

United Methodist Foundation for the Tennessee-Western KY Conference

INVESTMENT POLICY STATEMENT

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BACKGROUND

The United Methodist Foundation for the Tennessee-Western KY Conference (Foundation) was established for the Tennessee-Western Kentucky Conference in order to provide a management-investment partnership for long-term and permanent Foundations for local churches, institutions, and ministries of the Church and to encourage and receive planned gifts in support of local churches, institutions, and special ministries of the United Methodist Church and to assist donors in placing their gifts.

PURPOSE

The purpose of this Investment Policy Statement (IPS) document is to provide the Foundation with a comprehensive set of guidelines and procedures for proper management of its investment decisions. The Board of Directors (Board) and the Investment Committee (Committee), in their role as fiduciaries, are obligated to follow a procedurally prudent process when investing the Foundation's assets. Fiduciary prudence is based on the conduct of the Board and Committee in managing the Foundation's assets and is evaluated by the process through which risk is managed, assets are allocated, managers are chosen, and results are supervised and monitored.

Evolving legal standards have made clear the legal responsibility of fiduciaries to manage a Foundation's assets in a prudent manner. However, the guidelines go beyond simply outlining legally prudent management of investment decisions as they are intended to assist the Board and Committee in achieving the stated objectives for investing the Foundation's assets.

Today's prudence emphasizes fiduciary responsibility regarding the Foundation's investment assets, rather than on just the portfolio's performance. The Board has the responsibility for the general management of the Foundation's assets and is responsible for setting and overseeing the implementation of the Foundation's investment policy. Although it is not possible to guarantee investment success, following the process outlined in this document will significantly improve the probability of structuring an investment portfolio which will stand up to scrutiny and benefit the Foundation's beneficiaries by providing an acceptable long-run return.

This document, although comprehensive in its coverage, does not provide an in-depth analysis of all important issues which the fiduciaries must deal with when investing the Foundation's assets. It therefore should not be viewed as the only "tool" required by the Board for prudent investment management, but rather as one component, to be used in conjunction with continuing education and the advice and services of the investment consultant and investment managers.

The Foundation's investment program is defined in the various sections of the IPS by:

1. Stating in this written document the Board's return expectations, tolerance for risk, and guidelines for the investment of the assets.
2. Setting forth an investment structure for managing the assets. This structure includes various asset classes, investment management styles, asset allocation percentage targets and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and investment return over full market cycles.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by the Foundation's investment managers on a regular basis.
4. Providing guidelines that work to control the level of overall market risk and liquidity risk assumed in the portfolio, so that all the assets are managed in accordance with stated objectives.
5. Encouraging effective communications between the Board, Committee, investment consultant, investment managers and custodian(s).
6. Complying with the standards for procedural prudence required of investment fiduciaries under applicable laws and regulations.

This Investment Policy Statement replaces and supersedes all other Investment Policy Statements previously employed in managing the Foundation's investment assets.

STATEMENT OF FINANCIAL OBJECTIVES

The Board has established this Investment Policy in conjunction with a comprehensive review of the returns and risks associated with various investment strategies in relation to current and projected financial requirements. This policy has been chosen as the most appropriate policy for achieving the financial objectives of the Foundation.

The objectives are to:

1. Provide the financial support for the Foundation's mission.
2. Preserve the purchasing power of the Foundation's current assets and all future contributions.
3. Achieve the return objective of the Foundation as set forth in the Executive Summary of this document within reasonable and prudent levels of risk.
4. Maintain an appropriate asset allocation policy that is compatible with the disbursement policy and return objective, while still having the potential to produce positive real returns.
5. Retain flexibility in determining the future level of disbursements that may be affected by extraordinary market conditions or unexpected needs of the Foundation.
6. Control the costs of administering the Foundation and managing the investments.
7. Ensure that the management of the portfolio will be in strict compliance with all provisions of relevant legislation.
8. Adhere to the investment guidelines as set forth by the General Board of Pensions of the United Methodist Church.

Performance Expectations

In measuring the performance of an account, a total return approach will be applied. This approach conforms to relevant legislation as well as long-standing industry best practices, which state that returns should include the income generated from the assets under management during the measurement period as well as the change in market value. Performance of account data is to be computed using the time-weighted method so as to minimize the impact that contributions and withdrawals have on portfolio and manager returns.

The Board recognizes that capital markets returns vary significantly from year to year due to a variety of unpredictable factors, including changing market valuations, the interplay of global economic cycles and geopolitical events. The Board has established a process for strategic investment planning that uses capital markets projections and asset allocation modeling programs provided by the Consultant to develop an expected target return, an expected range of returns levels and an expected downside risk threshold (95% probability) for ensuing periods. These projections for returns and risk are updated periodically, reset with current data and set forth in the updated Executive Summary of this IPS. The Asset Allocation Study provided in Appendix B will be updated periodically to reflect the current capital markets projections.

Risk Tolerance

The Board recognizes the difficulty of achieving the investment objectives in light of the uncertainties and complexities of global investment markets. The Board also recognizes that some risk must be assumed to achieve the Foundation's long-term investment objectives.

A critical decision which the Board must make is to determine the degree of risk it wishes to accept in investing the portfolio's assets. Although there are generally accepted definitions of risk which are used in quantitative models of asset allocation, the Board must determine its attitude toward risk from a practical perspective, recognizing that the term "risk" has many different connotations depending on the investor's frame of reference, circumstances and objectives. It is useful to consider various types of risk to see how each impact the investment process:

- **Liquidity Risk** Will there be sufficient cash to meet disbursement and expense requirements?

- **Boardroom Risk** Are decision-makers willing to “ride out” short-term volatility in favor of appropriate long-term strategies?
- **Purchasing Power Risk** Has an investment strategy been employed that will, at the very least, keep pace with inflation?
- **Planning Risk** What is the probability that anticipated contributions will not be made?
- **Return vs. Risk** Are expected investment returns consistent with the level of risk taken?
- **Asset Allocation Risk** Are assets optimally allocated to meet required return and risk parameters?
- **Lost Opportunity Risk** Have market timing strategies been inappropriately employed, exposing the investor to missed opportunities in the market?

In summary, the investment philosophy of the Foundation’s Board members, in consideration of the Foundation’s disbursement policy, return objectives, financial condition, and long time horizon, suggests that the Foundation’s long-term investment portfolio can incur interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Time Horizon

The Board has elected to use capital markets projections for 20-year periods to guide ongoing investment planning decisions. The Board recognizes that capital market values will fluctuate throughout the planning periods and the possibility of capital losses exist in any given year.

Liquidity

Based on current assumptions regarding operating cash flows and spending needs it is anticipated that there is no current need for the Foundation or investment managers to maintain significant liquid reserves.

The Board shall prepare all withdrawals for cash flow requirements. Such requirements will be communicated in advance to all of the affected managers and Consultant. Managers will be given as much notice as possible to allow sufficient time to build up necessary liquid reserves.

Legal & Tax Constraints

The Board and Committee acknowledge that they are fiduciaries regarding the Foundation’s investment assets and must comply with all fiduciary prudence and due diligence requirements and with all applicable laws, rules and regulations of various local, state, federal and international political entities that may impact Foundation assets.

Diversification

Investments shall be diversified with the intent to minimize the risk of large losses to the Foundation. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, corporations, or industries.

DUTIES AND RESPONSIBILITIES

Board of Directors

The Board is ultimately responsible for ensuring that a prudent investment policy is in place so that the Foundation’s investments continue to reflect the spending needs of the Foundation. The Board has delegated the responsibility and authority for the development and implementation of this process to the Investment Committee. Therefore, the Investment Committee is responsible for making all decisions pertaining to the investment policy and guidelines for the policy's implementation. This includes, but is

not limited to, selection of acceptable asset classes, allowable ranges of holdings by asset class as a percent of total fund assets, and investment performance expectations. The Investment Committee shall also determine the rebalancing of assets between asset classes and among individual investment managers and/or commingled funds in order to comply with policy. In carrying out these duties, the Board may retain a qualified Investment Consultant (Consultant) to assist in the development and implementation of the investment policy and relevant procedures.

Investment Committee

The Investment Committee is appointed by the Board to work with the Investment Consultant and has the responsibility and authority for the development and implementation of the aforementioned process. The Investment Committee will communicate its decisions and results in a clear and timely manner to the Board and will seek Board approval on matters required by this IPS. The Investment Committee also has authority to select and retain qualified investment managers, alternative investment vehicles, commingled funds, and other investment strategies for the purpose of carrying out the investment policy defined in this statement. Selection and implementation of the aforementioned investment strategies requires due diligence consistent with the best practices for funds of similar size and investment scope. The Investment Consultant, at the direction of the Investment Committee, will conduct due diligence on strategies and managers and will subsequently present recommendations for consideration. Investment managers, investment partnerships, funds and other entities selected by the Committee will have discretion over the investment and reinvestment of Foundation assets within the specific investment mandate. The Investment Committee delegates to the Investment Consultant the responsibility for communicating with investment managers, investment partnerships, funds and other entities the policy and performance expectations of this Investment Policy Statement.

The Investment Committee is responsible for monitoring investment and custody expenses related to the investment of Foundation assets and managing such expenses within reason. Investment expenses with the various service providers will be negotiated and monitored with the assistance of the Investment Consultant.

Investment Consultant

The Board has engaged the Investment Consultant set forth in Appendix C to guide the Board and the Investment Committee through a disciplined process for creating and implementing the Foundation's Investment Policy and maintaining compliance with the required standards of fiduciary prudence.

The Investment Consultant will review the performance of each investment allocation with the Investment Committee on at least a quarterly basis to assess the relative performance versus the assigned investment benchmark. In addition, the quarterly review will evaluate asset allocation compliance with the overall investment policy and the progress toward achieving the Foundation's investment objectives.

Custodian

The duties and responsibilities of the Custodian are:

1. Maintain a safekeeping account for each separately managed marketable securities portfolio, hold the shares of marketable securities or units/shares of commingled investments owned by the Foundation, and maintain a notional record of the shares or units of each other investment vehicle not a marketable security (i.e. investment partnership or non-registered commingled fund).

2. Value marketable securities and commingled funds using market-based pricing services and investment partnerships using values reported by the respective entity. Neither the Foundation, Board, Investment Committee nor the Investment Consultant shall independently value any investment.
3. Collect all income and dividends owed to the Foundation.
4. Settle all transactions (buy-sell orders) initiated by the separate account investment managers and execute all purchase and sale instructions approved by the Investment Committee and communicated by the Investment Consultant for mutual funds, exchange traded funds, other commingled funds or other marketable securities.
5. Provide monthly reports that detail transactions, cash flows, securities held and their current value, the reported value of each investment partnership and the total value of the Foundation assets.
6. Invest all cash in appropriate money market sweep fund or other money market fund in accordance with standing instructions from the Investment Committee.
7. Ensure that the Foundation is the registered or beneficial owner of all Portfolio assets contained in the custody account.

INVESTMENT GUIDELINES

Risk

The Investment Committee recognizes the difficulty of achieving the investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Investment Committee also recognizes that some risk must be assumed to achieve the Foundation's long-term investment objectives.

A critical decision which the Investment Committee must make is to determine the degree of investment risk appropriate for the Foundation given its objectives. Although there are generally accepted definitions of risk which are used in quantitative models of asset allocation, the Investment Committee must determine their sensitivity toward risk from a practical perspective and it is useful to consider various types of risk to see how each impacts the investment process. The risks that should be considered are discussed in a previous section on risk tolerance.

In summary, the investment philosophy of the Foundation's Investment Committee, in combination with the Foundation's financial obligation, return objectives, financial condition, and long-term horizon, suggests that the Foundation's investments can incur interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Time Horizon

The Investment Committee recognizes the importance of the Foundation in maintaining the ongoing support of its churches and mission. Therefore, the Foundation's investment strategy is based on the assumption that the Foundation and its funding encompass a very long-term investment horizon of indeterminate length, and interim fluctuations should be viewed with appropriate perspective.

The Foundation's return objectives and its ability to withstand short and intermediate term variability were considered in establishing the risk parameters for this IPS. The aforementioned Asset Allocation Study provides a range of expected returns for the ensuing twenty-year period.

Liquidity Needs

Based on current assumptions regarding operating cash flows and spending needs it is anticipated that there is no current need for the Foundation or investment managers to maintain significant liquid reserves.

The Board shall prepare all withdrawals for cash flow requirements. Such requirements will be communicated in advance to all of the affected managers and Consultant. Managers will be given as much notice as possible to allow sufficient time to build up necessary liquid reserves.

Legal Constraints

The Investment Committee will follow the standards of investment prudence required of fiduciaries under the Tennessee Uniform Prudent Investor Act.

Strategic Asset Allocation

The Investment Committee recognizes that the Foundation's return, risk, and liquidity posture are, in large part, a function of asset class mix. This IPS will incorporate the most recent Asset Allocation Study prepared by the Investment Consultant using resources it deems necessary including third party Capital Markets Projections when approved by the Investment Committee. Broadly speaking, the Investment Committee will allocate assets to traditional equity and fixed income investments and to alternative strategies such as private equity, private real estate, private debt, and hedge funds. \\

The appended Asset Allocation Study and Executive Summary of this IPS detail the target allocation percentages and ranges for the primary asset categories and the following asset classes. When a revised Asset Allocation Study and Executive Summary are approved by the Investment Committee, the revised Asset Allocation Study and Summary will become part of the IPS and supersede previous appendices.

Traditional Investment Strategies

- Large Capitalization U.S. Equities
- Small Capitalization U.S. Equities
- International Developed Markets Equities
- International Emerging Markets Equities
- Domestic Fixed Income
- International and Emerging Markets Fixed Income

Alternative Investment Strategies

- Private Equity
- Private Real Estate
- Hedge Funds

Cash and equivalents

Rebalancing of Strategic Asset Allocation

The Foundation's asset class rebalancing protocol is designed to maintain the strategic asset allocation plan within acceptable ranges, recognizing the potential for market movements to cause material divergences from the normal positions, thereby changing the expected return and risk profile of the Foundation. Therefore, an allowable upper and lower limit for each asset/style category is established in the Executive Summary of this IPS to guide a prudent rebalancing process. The Investment Consultant will review the Foundation positions on a quarterly basis and advise the Investment Committee in a timely manner regarding the need for rebalancing.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Foundation. If the Investment Committee judges cash flows to be insufficient to adjust asset allocations, it shall decide whether to effect transactions to rebalance the allocations to conform to upper and lower limits. The execution of such changes will be delegated to the Investment Consultant to minimize transaction costs and the impact on the Foundation assets.

Socially Responsible Investing

The foundation strives to adhere in principle to the Investment Guidelines adopted by the General Council on Finance and Administration of the United Methodist Church (Reference The 2020/2024 Book of Discipline of the United Methodist Church, Paragraphs 717 and 718). The Foundation will select separate account managers where possible who have experience with Socially Responsible Investing and have the necessary tools enhancing their ability to make educated decisions on company selection.

TRADITIONAL INVESTMENT STRATEGIES AND MANAGERS

The Investment Committee, with the assistance of the Investment Consultant, will select traditional investment managers to manage Foundation assets. The Investment Consultant will be responsible for due diligence research and evaluation in accordance with the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Investment Advisers Act of 1940.
2. Have historical quarterly performance results calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
3. Provide performance presentation reports compliant with the CFA Institute's Global Investment Performance Standards (GIPS).
4. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time. Manager's risk/return profile will be evaluated relative to other managers of like investment style.
5. Provide detailed information on the history of the firm, key investment staff, key clients, key support personnel and fee schedule.
6. Have no outstanding legal judgments or past judgments which may reflect negatively upon the firm.

The Investment Committee, with the assistance of the Investment Consultant, may also select appropriate commingled funds which include mutual funds, exchange traded funds, and other similar vehicles in which to invest a portion of the Foundation's assets. The Investment Consultant will be responsible for due diligence research and evaluation in accordance with the following minimum criteria:

1. Commingled funds must be consistent with the asset classes outlined in the Foundation's IPS. For example, to the extent that it is appropriate to use a mutual fund to implement the growth stock component of the asset allocation strategy, a mutual fund investing in growth stocks may be selected.
2. The commingled fund's senior portfolio manager should have been in place for three years or more.
3. The commingled fund's investment strategy must have remained the same for at least three years.

Each investment manager or commingled fund eligible for Investment Committee approval must receive a favorable review by the Investment Consultant.

Investment Managers

The duties and responsibilities of each manager retained by the Investment Committee include the following:

1. Managing the Foundations assets under its care and control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Investment Committee.
2. Exercising investment discretion as to the purchase and sale of securities in the account (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
3. Promptly informing the Investment Committee and the Investment Consultant in writing regarding all significant and/or material matters and changes pertaining to the investment of Foundation assets, including, but not limited to:
 - a. Investment strategy
 - b. Portfolio structure
 - c. Tactical approaches
 - d. Ownership
 - e. Organizational structure
 - f. Financial condition
 - g. Professional staff
 - h. Recommendations for guideline changes
 - i. All legal, material, SEC and other regulatory agency proceedings affecting the firm.
4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Foundation set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
5. 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 organizations with like aims, in accordance and compliance with all applicable laws, rules and regulations of local, state, federal and international political entities pertinent to fiduciary duties and responsibilities.

6. Effect all transactions for the Foundation subject “to best price and execution.” If a manager utilizes brokerage from the Foundation’s assets to effect “soft dollar” transactions, detailed records will be kept and provided to the Investment Committee upon request.
7. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the IPS set forth herein, and as modified in the future.

The Board and Investment Committee acknowledge and accept the aforementioned requirements for a separate account investment manager may be limited when investing in a commingled fund such as a mutual fund or an exchange traded fund. Specifically, commingled funds are limited in communications directly to individual unitholders or shareholders and are not able to comply with individual unitholder or shareholder guidelines. Broadly speaking, commingling funds will invest in a prudent manner consistent with their obligations under either the Investment Company Act of 1940 or other governing regulations or organizational documents, and those standards are generally consistent with applicable provisions of this IPS.

Traditional Investment Strategies

A Traditional Investment Strategy in either domestic or international securities generally conforms to an industry standard investment style or category as listed above, is managed against a defined benchmark and is compared against a peer group of similar investment managers. As such, the strategy’s style sets forth the generally accepted parameters for the universe of securities available for inclusion in the respective investment strategy. The Investment Consultant, as part of its due diligence and asset allocation, will investigate the investment techniques including deviations from the style’s generally accepted parameters that the Investment Manager employs to generate returns for the Foundation’s investment. Broadly, this IPS requires each Traditional Investment Manager to conduct its investment activities consistent with its style and the aforementioned techniques, and these will be evaluated by the Investment Consultant as part of its ongoing performance review.

The following securities and transactions are not authorized, unless receiving prior Foundation approval:

- Purchasing of securities on margin or speculative short sales.
- Borrowing of money.
- Pledging or hypothecating of any securities.
- Purchase or sale of futures or options for speculation or leverage.
- Investments in the equity securities of any company for the purpose of exercising control of management.

Cash/Cash Equivalents

If cash reserve securities are held directly by the Foundation, a non-U.S. Government or non-U.S. Government Agency security must have a quality rating of A-1 or P-1 or better. All instruments must mature in 360 days or less. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles. These requirements are not applicable to shares of a money market fund or similar commingled sweep vehicle.

Any idle cash not invested by the investment managers shall be invested daily through a money market fund or an automatic sweep vehicle provided by the Custodian.

Monitoring of Traditional Investment Managers

Performance will be evaluated quarterly to assess progress toward the attainment of longer-term performance objectives. It is understood that there are likely to be short-term periods during which performance deviates from market and peer-manager benchmarks.

On a timely basis, but not less than four times a year, the Investment Committee will meet to review the Investment Consultant's report on:

- Manager's adherence to the agreed upon investment management style for which it was hired.
- Comparisons of the manager's results to appropriate indices and peer groups, as described in the most current Executive Summary. Each manager is expected to perform in the upper half of the manager's respective style universe and outperform a relevant market index over full market cycles.
- Progress toward the long-term performance objective.
- Material changes in a manager's organization, investment philosophy and/or personnel as communicated to the Investment Consultant or its research services.

The Investment Committee is aware that the ongoing review and analysis of investment managers is just as important as the due diligence during the manager selection process. Accordingly, a thorough review and analysis of an investment manager will be conducted by the Investment Consultant and presented to the Investment Committee when the Investment Consultant identifies that the Foundation's account with the respective manager:

- Performs in the bottom quartile (75th percentile) of their peer group over the most recent annual period.
- Falls in the southeast quadrant of the risk/return scatter plot for 3- and/or 5-year time periods.
- Has a 3-year risk adjusted return below that of the median manager within the appropriate peer group.
- Underperforms a relevant market index over the most recent 3-year period.

Furthermore, performance of the Foundation's account which may require the replacement of a manager includes:

- Performance below the median (50th percentile) of their peer group and/or a relevant market index over the majority of available rolling three-year periods.
- Performance below the median (50th percentile) of their peer group and/or a relevant market index over a five-year period.

- Negative alphas for 3- and/or 5-year time periods.

Major organizational changes that warrant immediate review of the manager by the Investment Consultant, include:

- Change in professional staff
- Significant account losses
- Significant growth of new business
- Change in firm ownership
- Performance deficiencies in the traditional investment manager's composite returns versus the benchmark and peer group for the investment style.

The performance of the Foundation's investment managers will be monitored on a regular basis. It is at the discretion of the Investment Committee to take corrective action at any time if deemed appropriate.

ALTERNATIVE INVESTMENTS

Guidelines for Alternative Investments with Significant Lock-ups

Alternative investments are a class of financial assets that does not fall into one of the traditional asset classes such as stocks, bonds, and cash or that trade traditional assets in such a way that performance is uncorrelated with traditional markets. The class encompasses a wide range of strategies such as hedge funds, private equity, private real estate, and private debt. Sophisticated investors include alternative investments in fund allocations generally for one or both of two goals: improving risk-adjusted returns due to diversification or improving absolute returns.

Alternative investments are most commonly structured in the form of a limited partnership. The manager acts as the general partner and investors are limited partners. The partnership can be direct where the manager selects the individual investments, or where the manager is building a portfolio of other managers. The latter type of structure is known as a fund of funds. The Foundation may invest in both a fund of funds and direct manager partnerships.

Partnerships are less liquid than traditional asset classes and require holding periods ranging from several months for many hedge funds to several years for private equity. Partnerships usually have higher fees, are not registered with the SEC, are considered 'private' and are not readily marketable (i.e. generally illiquid). Valuation may also not be timely, particularly in private equity.

Alternative investments in a partnership structure are not held to the same regulatory standards as traditional investment managers. Partnerships are often unwilling to disclose their holdings. They are also unwilling to provide information regarding industries or sectors or to place limits on the exposure to the same. Consequently, providing the oversight and monitoring after investment will often be difficult with the exception of hedge funds. Performance for hedge funds can be monitored using the same performance analytics as for traditional investment strategies, such as using total return and peer group comparisons.

In recent years investment managers have begun to incorporate some alternative strategies in mutual fund structures under The Investment Company Act of 1940. The strategies used in these mutual funds will incorporate many of the strategies that Hedge Funds and Private Real Estate managers employ. As

'40 Act Funds', these funds will be subject to the regulatory requirements of traditional mutual funds such as transparency in holdings and daily valuations.

Alternative Investments for the Foundation must be in accordance with this IPS and a manager search may be initiated by the Investment Consultant at the direction of the Investment Committee. Each Alternative Investment eligible for Investment Committee approval must receive a favorable review by the Investment Consultant.

Duties and Responsibilities of Alternative Investment Managers

The duties and responsibilities of each alternative investment manager retained by the Investment Committee include the following:

1. Managing Foundation assets under its care and control in accordance with the guidelines expressed in written agreements governing the investment.
2. Promptly informing the Investment Committee in writing of any changes in senior management or the departure of senior portfolio managers. Additionally, any developments regarding legal or regulatory proceedings impacting the manager and/or fund in which the Foundation is invested must be communicated to the Investment Committee. Lastly, the Investment Committee will be informed of any ownership changes of the organization.
3. 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 organizations with like aims, in accordance and compliance with all applicable laws, rules and regulations of local, state, federal and international political entities pertinent to fiduciary duties and responsibilities.
4. Acknowledge and agree in writing to their fiduciary responsibility to the Foundation.

The Board and Investment Committee acknowledge and accept the aforementioned requirements may be limited when investing in a partnership or similar commingled fund.

Hedge Funds

Hedge Funds are diversifying investments that encompass many strategies, and are typically a partnership. Some of the most common strategies are Hedged Equity, Distressed Debt, Merger Arbitrage, Equity Market Neutral, and Global Macro. A hedge fund is most often identified as a trading strategy for the designated assets where the portfolio manager employs a proprietary trading method. These strategies strive to produce low correlation to traditional equity and fixed income assets. The appropriate index for hedge funds is the HFRI Fund of Funds Composite Index or other HFRI single strategy index.

Selection of Hedge Fund Managers

Minimum Requirements for Eligibility

- Approved by the Investment Consultant's Investment Committee or be highly rated by a reputable investment research organization.

- A strong performance track record of at least 5 years. Defined as, outperforming the HRFI Hedge Fund of Funds Index or other HFRI single strategy index that is appropriate for the previous 5 years and ranking above median in the appropriate peer universe.
- A deep and credentialed research department and experienced portfolio managers.
- A thorough, completed Industry Standard Due Diligence Questionnaire.
- Sufficient AUM (\$500 million+) to financially support a deep and strong research staff.
- A willingness for the portfolio manager or other professional of the firm to attend a face-to-face meeting with Investment Committee.
- Registration with the SEC as an Investment Advisor.

Monitoring Performance of Hedge Funds

- Performance of hedge funds will be monitored quarterly by the Investment Consultant using its portfolio analytics and reporting system. Performance will be compared to the HFRI Fund of Funds Index, or other HFRI single strategy index that is appropriate, and to a peer universe of hedge funds.
- Because of the wide range of possible strategies, a hedge fund's performance will be evaluated within the context of the fund's underlying strategy as set forth in the investment agreement or prospectus.

Hedge Funds in a Mutual Fund Structure

Hedge funds in a mutual fund structure are eligible investments and employ many of the same investment strategies as those in hedge funds discussed above but may have limitations in the use of leverage, liquidity, short sales and the use of derivatives.

Interval Funds

Interval funds are alternatives in a mutual fund structure that do not provide daily liquidity, but rather offer regularly scheduled limited redemption dates on typically a monthly or quarterly basis. The amount that the sponsor is required to accept on these redemption dates is defined by prospectus. If more than the required amount is tendered, then the sponsor can honor redemption amounts pro rata to each investor. Therefore, in some cases, it may take several redemption periods to fully liquidate an investment.

Private Alternative Investments

Private Alternative Investments include a number of strategies and classes, but all share several characteristics. First, Private Alternatives will be in a partnership structure because the underlying investments are direct private investments in equity, debt, real estate, etc. They are highly illiquid and require a commitment or lockup for an extended period of time. The investor will make a commitment to invest but the entire amount will not be invested at the time of commitment. The partnership will call for funds at such times and in increments as it requires to fund the investments being acquired. Once the Foundation provides funding, the partnership invests and retains the funds at its discretion. There is usually no set exit strategy or liquidity for a Private Alternative Investment. Funds are distributed back to the investors at such times and amounts as the partnership determines over the life of the investment. As such, the lockup of funds will range from typically 8 years for private credit/debt to 12-14 years for private equity. Calls for funds will dominate during the early years while distributions will dominate in the later years of the investment. It is unlikely that an entire commitment is ever funded.

The longer-term funding and distribution timeline for private alternatives requires an additional procedure to conform to the Executive Summary's Asset Allocation guidelines. Generally, it is expected that the allocations to traditional investments will be adjusted to offset an over- or under-funding to private alternatives. For example, if the Foundation has a 15% commitment to Private Equity and only 5% has been called by the partnerships, the 10% unfunded commitment may be invested in traditional Equity investments approved by the Investment Committee until such Private Equity funding occurs.

Private Equity

Private equity includes investments in non-publicly listed companies. Sub-strategies include venture capital, buyout funds, co-investments and secondary investments which offer varying levels of risk and return. Investments typically have very limited liquidity and require a commitment of 10 years or more. Fees are expected to be higher than public equity and there are additional reporting and operational complexities. The objective of the partnership is to offer a broadened opportunity set and the potential for higher returns.

Real Estate Partnerships

Real estate partnerships include direct investments in real property, related private debt investments, and publicly traded real estate securities in some cases. The objectives of the partnership are to contribute to the diversification of the Foundation, generate returns through income and/or capital appreciation, and provide protections against unanticipated inflation. Investments typically offer limited liquidity and require a commitment of 10 years or more. Fees are expected to be higher than public markets and there are additional reporting and operational complexities.

Selection of Alternative Managers

Due Diligence of Alternative Managers is complicated by the lack of transparency, delayed performance data, and the lack of possession of the underlying assets. In performing due diligence, the Investment Consultant will rely on research from its investment committee, communications with the manager, and third party-research/databases. Minimum requirements for eligibility are listed below.

- Approved by the Investment Consultant's Investment Committee or be highly rated by a reputable investment research organization.
- A strong performance track record of 10 years, measured as an upper quartile ranking in a credible performance aggregator of private funds (such as Preqin or Cambridge).
- Strong performance over multiple series of partnerships or funds.
- A deep and credentialed research department and experienced portfolio managers.
- A thorough, completed Industry Standard Due Diligence Questionnaire.
- Sufficient AUM (\$500 million+) to financially support a deep and strong research staff.
- A willingness for the portfolio manager or other professional of the firm to attend a face-to-face meeting with Investment Committee.
- Registration with the SEC as an Investment Advisor.
- Preferably a significant participation by the General Partner in the Limited Partnership.

Monitoring of Private Alternative Investments

The Investment Consultant will prepare performance reports showing Total Foundation performance with and without Private Alternative Investments on a 6-month lag to show incremental return

added/subtracted by Private Alternative Investments. There can be no watch-list criteria for Private Alternative Investments as these are partnership investments with committed capital and multiple-year lockups. Most likely there will be no opportunity to terminate a manager or exit a partnership and the Foundation will remain an investor in the partnership until it winds down.

Early returns for Private Alternative Investments may not be meaningful. Usually, the partnership will need to complete the investment period during which the manager is searching for new investment opportunities before any useful analysis of returns can be performed. Additionally, there will likely be a period early in the life of the partnership when investment expenses may generate negative performance. This is known as the J-Curve.

As discussed earlier, the dollar amount actually invested in a strategy will fluctuate regularly making the use of time-weighted returns (typical for traditional investments) inappropriate. The primary metric for evaluating performance will be Internal Rate of Return (IRR) and the Total Value to Paid-In Capital (TVPI).

After the investment period, the TVPI metric should be greater than 1 and increasing, with a top quartile investment producing TVPI greater than 2.

Appropriate Indexes

Private Equity MSCI ACWI + 2.5%

Private Real Estate NCREIF Index

CONTROL PROCEDURES

Proxy Voting

Voting of proxy ballots shall be for the exclusive benefit of the Foundation. Proxies for securities held in the separate account of a traditional investment manager will be voted as outlined in the Traditional Investment Strategies section. The investment managers shall vote the proxies in accordance with this policy on all shareholder issues. Mutual fund proxies may be forwarded for voting to the Investment Committee or be voted upon by the Executive Director as delegated by the Investment Committee. The Investment Consultant will not vote any proxies.

Review of Investment Objectives

Investment performance relative to the Foundation's return objectives will be reviewed quarterly. The continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives will be considered on an annual basis. It is not expected that the investment objectives set forth in this IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Amendments and Revisions

From time to time, this IPS or the Executive Summary may be revised to incorporate parameters approved by the Investment Committee or the Board. The revised parameters may result in an existing Foundation investment becoming non-compliant and such previously compliant investment will not be deemed a

violation of the IPS. The Investment Committee may use its discretion under this IPS in regard to the previously compliant investment.

REVIEW AND UPDATING PROCEDURES

The Board and the Consultant shall formally review this IPS at least annually to determine whether stated the investment objectives continue to be appropriate and their achievement feasible. Annual reviews are expected to include updates of the Asset Allocation Study (Appendix B) and corresponding changes to the investment objectives. It may also include changes to the Asset Allocation Strategy and/or benchmarks set forth in the Executive Summary (Appendix A), as well as changes to the Key Information (Appendix C) and the endorsements of new investment managers (Appendix D). These changes will be recorded as updates to the Executive Summary and relevant Appendices. Such changes shall be approved by the Board, recorded in the Board minutes and attached to this IPS.

INVESTMENT POLICY ENDORSEMENTS

The foregoing revised Investment Policy Statement has been approved and adopted by the Board of Directors and the Investment Committee **United Methodist Foundation for the Tennessee-Western KY Conference** as of August 21, 2025. The undersigned acknowledge that each member of the Board of Directors and the Investment Committee has been informed of his or her role as a fiduciary and further acknowledge that the foregoing revised Investment Policy Statement is consistent with the goals and objectives of the **United Methodist Foundation for the Tennessee-Western Kentucky Conference**.

Heidi King

Aug 21, 2025

Heidi King
Chair, Investment Committee

Date

Anne Richards

Aug 21, 2025

Anne Richards
Chair, Board of Directors

Date

Dr. David O. Weatherly

Aug 25, 2025

Dr. David O. Weatherly
President

Date

Executive Summary

Effective August 2025

Type Foundation	Religious Foundation
Fiduciary Standard of Care	Tennessee Uniform Prudent Investor Act
Time Horizon	20 years or longer
Capital Markets Projections	2025
Modeled Return Objective	6.6% or 4.30% over CPI-U (2.3%)
Modeled Range of Returns	18.7% to -4.4% (one standard deviation)
Modeled Annual Loss Limit	-13.7% (95% confidence)

Asset Allocation Targets and Ranges

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
Total Equities	40%	52%	60%
Total Fixed Income	25%	38%	50%
Total Alternatives	0%	10%	15%
Domestic Equities	28%	40%	52%
Non-US Equities	5%	12%	20%
Core Fixed Income	25%	37%	50%
Real Estate	0%	0%	7%
Private Equities	0%	5%	7%
Diversified Hedge Funds	0%	5%	7%
Cash & Equivalents	0%	1%	5%

Benchmarks

Asset Category	Index Benchmark	Peer Group
U.S. Large Cap Core Equity	S&P 500 / Russell 1000	Core Equity
U.S. Large Cap Value Equity	Russell 1000 Value	Value Equity
U.S. Large Cap Growth Equity	Russell 1000 Growth	Growth Equity
Small/Mid Cap Equity	Russell 2000/2500	Small Cap Equity
Foreign Equity	MSCI ACWI Ex-US	Foreign Equity
International Developed Markets Equity	MSCI EAFE	International Equity
International Emerging Markets Equity	MSCI Emerging Markets	Emerging Markets Equity
U.S. Fixed Income	Bloomberg US Aggregate	Core/Core+ Fixed Income
Emerging Markets Debt	JP Morgan EMBI +	Emerging Debt
High Yield Fixed Income	ICE BoA US High Yield	High Yield Bonds
Alternatives	HFRI Fund of Funds Composite MSCI ACWI + 2.5% NCREIF Property	N/A

Asset Allocation Study

This Asset Allocation Study has been developed for investment policy planning. The Study employs a proprietary investment modeling technology and the Capital Markets Projections provided by the Investment Consultant. These projections are developed at the beginning of each year to assist investors with prudent asset allocation planning and are based on assessments of past capital markets performance, key economic indicators and the market insights of the Investment Consultant's investment professionals. The capital market projections consist of projected returns, standard deviation and correlation for each of the relevant asset classes and inflation.

The projections for returns, standard deviations and correlations are for twenty-year periods. A twenty-year period is chosen because it typically captures a full market cycle and explains the general investment environment that should be considered by investors in setting expectations for performance.

United Methodist Foundation for the Tennessee- Western KY Conference

Asset Allocation Study
August, 2025

Asset Allocation Analysis

Zephyr AllocationADVISOR: The Colony Group, LLC

Analysis Inputs

Case: Mercer 2025 20-yr CMOs template

Analysis Inputs

Assets	Return	Forecast	Risk
US All Cap Equity	8.3%		18.9%
AC Wrld ExUS Lg Cap	8.8%		21.8%
Non-US Developed All	9.0%		21.2%
Emerging Markets Eq	10.5%		26.1%
Core Domestic Fixed	4.8%		5.9%
Real Estate	7.4%		13.2%
Private Equity	12.3%		24.4%
Div Hedge Funds	6.5%		7.2%
Cash & Equivalents	3.5%		2.1%
Inflation	2.3%		2.2%

Projection Inputs

Target Return:	6.0%
Time Horizon:	20 Years
Initial Value:	96,600,000

Correlations

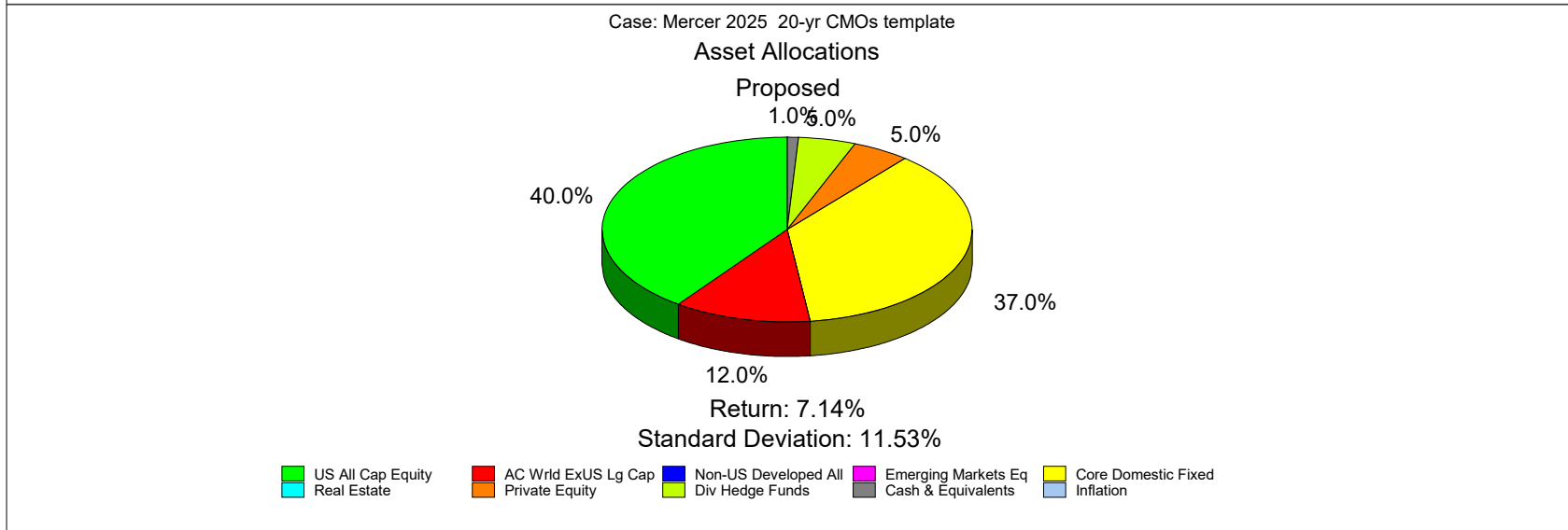
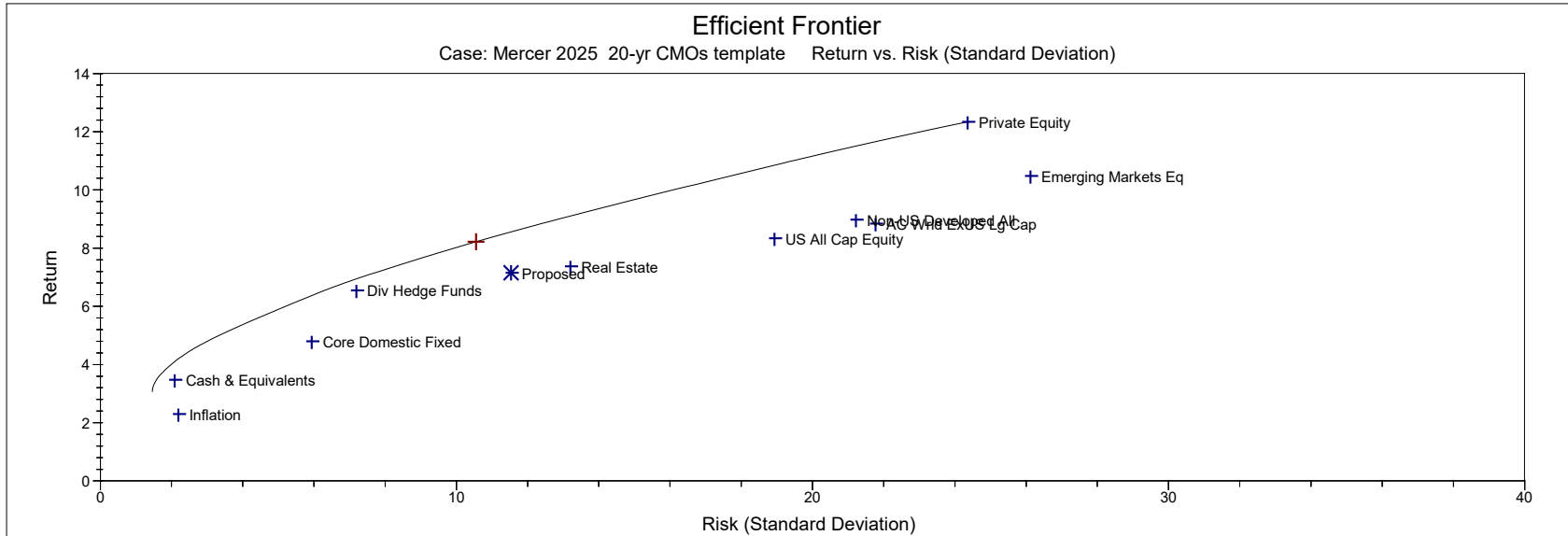
	1	2	3	4	5	6	7	8	9	10
1. US All Cap Equity	1.00									
2. AC Wrld ExUS Lg Cap	0.80	1.00								
3. Non-US Developed All	0.77	0.98	1.00							
4. Emerging Markets Eq	0.75	0.91	0.80	1.00						
5. Core Domestic Fixed	0.12	0.05	0.06	0.01	1.00					
6. Real Estate	0.50	0.40	0.38	0.37	0.36	1.00				
7. Private Equity	0.85	0.67	0.66	0.63	0.10	0.39	1.00			
8. Div Hedge Funds	0.70	0.58	0.56	0.54	0.09	0.35	0.59	1.00		
9. Cash & Equivalents	-0.02	-0.02	-0.08	-0.04	0.20	0.05	-0.01	-0.02	1.00	
10. Inflation	0.09	0.25	0.22	0.28	0.01	0.11	0.07	0.06	-0.03	1.00

Custom Portfolios

	Proposed
US All Cap Equity	40
AC Wrld ExUS Lg Cap	12
Non-US Developed All	
Emerging Markets Eq	
Core Domestic Fixed	37
Real Estate	
Private Equity	5
Div Hedge Funds	5
Cash & Equivalents	1
Inflation	

Asset Allocation Analysis

Zephyr AllocationADVISOR: The Colony Group, LLC



Please see disclosures at the end of this report.

Asset Allocation Analysis

Zephyr AllocationADVISOR: The Colony Group, LLC

Portfolio Statistics

Case: Mercer 2025 20-yr CMOs template Target Return: 6.00% - 20 Year Time Horizon - 95% of Projected Return Distribution

Portfolio Allocations

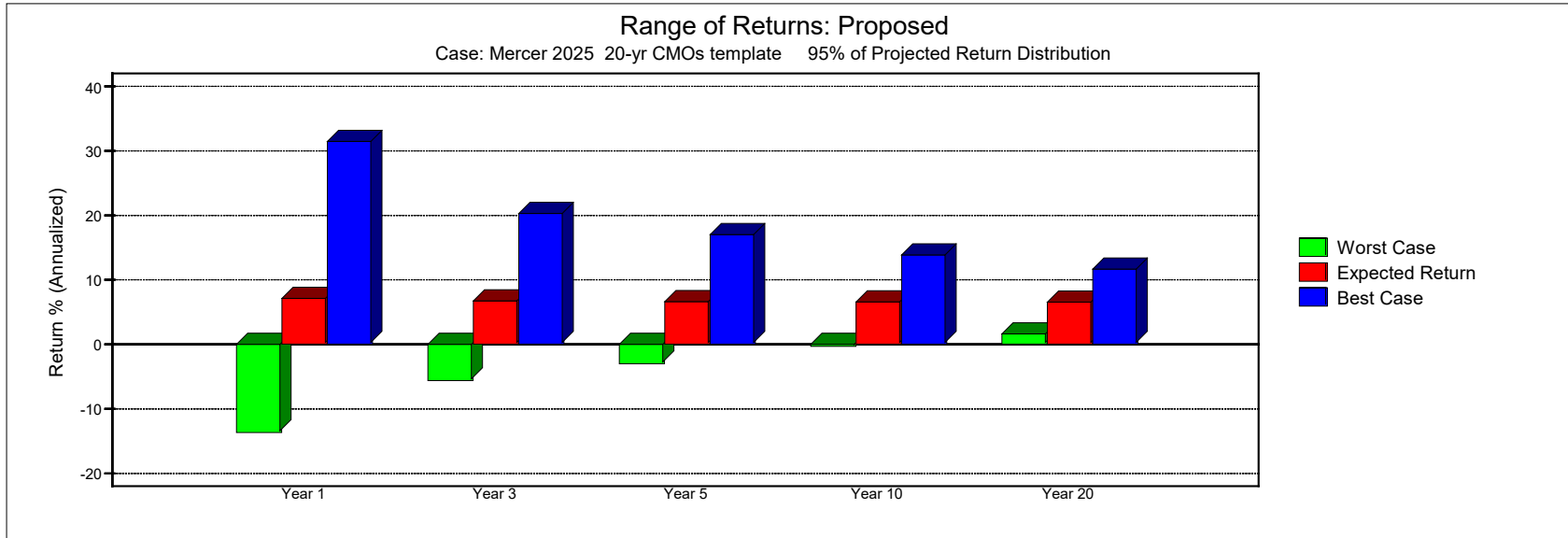
	Proposed
Asset Allocations	
US All Cap Equity	40.0%
AC Wrld ExUS Lg Cap	12.0%
Non-US Developed All	0.0%
Emerging Markets Eq	0.0%
Core Domestic Fixed	37.0%
Real Estate	0.0%
Private Equity	5.0%
Div Hedge Funds	5.0%
Cash & Equivalents	1.0%
Inflation	0.0%

Portfolio Statistics

Expected Return (Annualized)	
One Year	7.1%
Time Horizon	6.6%
Expected Risk	
One Year	11.5%
Time Horizon	2.6%
Best Case Return (Annualized)	
One Year	31.5%
Time Horizon	11.7%
Worst Case Return (Annualized)	
One Year	-13.7%
Time Horizon	1.6%
Probability of Target Return	
One Year	51.8%
Time Horizon	58.2%
Probability of Negative Return	
One Year	27.8%
Time Horizon	0.4%

Asset Allocation Analysis

Zephyr AllocationADVISOR: The Colony Group, LLC



Case: Mercer 2025 20-yr CMOs template 95% of Projected Return Distribution

	Range of Returns: Proposed					
	One Year	Three Year	Five Year	Ten Year	Twenty Year	
Best Case Return	31.5%	20.3%	17.0%	13.9%	11.7%	
Expected Return	7.1%	6.7%	6.6%	6.6%	6.6%	
Worst Case Return	-13.7%	-5.7%	-3.0%	-0.3%	1.6%	

Portfolio Allocations

Asset Allocations	Proposed
US All Cap Equity	40.0%
AC Wrld ExUS Lg Cap	12.0%
Non-US Developed All	0.0%
Emerging Markets Eq	0.0%
Core Domestic Fixed	37.0%
Real Estate	0.0%
Private Equity	5.0%
Div Hedge Funds	5.0%
Cash & Equivalents	1.0%
Inflation	0.0%

Disclosure

Services are offered through Focus Partners Wealth, LLC (“Focus Partners”), an SEC registered investment adviser with offices throughout the country. Registration with the SEC does not imply a certain level of skill or training and does not imply that the SEC has endorsed or approved the qualifications of Focus Partners or its representatives. Prior to January 2025, Focus Partners was named The Colony Group, LLC. Focus Partners has been part of the Focus Financial Partners partnership since 2011.

The asset allocation modeling analyses contained in this presentation were obtained from Zephyr Associates, Inc., using capital markets projections provided by Mercer Investment Consulting, an independent investment consulting firm. These capital markets projections should not be construed as predictions or guarantees of specific levels of investment returns and/or losses and are provided as estimates of ranges of potential outcomes to assist investors with formulating investment strategies and the documentation of investment policy planning decisions. While Focus Partners believes that this information is useful, such projections are necessarily hypothetical and forward-looking. Also, the presented statistical comparisons do not reflect the deduction of transaction and/or custodial charges, the deduction of Focus Partner’s investment management or investment consulting fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing futures performance projections and the back tests of historical performance results. As always, there is no guarantee that any investment will be profitable. Market conditions can vary widely over time and can result in a loss of portfolio value.

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Key Information:

As of August 2025

Name of Foundation: United Methodist Foundation for the Tennessee-Western KY Conference

IRS Tax Identification #: 62-1172580

Board of Directors:

Anne Richards, Chair	Kathy Nevill
Heidi King	Rachel Hasty
Chip Hunter	Robert Payne
David Morgan	Sally Hopkins
David Eblen	Don Benson
Sue Engle Carrigan	Davis Chappel
Mark Hagewood, Treasurer	Zach Moffatt
Ervin (Erv) Walker	Rickey Wade
Bill Joyner	Bishop David Graves

Investment Committee:

Heidi King, Chair	David Morgan
Kathy Nevill	Robert Payne
	Don Benson

Custodian: Truist Bank
Donna Robinson

Investment Consultant: Focus Partners | Institutional
Lisa C. Longest, AIF®

Legal Counsel: Carolyn Wenzel, Sherrard Roe Voigt & Harbison, PLC

Accountant: Blankenship CPA Group, PLLC – Karen R. Stephens

Investment Manager Acknowledgment

This Investment Policy Statement has been formally adopted by the Board of Directors of the **United Methodist Foundation for the Tennessee-Western KY Conference** as of August 21, 2025. By acknowledging receipt of this Investment Policy Statement in writing below, the investment manager agrees to the Policy's terms and conditions as it pertains to that manager and acknowledges its fiduciary responsibility to fulfill the terms accordingly.

Acknowledged by:

Investment Manager Organization:

Name & Title

Date











UMFTWK IPS FINAL Draft w AA Study 7.30.2025

Final Audit Report

2025-08-25

Created:	2025-08-21
By:	Sara Finger (sara.finger@umfmtc.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAj2UVEoIFvr5kFO7DUVroRsKPIaEgEX2m

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