

Revision presented for 2nd reading by email 11.8.16; this version reflects the changes made at first reading at the October 20, 2016 board meeting.

ST. DAVID'S EPISCOPAL CHURCH FONDATION INVESTMENT POLICY STATEMENT

February 20, 1998
Revised March 10, 2004
Revised July 21, 2004
Revised November 17, 2004
Revised November 21, 2007
Revised April 1, 2009
Revised November 14, 2012
Revised April 30, 2015
Revised December 15, 2016

Oversight: St. David's Episcopal Church Foundation
Custodian: Stephens, Inc., 100 Congress Avenue, Austin, Texas 78701
Investment Consultant: Malcolm L. Cooper
Legal Consultant: Paul Skeith, managing partner for Richards, Rodriguez & Skeith
Rector: The Rev. Dr. Chuck Treadwell
Portfolio Assets invested with the Custodian: \$5,189,385 (September 30, 2016)
Assets invested in Clergy Housing: \$350,000 (2016 value).
IRS Tax ID: 74-6135073

Revision presented for 2nd reading by email 11.8.16; this version reflects the changes made at first reading at the October 20, 2016 board meeting.

Investments overseen by the Foundation

At present, there are three categories of investments overseen by the Foundation for the benefit of the parish.

Endowment Funds

The first of these are endowment funds. The names of the parish endowment funds as of 2016 are as follows:

1. St. David's Endowment Fund
2. Deborah Ann Scott Endowment Fund
3. Downtown Labyrinth Endowment Fund
4. Building and Maintenance Endowment Fund
5. Emily Rice Finch Endowment Fund
6. Fannie and Trigg Twichell Music Endowment Fund
7. Historic Church Endowment Fund
8. James Eckhardt Mission Series Endowment Fund
9. Knox Endowment Fund
10. Rosa Kunz Endowment Fund
11. Marrow Community Outreach Endowment Fund
12. Music Endowment Fund
13. Pipe Organ Endowment Fund
14. Robin and Malcolm Cooper Endowment Fund

Unrestricted gifts given directly to the Foundation

Unrestricted gifts given directly to the Foundation comprise the second category of investment. Such gifts may be allocated at the Foundation's discretion. In making allocation decisions, the Foundation is guided by a concern for the long term health of the parish. At this time, the unrestricted gifts are invested in the same manner as the endowment funds. This unrestricted gift source is presently known as:

15. Wendlandt-Barclay Strategic Reserve Fund

Both the endowment funds and the Wendlandt-Barclay Strategic Reserve Fund are part of the portfolio managed by the Investment Consultant.

Clergy housing investment

Clergy housing investments overseen by the Foundation are the third category of investment, and this investment is held separately from the portfolio managed by the Investment Consultant.

1. The Treadwell House investment
2. The Wright House investment

Revision presented for 2nd reading by email 11.8.16; this version reflects the changes made at first reading at the October 20, 2016 board meeting.

Investment Guidelines, Risk Tolerance, and Restrictions continued

- a degree of emphasis on maintaining the real dollar value of the corpus of the endowed funds.

The Directors review policy compliance, risk and performance quarterly.

The management philosophy should take into account these considerations, if relevant, from the UPMIFA:

- (A) general economic conditions;
- (B) the possible effect of inflation or deflation;
- (C) the expected tax consequences, if any, of investment decisions or strategies;
- (D) the role that each investment or course of action plays within the overall investment portfolio or the fund;
- (E) the expected total return from income and the appreciation of investments;
- (F) other resources of the institution;
- (G) the needs of the institution and the endowment to make distributions to preserve capital; and
- (H) an asset's special relationship or special value, if any, to the charitable purposes of the institution.

All assets must have readily ascertainable market value.

Preferred stocks must be rated a minimum of A3 by Moody's Investor's Service, Inc., or A- by Standard & Poor's Corporation at the time of purchase.

Convertible securities can be appropriate when they appear to offer a better risk/return ratio than other equity securities. The same policies and standards of investment quality apply to both common stocks and convertible stocks.

The risk level for each asset class will be consistent within the overall portfolio risk policy, recognizing that each asset class has its own level of risk.

The risk tolerance policy of the Foundation is to oversee the parish endowment in a manner that values principal preservation over the long term and values higher long-term returns. Short-term fluctuations in exchange for seeking long-term appreciation are acceptable. Liquidity is a secondary concern, in so far as the portfolio needs to be managed in a way that provides for quarterly distributions from the endowment.

Revision presented for 2nd reading by email 11.8.16; this version reflects the changes made at first reading at the October 20, 2016 board meeting.

Cash reserves should be invested in interest-bearing securities, free of risk or loss, fluctuation, and should be instantly saleable.

Responsibilities of the Foundation Directors

The Foundation Directors have primary fiduciary responsibility for investing the assets of the St. David's Episcopal Church Foundation portfolio. The Directors establish investment objectives and policy, obtain expert advice and assistance, and oversee the employment of a qualified and competent Investment Consultant. The Directors are guided by the Investment Consultant in the choice of Investment Managers that the consultant engages on the portfolio's behalf to manage the different asset classes held within the portfolio. Generally, the Directors will not pick particular investment vehicles.

Responsibilities of the Investment Consultant

The Investment Consultant selected by the Directors provides education, management, and advice concerning the portfolio. The Investment Consultant also exercises fiduciary responsibility. The Investment Consultant will assist with the development and review of the IPS, manage the investment portfolio, report on the progress of the Portfolio in meeting its investment objectives, and compare the performance of the portfolio to established benchmarks in a manner that permits the Directors to track overall performance of the portfolio as well as asset class performance.

The Investment Consultant brings forward to the Directors recommended changes in Investment Managers, as those occur, as long as the need to make a change isn't an immediate one connected with a particular crisis. Reasons for such a change might include, but not be limited to, key personnel changes, non-compliance with this investment policy statement, or continuing underperformance.

Any and all investment action and decisions made by the fiduciaries of the Portfolio must be based solely in the best interest of the Portfolio and the health of St. David's Episcopal Church.

The Foundation Directors select a competent external professional expert to fulfill the responsibilities of the Investment Consultant. The Directors may make Investment Consultant changes as they deem in the best interest of the Portfolio.

Selection of Investment Managers

Investment Managers engaged by the Investment Consultant must meet a variety of criteria, including, but not limited to, demonstrating a long-term record of performance superiority within their area of specialty. Additionally, reporting from the investment managers needs to conform with UPMIFA standards.

Investment Monitoring and Reporting

For performance monitoring purposes, a market cycle will be used to measure long-term performance, defined as rolling five-year periods of annualized rates of return. The Foundation does not expect all investment objectives will be attained in each year, and recognizes that over various time periods, the portfolio may produce significant over or under performance relative to the broad markets.

Revision presented for 2nd reading by email 11.8.16; this version reflects the changes made at first reading at the October 20, 2016 board meeting.

Signature Page

Molly Sharpe

CAROLE GERHARD

Robert Summers

MICHAEL B. DAVIS

Louise Pincoffs

Molly Sharpe

Carole Gerhard

Robert Summers

Michael B. Davis

Louise Pincoffs

December 15, 2016