

FIRST UNITED METHODIST CHURCH

Statement of Investment Policy, Objectives & Guidelines for First United Methodist Church

A. GENERAL INFORMATION

The First United Methodist Church Endowment Committee, New Castle, Indiana, (hereafter “Committee”) hereby adopts this Statement of Investment Policy. The Committee operates as part of the structure of First United Methodist Church (hereafter “The Church”).

B. PURPOSE OF THIS POLICY STATEMENT

This statement of investment policy has been adopted by the Endowment Committee 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 of Committee assets.
3. Establish the relevant investment time horizon(s) for which the Committee assets will be managed.
4. Manage Committee assets according to prudent standards.
5. Establish a basis for evaluating investment results.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

C. DELEGATION OF AUTHORITY

The Endowment Committee is responsible for directing and monitoring the investment management of assets. The Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Fund. The investment fund will be responsible for all management decisions relating to assets placed with the fund for management. The fund may employ professional experts including investment consultants, investment managers and custodians.
2. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales.

The Committee is responsible for implementation of the investment policy and selection of investment funds or professionals.

D. DEFINITIONS

1. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the assets.
2. "Investment Time Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met

E. GOAL OF COMMITTEE

The Committee believes that income distributions to be made in the future are as important as distributions made today. To attain this goal, the overriding objective is to maintain purchasing power of assets. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the investment time horizon. Specific investment objectives will be established later in this document.

F. SPENDING POLICY

The Committee places high emphasis on meeting its support obligations and regards spending from year to year as relatively inflexible. Therefore, in order to achieve a relatively stable spending pattern while allowing for investing in securities providing relatively high total earnings, the Committee will base amounts available for spending on the total value of investment accounts. The Committee will determine annually amounts to be spent or granted. Spending is anticipated to be approximately 4.0% of portfolio value of various accounts. The Committee anticipates this level of spending will allow retained income to equal or exceed inflation and thereby maintain purchasing power.

G. RESPONSIBILITY OF THE COMMITTEE

The Committee is charged with the responsibility for the management of the assets under its control. The Committee shall discharge its duties solely in the interest of the Church, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor, 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 Committee relating to the investment management of assets include:

1. Determining the risk tolerance and investment horizon.
2. Establishing reasonable and consistent objectives, policies and guidelines which will direct the investment of the assets.

H. GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Committee and church.
2. The assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investments of the Committee shall be diversified to minimize the risk of large losses,

unless under the circumstances it is clearly prudent not to do so.

4. The Committee may invest in one or more investment funds, or, employ one or more investment managers of varying styles and philosophies to attain the Committee's objectives.

5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

I. INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Investment funds or managers shall be selected to make reasonable efforts to preserve capital, understanding that losses may occur.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Committee's objectives. However, the investment funds or managers are expected 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.

J. INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Committee is to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income.

Specifically, the primary objective in investment management shall be:

- **Preservation of Purchasing Power** - To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of assets. Risk control is an important element in the investment of assets.

The secondary objective on the investment management of assets shall be:

- **Income and Growth** - To achieve a reasonable total return of current income and growth. Returns from "high risk" portfolios are not predictable and will likely be unnecessarily volatile. Alternatively, returns from "very conservative" portfolios will likely result in low earnings. Therefore, the Committee shall tend toward a more "moderate" investment strategy balancing the need for income (total income) with the need to preserve principal.

The Committee understands that in order to achieve its objectives for its assets, the Committee may experience volatility of returns and fluctuations of market value.

Recognizing that the Committee may manage various accounts which may have different investment needs, it is anticipated the Committee may utilize different investment funds to achieve the needs of the various accounts. It is anticipated the Committee will invest through one or more of the funds available through the Indiana United Methodist Foundation, Inc. *Investment Service Fund* which it administers for the benefit of itself and other Indiana Conference participants.

K. SOCIAL RESPONSIBILITY

Assets of the Church under the control of the Committee may be, but are not required to be, invested either directly, or through funds, in institutions, companies, corporations, or funds which make a positive contribution toward the realization of goals outlined in the Social Principles of United Methodist Church.

L. MARKETABILITY OF ASSETS

All Committee assets are to be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

M. INVESTMENT GUIDELINES

If Committee assets are invested through funds, funds are to be chosen which, in general, adhere to the guidelines listed below. If assets are invested directly by the Committee, investments shall adhere to the guidelines listed below.

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - STIF Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities
 - Government and Agency Securities
 - Corporate Notes and Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
 - Collateralized Mortgage Obligations
 - Collateralized Bond Obligations
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)
4. Mutual Funds
 - Mutual Funds which invest in securities as allowed in this statement.
5. Other Assets
 - GIC's
 - Real Estate Investments

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Commodities and Futures Contracts

- Private Placements
- Limited Partnerships
- Venture Capital Investments

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

- Short Selling
- Margin Transactions

Diversification

The Committee does not believe it is necessary or desirable that securities held represent a cross section of the economy. However, in order to achieve a prudent level of total portfolio diversification, the securities of any one company or government agency should not exceed 10% of investments, and no more than 25% should be invested in any one industry.

N. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be reviewed regularly. The performance 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 Committee intends to evaluate the portfolio(s) over at least a three year period, or longer.

O. INVESTMENT POLICY, OBJECTIVES & GUIDELINES REVIEW

To assure continued relevance of the policies, objectives, guidelines, as established in this **Statement of Investment Policy, Objectives and Guidelines**, the Endowment Fund plans to review this investment statement at least every year.

P. INVESTMENT POLICY REVIEW

To assure continued relevance of the policies as established in this **Statement of Investment Policy**, the Committee plans to review this investment statement at least every five (5) years.

This **Statement of Investment Policy**, was approved on _____, _____ by the Endowment Committee of First United Methodist Church, New Castle, Indiana
