INVESTMENT GUIDELINES WITH RESPECT TO
THE POOLED INVESTMENT FUND OF THE TRUSTEES
FOR THE EPISCOPAL CHURCH IN MINNESOTA

1. PURPOSE

a. The Episcopal Church in Minnesota ("ECMN") is a network of faith communities called to transformation by engaging in God's mission.

b. The Trustees created the Pooled Investment Fund ("PIF") as a vehicle through which ECMNs faith communities may pool their various operating and endowment funds for investment purposes.

c. As followers of Jesus, the ECMN is called to utilize all the resources at our disposal to further God's work of shalom, of justice here on earth. We must act responsibly and with vision and integrity, steward the financial assets of the church, holding both our fiduciary responsibility and our responsibility to act and invest justly on behalf of the faith communities in ECMN.

2. MISSION ALIGNED INVESTING

a. In fulfilling the ECMN's mission to restore the world to God's shalom, the PIF seeks to invest its assets with an eye toward environmental and social stewardship. Underlying this commitment are:

   i. **Restriction Screening:** Minimizing or avoiding certain companies, sectors, geographies or themes due to risk-based criteria.

   ii. Environmental, Social and Governance (ESG) Integration: Proactively considering ESG criteria alongside financial analysis to identify opportunities and risks during the investment process. Seeking out companies with sustainable corporate practices including efficient natural resource utilization, reducing greenhouse gas emissions, ethical employee and customer treatment, gender and racial equity.

   iii. Strategic Development Goals: With guidance from the United Nations 17 Strategic Development Goals, the Trustees will seek investments which advance SDGs that include 5) Gender Equality; 7) Affordable and Clean Energy; 10) Reduced Inequalities; 12) Responsible Consumption and Production and 13) Climate Action.

b. Fund managers, investment managers, mutual fund managers, etc. (together, "Investment Managers") should seek to adhere to the spirit of these Mission Aligned Investing guidelines while also abiding by the investment objectives described below.

3. INVESTMENT OBJECTIVES

a. The primary investment objective of the PIF is to provide a return on investment that allows investment growth and creates cash flow in support of the operating requirements and mission-oriented activities of participating organizations. It is understood that the

Trustees will use the principal to meet this objective in any year when the total return of the portfolio is less than the withdrawal rate adopted for that year.

i. A recommended annual withdrawal rate for all participating organizations will be developed each year by the Trustees. The withdrawal rate will not exceed five percent (5%) of the average quarter end account balance for the previous twenty quarters. This recommended withdrawal rate will be reported to all participating organizations and will be considered the norm for distribution rates.

ii. An entity requesting a rate more than that recommended must complete a Pooled Investment Fund Distribution Request and be approved by authorized person(s) as specified in the current Certificate of Authorized Persons.

b. The second objective of the PIF is to maintain future purchasing power of the assets. Inherent in meeting this objective is the assumption of unavoidable and normal market risk, and with that the potential for a period of negative performance.

c. The third objective of the PIF is to maintain investments that are in alignment with the Mission Aligned Investing guidelines outlined in Section 2 above.

4. ASSET ALLOCATION AND GENERAL GUIDELINES

a. The Trustees seek to balance financial risk with return by utilizing a targeted asset allocation. The Investment Committee of the Trustees ("Investment Committee"), through its Investment Advisor, can move funds between asset classes and among Investment Managers as long as the total funds within each asset class are within the permitted range. The initial asset allocation shall be as follows:

	Target	**Permitted Range**
Equities	60%	50% - 80%
US Large Cap	25%	20% - 40%
US Small/Mid Cap	15%	10% - 20%
Non-US	20%	15% - 35%
Fixed Income	30%	20% - 40%
Broadly diversified with emphasis on US Investment Grade		
Alternative Investments	10%	0% - 25%
Includes absolute return strategies such as merger arbitrage, restructuring plays, fixed income and convertible arbitrage, distressed securities investing, US and global long/short investing and other hedged strategies.		

b. It is the intent of the Trustees to use this asset allocation as a long-term investment strategy. This excludes market timing as an overall investment strategy. The allocation guidelines will be periodically reviewed and altered, if necessary subject to Investment Committee approval.

c. The PIF is to be managed according to all applicable laws, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Uniform Prudent Investor Act.

d. Leverage, other than alternative investments that may use some leverage, is not permitted by an Investment Manager without the written permission of the Investment Committee.

e. There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the Investment Managers are given the flexibility to adjust their asset mix and security selection to changing market conditions.

f. Deviations from these guidelines are not permitted without the written consent of the Investment Committee.

5. EQUITIES PERMITTED

a. Common stocks, preferred stocks or American Depository Receipts ("ADRS") listed on US exchanges or international exchanges.

b. Securities convertible into publicly traded common stocks.

c. Open or closed end mutual funds and exchange traded funds which have been in operation for more than three years. The three-year requirement may be waived in appropriate circumstances by the written permission of the Investment Committee.

6. FIXED INCOME ASSETS

a. No more than 10% of any Investment Manager's bond portfolio at market shall be invested in the securities of one issuer. There shall, however, be no such limit on United States government securities, securities of United States government sponsored agencies or GNMA securities.

b. The average quality of the fixed income portfolio shall be "A" or higher. Seventy-five percent of the securities of an Investment Manager's portfolio must be rated BBB-/Baa3 or higher by a nationally recognized rating agency at time of purchase. For split-rated securities, the higher rating will be used in determining compliance with these guidelines.

c. An Investment Manager's bond portfolio market value weighted average effective duration, adjusted for expected life and call provisions, cannot be more than two years greater than the benchmark's effective duration.

d. Holdings Permitted:

   i. Debt securities issued or guaranteed by the United States or United States government sponsored entities or agencies (including United States government sponsored agency mortgage-backed securities).

   ii. Corporate bonds, debentures and other forms of corporate debt obligations.

   iii. Certificates of deposit and other money market instruments from banks also issuing banker acceptances and with current commercial paper ratings of at least A-1 by Standard and Poor's or P-1 by Moody's Investor's Service.

   iv. Global bond mutual funds which have been in operation for more than three years.

7. **CASH AND EQUIVALENTS:** The cash portion of the PIF shall be invested in a short-term investment fund administered by the Custodian, if one is appointed. Safety of principal is the emphasis. If there is no Custodian, an Investment Manager will use a money market fund.

8. ALTERNATIVE INVESTMENTS

a. Investment Managers may utilize both marketable and non-marketable alternative investments such as venture capital, leveraged buy-outs and other private equity/private market structures. The Trustees recognize that, even if illiquid, such investments may diversify the overall portfolio and offer potential for higher returns that may not be correlated with the returns on marketable securities.

b. Investment opportunities in this category may be may be in the form of limited partnerships lasting ten years or more.

9. PERFORMANCE STANDARDS

a. The objective is to achieve consistently superior results in balancing risk and total return. Progress of the PIF, its asset classes and the Investment Providers will be measured over a full market cycle.

b. The total portfolio performance will be measured against an appropriate blended benchmark. Each Investment Manager fund is expected to outperform the appropriate benchmark.

c. The following benchmark indices will be used to measure performance of the various asset classes:

Asset Class	Sample Benchmark Index
Large Capitalization – US Equities	S&P 500
Mid Capitalization – US Equities	Russell 2500
Small Capitalization – US Equities	Russell 2000
International Equities	MSCI EAFE – Net Div
US Bonds	Barclays Aggregate Bond Index
Non-US Bonds	Barclays Global Aggregate Bond Index
Multi-Sector Bonds	Barclays Universal Index
REITs	NAREIT Equity Index
Absolute Return Strategies	HFR Absolute Return Index
Asset Allocation Funds	Custom Balanced Index
Non-Leveraged Commodity Indexes	Dow Jones AIG Commodity Index

d. In addition to evaluating performances by using benchmark indices and comparisons to other funds, the Investment Advisor will give to the Trustees an analysis of results in a risk-adjusted context using statistical measures of risk such as the Sharpe Ratio, the Treynor Ratio or Standard Deviation using volatility to measure risk. Over the market cycle, the statistical risk measurement used is expected to show less volatility for the PIF and each asset class than the volatility shown by their respective benchmark indices.

e. Investment performance reviews of the PIF and each asset class and Investment Manager will be conducted at least semi-annually to ascertain progress as compared to the performance standards, or at the discretion of the Investment Advisor or at the request of the Investment Committee.

f. A quarterly report will be prepared and distributed to participants that will measure performance versus benchmark indices and asset allocations versus specific asset allocation targets. The quarterly report will also measure performance relative to the Mission Aligned Investing guidelines outlined in Section 2 above.

g. The Trustees reserve the right to make changes in Investment Managers as determined appropriate. Circumstances, which may warrant such a change include, but are not limited to, disappointing relative performance against benchmarks or peer group, disappointing risk-adjusted performance, disappointing alignment with Mission Aligned Investing guidelines, and changes in personnel.

10. ACCOUNTABILITIES

a. Trustees:

   i. Approve the guidelines established by the Investment Committee which shall be reviewed at least annually.

   ii. Approve the selection of Investment Managers.

   iii. Ensure the completion, by an outside auditing firm, of an annual audit, which includes the PIF.

   iv. Determine annual withdrawal rate for participating organizations.

b. Investment Committee:

   i. Establish the procedures for the deposit and withdrawal of funds.

   ii. Recommend permitted ranges and targeted investment levels for a diversified group of asset classes.

   iii. Establish objectives for the Investment Advisor.

   iv. Monitor the performance of each Investment Manager against the established objectives.

   v. Track and review management fees and administrative expenses to ensure that they are within expectation and customary tolerances for the particular investment activity.

   vi. Meet quarterly with the Investment Advisor.

vii. Review the performance of the Investment Advisor and determine whether the Investment Advisor should be retained.

c. Investment Custodian

i. Accept possession of securities for safekeeping.

ii. Collect and disperse income.

iii. Collect principal of sold, matured or called securities.

iv. Provide accounting data to CTAC and Missioner for Finance at least quarterly.

v. Sweep excess cash into an interest-bearing accounting compliance with the guidelines in Section 6 above.

d. Missioner for Finance

i. Periodically attend meetings of the Trustees and the Investment Committee as a liaison between the Diocesan Council and the Trustees, particularly on issues concerning the sustainability of the annual withdrawal rate versus anticipated financial market rates of growth.

ii. Inform the participants and Trustees, through quarterly communications regarding the performance of the PIF.

iii. Coordinate an annual audit of the PIF by an outside auditing firm. This can be done as part of the annual audit of the Trustees.

e. Investment Advisor

i. The current Investment Advisor is Morgan Stanley. The Advisor assists the Investment Committee in managing the overall investment process. The Advisor is responsible for guiding the Committee through a disciplined and rigorous process to enable the PIF to meet the fiduciary responsibilities outlined above. The Investment Advisor will:

1. Communicate with the Investment Committee on any significant matter pertaining to the investment policies.

2. Inform the investment committee of any important changes in its personnel or operating procedures.

3. Between quarterly communications, inform the Investment Committee of any performance issues regarding the PIF.

4. Provide quarterly reports to the Investment Committee which shall include the information outlined in section 9d above.