

WELLSHIRE PRESBYTERIAN CHURCH ENDOWMENT FUNDS

INVESTMENT POLICY STATEMENT

SECTION I

GENERAL SCOPE

The Session of Wellshire Presbyterian Church (“Church”) believes that the permanent funds owned and held of record by the Church (the “Endowment”) must grow by additions, appreciation, and/or the reinvestment of a portion of annual earnings.

The Finance Committee, through the Endowment Management Workgroup, is responsible for establishing policies for investing the Endowment assets, approving asset allocation, selecting managers and custodians and authorizing them to manage the actual investments, subject to approval of the Session. The Endowment Management Workgroup is responsible for monitoring the performance of the investments, seeking at all times to meet or exceed investment return objectives within the established policies.

The allocation and management of the Endowment assets should be designed to produce a total return (yield plus capital appreciation or depreciation) necessary to preserve and enhance the principal and, in addition, increase the assets after annual distributions.

The purpose of equity investments is to provide long-term appreciation of principal. Fixed income investments are to support annual distributions and to lessen current earnings volatility. The portfolio should not have a high proportion of its assets invested in one security, or class of securities, but rather should be diversified for protection of principal and to reduce volatility of returns.

The Session has adopted this investment policy statement to define the objectives of the Endowment’s overall investment program and to provide policies within which the Finance Committee and the Endowment Management Workgroup are to help achieve these investment objectives.

SECTION II

INVESTMENT OBJECTIVE

The overall objective of the Endowment is to realize a total return over time that is sufficient (1) to permit growing annual distributions to support specific operations, ministries and mission of the Church, as determined either by donors or the Session, and (2) to retain a portion of total return to permit overall portfolio growth. With these considerations in mind, the Endowment Management Workgroup has set the following benchmarks for the Endowment:

- To produce a total annualized rate of return (income plus realized and unrealized gains), measured over a three to five year period that, over the long-term, provides a steady stream of funding and maintains the real purchasing power of the investment assets. Fund performance (net of fees) should be measured against a benchmark of the sum of passive index returns of each investment class multiplied by their target allocation.
- Performance objectives are expected to be fulfilled within the levels of risk that a prudent investor would take under similar conditions.

SECTION III

INVESTMENT POLICIES

The Finance Committee has delegated investment authority to the fund managers. However, the Finance Committee shall approve the managers who are expected to adhere to, and be evaluated by, the following:

1) General Policies

- a) Each fund manager shall be (i) a foundation related to the Presbyterian Church (U.S.A.), (ii) another non-profit organization authorized by law to provide investment management services to other non-profit organizations, (iii) a licensed independent investment advisor or investment manager, (iv) a licensed broker, (v) a bank, or (vi) a trust company.
- b) If a fund manager shall not provide independent custody of the assets of the Endowment, the Session or its designated committee shall engage a custodian for this purpose, which may be one of the organizations described in paragraph a) immediately above.
- c) Each fund manager shall be entitled to reasonable compensation and/or reimbursement of expenses for its services, which may be in the form of an account-level fee, a charge directly to an underlying portfolio or pooled fund, transactional charges, or any combination of these.
- d) A fund manager may be engaged to manage one or more specified strategies within the overall portfolio or may be engaged to manage all or a portion of the entire Endowment employing a fully-diversified balanced portfolio strategy.
- e) Each fund manager shall manage that portion of the Endowment assets entrusted to it as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the Endowment or any individual fund thereof. In satisfying this standard, the investment manager shall exercise reasonable care, skill, and caution.
- f) A fund manager's investment and management decisions respecting individual assets will be evaluated not in isolation but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Endowment and the overall objectives stated in this policy.
- g) Among circumstances that a fund manager shall consider in investing and managing Endowment assets are such of the following as are relevant to the Endowment or any individual fund thereof, and to such manager's particular assignment:
 - i) General economic conditions;
 - ii) The possible effect of inflation or deflation;
 - iii) Any possible tax consequences of investment decisions or strategies;
 - iv) The role that each investment or course of action plays within the overall portfolio;
 - v) The expected total return from income and the appreciation of capital;
 - vi) Needs for liquidity, regularity of income, and preservation or appreciation of capital.

- h) Investments shall be diversified to minimize the risk of loss and reduce volatility of returns.
- i) Investments may be made in one or more portfolios of individual securities, mutual funds, common funds, “funds-of-funds,” partnerships, or in other similar commingled or pooled portfolios.
- j) Investments shall be made for the exclusive benefit of the Endowment.

2) Asset Allocation

- a) The Finance Committee, with the assistance of the Endowment Management Workgroup, shall allocate the overall portfolio generally within the ranges shown below, and, from time to time, shall determine the specific target allocation and the policy for periodic rebalancing to the target. The specific target allocation and amendments thereto, shall be made in writing and shall be approved by the Finance Committee.

Asset Class	Target Allocation	Range	Benchmark
Global Public Equity	60%	50%-70%	S & P Global 1200
Global Fixed Income	40%	20%-50%	BC Global Agg.
Cash	0%	0%-5%	3 month T-bills

b) In lieu of, or in addition to, determining a specific target allocation, the Finance Committee or the Endowment Management Workgroup may utilize one or more of the funds designed by the investment manager or other investing entity to provide an optimally-balanced portfolio for a permanent fund with a long term time horizon.

- 3) The fund managers shall not, unless specifically authorized by the Finance Committee, purchase securities on margin, execute short sales, purchase or sell derivative securities for speculation or leverage, or engage in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the investment objectives of the Endowment.
- 4) A fund manager may, if specifically authorized by the Finance Committee, participate in a fully collateralized securities lending program with one or more brokers or other financial institutions, provided the proceeds from such program inure to the benefit of the Endowment assets either through direct credit or by reduced administrative expenses.

SECTION IV
OTHER DUTIES AND RESPONSIBILITIES

- 1) The fund managers will submit quarterly reports on the performance of the portfolio to the Endowment Management Workgroup.
- 2) The Endowment Management Workgroup is responsible for assisting the Finance Committee in making an appropriate asset allocation decision based on the particular needs, objective, and risk profile of the Endowment. The Endowment Management Workgroup will be available on a regular basis to meet with the Finance Committee and to review the portfolio. Such meetings may be in person, by teleconference, by web conference, or other similar electronic means. The Finance

Committee reports to the Session on a monthly basis. Any changes to this investment policy statement, asset allocations or other material matters addressed by this policy statement must be approved by the Session. Periodically, but not less often than annually, the Endowment Management Workgroup shall review the performance of each investment and each manager with respect to the accomplishment of its specific investment objectives and its continued compliance with these policies and report to the Finance Committee, which shall report to Session.

- 3) The fund managers will communicate openly and freely with the Endowment Management Workgroup on all matters pertaining to the Endowment. Furthermore, the Endowment Management Workgroup will advise the Finance Committee if a fund manager concludes that the Endowment's investment objectives or policies are inappropriate or are hindering performance.
- 4) The Session and/or Finance Committee shall provide ongoing communication with the congregation concerning the administration and investment of the Endowment.

SECTION V **SPENDING POLICY**

The Finance Committee, with the assistance of the Endowment Management Workgroup, shall adopt a spending policy, subject to approval by the Session, appropriating for expenditure from the Endowment, annually or at more frequent intervals, for the uses and purposes for which a particular fund may be established, or, in the case of an unrestricted fund, for the uses and purposes determined by the Session or its designated committee, a portion of the total return earned by the Endowment over time, retaining the remaining portion of the total return for future growth of the Endowment. A spending policy may be stated as a fixed percentage (such as five percent) of a trailing or rolling average of the value of the Endowment measured over a period of time (for example three years) or such other formula as the Finance Committee shall determine to be reasonable for this purpose.

SECTION VI **AMENDMENTS**

This policy may be amended at any meeting of the Session provided notice of the proposed amendment is given to all Session members prior to the meeting.