (e.g., the S&P 500, the Russell 3000, etc.), net of fees, over mid-term market cycles (3-5 years).
4. **Church Related Debt** - From time to time, the Trustees may decide to make loans to the Church. These loans are not part of this Investment Policy, and are subject to a separate Loan Policy.

DIVERSIFICATION

1. The Endowment Fund will maintain a reasonable diversification of investment assets between asset classes and investment categories at all times.
2. Unless tied to a permanently restricted contribution, investments in the equity securities of any one company shall not exceed 2% of the portfolio, nor shall the total securities position (debt and equity) in any one company (other than US Government and its Agencies) exceed 5% of the portfolio.
3. Reasonable sector allocations and diversification shall be maintained.
4. Investments within the investment portfolio should be readily marketable.
5. The investment portfolio should not be a blind pool; each investment must be available for review.

6. Rebalancing shall be done on an annual basis or more frequently if deemed necessary.

PERFORMANCE

The Endowment Fund seeks a total annualized return of at least 7.0%, which reflects a return that exceeds the annual draw, annual operating expenses and an assumed inflation (CPI-U) factor of 2%. Performance objectives are to be met on a net of fees basis. The investment performance of each asset allocation class will be measured for the total Endowment Fund and against index objectives for individual portfolio components as described above in the Asset Classification Guidelines. Investment performance shall be measured on a net of fees basis. Performance shall be evaluated on a quarterly, annual, three and five-year basis to allow for market fluctuations and volatility.
