INVESTMENT POLICY STATEMENT
THE INVESTMENT FUND OF THE DIOCESE OF EL CAMINO REAL
June 20, 2019

This document establishes the investment objective, policies and overall standards for the management of assets held by the Diocese of El Camino Real, a non-profit (tax-exempt), public benefit, religious corporation herein referred to as ECR.

Mission: The mission of the Diocese of El Camino Real is to strengthen local ministries and connect our common life with the wider Church and the world.

1. Purpose of the Investment Guidelines
The purpose of this Investment Policy Statement (IPS) is to provide a disciplined governance structure and policies to ensure prudent management of the Fund in accordance with appropriate risk and return objectives as outlined in this document. This will include:
   a. Provision of investments that will generate stable and continuously growing principal and income
   b. Definition of overall risk and return objectives
   c. Identification of any restrictions on investments
   d. Establishment of a methodology for monitoring and evaluating performance of the portfolio

2. Fund Assets
All assets contributed to and accepted by ECR for inclusion in the Fund will be covered by this IPS. Assets will be held by a reputable financial institution as custodian, in the name of ECR, and subject to review by the appropriate governing committees.

3. Governance
All ECR funds are administered and reviewed by the following governing bodies:

The Board of Trustees delegates supervisory authority over financial affairs of the Diocese to the Finance Committee.

The Finance Committee is authorized to retain one or more Investment Advisers to assume the investment management of funds and assets owned and/or administered by ECR. In discharging this authority, the business office can, with the permission of the Board of Trustees, enter into agreements with, pay compensation to and receive reports from such Advisers. The Finance Committee is responsible for reporting on investments to the Board of Trustees at least annually. This includes recommending, reviewing and monitoring qualified investment managers for the Fund. In carrying out its responsibilities, the Finance Committee and its agents will act in accordance with these Investment Policies and all applicable laws and regulations.
4. **Prudent Management**
The Fund will be managed in a manner consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which considers the following:
   a. General economic conditions,
   b. Effects of inflation and deflation,
   c. Tax consequences,
   d. The role of each investment in the overall portfolio,
   e. Expected total return from the income and appreciation,
   f. The charity’s other resources, and
   g. The needs of the charity and fund to make distributions and preserve capital.

5. **Contributions to the Fund**
Contributions to the Fund will be accepted in accordance with the ECR gift acceptance policies and assigned to the appropriate sub account.

6. **Distributions from the Fund**
   a. ECR Endowment Fund: Distributions will be made in accordance with the ECR Spending Policies. The current policy requires 4% of the average fair market value of the Fund, calculated over 12 trailing quarters, be distributed quarterly, for its intended use in one of the following funds
      i. General Purpose
      ii. Mission Activity
      iii. Seminarian Scholarships and Clergy Education
      iv. Education
      v. Rehabilitation Ministry
      vi. Diocesan Enhancement
      vii. Bishop Housing Fund
   b. Funds held for the benefit of ECR parishes will be distributed upon demand by the individual parish.

7. **Investment objectives**
The primary investment objective of these Funds is to preserve and protect the future purchasing power of the assets by earning a return commensurate with the risk taken. The assets will be invested for real growth to enable increased support for programs in the future. Investment priorities will be:
   a. Protection of future purchasing power,
   b. Capital growth, and
   c. Income needs
And will consider:
   d. Time horizon,
   e. Liquidity needs,
   f. Risk tolerance, and
   g. Prudent diversification.
8. Time Horizon
   a. ECR Endowment Fund: the goal of these assets is to support present and future programs in perpetuity.
   b. ECR parish funds: invested as if held in perpetuity.

9. Risk Tolerance
   Investment risk refers to the volatility of returns experienced by the Fund. It is the unpredictability of returns, the chance and degree to which actual returns deviate from expected returns and the possibility that overall portfolio performance does not meet expectations. This Fund has a “moderate” tolerance for risk. As such, it is willing to accept some volatility in order to achieve return objectives over the long term.

10. Investment Manager criteria
   The ECR Finance Committee is charged with enlisting professional investment managers to assist in the management of the Funds. The manager will be responsible for optimizing the return on assets within the guidelines of these policies. Manager criteria will include:
   a. Manager and their professional staff will have a reputation in good standing within their industry.
   b. There must be no material and adverse legal or regulatory investigations or pending complaints that may have merit against the firm.
   c. Manager must be a financial institution as prescribed by the Registered Investment Advisers Act of 1940.
   d. Manager’s duties and responsibilities will include:
      i. Confer with the client to create strategic asset allocation
      ii. Select assets in accord with strategic asset allocation
      iii. Provide sufficient diversification of risk and returns
      iv. Adhere to restrictions as defined by ECR
      v. Rebalance portfolio as needed
      vi. Value portfolio holdings on a regular basis and report to client
      vii. Measure and report performance quarterly
      viii. Meet with client regularly
      ix. Review the IPS periodically and update as needed based upon client needs and/or market conditions.

11. Strategic Asset Allocation
   To accomplish the Fund’s investment objectives, the investment manager is authorized to utilize portfolios of domestic and international equity securities fixed-income securities and short-term investments consistent with prudent investing. As a guide to accomplishing these objectives, the manager shall remain within the asset class ranges provided below. Ranges may be modified from time to time as needed.
Based upon the Fund’s moderate growth risk profile, the strategic portfolio asset allocation will be:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash/Equivalents</td>
<td>2.0</td>
<td>3.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>35.0</td>
<td>40.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Domestic Equities</td>
<td>30.0</td>
<td>40.0</td>
<td>50.0</td>
</tr>
<tr>
<td>International Equities</td>
<td>10.0</td>
<td>15.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Total Equities</td>
<td>55.0</td>
<td>60.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0.0</td>
<td>0.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Alternatives</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Quality description for equities and fixed income.....

Cash/Equivalents: High quality money market funds

Equities: Domestic and International common stocks, mutual funds and exchange traded funds

Fixed Income: U.S. Treasury/federal agency obligations, marketable corporate bonds, commercial bank CDs (may use domestic and international)

Real Estate: publically trade REITs, mutual funds, exchange traded funds.

12. Rebalancing
There will be periodic deviations in actual asset weights from the policy asset weight due to market movements, cash flows and varying asset class performance. ECR authorizeds the Investment Manage to rebalance the portfolio as needed to ensure adherence to the Investment Policy.

13. Restrictions
ECR directs it manager to adhere to the Socially Responsible Investing criteria as described in the appendix, as submitted by the Diocesan Corporation of El Camino Real and passed at the 1998 convention.

14. Transactions
The investment manager will determine portfolio turnover rates consistent with Fund objectives. All purchases of securities will be for cash. There will be no margin transactions or any other form of leverage on the portfolio.
15. Performance Evaluation
Investment returns will be measured on a total return basis which include income and both realized and unrealized capital gain/losses and will be calculated based on a time-weighted rate of return formula as recommended by the Chartered Financial Analysts (CFA) Institute. Performance will be measured daily, reported quarterly and evaluated over a three-five year time period.

16. Communications/Reports
Manager communications with the ECR will include:
   a. Quarterly portfolio valuation, performance and gain/losses
   b. Regular (quarterly) portfolio review meetings/calls
   c. Review significant changes in investment management firm
   d. Other communications managers feel necessary to facilitate objectives
ECR Finance Committee communications with manager will include:
   e. Modifications to the IPS
   f. Any changes in cash flow requirements
   g. Any other matters that may impact portfolio assets
ECR Finance Committee communications to the Board of Trustees:
   h. Investment performance
   i. Any recommended modifications to the IPS
   j. Significant changes in management of the Fund
   k. Other communications deemed necessary to the management of the Fund

17. Financial Structure and Conflict of Interest
The manager will be provided a copy of the ECR Conflict of Interest Policy for reference and compliance.

18. Summary and Signatories
This IPS is intended as a guideline rather than a rigid statement of policy from which there can be no deviation. However, it is anticipated that the manager will bring any important changes to the attention of PHS on a timely basis. Likewise, ECR may make changes to this IPS from time to time and will provide the manager with revisions in a timely manner.

Approved:

___________________________________ Date:_______________________________

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Approved:

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Appendix I: Resolution #6: Socially Responsible Investments

Submitted by the Diocesan Corporation of El Camino and Passed at the 1998 Convention

Statement of Principles and Guidelines

1. In its program of Socially Responsible Investing, the Episcopal Dioceses of El Camino Real is committed to assure both adequate financial returns and compliance with our social and religious principles. The records of several investment firms and advisors and the results monitored by the Domini Social Index demonstrate that this possible.

2. The proposed program of Socially Responsible Investing is intended to evolve over the years, with adjustments being made in principles and screen over time. It is also anticipated that with experience better procedures and structure for the program will be devised.

3. The program of Socially Responsible Investing has two goals – To do no harm and To do good. We will attempt to meet those goals in the following ways:
   a. In order to avoid participation in harmful things, we will refuse to invest in companies whose products and/or policies are counter to the values expressed in our Baptismal Covenant (“Will you strive for justice and peace among all people, and respect the dignity of every human being? I will, with God’s help.” Book of Common Prayer, page 305). In that spirit, the Diocese will strictly avoid investment in such areas such as, but not limited to, the following:
      i. Manufacturers of weapons, both conventional and nuclear,
      ii. Manufacturers of tobacco, alcohol or gambling products,
      iii. Companies with an ongoing record of severe discrimination controversies, suits and/or fines based on gender, race, age or religion,
      iv. Companies whose operations are aligned with governments with human rights abuses or repressive regimes,
      v. Companies whose business causes substantial environmental damage,
      vi. Companies with records of poor public citizenship, characterized by such things as recurring labor problems, insensitive public policies, and blatant disregard for community values.
   b. In order to actively pursue good, we strongly encourage investment in corporations that are providing solutions to social and environmental problems and which support the moral and social values expressed in our Baptismal Covenant, specifically companies that:
      i. Promote fair employment practices and promote diversity through innovative employee benefits and programs, family-friendly policies, and training and advancement programs for women and minorities,
      ii. Participate as concerned and involved citizens in their communities, through charitable giving, employee involvement, and direct investment in affordable housing and other initiatives in under-served communities,
      iii. Have a direct positive effect on the environment through their products, services and/or actions to restore or enhance the environment.