

TRUSTEES OF DIOCESAN FUNDS
THE EPISCOPAL DIOCESE OF MAINE

INVESTMENT POLICY STATEMENT

This statement of investment objectives and policies governs the investment management of the assets transferred to the Trustees of Diocesan Funds (Trustees). The Diocesan Funds support the missions of the Episcopal Diocese of Maine and its member parishes. The assets of the Diocesan Funds may include special purpose funds, gifts or bequests to individual parishes, gifts or bequests to the Diocese for the benefit of individual parishes, or any other assets designated to be managed by the Trustees.

INVESTMENT OBJECTIVES

The overall financial management objectives of the Trustees are:

1. To provide a stable income stream that will grow at least as fast as inflation, as measured by the Consumer Price Index.
2. To preserve the purchasing power of the invested capital over the long term.
3. To avoid risks that might jeopardize the achievement of the two preceding objectives.
4. To support an investment objective to last in perpetuity.
5. To pursue investment strategies that support the cash/liquidity needs of the Diocese and its parishes.

RESPONSIBILITIES OF THE TRUSTEES

- Develop sound and consistent investment policy guidelines for the Investment Manager(s) to use in making investment decisions.
- Monitor implementation of this IPS to ensure that investment decisions are in line with its goals.
- Review this IPS annually.
- Select, retain, or replace Investment Managers and Custodians.
- Monitor and evaluate performance results.
- At least quarterly, review reports of portfolio results and notable market observations.
- Meet at least annually with the Investment Manager(s) to perform a formal review (current practice is to meet semi-annually).
- Act in accord with this IPS and all applicable laws and state and federal regulations that apply to foundations and organizations, including, but not limited to, the Uniform Prudent Investors Act and Uniform Management of Institutional Funds Act, as applicable. Comply with all applicable principles of the Prudent Person Standard, as applicable.
- Delegate selection of specific investments and securities to the Investment Manager(s).
- Vote any and all proxies solicited in connection with securities held by the Diocesan Funds (currently performed on behalf of the Trustees by Glass Lewis & Co. LLC).

RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

- Acknowledge acceptance of responsibility as a fiduciary in writing.
- Manage the Fund in accordance with the investment guidelines, limitations, and restrictions set forth in this IPS. Ensure that all investment strategies and services selected are consistent with the Diocesan Fund's objectives.
- Make all investment decisions on a discretionary basis regarding assets placed under its jurisdiction. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that reflect the Investment Manager's current investment strategy and are compatible with the Diocesan Fund's investment guidelines.
- Keep the Trustees informed of major changes in the Investment Manager's investment outlook, strategy, policies, or philosophy.
- Conduct semi-annual meetings to formally review the investment portfolio.
- Provide monthly statements and quarterly performance reports that include performance against the stated benchmarks, valuation, asset allocation, and cash-flow summary.
- Carefully monitor Unrelated Business Taxable Income (UBTI) generating investments, considering the impact of UBTI on the growth of the portfolio, and keep the Trustees informed of the possibility of UBTI.

ASSET TYPES AND VEHICLES

The Investment Manager will consider underlying costs to the Diocesan Funds as well as overall diversification benefits and expected return and risk when determining the vehicles for delivering various asset classes. Selected investments should have reasonable fees that are competitive with similar offerings' fees.

- Pooled Equity Fund (Return-Seeking Assets): This asset category consists of assets that are expected to generate more growth but also more volatility than cash or bonds. This category may include, but not be limited to, exposure to US, developed international, emerging-market and frontier-market stocks; large-cap, mid-cap, and small-cap stocks.
- Fixed Income Fund (Risk-Mitigating Assets): This asset category comprises assets that are expected to provide stability and income, to counterbalance the higher volatility of return-seeking assets. This category may include, but not be limited to, high-credit quality, short- and intermediate-duration bonds (both US and non-US, corporate and sovereign, and inflation-protected and non-inflation-protected).
- Diversifying Assets: This asset category comprises assets that are expected to provide diversification against both return-seeking and risk-mitigating assets. This category may include, but not be limited to, exposure to high-yield bonds, real assets (direct real estate, real estate investment trusts, commodity futures, and stocks of commodity-producing companies), and various alternative investment strategies, such as hedge funds, private credit strategies, and low-net-exposure long/short equity funds.

ASSET MIX

Based on historic performance, the way to accomplish these investment objectives over the long term is by investing in common equity that will provide an average total return (principal appreciation plus dividend income) in excess of inflation. However, the Trustees recognize that various circumstances, including the need for more predictable current income, require that some funds be invested in fixed income. Accordingly, two separate investment vehicles have been established – a Pooled Equity Fund and a Pooled Fixed Income Fund.

Long-Term Investment Portfolio Strategic Asset-Allocation Targets: To achieve its objective, the Trustees, in conjunction with the Investment Manager(s), have established the following long-term strategic asset-allocation targets.

POOLED EQUITY FUND INVESTMENT GUIDELINES

Asset Category	Index/Benchmark*	Target Asset Allocation Exposure	Target Allowable Range
Return-Seeking Assets	All Country World Investable Market Index (ACWI IMI)**	60%	45%-75%
US Large-Cap & SMID Stocks	S&P 500; Russell 2500		
Developed Large Cap & SMID International	MSCI EAFE		
Emerging Markets	MSCI Emerging Markets		

1. No more than 5% to 8% of the equity portfolio in any one company
2. No more than 30% of the equity portfolio in any one sector
3. Convertible Corporate Bonds and Preferred Stocks are an acceptable equity substitute
4. Maximum allocation of 30% in Foreign stocks, and 10% in emerging markets

**The listed benchmark represents the general index for the asset category. However, the recommended benchmark will vary, based on the specific investment service.*

***Primary risk-weighted allocation benchmarks*

POOLED FIXED INCOME FUND INVESTMENT GUIDELINES

The fixed income portfolio shall contain bonds that are similar to the Barclays Aggregate Index with respect to average duration and credit quality. Both bond funds and/or bond ladders can be used.

Asset Category	Index/Benchmark*	Target Asset Allocation Exposure	Target Allowable Range
Risk-Mitigating Assets	Bloomberg Barclays Global Aggregate Bond Index**	40%	25%-55%
Intermediate-Duration US Bonds	Bloomberg Barclays US Aggregate Bond Index;		

	Lipper Intermediate Investment Grade		
Global Bonds	Bloomberg Barclays Global Aggregate (USD Hedged)		
Inflation Sensitive Bonds	Bloomberg Barclays 1–10-Year TIPS		

DIVERSIFYING ASSETS

Asset Category	Index/Benchmark*	Target Asset Allocation Exposure	Target Allowable Range
Diversifying Assets		0%	0%-20%
High Income Bonds	Bloomberg Barclays Global High Yield Index		
Real Assets	MSCI ACWI Commodity Producers Index		
Hedge Fund of Funds	HFRI Fund of Funds Composite		
Other Alternatives			

CASH

Should be invested in interest earning vehicles, which may include Money Market Funds, repurchase agreements secured by U.S. Government or Agency obligations, and other instruments related to senior debt rated "AA" or better.

COMMINGLED INVESTMENT VEHICLES

Investments in mutual funds, hedge funds, other alternative investments, and other commingled investment vehicles are permitted. It is understood that assets invested in such commingled vehicles will be managed solely in accordance with the investment policies, procedures, and guidelines set forth in the prospectus or other relevant document for such commingled vehicle, notwithstanding anything to the contrary in this IPS.

PROHIBITED INVESTMENTS

Based on the portfolio restrictions adopted by the Executive Council, the Trustees of Diocesan Funds do not invest in any company among the top five defense contractors, any company among the top 50 defense contractors that receives more than 50% of its revenues from military contracts, or in companies that manufacture tobacco products.

In addition, cryptocurrency, non-fungible tokens (NFT's), illiquid private venture capital, leveraged derivative instruments (other than covered call options), investments not denominated in U.S. Currency are considered prohibited investments.

REBALANCING

The Trustees regularly rebalance among the above asset categories, which may result in portfolio exposure above or below the above-stated target asset allocation, but shall be within the stated maximum/minimum allowable target range.

PERFORMANCE EVALUATION

The Trustees will evaluate the performance of the Diocesan Funds and the Investment Manager(s) over a full market cycle, usually five to 10 years. The Trustees will examine the performance of the Diocesan Funds relative to appropriate benchmarks as well as to a risk-weighted allocation benchmark. The Trustees and the Investment Manager will review the choice of benchmarks for each asset category annually.

SOCIALLY RESPONSIBLE INVESTMENTS

When appropriate, the Trustees shall consider investments that promote peace, protect the environment, advance equality and foster sustainable development. Investment in companies that meet positive standards of corporate responsibility in a transparent manner and provide products or services that improve the quality of life should be undertaken when prudent.

The Corporate Social Responsibility Committee, a subcommittee of the Executive Council of the National Church, establishes directives for socially responsible investments. Their 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.

The Trustees recognize the actions of the National Church and the Diocese of Maine at its 1992 Convention in encouraging investment of endowment funds for the benefit of society in addressing issues of "social justice". Such investments were characterized "Alternative Investments" in the report of the Joint Advisory Council on Alternative Investments, June 11, 1990, for the National Church.

ALTERNATIVE INVESTMENTS

The following guidelines shall apply:

1. Investment shall be made only through intermediaries with the ability to perform due diligence and monitoring of the investment. An example would be the New Hampshire Community Loan Fund and in Maine, the Genesis Fund.
2. Investments through such intermediaries shall be diversified, not single projects
3. No more than 5% of a Diocesan Funds shall be made in Alternative Investments
4. Equity investments shall not be made in Alternative Investments
5. Alternative Investments shall be made in the form of loans, generally not to exceed 5 years in length

The trustees recognize Alternate Investments are not within the scope of usual endowment investment policies. Such investments are more properly mission-related in the theology of stewardship as expressed in the Gospel and endorsed by the Episcopal Church and the Diocese of Maine

LOAN POLICY

The Trustees of Diocesan Funds are authorized from time to time to grant loans for parish or Diocesan proposes to a parish or to the Diocese against the individual account of the parish or the Diocese at a market rate of interest to be set by the Trustees. For accounting purposes, the loan will not be part of the pooled Diocesan Funds but will be a liability on the individual parish or Diocese account, and interest on the loan will accrue to the individual account.

DISTRIBUTION POLICY

The payout from the Pooled Equity Fund and the Fixed Income Fund will use a Total Return Policy. Under this plan, a fixed percentage of the principal amount of the invested funds is paid out periodically. The funds paid out are derived from a combination of the dividends earned plus the capital appreciation occurring. This frees the investment advisors to consider both dividends and growth rate when making investment selections. The laws of the State of Maine, along with other states, were amended in the 1990's to clearly authorize the use of Total Return Policies. The ratio since January 1, 2013 has been 4.75% of the average value of the Pooled Equity Fund and the Fixed Income Fund over the last 12 quarters. This ratio is prudent in light of current market conditions but is subject to change at the discretion of the Trustees.

The Trustees recommend an asset allocation for invested funds of 60% equities and 40% fixed income. However, beneficiaries can change this allocation upon written direction to the Trustees. By keeping the payout policies of the two Funds separate, the Trustees are able to accommodate individual fund asset allocation choices.

PROXY VOTING

The Trustees, in their discretion, may select one or more outside vendors to file proxy votes, on behalf of the Trustees, concerning shareholder matters that pertain to the equity portfolios. As of April 2024, the Trustees have chosen Glass Lewis & Co. LLC, through a partnership with the Church Pension Group and pursuant to the Episcopal Church's Proxy Voting Policy.

Revised September 17, 2025.