

The Episcopal Diocese of Ohio

Investment Policy

Approved by the Board of Trustees

Approved on: May 5, 2023

Purpose

This Investment Policy ("Policy") details the policies, procedures, asset allocation and guidelines for investment of the Joint Investment Fund ("Fund" or "JIF") of The Trustees of the Diocese of Ohio ("Trustees"). It defines and assigns the responsibilities of all involved parties.

Investment Objective

The Investment Objective is to generate a rate of return greater than the sum of the rate of inflation, as measured by the Consumer Price Index, plus the spending rate as determined from time to time by the Trustees pursuant to the Diocese Spending Policy.

Duties and Responsibilities

Trustees

The Trustees determine the investment objectives for the JIF and the appropriate level of risk to be accepted in pursuing those objectives. That balance is embodied in this Policy.

The Trustees will select a qualified Investment Consultant and review the Investment Consultant's performance and fees annually. The Trustees may terminate the Investment Consultant at any time.

The Trustees will not invest in any proprietary products of the Investment Consultant at any time.

In accordance with Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Trustees will take the following into consideration when overseeing the JIF but not limited to:

- Duration and preservation of the funds
- Need of the JIF to make distributions and preserve capital
- Expected total return from income and appreciation
- The role that each investment plays within the overall portfolio
- General economic conditions
- The possible effect of inflation or deflation
- Other resources of the organization

- Assets of special relationship or special value to the charitable purpose
- Expected tax consequences

Investment Consultant

The Trustees will select an Investment Consultant to advise them with respect to investment of the JIF. In rendering such advice, the Investment Consultant will use 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 that person's own funds of like character and with like aims.

The Investment Consultant will:

- Regularly advise the Trustees about investment strategy and recommend an asset allocation appropriate for achieving the investment objectives of the JIF
- Report regularly to the Trustees on the performance of the JIF in comparison to benchmarks agreed upon by the Trustees and the Investment Consultant
- Perform strategic asset allocation analysis from time to time; and implement tactical changes following the investment process of the firm
- Recommend to the Trustees, after performing due diligence, Investment Managers; provide regular performance reports to help the Trustees evaluate each Investment Manager; and recommend to the Trustees the hiring, terminating, or replacement of Investment Managers
- Calculate investment fees associated with JIF investments and advise the Trustees on strategies to reduce fees

Limited Delegation of Investment Decision Authority

The Trustees may delegate limited decision-making authority, or discretion, to the Investment Consultant. This authority permits (1) making asset allocation adjustments to rebalance the JIF toward the Policy's asset allocation targets, and (2) raising or investing cash. All authority exercised by the Investment Consultant pursuant to this delegation shall conform to this Policy. The Investment Consultant shall report each action taken pursuant to this delegation to the Chief Financial Officer of the Diocese and the Trustees at the next quarterly meeting.

Investment Managers

The Investment Consultant shall select and recommend to the Trustees professional Investment Managers for the direct investment and management of the JIF's assets, including separately managed accounts, mutual funds, comingled funds, and partnerships. The Investment Consultant may grant Investment Managers such discretion as the Investment Consultant deems prudent to purchase, sell, or hold securities within such Investment Managers' specific investment strategy. The Investment Consultant shall ensure that all Investment Managers (1) transact securities in a manner designed to receive a combination of best price and execution, and (2) vote proxies in the best interest of investors.

Custodian

The custodian will maintain physical possession of securities owned by the Portfolio, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. The custodian will perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the JIF accounts. The custodian will provide monthly statements and access to online balances and statements.

Chief Financial Officer

The Chief Financial Officer (CFO) is the primary contact between and among the Investment Consultant, the Trustees, and the Custodian. All investment decisions to sell or buy securities made by the Trustees and/or the Investment Consultant will be executed by the Chief Financial Officer. The Chief Financial Officer is authorized to: 1) invest cash and to raise cash, and 2) instruct the Custodian to transfer cash, as required.

In the event of the unavailability or absence of the CFO, the Bishop’s designee shall have the authority to execute investment trades, to communicate with the investment managers to raise or invest cash, and to provide instructions for cash transfers to the Custodian.

Diversification & Asset Class Purposes

The JIF portfolio will be constructed and maintained to provide prudent diversification regarding investment managers, styles, regions, sectors, and number of holdings. Asset classes, or broad segments of the Portfolio, serve varying purposes as described below:

- The purpose of the equity allocation is to provide a total return that will simultaneously provide for growth in principal and current income, while preserving the purchasing power of the JIF’s assets.
- The purpose of the alternative investment allocation is to provide diversification and risk reduction so as to enhance the overall risk-adjusted performance.
- The purpose of the fixed income allocation is to provide a deflation hedge, to reduce the overall volatility, and to produce current income.
- The purpose of the cash allocation is to provide liquidity for short-term obligations. All cash and equivalent investment should be made with concern for quality. High return is desirable, but the highest possible investment return should be sacrificed where quality is considered questionable.

Asset Allocations

The asset allocation targets and permissible ranges for the JIF are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Allowable Range</u>
U.S. Equity	40%	35% - 45%
International Equity	25%	20% - 30%
Alternative Investments	10%	0 – 15%
Fixed Income	25%	15% - 35%
Cash	0%	0% - 5%
Total	100%	

Monitoring Portfolio Performance

The Investment Consultant will present annually to the Trustees a comparison of the JIF portfolio’s performance against:

1. the Investment Objective
2. a blended benchmark of market indices based on the strategic asset allocation targets of the JIF:

<u>Asset Class</u>	<u>Benchmarks</u>
U.S. Equity	<ul style="list-style-type: none"> • Russell 3000 Index
International Equity	<ul style="list-style-type: none"> • Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex. U.S.
Global Equity	<ul style="list-style-type: none"> • Morgan Stanley Capital International (MSCI) All Country World Index (ACWI)
Alternative Investments	<ul style="list-style-type: none"> • HFRX Merger Arbitrage Index • Hedge Fund Research, Inc. (HFRI) Macro Index • Morningstar US Energy TR Index or other available private energy benchmarks
Fixed Income	<ul style="list-style-type: none"> • Barclays Capital (Barcap) Aggregate Bond Index • Barclays Capital (Barcap)US Gov't/Credit Intermediate Index

3. similar sized peers

The Investment Consultant will report annually to the Trustees on whether the JIF and its benchmark have achieved the Investment Objective for the most recent one-year, three-year, five-year, and ten-year periods.

Permissible Investments

The JIF may be invested in the types of investments listed in the chart below. Only mutual funds whose prospectus guidelines conform to this Policy are Permissible Investments.

Equity Securities	Alternative Investments
<ul style="list-style-type: none"> • Common stocks • Convertible preferred stocks • American depository receipts (ADRs) of non-U.S. companies • Stocks of non-U.S. companies (Ordinary shares) • Equity mutual funds and exchange traded funds 	<ul style="list-style-type: none"> • Real estate investment trusts (REITs) • Tactical asset allocation strategies • Absolute return strategies • Long-short equity and fixed income strategies • Macro strategies • Hedge funds and hedge fund-of-funds • Private equity and debt strategies • Private non-marketable partnerships, including renewable energy investments • Alternative mutual funds and exchange traded funds
Fixed Income Securities	Cash Equivalents
<ul style="list-style-type: none"> • U.S. government and agency securities • Municipal bonds • Corporate notes and bonds • Convertible notes and bonds • Mortgage backed bonds • Preferred stock • Fixed income securities of foreign governments and corporations • Fixed income mutual funds and exchange traded funds 	<ul style="list-style-type: none"> • Treasury bills • Commercial paper • Banker's acceptances • Repurchase agreements • Certificates of deposit • Deposit accounts • Money market mutual funds and exchange traded funds

Socially Responsible Investing

Socially Responsible Investing (SRI) is at the heart of our Christian beliefs. The Episcopal Church teaches and practices an incarnational faith seeing the face of Christ in the other, knowing that the fullest expression of God is in Jesus Christ. As such, our investments must honor the embodied realities of humankind and creation, doing no harm to either human communities or our physical environment.

Responsible stewardship is a core value which runs through Scripture, from Genesis to Revelation. This means that we are accountable for the ways in which we protect, use, and maintain all manner of assets: environmental, human, material, financial. In addition, fulfilling the two great commandments to love God and to love one's neighbor as one's self demands our tangible engagement in the complex interplay of fiscal action and faithful values.

While no investing practice is completely without negative consequences with regard to social responsibility, these Biblical principles call us to mitigate those choices and contribute significantly to forward-looking, responsible, and just enterprises in our investment strategies and decisions.

As such, JIF investment strategy will be aligned with core Episcopal Church values in two ways, excluding some industries while actively seeking to include others:

- We will do our best to comply promptly with all General Convention resolutions concerning market investments. Currently, this means a moratorium on direct investment in tobacco and gaming, although we acknowledge that mutual funds may have relatively insignificant holdings in these categories. Direct investment in companies with more than 10% of their revenue in one of the aforementioned industries should be excluded from investment. The Trustees will review overall portfolio exposures including commingled funds in an annual SRI audit.
- Certain non-financial environmental, social, and governance factors (ESG) are part of a holistic investment process and can have a material effect on financial returns. Accordingly, the Fund seeks investments, consistent with our fiduciary duty, which have a positive impact (globally and locally) and promote sustainability in their corporate practices, policies, and culture. To this end, the Fund will consider investment managers who actively incorporate ESG factors into their investment decision-making processes.

Periodic Review

The Trustees shall review the Policy annually.