PINNACLE
PRESBYTERIAN CHURCH

PINNACLE PRESBYTERIAN CHURCH FOUNDATION

INVESTMENT POLICY STATEMENT

I. EXECUTIVE SUMMARY

The Investment Policy Statement ("IPS") has been adopted by the Pinnacle Presbyterian Church Foundation Trustees (Trustees) to direct the prudent oversight of its trust, endowment and investment funds in a manner consistent with the investment objectives stated herein.

The Trustees are responsible for fiduciary oversight of the Foundation investment portfolio. The Trustees may delegate certain decisions to the Trustees Executive Committee, a custodian, professional money manager, investment advisor or consultant, but even when decisions have been delegated to these entities or a professional, the Trustees will never fully abdicate these primary responsibilities:

- Determining investment goals and objectives;
- Choosing an appropriate asset allocation strategy;
- Establishing an explicit, written investment policy consistent with the goals and objectives;
- Approving appropriate "prudent experts" or professionals to manage and implement the investment policy;
- Monitoring the activities of the overall investment program for compliance with the investment policy;
- Avoiding conflicts of interest and prohibited transactions.

The IPS shall be used to assist the Trustees in effectively supervising, monitoring and evaluating the Foundation investment portfolio. The Trustees will review the IPS at least annually to determine whether stated investment objectives are still relevant and evaluate the continued feasibility of achieving the same. It is not expected that the ISP will change frequently. Revisions to the IPS will be recommended to the Trustees for approval.

The IPS applies to all assets that are currently included in the Foundation investment portfolio and any assets that may subsequently be added.

II. OBJECTIVES OF THE PORTFOLIO

The performance objective is to grow the market value of assets net of inflation and expenses for the life of the investment portfolio within reasonable and prudent levels of risk. The performance of the investment portfolio will be evaluated by comparing actual investment results against a weighted benchmark index.
Because the investment portfolio is expected to endure into perpetuity, and because providing portfolio growth in excess of inflation is a key consideration in establishing the performance objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, a significant portion of assets will be invested in equity or equity-like securities.

Fixed income securities should be used to lower the short-term volatility of the portfolio and to provide income stability, especially during times of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. Varied asset classes should be included providing diversification and incremental return (e.g. mid cap, small cap and international equities, as well as long-term corporate bond funds, high yield bond funds and real estate funds).

III. ROLES AND RESPONSIBILITIES OF FIDUCIARIES AND NON-FIDUCIARIES SUPPORTING THE PORTFOLIO

Responsibilities of the Trustees

The Trustees have the ultimate fiduciary responsibility for the Foundation investment portfolio. As such, they will adhere to the Prudent Practices for Investment Stewards & Investment Advisors as defined by Fiduciary 360™, a global leader in fiduciary intelligence. While applicable fiduciary law may not expressly require the use of professional money managers, the Trustees understand that they will be held to the same expert standard of care, and that activities and conduct as members will be measured against those of investment professionals. For this reason, the Trustees will select, contract with, and when appropriate, terminate the third-party service providers hired to be responsible for the custody of Foundation assets.

The Trustees will ensure that:

- All investments are managed in accordance with all applicable laws, trust documents and IPS;
- The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) have been defined, documented and acknowledged in writing. In this context, "fiduciary" is defined as someone acting in a position of trust on behalf of, or for the benefit of, a third party, and determined by whether a person has control or influence over investment decisions;

- The Foundation has defined policies and procedures to manage the organization's potential conflicts of interest;
- All service agreements and contracts are in writing and do not contain provisions that conflict with fiduciary standards of care by defining the scope of the parties' duties and responsibilities;
- Assets within the jurisdiction of appropriate courts are protected from theft and embezzlement;
- An investment time horizon has been identified and is managed by our custodian;
- An expected, modeled return has been identified. In this context, the term "model" means to replicate, to determine the probable returns of an investment strategy given current and historical information; and,
- An appropriate combination of asset classes have been selected that optimizes the identified risk and return objectives consistent with the portfolio's time horizon.

Expectations of the Treasurer and Custodian

The Treasurer and Custodian will oversee the day-to-day operational investment activities of the investment portfolio as directed by the Trustees.

The custodian will:

- Provide for the custody and safekeeping of the investment assets;
- Hold the assets entrusted to it in a separate account in the Foundation name. Such assets and accounts shall not be subject to claims by the custodian's creditors or other third parties;
- Provide complete and accurate accounting records and monthly reports to reflect all transactions, cash flows, and assets held;
- Track investment income and realized gains or losses;
- Disburse and receive cash flows and investments as directed by the Treasurer or Accounting Manager acting under the direction of the Trustees;
- Ensure the management of the investment assets with full discretion in accordance with the fund agreement contracts;
- Communicate promptly, or at least quarterly, with the Treasurer or Trustees regarding all significant matters, including, but not limited to:
  a. Investment returns
  b. Changes in an investment option pool outlook and strategy
  c. Shifts in portfolio construction (asset mix, sector emphasis, etc.)
  d. Commentary regarding major influences on performance
  e. Other changes of substantive nature
- Comply with all laws and regulations that pertain to the custodian's duties, functions, and responsibilities as a fiduciary of the Foundation;

- Ensure investment manager's vote proxies on the securities held in the investment accounts in accordance with the investment manager's fiduciary duties and professional judgments;
- Ensure investment managers have Liability and Fiduciary insurance; and,
- Ensure non-bank managers are registered under the Investment Company Act of 1940.

IV. RETURN AND RISK PARAMETERS

The Trustees recognize some risk must be assumed to achieve long-term objectives. In establishing the risk tolerance for the portfolio, the ability to withstand short and intermediate term variability has been considered. The Trustees' determination is that the portfolio can tolerate some interim fluctuations in market value and rates of return to achieve long-term objectives.

The investment guidelines are based upon an investment horizon of greater than five years. Interim fluctuations should be viewed with appropriate perspective. The Trustees have established the following return and risk parameters reflecting this time horizon:

- The primary investment objective is to maximize long-term real (after inflation) investment returns recognizing established risk parameters and the need to preserve capital;
- The possibility of short-term decline in market value is acceptable in order to achieve potentially high long-term investment returns;
- Assets will be strategically allocated within asset classes and investment styles in order to enhance investment returns;
- The investment program's assets are to be sufficiently diversified to reduce volatility;
- Diversification of assets may be achieved by:
  a. allocating assets to multiple asset classes;
  b. allocating assets among various investment styles; and
  c. utilizing an investment manager that retains multiple investment management firms with complementary investment philosophies, styles and approaches.

The Foundation will maintain investment assets separately for the purpose of endowment and non-endowment funding. It is expected that the corpus of the endowment will remain intact to produce investment and dividend returns for ongoing funding needs of the organization. Non-endowment funding will be invested for rainy-day funding needs or as directed by a donor to fund scholarships or other types of "spend-down" gifts. In balancing the desired return on investment with risk tolerance, the following asset allocations are recommended.

- Endowment Fund Accounts should range between 35 to 70 percent equities, 10 to 45 percent fixed income and up to 30 percent opportunistic investments.
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DUE DILIGENCE CRITERIA FOR SELECTING INVESTMENT OPTIONS

The Trustees will select an investment manager who utilizes and consistently applies a minimum due diligence process for managing the portfolio's investments including the following:

- Regulatory oversight - Each investment manager should be a regulated bank, an insurance company, a mutual fund organization or a registered investment advisor;
- Correlation to style or peer group - The product should be highly correlated to the asset class of the investment option;
- Performance relative to a peer group - The product's performance should be evaluated against the peer group's median manager's return for 1, 3 and 5-year cumulative periods;
- Performance relative to assumed risk - The Product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance;
- Minimum track record - The product's inception date should be greater than three years;
- Assets under management - The product should have at least $75 million under management;
- Holdings consistent with style - The screened product should have no more than 20% of the portfolio invested in "unrelated" asset class securities;
- Expense ratios/fees - The product's fees should not be in the bottom quartile (most expensive) of their peer group;
- Stability of the organization - There should be no perceived organizational problems - the same portfolio management team should be in place for at least two years.

V. MONITORING CRITERIA FOR INVESTMENT OPTIONS AND SERVICE PROVIDERS

Monitoring criteria for Investment Options:

In keeping with its charge of prudence, the Trustees will determine the frequency of the investment performance reviews necessary, taking into account such factors as:

- prevailing general economic conditions;
- the size of the portfolio;
- the investment strategies employed;
- the investment objectives sought; and
- the volatility of the investments selected.

As part of their annual review of investment strategy and allocation, Trustees will review their position in regards to recommendations of the PCUSA General Assembly's Committee on Mission Responsibility Through Investments (or its successor) or other recognized faith-based investment criteria. Information that is provided in performance reports will be evaluated by the Treasurer and any actions considered will be documented in reports to the Trustees.

Monitoring criteria for Service Providers:

The Trustees will conduct ongoing review, analysis and monitoring of the custodian/investment manager(s) overseeing the investment accounts, and any other investment managers. Performance will be evaluated from a long-term perspective, ordinarily defined as between two and three years. Retention of a custodian or investment manager(s) will be based on more than recent investment performance results including:

- the custodian's or investment manager's adherence to the guidelines established in the IPS;
- material changes in the custodian's or investment manager's organization, investment philosophy, and/or personnel;
- any legal or regulatory agency proceedings that may affect the custodian or an investment manager;
- confidence in the custodian's or investment manager's ability to perform in the future.

VI. PROCEDURES FOR CONTROLLING AND ACCOUNTING FOR EXPENSES

The Trustees and Treasurer will monitor investment expenses to make certain that they are prudent and applied in the best interests of the organization.

VII. PROCESS TO DETERMINE EFFECTIVENESS IN MEETING FIDUCIARY RESPONSIBILITIES

Given that internal and external audits are well-recognized tools to evaluate risks and ensure the effectiveness of policies and procedures, the Treasurer will review the IPS annually and recommend to the Trustees any necessary changes.