

DIOCESE OF CENTRAL NEW YORK
Investment Policy Statement
Revised September 2020

This Investment Policy Statement (IPS) covers both the Long-Term and Intermediate-Term Fund (Funds) of the Investment Fund of the Diocese of Central New York, Inc. (Corporation).

Introduction

An investment policy outlines and prescribes a prudent and acceptable investment philosophy and defines the investment management procedures and long-term goals for the investor.

The principal reason for developing a long-term investment policy is to protect against *ad hoc* revisions to the long-term investment strategy for the Funds. This IPS will help maintain a long-term perspective when short-term market movements may be distressing and emotional reactions are most apt to occur.

The development of this IPS for the Corporation follows the basic approach underlying financial planning: assessing the current financial condition of The Diocese of Central New York; setting goals; developing a strategy to meet the goals; implementing the strategy; regularly reviewing the results; and adjusting the strategy or the implementation as circumstances dictate. Adopting this IPS encourages a more disciplined and systematic investment approach, thus improving the probability of achieving the investment goals of the Fund(s).

Background

The Trustee is the Board of Directors of the Corporation (Board). The Board, ever mindful of its stewardship of the Diocese's assets, has caused this IPS to be prepared as a policy framework for a disciplined process for investing the Funds.

The Board has authorized the Investment Committee (Committee) to develop and execute policies and guidelines for the effective supervision and management of the assets in the Funds. The Committee retains, and delegates responsibilities to an Investment Advisor to implement this IPS, and monitors the implementation and performance of the Investment Advisor retained in support of the objectives and policies set forth in the IPS.

The Corporation was established to manage the investment of Diocese of Central New York long and short-term assets and those of its parishes, schools, institutions and organizations (Diocesan Organizations) with similar investment objectives. Funds will be managed to provide a balance between present and future needs. Present needs will be met through the administration of the spending policy as defined herein. Future needs will be addressed by retaining a portion of the Fund's total investment return which, after implementation of the spending policy, is expected to be at least equal to the rate of inflation over time.

Purpose

The purpose of this IPS is to establish a clear understanding of the investment goals and objectives and management policies applicable to the Funds. This IPS will:

1. Establish reasonable expectations, objectives, and guidelines in the investment of the Funds.
2. Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at an acceptable level of risk, including:
 - Describing an appropriate risk posture for the Funds;
 - Specifying the target asset allocation;
 - Outlining guidelines for distributions from the Funds;
 - Specifying the criteria for evaluating the performance of the Funds.
3. Define the responsibilities of the Corporation's Investment Committee and the Fund's Investment Advisor.
4. Encourage effective communication between The Committee and the Funds' Investment Advisor (s).
5. Assist the Board in meeting its fiduciary obligations with respect to the management and investment of the Funds, consistent with applicable state law.

This IPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for the investment of the Funds. The investment policies described in this IPS should be dynamic. Therefore, this IPS will be reviewed and revised periodically to ensure it adequately reflects current circumstances.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

Context

This IPS of the Corporation describes the investment objectives for the Long-Term and Intermediate-Term Funds and the general framework within which the Investment Advisor is expected to operate.

Long-Term Fund

The main investment fund is the Long-Term Fund. The primary objective of the fund is to preserve the real purchasing power of the assets. The secondary objective is to provide for long-term growth. The third objective is to provide dependable source of funds to cover on-going operating expenses of The Diocese. The fourth objective is to allow for moderate volatility, accepting the fact that a long term strategy could cause sharp fluctuations in value over the course of a market cycle.

The mix of equity and fixed income assets has been established by the Committee through acceptance of this IPS. The objectives are set in recognition of the fact that any invested portfolio is subject to three major risks: capital risk (the risk of a decline in market value of the portfolio); reinvestment rate risk (the risk that in the future the assets of the portfolio will be reinvested at a yield lower than the current yield); and inflation risk (the risk that inflation will increase at a greater rate than the value of the portfolio, thus reducing the real worth of the assets). The Diocese understands there are costs to hedging risk (e.g., protecting against risk may require that

some percentage return be foregone, and/or protection against any one risk may, to some extent, preclude protection against other risks).

In order to meet the Long-Term Fund's objectives over long time periods, the Committee has determined that the adoption of a total return investment strategy is best. This strategy recognizes the superior long-term average returns available through equity investments versus fixed income investments. The higher average returns in equities, however, come with a substantially higher risk profile than fixed income investments. By assuming a long-term investment perspective, and by investing the majority of the Long-Term Fund's portfolio in equities, the Committee can plan on a "total return" over time which will average better investment results than a portfolio that is designed solely to meet short-term needs. This allows the Committee to adopt a spending policy which, in some years, will allow the organization to withdraw more value from the Long-Term Fund than was actually earned in that year. Over longer periods, however, the expectation is to earn an average return that exceeds the spending policy plus inflation.

Intermediate-Term Fund

The Intermediate-Term Fund is an alternative to the Long-Term Fund that Diocesan Organizations may use where capital/campaign funds need to be held for use in less than five years. This fund will seek moderate to high level of current income with a primary goal of providing an opportunity for capital appreciation with low volatility and anticipating a capital withdrawal within 3-5 years.

Diocesan Organizations will be encouraged to address immediate and short-term needs (less than three years) by establishing their own money market or like account outside of this program.

Investment Management Standards of Conduct

The following standards will be met in the management of the Funds:

- a. Subject to the intent of a donor expressed in any gift instrument, the Board, in managing and investing the Funds, shall consider the purposes of the Diocese of Central New York and the purposes of the Funds.
- b. In addition to complying with the duty of loyalty imposed by law, each person responsible for managing and investing the Funds shall manage and invest in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Funds.
- c. In managing and investing the Funds, the Committee and Investment Advisor may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the Diocese of Central New York, and the skills available to the Diocese.
- d. The Committee and Investment Advisor shall make every reasonable effort to verify the facts relevant to the management and investment of the Funds.
- e. Except as otherwise provided by a gift instrument, the following apply:

1. In managing and investing the Funds, the following factors, if relevant, will be considered:
 - a. General economic conditions;
 - b. The possible effect of inflation or deflation;
 - c. Any expected tax consequences, if any, of investment decisions or strategies;
 - d. The role each investment or course of action plays within the overall investment portfolio of the Funds;
 - e. The expected total return from income and the appreciation of investments;
 - f. The needs of the Diocese of Central New York and the Funds to make distributions and preserve capital;
 - g. Other resources of the Diocese of Central New York;
 - h. Any specific asset's special value, or special relationship, if any, to the purposes of the Funds.
2. Management and investment decisions about an individual asset must be made, not in isolation, but rather in the context of the Funds' portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Funds and the Diocese of Central New York.
3. The Committee and the Investment Advisor shall diversify the investments of the Fund unless the Board determines that, due to special circumstances, the purposes of the Funds are better served without diversification. The Board shall review a decision not to diversify as frequently as circumstances require, but at least annually.
4. Within a reasonable time after receiving property, the Corporation shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the Funds into compliance with the purposes, terms, and distribution requirements of the Funds.
- f. This IPS sets forth guidelines on investments and delegation of management and investment functions in accord with Prudent Investor standards and the standards of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Delegated Decision-Making Authority

The Corporation and its Investment Committee will retain an Investment Advisor to the Funds. The Investment Advisor's role is that of a discretionary manager of the Funds' assets. The Investment Advisor's actions concerning the investment management of the Funds will be consistent with the investment objectives, policies, guidelines and constraints as established in this IPS. In selecting, continuing or terminating an Investment Advisor, the Committee, and the Board shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, including assessing the Advisor's independence including any conflicts of interest such Advisor has or may have.

In addition, the Investment Advisor shall have the following responsibilities:

1. Periodically reviewing the investment program with the Board and its Committee for adjustment of commitments to various asset classes. This includes rebalancing the Funds so that the asset allocations set forth in this IPS are achieved.
2. Revising this IPS to reflect any substantial changes in the needs and circumstances of the Diocese of Central New York
3. Monitoring and evaluating investment performance and compliance with this IPS.
4. In serving as advisor, the Investment Advisor owes a duty to the Corporation and the Funds to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

Investment Goals and Objectives

Long-Term Fund

The Long-Term Fund has the following primary investment objectives:

1. Preserve the purchasing power of the Fund's asset base, adjusted for inflation.
2. Provide long-term growth.
3. Provide funds to stabilize and/or expand the Diocese of Central New York's continuum of services and supports.
4. Allow for moderate volatility, accepting the fact that a long term strategy could cause sharp fluctuations in value over the course of a market cycle.

Intermediate-Term Fund

The Intermediate-Term Fund has the following primary investment objectives:

1. Generate a moderate to high level of current income.
2. Provide an opportunity for capital appreciation.
3. Minimize volatility of the Fund.

Time Horizon

The time horizon applicable to this IPS is 10 to 15 years. This time horizon will generally be used for making decisions about asset allocation; however, such decisions may be reviewed and revised whenever warranted by general economic conditions or the investment performance of specific asset classes. The Funds' performance will be monitored regularly and typically be judged for periods equal to the lesser of a full market cycle or 60 months.

Risk

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be

expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Funds is the determination of an appropriate risk tolerance. The three primary factors that affect this determination are the financial ability to accept risk (specifically, dramatic negative short term performance), the psychological ability to accept risk, and the long-term investment return requirements.

The Committee, in determining the appropriate asset allocation for the Long-Term Fund, reviewed the trade off of investing in the higher returning equity investments versus investing in the lower returning, but less volatile fixed income investments. Based on the following historical market data, and given the Fund's long-term investment horizon, it was determined that a significant investment in equities is warranted. Furthermore, it was determined that the Fund should not be managed with the primary objective of avoiding negative annual returns. Such a focus would significantly reduce the Fund's ability to satisfactorily meet its long-term spending needs on an inflation-adjusted basis. To help mitigate the short-term volatility of the Fund, the Diocese of Central New York embraces a broadly diversified investment in domestic equities, international equities, real return assets, and fixed income securities. This broad diversification is expected to reduce the Fund's volatility versus a less diversified approach because of the less-than-perfect correlation among the asset classes being used.

Long-Term Fund

Expected Market Returns and Volatility

Based upon actual market performance history (1926-2019), the following are annual market index returns and volatility for the various asset classes indicated:

	Return	Standard Deviation
U.S. Large-Cap Stocks	9.7%	17.5%
U.S. Mid-Cap Stocks	11.0%	22.1%
U.S. Small-Cap Stocks	11.4%	26.5%
Foreign Stocks*	8.7%	16.6%
U.S. Fixed Income	5.1%	4.3%
T-Bills (Cash)	3.3%	0.9%
Inflation	2.9%	1.8%

* Foreign stock data reflects the period January 1970 - December 2019.

Source: Dimensional Fund Advisors

The standard deviation of a return series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. Thus, the standard deviation, for a series of asset returns, is a measure of the volatility, or risk, of the asset.

While past performance is not necessarily indicative of future results, one should expect volatility and returns to increase as capitalization is reduced. By diversifying among numerous asset classes, the Corporation is attempting to reduce the volatility of the overall Long-Term Fund. Nevertheless, short-term fluctuations in Long-Term Fund value will certainly occur.

Asset Allocation

After review of long-term, historical capital market performance, the Committee has selected the following target asset allocation. This mix is expected to produce suitable and appropriate patterns of performance and volatility over time. The Investment Advisor may, from time to time, vary the actual percentages where in its discretion it deems the variation desirable to achieve the goals in this IPS; however, the variation of total equities (target 75%) and total fixed income (target 25%) should be maintained within plus/minus 10 percentage points.

Long-Term Fund: Asset Class	Target	Minimum Exposure	Maximum Exposure
Equities	75%	65%	85%
Fixed Income/Cash	25%	15%	35%
Total	100.0%		
Allocation Range (as a % of Equity)			
Large-Cap		30%	90%
Mid-Cap		0%	30%
Small-Cap		0%	30%
Foreign		10%	40%

The rationales for the above asset classes are as follows:

1. The role of equities is to maximize total return, providing growth of principal and current income, thereby supporting spending requirements while preserving the purchasing power of the Fund's assets. To serve these purposes, both domestic and international equities may be included in the Fund.
2. Fixed instruments enable the alignment of assets and liabilities in ways that will provide a deflation hedge, reduce volatility of the Fund and produce current income to support spending requirements. The Fund will attempt to match the duration of the overall market and may be invested in government, agency, or corporate bonds.
4. While there is no explicit allocation to cash, it is expected the Investment Advisor will work with the Committee and the Board to ensure enough cash is available to provide liquidity and meet required spending needs consistent with the spending policy (see below).

The Committee reviewed potential outcomes for a portfolio with this asset allocation and has determined the risk profile is prudent relative to the potential returns based on historical risk and return characteristics.

Benchmarks

The Long-Term Portfolio will be managed in an attempt to meet the returns of the capital markets and earn an average return that exceeds the spending policy plus CPI. In addition, investment returns will be compared to the following:

- Spending policy plus CPI .
- Asset allocation weighted benchmark consisting of the managers' asset class weightings compared to their respective index returns. Representative indexes may include the following: S&P 500, S&P 400, Russell 2000, MSCI ACW ex U.S. IMI, Barclays Aggregate Bond Index, Dow Jones Global REIT Index, Credit Suisse Commodity Index, Barclays TIPS Index and other relevant indexes.
- Target Investment Policy Benchmark consisting of the following: 52.5% Russell 3000, 22.5% MSCI ACW ex. U.S.IMI, 5% Barclays TIPS and 20% Barclays Aggregate Bond Index.

Peer Group Median: *Asset Allocation Funds that reflect the Long-Term Fund's historic equity exposure.*

Prohibited Transactions (Investment Type)

The following transactions are prohibited unless specifically authorized by the Board:

- Tax Exempt Securities
- Individual Eurobonds or non-dollar bonds (except through a broadly diversified fixed income mutual fund or an exchange-traded fund)
- Margin purchase of securities
- Short sales of securities, except for the purpose of hedging risk
- Unregistered or restricted stock
- Private placement debt - except as may be positioned in a commingled fund which does not specifically emphasize private placements
- Conditional sales contracts
- Transferable certificates of participation in business trusts and limited partnerships
- Securities of the investment managers or their respective parents, subsidiaries or affiliates
- Commodity futures contracts (except through a mutual fund or ETF), options, warrants or other volatile derivative instruments such as those possessing

elements of leverage, having risk characteristics beyond that of the underlying collateral

- Borrow money or pledge any of assets to secure indebtedness
- Individual option and futures contracts (except through the use of a broadly diversified mutual fund and or an exchange-traded fund and used to obtain exposure to markets typically accessed using futures)

Prohibited Transactions (Social Screening)

Investment Advisor is directed, where reasonable, not to invest directly in companies whose principal business is the manufacture and sale of tobacco, alcoholic beverages, and/or gaming. However, investment in a mutual fund or Exchange-Traded Fund (ETF) that may contain securities of one of these businesses as a small percentage of the fund is permissible.

Long- Term Fund Spending Policy

The purpose of the Long-Term Funds is to utilize these assets to stabilize and/or expand The Diocese of Central New York continuum of services and supports and those of Diocesan Organizations, which are held within these Funds.

Diocesan Funds, subject to specific donor restrictions as to use, are to be utilized in the following areas with approval of the Board:

- Start-up funding for capital additions/improvements.
- Start-up funding for new services and/or service expansion.
- Enhancements of resources, supports and services.
- Planned fiscal management of temporary shortfalls, appropriate needs and projects.

Spendable income is that portion of current total return, as well as portions of unspent total return of prior years, as allocated by the Board for spending in any fiscal year. The target annual distribution rate shall not exceed 5% of the average market value of the fund for the preceding 20 quarters. It is the responsibility of the Board and the Investment Advisor to oversee management of the Fund in ways commensurate with this spending policy. Distribution of spending income will be reviewed annually and made according to the following:

1. Provisions must be made with the Investment Advisor for timely and regular distributions as needed by the Diocese of Central New York.
2. Total return results that exceed actual distribution of allocated spendable income normally shall be reinvested and considered principle for all future computations and distributions.
3. When total return is less than allocated spendable income, distributions will be made from Fund assets that are unencumbered for such purposes, such as unspent total return of prior years. Unless otherwise restricted by an endowment gift instrument or a specific donor notice, New York State law provides that the Corporation may expend so much of an endowment fund – including its historic dollar value - as it deems prudent and shall consider, if relevant, the following

factors: the duration and preservation of the specific endowment fund; the purposes of the Diocese of Central New York and the specific endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Diocese of Central New York; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the specific endowment fund, giving due consideration to the effect that such alternatives may have on the Diocese of Central New York; and this IPS. For each determination to appropriate for expenditure, the Diocese of Central New York shall keep a contemporaneous record describing the consideration that was given to each of the factors enumerated above.

4. Note that under NYPMIFA, an appropriation of an amount greater than seven percent of the fair market value of a specific endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence. For a specific endowment fund in existence for fewer than five years, the fair market value of the specific endowment fund must be calculated for the period the specific endowment fund has been in existence.

Intermediate-Term Fund

Expected Market Returns and Volatility

Based upon actual market performance history (1926-2019), the following are annual market index returns and volatility for the various asset classes indicated:

	Return	Standard Deviation
U.S. Large-Cap Stocks	9.7%	17.5%
U.S. Mid-Cap Stocks	11.0%	22.1%
U.S. Small-Cap Stocks	11.4%	26.5%
Foreign Stocks*	8.7%	16.6%
U.S. Fixed Income	5.1%	4.3%
One-Year U.S. Treasuries	3.3%	0.9%
Short-Term Corporates	4.9%	1.9%
T-Bills (Cash)	3.3%	0.9%
Inflation	2.9%	1.8%

* Foreign stock data reflects the period January 1970 - December 2019.

Source: Dimensional Fund Advisors

The standard deviation of a return series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. Thus, the standard deviation, for a series of

asset returns, is a measure of the volatility, or risk, of the asset. While past performance may not be indicative of future results, one should expect volatility and returns to increase as duration and credit risk increase. By diversifying among numerous asset classes, the Corporation is attempting to reduce the volatility of the overall Intermediate-Term Fund. Nevertheless, short-term fluctuations in Fund's value will certainly occur.

Asset Allocation

After review of long-term, historical capital market performance, the Committee has selected the following target asset allocation. This mix is expected to produce suitable and appropriate patterns of performance and volatility over time. The Investment Advisor may, from time to time, vary the actual percentages where in its discretion it deems the variation desirable to achieve the goals in this IPS; however, the variation of total fixed income (target 80%), total equities (target 20%), should be maintained within plus/minus 10 percentage points

Intermediate-Term Fund: Asset Class	Target	Minimum Exposure	Maximum Exposure
Fixed Income	80%	70%	90%
Equities	20%	10%	30%
Total	100.0%		
Allocation Ranges (as a % of Equity)			
Large-Cap		30%	90%
Mid-Cap		0%	30%
Small-Cap		0%	30%
Foreign		10%	40%

Benchmarks

The Intermediate-Term Portfolio will be managed in an attempt to meet the stated objectives while providing low volatility, a potential for capital appreciation and significant liquidity for withdrawal needs. In addition, investment returns will be compared to the following:

- Spending policy plus CPI.
- Asset allocation weighted benchmark consisting of the managers' asset class weightings compared to their respective index returns. Representative indexes may include the following: S&P 500, S&P 400, Russell 2000, MSCI ACW ex U.S.IMI, Barclays Aggregate 1-3 Year Bond Index, Dow Jones Global REIT Index, Credit Suisse Commodity Index, Barclays TIPS Index and other relevant indexes.
- Target Investment Policy Benchmark consisting of the following: 14% Russell 3000, 6% MSCI ACW ex. U.S.IMI , 15% Barclays TIPS and 65% Barclays Aggregate 1-3 Year Bond Index.

Prohibited Transactions (Investment Type)

The following transactions are prohibited unless specifically authorized by the Committee:

- Tax Exempt Securities
- Individual Eurobonds or non-dollar bonds (except through a broadly diversified fixed income mutual fund or an exchange-traded fund)
- Margin purchase of securities
- Short sales of securities, except for the purpose of hedging risk;
- Unregistered or restricted stock
- Private placement debt - except as may be positioned in a commingled fund which does not specifically emphasize private placements
- Conditional sales contracts
- Transferable certificates of participation in business trusts and limited partnerships
- Securities of the investment managers or their respective parents, subsidiaries or affiliates;
- Commodity futures contracts (except through a mutual fund or ETF), options, warrants or other volatile derivative instruments such as those possessing elements of leverage, having risk characteristics beyond that of the underlying collateral
- Borrow money or pledge any of assets to secure indebtedness
- Individual option and futures contracts, except through the use of a broadly diversified mutual fund and or an exchange-traded fund and used to obtain exposure to markets that are typically accessed using futures.

Intermediate-Term Fund Spending Policy

The Intermediate-Term Fund is designed to provide for the stabilization and/or expansion of The Diocese of Central New York's continuum of services and supports and those of Diocesan Organizations, which are held within these Funds. Because the asset allocation of the Intermediate-Term Fund is conservative, it is expected that funds deposited into this account will be used by Diocesan Organizations for more immediate needs that may arise in less than five years.

Diocesan Funds, subject to specific donor restrictions as to use, are to be utilized in the following areas with approval of the Board:

- Start-up funding for capital additions/improvements.

- Start-up funding for new services and/or service expansion.
- Enhancements of resources, supports and services.
- Planned fiscal management of temporary shortfalls, appropriate needs and projects.

Spendable income is that portion of current total return, as well as portions of unspent total return of prior years, as allocated by the Board for spending in any fiscal year. Starting in 2014, the target annual distribution rate shall not exceed 2% of the average market value of the fund for the preceding 20 quarters.

It is the responsibility of the Board and the Investment Advisor to oversee management of the Fund in ways commensurate with this spending policy. Distribution of spending income will be reviewed annually and made according to the following:

1. Provisions must be made with the Investment Advisor for timely and regular distributions as needed by the Diocese of Central New York.
2. Total return results that exceed actual distribution of allocated spendable income normally shall be reinvested and considered principle for all future computations and distributions.
3. When total return is less than allocated spendable income, distributions will be made from Fund assets that are unencumbered for such purposes, such as unspent total return of prior years. Unless otherwise restricted by an endowment gift instrument or a specific donor notice, New York State law provides that the Corporation may expend so much of an endowment fund – including its historic dollar value - as it deems prudent and shall consider, if relevant, the following factors: the duration and preservation of the specific endowment fund; the purposes of the Diocese of Central New York and the specific endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Diocese of Central New York; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the specific endowment fund, giving due consideration to the effect that such alternatives may have on the Diocese of Central New York; and this IPS. For each determination to appropriate for expenditure, the Diocese of Central New York shall keep a contemporaneous record describing the consideration that was given to each of the factors enumerated above.
4. Note that under NYPMIFA, an appropriation of an amount greater than seven percent of the fair market value of a specific endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence. For a specific endowment fund in existence for fewer than five years, the fair market value of the specific endowment fund must be calculated for the period the specific endowment fund has been in existence.

Unacceptability of Market Timing

The Board has taken into account considerable evidence that a stable and prudent asset allocation, combined with the passage of time, is likely to provide a favorable outcome to an investment portfolio. The Board further recognizes the return objectives and level of risk exposure outlined in this IPS for both Funds could be negatively impacted if the asset allocation guidelines are not followed. This IPS, therefore, does not provide for the introduction of short-term judgments, either to inject unplanned risk, or conversely, to reduce intended market exposure. Accordingly, the Board recognizes that adherence to this IPS will occasionally appear to be either too risky or too conservative for current market conditions. However, the Board also recognizes there is no known source for consistently reliable short-term forecasts of the capital markets' movement or the magnitude of that movement.

Rebalancing

Because different asset classes will perform at different rates, the Investment Advisor will keep close scrutiny on the asset allocation shifts caused by performance. Accordingly, the Investment Advisor will review the relative market values of the asset segments of the Funds, and will have the discretion to rebalance as needed. To the extent that adequate rebalancing among asset categories cannot be effected via the allocation of new contributions, the Investment Advisor may re-direct monies from one asset category to another as market fluctuations skew the allocation away from target.

Performance Evaluation

The Funds are expected to generate returns that are comparable to the returns in the capital markets. The Board shall measure the performance at quarterly intervals. Performance will be calculated on a time-weighted total return basis. Meetings among the Board, the Committee, and Investment Advisor will be held at least semi-annually to discuss Fund performance and any new developments that should be factored into this IPS.

Policy Adoption

This IPS was reviewed, approved and adopted by the Board of Directors of the Investment Fund of the Diocese of Central New York at its meeting on September 22, 2020 and is included in the minutes thereof.