Connecticut Conference, United Church of Christ
Investment Policy
Adopted by the Board of Directors, June 5, 2014
Revised September 15, 2016, February 3, 2018

1. Description

The Consolidated Trust Funds (CTF) are a financial ministry of the Connecticut Conference of the United Church of Christ (CTUCC). This Investment Policy provides guidance and direction for the oversight and management of CTF by the Investment Committee (the Committee).

The overall financial goal of CTF is to maintain the inflation-adjusted market value of invested assets while providing the CTUCC and other participants with a relatively predictable return targeted at the CTUCC's approved spending rate[1]. The financial goal, therefore, is to earn a total return (net of all fees and expenses) equal to or exceeding the CTUCC's approved spending rate plus the inflation rate – as measured by the Consumer Price Index. This is a long-term goal and will be assessed over rolling ten-year intervals.

As a financial ministry, CTF has non-financial goals[2] as well, including:

- To respect UCC polity by maintaining covenantal relationships with all participants;
- To promote justice by adhering to Socially Responsible Investment (SRI) guidelines for securities selection and proxy voting; and
- To make choices reflecting the mission and values of the CTUCC, specifically to not compromise the mission and values in return for potential financial gains.

In order to meet the financial goal, the CTF portfolio will be biased towards equities and other asset classes providing equity-like returns due to their higher long-term return expectations. Other asset classes will be included in the portfolio in order to hedge risks, including the volatility risk inherent in investing in equities and other higher return asset classes, and the risk of inflation or deflation. Volatility matters because stable returns are likely to result in more revenue for participants over the long-term.

The CTF portfolio will be managed on a total return basis, consistent with the applicable standards set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA.)

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1 Effective 1/1/13, the approved spending rate for CTUCC endowments is 4.5% of a 20- quarter average net asset value, determined on December 31 of each year. Participating churches set their own spending policies.

2 These are not the legal and financial terms of CTF participation, but speak to the spirit in which CTF is operated.

2. Overview

In light of the specialized expertise and constant attention required for prudent investment management, limitations on volunteer time, and the necessity of keeping investment management expenses reasonable, the Committee will engage a Fiduciary Partner to collaborate with the Committee to achieve the goals of this policy.

3. Duties of the Investment Committee

The Investment Committee is responsible for the development and implementation of the Investment Policy, which will be adopted by the Board of Directors. The Committee will meet periodically to:

- Review overall and individual manager[3] and fund[4] performance;
- Review asset allocation; and
- Make, when necessary, manager and fund changes and asset allocation adjustments that the Committee determines may enhance risk-adjusted performance and achievement of the overall financial goal.

The Investment Committee is charged with the responsibility of overseeing the assets of the CTF. To that end, the Committee's responsibilities include: establishing and maintaining the CTF's investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, and return evaluation and for specific interpretation of said investment policy, as well as selecting the investment vehicles, and periodically monitoring the performance of investments. The Investment Committee, however, may establish rules or other resolutions governing its investment policy and may delegate to the committee members or agents the authority to act. The Investment Committee will meet periodically. The Investment Committee shall discharge its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. The Investment Committee recognizes that some risk must be assumed to achieve the CTF's long-term investment objectives.

The Committee will review the Investment Policy periodically.

The Committee is responsible for the selection and ongoing evaluation of the Fiduciary Partner. While the Committee may rely on the Fiduciary Partner to fulfill their duties as described in this Policy, the Committee shall avoid an unhealthy dependency on the Fiduciary Partner and shall review the actions of the Fiduciary Partner with its independent judgment.

The Committee will comply with all laws and regulations concerning prudent investment.

[3] "Manager" refers to separately managed accounts (SMAs)
[4] "Fund" refers to mutual funds and exchange traded funds (ETFs)

The Committee will seek to keep fees as low as possible, consistent with the achievement of the overall financial objective.

The Committee will seek to understand and adopt best practices for Investment Committee functions and endowment investment management.

The Committee will seek to make decisions by consensus, but will not allow respect for minority views to prevent prompt and prudent decision making.

4. Duties of the Fiduciary Partner

The Fiduciary Partner will be an independent organization with expertise in investment management. The Fiduciary Partner will:

- Adhere to the Investment Policy at all times.

- Advise the Committee on the Investment Policy, manager or fund selection, asset allocation, establishment of benchmarks, evaluation of manager or fund performance and other general investment matters. All recommendations are to be made in advance of meetings, with supporting documentation. Partner representatives are expected to provide a knowledgeable, unbiased, independent voice, and must not hesitate to advocate views even when the Committee disagrees.

- Serve as an extension of the Investment Committee in gathering, analyzing, and summarizing data and in educating the Committee regarding investment opportunities and when the Committee should take action.

- Provide routine periodic reports. Reports will include:
  -Overall performance for most recent quarter, 12-month, 36-month, 60-month and 120-month periods, with comparisons to appropriate benchmarks;
  -Individual manager performance for the same time periods, with comparisons to appropriate benchmarks and peer groups;
  -Explanation of key factors driving any significant variances between benchmarks and actual performance;
  -Any material concerns about managers and portfolio structure; In absence of concerns each report will include a statement that there are no material concerns with existing managers and that the current portfolio structure reflects an appropriate combination of managers that should help mitigate risk and dampen volatility while pursuing the financial goal;
  -Risk analytics for portfolio, alpha, beta, standard deviation, etc.

- Arrange for reports from Managers as requested by the Committee. Reports from managers should generally be brief. Each manager should be prepared to address three issues:

  -How is the portfolio differentiated from its benchmark, especially regarding risk;

-When and to what extent was the portfolio differentiated, and what will guide the timing and extent of differentiation in the future;

-Did the differentiation produce gains (net of fees) on a risk adjusted basis and what is the expectation for the future.

Managers should spend minimal, if any, time on individual holdings, sector weightings, and macroeconomic issues, except as such matters are related to the three issues outlined above.

- The Fiduciary Partner shall conduct extensive due diligence prior to recommending external asset and sub-asset class managers and funds and to continue to monitor selected managers according to the same due diligence criteria. Evaluations should include meetings with key personnel and typically include at least one on-site visit to the principal office. Research should also include reviews of audited financial statements, reference checks with other clients and business associates, and comparison to competitors. When deemed appropriate, background checks will be conducted. The Fiduciary Partner will use their network of contacts to gain further confirmation of a manager's or fund's abilities and business practices. New firms have additional business risk and will be subject to a more rigorous level of due diligence and more stringent ongoing monitoring. The ongoing review and analysis, both quantitative and qualitative, of existing investment managers is just as important as the due diligence implemented during the manager selection process. In addition to performance measurement, the Fiduciary Partner will monitor for consistent implementation of investment strategy and philosophy, appropriate risk controls, adherence to any stated guidelines, and any material changes in the manager's organization and/or personnel.

- The performance of managers and funds will be actively monitored by the Fiduciary Partner, who will report any meaningful observations and performance deviations to the Committee in a timely manner. Active managers will be monitored for adherence to their mandate and avoidance of "closet indexing." Quarterly performance will be evaluated versus appropriate benchmarks and peer universes, but emphasis will be placed on relative performance over longer investment periods.

- Asset allocation will be actively monitored by the Fiduciary Partner, who will promptly report any material exceptions to Permitted Ranges due to dramatic market movements during a quarter.

- The Fiduciary Partner will keep the Committee informed of significant changes in ownership, organizational structure, financial condition, or senior management of the Fiduciary Partner's firm.

- The Fiduciary Partner will keep the Committee informed of any major changes in its investment outlook, investment strategy, and any other matters affecting their investment policies and philosophy.

- The Fiduciary Partner shall not vote proxies solicited in connection with securities held in separately managed accounts and shall cooperate with the proxy voting service selected by CTUCC.

The Fiduciary Partner will utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like endowment funds with like aims in accordance and compliance with applicable local, state, and federal laws, rules and regulations, including but not limited to those pertaining to fiduciary duties and responsibilities.

5. Duties of the Fund Administrator

The Fund Administrator is responsible for the day to day operations of the funds. The Fund Administrator will provide unitization/subaccounting services and will, using data provided by the Custodian, strike a monthly NAV for each of the funds. The Fund Administrator will keep records of participant account information and fund activity, and will be responsible for tracking subscriptions and redemptions into and out of the funds on an ongoing basis. The Fund Administrator will work with the Committee, the Fiduciary Partner, and the Custodian to manage cash flows each month.

6. Duties of the Custodian

The Custodian is responsible for the safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the funds, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the funds' accounts.

7. Fiduciary Partner Selection and Monitoring

The Committee will interview, select, and monitor a Fiduciary Partner. The Fiduciary Partner will be a compensated advisor and not a participant in the CTF. The Committee will seek Partners who demonstrate effective strategies, sustainable advantages, and high-quality organizational structures.

Attractive Partner characteristics include:

- Strong reputation in the marketplace and a meaningful, high-quality, institutional client base;
- Aligned interests (e.g. significant amount of assets invested according to the same guidelines);
- Stable and experienced professional team;
- Controlled growth and a manageable level of assets under management; and
- Long-term performance should be competitive among peers.

The Committee has the discretion to take corrective action by replacing the Fiduciary Partner if the Committee deems it appropriate at any time. Corrective action typically occurs as a result of meaningful organizational or process-related change, and, in some cases, sustained relative underperformance. Significant short-term underperformance will also trigger a review.

8. Risk Tolerance and Risk Management

The overall financial goal cannot be achieved without incurring risk. The Committee will seek to achieve the overall financial goal by developing and implementing strategies that also limit risk. Particular attention will given to volatility risk[5], benchmark risk[6], interest rate risk[7], inflation/deflation risk[8], and manager risk[9]. Risk management will take place in the context of the risk of failing to meet the overall financial goal. Multiple strategies will be employed to manage risk:

- Diversification. A variety in and weighting of asset classes and sub-classes is intended to subdue market fluctuations over time, interest rate changes, and changing inflation rates. Manager risk is to be mitigated through manager selection and monitoring. Manager diversification by utilization of multiple managers within asset classes or sub-classes will only be employed after careful consideration of the costs and risks of additional complexity.

- Avoidance of concentration risk. Concentration will be monitored and substantial overweight will be avoided in any sector, sub-sector, industry, issuer, or security. Equity holdings in any company will not exceed 5% of total assets. Fixed income securities of any single issuer, except the United States of America, will not exceed 5% of total assets. Positions may not exceed these limits without specific permission of the Committee.

- Avoidance of credit risk. No more than 15% of the core fixed income portfolios shall be in securities rated Baa or lower. (High yield fixed income managers are exempt from this restriction.)

- Avoidance of outright speculation. Derivatives, options, and leverage strategies may be used by managers and funds selected by the Committee, but only for the purpose of hedging risks and reducing volatility, and not for speculative purposes or primarily to enhance returns.

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[5] The risk that significant volatility leads to an impairment of returns or the abandonment of a manager, strategy, or asset class at the wrong point of a cycle. (All risk definitions from the Commonfund Institute.)

[6] The risk of harm caused by constructing, selecting, or managing to an inappropriate benchmark. Equally applicable to benchmarks for managers, asset classes or total portfolios.

[7] The risk that interest rates may rise and reduce the value of an investment, especially bonds and other fixed income investments.

[8] Inflation risk is the risk that rising prices significantly erode the purchasing power of

one's portfolio. Deflation risk is the risk of a broad decline in price levels and asset values, usually caused by depression, severe recession, or other major economic disruption.

9 The risk that a manager underperforms fellow managers, benchmarks, or the appropriate index; there are numerous potential reasons for the source of this underperformance

- Avoidance of unnecessary complexity. The Committee will not employ, nor select managers or funds that employ, strategies that the Committee does not fully understand. The Committee will only select strategies after fully evaluating both potential benefits and risks.

- All investment will take place through managers or funds. CTF shall not directly own any securities. CTF shall not directly employ derivatives, options, or leverage.

Risk cannot be eliminated, but given the long-term time horizon of the overall financial goal, all of the particular risks identified can be managed and tolerated.

9. Eligible & Excluded Investments

Investments may be made in publicly traded equities (e.g. stocks), fixed income securities (e.g. bonds), real estate, and other real assets (commodities and natural resources.) Investments may also be made in absolute return strategies. However, in order to limit manager risk, absolute return positions will be limited to less than 3% of assets per manager or to "fund of fund" approaches. Investments may be made through separately managed accounts, or through mutual funds, exchange traded funds, Real Estate Investment Trusts (REITs), or other pooled investment vehicles. Investments may not be made in private equity or in vehicles that generate unrelated business taxable income (UBTI) for participants for federal income tax purposes.

With respect to mutual/co-mingled funds, the Committee will consider the following to ensure proper diversification and function for each of the funds:

1. The mutual fund/co-mingled pool organizations selected should demonstrate: (a) a clearly defined investment philosophy; (b) a consistent investment process; (c) an experienced and stable organization; and (d) cost-effectiveness.

2. The mutual fund/co-mingled pool used will generally have at least a full three-year track record, or its equivalent, and the individual fund/pool must have at least $25 million under management (or, as an organization, $100 million in the same strategy) at the time of selection.

3. Each mutual fund/co-mingled pool will be regularly evaluated for proper diversity and each will provide material information on a timely basis.

Cash holdings should be minimized as cash will rarely contribute to achieving the overall financial goal. While cash is needed for distributions and for transactions, cash should be 2% or less of assets at any time unless a larger position is specifically authorized by the Committee.

10. Time Horizon

The time horizon for CTF is perpetuity.

11. Manager Selection

Managers and funds will be selected from those recommended of the Fiduciary Partner, who shall be responsible for due diligence as described in this Policy. The Committee can select a manager or fund that has not been subject to due diligence by the Fiduciary Partner only if the manager or fund employs a passive investment strategy and is generally recognized as an industry leader. The Committee will periodically review the process by which the Fiduciary Partner develops recommendations and the Fiduciary Partner shall report any time there are material changes to the process.

Active managers are expected to generate superior, relative risk-adjusted performance, net of all expenses. Passive approaches are expected to generate the same results as the mandate benchmark, at low expense.

Performance will not be the sole or primary factor considered in selecting and evaluating managers and funds. For actively managed funds, the primary selection criteria will be the articulation of a sound strategy for achieving superior returns on a risk-adjusted basis. Sound long-term strategies will not be abandoned based on short-term performance deficiencies.

12. Asset Allocation

The asset allocation target ranges set forth in Appendix A represent a long-term view. Short-term market volatility may cause the asset mix to fall outside the targeted range.

The strategic allocation and benchmark for monitoring performance is based on long-term (ten to fifteen year) expectations for asset class performance. Tactical allocation within the upper and lower limits will reflect shorter-term performance expectations.

Each asset class or sub-asset class is included in the portfolio to support the achievement of the overall financial goal[10].

[10] Rationales for asset classes are derived from *Endowment Management: A Practical Guide, by Jay Yoder* and *Endowment Updates* from the Yale University Investments Office.

Equities

Publicly traded equities are expected to have a long-term, real (inflation adjusted) return above the approved CTUCC spending rate. This is not a realistic expectation for debt or cash, so equities, and other asset classes providing equity-like returns, are the key to meeting the overall financial objective. Equities are volatile. Returns can be enhanced and volatility diminished by diversification across managers, investment styles, company capitalization, and global markets.

Fixed Income

Fixed income assets are not expected to have a long-term, real return above the approved CTUCC spending rate. Fixed income assets are less volatile than equities and also offer some diversification benefit (returns less than perfectly correlated with equities.) Fixed income assets may also provide a hedge against unanticipated deflation, severe market disruptions, and/or depression. High yield bonds provide greater income risk-adjusted appreciation opportunities.

Alternatives (anything other than publicly traded equities and fixed income)

Alternatives are expected to provide equity-like returns while hedging one or more of the risks associated with equities and low correlation with equity volatility.

Real Estate

Investments in real estate provide meaningful portfolio diversification (low correlation with equities) and a steady flow of income, with equity upside. Real estate provides a hedge against inflation without sacrificing equity-like returns.

Commodities/Natural Resources

These assets provide protection against unanticipated inflation and opportunities for active managers to generate equity-like returns. Investment strategies are more likely to employ derivatives and options than other asset classes.

Absolute Return

Absolute return strategies are expected to provide positive returns even when equity markets are in decline. A wide variety of strategies may be employed, including long/short, event driven, and relative value (arbitrage.) Derivatives, options, and leverage are frequently employed. Over the long-term, absolute return strategies are expected to provide equity-like returns with low correlations to equity markets.

Allocation Guidelines

Allocations may not fall outside of the permitted ranges without specific authorization of the Investment Committee. Allocation guidelines are subject to periodic review. Current allocation guidelines developed by the Investment Committee with the advice of the Fiduciary Partner are shown in Appendix A.

13. Rebalancing

The Committee will review the actual asset allocation and the Fiduciary Partner's rebalancing recommendations at each quarterly meeting and take action as the Committee deems prudent. Rebalancing on a quarterly basis may result in quarter-end allocations that fall outside permitted ranges, which shall be addressed by rebalancing at the next Committee meeting. More frequent or formula-driven approaches to rebalancing are not expected to improve performance. The Fiduciary Partner will notify the Committee if dramatic market movements during a quarter warrant consideration for off-cycle rebalancing. The Investment Committee, at its discretion, may or may not institute rebalancing as necessary. Such adjustments should be executed with consideration to turnover, transaction costs, and realized losses over the long term. The necessity to rebalance will be reviewed periodically.

The Fiduciary Partner will not rebalance without specific authorization from the Committee, with one exception: If cash needs to be raised to meet monthly distribution requirements, the Fiduciary Partner may liquidate holdings first from any sub-asset classes where holdings exceed the permitted range and second from sub-asset classes with the largest relative variance from the strategic allocation target. The Fiduciary Partner will promptly report any such activity to the Committee.

In the event of a large addition to CTF, the Fiduciary Partner will ask for guidance from the Committee before investing the funds.

14. Liquidity

Liquidity is required to provide for distributions and to facilitate rebalancing to targets. At least 95% of assets will be invested in strategies that provide daily liquidity. However, illiquidity can offer benefits of higher returns and additional diversification. Up to 5% of assets can be invested in strategies that do not provide daily liquidity but require no more than 90 days to liquidate.

15. Proxy Voting

Proxies for each separately managed account will be voted according to the proxy voting guidelines of the United Church of Christ. If the guidelines do not address a specific matter, proxies will be voted according to the values of the United Church of Christ.

16. Investment Monitoring and Reporting

The Committee will periodically review performance of the investments in the funds. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain intact and that an investment continues to be appropriate for the funds. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a periodic basis. The monitoring process will utilize the same criteria that formed the basis of the investment selection decision. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus the Committee on potential areas of concern.

Watch list criteria may include the following:

- Performance relative to benchmark performance over various time frames;
- Deterioration of risk-adjusted performance;
- Notable style drift / change in investment objective;
- High manager fees relative to peers;
- Significant organizational or manager change.

16. Termination of an Investment Manager or Fund

A manager/fund may be terminated when the Committee has lost confidence in the manager's ability to:

- Achieve performance and risk objectives;
- Comply with investment guidelines;
- Comply with reporting requirements;
- Maintain a stable organization and retain key investment professionals.

There are no hard and fast rules for manager termination. However, if the investment manager has consistently failed to adhere to one or more of the above conditions, termination may be considered. Failure to remedy the circumstances of unsatisfactory performance by the manager/fund, within a reasonable time, may be grounds for termination.

Any recommendation to terminate a manager/fund will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include, but shall not be limited to, professional or client turnover, or material change to investment processes.

The process for selecting a replacement for a terminated manager would follow the criteria outlined in the section of this Investment Policy Statement titled Selection Criteria for Investment Managers.

17. Benchmarks

Benchmarks are included in Appendix A.

18. Socially Responsible Investment Guidelines

Investments will conform to the standards for socially responsible investing established by annual meetings of the Connecticut Conference or its Board of Directors. Actions have been taken to exclude certain companies from CTF holdings:

- Military contractors and companies engaged in nuclear, biological, and chemical weapons research and development (by action of the Annual Meeting);
- Companies deriving substantial revenue from the sale of tobacco and/or alcoholic beverages (by action of the Board of Directors); and
- Gambling enterprises (by action of the Board of Directors).

These directives will be implemented by obtaining an exclusion list from a vendor with appropriate expertise and sharing the list with all managers of separately managed accounts. The national UCC's Socially Responsible Investment Guidelines are sufficiently congruent with the CTUCC's to use an exclusion list developed for the national UCC.

The Board of Directors adopted the following qualifications to the exclusion directives in December of 2009 and if the qualifications apply an otherwise excluded investment may be maintained:

If screened investments held in a commingled or mutual fund do not exceed 2% of the assets under management by any manager, the fund will be considered consistent with the guidelines in this Statement of Investment Policy. However, there may be circumstances under which a commingled or institutional mutual fund may not be entirely consistent with the guidelines in the Policy Statement and yet represent the best or only alternative means of participating in a particular asset class. These circumstances may include an asset class where costs, diversification requirements, limited access to available managers and the unavailability of separately managed accounts may necessitate the use of such a fund.

In November of 2017, the Board of Directors authorized the use of Environmental, Social and Governance (ESG) criteria for securities selection, even if such criteria did not explicitly exclude all companies on the exclusion lists.

Appendix A
Target Asset Allocation Table

Asset Class	Min Weight	Target Weight	Max Weight	Benchmark Index
Cash	0.0%	0.0%	10.0%	
Fixed Income	20.0%	30.0%	40.0%	Bloomberg Barclays U.S. Aggregate Index
Domestic Equity	17.5%	32.5%	47.5%	Russell 3000 Index
International Equity	17.5%	32.5%	47.5%	MSCI ACWI ex US Index
Real Assets	0.0%	5.0%	10.0%	Various