

Saint Mark's Cathedral
Investment and Spending Policy
for
Saint Mark's Investment Portfolio
November 2004

I Purpose

The primary purpose of this policy is to provide guidance to Saint Mark's Cathedral Finance Committee (Finance Committee), staff, and consultants in the discharging of their responsibilities over the investing of funds that have been committed to their oversight. This policy is intended to be dynamic, as investment objectives and environments might change. The policy is designed to achieve an appropriate balance between long-term capital appreciation and current income budget needs by investing in a diversified portfolio of common stocks and other equities, as well as fixed income securities of high quality. Preservation of capital (on a current value basis) is a major goal, so highly speculative investments are to be avoided. Total returns obtained over time should exceed inflation.

As a guide, this policy is subordinate to any Federal, State or local law, or the provision of any trust or donor restrictions, which may be applicable to the investment responsibilities and activities of the Cathedral. The individuals who have responsibility for carrying out the provisions of this policy are to be cognizant of laws and trust and donor restrictions which may be applicable to specific investment assets.

This policy will be reviewed annually by the Finance Committee to ensure timeliness and relevance to current investment goals and economic conditions.

II Investment Policy

A. *Endowment Funds (Funds held in perpetuity)* The Finance Committee shall have the responsibility for overseeing the provisions of this policy. The committee may seek guidance from any source it deems appropriate in the conduct of its duties.

The general investment objective is to obtain a reasonable total rate of return (to build capital appreciation as well as provide income for operations) commensurate with the Prudent Man Rule defined in the Employee Retirement Income Security Act of 1974; however, this reference does not indicate adoption of ERISA by the Vestry or the Finance Committee.

It shall be the Policy that the asset mix have a predominant allocation in equities, including international equities and alternatives, with a substantial investment in fixed income. Within the specific guidelines presented below, the Finance Committee may exercise full investment discretion. The following ranges are expressed as a percent of market value.

	Asset Allocation Range	
	Minimum	Maximum
Equity Assets		
• U. S. Stocks	40%	70%
• International Stocks	5%	15%
• Real estate	0%	10%
• Alternative Investments*	0%	10%
• Fixed Income Assets	15%	55%
• Money Market / Cash Assets	0%	40%

* Alternative investments are appropriate Hedge Funds, Private Equity and Venture Capital investment.

The investment in each asset class shall be appropriately diversified and of high quality. Short-term aberrations of the above allocations shall not be a violation of this Policy.

Return Goal - Endowment Funds

U. S. Equity: The U. S. equity portfolio's target objective is a cumulative real rate of return (nominal return less the Consumer Price Index) of **2.5%** compounded annually for a moving five-year period. The absolute return results will be compared to broad market equity indices such as the Wilshire 5000 Index, the Standard & Poor's 500 Index, or a custom index as developed by a measurement service.

International Equity, Real Estate and Alternative Investments: The international equity portfolio's objective is a cumulative real rate of return (nominal return less the Consumer Price Index) of **2.5%** compounded annually for a moving five-year period. The absolute return result will be compared to broad market equity such as the EAFE Index or the MSCI World Index and other appropriate indices.

Fixed Income: The fixed income portfolio's objective is a cumulative real rate of return (nominal return less the Consumer Price Index) of **1%** compounded annually for a moving five-year period. The absolute return results will be compared to broad market equity indices such as the Lehman Brothers Aggregate Index.

Money Market: The money market portfolio's objective is a cumulative real rate of return (nominal return less the Consumer Price Index) of **0%** compounded annually for a moving five-year period. The absolute return results will be compared to broad market equity indices such as the 3 Month Treasury Bills Index.

B. Restricted Funds (Funds designated by the donor for a specific purpose that will be fully distributed at some future date)

Assets with a short to intermediate holding period prior to distribution (such as a 5 to 10 year time horizon):

- Fixed term investments with very high guarantee of principal.
- Fixed investments without current income that provide appropriate gain at the time of distribution and with very high guarantee of principal (such as zero-coupon treasury bonds).
- Alternative investments with or without current income that provide appropriate gain in value at the time of distribution and with very high guarantee of principal.
- Assets with a long term holding period prior to distribution (a distribution time horizon that is in excess of 10 years or unknown)
- Such Funds and assets shall be invested with Endowment funds.

III Non-Monetary Investments

From time to time, the Cathedral may own non-monetary investments. Any non-monetary investment will be evaluated/appraised by an unrelated third party with relevant experience, according to the requirements of the Cathedral's outside auditors.

IV Responsibility for Investment Policy and Administration

Vestry: Responsibility for the approval or amendment of this investment policy for Saint Mark's Cathedral Portfolio is solely that of the Vestry. Responsibility for development of the policy is delegated to the Vestry Finance Committee. Changes to asset allocation ranges require a simple majority of a quorum of the Vestry. Other changes to this Finance Policy require an affirmative vote of not less than seventy-five percent (75%) of all Vestry members.

Finance Committee: The Finance Committee shall have the responsibility for overseeing and administering the provisions of this policy. This includes choosing appropriate investment instruments, establishing benchmarks for performance, and recommending policy changes to the Vestry if deemed necessary for enhancing portfolio value. The committee may seek guidance from any source it deems appropriate in the conduct of its duties. The Finance Committee shall report the performance of the Cathedral Investment Portfolio to the Vestry quarterly to ensure that the Cathedral's total return is comparable to stock and bond indices, according to the allocation of assets in the portfolio.

Investment Manager: A professional investment manager may be engaged by the Finance Committee at such times as the Committee determines such a manager will significantly improve investment returns. The professional manager is to be made aware of and follow all of the provisions of this policy unless specifically exempted by written notification. The Finance Committee will determine compensation rates and terms at the time of engagement. The investment manager will be subject to annual performance reviews by the Finance Committee.

V Spending Policy

The Investment Spending Policy utilized by Saint Mark's Cathedral is to spend 5% (five percent) of the available 12/31 investment balance in the following year. The Finance Committee will determine the non-monetary investments that will be included in this calculation.