Trinity Lutheran Church Endowment Fund

Investment Policy

Purpose and Goals

This document sets forth the general policies and investment guidelines to be followed by the Trinity Lutheran Church Endowment Committee (the "Committee") and Investment Manager(s) (the "Managers") retained by the Committee in administering the Endowment Funds (the "Fund").

The Investment Policy Statement outlines an overall management philosophy that is specific enough for the Managers to know what is expected, but sufficiently flexible to allow for changing economic conditions and dynamic securities markets. This Investment Policy Statement establishes the investment restrictions placed upon the Managers and outlines procedures for performance review.

A key goal of the Investment Policy Statement is to provide donors, prospective donors, and grant or loan recipients with information about investment objectives of the Fund. The Fund is managed to support long-term religious activities or goals including, but not limited to Christian education, missionary activities, emergency assistance and specific Christian purposes as designated by the donor.

Investment Objective

Assets of the Fund shall be invested in accordance with this Investment Policy Statement and in compliance with State and Federal laws and regulations.

The two significant objectives of the Fund are:

1. To seek preservation of principal over an economic cycle.
2. To provide a dependable and reasonable rates of long-term investment return consistent with a moderate investment risk. The objective includes the goal of offsetting the impact of inflation on the real value of income.

Managers retained by the Committee will be given flexibility within the guidelines of the Investment Policy Statement to use their expertise with care, prudence, and diligence toward the achievement of investment goals and objectives.

Specifically, the Managers must properly balance the following overall objectives:

A. Income – to produce sufficient current and continuing income from investment returns to support the Endowment's ministry activities.
B. Growth – to provide for growth of the Fund through investments in assets that have the profitability of appreciating in value.
C. Safety – to place sufficient limitations on risks associated with the implementation of the income and growth objectives and to protect the principal through the diversification of assets and the setting of specific quality standards.

UPMIFA Investment Guidelines

UPMIFA (Uniform Prudent Management of Institutional Funds Act), as adopted by Washington State on May 11, 2009, requires that "each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances." UPMIFA states the following factors, if relevant, must be considered:

1. General economic conditions;
2. The possible effect of inflation or deflation;
3. The expected tax consequences, if any, of investment decisions or strategies;
4. The role that each investment or course of action plays within the overall investment portfolio of the fund;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the charity;
7. The needs of the charity, or a particular fund within the charity, to make distributions and to preserve capital; and
8. An asset's special relationship or special value, if any, to the charity's purposes.

UPMIFA requires a charity and those responsible for managing and investing its funds to:

1. Incur only reasonable investment and management costs;
2. Make a reasonable effort to verify facts relevant to the management and investment of the funds;
3. Make decisions about each asset in the context of the portfolio of investments as a whole, as part of an overall investment strategy that is appropriate for the specific fund and the charity;
4. Diversify investments unless, due to special circumstances, the purposes of the fund are better served without diversification; and
5. Dispose of unsuitable property within a reasonable time after receiving the property.

(RCW 24.55)

Asset Allocation Policy

To attain the stated investment goals, a Growth and Income asset allocation will be used for the Fund with the following asset class ranges:

Asset Class	Strategic Target	Minimum	Maximum
Equities	50%	25%	65%
Fixed Income	45%	35%	75%
Cash Equivalent	5%	0%	10%

Commodity investments are restricted to 5% of the total Fund market value and considered part of the equity allocation as commodity characteristics more closely resemble equity returns over an economic cycle.

The Managers may deviate from these ranges with the prior approval of the Committee.

Fixed Income Guidelines

Fixed income investments are anticipated to provide a source of income for annual scholarships and grants, plus asset class diversification to reduce principal volatility. Fixed income investments will be diversified by market sector, maturity, geographic location of the issuer and issuer. The taxable implications of the Fund's investments are generally not an issue and tax-exempt investments should not be considered for investment unless the risk/return profile of the investment is advantageous to the long-term objectives of the Fund.

The credit rating of all fixed income investments must be investment grade and defined as at least BBB by Standard and Poor's or Baa2 by Moodys. An average rating of AA should be maintained. The maximum maturity should be ten years and the average duration generally less than seven years. Committee approval is required for investments outside of the maturity, duration and credit quality parameters.

Equity Guidelines

The Fund's equity allocation is intended to provide appreciation of principal, current income, and growth of income over an economic cycle, which generally last three to seven years. Equity investments provide the primary opportunity to offset long-term inflation risk. The Fund's equity allocation is restricted to common equity investments as described in the following paragraph. The Fund will not purchase or hold private equity, restricted stocks or letter stocks.

Equity investments are restricted to common equity and American Depositary Receipts (ADRs), and may represent either domestic or international common stocks that are traded on recognized public stock exchanges with sufficient liquidity so as not to delay or hinder purchase or sale of the security at a fair market price. In addition, the equity allocation may include real estate, such as shares of Real Estate Investment Trusts (REITs). REITs represent the real estate industry within the finance sector for broad equity market indices, such as the Russell 1000 Index.

The Fund's equity investments shall be diversified between market sectors, market capitalization size and country and/or regional stock markets. A proxy for the equity investment diversification is the MSCI All Country World Index, which includes both developed and emerging countries. Real estate investments, like other equity investments, are to be diversified across industry as well as geographic locations.

Cash & Cash Equivalents

Cash equivalent short-term investment may also provide current income, but their main purpose is to store purchasing power when appropriate to fund long-term investments. Cash reserves should be investment in interest-bearing securities, free of risk or loss, fluctuation, and should be instantly salable.

Other Permitted Investments

Mutual funds or comingled funds will be permitted, especially to provide diversification in such areas as “Small/Mid Cap” or “International” equities. Mutual funds and comingled funds may be either equity, equity-related, or fixed income investments.

Expense Considerations

Investment management and administration expenses of brokers, fund managers and other investment service providers are to be reviewed in relation to industry practices. Turnover of the Fund’s investments is also an expense consideration. When mutual funds are used preference will be given to funds with no-load charges or where sales charges are waived by the fund company.

Investment Restrictions

Investment restrictions include the following and shall be strictly adhered to unless waived by the Committee:

- All investments muss be U.S. dollar denominated.
- Commercial paper must be rated in the two highest quality by Moody’s Investor’s Services, Inc. (P1 of P2) or Standard & Poor’s Corporation (A1 or A2).
- Not more than 5% of the voting securities of a corporation may be owned.
- No securities may be purchased on margin or leverage.
- No short sales transactions, other than call writing, will be made.
- Transactions in financial futures are prohibited.
- No more than 25% of the fixed income or equity allocation shall be invested in any one market sector.
- No more than 5% of the portfolio shall be investment in the securities (including debt and equities) of one corporation.
- No privately held securities shall be included in the portfolio.
- Investment in structured notes is prohibited.
- No unlisted investments in real estate shall be made.
- Option trading is prohibited except for covered call or put hedges on one to one ratio.

Performance Management

The Managers will report to the Committee quarterly on the Fund’s performance. Such reports will compare the Fund’s performance to the performance of the most appropriate indices on a quarterly, one, three and five-year basis. The Committee will evaluate the Managers performance and change the investments and/or Managers as needed to meet the Fund’s goals and objectives.

Review Process

The Managers shall meet with the Committee a minimum of once a year to review investment performance and compliance with the Investment Policy Statement. More frequent meetings may be scheduled at the discretion of either the Committee or the Managers.

Contributions

Contributions of investment assets (such as equities) shall not be subject to or considered a part of the above investment policies until such time as such investment assets are free of restrictions or other encumbrances restricting the sale or transfer by of such investment assets, as for example, restricted stock.

Revised and Approved on _______________, 2011

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Jens Johanson, Secretary