

THE MISSISSIPPI UNITED METHODIST FOUNDATION

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

INTRODUCTION

It is the purpose of The Mississippi United Methodist Foundation, Inc. to acquire, hold, and manage investment accounts for the exclusive benefit of individual United Methodists, local churches, United Methodist Institutions, and associated and related organizations.

The Foundation offers individuals, churches, institutions and related organizations to the Mississippi Annual Conference investment management services through professionally managed investment funds. The choices include a Short-Term and a Long-Term Fund. The principal purpose of the Short-Term Fund is to provide a dependable source of income and liquidity which is consistent with a short-term time horizon. The principal purpose of the Long-Term Fund is to provide long-term growth of capital through an attractive total return generated through a combination capital appreciation and income which is consistent with a long-term time horizon. Given this mission and the purposes of the Short-Term and Long-Term Funds (“Funds”), the Investment Committee has established the following Investment Policy Statement which it deems appropriate.

PURPOSE

The purpose of the Investment Policy Statement (“IPS”) is:

1. Provide written documentation stating the Committee’s attitudes, expectations and objectives for the Funds;
2. Encourage effective communications between the Committee and all parties involved with the investment management decisions;
3. Create guidelines and standards for investment performance evaluation and establish criteria to select, monitor and evaluate investment managers;
4. Comply with all applicable fiduciary, prudence and due-diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international entities that may impact the Funds.

STATEMENT OF OBJECTIVES

The objectives for the Funds are:

1. Maintain the purchasing power of the current assets and all future contributions.
2. Maximize return within reasonable and prudent levels of risk.

3. Maintain an appropriate asset allocation based on each Fund's return objectives and liquidity needs while still having the potential to produce positive real returns.
4. Follow general "safe harbor" rules:
 - a. Use professional management such as registered investment advisers (including mutual funds, commingled funds and limited partnerships), banks or insurance companies to make investment decisions.
 - b. Demonstrate that the investment manager was selected by following a due diligence process.
 - c. Give the investment managers discretion over the assets.
 - d. Have investment managers acknowledge their co-fiduciary responsibility status (mutual funds, commingled funds and limited partnerships are exempt from this requirement as their prospectus or offering memorandum is deemed to serve as fiduciary acknowledgement).
 - e. Monitor the activities of the investment managers to ensure that the expert is performing the agreed upon tasks.

TIME HORIZON

The Short Term Fund will have a time horizon of three to five years while the Long Term Fund will have a time horizon of five years or longer. Each Fund's strategic asset allocation will be based upon these time horizons. Short term liquidity requirements for the Funds are anticipated to be limited, or at least should be covered by cash inflows.

RISK TOLERANCES

The Committee recognizes that some risk must be assumed in order to achieve each Fund's investment objectives. In establishing the risk tolerances for each Fund, the ability to withstand short and intermediate term volatility were considered. Each Fund's time horizon, current financial condition and other factors suggest collectively some interim fluctuations in market values and rates of return may be tolerated in order to achieve each Fund's objectives. However, it is expected that each Fund's volatility (as measured by standard deviation) be commensurate to each Fund's composite index as described below.

PERFORMANCE GOALS

It is expected that each Fund should earn a competitive real rate of return (in excess of inflation) and outperform a composite index comprised of the appropriate market indexes in the same allocation as each Fund. The performance of the Short-Term Fund will be evaluated over three and five year time periods while the performance of the Long-Term Fund will be evaluated over five and ten year time periods.

DUTIES AND RESPONSIBILITIES

INVESTMENT COMMITTEE

As fiduciaries to the Funds, the primary responsibilities of the Committee are:

1. Prepare and maintain the investment policy statement
2. Prudently diversify the portfolios' assets to meet an agreed upon risk/return profile;
3. Prudently select investment options;
4. Control and account for all investment, record keeping and administrative expenses associated with the Funds;
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

CUSTODIAN

Custodians are responsible for the safekeeping of the Funds' assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings;
2. Collect all income and dividends owed to the Funds;
3. Settle all transactions (buy-sell orders);
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Fund since the previous report.

INVESTMENT ADVISOR

The Investment Advisor serves as an objective, third-party professional retained to assist the committee in managing the overall investment process. The Advisor is responsible for guiding the Committee through a disciplined and rigorous investment process to enable the Committee to meet the fiduciary responsibilities outlined in the IPS.

INVESTMENT GUIDELINES

ASSET ALLOCATION

The Committee believes investment performance is primarily a function of the asset allocation and that diversification is a way to optimize portfolio returns and diversify investment risk. Therefore, the Committee will globally diversify the Funds across a variety of traditional (equities, fixed income, cash) and non-traditional (hedged strategies, private equity, real assets) asset classes. Non-traditional asset classes are utilized to broaden the investment opportunities, diversify portfolio risk through their low correlations to traditional equity and fixed income, and improve the risk-adjusted returns of the Funds over the long-term. From an investment decision point of view, the year by year volatility may be worth accepting given each Fund's time horizon.

ASSET CLASSES

Focusing on balancing the risk and return of a variety of asset classes, the following investment strategies shall be used to diversify the Funds. These strategies will also include a variety of different investment styles in order to provide additional diversification for the Funds (i.e. growth, value, and core equity, small, mid and large capitalization equities, short and intermediate duration fixed income, etc).

- US Equity
- International Equity
- Emerging Market Equity
- Private Equity
- US Fixed Income
- International Fixed Income
- Emerging Markets Fixed Income
- Real Assets
- Hedged Equity
- Multi-Strategy Hedged
- Cash

The following assets/strategies shall be prohibited as stand-alone strategies within each Fund:

- Covered or Uncovered Call Strategies
- Net Short Selling Strategies
- Commodity Strategies

ASSET CLASS RANGES

The Committee is responsible for allocating the Funds among a diversified mix of assets within the maximum/minimum ranges below:

Short-Term Fund:

<u>Asset</u>	<u>Minimum</u>	<u>Maximum</u>
US Equity	10.0%	60.0%
International Equity	0.0%	20.0%
US Fixed Income	25.0%	90.0%
Real Assets	0.0%	15.0%
Private Equity	0.0%	5.0%
Hedged Strategies	0.0%	25.0%
Cash & Equivalents	0.0%	100.0%

Long-Term Fund:

<u>Asset</u>	<u>Minimum</u>	<u>Maximum</u>
US Equity	15.0%	50.0%
International Equity	5.0%	20.0%
Emerging Markets Equity	0.0%	10.0%
US Fixed Income	10.0%	80.0%
International Fixed Income	0.0%	15.0%
Real Assets	0.0%	15.0%
Private Equity	0.0%	10.0%
Hedged Strategies	0.0%	35.0%
Cash & Equivalents	0.0%	10.0%

Working within these ranges, the Committee, along with any professionals retained to assist the Committee, will determine the allocation that they believe is appropriate for each Fund under prevailing market conditions. The allocation of the Funds will be reviewed at least quarterly.

REBALANCING

The percentage allocation to each asset class may vary depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent

with each Fund's strategic allocation. If there are no cash flows or if the Committee determines cash flows to be insufficient to bring the Funds within the allocation range, the Committee shall decide whether to effect transactions to bring the allocation of the Funds within the allowable ranges.

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.

OTHER INVESTMENTS

Assets contributed to the Funds as gifts shall be disposed of as soon as practical with the subsequent proceeds being reinvested in the Fund's asset mix. In the event such assets are not readily convertible to cash for investment purposes or the conditions attendant to the transfer of such assets to the Fund prohibit such conversion, those assets shall be held separately.

DELEGATION OF AUTHORITY

Investment managers retained by the Funds will be held responsible for making all investment decisions regarding the assets under their direction. For those managers who are retained under a mutual fund, commingled trust or limited partnership, it is expected that the fund will operate under the specific guidelines outlined in its prospectus or offering memorandum.

MANAGER EVALUATION

The decision to retain or terminate an investment manager cannot be made by a formula. Also, extraordinary market events do occur that may interfere with the manager's ability to prudently manage investment assets. The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate investment performance from a long-term perspective. Manager retention or termination will be determined by a thorough analysis of various qualitative and quantitative factors. Factors considered in the due-diligence of a manager should include but not be limited to the following:

1. Track record: The fund should have a minimum three year history.
2. Assets under management: Manager's strategy should have at least \$100 million.
3. Stability of the organization: The manager should have at least a two-year tenure. In a management team setting, the most senior manager's tenure should be at least two years.
4. Composition consistent with asset class: A minimum of 80% of the fund's securities should be consistent with the peer group's asset class.

5. Style consistency: The manager investment style should be consistent over time. Investment style will be analyzed using both fundamental portfolio analysis and return-based regression analysis.
6. Management Fees: The management fees should be in the bottom half (least expensive) of the peer group. Expense ratios will be used to measure mutual fund fees.
7. Risk-adjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median.
8. Relative performance: A manager's performance will be analyzed net of fees and relative to a market benchmark and peer group of managers of similar style. The manager's performance should be above the market benchmark as well as above the peer group median over a market cycle.

The performance of the investment managers will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time. Factors that may lead to termination of a manager may include but not limited to the following:

1. Material changes to the organization including personnel changes or ownership changes;
2. Material changes to the investment strategy or management style;
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment manager's organization;
4. Relative underperformance of the manager's portfolio relative to its market benchmark or peer group.

MONITORING BENCHMARKS

The Committee has determined that performance benchmarks be established for each strategy and investment manager employed by the Funds. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Strategy

US Fixed Income
 International Fixed Income
 US Large Cap Equity
 US Small/Mid Cap Equity
 International Equity
 Emerging Markets Equity
 Private Equity
 Hedged Equities
 Multi-Strategy Hedge
 Real Assets
 Cash

Benchmark Index

BC Gov/Credit Intermediate Index
 Citigroup World Gov Bond ex US Index
 S&P 500 Index
 Russell 2500 Index
 MSCI EAFE Index
 MSCI Emerging Markets Index
 S&P 500 Index
 HFR Fund of Funds Strategic Index
 HFR Fund of Funds Index
 , Alerian MLP Index
 90-day T-Bills

MONITORING – MEASURING COSTS

The Committee will review at least annually all costs associated with the management of the Funds, including:

1. Management fees – fees charged by the manager's employed by the Funds including mutual funds, commingled funds or limited partnerships;
2. Administrative Fees – fees charged to administer the Funds, including record keeping, custody and trust services;
3. Advisory Fees – fees charged by independent advisors including consulting fees, legal fees and account fees charged to the Funds.

PROXY VOTING

The Committee 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 Committee 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 the Funds have not retained investment managers, or has assets not in the control of an investment manager, then the Committee shall vote all proxies.

REPORTING

Where appropriate, reports detailing investment holdings and account transactions will be submitted to the Funds quarterly. A performance evaluation report will be submitted to the Investment Committee quarterly.

INVESTMENT POLICY REVIEW

The Committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS. Any modifications to the IPS shall be in writing, agreed upon by the Committee and signed by an authorized representative.

APPROVED AND ADOPTED:

DATE: 2/2/17

BY: Rev. Mike Hicks

Rev. Mike Hicks, Executive Director