

INVESTMENT POLICY STATEMENT

**Episcopal Foundation of the Diocese of East Carolina
Endowment Fund**

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INVESTMENT POLICY STATEMENT

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the Episcopal Foundation of the Diocese of East Carolina Endowment Fund (**The “Fund”**).

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Board of Directors of the Endowment 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 for Fund assets.
3. Offer guidance and limitations to all Investment Fund Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) or any other applicable prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which 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 towards the desired results. It is intended to be sufficiently specific; to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Board of Directors of the endowment is a fiduciary, and it is responsible for directing and monitoring the investment management of Fund assets. As such, the Board of Directors is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Adviser.** Paul Elam may assist the Board of Directors in: establishing investment policy, objectives, and guidelines; selecting Investment Fund Managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. **Investment Fund Managers.** The Investment Fund Managers has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund’s investment objectives.
3. **Custodian.** The custodian (presently Raymond James & Associates) 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 movements of assets into and out of the Fund accounts.
4. Additional specialists such as attorneys, auditors, actuaries, retirement Fund consultants, and others may be employed by the Board of Directors to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Board of Directors will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Investment Fund Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Fund Managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

DEFINITIONS

1. "Board of Directors" shall refer to the governing board established to administer the Fund as specified by applicable ordinance.
2. "Investment Fund Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.
3. "Investment Adviser" 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.
4. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
5. "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 10 years.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Board of Directors of the Fund

The Board of Directors is charged by law with the responsibility for the management of the assets of the Fund. The Board of Directors shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Board of Directors relating to the investment management of Fund assets include:

1. Projecting the Fund's financial needs, and communicating such needs to the Investment Adviser 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, policies and guidelines which will direct the investment of the Fund's assets.
4. Prudently and diligently select qualified investment professionals, including Investment Adviser.
5. Regularly evaluating the performance of the Investment Fund Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures.

Responsibility of the Investment Adviser

The Investment Adviser's role is that of a discretionary advisor to the Board of Directors of the Fund. Investment advice concerning the investment management of Fund assets will be offered by the investment adviser, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. It is the Investment Adviser's overall responsibility to design portfolio allocations and select Investment Managers to manage specific portions of the investment portfolio. Specific responsibilities of the investment adviser include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting Investment Fund Manager searches when requested by the Board of Directors.
3. Providing "due diligence," or research, on the Investment Fund Manager(s).
4. Monitoring the performance of the Investment Fund Manager(s) to provide the Board of Directors with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Board of Directors.
6. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board of Directors.

GENERAL INVESTMENT PRINCIPLES

1. 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.
2. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. Diversified investment products such as mutual funds and ETFs shall be the primary investment vehicle.
3. The Investment Adviser may choose Investment Fund Managers of varying styles and philosophies to attain the Fund's objectives.

FUTURE CONTRIBUTIONS

Future giving (contributions) to this Endowment is expected to be unpredictable. As a result, the Board of Directors has set an investment strategy with the objective of maintaining purchasing power of the Endowment's assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power.

SPENDING POLICY

As established by the Board of Directors, up to 5% of the historic dollar value of the Fund will be expended each year for the benefit of the Episcopal Foundation. The historic dollar value shall be calculated following December 31st each year by averaging the value of the Fund as of the end of each of the preceding 12 fiscal quarters ending December 31st.

INVESTMENT MANAGEMENT POLICY

1. **Preservation of Capital** - Consistent with their respective investment styles and philosophies, Investment Fund 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 of Directors recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the Investment Fund 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. **Adherence to Investment Discipline** - Investment Fund Managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

INVESTMENT OBJECTIVES

The primary objective in the investment management of these assets shall be to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

The secondary objective in the investment management of these assets shall be to achieve preservation of purchasing power. This will create returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of investment account assets. Risk control is an important element in the investment of these assets.

SPECIFIC INVESTMENT GOAL

Over a five year investment time horizon, it is the goal of the aggregate Fund assets to meet or exceed:

- **The rate of inflation (as measured by the Consumer Price Index) by 5% per year.**
- **55% MSCI ACWI, 28% Barclays Aggregate, 15% HFRI Fund of Funds, 2% T-Bills**

The investment goals above are the objectives of the aggregate Fund, and are not meant to be imposed on each Investment Fund Manager (if more than one account is used). The goal of each Investment Fund 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 of Directors that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each Investment Fund Manager, if any, shall be incorporated as part of this statement of investment policy. Each Investment Fund manager shall receive a written statement outlining his/her specific goals and constraints as they differ from those objectives of the entire Fund.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
 - Collateralized Mortgage Obligations
 - Fixed Income Mutual funds/ETFs
3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)(If appropriate)
 - Equity Mutual Funds/ETFs
4. Alternative Strategies – Mutual funds invested in strategies not typically included in the asset classes described above. Alternative strategies may include, but are not limited to:
 - Hedge Funds
 - Managed Futures
 - Commodities
 - Real Estate

Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange; American Stock Exchange; and NASDAQ over-the-counter market. In the event that an Investment Fund Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Board of Directors.

Prohibited Assets and Transactions

Prohibited investments and transactions include, but are not limited to direct investment in the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Short Selling
5. Margin Transactions

Asset Allocation Guidelines

Investment management of the assets of the Fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Fund Asset Allocation Guidelines (at market value)

<u>Asset Class:</u>	<u>Min. Wt.</u>	<u>Max Wt.</u>	<u>Target Wt.</u>
Equities:	45%	70%	55%
Fixed Income	20%	43%	28%
Cash & Equiv.	0%	20%	2%
Alternatives	0%	25%	15%

2. The Board of Directors may employ Investment Fund Managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement.

Diversification for Investment Fund Managers

In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed 5% of the market value of the fixed income portfolio.

SELECTION OF INVESTMENT FUND MANAGERS

The Board of Directors' selection of Investment Fund Manager(s) must be based on prudent due diligence procedures. A qualifying Investment Fund Manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

INVESTMENT FUND MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the investment adviser shall be compiled at least quarterly and communicated to the Board of Directors 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 of Directors intends to evaluate the portfolio(s) over at least a five year period, but reserves the right to terminate a 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 Fund 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, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board of Directors shall review investment policy at least annually.

This statement of investment policy is adopted on 8/11/22 by the Board of Directors of the Fund.