

STATEMENT OF INVESTMENT POLICY & OBJECTIVES
for
THE DOMESTIC & FOREIGN MISSIONARY SOCIETY

APRIL 2012

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INTRODUCTION

Investment Policy and Objectives for the Domestic & Foreign Missionary Society (“DFMS”) Endowment and trust assets (“Endowment”).

The purpose of this Investment Policy is to assist the Investment Committee of the Executive Council of the DFMS in effectively supervising, monitoring and evaluating the investment of the Endowment’s assets. The Endowment’s investment program is defined in the various sections of this Investment Policy statement (“IPS”) by:

- stating the Investment Committee’s expectations, objectives and guidelines with regard to the Endowment;
- encouraging effective communications between the Investment Committee and the Endowment’s service providers by stating the responsibilities of the Investment Committee, the investment managers, and the investment consultant; and
- establishing procedures for selecting, monitoring, and replacing investment managers.

STATEMENT OF OBJECTIVES

The Investment Policy considers both the current and projected financial requirements of the Endowment. The investment objective is a long-term rate of return on assets that will generate earnings to provide a sustainable and increasing level of income to support the current and future ministries of the Episcopal Church in accordance with the wishes of the donors or owners of those funds, while preserving the real (inflation-adjusted) purchasing power of the funds. To accomplish these goals, the Endowment must generate an average annual real total return (net of investment management fees and after inflation as measured by the CPI index) in excess of the endowment annual spending rate (which ordinarily ranges between 5% and 5½%) over rolling five-year periods.

Investment objectives should be achieved within acceptable risk levels, while avoiding large short-term declines in market value. Further, income yield (interest and dividends) should be sufficient in most periods to avoid the necessity of liquidating investments at an unfavorable time. Modest amounts of capital appreciation may be spent, however, to offset income shortfalls that may occur in unusual economic circumstances.

Since the endowment is essentially a perpetual investment portfolio, a higher degree of risk and volatility can be tolerated compared to a portfolio with shorter time horizons. This tolerance of risk and volatility, however, is limited by the need to provide a stable and growing cash flow to support the DFMS operating budget and to avoid the necessity of liquidating investments at an unfavorable time.

The assets of the Endowment shall be invested in accordance with the objectives summarized below:

1. Maximize return within reasonable and prudent levels of risk of loss of principal.
2. Maintain sufficient liquidity to meet payment obligations on a timely basis.

Relative performance benchmarks for the Endowment's Investment Managers are set forth in the Control Procedures section of this document.

DUTIES AND RESPONSIBILITIES

Investment Committee

The responsibility for overseeing the assets resides with the Executive Council Investment Committee. In accordance with the Executive Council By-Laws, the Investment Committee has all the authority of the Council and Board of Directors of the Society under the law to act in the investment and reinvestment of institutional funds or assets of the Episcopal Church, the General Convention, the Council, and the Society, as well as any other funds or assets held by the foregoing for investment.

Members of the Investment Committee are elected by Executive Council upon the joint nomination of the Chair and Vice-Chair of Council. The Investment Committee shall consist, in addition to the Chair and Treasurer of the Council, ex officio, of the following:

(a) One member of the Council, who shall be elected at the beginning of each triennium by the Council upon the joint nomination of the Chair and Vice-Chair; and

(b) Not less than six, nor more than nine, other persons elected by the Council on the joint nomination of the Chair and Vice-Chair, who shall be divided into three classes, as nearly equal in size as possible, and each of whom shall serve a term of three years commencing at the beginning of a triennium, and shall be eligible for re-election, provided that no person who has served two full consecutive terms shall be eligible for re-election until one year following the end of the second term; and provided further that the foregoing term limit may be waived by the Council upon a two-thirds vote of its members where the Chair and Vice-Chair represent that such waiver is prudent to maintain continuity and the expertise required for informed investment decisions.

Elected members of the Investment Committee shall hold office until the end of their respective terms. Any vacancy occurring in the elected membership of the Investment Committee may be filled by the Council at any meeting, upon the joint nomination of the Chair and Vice-Chair. The Investment Committee shall have a Chair and Vice-Chair appointed annually by the Chair from among the membership of the Investment Committee.

The Executive Council delegates to the Investment Committee the responsibility for ensuring that the assets of the Endowment are invested effectively and prudently, in full compliance with all applicable laws for the exclusive benefit of Endowment.

The responsibilities of the Investment Committee include:

- recommending and reviewing investment policies and objectives;
- selecting or removing, from time to time, the investment managers (the “Investment Managers”), custodians and other advisors for the investment and reinvestment of the Endowment;
- determining an asset allocation for the Endowment
- reallocating the assets among Investment Managers if the overall asset allocation policy limits have been exceeded, within the guidelines stated herein;
- periodically evaluating, with the assistance of its investment consultant (the “Consultant”), the performance of the Investment Managers;
- reviewing and modifying the IPS, when appropriate.

The Investment Managers

Investment managers are responsible for making all investment decisions on a discretionary basis regarding assets placed under their management, and will be accountable for achieving their investment objectives. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the stated investment strategy.

The Investment Committee requires the Investment Managers to have open communication on all significant matters pertaining to investment policies and the management of the Endowment's assets entrusted to them. The duties and responsibilities of the Investment Managers shall be set forth in a written agreement between the parties and shall include, but are not limited to, the following:

- investing the Endowment's assets with the care, skill, prudence, and diligence that a prudent professional investment manager, familiar with such matters and acting in like capacity, would use in the investment of such assets;
- adhering to the investment policies and guidelines prescribed by the Investment Committee;
- informing the Investment Committee, DFMS staff and the Consultant regarding all significant matters pertaining to the investment of the Endowment's assets. These matters include:
 - substantive changes in investment strategy or portfolio structure; and
 - significant changes in the ownership, affiliations, organizational structure, financial condition and professional staffing of the Investment Manager's organization;
- submitting reports, at least quarterly, describing its performance results (gross and net of management fees) of portfolio holdings; and
- meeting with the Investment Committee, DFMS staff and Consultant as requested.

The Consultant

The Investment Committee retains the Consultant to assist the Investment Committee in the overall strategic investment direction of the Endowment. The duties and responsibilities of the Consultant include, but are not limited to, the following:

- assisting the Investment Committee in the overall strategic investment direction of the Endowment;
- making recommendations to the Investment Committee from time to time concerning asset allocation among Investment Managers and the guidelines of the Investment Managers;
- assisting in the periodic evaluation of the financial condition of the Endowment;
- suggesting appropriate investment strategies based on the financial condition of the Endowment;
- initiating written communication with the Investment Committee whenever the Consultant believes the guidelines should be changed;
- monitoring and evaluating the performance of the Investment Managers and the ongoing progress of the Endowment towards, and in their compliance with, stated investment goals, objectives and restrictions;
- suggesting corrective action if an investment strategy or an Investment Manager fails to meet expectations;
- suggesting strategy changes in response to material changes in either financial conditions of the Endowment or the capital market environment;
- submitting, at least quarterly, reports outlining the performance results of the Investment Managers, and the current condition of the capital markets;

- assisting the Investment Committee, as needed, in the selection of new Investment Managers, including, without limitation, compiling a selection of possible candidates, screening such candidates for recommendation to the Investment Committee and assisting the Investment Committee with candidate interviews; and
- attending the regular meetings of the Investment Committee, and at other times as requested by the Investment Committee.

STATEMENT OF INVESTMENT POLICY

Plan Asset Allocation Targets and Ranges

The Investment Committee is guided by the philosophy that asset allocation is a significant determinant of long-term investment return.

The Investment Committee examines the relationship between risk and return in formulating its asset allocation. The Investment Committee shall direct the investment of the Endowment in accordance with its asset allocation and, as practical, in each asset class within in the ranges listed in Exhibit A, as amended periodically.

The Endowment shall be diversified both by asset class and individual securities. The primary purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate adverse impact on the total portfolio. Because the endowment is essentially a perpetual investment portfolio, a higher degree of risk and volatility can be tolerated compared to a portfolio with shorter time horizons. This is generally, but not always, associated with equity securities.

The primary purpose of the equity investments is to provide a total return that will provide for growth in principal and current income (along with income from fixed income investments) sufficient to support spending requirements, while at the same time, preserving and enhancing the purchasing power of the Endowment's assets over the long-term. It is recognized that at times, this may entail the assumption of greater variability of returns.

The primary purpose of fixed income investments (bonds and cash equivalents) is to provide a source of current income, to reduce the variability of the total market value of the portfolio, and to serve as a partial hedge against periods of economic deflation. Fixed income assets held by equity managers are intended as a reserve for equity purchases.

The primary purpose of real asset investments (e.g., commodities and real estate) is to provide diversification from traditional allocations to equities and fixed income, preserve and grow real principal, and provide inflation protection.

The major portion of the Endowment portfolio will be invested in liquid, marketable securities. The portfolio may also have a limited portion of its assets in non-marketable securities, however, because immediate liquidity of the entire portfolio is not necessary.

Adherence to Policy Targets and Ranges

Rebalancing asset allocations to policy targets is essential for maintaining the risk/return profile adopted by the Investment Committee. Maintaining a disciplined rebalancing policy to to keep the asset allocation on target is an important component of managing the Endowment structure, controlling unintended risk and not reacting to short-term trends in the marketplace. Since portfolios move away from normal exposures naturally as a result of market movements and assets being added to or withdrawn from the Endowment, rebalancing should occur through a regular process.

The Investment Committee, with the assistance of DFMS staff and the Consultant, will review the Endowment's asset mix on a regular basis. Rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy ranges; these

divergences should be short-term. If the asset allocation cannot be maintained within the above policy range through the ordinary course of withdrawals from the Endowment, the Investment Committee and the Consultant will formulate a plan to rebalance the portfolio back to within target allocation ranges (see Exhibit A), at the direction of the Investment Committee.

The Investment Managers have full discretion to operate within the scope of the mutually agreed investment guidelines.

Investment Manager Selection

The Investment Committee will apply the following due diligence criteria in selecting each investment manager:

- **Regulatory oversight:** Each investment manager must be a bank, an insurance company, a mutual fund organization, or a registered investment adviser as defined by the Investment Advisor's Act of 1940, as amended.
- **Correlation to style or peer group:** The investment manager's product must be representative of the asset classes identified in this IPS or to an investment style within the asset class deemed appropriate by the Investment Committee. This is important as due diligence involves comparisons of the manager to an appropriate peer group.
- **Performance relative to an unmanaged benchmark:** Performance will be compared to a representative broad market index (e.g., the S&P 500 Index for U.S. large cap equities and the Barclays Capital Aggregate Index for U.S. intermediate-term fixed-income).
- **Performance relative to a peer group:** Performance numbers will be compared to the applicable peer group and broad index on annual, and rolling three- and five-year periods. If a separate account manager has just started a mutual fund or a commingled product based on the exact process followed for a prior separate account, consideration will be given to using the manager's separate account track record, (adjusted, if applicable, for any additional expenses of the mutual fund).
- **Performance relative to assumed risk:** The investment manager should demonstrate above median risk-adjusted performance measured against the manager's peer group - also taking into consideration such calculations of return and variability as the fund's alpha, Sharpe and information ratio) - over rolling three- and five-year periods.
- **Minimum track record:** The same portfolio management team should be in place at least three years. An individual portfolio manager that has just left one firm and has started another firm should not be screened solely on the previous firm's track record; the "portability" of the track record will require subjective analysis.
- **Assets under management:** The investment manager should have at least \$250 million under management within the screened product in a combination of separate account and co-mingled assets, assuming the manager is using the same process for both vehicles.
- **Holdings consistent with style:** Managers that have met the aforementioned criteria will be further analyzed to determine if more than 25% of the portfolio is invested in securities that are not consistent with the style (e.g., a US growth fund holding more than 25% in cash or international securities).
- **Stability of the organization:** The final criterion provides for an examination of possible perceived organizational problems - personnel turnover; regulatory issues;

assets coming in faster than the investment manager can handle; inability to demonstrate “best price and execution” in trading.

Investment Manager Benchmarks

One of the primary objectives of each actively managed portfolio segment is to outperform a representative broad market index (e.g., the S&P 500 Index for U.S. large cap equities and the Barclays Capital Aggregate Index for U.S. intermediate-term fixed-income) over periods of three to five years. Specific benchmarks for each asset class will be determined before an allocation is made to any investment category.

Over a three- to five-year period, the nominal rate of return earned by each Investment Manager is expected to:

- i. exceed the nominal rate of return of an index of securities agreed previously with the Investment Manager; and
- ii. be sufficient to place the account for which the Investment Manager is responsible in a competitive ranking (above median) relative to a peer group of managers.

Investment Manager Guidelines

Each Investment Manager must adhere to the Guidelines established by the Investment Committee. These Guidelines, which are agreed by each manager, are revised periodically as necessary. Current Guidelines are attached as Exhibit B. Any Investment Manager seeking exemption from any of the guideline restrictions must obtain written permission. Should the Endowment invest in any commingled vehicles and/or mutual funds, it is acknowledged that the guidelines for each commingled vehicle are effectively the Company's guidelines for that investment. This recognizes that individual participants in collective vehicles are not able to impose their own unique set of guidelines upon the investment.

Diversification

Investments shall be diversified with the objectives of maximizing return and minimizing the risk of large losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, corporations, or industries.

Volatility

Consistent with the desire for adequate diversification, the investment policy is based on the assumption that the volatility of the portfolio will be similar to that of the market opportunity available to institutional investors with similar goals and objectives (i.e., a long term-time horizon; modest requirement for immediate liquidity. The volatility of each Investment Manager's portfolio will be compared to the volatility of appropriate market indices and peer groups over annual and rolling periods.

Voting of Proxies

Voting of proxy ballots shall be the responsibility of the Society. Voting shall be for the exclusive benefit of the Endowment and shall be done in accordance with guidelines established from time-to-time by the Society.

Execution of Security Trades

The Investment Committee expects the purchase and sale of securities to be made through responsible brokers in a manner designed to receive the best combination of realized prices and commission rates.

CONTROL PROCEDURES

Review of Investment Policy and Objectives

This Statement of Investment Policy and Objectives will be reviewed annually to determine its continued appropriateness and efficacy

Monitoring Investment Managers

The Investment Committee, with the assistance of the Consultant, will review the Endowment's and individual Investment Manager's performance from a long-term perspective, utilizing the same criteria that were the basis of the initial investment selection decision.

The ongoing monitoring of investment managers should be a regular and disciplined process. It is the mechanism for revisiting the investment selection process and confirming that the initial criteria remain satisfied and that an investment manager continues to be appropriate for the Endowment. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an ongoing process

Performance reviews will focus on:

- The return opportunities available relative to unmanaged equity and debt markets, including the Standard & Poor's 500 Stock Index for large cap U.S. equities and the Barclays Capital Aggregate Bond Index for intermediate-term fixed income securities or other comparable indices appropriate for monitoring individual portfolio investment strategies;
- Comparison of Investment Managers' results to managers using similar styles (in terms of diversification, volatility, style, etc.) and the Investment Manager's appropriate benchmarks;
- Total Endowment and Investment Manager adherence to the policy guidelines; and
- Material changes in the Investment Managers' organizations, such as in investment philosophy, personnel, ownership, acquisitions or losses of major accounts, etc.

Terminating Managers

An investment manager will be terminated when the Investment Committee has lost confidence in the manager's ability to:

- achieve performance and risk objectives;
- comply with investment guidelines;
- comply with reporting requirements; or
- maintain a stable organization and retain relevant key investment professionals.

Any recommendation to terminate an investment manager will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include professional staff or client turnover, or material change to investment processes.

There are no fixed rules for manager termination. If, however, the investment manager has consistently failed to meet its performance objectives listed, it is reasonable for the Investment Committee to seek an alternative. Failure to remedy the circumstances of unsatisfactory performance by the investment manager, within a reasonable time, shall be grounds for termination.

Measuring Costs

The Investment Committee will review periodically the costs associated with the management of the Endowment. Consideration will be given to investment management fees, trading and brokerage costs, custodial costs and various other expenses. While lower expenses are generally preferred, they will be assessed relative to the results achieved.

MISCELLANEOUS ADMINISTRATIVE POLICIES

Endowment Composition

The Society's Endowment assets consist of three types of funds:

- Funds owned, held and managed by DFMS and benefiting DFMS (Endowment)
- Funds owned, held and managed by DFMS and benefiting other Episcopal/Anglican entities (trustee type)
- Funds held and managed by DFMS but owned by and benefiting other Episcopal/Anglican entities (custodial type)

The Endowment portfolios function similar to, but not exactly like, public mutual funds:

Assets are consolidated or "pooled" for investment purposes and each trust fund in the Endowment portfolio holds a determined number of shares in the Endowment pool. The number of shares assigned to each trust fund changes when additions (usually gifts, contributions, or reinvested income distributions) and/or withdrawals (where permissible) are made.

The value of a share fluctuates with the changing value of the underlying investments in the pool. At the end of each calendar quarter, the share value is determined by dividing the total market value of the portfolio by the number of shares in the portfolio.

Investment management expenses are shared proportionately by all participants; DFMS does not impose any additional charge for its costs of administering the portfolio.

In order to minimize transaction costs, funds are moved into and out of the portfolio once each quarter. While contributions to new or existing trust funds can be delivered to DFMS at any time, funds will only be invested with the money managers after the end of the calendar quarter during which the contribution is made.

Distribution Policy

Distributions from the invested funds are based on the two components of total return: yield and appreciation. A portion of the total return of those funds for which the Society is the beneficiary is distributed for current operating expenses. The distribution rate currently approximates 5.5% of a five-year rolling average market value per share.

The Society aims to maintain a stable payout rate, though it may be adjusted periodically in response to changing capital market returns, inflation experience and other factors. If, in the judgment of the Investment Committee and the Treasurer, market performance will not support a distribution at the rate set by the Executive Council and protect the real purchasing power of the Endowment, the Council may adjust the distribution in accordance with prudent fiduciary conduct.

REVIEW AND ACCEPTANCE

The current Investment Policy Statement was reviewed and accepted by the Executive Council Investment Committee on (date).

Signature: _____

Name: _____
Chair, Investment Committee

Exhibit A

Asset Class as a Percent of Total Assets

Diversification and Asset Mix

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Representative</u>
Domestic Equity	36%	43%	50%	Russell 3000 Index
International Equities	14%	17%	20%	MSCI All Country World ex US Index
Emerging Markets Equity	1%	3%	5%	MSCI EM Gross Index
Hedge Fund of Funds	8%	10%	12%	HFRI FOF Strategic Index
Real Estate	2%	3.5%	5%	FTSE EPRA/NAREIT Dev Real Estate (NAREIT Global Property Index)
Convertibles	4%	6%	8%	BofA ML All Convertibles Index
Fixed Income	14%	17.5%	21%	Barclays Capital US Aggregate Index

Custom benchmark currently consists of 43% Russell 3000, 17% MSCI All-Country World ex U.S., 3% MSCI EM Gross \$, 14.5% BC Aggregate, 6% ML All Convertibles, 3.5% NAREIT Global Property, 10% HFRI FoF Strategic, 3% JP Morgan Global Govt. Prior to 10/1/2011, custom benchmark consisted of 50% Russell 3000, 17% MSCI All-Country World ex U.S., 17% BC Aggregate, 3.5% ML All Convertibles, 3.5% NAREIT Global Property, 6% HFRI FoF Strategic, 3% JP Morgan Global Govt. Prior to 7/1/2010, custom benchmark consisted of 53% Russell 3000, 17% MSCI All-Country World ex U.S., 17% BC Aggregate, 3.33% ML All Convertibles, 3.33% NAREIT Global Property, 3.33% HFRI FoF Strategic, 3% JP Morgan Global Government. Prior to 7/1/2008, custom benchmark consisted of 40% S&P 500, 20% Russell 2000, 20% BC Aggregate, 20% MSCI EAFE.

(last reviewed 05/2012)

Exhibit B

Manager Guidelines

The purpose of these guidelines is to provide an investment framework for managers employed by the Society. Each manager should be bound by the constraints shown for its assigned asset class. The fact that additional asset classes are considered in these guidelines should not be construed as authorization to utilize those asset classes if they are not within the manager's mandate. These guidelines reflect the general comfort level of the Society, but managers may seek exemptions by formal request. Exemptions granted by the Society will be listed specifically under the section entitled, Separate Agreements With Managers.

Portfolio Restrictions

General

Issuer: No limits on the use of U.S. government, agency or guaranteed issues.

Proxy Voting: The Society is responsible for voting proxies.

Brokerage: The Society may specify use of specific brokerage firms subject to best execution and competitive commissions.

Manager Concentration: No more than 15% of the portfolio at market value invested by each manager.

Common Stocks & Preferreds (U.S.)

Exchange Listings: All domestic securities must be listed on NYSE, Amex or OTC exchanges. American Depository Receipts (ADRs) are not permitted unless specifically approved and then constrained by guidelines under Common Stocks & Preferred (Non-U.S.).

Single Security Concentration: No more than 5% at cost or 7% of the portfolio at market value in any one security.

Single Corporation Concentration: No more than 3% of the outstanding shares of any one corporation.

Capitalization: Minimum acceptable capitalization of companies considered for purchase is \$100 million.

144A Securities: 144A securities (with or without registration rights) which are deemed liquid by the investment manager are permitted.

Prohibited Securities: A current listing of prohibited securities is being maintained by DFMS.

Cash Equivalents: Maximum acceptable cash position is 10%. The Committee or Treasurer's office must be advised if this level is to be exceeded. Must conform to requirements listed under Fixed Income Cash Equivalents.

Fixed Income: Equity managers may use investment grade fixed income securities if they judge these to provide expected returns superior to common stock and if they have received specific prior approval. Must conform to requirements listed under Fixed Income Securities.

Common Stocks & Preferreds (Non-U.S.)

Exchange Listings: All securities must be listed on national exchanges or listed in the U.S. markets as American Depositary Receipts or traded on international or OTC exchanges.

Single Security Concentration: At any time, no more than 5% of the portfolio at market value in any one security.

Single Company Concentration: At any time, no more than 1% of the outstanding shares of any one corporation.

Capitalization: Minimum acceptable capitalization of companies considered for purchase is \$500 million.

144A Securities: 144A securities (with or without registration rights) which are deemed liquid by the investment manager are permitted.

Prohibited Securities: A list of prohibited securities (No-Buy List) is maintained by the DFMS in accordance with policies adopted by the Executive Council. The current No-Buy List appears as Appendix C.

Currency Hedging: Forward purchases or sales of currencies, including cross currency hedges, are permitted to protect or enhance the U.S. dollar value of the account. The use of derivative instruments such as currency futures or options for currency shall also be permitted upon completion of any necessary disclosure or other documentation. No speculative hedging will be permitted.

Cash Equivalents: Maximum acceptable cash position is 10%. The Committee or Treasurer's office must be advised if this level is to be exceeded. Must conform to requirements listed under Fixed Income Cash Equivalents.

Fixed Income Securities & Convertibles (U.S.)

Issuers: No limits on the use of U.S. Government, agency or U.S. Government guaranteed issues.

Quality: Minimum BBB-/BAA3 rating, by two nationally recognized statistical rating organizations (NRSRO) as designated by the SEC, for corporate, asset-backed, 144A, Yankee and Eurodollar bonds and notes, including floating rate notes. If a security ceases to meet these conditions after it is purchased, the manager should notify the Treasurer or the Committee to develop a strategy to liquidate the investment. Total portfolio must have minimum A rating.

144A Securities: 144A securities (with or without registration rights) which are deemed liquid by the investment manager are permitted.

Mortgages: In addition to the mortgage-backed securities issued by GNMA, FNMA and FHLMC, collateralized mortgage obligations secured by pools of GNMA, FNMA and FHLMC insured mortgage securities are permissible. Other issues may be used so long as each issue has a rating of AA or higher.

Issue Concentration: No more than 5% at market value in a single issue, 10% in an issuer.

Mortgage Derivatives: IOs, inverse floaters and residuals not permitted. No more than 10% of the portfolio at market value may be invested in POs or support tranches of CMOs, including those in closed-end bond funds. No one position in any of these securities should exceed 2% of the market value of the portfolio.

Fixed Income Securities & Convertibles (Non-U.S.)

Issuers: No limits on the use of U.S., Canadian, U.K., Japanese, Australian, Scandinavian or European monetary systems (EMS) bloc governments and their agencies and supra-national borrowers in local currency or Euro. A 15% limit is placed on issues of all other countries.

Currency Hedging: The use of forwards, futures and options for interest rate and currency hedging is permitted, but not for speculative purposes or to the extent that a leveraged position is established.

Cash Equivalents (maturity of one year or less)

Issue Concentration: No more than 5% of the portfolio at market value in one issue, no more than 10% in one issuer.

Approved Issuers: Certificates of deposit and bankers acceptances with major money center banks that are members of the Federal Reserve System and insured by FDIC.

Repurchase and Reverse Repurchase Agreements: Repurchase and reverse repurchase agreements with major money center banks that are members of the Federal Reserve system and broker/dealers insured by SIPC. The agreements must conform to the standard form of the repurchase agreement recommended by the Bond Market Association. The collateral should meet all other DFMS fixed income securities portfolio requirements, have terms to maturity not to exceed five years, be marked-to-market on a daily basis and be collateralized at least 102%.

Commercial Paper Quality: Commercial paper rated at least A1/P1 or the equivalent by two NRSRO's.

Money Market Quality: Money market funds or similar investment vehicles in existence for at least 3 years with restricted investments in short-term (up to one year) instruments rated in the highest short term category by two NRSRO's.

Categorical Restrictions

No direct investment will be made in commodities or development programs nor will managers engage in short sales, margin buying hedges, covered or uncovered call options, puts, straddles or other speculative trading devices; structured notes; unbundled stock units; letter stock; private or direct placements (including 144A securities deemed illiquid by the investment manager); direct ownership of real estate or mortgages; short-term securities of the custodian bank, investment managers or affiliated companies; purchase or other direct interest in gas, oil, or other mineral exploration or development programs; and warrants. All are restricted except to those managers where the Board has authorized permission

Commingled Vehicles

The Endowment may invest in commingled vehicles. It is acknowledged that the investment policy of the respective commingled vehicle and/or mutual fund will effectively be the Funds' guidelines for that investment. The guidelines of the commingled vehicle and/or mutual fund will be reviewed in relation to the Funds' IPS for compliance, with any exceptions acknowledged and approved by the Committee. This recognizes that individual participants in collective vehicles are not able to impose their own unique set of guidelines upon the investment.

Foreign Currency Exposure

Forward purchases or sales of currencies, including cross currency hedges by the Fund's global and international managers, are permitted to protect or enhance the U.S. dollar value of the account or to reduce the volatility of the fund's U.S. dollar returns from investments in non-dollar securities. The use of derivative instruments such as currency futures or options for currency shall also be permitted with written authorization from the Investment Committee. Asset allocation managers may use foreign currencies as a separate investment strategy, consistent with their guidelines. Without the explicit authorization of the Board, no manager will utilize

currency futures or forwards if their effect is to leverage the Fund's assets, circumvent any investment guidelines, or introduce additional risk into the portfolio. No speculative hedging will be permitted.

Use of Derivatives

The Fund's managers may use options and futures solely in order to reduce risk in the portfolio or to implement a market strategy more rapidly or at lower cost. Asset allocation managers may use derivatives, including swaps, to establish, hedge, or short market exposure as an investment strategy consistent with their guidelines. Without the explicit authorization of the Board, no manager will use derivatives (including, without limitation, swaps, structured notes, and collateralized mortgage derivatives) if their effect is to leverage the Fund's assets, circumvent any investment guidelines, introduce additional risk into the portfolio or put more than the principal amount of the account at risk.

Securities Lending

The Funds, at the direction of the Investment Committee, may enter into securities lending agreements with custodian banks for separately managed accounts. The required cash collateral pool must meet the quality guidelines of a Tier 1 money market fund. The custodian will be required to provide a review, not less than quarterly, of the amount of securities on loan (in dollar and percentage of portfolio terms), the quality of the cash collateral invested, income generated from such loans, and the net income accrued to the Endowment by account and as a whole.

Communications

The Investment Committee and the Treasurer's office requires a continual awareness of each manager's activity and position, both on an absolute and relative basis. To accomplish this, the following should be sent to the Investment Committee and to the Consultant.

Monthly (Treasurer's office and Consultant only)

Summary transaction registers and asset valuations provided by the custodian.

Quarterly

Summary transaction registers and asset valuations provided by the custodian. Written report in sufficient detail so that the Investment Committee is apprised of current status and any changes in philosophy or investment strategy.

Annually

Meetings with each manager to discuss performance results, economic outlook, investment strategy, organizational changes and other pertinent matters. Managers should indicate which of their holdings are 144A securities and make specific note of those that they deem to be illiquid.

Other

Timely telephone and/or letter advice from the manager when information of an important nature, such as unusual market activity (oil embargo, monetary crisis, etc.) is causing, or may cause, material impact on the portfolio.

Separate Agreements with Managers

DePrince, Race & Zollo: (1) may invest in companies with a minimum acceptable capitalization of \$50 million.

Edgewood Management: (1) may invest up to 7%, at cost, in any one security; (2) may invest up to 8% at market, in any one security.

Institutional Capital: (1) may invest up to 20% of the portfolio in ADRs.

Wells Capital Management: (1) may invest up to 20% of the portfolio in ADRs; (2) US exchange-traded securities of issuers domiciled outside the US are permissible securities that will not be subject to the 20% limit.

Westwood Management: (1) may invest up to 10% of the portfolio in ADRs and foreign issues listed on U.S. exchanges.

WAMCO: (1) see attached derivative guidelines; (2) may invest up to 20% of the portfolio in below investment-grade securities; (3) may invest up to 15% of the portfolio at market value combined in non-dollar and emerging market debt.

**Investment Management Objectives
Updated February 2012**

EQUITY	Objective #1	Objective #2
Domestic Large Cap Growth <i>Edgewood Management Co.</i>	Perform above median consistently over a three-year rolling period compared to a universe of large growth equity managers.	Exceed the Russell 1000 Growth Index by at least 100 basis points annually over a three-year rolling period. Relative strength expected in falling markets.
Domestic Large Cap Core <i>Institutional Capital</i>	Perform above median consistently over a three-year rolling period compared to a universe of large core equity managers.	Exceed the S&P 500 Index by at least 100 basis points annually over a three-year rolling period. Relative strength expected in falling markets.
Domestic Large Cap Value <i>Westwood Management</i>	Perform above median consistently over a three-year rolling period compared to a universe of large value equity managers.	Exceed the Russell 1000 Value Index by at least 100 basis points annually over a three-year rolling period. Relative strength expected in falling markets.
Domestic Small/Mid Cap Growth <i>Wells Capital Management</i>	Perform above median consistently over a three-year rolling period compared to a universe of small/mid cap growth equity managers.	Exceed the Russell 2500 Growth Index by at least 200 basis points annually over a three-year rolling period.
Domestic Small Cap Value <i>Columbia (RiverSource)</i>	Perform above median consistently over a three-year rolling period compared to a universe of small cap value equity managers.	Exceed the Russell 2000 Value Index by at least 200 basis points annually over a three-year rolling period.
Domestic Micro Cap Value <i>DePrince, Race & Zollo</i>	Perform above median consistently over a three-year rolling period compared to a universe of small cap value equity managers.	Exceed the Russell Micro Cap Value Index by at least 200 basis points annually over a three-year rolling period.
International <i>Vanguard Europe Pacific ETF</i>	Perform above median consistently over a three-year rolling period compared to a universe of international equity managers.	Match the MSCI EAFE Index annually over a three-year rolling period.
Emerging Markets <i>First State</i>	Perform above median consistently over a three-year rolling period compared to a universe of emerging markets equity managers.	Exceed the MSCI Emerging Markets Free Index by at least 200 basis points annually over a three-year rolling period.

**Investment Management Objectives (continued)
Updated February 2012**

	Objective #1	Objective #2
HEDGE FUNDS		
Equity Hedge Fund-of-Funds – Global Long/Short <i>Blackstone</i>	Perform above median consistently over a three-year rolling period compared to a universe of global equity long / short fund-of-funds managers.	Exceed the HFRI FOF Strategic Index annually over a three-year rolling period.
REAL ESTATE		
Global REITs <i>European Investors</i>	Perform above median consistently over a three-year rolling period compared to a universe of global real estate products.	Exceed the FTSE EPRA/NAREIT Dev Real Estate Index annually over a three-year rolling period.
CONVERTIBLES		
Convertibles <i>Advent</i>	Perform above median consistently over a three-year rolling period compared to a universe of convertible investment managers.	Exceed the BofA ML Convertibles Index by at least 75 basis points annually over a three-year rolling period.
FIXED INCOME		
Opportunistic Core Domestic <i>Western Asset Mgmt.</i>	Perform above median consistently over a three-year rolling period compared to a universe of opportunistic core domestic fixed income investment managers.	Exceed the Barclays Capital US Aggregate Index by at least 50 basis points annually over a three-year rolling period.
Core Domestic <i>SSGA</i>	Perform above median consistently over a three-year rolling period compared to a universe of core domestic fixed income investment managers.	Match the Barclays Capital US Aggregate Index annually over a three-year rolling period.
Global <i>Brandywine</i>	Perform above median consistently over a three year rolling period compared to a universe of global fixed income investment managers.	Exceed the J.P. Morgan Global Government Bond Index by at least 100 basis points annually over a three-year rolling period.

Exhibit C
Companies Subject to No-buy Portfolio Restrictions

The Domestic & Foreign Missionary Society
 Episcopal Church Executive Council
 Corporate Social Responsibility Committee
 Updated on June 25, 2012

The Corporate Social Responsibility Committee, a subcommittee of the Executive Council establishes the directives for socially responsible investments. These directives are largely guided by recommendations from the ICCR (Interfaith Center on Corporate Responsibility) with respect to shareholder activism and other socially responsible investment issues.

There are three portfolio restrictions in place based on policies adopted by the Executive Council. They are:

- **Militarism:** Shares of any company (a) among the top five U.S. defense contractors, measured in dollar volume of sales and (b) any company among the top 50 defense contractors that receives more than fifty percent of its revenues from military contracts.
- **Sudan:** Companies whose activities make continued human rights violations possible by providing revenues to the Sudanese government.¹
- **Tobacco products:** Shares of companies that manufacture or sell tobacco products

The following is a list of companies subject to portfolio restrictions based on Episcopal Church policies.

Military Contractors	CUSIP	SEDOL	Sudan	SEDOL
Lockheed Martin	539830109	2522096	Nam Fatt Malaysia)	6621159
Raytheon	755111507	2758051	ONGC (India)	6139362
Northrop Grumman	666807102	2648806	Sinopec (China)	6291819
			PetroChina (China)	6226576

US Tobacco Companies - CUSIP

Altria Group	02209S129	Schweitzer-Maudit International	808541106
Alliance One International	018772103	Star Scientific	85517P101
Lorillard	544147101	Universal Corp.	913456109
Philip Morris International	718172109	Vector Group	92240M108
Reynolds American	761713106		

¹ There is considerable discussion within the SRI community about which companies to include in Sudan portfolio screens, especially given recent political changes in the country. For the time being, the list remains the same as before, with a focus on those companies whose direct involvement in the oil industry provides significant financial support to the Sudanese government in Khartoum. Further review of this issue is being undertaken, but any change in screening approach would require a CCSR recommendation and Executive Council approval.

Non-US Tobacco Companies	CUSIP	SEDOL
Al-Eqbal Investment Company PLC (Jordan)	4820675Z JR	
Blagoevgrad-BT AD (Bulgaria)	BG11BLBLAT13	5643723 BG
British American Tobacco plc (UK and subsidiaries)	GB0002875804	0287580 GB
Carreras Group Ltd (Jamaica)	JMP213891048	2177827 JM
Ceylon Tobacco Ltd (Sri Lanka)	LK0042N00008	6186904 LK
Compania Chilena De Tabacos S.A (Chile)	2904903Z CI	
Eastern Company (Egypt)	EGS37091C013	6298177 EG
Godfrey Phillips (India)	INE260B01010	6374806 IN
Golden Tobacco	INE973A01010	6302357 IN
Haskovo-Tabac AD	BG11HAHABT16	B0559C4 BG
Imperial Tobacco Group plc (United Kingdom)	GB0004544929	0454492 GB
Ispirih BT (Bulgaria)	BG11ISISAT15	
ITC Ltd (India)	INE154A01025	
Japan Tobacco (Japan)	JP3726800000	
Jerusalem Cigarette Co Ltd (Israel)	PS2003111643	
JT International Bhd (Malaysia)	MYL261500002	
Karelia Tobacco Company Inc (Greece)	GRS120131008	
Khyber Tobacco Company (Pakistan)	PK0012401011	
Kothari Products Ltd (India)	INE823A01017	6051110 BD
KT&G Group (Korea)	48268G100	
National Cigarettes (Sudan)	5442537Z YS	
Pakistan Tobacco Company (Pakistan)	PK0002701016	6668305 PK
Parvomay BT (Bulgaria)	BG11P1P1AT14	B04HN29 BG
Pazardzhik BT (Bulgaria)	BG11PAPABT16	7541308 BG
Philip Morris CR A.S. (Czech Republic)	CS0008418869	4874546 CZ
Philippine Tobacco Flue-Curing and Redrying Company (Philippines)	PHY696181098	6687667 PH
Pleven BT (Bulgaria)	BG11PLPLDT18	7635751 BG
PT Gudang Garam Tbk (Indonesia)	ID1000068604	5549326 DE
RTCL Limited (India)	INE754B01012	B03K6F3 IN
Societe Ivoirienne de Tabacs (Cote d'Ivoire)	CI0000000154	6817475 CI
Sofia-BT (Bulgaria)	BG11SOSOVT14	
Souza Cruz (Brazil)	BRCRUZACNOR0	
Swedish Match AB (Sweden)	SE0000310336	
Tvornica Duhana Zagreb (Croatia)	HRTDZORA0002	
Union Tobacco & Cigarette Industries Co (Jordan)	JO4107411012	
VST Industries (India)	INE710A01016	
West Indian Tobacco Company Ltd (Trinidad & Tobago)	TTP985721039	