

**Statement of Investment Policy  
Columbia District Church Extension Society  
Oregon-Idaho Annual Conference of the United Methodist Church**

**I. SCOPE OF THIS INVESTMENT POLICY**

This statement reflects the investment policy of the Columbia District Church Extension Society, hereinafter called "CDCES".

**II. PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This statement of investment policy is set forth by the Board of Directors of CDCES in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of portfolio assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of portfolio assets.
4. Establish a basis for evaluating investment results.
5. Manage portfolio assets according to prudent standards as established by CDCES and in accordance with provisions of the *Book of Discipline of the United Methodist Church* and *Journal of the OR-ID Annual Conference*.
6. Establish the relevant investment horizon for which the portfolio assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

**III. DELEGATION OF AUTHORITY**

The Investment Committee of CDCES is a fiduciary, and is responsible for the directing and monitoring the investment management of the portfolio assets. As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Manager/Custodian-An investment manager has discretion either to:
  - a. Purchase, sell or hold specific securities that will be used to meet the portfolio objectives, or
  - b. The Investment Manager/Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by CDCES, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchase and sales. This individual will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the portfolio accounts.
2. Treasurer-All distribution and receipt of funds for the CDCES is done by the Treasurer.
3. Bookkeeper-The Bookkeeper of the CDCES shall keep an accounting of all assets owned, purchased, or sold as well as movement of assets into and out of portfolio accounts. The Bookkeeper will track the CDCES moneys invested and track church loan portfolio as to outstanding loans, loan payments, etc.

4. Loans from church loan portfolio are negotiated by the CDCES Loan Committee for approval by the CDCES Board of Directors.

The Investment Committee will not reserve any control over investment decisions of Investment Managers with the exception of specific limitations as described in this statement. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

All expenses for such experts must be customary and reasonable, and will be borne by CDCES as deemed appropriate and necessary.

#### **IV. DEFINITIONS**

1. "Investment Committee" shall refer to the investment committee specified by the CDCES bylaws, established to administer the portfolio assets in accordance with this statement.
2. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over portfolio management or any authority or control over management, disposition or administration of the portfolio assets.
3. "Investment Manager" shall mean any individual, or group of individuals, appointed to manage the investment of all or part of the portfolio assets.
4. "Securities" shall refer to the investment securities which are defined in this statement.
5. "Investment Horizon" shall be the time period over which the investment objectives, as set for in this statement, are expected to be met. The investment horizon is 5 years.

#### **V. ASSIGNMENT OF RESPONSIBILITY**

1. Responsibilities of the Investment Committee of the CDCES – The Investment Committee is responsible for the management of the assets of the portfolios. The Investment Committee shall discharge its duties solely in the interests of CDCES and the Churches. The Specific responsibilities of the Investment Committee as it relates to the management of the portfolio assets are as follows.
  - a. Projecting the financial needs of CDCES and communicating such needs to the Investment Managers on a timely basis.
  - b. Determining the risk tolerance and communicating this to the appropriate parties.
  - c. Recommending to the CDCES Board of Directors investment policies which will direct the investment of the portfolio assets.
  - d. Prudently and diligently selecting qualified investment professionals, including Investment Managers, and custodians.
  - e. Regularly evaluating the performance of the Investment Managers to assure adherence to policy guidelines and monitor Investment Managers to assure adherence to policy guidelines and monitor investment objective progress.
  - f. Developing and enacting proper control procedures, for example, replacing Investment Managers due to fundamental change in investment process, or failure to comply with established guidelines.
  - g. The Investment Committee shall approve all acquisitions and dispositions of investments, except for those portfolios for which the committee has appointed

an investment manager. If it is necessary to prevent significant losses or obtain significant gains, the Investment Committee Chairperson in consultation with the Treasurer or President, may approve any necessary transactions and shall report same to the Investment Committee at the next meeting. The Treasurer shall implement all such transaction after notification.

- h. The Investment Committee shall approve all transfers of cash between portfolios and between the operating fund and a portfolio. If it is necessary to prevent significant losses or obtain significant gains, the Treasurer (or if the Treasurer is unavailable, the President) in consultation with the Investment Committee chairperson may approve any necessary transfers and shall report same to the Investment Committee at the next meeting.
2. Responsibilities of the Investment Manager(s) – Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:
  - a. Discretionary investment management including decisions to buy, sell or hold individual securities and to alter asset allocation within the guidelines established in this statement
  - b. Reporting, on a timely basis, investment performance results (usually monthly but at least quarterly).
  - c. Communicating any major changes to economic outlook, investment strategy or any other factors which affect implementation of investment management.
  - d. Informing the Investment Committee regarding any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
  - e. Voting proxies, if requested by the Investment Committee.

## **VI. GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of the beneficiaries of a Portfolio.
2. A Portfolio shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. The Investment Committee may employ one or more Investment Managers of varying styles and philosophies to attain a Portfolio's objectives.
4. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity and return.

## **VII. INVESTMENT MANAGEMENT POLICY**

1. Preservation of Capital – Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion – Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to

produce long term investment results that are sufficient to meet a Portfolio's objectives. However, the Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline – Investment Managers are expected to adhere to the investment management styles for which they were hired Managers will be evaluated regularly for adherence to investment discipline.

#### VIII. SOCIAL RESPONSIBILITY

With regard to socially responsible investing, the Investment Committee characterizes the investment management of portfolio assets as a process of avoidance; that is, the Investment Committee believes that it will be meeting the needs of CDCES and society by avoiding companies which may harm society in one or more ways. This investment process does not require changes to any Investment Manager's investment process other than that it, in effect, reduces the universe of securities in which to invest by screening companies for socially undesirable characteristics. It is the intent to abide by the Social Principles of the United Methodist Church as contained in *The Book of Discipline of the United Methodist Church* and any modifications as noted in *OR-ID Annual Conference Journal*.

#### IX. IMPLEMENTATION OF SOCIALLY RESPONSIBLE INVESTMENT

The United Methodist Book of Discipline and the OR-ID Annual Conference Journal provide guidance on companies not to invest in. A summary follows:

The Investment Committee has placed restrictions on the Portfolios as follows:

- a. "Sin Companies" – prohibit investment in companies that manufacture or market alcoholic beverages, tobacco products, gaming products and/or facilities.
- b. Defense – prohibit investment in companies that produce or market nuclear, biological, chemical or conventional weapons.
- c. Human rights – prohibit investment in companies which have not developed or have poorly enforced policies regarding equal opportunity, affirmative action, racism and sexism.
- d. No investment in Caterpillar, Motorola Solutions, Hewlett Packard Enterprise, or HP Inc.

#### X. INVESTMENT OBJECTIVE OF THE EQUITY GROWTH PORTFOLIO

In order to meet its needs, the investment strategy of CDCES is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of Equity Growth Portfolio assets shall be:

- a. Preservation of Purchasing Power – to achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of portfolio assets.
- b. Risk control is an important element in the investment of portfolio assets.

#### XI. SPECIFIC INVESTMENT GOALS FOR THE EQUITY GROWTH PORTFOLIO

1. The goal for the Equity Growth Portfolio assets is to meet or exceed the rate of inflation (as measured by the Consumer Price Index) by 3.5%. This investment goal is the objective of the Equity Growth Portfolio, and is not meant to be imposed on each Investment Manager (if more than one Manager is use). The goal of each Investment Manager, over the investment horizon, shall be to:
  - a. Meet or exceed the market index, or blended market index, selected and agreed upon by the Investment Committee that most closely corresponds to the style of investment management.
  - b. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

## **XII. VOLATILITY OF RETURNS**

The Investment Committee understands that in order to achieve its objective for Portfolio assets, each Portfolio will experience volatility of returns and fluctuations of market value. It states that each Portfolio could tolerate a maximum loss of 10% over any one year period. However, it realizes that a portfolio's return objective is its primary concern. There is, of course, no guarantee that a Portfolio will not sustain losses greater than 10%.

## **XIII. MARKETABILITY OF ASSETS**

The Investment Committee requires that all investment grade assets be invested in liquid securities, defined as securities that can be bought and sold quickly and efficiently for a Portfolio, with minimal impact on market price.

## **XIV. INVESTMENT GUIDELINES**

1. Allowable Assets include:
  - a) Cash Equivalents
    - Treasury Bills
    - Money Market Funds
  - b) Fixed Income Securities
    - U.S. Government and Agency Securities
    - Investment Grade Corporate Notes and Bonds, including Convertible Notes and Bonds
    - Mortgage Backed Bonds
    - Preferred Stocks, including Convertible Preferred Stocks
    - Fixed Income Securities of Foreign governments and Corporations
    - Collateralized Mortgage Obligations
    - UMDF Notes
  - c) Equity Securities
    - Common Stocks
    - American Depository Receipts (ADRs) of Non-U.S. Companies
    - Stocks on Non-U.S. Companies (Ordinary Shares)
    - Purchase and sale of covered call options

- d) Loans to United Methodist Churches or agencies in the Columbia District or to United Methodist agencies outside the Columbia District who make loans to United Methodist Churches or agencies.
2. Prohibited assets include, but are not limited to, the following:
    - a) Commodities and futures contracts
    - b) Private Placements
    - c) Purchase of call options, purchase of put options, and the sale of put options
    - d) Initial Public Offerings
    - e) Venture Capital

**XV. PROHIBITED TRANSACTIONS**

Prohibited transactions include, but are not limited to, short selling and margin transactions.

**XVI. CDCES INVESTMENT PORTFOLIOS**

1. **CDCES SHORT TERM FIXED INCOME PORTFOLIO** – The objective of the short term fixed income portfolio is to provide income derived from investment grade, or better, fixed income securities (as described in this statement) with an average weighted life of 3 years or less; however, a maximum weighted life of not to exceed three and one-half years will be permitted. Investment grade is defined as A rated or better by S&P or Moodys. Preferred stocks with no fixed redemption date shall be assumed to have a life of 100 years.
2. **CDCES LONG TERM FIXED INCOME PORTFOLIO** – The objective of the long term fixed income portfolio is to provide high current income derived from investment grade, or better, fixed income securities (as described in this statement) with an average weighted life of 20 years or less. Investment grade is defined as A rated or better by S&P or Moodys. Preferred stocks with no fixed redemption date shall be assumed to have a life of 100 years.
3. **CDCES EQUITY GROWTH PORTFOLIO** – The Equity Growth Portfolio is a professionally managed portfolio of equity securities seeking, primarily, long term capital appreciation. Investment Manager(s) must adhere to the philosophies and guidelines as set forth in this statement.
4. **CDCES INTERNAL OPERATING PORTFOLIO** – An existing portfolio used for internal CDCES operations that can be invested in:
  - a. Cash equivalents
  - b. U.S. Governments Securities
  - c. Certificates of Deposits with major banks
  - d. United Methodist Development Notes
5. **CDCES CHURCH LOAN PORTFOLIO** – A portfolio whose objective is to make loans to United Methodist Churches and agencies. The total of the Portfolio’s outstanding loans to any church or church entity plus any additional loan approved for that church or church entity shall not at the time such additional loan is approved exceed 20% of the Portfolio’s assets after such additional loan is approved except to the extent that such loans shall have been underwritten by an investing church.

**XVII. STOCK EXCHANGES**

To ensure marketability and liquidity, Equity Growth Investment Manager(s) will execute transactions through the New York Exchange and NASDAQ over-the-counter market. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Investment Committee.

**XVIII. DIVERSIFICATION FOR INVESTMENT MANAGER(S) OF THE EQUITY GROWTH PORTFOLIO**

The Investment Committee does not believe it is necessary or desirable that securities held in the Equity Growth Portfolio represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency must not exceed 10% of the total Portfolio and no more than 25% of the total Equity Growth Portfolio can be invested in any one industry, as defined by the Investment Committee. At the discretion of the Investment Manager, cash assets can be used if in the opinion of said manager it is in the best interests of the Portfolio. However, it is intended to keep the Equity Growth Portfolio fully invested.

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