

Faith Lutheran Church Endowment Fund

Investment Policy

I. POLICY AND PURPOSE

This policy governs the investment of the Faith Lutheran Church Endowment Fund. The purposes of this policy are to (a) define the investment objectives and procedures for the Fund, (b) provide the Endowment Fund Team and Leadership Board with a basis for understanding the investment process and evaluating performance, (c) invest the assets (principal/corpus and income) productively, and (d) comply with all state and federal codes to the extent they apply to the Fund.

II. ABBREVIATIONS/DEFINITIONS

The following abbreviations/definitions are used herein:

The Fund – Faith Lutheran Church Endowment Fund

FET – Faith Endowment Fund Team

FLB – Faith Leadership Board

III. DELEGATION OF AUTHORITY

- A. FET Authority – The FET shall have the authority and responsibility, subject to the FLB approval, to carry out the requirements of this Investment Policy. Such authority shall be in accordance with the bylaws and policies of Faith, the FLB, and the Fund.
- B. Selection of an Advisor – The FET may select an investment advisor(s) for assistance in meeting its responsibilities. Such committee and/or advisor(s) will be held accountable to achieve the objectives stated herein. Further, to the extent that an advisor or advisors is/are employed, the FET will direct such advisor(s) as to these guidelines and monitor the conformance to these guidelines.

IV. INVESTMENT PRINCIPALS

- A. Congregational Objectives - Investments shall be made in the interest of meeting the ongoing objectives of Faith to provide funds to further its mission and ministry as stated in the Fund Bylaws.
- B. Prudence - The funds of the Fund shall be invested with care, skill, prudence and diligence under the circumstances prevailing from time to time that a “prudent person” acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and like goals.
- C. Diversification - Investments of the Fund shall be so diversified as to minimize the risk of large losses. Short-term fluctuations in value shall be considered secondary to long-term results.
- D. Legal Compliance - All investment decisions must be in accordance with all applicable laws and statutes.
- E. Cash - Cash is to be productively employed at all times by investment in short-term cash equivalents to provide safety, liquidity, and return. Whenever possible, cash investments should take advantage of insurance coverage (such as FDIC insurance, FSLIC insurance, etc.).
- F. Liquidity – To prevent a possible loss upon forced sale of a security to meet a required payment, the FET or its designee shall at least annually review the cash disbursement requirements and prepare an estimate of net cash flow requirements for the next year.

V. TYPE OF ASSETS

The FET – or, if employed, investment advisor(s) – may choose investments from among the more common assets that are available. It is expected that these investments would come from the following types of assets:

- Common stocks
- Preferred or Convertible Stocks and Bonds
- Corporate Bonds
- Money Market Funds
- U.S. Government Securities
- LCMS-related Investments
- Lutheran Church Extension Funds (LCEF)
- Exchange Traded Funds (ETFs)
- Equity and Bond Funds
- Equity and Bond Index Funds
- Certificates of Deposit
- Savings Accounts

VI. INVESTMENT OBJECTIVE, POLICIES, AND ASSET ALLOCATION

A. Investment Objective – To preserve the principal held and grow the principal over time and to generate income for reinvestment in support of Faith’s vision, mission, and ministry as prescribed in the Fund Bylaws.

B. Investment Policies

- (1) Borrowing of funds or securities is not permitted
- (2) Funds may not be invested, nor obligations incurred in futures, options, swaps, forwards, Collateralized Mortgage Obligations, or any other financial derivatives.
- (3) Gifts of non-income producing real estate and tangible personal property such as jewelry, gold, and gems shall not be held as investments, but converted to acceptable forms of investments as soon as practicable.
- (4) All securities shall be readily marketable, and fixed income securities shall be of investment grade.
- (5) No specific restriction is placed on portfolio turnover, though the portfolio should not be managed for short-term gains or generation of fees.
- (6) The funds shall be held in custody by an institutional custodian.
- (7) For fixed income securities the average quality for the portfolio should equal or exceed Moody’s A rating and S & P’s equivalent rating to Moody’s A rating. Staggered maturities shall be maintained for fixed income securities to provide maximum return commensurate with safety. Consideration should be given to the certainty of income in making an investment decision.
- (8) Any equity, fixed income or money market fund should have at least a three (3) year history and be rated no less than three (3) stars by Morningstar.
- (9) Consideration of investment in mutual funds should take into account the redundancy, frequency, amount and significance of fees charged by the fund and broker.

C. Asset Allocation

- (1) The Fund shall be invested at least 25% and no more than 75% in equities. The Fund shall be invested at least 25% and no more than 75% in fixed income investments. No more than 50% of the funds may be invested in foreign securities. No more than 40% of the funds may be in cash and cash equivalents for an extended period of time.
- (2) No industry should represent more than 20% (combination of any type of asset as noted above) of the total assets of the Fund.
- (3) No one issue should be more than 5% of the total assets of the Fund. This excludes mutual or pooled funds, which by their very nature spread their investments among numerous issuers. This also excludes U.S. Government Securities, Certificates of Deposit, Savings Accounts and Money Market Funds, which are considered to be of minimal risk.

VII. USE OF INVESTMENT ADVISOR(S)

- A. Discretion – If an investment committee or investment advisor(s) is/are engaged by the FET, the FET shall advise such investment committee and investment advisor(s) that they have discretion to vary the target asset allocation within the above noted acceptable ranges, based upon market conditions and/or relative valuation disparities which may occur from time to time. In addition, the investment advisor(s) may hold a large position in cash or cash equivalents against short term market declines.
- B. Policy Adherence – The investment committee and investment advisor(s) shall be provided with a copy of the Investment Policy and agree to abide by its terms and provisions to the extent they apply to their services, which shall be documented by a written acknowledgment.
- C. Performance Benchmark – The FET shall evaluate the performance of the investment committee and investment advisor(s) on the basis of appropriate and comparable publicly available industry benchmarks. These performance benchmarks shall be reviewed by the FET periodically for any prudent changes based upon current economic and financial market conditions.
- D. Market Cycle – The performance of the investment committee and investment advisor(s) shall be evaluated by the FET over a minimum one (1) year and maximum five (5) year market cycle.
- E. Reporting – The investment committee and investment advisor(s) shall provide reports to the FET on a quarterly basis, and shall also be available to attend meetings of the FET and FLB as often as requested and/or required. At a minimum, representatives of the FET and FLB meet annually with the investment committee and investment advisor(s) to discuss this Investment Policy and investment performance. This review will include the following:
 - Adherence to this Investment Policy and risk guidelines.
 - Investment results obtained compared to various performance measurements.
 - Methods used in obtaining investment performance.
 - Proposed future strategy considering the present, past and future prospective economic and financial market climates.

VIII. UNIQUE NEEDS AND PREFERENCES

From time to time, the FET or FLB may choose to prohibit investments in certain industries or companies and/or encourage investments in other industries or companies. Any such unique needs or preferences shall be communicated to the investment advisor(s) and incorporated into this Investment Policy as an addendum only after approval by the FLB, as required by this Investment Policy.

IX. AMENDMENT/CHANGES

Any amendment which will change, alter, or amend this Investment Policy shall only be made with the approval of the FLB.

X. APPROVAL

This Investment Policy was approved by Faith Leadership Board on December 9, 2019.