

# **Episcopal Foundation of Dallas**

## **Investment Policy**

### **Organizational Summary of the Episcopal Foundation of Dallas**

The Episcopal Foundation of Dallas is organized as a Texas non-profit corporation and is qualified as a Section 501(c)(3) exempt organization.

The Foundation is a separate, independent entity, organized and operating outside of the jurisdiction of the Episcopal Diocese of Dallas, The Episcopal Church and the Diocesan and General Conventions of the Church.

The mission of the Foundation is to serve as a financial resource for Episcopal parishes, missions, schools and organizations in support of Christian mission and ministry of the Episcopal Diocese of Dallas.

The Foundation is professionally managed and is governed by its own fifteen-member board of trustees, all of whom are committed to good stewardship, prudent investment and faithful disbursement of the funds entrusted to the Foundation. The Bishop of the Episcopal Diocese of Dallas serves as an *ex officio* member of the board.

### **Goals of Episcopal Foundation of Dallas**

To provide a vehicle with which individuals may preserve and distribute their accumulated wealth and, in doing so, support the Christian mission and ministry of the Episcopal Diocese of Dallas.

To receive, manage and disburse charitable funds given to support the work of the Episcopal Diocese of Dallas and other charitable endeavors.

To build corpus to a level that its income would provide adequate funds to support the educational, charitable, and missionary work of the Episcopal Diocese of Dallas and other charitable endeavors.

To provide alternative methods for parishes and missions to achieve their outreach goals.

### **Investment Objectives**

The Board of Trustees of the Foundation shall be responsible for implementing the following investment objectives:

1. Preservation of the assets through an investment return sufficient to offset inflation; and,

2. Enhancement, where possible, of the assets through an investment return sufficient to achieve payout objectives and to preserve the real value of the corpus.

## **Definition of Responsibilities**

The Board of Trustees shall have the final authority with respect to the invested assets of the Foundation and for the Investment Policy Guidelines adopted for the supervision of such assets.

The Investment Committee is responsible for supervision of the investment portfolio of the Foundation, subject to the Investment Policy. The Board of Trustees will have the authority to select Investment Managers and to control the asset allocation within approved limits.

The Investment Committee assists the Board of Trustees in carrying out its duties as follows:

- Developing and reviewing the Foundation's investment policies.
- Allocating assets among managers and investment styles, including selection of acceptable asset classes, allowable ranges of holdings by asset class and individual investment managers as a percent of assets, the definition of acceptable securities within each asset class, and investment performance expectations.
- Communicating investment policies to the investment managers. The Committee will review investment performance quarterly to assure the policy is being followed and progress is being made toward achieving the objectives.
- Evaluating manager and total fund performance at least annually.
- Evaluating custodians, investment managers and consultants.
- Reporting to the Board of Trustees quarterly.

The duties and responsibilities of the Foundation's Investment Managers include:

- Adhering to the guidelines and objectives established by the Trustees.
- Determining investment strategy and security selection and the timing of purchases and sales within the policy guidelines. In addition, they are responsible for reconciling their accounts at least quarterly with those of the custodian.
- Providing the Investment Committee with policy on proxy voting as well as evidence of Errors and Omissions insurance.
- Notifying the Investment Committee on a timely basis of any issues that may affect the investment of the Fund's assets (e.g., changes in ownership, professional staff, investment philosophy or process).
- Exercising full discretion and responsibility with regard to all voting rights, including but not limited to the timely voting of proxies.

- Investing the Foundation's assets with the care, skill and diligence, under the circumstances then prevailing, that a prudent man acting in like capacity and familiar with such matters, would use in investing the assets of like character, and with like aims.

## **Investment Guidelines**

The following guidelines have been established for investments. The standards and ratios are based upon current circumstances and may be revised at any time.

INVESTMENT PHILOSOPHY should be disciplined and consistent. It should accommodate all those events and occurrences considered reasonable and probable. The investment portfolio should be diversified both as to fixed income and equity holdings, avoiding investment concentration in a single stock or industry or, in the case of bonds, in a single maturity date. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

- *Equity Securities: Emphasis should be placed on securities of high quality companies for capital appreciation and growth of earnings and income. No more than 5%, at cost, of each of the asset pools managed by an investment manager should be invested in the securities of any one issuer or its subsidiaries or affiliates. No more than 20% of the market value of the portfolio should be concentrated in any one industry. Investing in publicly traded stocks on the NYSE, ASE, NASDAQ or any similar domestic exchange is allowed. Also, American Depository Receipts (ADR's) and exchange traded funds are acceptable. No investment should be made in any newly developed type of investment without the prior specific consent of the Board.*
- *Fixed Income Investments: Fixed income investments should emphasize quality with the average of all holdings rated at least A by Moody's Investors Service and Standard & Poor's Corporation, or the equivalent. The portfolio may not contain corporate debt securities that are below investment grade. No more than 5%, at cost, of each of the asset pools managed by an investment manager should be invested in the securities of any one issuer or its subsidiaries or affiliates, with the exception of those issued or guaranteed by the United States government or its agencies.*
- *Alternative Investments: Investments in this asset class or category may include hedge funds, private equity funds, commodity-based investments, real estate, or other alternative investments. To facilitate diversification and active management for investments in this category, investment funds known as, fund of funds, or entities structured as investment trusts, may be employed to manage investments in this category.*

LIQUIDITY: To be prepared to remit funds once notified of a withdrawal order, the investment managers shall keep sufficient investments in easily traded securities to minimize the costs of complying with required withdrawals. The investment managers are expected to regularly distribute funds in accordance with the approved distribution formula. In the event investment income is insufficient to meet the withdrawal requirements, the investment manager(s) fund(s) will be instructed to sell securities and remit required funds.

If any issue is sold for a capital loss of 10% or more of the purchase price, an explanation should be given to the Investment Committee. Likewise, the Committee should be informed if the turnover in portfolio is more than 25% in any one quarter.

Accrued interest in investments should not be included in calculations of money management fees.

ASSET ALLOCATION AND POLICY:

Assets shall be invested 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 investing the assets of like character and kind.

Assets shall be structured to meet the liquidity requirements of the Foundations.

Notwithstanding any other guidelines, the portfolio shall be managed with an overall balanced (growth and income) orientation.

In the event any asset class reaches its maximum allocation, the investment manager(s) are prohibited from allocating additional assets to the asset class. However, the investment manager(s) are not required to sell securities in the event the asset class exceeds its maximum allocation. Similarly, if an asset class falls below its minimum allocation due to market movements, the manager(s) may not reduce the allocation to the asset class, but are not required to allocate additional assets to the asset class to reach its minimum allocation.

The asset allocation guidelines were established to reflect an investment risk posture appropriate to the Foundation's investment goals. Accordingly, the Foundation will allocate assets among investment managers to achieve the following guidelines:

<u>Type of Asset</u>	<u>Lower Limit</u>	<u>Long Term Target</u>	<u>Upper Limit</u>	<u>Representative Index</u>
Cash	1%	2%	5%	0-3 Month U.S. Treasury Bill (GOB1)
Domestic Large Cap	30%	40%	50%	
<i>Growth Style</i>	15%	20%	25%	MSCI US Prime Growth S&P 500 (SPX)
<i>Value Style</i>	15%	20%	25%	
Domestic Small Cap Equities	10%	12%	20%	Russell 2000 (RTY)
International (ADR's)	10%	14%	20%	MSCI EAFE (MXEA)
Alternatives	10%	12%	15%	T-Bills + 5% (as of 1/1/2010)
Fixed Income	15%	20%	25%	B of A Merrill Lynch 1-10 Single A and Above (B510)

CONTROL PROCEDURES:

- The investment portfolio is reviewed on a quarterly basis for adherence to guidelines, and actual results are compared to the policy benchmark. Fund, asset class, and investment manager results, net of management fees, are reported to the Investment Committee at least quarterly.
- It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.
- The Board of Trustees will review the Foundation's investment policy annually.

Adopted: 12/14/2004 Revised: 5/27/2010

## Summary and Signatures

By voting to adopt this statement of Investment Policy, the Trustees for the Episcopal Foundation of Dallas indicate their agreement herewith. By agreeing to manage a portion of the assets of the Foundation, the investment manager identified below hereby accepts and agrees to abide by the provisions of this Statement.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Trustee of the Foundation

\_\_\_\_\_  
Date

\_\_\_\_\_  
Investment Manager