INVESTMENT POLICY STATEMENT
METROPOLITAN NEW YORK SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH OF AMERICA

I. PURPOSE AND BACKGROUND

We, the Metropolitan New York Synod of the Evangelical Lutheran Church in America (MYNS), consider our mission as a share in the redemptive mission of Jesus Christ. We seek to be attentive to the needs of all: the poor, the well off, the young, the old, the sick, the refugee, the immigrant, and the outcast. We serve Jesus Christ in others and seek to emulate him in our parishes, neighborhoods, and wherever we minister – through warm hospitality and witnessing of peace, hope, and joy. We strive to remain open to the Holy Spirit and to answer the call to serve, wherever it may lead. We promote among ourselves and those we serve an awareness of contemporary human needs and involvement in issues of peace and justice.

Since our investments represent a significant portion of our resources, we recognize that our stewardship comprises a dual responsibility: financial as well as a social. From the financial point of view, we recognize the need for prudent risk/return relationships and the need for the preservation of capital, both for the welfare of our membership and the pursuit of the mission of the Evangelical Lutheran Church of America. Our social accountability, as people of the Church, compels us to provide moral leadership as participants in the economic sector through our corporate investments. Consequently, we have an investment philosophy with clear social concerns, which are detailed in the next section.

This Investment Policy Statement outlines the goals and investment objectives of MNYS endowment and is intended to provide guidance for managing the endowment's assets. The investment guidelines that follow are intended not to restrict the Manager, but rather to provide direction in keeping with our goals and objectives. If the Manager finds the guidelines too restrictive, (s)he should recommend changes during a periodic review of the Investment Policy Statement. This statement will be reviewed periodically by the Financial Management Committee of the MNYS to determine if revisions are warranted by changing circumstances including, but not limited to, changes in our mission, financial status, or risk tolerance; changes in the endowment fund; or changes involving the Investment Managers.

II. STATEMENT OF INVESTMENT OBJECTIVES

There are two portfolios to be managed for MNYS: the main Endowment and the Tanzania portfolio. The purpose of the main Endowment is to provide for the current and future financial needs of the MNYS. It is expected that the MNYS will make significant withdrawals ranging from $1.0 million to $1.5 million from the endowment to support its operations for the next two or three years (until 2018). However, it is also anticipated that there will be some cash inflows as real estate properties of the Church are sold. Thus, there is a need to maintain liquidity in the Endowment portfolio in the event that the real estate takes longer to liquidate.

The Tanzania portfolio is not expected to require such large distributions. It can be managed for long term growth and current income with anticipated distributions of approximately 4% per year.

Financial **–** The primary investment objective is to preserve and protect the MNYS assets, to ensure that funds are available to meet near-term cash needs for both the Endowment and Tanzania portfolios. A secondary objective is to grow the assets, through reinvested income and market appreciation. The combination of these objectives is consistent with management for total return (current income and long term appreciation) and a balanced asset allocation. The assets of both portfolios will be divided among three asset classes: equity securities, high-quality fixed income securities, and cash equivalents. All assets of MNYS are exempt from state and federal taxes.

***Social* –** Because of our commitment to **peace**, we seek to avoid investments in corporations that derive 5% or more of their gross revenue from the sale of conventional weapons. Managers should avoid investments in companies that derive *any* revenue from the production of nuclear, chemical, or biological weapons or from systems or components specifically designed for use in such warfare. Further, we seek to avoid companies that manufacture alcohol or tobacco products, or receive more than 2% of revenues from gambling activities or products.

Fossil Fuel Free – It is the intent of the MNYS to hold investment assets in "fossil fuel free" portfolios to the greatest extent possible. As such, managers should avoid the equity or debt issue of companies whose primary business is the exploration, extraction, production, or refining of coal, oil, or natural gas,

Because we are committed to **responsible stewardship of the earth and to human dignity and empowerment**, we encourage investment in companies which do the following:

- work to maintain and conserve the supply of natural resources and to control pollution;
- avoid all exploitive practices and provide goods that protect and improve the quality of life in such areas as health, housing, food and education;
- support and encourage non-discriminatory employment;
- allow and encourage workers and disadvantaged groups to have a voice in decision making.

III. RESPONSIBILITIES OF THE FINANCIAL MANAGEMENT COMMITTEE

The Financial Management Committee will act in accordance with this Investment Policy Statement and all applicable laws and regulations. The Financial Management Committee has the responsibility to approve or revise this investment policy statement.

The Financial Management Committee is responsible for overall monitoring as to the adequacy of the endowment and for allocating contributions to and advising the manager of anticipated disbursements from the endowment.

The Financial Management Committee is further authorized to retain one or more Investment Manager(s) to assume the management of endowment funds. The Financial Management Committee can delegate investment authority to, enter into agreements with, receive reports from, and pay compensation to such Investment Manager(s). The Financial Management Committee will establish and follow appropriate procedures for the selection and oversight of Manager(s), conveying the scope of their authority and the expectations of the MNYS, in keeping with this Investment Policy Statement.

IV. RESPONSIBILITIES OF THE INVESTMENT MANAGER

The Investment Manager will manage the portfolio in a manner consistent with the investment objectives, guidelines, and constraints outlined in this statement and in accordance with all applicable laws and regulations. The Manager will manage the portfolio in accordance with the Prudent Investor Act, which holds managers to a standard of prudence that assesses any investment as part of the total portfolio, rather than as an individual investment.

The Manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. The investment manager shall vote proxies according to their established Proxy Voting Guidelines. A copy of the guidelines and/or a summary of proxy votes will be provided to the Financial Management Committee upon request. The Manager will establish such custodial and brokerage relationships as are necessary for the efficient management of the portfolio funds. In addition, the Manager will be responsible for determining the appropriate course of action on behalf of

MNYS with regard to corporate actions. Class action filings can be considered by the Manager on a case-by-case basis, with a decision not to file as a member of the class an acceptable option.

V. SECURITIES GUIDELINES

The Investment Manager will operate with full discretion with respect to security selection, subject to the following guidelines:

Asset Allocation **–** The most important portfolio risk reduction techniques are asset allocation and diversification. Further, asset allocation is the single most dynamic factor in determining the performance of the total portfolio. Given the historical returns of various asset classes, the Financial Management Committee is comfortable that the superior returns of common stock will continue over the long term and desires that the Manager take a long term approach to the asset allocation decision, rather than employing a short term, market timing strategy. The Manager will operate within overall asset allocation guidelines for the Endowment and Tanzania portfolio, as follows:

ENDOWMENT PORTFOLIO			
Asset Class	**Minimum**	**Target Average**	**Maximum**
Cash Equivalents	5%	10%	15%
Fixed Income	25%	35%	45%
Common Stocks	45%	55%	65%

TANZANIA PORTFOLIO			
Asset Class	**Minimum**	**Target Average**	**Maximum**
Cash Equivalents	0%	5%	10%
Fixed Income	30%	30%	50%
Common Stocks	50%	65%	80%

Fixed Income **–** The purpose of fixed income investments is to provide diversification, volatility control, and current income. The average maturity of the debt securities should not exceed 10 years; the average duration should not exceed 7 years. The maximum maturity for any single security will not exceed 30 years. All fixed income security purchases will have a minimum quality rating of Baa (Moody's Investor Services, Inc.) or BBB+ (Standard and Poor's Corporation). Concentrations in any one issuer, with the exception of U.S. Treasury obligations or securities issued by an Agency of the Federal Government, should not exceed 10 percent of the market value of the fixed income portion of the portfolio. As noted previously, the Endowment is currently supporting the MNYS organization through a major transition. While Endowment assets are being used to help meet operational expenses, it is anticipated that the fixed income portfolio would not assume significant interest rate risk. During this transition period, the appropriate benchmark for the Endowment fixed income portfolio will be the Barclays Intermediate Government Credit Index.

Common Stock **–** The equity portion of the portfolio will be broadly diversified by economic sector, market capitalization, and issuer. The maximum exposure to any one industry sector should not exceed the greater of 25 percent or 5 percentage points over the market weight in that sector. At the security level, an initial purchase of a single security may not exceed 5 percent of the equity portion of the portfolio. The maximum exposure to any company, after price appreciation, may not exceed 10 percent of the equities. Equity investments should be in companies that have a proven record of earnings growth, strong fundamentals, and attractive valuations. The majority of the equity positions should be in larger capitalization companies with only a small percentage devoted to mid and small cap companies.

Prohibited assets **–** The use of junk bonds, commodity transactions, private equity, leverage, short sales, and derivatives of any kind is prohibited. In addition, the Manager may not make direct investments in real estate or loans (except through the purchase of fixed-income securities as permitted above) or permit the lending, mortgage, pledge, or hypothecation of any assets.

VI. INVESTMENT MANAGER SELECTION CRITERIA

The selection of Investment Manager(s) is the responsibility of the Financial Management Committee, which will use the following criteria for selection:

- The investment style and discipline of the investment manager, and its appropriateness to the objectives of the endowment.
- Past performance, considered relative to other investments having similar investment objectives. Consideration shall be given to both performance rankings over various time frames, consistency of performance, and the level of risk taken to achieve results.
- Level of experience, financial resources, and staffing levels of the investment manager.
- An assessment of the likelihood of future investment success, relative to other opportunities.

Recognizing that securities markets go through cycles and that, therefore, there will be periods of time in which the investment objectives are not met or when the Manager fails to meet expected performance targets, the Financial Management Committee acknowledges that, unless there are extenuating circumstances, patience will often prove appropriate when performance has been disappointing. Reserving the right to terminate an arrangement at any time, the Financial Management Committee will typically communicate its concerns to the Manager and allow six months to a year for their correction.

VII. REPORTING REQUIREMENTS AND PERFORMANCE MEASUREMENT

The Manager will provide a quarterly written statement of account – to include current market values, all pertinent transaction details for the portfolio, and recent and historical performance. The Manager will meet with the Financial Management Committee periodically to provide detailed information with respect to 1) asset allocation, 2) investment performance, 3) investment strategies, 4) diversification and general compliance with guidelines, 5) fees and commissions, 6) and any other matters of interest to the Financial Management Committee. The Manager will advise the Financial Management Committee promptly of any significant changes in its ownership, financial condition, or investment personnel.

To avoid encouraging the manager to take unnecessary risk, the Financial Management Committee will focus primarily on the Manager's longer term results. The Manager will provide rates of return for the total portfolio, the equity portion, and the fixed income portion of the portfolio calculated on a time weighted rate of return basis. As time goes on, the performance results should be presented on a year-to-date, one, three and five year basis.

Given the variable and uncertain cash flows expected for the Endowment, the Manager will be evaluated relative to the appropriate benchmark for each asset class during the transition period. The asset allocation determination may be driven by circumstances outside the Manager’s direct control (i.e. the timing of the sale of real estate or the need funds for operating expenses). However, when the transition is complete and spending is at more sustainable levels, it is anticipated that an overall portfolio benchmark will be used to gauge the Manager’s asset allocation skill.

Thus, the Financial Management Committee has adopted the following performance benchmarks:

Primary Benchmark For Endowment Portfolio		
Equity Performance	55%	Russell 3000 Index
Fixed Income Performance	35%	Barclays Government/Credit Index
Current Fund Performance	10%	30-day Treasury Bills

Primary Benchmark For Tanzania Portfolio		
Equity Performance	65%	Russell 3000 Index
Fixed Income Performance	30%	Barclays Government/Credit Index
Current Fund Performance	5%	30-day Treasury Bills

VIII. APPROVALS

Previous Actions and Resolutions - All prior actions, resolutions and policies of the Synod Council that are in conflict with this policy are rescinded by adoption of this policy. This policy replaces the Asset Investment Objectives and Policies adopted by the Synod Council on June 27th, 2013.

Recommended by Financial Management Committee: January 11, 2016

Adopted by Synod Council: By resolution: TBD

IX. ACKNOWLEDGEMENTS

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For the Metropolitan New York Synod of the Evangelical Lutheran Church of America — Date

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Walden Asset Management — Date