

Investment Policy Statement

For

Good Shepherd Evangelical Lutheran Church Endowment Fund

Preamble

“Give thanks to the Lord for he is good; his love endures forever.” (Psalm 106:1)

We thank and praise our Lord for the rich resources he has placed before us in the Good Shepherd Evangelical Lutheran Church Endowment Fund. So that we might be good stewards of His blessings, and that these resources might be wisely used for His Kingdom work now and far into the future, this Investment Policy Statement for the Good Shepherd Evangelical Lutheran Church Endowment Fund has been adopted.

Purpose

This policy statement establishes a clear understanding of the investment policies and investment objectives for the Good Shepherd Evangelical Lutheran Church Endowment Fund Committee (the “Fund”). This policy statement outlines an overall investment strategy that is specific enough to guide the foundation committee (the “Committee”), yet provide realistic risk policies toward long term rate of return objectives, which will serve as a standard for evaluating investment performance. The policy will outline procedures for performance review.

General Guidelines

Fluctuating rates of return are characteristic of the securities markets and the primary concern will be the long term total return of the Fund’s assets and the consistency of total portfolio performance. It is understood that short term fluctuations will cause variations in the Fund’s performance and will not be the focus for the Fund.

Risk parameters should be established to minimize the likelihood of sharp declines in principal values. The possibility of moderate declines in total value is a risk the advisory accepts as necessary to achieve the desired long term results.

Objective Standards

The primary objective is to provide growth of principal and income while attempting to outperform a suitable target index. The objective should be pursued as a long-term goal to meet the requirements of the Distribution Policy.

The Committee understands that poor securities markets occur at different times during business cycles and the length of those downturns in the market are not predictable. Therefore, a target return of 4% plus inflation as defined by the Consumer Price Index will be the total return objective for the business cycle. A business cycle is defined to include a peak and a trough in the capital markets.

On an annual basis, the fund's total return should be in line with the average total return for money managers with similar investment objectives.

Asset Allocation Guidelines

The Committee expects the Fund's asset allocation policies to reflect and be consistent with the investment objectives and risk tolerances expressed throughout this Statement. The Asset Allocation Guidelines are as follows:

Equities (60%, with a range of 50-70%)

- **30% Large Cap Growth and Value Equities**
- **20% International/Foreign Equities**
- **10% Mid Cap/Small Cap Equities**

Fixed Income (40%, with a range of 30-50%)

- **20% Intermediate Term Investment Grade Bonds**
- **10% High Yield Bonds**
- **10% International/ Foreign Bonds**

Cash Equivalents (0% with a range of up to 5%)

An exception can be made if there is a large gift that is restricted by the donor. The allocation detailed above may not otherwise be altered except with the permission of the Committee. Such allocations will be monitored on a periodic basis by the Committee.

These allocations are based on the market value of assets. If changes in asset class market values should lead to allocations exceeding these boundaries by 5% of the Fund, the Committee should endeavor to rebalance back the stated allocation within 90 days.

Investment Guidelines

A. Equities

Generally, mutual funds and/or separate money managers will be used to implement the investment policies of this Fund. Individual equities may be purchased and held only at the direction of the Committee. Equity investments will include a mix of domestic and international markets. The definition for the various asset classes listed will be defined by Morningstar research.

The Fund will not invest directly in private placements, assets without an ascertainable market value, venture capital funds, futures, and uncovered options. It will not engage in margin transactions, short sales, or other specialized investment activities. However, to the extent that mutual funds or separate account managers utilize such investments and strategies, then such activity will be acceptable within the general confines of this statement.

B. Fixed Income

The fixed income component will be managed by professional portfolio managers and can purchase securities with up to 10 year maturities. The Fund may choose from appropriately liquid corporate debt securities, obligations of the U. S. Government and its agencies, and certificates of deposit. Reasonable efforts will be made to have some of these debt instruments mature every year to take advantage of liquidity needs and changing interest rate environments.

The Fund is prohibited from directly investing in municipal bonds, private placements or financial futures.

C. Cash Equivalents

Cash equivalents are securities or bank accounts that mature in less than 1 year. As such, the Fund may invest in U. S. Government Treasury Bills, savings and checking deposits , and money market funds. The Fund is prohibited short term financial instruments with speculative characteristics and/or personal loans.

D. Donor Intent Investments

If a gift is made and has specific instructions attached, the committee will give consideration to holding other types of assets if they are reasonable and comply with the gift acceptance policy.

Permitted Assets

- **Mutual Funds**
- **Individual Stocks, listed on NYSE, AMEX, or NASDAQ exchange**
- **Closed end funds**
- **Unit Investment Trusts**
- **Exchange Traded Funds**
- **FDIC(equivalent) accounts**

Prohibited Assets

- **Limited Partnerships**
- **Precious Metals**
- **Short Sales**
- **Private Placements**
- **Leveraged Transactions**
- **Commodities**
- **Private Equity Transactions**
- **Direct Real Estate purchases**

Communications

The Committee will be responsible for providing a quarterly Fund review detailing investment performance, current asset allocation, and the Fund's total value. Investment performance will be measured on a real and on a relative basis consistent with a "target" index.

Quarterly review will include:

- Fund performance and risk in relation to stated policies.
- Changes (if any) in the Committee's objectives, risk tolerance, and time horizon.

Additional meetings may be held if significant concerns arise about market conditions, liquidity needs, investment strategy, or performance.

Adoption

Adopted by the committee members listed below

Date:

Endowment Fund Committee: