

INVESTMENT POLICY

Episcopal Diocese of the Rio Grande

- I. Purpose:
 1. These investment policies have been adopted by the Trustees of the Property of the Protestant Episcopal Church in New Mexico, a Corporation, (also referred to in this document as The Episcopal Diocese of the Rio Grande, the Diocese of the Rio Grande, and the Diocese) to establish guidelines and limitations for the prudent management of the investment assets of the Diocese. These policies may not be changed except by resolution of the Trustees of the Property.

- II. Investment Management:
 1. Trustees of the Property:
 - A. The Trustees of the Property have ultimate responsibility for all diocesan property.
 - B. The Trustees of the Property have delegated to the Diocesan Investment Board the supervision of all cash balances and securities held in the Advancement Fund, the Endowment Fund, the Pooled Fund, the Wellspring Fund, the Settlement Fund and any other investment funds that may be created by or on behalf of the Diocese.
 2. Diocesan Investment Board:
 - A. Duties of the Investment Board include:
 - 1) Implementing the investment policies stated herein.
 - 2) Selecting (and establishing accounts with) those banks, security brokers, and investment managers who will be employed in the implementation of these policies.
 - 3) Making investment decisions, within the guidelines and limitations of these policies.
 - 4) Issuing instructions and trading orders to banks, security brokers, and investment managers.
 - 5) Reviewing quarterly diocesan investments to ensure that they continue to conform to these policies.
 3. Investment Delegate:
 - A. The Investment Board may authorize one or more persons to convey trading instructions to Investment Managers, Banks, Brokerage Firms, Trust Companies, Property Managers, or other financial institutions which may maintain accounts for Diocesan Funds under the supervision of the Investment Board.
 4. Investment Managers:
 - A. Professional investment managers may be employed in the form of privately managed accounts of money management firms such as trust companies or investment advisory firms registered with the U.S. Securities and Exchange Commission.
 - B. Accounts directed by professional investment managers will be referred to as "professionally managed accounts".
 - C. Investment advisors shall be informed of these policies and shall invest diocesan assets in accordance with these policies.
 - 1) Any advisor as may be employed must have had at least 10 years of documented professional investment experience, and the investment performance over the most recent ten-year period must be available for examination.

- III. Safekeeping of Diocesan Investment Assets:

1. Cash, and security certificates shall be deposited in National or State banks whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC), or with Securities Brokers whose accounts are insured by the Security Investors Protection Corporation (SIPC).
2. Securities may also be held in "street name" form in FDIC insured National or State banks, and in SIPC insured brokerage accounts.

IV. Description and Purpose of the Diocesan Funds:

1. The Endowment Fund:
 - A. This is a permanent fund to provide a perpetual source of income to the Diocese.
 - 1) Not more than 4 percent of the rolling three year average of the total fund value shall be distributed in any fiscal year.
2. The Advancement Fund, the Settlement Fund and the Wellspring Fund:
 - A. These are funds of capital to be used for advancing the mission of the church in this diocese.
 - 1) The corpus of the funds need not remain intact and may be invaded as needed to advance the mission of the Diocese.
3. The Pooled Fund:
 - A. This fund consists of the investment assets of parishes and other ministries within the diocese.
 - B. This fund exists to provide parishes and ministries with:
 - 1) Access to professional money management under the supervision of the Diocesan Investment Board, and
 - 2) Freedom from the need to develop, implement, and monitor an investment program, and
 - 3) The economies of scale (i.e., reduced expenses) achieved by pooling assets, and
 - 4) A fund that employs a total return investment philosophy with a time horizon of at least five years.
 - C. Parishes and ministries are to be advised that this is an investment fund and assets are not insured nor is a return on deposits guaranteed.
 - 1) Deposits into this fund will be invested in securities that fluctuate in value.

V. General Investment Perspective:

1. Long-term focus:
 - A. It is recognized that the achievement of good investment results requires time.
 - 1) The current valuation of all marketable assets will fluctuate in ways that are inherently unpredictable.
 - a. Therefore, patience is to be practiced in periods of low valuations, and restraint is to be practiced in periods of high valuations.
 - B. It is consistent with a long-term focus that a professionally managed account should be maintained for at least three years before terminating the professionally managed account solely for the purpose of investing the assets elsewhere.
 - 1) This is an advisement against the frequent replacement of professional investment advisors.
 - 2) This is not a prohibition against the sale of securities or liquidation of professionally managed accounts for the purpose of meeting the needs of the Diocese.
 - 3) This is not a prohibition against holding a portion of diocesan assets in short-term securities.
 - 4) This is not a directive to engage in massive portfolio changes every three years.

VI. Permitted investments:

1. The following types of securities are approved only if held in professionally managed accounts, subject to the asset allocation guidelines of each Fund:
 - A. Common stocks, including American Depository Receipts (ADRs)

- B. Preferred stocks.
 - C. Master Limited Partnerships actively traded on one or more U.S. exchanges.
 - D. Royalty Trusts actively traded on one or more U.S. exchanges.
 - E. Covered call options written on stocks currently owned.
 - F. Protective put options written against stocks currently owned.
 - G. Commercial paper rated "Baa" or better by Moody's and/or BBB by Standard & Poor's.
 - H. Corporate debt securities, including convertible bonds, rated "Baa" or better by Moody's and/or BBB by Standard & Poor's.
 - I. Corporate debt securities or commercial paper rated below BBB by Moody's and/or Baa by Standard & Poor's held in a mutual fund.
 - J. Commodity Exchange Traded Funds (ETF) or Exchange Traded Notes (ETN).
 - K. Private Equity Fund of Funds
 - L. Hedge Fund Fund of Funds
 - M. Real Estate Investment Trusts ("REITs")
2. The following types of securities or investments are permitted for use in both professionally managed accounts and in accounts directly supervised by the Investment Board:
- A. U.S. Government securities
 - B. Certificates of Deposits issued by banks and insured by the FDIC.
 - C. Money market funds.
 - D. FDIC insured accounts held at banks, including checking, savings, and negotiable order of withdrawal (NOW) accounts.
 - E. Private loans secured by a first mortgage on real estate that constitutes the residence and/or office of the bishop.
 - F. Real estate mortgages (and loans) to parishes and missions.
 - G. Land held for future site development.
 - H. Equity investments in other real estate may be held, as approved by the Trustees.

VII. Prohibited investments and transactions:

- 1. Margin accounts.
- 2. Short positions.
- 3. Commodity contracts.
- 4. Option contracts, other than covered call options and protective puts against existing positions.
- 5. Securities not registered with the U.S. Securities and Exchange Commission (i.e., "Letter" securities).
- 6. Foreign securities not registered in the U.S. and not actively traded in the U.S. markets.
- 7. Interests or units in unlisted limited partnerships.
- 8. Market-timing programs which propose to buy and sell securities based on speculations as whether the securities markets in general are "low" or "high", or will soon move lower or higher.
- 9. Private investments, other than real estate and mortgages specifically permitted in Section VI, above.
- 10. Any other securities specifically prohibited by General Convention or Diocesan Convocation.

VIII. Diversification Guidelines for Professionally Managed Accounts:

- 1. Consideration shall be given at least annually as to whether is appropriate to employ more than one investment management firm.
- 2. Stocks may only be held in professionally managed accounts and are to be diversified as follows:
 - A. No Diocesan Fund shall concentrate more than 15% of its total portfolio value in stocks classified in the same Standard & Poor's Industry Sector.
 - B. No Diocesan Fund shall hold more than 10% of its total portfolio value in the stock of any one issuer.

3. Bonds and Certificates of Deposit are to be diversified as follows:
 - A. No Diocesan Fund shall hold more than 10% of its total portfolio value in the bonds of a single issuer.
 - 1) Securities issued by the U.S. Government are exempt from this 10% concentration limit.
 - 2) Certificates of Deposit are specifically exempt from this 10% limit, provided the Certificates are fully insured (both as to principal and accrued interest) by the FDIC.
4. No Diocesan Fund shall hold more than 10% of its total portfolio value in the combined assets (common stocks, preferred stocks, convertibles, bonds or commercial paper) of a single issuer.

IX. Direct Investments:

1. In addition to securities held in professionally managed accounts, the Investment Board may make investments of its own selection and supervision in the following types of securities:
 - A. U.S. Government securities.
 - B. Certificates of Deposits issued by banks and insured by the FDIC.
 - C. Money market funds.
 - D. FDIC insured accounts held at banks, including checking, savings, and negotiable order of withdrawal (NOW) accounts.
 - E. Private loans secured by a first mortgage on real estate that constitutes the residence and/or office of the bishop.
 - F. Real estate mortgages (and loans) to parishes and missions.
 - G. Land held for future site development.
 - H. Equity investments in other real estate may be held, as approved by the Trustees.

X. Investment Objectives and Performance Benchmarks:

1. The Endowment Fund has the following objectives:
 - A. Total Return recognizing the need for current income and long-term growth of capital.
 - B. Preservation of purchasing power against erosion by inflation.
 - C. Reduction of risk through adequate investment diversification.
2. The Advancement Fund and the Pooled Fund have the following objectives:
 - A. Long-term growth of capital.
 - B. Preservation of purchasing power against erosion by inflation.
 - C. Reduction of risk through adequate investment diversification.
 - D. Current income.
3. Performance benchmarks: to be determined by the Investment Board as appropriate to each fund.

XI. Investment Reviews:

1. The Investment Board shall review the Funds' portfolios at least annually to:
 - A. Review the existing investment policies for currency and appropriateness.
 - B. Examine current investments for compliance with these investment policies.
 - C. Make decisions regarding investments and the retention or replacement of investment advisors.
 - D. Issuing trading instructions.
 - E. Responding to request or instructions from the Trustees of the Property.
 - F. Making recommendations to the Trustees of the Property.

XII. Statements and Reports:

1. Statements of accounts shall be mailed to the Bishop, the Treasurer, the Business Manager of the Diocese, individual members of the Investment Board, and any other person as directed by the Trustees or by the Chairman of the Investment Board.
2. The Investment Board shall make an annual report to the Trustees as soon as practicable after January 1, and at such other times as market conditions or events dictate, or as requested by the Trustees.

XIII. Adoption and Resolution:

1. The investment policies for the investment funds of the Diocese of the Rio Grande have been adopted by resolution of the Trustees of the Property of the Episcopal Diocese of the Rio Grande on this _____ day of _____ A.D. 2012.

THE EPISCOPAL DIOCESE OF THE RIO GRANDE

By:

President, Trustees of the Property of the Episcopal
Diocese of the Rio Grande

Secretary, Trustees of the Property of the Episcopal
Diocese of the Rio Grande

Approved by Trustees of the Property of the Episcopal Diocese of the Rio Grande: November 27, 2012