

University Presbyterian Church Endowment

INVESTMENT POLICY STATEMENT

I. Introduction

The University Presbyterian Church Endowment Fund (hereafter referred to as the "Fund") was created to provide perpetual financial support to University Presbyterian Church (the "Church.") The purpose of this Investment Policy Statement (the "IPS") is to establish guidelines for the Fund's investment portfolio (the "Portfolio") in the areas that most influence investment returns and risks. The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating, if applicable, the contributions of manager(s) hired on behalf of the Fund and its beneficiaries.

II. Role of the Endowment Committee

- The Endowment Committee ("Committee") is acting in a fiduciary capacity with respect to the Portfolio and is accountable to the Session for overseeing the investment of all assets owned by, or held in trust for, the Portfolio.
- This IPS sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.
- The Policies for the Fund contained herein have been formulated consistent with University Presbyterian Church's anticipated financial needs and in consideration of UPC's tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
- The Policies contained in this statement are intended to provide boundaries, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Fund. At the same time, they are intended to provide for enough investment flexibility in the face of changes in capital market conditions and in the financial circumstances of UPC.
- The Committee will review the Policies at least once per year. Changes to the Policies can be made only by affirmation of a majority of the members of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

III. Investment Objective and Spending Policy

- The Fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Church.

- For the purpose of making distributions, the Fund shall make use of a total return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

- The distribution of Fund assets will be permitted to the extent that such distributions do not exceed a level that would erode the Fund's real assets over time. The Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Fund's spending policy, its target asset allocation, or both.

- Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the Asset Allocation Policy at Section IV.

IV. Portfolio Investment Policies

Asset Allocation Policy

- The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.

- The Committee expects that actual returns and return volatility may vary widely from the expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.

- Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both equity and fixed income asset classes.
- Fund assets will be managed as a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income and more stable periodic returns.
- Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and/or sub-asset classes in accordance with the following guidelines:

Strategy	Minimum	Maximum	Benchmark
Equity (US) 40%	35 %	45 %	Equity US– Russell 3000
Equity (International) 20%	15 %	25 %	Equity International – MSCI World
Fixed Income (US) 30%	25 %	35 %	Fixed Income US – Barkley's Aggregate Bond Index
Fixed Income (International) 10%	5 %	15 %	Fixed Income International – Barkley's Aggregate Global Index
Cash and Equivalents	0 %	5 %	Cash & Equivalents-US T-Bills 0-3 Monthly Maturity

Diversification Policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investments concentrations. Specifically, the following guidelines will be in place:

- With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
- With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.
- With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

Rebalancing Policies

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be re-balanced to its target normal asset allocation under the following circumstances:

- Utilize incoming cash flow (contributions) or outgoing money movements (disbursements) of the portfolio to realign the current weightings closer to the target weightings for the portfolio
- The portfolio will be reviewed quarterly to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:
- If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.
- If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced.

- The investments manager, if applicable, may provide a rebalancing recommendation at any time.
- The investment manager, if applicable, shall act within a reasonable period to evaluate deviation from these ranges.

Other Investment Policies

- Unless expressly authorized by the Committee, the Portfolio and its investment managers, if applicable, are prohibited from:
 - Purchasing securities on margin or executing short sales.
 - Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
 - Purchasing or selling derivative securities for speculation or leverage.
 - Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios.

V. Monitoring Portfolio Investments and Performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee, it will formally assess the Portfolio and the performance of its underlying investments as follows:

- A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:
 - I. The Portfolio's absolute long-term real return objective.
 - II. A composite benchmark consisting of the unmanaged market indices weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines. These indices are listed next to the asset allocation targets for each asset class.
- B. The performance of professional investment managers, if applicable, hired on behalf of the Portfolio will be judged against the following standards.
 - I. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.
 - II. The performance of other investment managers having similar investments objectives.
- C. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.
- D. If applicable, investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee. Each investment manager, if applicable, is expected to be available to meet with the Investment Committee once per year to review portfolio structure, strategy, and investment performance.

Adopted by the Session of University Church at its Stated Meeting November 14, 2019

James O. Smith, Endowment Committee Chair

Marc Pons, Endowment Committee Treasurer

Signature