

**INVESTMENT POLICY  
(PROPOSED)**

of the  
Endowment Fund of the RMC of the UCC

**POLICY INFORMATION**

<b>Plan Name</b>	Endowment Fund of the Rocky Mountain Conference of the United Church of Christ
<b>Plan Sponsor</b>	Rocky Mountain Conference of the United Church of Christ
<b>Type of Plan</b>	Institutional Fund for a Tax-Exempt Charitable Corporation
<b>Proposed Initial Assets:</b>	\$1,000,000
<b>Planning Time Horizon</b>	Ten years
<b>Fund Manager Reporting Period</b>	Quarterly
<b>Fund Manager Evaluation Period</b>	At least biennially
<b>Plan Year</b>	January 1 to December 31
<b>Plan Administrator</b>	Endowment Fund of the Rocky Mountain Conference of the United Church of Christ 1140 West 5th Avenue Denver, CO 80204 303-984-9118
<b>Investment Advisor</b>	To be selected

**STATEMENT OF OBJECTIVES**

The investment objectives are to:

1. Provide consistent support for programs and services of the RMC.
2. Conform to the UCF policy for “socially responsible investments”.
3. Develop a long-term investment strategy employing modern investment management techniques.
4. Maintain the long term purchasing power of the INVESTMENT PORTFOLIO.
5. Mitigate the effects of short-term market volatility.

**INVESTMENT PORTFOLIO**

All accounts and sub-accounts will be invested using the same allocations.

**DIVERSIFICATION**

The portfolio will have at least 20 percent of the portfolio in at least three major investment asset classes.

The portfolio will contain four-to-eight mutual funds, common investment funds, US Treasury bonds, or Cornerstone funds that represent different styles within the major asset classes. Each fund will be managed by a different fund manager.

**DISALLOWED INVESTMENTS**

Alternative instruments, such as investments in real estate, hedge funds, venture capital, private equities, natural resources, and other assets are prohibited.

**ACTIVE MANAGEMENT**

The TRUSTEES will not actively manage all or any part of the INVESTMENT PORTFOLIO. The INVESTMENT PORTFOLIO will be invested with the advice of an investment advisor through an investment management firm.

**SOCIALLY RESPONSIBLE FUNDS**

The plan will invest in socially responsible funds that meet the requirements stated in the “Statement of Investment Policy - United Church Foundation, Inc.”

**TRADING**

After initial investment, trading will occur only:

- When the fund’s objective changes from our investment criteria, or when the fund’s performance (return and risk) is exceeded by another fund for two years.
- When our allocation changes.
- When there is a need for rebalancing.

**REBALANCING**

The INVESTMENT PORTFOLIO will be rebalanced semi-annually or when one fund varies more than 5 percent from the original allocation.

Contributions to the Endowment Fund will be used to rebalance the assets in the INVESTMENT PORTFOLIO when possible.

**ASSET ALLOCATION**

The initial allocation goals for investments of the Endowment Fund are:

Fixed-Income	25% to 45%
Domestic Core equities	10% to 45%
Small/Micro Cap	10% to 30%
Foreign equities	10% to 30%
Emerging Foreign markets	not more than 5%

The actual allocation of assets into various funds will use modern portfolio theory to consider both return and risk with the constraints listed below.

**EXPECTED PORTFOLIO PERFORMANCE**

The expected ten-year geometric return is 10% per year.

Risk, as measured by the standard deviation, is expected be less than that of a 33% bond, as measured by the Lehman Brothers Aggregate index, and 67% equity as measured by the S&P 500 over the same period.

Modern portfolio theory, using programs such as a mean-variance optimization program for finding the envelope of assets with the lowest risk for any return and Sharpe's Ratio, will be used to select an efficient allocation of these indexes for the benchmark portfolio.

#### **MONITORING INVESTMENT POLICY AND INVESTMENT PERFORMANCE**

The TRUSTEES shall evaluate the performance of the INVESTMENT PORTFOLIO at least quarterly.

At least annually the TRUSTEES, with its investment advisor, will review the composition of the INVESTMENT PORTFOLIO. The Efficient Frontier of the INVESTMENT PORTFOLIO will be recalculated at least biennially.

#### **EVALUATING INVESTMENT FUNDS**

The TRUSTEES shall make a reasonable effort to verify facts relevant to the management and investment of the funds at least biennially.

The following should be considered in evaluating the performance of a mutual or common investment fund and fund manager:

1. Has there been any change in the fund's investment style?
2. Have there been any organizational changes, such as a new manager?
3. Has the fund experienced a large increase or decrease in assets or accounts?
4. How is the fund performance (return and risk) relative to its index and peer group?
5. Is the investment management firm's fund manager registered with the SEC and state regulators?
6. Has the investment management firm or the fund manager been involved in any litigation claims, assessments, or regulatory investigations?
7. Has the fund's reporting been timely and accurate?

#### **AMENDMENT OF POLICY**

This Policy has been reviewed and accepted by the TRUSTEES. The TRUSTEES must approve any changes to, or deviations from, this Policy by the affirmative vote of five (5) TRUSTEES at a meeting called specifically for that purpose, and with advance notice to the Board of Directors of the Rocky Mountain Conference of the United Church of Christ.

**GLOSSARY**

**Asset Classes** Major groups of investments that have materially different risk and return profiles. For this policy, these will be limited to large domestic stocks (as measured by the S&P 500), small company stocks, long-term corporate bonds, long term government bonds, intermediate term government bonds, U.S. Treasury Bills, foreign stocks, and REITs.

**Custodian** The company or individual responsible for the bookkeeping and accounting and filing the needed annual federal and state reports.

**Efficient Frontier** A risk-return curve calculated using modern portfolio theory procedure describing the mixture of investments that gives the greatest return for any risk.

**Expected return** The anticipated total returns including dividends and realized and unrealized capital gains.

**Expected risk** Risk is defined as the variation (both positive and negative) as measured by the standard deviation of the value of the portfolio around the average portfolio value.

**Fund Manager** The manager of the individual mutual fund, common investment fund, or other asset in the portfolio.

**Investment Advisor** An individual paid to provide investment management advice. Normally this individual is a Certified Financial Analyst (CFA) and is registered with the Securities and Exchange Commission. The advisor must disclose all potential *conflicts of interest* and is normally not connected to a firm or organization that sells equities or mutual funds.

**Investment Horizon** The time period over which the investment objectives, as set forth in this Investment Policy, are expected to be met.

**Modern Portfolio Theory** A method of selecting the optimum portfolio from a number of possible investments considering both the risk and expected returns of the individual investments.

**Small Company Stocks** Stocks in the ninth and tenth deciles of the New York Stock Exchange and those listed on American Stock Exchange and NASDAQ with less capitalization than the upper bound of the NYSE ninth decile, or approximately \$900,000,000. "Stocks, Bonds, Bills, and Inflation" uses Dimensional Fund Advisors U. S. Micro Cap Portfolio as the index for these stocks.

**Style** The description of the approach and strategy used by an investment manager to manage funds. Equity styles include growth, value, yield, large cap, med cap, and small or micro cap.