

**Episcopal Diocese of Atlanta  
Investment Policy Statement  
Diocesan Investment Fund**

**April 6, 2023**

The Diocesan Investment Fund (“DIF”) is a collective investment program for the long-term endowment and investment assets of the Episcopal Diocese of Atlanta and any of its parishes and ministries that choose to invest alongside the Diocese. The Episcopal Diocese of Atlanta, through its by-laws, created a Long-Term Investment Committee which is charged with the responsibility of overseeing and monitoring the investment of all long-term assets under its stewardship and follows this Investment Policy Statement (“IPS”).

The purpose of this IPS is to (a) set out the investment objectives and guidelines for the DIF, (b) assist the Long-Term Investment Committee with the investment, oversight, and evaluation of the DIF, and (c) establish a spending policy for the DIF. The Long-Term Investment Committee shall administer the DIF in accordance with this IPS. The Long-Term Investment Committee may employ an outside investment manager (“Investment Manager”) and must review this IPS at least annually with the Investment Manager.

### **1. Investment Objectives**

The investment objective of the DIF is to provide long term growth in the value of the DIF without undue exposure to risk so that the DIF provides a total return over time that allows for prudent spending while accounting for inflation and fees. The DIF is appropriate for long term endowment and investment funds. The assets of the DIF are to be invested with the same care, skill, and diligence that a prudent investor would exercise in investing institutional endowment funds. Since the Episcopal Diocese of Atlanta is a faith-based institution, this understanding should be reflected in the use of reasonable judgment in the selection of holdings for the DIF.

### **2. Investment Philosophy**

The Long-Term Investment Committee seeks to achieve a long-term, risk-adjusted return with an asset allocation strategy that includes long-term, strategic allocations to multiple asset classes in appropriate weightings, further refined through regular tactical positioning among asset classes in response to changing economic conditions.

### **3. Investment Guidelines**

Time Horizon. The investment objectives and strategic asset allocation of the DIF are based on a long-term time horizon of ten years or more.

Risk Tolerance. With a long-term time horizon, the DIF can tolerate some interim fluctuation in market value and rates of return to achieve the investment objectives. High levels of portfolio risk and volatility should be avoided.

Portfolio Liquidity. The Long-Term Investment Committee will determine the appropriateness of each investment on a case-by-case basis, taking into consideration the relevant analysis of the

investment as provided by the Investment Manager, including the illiquidity of the investment, in addition to the Portfolio's overall allocation to other illiquid investments.

Permissible and Prohibited Investments. The Investment Manager shall invest the DIF in mutual funds, exchange traded funds, common trust funds or other commingled investment vehicles. The Investment Manager may not directly invest in private placements, restricted stock or other illiquid issues and may not directly engage in short sales, margin transactions or other similar specialized investment activities. Investment funds that use these activities are permitted, provided that as a general matter any such investment fund is fully liquid subject to any trading requirements or risks stated in the governing documents for that fund.

#### **4. Asset Allocation**

Strategic Asset Allocation. The DIF shall be invested in a broadly diversified portfolio that includes equities (including but not necessarily limited to U.S. and international as well as large- and small-capitalization) and fixed income securities (which may include cash equivalents) in an asset allocation that is conducive to participation in rising markets while permitting adequate protection in falling markets. The asset allocation shall also account for the spending policy of the DIF as set out below. The Long-Term Investment Committee shall review the strategic allocation of the DIF with the Investment Manager at least annually.

The strategic asset allocation and permissible investment ranges of the portfolio shall be:

| <u>Asset Class</u> | <u>Low</u> | <u>Target</u> | <u>High</u> |
|--------------------|------------|---------------|-------------|
| Equities           | 60%        | 65%           | 70%         |
| Fixed Income/Cash  | 30%        | 35%           | 40%         |

Tactical Asset Allocation and Fund Selection. The Investment Manager has discretion to invest the portfolio in various sub-asset classes and investment funds, and to make tactical asset allocation decisions for each sub-asset class within permissible investment ranges. The Long-Term Investment Committee will review these decisions quarterly with reference to materials provided by the Investment Manager. The initial sub-asset class strategic allocations and permissible investment ranges are set out in Appendix A.

#### **5. Rebalancing**

The Investment Manager shall review the asset allocation of the portfolio at least quarterly. The portfolio should be kept within +/-5% of the current tactical position of the portfolio.

#### **6. Spending Policy**

The DIF shall be invested for total return, including both income and appreciation. For Diocesan funds included in the DIF, the Long-Term Investment Committee shall follow a spending policy based on total return to the DIF. Each year, the Long-Term Investment Committee shall recommend to the Finance Committee a prudent spending rate for Diocesan funds for the following fiscal year

based on capital market assumptions from the Investment Manager. Typically, this will be between 3% and 5% of the value of the DIF, or any sub-fund, averaged over the preceding twelve quarters unless a greater amount is permitted by law and Diocesan policy. The spending rate is intended to preserve the purchasing power of Diocesan funds over time after accounting for inflation and fees.

In making this recommendation, the Long-Term Investment Committee shall act in good faith with the care that an ordinary prudent person in a like position would exercise under similar circumstances and shall consider if relevant the standards set out in the O.G.C.A 44-15-1 Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). At no time shall the Long-Term Investment Committee recommend a spending rate that creates a presumption of imprudence under UPMIFA as adopted in Georgia.

The Long-Term Investment Committee shall periodically review the spending rate with the Investment Manager. Any funds distributed from the DIF must be spent according to donor restrictions or Diocesan or parish or ministry policy. Any funds available for distribution but not spent remain part of the DIF and are subject to spending policy for the DIF in subsequent years.

Any parish or parish-related organization investing in the DIF may determine its own spending policy, including spending rate, in accordance with applicable law and any policies. It is a parish or ministry’s responsibility to understand and comply with any restrictions on its funds and to ensure that distributions comply with any applicable law or policy.

## **7. Performance Measurement Guidelines**

The primary measure of the investment performance of the DIF shall be comparison to a custom-designed benchmark based on the strategic asset allocation of the DIF. An additional goal is providing protection against inflation over the long term. The initial benchmark for the DIF is set out on Appendix A. The Investment Manager shall notify the Long-Term Investment Committee of any change in the benchmarks.

## **8. Responsibilities**

Long-Term Investment Committee. The Long-Term Investment Committee oversees and administers the DIF in accordance with this IPS. It is responsible for:

- Establishing investment objectives and guidelines for the DIF and preparing and approving an IPS. The objectives and guidelines shall reflect a prudent investment standard.
- Selecting a qualified Investment Manager for the DIF using prudent due diligence procedures and overseeing the ongoing performance of that Investment Manager.
- Setting the strategic asset allocation of the DIF in accordance with the investment objectives and guidelines set out in the IPS and in consultation with the Investment Manager.
- Monitoring the DIF on a regular basis to ensure compliance with the investment objectives and guidelines of the IPS.

- Reviewing the performance of the DIF with the Investment Manager at least quarterly.
- Evaluating the performance of the Investment Manager at least annually.
- Taking appropriate action if the Investment Manager does not meet the investment objectives or follow the investment guidelines.
- Communicating with the Investment Manager in a structured, ongoing manner.
- Reporting periodically to the Finance Committee of the Episcopal Diocese of Atlanta.
- Meeting periodically to carry out its responsibilities.

Additionally, the Long-Term Investment Committee is responsible for recommending a prudent spending rate for Diocesan funds invested in the DIF, communicating with the Investment Manager about any distributions, and overseeing distributions from the DIF of Diocesan funds in accordance with the purposes of the Diocesan funds.

Investment Manager. The Investment Manager shall invest and manage the assets of the DIF in conformity with this IPS unless in the Investment Manager's opinion to do so would be clearly imprudent. The Investment Manager is responsible for:

- Designing an investment strategy that complies with this IPS and any related policies in consultation with the Long-Term Investment Committee.
- Implementing the investment strategy, including fund selection and tactical asset allocation, within the guidelines of this IPS and any related policies.
- Providing timely written quarterly performance reports to the Long-Term Investment Committee.
- Meeting quarterly with the Long-Term Investment Committee to review investment objectives, strategy, and performance.
- Notifying the Long-Term Investment Committee in writing of any material deviation from this IPS.
- Notifying the Long-Term Investment Committee of any significant organizational changes.

Custodian. The assets of the DIF shall be held by a custodian that is a reputable, well-established financial institution. The custodian is responsible for:

- Safekeeping the assets of the DIF.

- Providing timely written monthly statements of balances and transactions to the Long-Term Investment Committee.
- Fulfilling all regular fiduciary duties required of a custodian by pertinent state and federal laws and regulations.

## Appendix A

### Episcopal Diocese of Atlanta Diocesan Investment Fund

This information is for the Diocesan Investment Fund of the Episcopal Diocese of Atlanta as of the date of this IPS. It may be updated or amended over time.

#### 1. Asset Allocation

| Asset Class                          | Low | Target     | High |
|--------------------------------------|-----|------------|------|
| US Large Cap                         | 17% | 22%        | 27%  |
| US Mid Cap                           | 0%  | 4%         | 9%   |
| US Small Cap                         | 0%  | 5%         | 10%  |
| International Developed Total        | 9%  | 14%        | 19%  |
| International Developed Small Cap    | 0%  | 4%         | 9%   |
| International Emerging Markets       | 3%  | 8%         | 13%  |
| Global REITs                         | 0%  | 4%         | 9%   |
| Commodities                          | 0%  | <u>4%</u>  | 9%   |
| <b>Total</b>                         |     | <b>65%</b> |      |
| <br>                                 |     |            |      |
| US Investment Grade Total            | 12% | 17%        | 22%  |
| US Non-Investment Grade              | 1%  | 6%         | 11%  |
| International Emerging Markets Fixed | 1%  | 6%         | 11%  |
| US TIPS                              | 1%  | 6%         | 11%  |
| Cash                                 | 0%  | <u>0%</u>  | 5%   |
| <b>Total</b>                         |     | <b>35%</b> |      |

#### 2. Benchmark

| Asset Class                          | Benchmark                                     |
|--------------------------------------|---|
| US Large Cap                         | S&P 500 Index                                 |
| US Mid Cap                           | S&P Mid Cap 400 Index                         |
| US Small Cap                         | Russell 2000 Index                            |
| International Developed Total        | MSCI EAFE Index                               |
| International Developed Small Cap    | MSCI EAFE Small Cap Index                     |
| International Emerging Markets       | MSCI Emerging Markets Index                   |
| Global REITs                         | FTSE EPRA NAREIT Developed Index              |
| Commodities                          | Bloomberg Roll Select Commodity Index         |
| US Investment Grade Total            | Bloomberg US Aggregate Bond Index             |
| US Non-Investment Grade              | ICE BofA BB-B US High Yield Constrained Index |
| International Emerging Markets Fixed | JP Morgan EMBI Global Diversified Index       |
| US TIPS                              | Bloomberg US TIPS Index                       |

#### 3. Liquidity

From the date of this IPS, future investments are to be readily marketable, commonly defined as widely traded and can be converted into cash within three trading days or less.