

Investment Policy Statement

For

**The Church of the
Transfiguration
Endowment Fund**

February 10, 2021

Executive Summary

Portfolio Management
Endowment Fund
Youth Fund

Quasi-Endowment
True Endowment

Portfolio Allocation
Endowment Fund
Youth Fund

Blended Balanced Allocation (60/40)
Strategic Asset Allocation - Income

Time Horizon

Perpetuity – 10 Year Management

Return Objective

7.25% (Endowment Fund)

Spend Policy
Endowment Fund
Youth Fund

4.25% per annum
Annual income

Investment Management Consultant

Episcopal Church Foundation (ECF)

Investment Manager

State Street Global Advisors (SSGA)

Statement of Investment Policy, Objectives, and Guidelines

INVESTMENT PHILOSOPHY

The investment philosophy of the Endowment Fund is to preserve, protect and enhance the corpus, while providing a sustainable flow of funds to support the mission of the Fund. To implement this investment policy, the Trustees have approved the following investment strategies and procedures.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of The Church of the Transfiguration Endowment Fund. Special consideration for the Youth Fund with regard to spend restrictions and allocation are noted.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Trustees of The Church of the Transfiguration Endowment fund in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DEFINITIONS

1. "Fund" shall mean the Church of the Transfiguration Endowment Fund.
2. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
3. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets. This may include a manager of a mutual fund or of a separate account.
4. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
5. "Securities" shall refer to the marketable investment securities, which are defined as stocks, bonds, mutual funds, exchange traded funds, and shall include categories of investments as listed under the "Allowable Assets" section of this policy.
6. "Alternative Investments" shall include any category of securities including real estate, private equity, private credit, infrastructure, natural resources and hedge funds to enhance the Fund's performance either through additional growth opportunities or to reduce the overall risk profile of the portfolio.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is ten years.
8. "Total Return" shall refer to the aggregate return from capital appreciation and dividend and interest income.
9. "Active vs. Passive Investing" – Active investment management is overseen by investment professionals striving to outperform specific benchmarks. Passive investment management (i.e., index ETFs, index funds) attempts to replicate the return pattern of a specific benchmark. With active management, investment managers are hired based on the perceived value they can add above and beyond the benchmark. Passive management often stresses low costs, tax efficiency and the concept of market efficiency.

10. “Blended Market Index” shall consist of any combination of individual indexes resulting in a composite index for the purpose of matching the Fund’s allocation to measure manager’s investment performance.

DELEGATION OF AUTHORITY

The Board of Trustees are fiduciaries and are responsible for directing and monitoring the investment management of the Endowment Fund assets.

The Board is authorized to delegate certain responsibilities to professional experts in various fields. These could include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Board in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives. The Board will not reserve any control over investment decisions of individual securities. Investment managers will be held responsible and accountable to achieve the objectives herein stated.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.
4. Advisory Committees. The Board may also establish an advisory committee (which may include non-Trustees) to provide investment advice to the Board. Advisory committees have no authority to act for the Board, but may monitor compliance with the investment policy, recommend changes, and assist the Board or Board Committee, in selecting and retaining Investment Managers to execute this Investment Policy.

All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

RESPONSIBILITIES OF THE BOARD, OR IF AUTHORITY IS DELEGATED, THE INVESTMENT COMMITTEE

The Board, or if authority is delegated, the Investment Committee, is charged with the responsibility of managing the investment assets of the Fund. The specific responsibilities of the Board or the Investment Committee, as applicable, include:

1. Communicating the Fund's financial needs to the Investment Managers on a timely basis.
2. Determining the Fund's risk tolerance and investment horizon and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policy guidelines and allocations which will direct the investment of the assets, to be reviewed and documented by the Board on an annual basis.
4. Prudently and diligently selecting one or more qualified investment professionals, including investment managers(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.

RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this document.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
4. Informing the Board regarding any qualitative change to investment management

organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

RESPONSIBILITIES OF THE CUSTODIAN

The Custodian is responsible for:

1. Fulfilling all the regular fiduciary duties required of a Custodian/Trustee by pertinent state and federal laws and regulations.
2. Safekeeping the assets of the Fund. Securities must be held by a Custodian/Trustee that is a reputable, well-established financial institution.
3. Supplying timely reports of transactions and valuations of the Fund under its custody.

GENERAL INVESTMENT PRINCIPLES

1. Investments and transactions shall be made solely in the long-term interests of the beneficiaries of the Fund.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. The Fund shall be invested in a balanced manner and be so diversified as to minimize the risk of large losses.
4. The Board or the Investment Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
6. A copy of this Investment Policy shall be provided to all the Investment Managers.
7. The Fund is expected to operate in perpetuity; therefore, a minimum 10-year investment horizon shall be considered. Interim fluctuations should be viewed with appropriate perspective.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Active and passive investment management styles are permissible for the Fund.
4. Adherence to Investment Discipline – Active and passive investment managers and passive instruments are expected to adhere to the investment management styles for which they were selected. Managers and investment instruments will be evaluated regularly for adherence to investment discipline.

SPEND POLICY

The Board will attempt to balance the Endowment Fund's shorter-term grant making obligations with its goal to provide grants into perpetuity, and therefore design a spend policy which is aligned with this goal.

The Youth Fund is constrained by a donor's restriction to spend income only, and therefore its investment allocation reflects that goal.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Endowment is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management of Fund assets shall be:

- Income & Growth – To achieve a balanced return of income and modest growth of principal.

The secondary objectives in the investment management of Fund assets shall be:

- Preservation of Purchasing Power – To achieve returns that meet or exceed the rate of inflation over the investment horizon (10 years) in order to preserve purchasing power of the fund's assets. Risk control is an important element in the investment of the fund's assets.
- Preservation of Capital – To minimize the probability of loss of principal over the investment horizon (10 years). Emphasis is placed on controlling return volatility rather than maximizing return.

Given these tenets, the underlying approach to managing this Policy shall be to optimize the risk-return relationship appropriate to the needs and goals of the Endowment Fund. Investments will be diversified globally employing a variety of asset classes. Mutual funds or managed portfolios will be employed to invest the portfolio and the chosen asset classes will be periodically re-balanced to maintain a consistent risk/reward profile. In managing investment assets, every advisor has a unique style.

INVESTMENT GOALS

The Return Objective for the aggregate Fund assets (excluding the Youth Fund) is to meet or exceed a level of investment return necessary to achieve the stated investment and spend objectives of the Board. The Board recognizes that the Return Objective may not be met in every short-term period but is applicable to the long-term investment objectives of the Fund. The Return Objective may be reassessed in recognition of changes to the individual elements such as an alteration of the spend policy, a change to the calculation of inflation, or changes in the cost of investment management. The Board further recognizes that should the Return Objective prove difficult or impossible to attain over a long period without departing from the balanced nature of the investment objectives, the Board will review its spend policy to minimize the probability of loss of capital.

Calculation of the Return Objective can be illustrated by the following example:

Spend Allowance	4.25% (of market value)
Inflation	2.30% (over long term)
Investment Management	0.70% (of market value)
Return Objective	7.25%

The Return Objective is the objective of the aggregate Fund, and is not meant to be imposed on each investment account (if more than one account is used).

INVESTMENT MANAGER GOALS

The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Board that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

DEFINITION OF RISK

The Board realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing Endowment assets understands how it defines

risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in this statement of investment policy. Risk is defined as:

1. Probability of not maintaining purchasing power over the investment time horizon.
2. Probability of not meeting the Fund's liabilities or cash flow requirements.
3. Probability of losing money over the Fund's investment time horizon (10 years).

RISK TOLERANCE

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns, one must accept higher risk (e.g., volatility of return).

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of the amount of risk the Board of Trustees can tolerate.

A comfort level with investment risk influences how aggressively or conservatively a portfolio can be invested. Like a scale, risk needs to be balanced with the need for returns to achieve the investment goals. The Board desires long-term investment performance sufficient to meet the objectives. The Board understands that to achieve such performance the portfolio may experience periods of decline. The Board further understand that in a severe market, the potential recovery period could be extensive.

Should the average rate of return of the Endowment Fund be worse than 0% over a three-year period, the Trustees will conduct a thorough review of the entire investment portfolio, the investment manager(s) and the investment policy statement and make recommended changes, if any.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board will periodically provide investment management consultants with an estimate of expected net cash flow.

The Board will monitor the Endowment Fund's liquidity on an ongoing basis to deal with any unplanned cash requirements that might arise, but will not be required to maintain a minimum liquidity level.

MARKETABILITY OF ASSETS

The Board requires all Fund assets to be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

INVESTMENT GUIDELINES

Allowable Assets

Permitted investments include:

1. Domestic Equities;
2. International/Global Equities;
3. Alternative Investments;
4. Fixed Income Securities; and
5. Other Investments Approved by the Trustees

Prohibition on Proprietary Funds

The Board prohibits and restricts the use of propriety investments within the Fund's allocation unless specifically approved. The Investment Manager shall seek consent and provide explanation as to the purpose and reasoning to include such investments prior to use within the Fund's portfolio.

ASSET ALLOCATION GUIDELINES

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. The relationship between the current and projected assets of the Fund and projected liabilities.
5. Rebalancing shall be done on a quarterly basis or more frequently if deemed necessary.

The initial target asset allocation and ranges for the Endowment Fund shall be as follows:

Asset Class	Low	Strategic allocation	High
US Large Cap	5.00%	21.00%	35.00%
US Mid Cap	0.00%	4.00%	15.00%
US Small Cap	0.00%	4.00%	15.00%
International Developed	5.00%	13.00%	35.00%
International Developed Small Cap	0.00%	3.00%	10.00%
International Emerging Markets	0.00%	7.00%	15.00%
US REITs	0.00%	2.00%	15.00%
International REITs	0.00%	2.00%	8.00%
Commodities	0.00%	4.00%	15.00%
Total Equity		60.00%	
US Investment Grade	10.00%	19.00%	45.00%
US Intermediate Credit			
US Non-Investment Grade	0.00%	7.00%	15.00%
US TIPS	0.00%	7.00%	15.00%
Int'l Emerging Markets Fixed	0.00%	7.00%	10.00%
Cash	0.00%	0.00%	5.00%
Total Fixed Income		40.00%	

The initial target asset allocation and ranges for the Youth Fund shall be as follows:

Asset Class	Target	Range
Investment Grade Fixed Income	35%	0-70%
Equity	25%	0-70%
Global REIT	10%	0-25%
Hybrid	10%	0-30%
High Yield	20%	0-50%
Cash	0%	0-50%

Evaluation Benchmark

Total return to meet or exceed the performance of a policy index based upon the strategic asset allocation of the Fund to various broad asset classes. Specifically, the policy index will be a weighted index comprised of:

Asset Class	Benchmark
US Large Cap Equity	S&P 500 Index
US Mid Cap Equity	S&P Mid Cap 400 Index
US Small Cap Equity	Russell 2000 Index
International Developed Large Cap Equity	MSCI EAFE Index
International Developed Small Cap Equity	S&P EPAC Small Cap Index
International Emerging Markets Equity	MSCI Emerging Markets Index
US REITS	DJ US Select REIT Index
International REITS	DJ Global ex-US Select RE Securities Index
Commodities	Bloomberg Roll Select Comm Total Ret Indx
US Fixed Income – Investment Grade	BCAP US Aggregate Bond Index
Investment Grade Intermediate Term	BCAP US Intermediate Credit Bond Index
TIPS	BCAP US TIPS Index
Non-Investment Grade	Bloomberg Barclays U.S. High Yield Custom BB/B ex-144A Index
International Fixed Income	JPM EMBI Global Diversified Index

Rebalancing Policy

The Board gives the Investment Management Consultant the authority to make tactical rebalancing changes provided that the Fund stays within the upper and lower limits of the asset and sub-style allocation guidelines as outlined.

PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be compiled at least quarterly and communicated to the Board for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board intends to evaluate the portfolio(s) over a three-to-five-year period, but reserves the right to terminate an investment manager for any reason including the following:

1. Investment performance, which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objective, financial status and capital markets expectations as established in this statement of investment policy, the Board of Trustees plans to review investment policy at least annually.

This statement of investment policy is adopted and hereby considered in effect by the Board of Trustees of The Church of the Transfiguration Endowment Fund on **February 10, 2021**.