

# STATEMENT OF INVESTMENT POLICY

## **GROWTH/INCOME ENDOWMENT FUND TOTAL RETURN ENDOWMENT FUND RETIREMENT FUND**

### **INTRODUCTION**

This statement of investment policies and objectives is set forth in order that:

1. The Board of Stewardship shall have clearly defined investment policies and objectives as set forth herein.
2. The assets of the Funds shall be invested most productively and should experience long term growth.
3. There will be a basis for evaluation of the investment performance.
4. The manner in which these objectives is accomplished and the accountability of the Board of Stewardship and Investment Managers in seeking to achieve these objectives shall be consistent with the fiduciary provisions of the "Prudent Man" rule.

### **RESPONSIBILITY**

The Board of Stewardship is charged with the responsibility of overseeing the assets of the Funds. Members of the Board shall discharge their duties solely in the interest of the Funds' beneficiaries and for the exclusive purpose of meeting the Funds' investment goals. These duties shall be discharged with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man or woman acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

### **INVESTMENT MANAGEMENT**

The Board of Stewardship is authorized to engage the services of investment managers, as defined under the Investment Advisors Act of 1940, and other investment professionals to provide the specialized research and skilled manpower to meet these investment objectives and guidelines. Accordingly, the Board requires the investment managers to adhere to the "prudent man rule" under such federal or state laws as may be applicable, or which may be applicable in the future to investments of their assets.

### **DELEGATION OF AUTHORITY**

Investment manager(s) retained by the Board of Stewardship will be held responsible for making all investment decisions regarding the assets under their direction. Each investment manager retained to maintain a separately managed account will observe the guidelines and philosophies stated herein and will be required to operate within these guidelines. For those managers who are retained under a mutual or commingled trust agreement, it is expected that the fund will operate under the specific guidelines outlined in its prospectus or offering memorandum.

### **TYPES OF ASSETS**

In order to provide for adequate investment diversification across a broad range of assets, the following types of assets are approved for investment.

- Common Stock
- Preferred Stock with a minimum quality rating of A by Moody's or Standard & Poor's
- US Government and Agency Securities
- Publicly Traded Real Estate Investment Securities (REITs)
- Private Market Real Estate
- Corporate Bonds with a minimum quality rating of BBB by Moody's or Standard & Poor's
- Convertible Securities
- Covered Call Option Contracts
- Protected Put Option Contracts
- Mutual Funds
- Commingled or Pooled Funds
- Other strategies approved by the Board

The following assets and/or transactions are prohibited:

- Uncovered Options—Puts or Calls
- Net Short Selling
- Commodities
- Restricted Stock
- The Funds' assets will not be invested in securities issued by companies that generate a predominate amount of their sales and earnings from the following businesses: tobacco, gambling, and liquor.

### **PROXY VOTING**

The Board of Stewardship recognizes that proxy voting is a fiduciary responsibility and requires that proxies be voted based on those factors which would enhance the value of the

Funds' investments. The Board delegates its authority to vote proxies to the investment managers and instructs them to maintain accurate voting records and to vote proxies for the exclusive benefit of the Funds. If an investment manager has not been retained, or if the Funds' assets are not in the control of a manager, then the Board of Stewardship shall vote all proxies for the exclusive benefit of the Funds.

**PRESERVATION OF PRINCIPAL**

It is the intention of the Board of Stewardship that the investment managers make reasonable efforts to preserve the principal of the assets allocated to the manager, but preservation of principal shall not be imposed on each individual security. Investment managers' decisions to realize a gain or loss by the sale of a security should be based solely on investment considerations.

**SELECTION OF SECURITIES**

Working within the guidelines and restrictions stated in this document, investment managers have discretion in the selection of the specific securities which they deem appropriate in achieving the Funds' goals and objectives and which are consistent with their strategies as outlined in their contracts. High standards of quality are to be adhered to in the selection of all types of investments. All assets selected for investment must have a readily ascertainable market value and must be readily marketable.

**INVESTMENT GUIDELINES**

Policy guidelines will be set by the Board of Stewardship after considering the advice and recommendations of its attorneys, accountants, investment managers, consultants or other professionals retained to render advice. All modifications of policy guidelines shall be in writing and agreed upon by the Board and signed by an authorized representative.

**REPORTING**

Reports detailing investment holdings and account transactions will be submitted to the Funds monthly. A performance evaluation report will be submitted to the Board of Stewardship quarterly.

**INVESTMENT GOALS AND OBJECTIVES**

**OBJECTIVES**

The investment objectives of the Growth/Income Endowment Fund shall be:

1. Above average realized income
2. Generation of capital growth in excess of inflation
3. Above average long-term total return
4. Preservation of principal
5. Payment of monthly income

The investment objectives of the the Total Return Endowment Fund and the Retirement Fund shall be:

1. Preservation of purchasing power
2. Increasing long-term rate of return
3. Preservation of principal

**1. Investment Philosophy—Asset Allocation**

The Board of Stewardship's function is to allocate the Funds' assets among stocks, fixed income securities, cash reserves, and other prudent investments. The Board desires to maintain a diversified mix of equities, fixed income and real estate. Due to market fluctuations, the actual allocations to each asset class are allowed to fluctuate +/-3.0% around the following maximum and minimum ranges:

**Growth/Income Endowment Fund:**

	<i>Maximum</i>	<i>Minimum</i>
Equity	65%	30%
Fixed Income	70%	35%
Real Estate	15%	0%
Cash & Equivalents	15%	0%

**Total Return Endowment Fund:**

	<i>Maximum</i>	<i>Minimum</i>
Equity	80%	30%
Fixed Income	70%	20%
Real Estate	15%	0%
Cash & Equivalents	15%	0%

**Retirement Fund:**

	<i>Maximum</i>	<i>Minimum</i>
Equity	70%	30%
Fixed Income	70%	35%
Real Estate	15%	0%
Cash & Equivalents	15%	0%

**2. Equity Securities**

Equity securities provide the Funds with potential for capital appreciation, dividend income, and diversity. The portfolio should have at least 20 issues for diversification. Investment managers will be allowed to choose the degree of concentration in various issues and industry sectors. For separately managed accounts, investment managers will not make purchases which would, at the time of purchase, make the aggregate weight or exposure to a single security exceed 5% of the total portfolio. However, if price appreciation causes the security to exceed the 5% limitation, a sale of the issue shall not be required except as warranted by investment considerations.

**Investment Markets—Equities**

In order to broaden the investment opportunities for investment managers to achieve the objectives set forth herein, managers are permitted to invest in equity securities listed on the New York Stock Exchange, the American Stock Exchange,

principal regional exchanges, and in over-the-counter securities for which there is a strong market providing liquidity of the specific security. Domestic investment managers are permitted to utilize American Depository Receipts (ADR's). If the Board of Stewardship employs a global or international strategy for the benefit of either fund, the global and international investment managers are allowed to invest in equity securities traded on established exchanges worldwide.

### **3. Real Estate Investment Trusts**

Real estate investment trusts (REITs) provide the Funds with potential for capital appreciation, a high rate of current income, and diversity. The REIT portfolio should have at least 20 issues for diversification. Where commingled property funds or real estate mutual funds are utilized, investment managers will be allowed to choose the degree of concentration in various property types and geographic regions. Where separately managed accounts are utilized, investment managers will not make purchases which would, at the time of purchase, make the aggregate weight or exposure to a single REIT exceed 5% of the total portfolio. However, if price appreciation causes a REIT to exceed the 5% limitation, a sale of the issue shall not be required except as warranted by investment considerations.

### ***Investment Markets—Real Estate***

In order to broaden the investment opportunities for investment managers to achieve the objectives set forth herein, the managers are permitted to invest in public and private real estate offering in primary and secondary markets. Real estate investments may include REIT securities, units of commingled property funds, and real estate mutual funds.

### **4. Fixed Income Securities**

Fixed income securities provide the Funds with potential for consistent rates of interest income and low volatility relative to other investment vehicles. The investment managers will be allowed to choose the degree of concentration in various issues and market sectors. With the exception of US Government and Agency securities, the investment managers will not make purchases, which would at the time of purchase, make the aggregate weight (cost basis) to a single security exceed 2.5% of the manager's total portfolio market value. However, if price appreciation causes the security market value to exceed the 2.5% limitation (cost basis), a sale of the issue shall not be required except as warranted by investment considerations. Additionally, the investment managers shall be permitted to invest up to 20% (cost basis) of their respective portfolios in BBB securities. Any BBB security shall represent no more than 0.5% of the manager's total portfolio market value at

the time of purchase (cost basis). However, if price appreciation causes the BBB security market value to exceed the 0.5% limitation (cost basis), a sale of the issue shall not be required except as warranted by investment considerations.

### ***Investment Markets—Fixed Income***

In order to broaden the investment opportunities for the investment managers to achieve the objectives set forth herein, the managers are permitted to invest in fixed income issues offered in both primary and secondary markets. Fixed income securities may include bonds, notes and pass-through securities issued or guaranteed by the US Government or its agencies, corporate bonds, notes, debentures, mortgage-backed securities, asset-backed securities, or bonds issued by foreign governments. Should the rating on a debt or preferred stock security purchased subsequently fall below the required minimum BBB rating, a sale of the issue shall not be required except as warranted by investment considerations.

### **5. Cash & Cash Equivalents**

All cash, wherever and whenever possible, should be invested in interest bearing instruments. These investments should be free from price fluctuations and have instant liquidity.

## **PERFORMANCE GOALS**

The investment objectives of the Funds represent long term expectations and will be evaluated over three and five year time periods. Performance goals are defined in "real" (in excess of inflation) rates of return and relative rates of return.

1. Each Fund's total managed investments should earn over time an annualized real rate of return (over inflation as measured by the Consumer Price Index) of at least 5%.
2. The volatility of each Fund's total investments should be in line with the volatility of a Composite Index comprised of appropriate market indexes in the same allocation as the Funds.
3. All equity investments, which includes real estate investment trusts (REITs), should earn over time an annualized real rate of return (over inflation) of at least 7%.
4. Fixed income investments should earn over time an annualized real rate of return (over inflation) of at least 2.5%.
5. Private real estate investments should earn over time an annualized real rate of return (over inflation) of at least 4.0%.
6. In addition to the goals set forth above, on a relative rate of return basis, the Funds' total investments and each Fund's segments should

exceed the performance of its respective market index over full market cycles.

7. The Board of Stewardship shall periodically review the appropriateness of the current asset allocation and make changes to the asset mix as necessary.