

# **THE EPISCOPAL DIOCESE OF ARIZONA**

## **Investment Guidelines and Objective Statement April 26, 2022**

### **Purpose**

The purpose of this statement is to establish a clear understanding of the investment policy, guidelines and objectives of The Episcopal Diocese of Arizona Investment Fund (the Fund) acting through its Investment Committee ( the Committee) and the investment advisors retained by the Diocese as the investment managers (the Managers).

This statement is intended to provide the Managers with a meaningful framework for the management of the assets of the Fund, and to allow flexibility for effective daily management decisions.

### **Primary Objective**

With the above purpose in mind, the primary objectives of the Fund shall be to achieve a reasonable total return on the assets while limiting the risk exposure of the capital through appropriate asset diversification.

### **Diversification**

The Fund shall be managed as a balanced portfolio with a growth bias. The Managers are given full discretion to select individual securities, commingled funds or mutual funds, make periodic adjustments to the asset allocation and diversify Fund assets within the following ranges:

<b>Asset Class</b>	<b>Strategic Range</b>	<b>Target Allocation</b>
Equity	50 - 75 %	60 %
Fixed Income (includes cash)	30-50%	40 %

Within the equity asset class and the fixed income asset class, the maximum combined exposure of ESG (see definition below) will be up to 30%.

Within the equity asset class, the permissible range for alternatives is as follows:

<b>Asset Class</b>	<b>Strategic Range</b>	<b>Target Allocation</b>
Alternatives	5 - 15 %	10%

Within the fixed income asset class, the permissible range for cash is as follows:

<b>Asset Class</b>	<b>Strategic Range</b>	<b>Target Allocation</b>
Cash	0 – 40%	5%

The market value of any individual equity security held by the Fund shall not, at the time of purchase, be more than 5% of the total market value of the Fund. Diversified mutual funds within an asset class are not subject to this limitation.

### **Exception**

In the unlikely event of an extraordinary national or international adverse economic or financial market situation, the Managers are permitted to exceed the maximum allowable fixed income/cash allocation. The Managers will be the sole judge of the existence of such a situation and shall notify the chairman of the Committee of this action as soon as possible.

### **Definitions:**

ESG - ESG is an investment solution based on the philosophy that Environmental, Social & Governance analytics can complement quantitative or fundamental investment techniques so as to mitigate risks or capture new opportunities. The solution can be implemented using negative screening techniques; overweighting companies that are ESG leaders; investing in specific social or environmental projects; or investing in broad ESG themes such as decarbonization, green energy and water technology

ETN – Exchange Traded Note

ETF – Exchange Traded Funds

ADR – American Depository Receipts consist of international securities that trade on United States exchanges or over the counter markets and meet the above criteria.

### **Eligible Investments**

Eligible equity investments include common stocks; global, domestic and international, emerging markets, preferred stocks, and convertible securities (including preferreds and debentures), mutual funds, ETN's, ETF's and ADR's. .

Eligible fixed income securities include any obligations issued or guaranteed by the United States Government, its agencies or instrumentalities, or corporate securities which at time of purchase are rated in one of the four highest rating categories (investment grade) by any of the nationally recognized statistical rating organizations, (ETN's, ETF's and units/shares of mutual funds. International fixed income securities are eligible for purchase through the investment in mutual funds. High yield mutual funds and ETFs are also eligible for purchase in a well-diversified fixed income portfolio

Eligible short term investments with maturities of less than one year include obligations issued or guaranteed by the United States Government, its agencies or instrumentalities, commercial paper which at the time of purchase is rated in one of the two highest rating categories by any of the nationally recognized statistical rating organizations, certificates of deposit with federally insured institutions (up to the maximum insured amount per institution) and units/shares of money market funds.

Alternative Investments shall include but not be limited to investments in commodity and real estate mutual funds, ETF's , private equity and hedge funds through investments in ETF's and ETN's and mutual funds associated with alternative investments.

## **Liquidity**

The assets of the Fund shall be sufficiently liquid to meet existing Fund disbursement requirements. Such requirements shall be communicated in writing to the Manager from time to time by the Committee.

## **Legal Constraints**

The Managers must at all times invest the Fund assets within the guidelines of the prudent investor rule.

## **Tax Constraints**

The Episcopal Dioceses of Arizona is a tax-exempt organization; therefore there are no income tax obligations with regard to the investments within the fund.

## **Time Horizon**

There is an indefinite time horizon for the Fund assets. An annual investment guideline and policy review will be conducted by the Committee with the advice of and consultation with the Managers.

## **Risk**

The risk assumed in the portfolio of the Fund will be commensurate with the above stated objectives and subject to the prudent investor rule.

## **Investment Objectives – Performance Measurement**

The following investment objectives shall apply to the extent consistent with the above investment guidelines and asset allocation ranges.

1. The objective of the equity portion of the Fund shall be to seek to exceed the return of the Morgan Stanley All World Equity Index over a five-year period.
2. The objective of the fixed income portion of the Fund shall be to seek to exceed the return of the Barclays (Blackrock) Intermediate Government/Corporate Bond Index on a total return basis over a five-year period.
3. The performance shall be measured against a blended index using the indices noted above with an equity target of 60% and a fixed income target of 40%.

## **Other**

The Managers shall provide a monthly investment portfolio report to the Investment Committee Chair and the Canon for Finance. The Canon for Finance will aggregate the investment portfolios for review by the Investment Committee.

The Investment Committee shall meet at least three times a year including presentations either in person or virtually with the Managers.

The foregoing Investment Guidelines and Investment Objective Statement shall be in effect until the Investment Committee proposes changes to this document.