

Investment Policy

**Missouri Mid-South Conference
United Church of Christ**



INVESTMENT POLICY
Of the
Reserve Fund of the Missouri Mid-South Conference of the UCC

1. POLICY INFORMATION

Plan Name	Reserve Fund of the Missouri Mid-South Conference of the United Church of Christ
Plan Sponsor	Missouri Mid-South Conference of the United Church of Christ
Type of Plan	Institutional Fund for a Tax-Exempt Charitable Corporation
Proposed Initial Assets:	\$1,000,000
Planning Time Horizon	Ten years
Fund Manager Reporting Period	Quarterly
Fund Manager Evaluation Period	At least biennially
Plan Year	January 1 to December 31
Plan Administrator	Reserve Fund of the Missouri Mid-South Conference of the United Church of Christ 483 East Lockwood Avenue Webster Groves, MO 613119 314 962-8740
Investment Advisor	United Church Funds

2. STATEMENT OF OBJECTIVES

The investment objectives are to:

1. Provide consistent support for programs and services of the MMSC.
2. Conform to the United Church Funds policy for “socially responsible investments”.
3. Develop and maintain a long-term investment strategy employing modern investment management techniques.
4. Maintain the long term purchasing power of the portfolio.
5. Mitigate the effects of short-term market volatility.

3. DIVERSIFICATION

The portfolio will have at least 20 percent of the portfolio in at least three major investment asset classes.

The portfolio will contain four-to-eight mutual funds, common investment funds, or US Treasury bonds that represent different styles within the major asset classes.

4. DISALLOWED INVESTMENTS

Alternative instruments, such as investments in real estate, hedge funds, venture capital, private equities, natural resources, and other assets are prohibited.



5. MANAGEMENT

The TRUSTEES will not actively manage all or any part of the portfolio. The portfolio will be invested with the advice of an investment advisor through an investment management firm.

6. SOCIALLY RESPONSIBLE INVESTMENTS

The plan will invest in socially responsible funds that meet the requirements stated in the “Statement of Investment Policy - United Church Funds”

7. TRADING

After initial investment, trading will occur only:

- When the fund’s objective changes from our investment criteria, or when the fund’s performance (return and risk) is exceeded by another fund for two years.
- When the allocation is changed.
- When there is a need for rebalancing.

8. REBALANCING

The INVESTMENT portfolio will be rebalanced semi-annually or when one fund varies more than 5 percent from the original allocation.

Contributions to the Reserve Fund will be used to rebalance the assets in the portfolio when possible.

9. ASSET ALLOCATION

The initial allocation goals for investments of the Reserve Fund are:

Fixed-Income	25% to 45%
Domestic Core equities	10% to 45%
Small/Micro Cap	10% to 30%
Foreign equities	10% to 30%
Emerging foreign markets	not more than 5%

The actual allocation of assets into various funds will use modern portfolio theory to consider both return and risk with the constraints listed below.

10. EXPECTED PORTFOLIO PERFORMANCE

~~The expected ten-year geometric return is 10% per year.~~ MMSC has adopted a total return investment and spending policy with the objective of preserving the inflation adjusted value of the assets of MMSC. The spending policy is calculated on a basis that averages the market value of assets over four years.

The following assumptions are the basis of the 3.5 percent payout in the action presented below.

1. A long-term inflation rate of 3%.
2. An investment policy of MMSC Reserve Fund which is normally 60% invested in equities and 40% invested in fixed income.
3. An expected long-term real return for stocks of 6% and of fixed income of 3%; which would produce an expected nominal return for the Reserve Fund of 7.5% to 8.5% and a real return of 4.5% to 5.5 %.



Risk, as measured by the standard deviation, is expected be less than that of a 40% bond, as measured by the Barclays Capital Government Credit Bond Index and 60% equity as measured by the S&P 500 over the same period.

[Listed below, for informational purposes are the indexes used by United Church Funds during the first qtr of 2012.]

Total Equity Fund

*Policy Index (55% S&P 500,
20% Russell 2000, 20% EAFE,
5% MSCI Emerging Markets Net)*

Conservative Balanced Fund

Policy Index (35% Equity Policy, 65% BCGC)

Moderate Balanced Fund

Policy Index (60% Equity Policy, 40% BCGC)

Aggressive Balanced Fund

Policy Index (75% Equity Policy, 25% BCGC)

Modern portfolio theory, using programs such as a mean-variance optimization program for finding the envelope of assets with the lowest risk for any return and Sharpe's Ratio, will be used to select an efficient allocation of these indexes for the benchmark portfolio.

11. MONITORING INVESTMENT POLICY AND INVESTMENT PERFORMANCE

The TRUSTEES shall monitor the performance of the portfolio at least quarterly and submit semi-annual performance reports to the Conference Council.

At least annually the TRUSTEES, with its investment advisor, will review the composition of the portfolio. The Efficient Frontier of the portfolio will be recalculated at least biennially.

12. EVALUATING INVESTMENT FUNDS

The TRUSTEES shall make a reasonable effort to verify facts relevant to the management and investment of the funds at least biennially.

The following should be considered in evaluating the performance of a mutual or common investment fund and fund manager:

1. Has there been any change in the fund's investment style?
2. Have there been any organizational changes, such as a new manager?
3. Has the fund experienced a large increase or decrease in assets or accounts?
4. How is the fund performance (return and risk) relative to its index and peer group?
5. Is the investment management firm's fund manager registered with the SEC and state regulators?
6. Has the investment management firm or the fund manager been involved in any litigation claims, assessments, or regulatory investigations?
7. Has the fund's reporting been timely and accurate?

13. AMENDMENT OF POLICY

This Policy has been reviewed and accepted by the TRUSTEES. The TRUSTEES must approve any changes to, or deviations from, this Policy by the affirmative vote of five (5) TRUSTEES at a meeting called specifically for that purpose, and with advance notice to the Conference Council of the Missouri Mid-South Conference of the United Church of Christ.

14. GLOSSARY

- A. Asset Classes** Major groups of investments that have materially different risk and return profiles. For this policy, these will be limited to large domestic stocks (as measured by the S&P 500), small company stocks,



long-term corporate bonds, long term government bonds, intermediate term government bonds, U.S. Treasury Bills, foreign stocks, and REITs.

- B. Custodian** The company or individual responsible for the bookkeeping and accounting and filing the needed annual federal and state reports.
- C. Efficient Frontier** A risk-return curve calculated using modern portfolio theory procedure describing the mixture of investments that gives the greatest return for any risk.
- D. Expected return** The anticipated total returns including dividends and realized and unrealized capital gains.
- E. Expected risk** Risk is defined as the variation (both positive and negative) as measured by the standard deviation of the value of the portfolio around the average portfolio value.
- F. Fund Manager** The manager of the individual mutual fund, common investment fund, or other asset in the portfolio.
- G. Investment Advisor** An individual or group paid to provide investment management advice. This individual or group will possess qualification(s) as Certified Financial Analyst(s) (CFA) and will be registered with the Securities and Exchange Commission. The advisor must disclose all potential *conflicts of interest* and is normally not connected to a firm or organization that sells equities or mutual funds.
- H. Investment Horizon** The time period over which the investment objectives, as set forth in this Investment Policy, are expected to be met.
- I. Modern Portfolio Theory** A method of selecting the optimum portfolio from a number of possible investments considering both the risk and expected returns of the individual investments.
- J. Small Company Stocks** Stocks in the ninth and tenth deciles of the New York Stock Exchange and those listed on American Stock Exchange and NASDAQ with less capitalization than the upper bound of the NYSE ninth decile, or approximately \$900,000,000. "Stocks, Bonds, Bills, and Inflation" uses Dimensional Fund Advisors U. S. Micro Cap Portfolio as the index for these stocks.
- K. Style** The description of the approach and strategy used by an investment manager to manage funds. Equity styles include growth, value, yield, large cap, med cap, and small or micro cap.

