

INVESTMENT POLICY OF Church of the Transfiguration Endowment Fund (the “Fund”)

PURPOSE OF INVESTMENT POLICY

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

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.

INVESTMENT STRATEGY

- **Primary Investment Goals:** The Church of the Transfiguration Endowment Fund’s primary investment goals are to preserve, protect and enhance the corpus of the portfolio and optimize the investment returns in excess of inflation within acceptable levels of volatility.
- **Inflation-Adjusted-Rate-of-Return Objective:** The Trustees have adopted an investment strategy that will target a real rate of return (a return in excess of inflation) for the total portfolio of 4% over the Investment Return Time Horizon. Due to market fluctuations, the investment results may vary over the short term; and therefore, it is important that the real rate of return be measured over the investment return time horizon.
- **Investment Return Time Horizon:** In making investment decisions and in evaluating long-term investment returns, the Fund will focus on a long-term investment time horizon of at least 10 years. However, individual Investment Manager performance will be evaluated over shorter periods (i.e., one-, three-, and five-year periods).
- **Role of Different Asset Classes:** In the Fund’s portfolio, equities and alternative investments (if appropriate) will be used to generate returns in excess of inflation and participate in overall economic growth, while fixed income securities and other assets will provide diversification and interest income. Professional, active portfolio management will be used to achieve competitive investment results over the long term. Cash equivalents can be used during market conditions that warrant accumulation of reserves for future purchases of equities, fixed income securities, other suitable investments, or for other liquidity purposes.
- **Asset Allocation:** The most important component of an investment strategy is the portfolio asset mix, or the allocation among various asset classes available to the Fund for investment

purposes. The Trustees will monitor and change the asset allocation mix in conjunction with the advice and recommendations of the Investment Manager.

GENERAL PROVISIONS

- All transactions shall be for the sole benefit of the Fund.
- The Trustees shall consider updating the Fund's investment policy on an annual basis.
- The Trustees shall conduct an annual review of the 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 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 will endeavor to operate the Fund's investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets.

DELEGATION OF RESPONSIBILITY; RELIANCE ON EXPERTS AND ADVISORS

- The Board of Trustees has ultimate responsibility for the investment and management of the Fund's investment assets.
- The Board may delegate authority over the Fund's investments to a properly formed and constituted Investment Committee, being a Board Committee comprised only of Trustees.
- The Board or Board Committee may hire outside experts as investment consultants or investment managers.
- The Board may also establish an advisory committee (which may include non-Trustees) to provide investment advice to the Board or to the Board Committee. 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.

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 INVESTMENT MANAGERS

- Each investment manager will invest assets placed in his, her or its 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 his, her or its care and management, while operating within all policies, guidelines, constraints, and philosophies outlined in this Investment Policy. Specific responsibilities of the 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, monthly 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 Board, or if authority is delegated, the Investment Committee, regarding any changes in portfolio management personnel, ownership structure, investment philosophy, etc.

5. Voting proxies, if requested by the Board, or if authority is delegated, the Investment Committee, on behalf of the Fund.
6. Administering the 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 Fund.

GENERAL INVESTMENT GUIDELINES

- A copy of this Investment Policy shall be provided to all Investment Managers.
- The Fund is a supporting organization as described in section 509(a)(3) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making Fund investments.
- The Fund is expected to operate in perpetuity; therefore, a 10 year investment horizon shall be employed. Interim fluctuations should be viewed with appropriate perspective.
- A cash account shall be maintained with a zero to very low risk tolerance to keep cash available for grant distributions, tax obligations and other anticipated expenses.
- Transactions shall be executed at reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker.
- 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

The Fund has established (i) a maximum investment percentage and minimum investment percentages ("Ranges") within each of the above asset classes, and (ii) target investment percentages ("Targets") for each of the above assets classes. The Ranges, which are set forth on Appendix A, are intended to be absolute limits on the portfolio, but may be amended from time to time with the approval of the Trustees after consultation with the Investment Manager. The Targets which are also set forth on Appendix A, are intended only as a guide for day to day investment decisions, and may be amended from time to time by the Committee after consultation with the Investment Manager.

- No fixed income security shall have an equivalent credit quality below investment grade at the time of purchase, defined as:
 - 1) BBB by Standard & Poors for straight bonds and convertibles
 - 2) Baa3 by Moody's Investor Service for straight bonds and convertibles

- 3) A1 by Standard & Poors for short term securities
 - 4) P1 by Moody's Investor Service for short-term securities
 - 5) AAA for money market accounts
- The following transactions are prohibited: Purchase of non-negotiable securities, derivatives, private placements, precious metals, commodities, short sales, any margin transactions, straddles, warrants, options, life insurance contracts, leverage or letter stock.

ASSET ALLOCATION

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

PERFORMANCE

- Performance objectives are to be met on a net of fees basis. The investment performance of each asset allocation class will be measured on two levels: against inflation objectives for the total Fund and against index objectives for individual portfolio components. Investment performance shall be measured no less than quarterly on a net of fees basis. Performance shall be evaluated on a three to five year basis to allow for market fluctuations and volatility. Individual managers' investment performance will be evaluated relative to the other managers' performance with similar investment styles (peer group analysis) as well as published indices.

Appendix A

Church of the Transfiguration Endowment Fund

Targets and Acceptable Ranges of Investments

Asset Class	Target	Range
Cash & Equivalents	3%	0 – 10%
Fixed Income	30%	20 – 40%
Equities: Domestic	50%	20 – 60%
Equities: International	5%	0 – 15%
Complimentary Strategies (Alternative Investments)	12%	0 – 15%