



**Investment Policy Statement
St. Paul's Cathedral
Enduring Gifts Funds
San Diego, CA**

**Adopted by Chapter
December 2, 2014**

ENDURING GIFTS FUNDS POLICIES AND GUIDELINES

INVESTMENT POLICY

Purpose

This Investment Policy Statement establishes the philosophy, guidelines and investment objectives for managing the investments of the Enduring Gifts Funds “FUNDS”.

Responsibility

The ultimate responsibility for managing the FUNDS resides with the Chapter which has chosen to delegate portions of its responsibility to the Endowment Committee “COMMITTEE”, which will administer the portfolio of the FUNDS in accordance with these guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by the COMMITTEE to determine whether they should be amended or remain unchanged. The COMMITTEE will employ an outside investment manager.

Objectives

The assets of the FUNDS are to be invested with the same care, skill and diligence that a prudent investor would exercise in investing institutional endowment funds. The primary objective will be to provide a total return commensurate with the Spending Policy and achieve a growth in principal to keep pace with inflation, net of all investment fees.

INVESTMENT GUIDELINES

Time Horizon

The FUNDS’ investment objectives and strategic asset allocation are based on a long-term time horizon.

Risk Tolerance

Because of its long-term time horizon, the FUNDS can tolerate some interim fluctuation in market value and rates of return in order to achieve its objectives. High level risk, high volatility and low quality rated securities, however, are to be avoided.

Prohibited Investments

The COMMITTEE shall not invest in private placement, restricted stock or other illiquid issues, commodities' futures, arbitrage and other uncovered options, and shall not engage in short sales, margin transactions or other similar specialized investment activities; however, the use of funds that use these investment activities in a constructive manner is permitted.

Standard Asset Allocation and Diversification

The portfolio is to provide for long-term growth of principal and income without undue exposure to risk. The portfolio shall be invested in equities, fixed income and cash equivalents based upon an acceptable asset mix that is conducive to participation in rising markets, while permitting adequate protection in falling markets. In addition, the investment mix will take into consideration the payout requirements to satisfy the annual draw, normally 5% of the average market value of the twelve trailing quarters. Should there be a need to change the spending rate the COMMITTEE will review asset mix and the asset allocation. In addition, the target allocations should be reviewed at least annually by the COMMITTEE in conjunction with the investment manager(s) to reflect a prudent response to current market conditions.

The initial target asset allocation and ranges shall be as follows:

<u>Asset Class</u>	<u>Low</u>	<u>Target</u>	<u>High</u>
Equities	50%	70%	80%
Fixed Income/Cash	20%	30%	50%
Alternative/Other	0%	10 %	20%

The investment manager will be asked to consult with the COMMITTEE regarding the use of sub-asset classes, their initial strategic targets and ranges. The manager will then have the discretion to make asset allocation decisions within these ranges. The COMMITTEE will review these decisions quarterly. The grid below provides an example of a sub-asset class targets and ranges.

<u>Asset Class</u>	<u>Low</u>	<u>Target</u>	<u>High</u>
U.S. Large Cap	10	23	50
U.S. Mid Cap	0	5	15
U.S. Small Cap	0	5	15
International Developed	10	19	45
Intl Emerging Markets	0	8	20
REITS	0	5	15
Commodities	0	5	15
Investment Grade Fixed Income	10	15	40
Non-Investment Grade Fixed Income	0	5	15
Int'l Emerging Market Fixed Income	0	5	10
Treasury Inflation Protected Securities	0	5	15
Cash	0	0	5

Allocation of Responsibilities

The COMMITTEE, along with any and all fiduciaries, is responsible for ensuring that all assets are managed effectively and prudently in a manner consistent with the laws of the State of California and the governing documents of St. Paul's Cathedral. It is responsible for formulating overall financial objectives and investment standards of the Cathedral's Enduring Gifts Funds. Additionally, with respect to asset management, the COMMITTEE is responsible for:

- Allocating the assets among investment asset classes that are deemed appropriate and prudent.
- Selecting and evaluating the performance of a qualified Trustee/Custodian, Investment Managers, and Investment Consultant, if applicable.
- Monitoring performance by means of regular reviews (no less than annually) to assure that objectives are being met and that standards are being followed.
- Taking appropriate action if objectives are not being met or if standards are not being followed.
- Communicating on a structured, ongoing basis with managers responsible for investment results.

The COMMITTEE shall meet at least quarterly and shall provide a written report on a semi-annual basis to Chapter. In addition, the Committee shall annually render a full and complete accounting of the Funds, including contributions, distributions, earnings, fees and fluctuation in valuations during the preceding year, to the members of St. Paul's Cathedral,.

Responsibilities of the CUSTODIAN

The CUSTODIAN is responsible for:

- Fulfilling all the regular fiduciary duties required of a trustee/custodian by pertinent state and federal laws and regulations.
- Safekeeping the assets of the St. Paul's Cathedral Enduring Gifts Funds. Securities must be held by a Custodian/Trustee that is a reputable, well-established financial institution.
- Supplying timely reports of transactions and valuations of the assets.

Responsibilities of INVESTMENT MANAGER(S)

The investment manager is responsible for:

- Designing an investment strategy within policies established by the COMMITTEE.
- Implementing security selection and timing within policy guideline limitations.
- Supplying timely written quarterly reports of investment performance results to the COMMITTEE.
- Meeting and/or communicating in writing with the COMMITTEE at least semiannually to review the performance and discuss current strategy.
- Notifying the COMMITTEE in writing of any material deviation from the stated investment approach.

Assets are to be managed in conformity with the stated investment guidelines unless, in the manager's opinion, to do so would clearly be imprudent. The investment managers shall notify the COMMITTEE *in writing* immediately of any material deviations from the investment standards.

Monitoring Asset Allocation and Rebalancing

The portfolio should be reviewed at least quarterly to confirm the current asset allocation is in the tolerance range of its strategic allocation. The standard tolerance policy for rebalancing the account is to reallocate the portfolio assets back to their target allocation when they are out of policy by +/- 3%.

Performance Measurement Guidelines

The primary measurement of performance will be benchmark relative returns. However, providing protection against inflation is an additional goal where possible.

The following are the benchmarks to be used for performance measurement:

Asset Class	Benchmark
Domestic Large Cap Equity	S&P 500 Index
Domestic Small Cap Equity	Russell 2000 Index
Domestic Mid Cap Equity	S&P 400 Index
Developed Markets International Equity	MSCI EAFE Index
Emerging Markets International Equity	MSCI Emerging Index
Investment Grade Fixed Income	Barclay's Capital Aggregate Index
International Emerging Fixed Income	JP Morgan EM Debt Index
TIPS	Barclays's Capital Inflation Notes Index
REITS	DJ US Select REIT Index
Non Investment Grade Fixed Income	Barclay's Capital High Yield Index
Commodities	DJ-UBS Commodity Index

Each investment strategy will be measured against the benchmark listed above, and each portfolio will be measured against a blended benchmark, weighted based on the target asset allocation of each portfolio.

If the Investment Manager proposes an investment strategy that should be measured against a benchmark different from those listed above, the COMMITTEE must approve it.