

## Investment Policy Wespath Institutional Investments LLC

- I. **Purpose of the Investment Policy:** The purpose of this investment policy (**Investment Policy**) is to outline the governance of the Wespath Institutional Investments LLC (**WII**) investment program.<sup>1</sup>
- A. WII is bound by secular law and is also guided by The United Methodist Church's *Book of Discipline* and will act in accordance with its fiduciary obligations to its institutional clients. The WII board of directors (**Board**) has the sole authority and responsibility for developing and monitoring the application of this Investment Policy. WII has responsibility for executing and administering this Investment Policy. The Board shall act to ensure the alignment of WII's investment program with the Social Principles of the United Methodist Church. WII shall apply this Investment Policy to all funds and investments provided by WII. WII shall make all investment decisions in accordance with its fiduciary duty, which includes the Prudent Expert Standard: the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. WII will require that all external asset managers that it retains are contractually bound to strictly adhere to investment guidelines that comply with this Investment Policy unless otherwise agreed by WII in writing. WII must notify the Board of any exceptions.
- B. The Board is charged by the General Board of Pension and Health Benefits of The United Methodist Church, Incorporated in Illinois (**Wespath Benefits and Investments**), in its capacity as the sole member of WII, to:
1. Establish this Investment Policy.
  2. Approve changes to this Investment Policy recommended by management.
  3. Review and monitor investment performance for compliance with this Investment Policy.
  4. Approve WII's ethical exclusions policies and monitor their impact on investment performance.
  5. Approve investment in any asset class or investment strategy not specifically listed in this Investment Policy.
  6. Approve any new investment management contracts or authorize any asset manager termination except as otherwise provided in this Investment Policy.
  7. Delegate the execution and administration of this Investment Policy to WII management.

---

<sup>1</sup> All statements in this Investment Policy regarding the duties and actions of WII mean the duties and actions of WII's officers, employees and authorized agents.



8. Interpret the Social Principles of The United Methodist Church (the **Social Principles**) and other directives of the General Conference as they apply to WII's investment program. The Board relies on the UMC Principles Committee of Wespath Benefits and Investments for guidance in interpreting *The Book of Discipline* and the Social Principles.
9. Monitor the execution of WII's investment program to ensure that it fulfills the requirements specified in this Investment Policy.

**II. Sustainable Investment Strategies (SIS) Program:** WII seeks to promote the values of The United Methodist Church as expressed in the Social Principles, and to promote sustainable investment practices, by integrating environmental, social, and governance (ESG) factors into the selection of investments across asset classes and into the selection of external asset managers. WII demonstrates its commitment to sustainable investment through: ethical exclusions, active ownership, strategic partnerships, positive impact investments and asset manager ESG integration.

The Board monitors WII's compliance with ¶717 of *The Book of Discipline* 2016, which directs Wespath Benefits and Investments ". . . In the investment of money, it shall be the policy of The United Methodist Church that all general boards and agencies . . . make a conscious effort to invest in institutions, companies, corporations, or funds with policies and practices that are socially responsible, consistent with the goals outlined in the Social Principles. All United Methodist institutions shall endeavor to seek investments in institutions, companies, corporations, or funds that promote racial and gender justice, protect human rights, prevent the use of sweatshop or forced labor, avoid human suffering, and preserve the natural world, including mitigating the effects of climate change. In addition, United Methodist institutions shall endeavor to avoid investments in companies engaged in core business activities that are not aligned with the Social Principles through their direct or indirect involvement with the production of anti-personnel weapons and armaments (both nuclear and conventional weapons), alcoholic beverages or tobacco; or that are involved in privately operated correctional facilities, gambling, pornography or other forms of exploitative adult entertainment. The boards and agencies are to give careful consideration to environmental, social, and governance factors when making investment decisions and actively exercise their responsibility as owners of the companies in which they invest. This includes engaging with companies to create positive change and hold them accountable for their actions, while also considering exclusion if companies fail to act responsibly."

**A. Ethical Exclusions:** WII shall endeavor to exclude from investment the securities of companies that derive significant revenue from products and/or provide services that are not aligned with United Methodist values as described in the Social Principles, ¶717 of *The Book of Discipline* 2016 and Resolution 4071 (**Investment Ethics**) of *The Book of Resolutions* 2016 provided that to do so does not abrogate WII's fiduciary responsibility as described herein.

1. The Wespath Benefits and Investments board of directors, through its UMC Principles Committee, evaluates and recommends ethical exclusion guidelines to the UMC Benefit Board, Inc. (a related advisor to WII) and to WII following the actions of each General Conference to ensure consistency with adopted positions of The United Methodist Church.
2. The Board will review and consider the Wespath Benefits and Investments board of directors' recommendations in its monitoring and amendment of this Investment Policy. WII shall identify and maintain a list of companies excluded from investment and shall update the list monthly and make it available to all WII external asset managers on a password protected web site or through other appropriate methods.

3. WII shall not knowingly invest in any company or entity whose core business activity involves the production and/or assembly, direct sale, distribution, and/or marketing of the following products and/or services:
  - a. alcoholic beverages;
  - b. cigarettes, cigars, chewing tobacco, smokeless tobacco, or recreational marijuana products;
  - c. gaming or lottery industries, including the ownership, operation or management of casinos, racetracks, off-track betting parlors and other gambling enterprises;
  - d. adult entertainment, including pornography and other harmful materials;
  - e. antipersonnel weapons (“assault-type” automatic and semiautomatic weapons, firearms, etc.), armaments, ammunition or weapons delivery systems. Retailers of antiques and/or non-military small arms used for sporting purposes shall be considered on a case-by-case basis; and
  - f. privately-operated correctional facilities, including jails, prisons, penitentiaries, detention centers, prison camps and transfer centers.
4. Core business activity refers to a company’s primary, or central focus of activity and is an essential element in the company’s economic success. Generally, a “core business” is one that accounts for 10% or more of a company’s revenue derived from the objectionable products and/or services and discontinuing the activity would materially change the nature of the company’s operations.
  - a. An exception to the 10% threshold shall apply to restaurants and other food retailers that sell or serve alcoholic beverages. For such businesses, a 25% revenue threshold shall apply.
  - b. For suppliers of key components to the products and/or services listed above, a “core business” is one that accounts for 25% or more of the supplier’s revenue.
5. WII shall not knowingly invest in companies that have contracts with an agency or department of the U.S. or foreign government or have a controlling interest in entities, which materially contribute:
  - a. to the production, maintenance or upkeep of tailor-made controversial weapons including: anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, white phosphorous, nuclear weapons and/or essential core nuclear weapons systems; and
  - b. tailor-made and/or essential components and/or services that facilitate the lethal use of controversial weapons.

6. Emerging markets commingled equity pools are exempt from the above restrictions if authorized by the Board and the aggregate exposure of companies otherwise prohibited does not exceed 10% of the value of the fund.
7. Commingled hedge fund pools are exempt subject to periodic reporting described elsewhere in this Investment Policy.

**B. Active Ownership:** WII shall pursue strategies to actively influence company performance and public policy relating to material ESG issues and manage excessive sustainability risk for all investments held in separately managed accounts and co-mingled passive investment funds.

1. **Engagement:** Annually, WII shall identify the priority ESG engagement issues it shall address the following year. In deciding which issues to pursue, WII shall consider the likely impact on long-term financial market and company performance, the concerns of church constituencies and available staff resources. WII, in collaboration with its strategic partners, shall conduct independent engagements with the objective of achieving maximum impact.

WII shall apply the techniques referenced below to create positive change.

**Corporate Engagement** shall take the following forms:

- a. **Written communications:** WII shall use letters to alert companies to issues, seek resolution of concerns, request a meeting or offer commendation.
- b. **Dialogue:** WII shall engage selected companies in face -to-face meetings and/or conference calls as much as travel schedules and resources permit.

**Public Policy Engagement** shall focus on how macro-level ESG issues relate to the structure, function and governance of markets as a whole and how they can undermine investors' interests. Engagement may include supporting regulatory interventions if, in the judgment of WII, such action shall improve the sustainability of its investment funds.

2. **Management of Excessive Sustainability Risk:** ESG issues can present an excessive degree of sustainability risk to WII's funds due to their fiduciary implications and their importance to The United Methodist Church. When WII identifies such issues, it shall develop a guideline regarding its company-specific engagement priorities. This guideline may also lead to the exclusion of certain companies until the risk of holding securities in the affected companies has been resolved, or if WII believes that it cannot reasonably mitigate the sustainability risk.

The Board must approve all guidelines relating to the management of excessive sustainability risk.

3. **Proxy Voting:** The Board shall establish and monitor WII's proxy voting policy. WII shall exercise prudent governance over companies by actively voting global proxies based on approved proxy voting guidelines for shares of companies held by the funds.
  - a. WII shall develop and maintain proxy-voting guidelines that promote well-run companies with strong, accountable leadership, remuneration that incentivizes responsible behavior

and the integration of ESG issues in business practices. WII shall annually present proxy voting guidelines to the Board for review.

- b. Shareholder resolutions: WII shall file or co-file shareholder resolutions when it believes such action can affect positive change consistent with its fiduciary responsibilities.
- c. WII may not lend securities on record date for voting proxies at the annual meeting unless there is a compelling financial reason to do so.
- d. WII's proxy voting record shall be available publicly on WII's website.

**C. Strategic Partnerships:** WII shall partner with other sustainable investors and organizations dedicated to corporate accountability and sustainability. Partners should complement WII's full range of sustainable investing activities. WII shall consider partner relationships under the following conditions:

- 1. The partner must be:
  - a. an investor or investing organization related to The United Methodist Church;
  - b. a sustainable investor that has publicly stated its commitment to considering ESG factors in its investment decisions; or
  - c. an individual or organization promoting greater corporate accountability in alignment with widely-held sustainable investment values.
- 2. The partner's sustainable investment or engagement activities are consistent with United Methodist policies and teachings as found in the Social Principles and The Book of Resolutions.
- 3. The partner's engagement objective must be consistent with best practices relating to the consideration of ESG issues in investment decisions.
- 4. The partner is credible and respected in the sustainable investment community.
- 5. The partnership is mutually beneficial to both the partner and WII, maximizing financial resources and staff capacity.

**D. Positive Impact Investments:**

- 1. **Positive Social Purpose Lending Program:** WII shall administer a program that seeks to participate in loans in the United States and throughout the world that makes a positive impact toward the goals outlined in the Social Principles. These loans are expected to earn a market rate of return commensurate with risk.

Approved loan purposes include:

- a. affordable housing
- b. community development facilities
- c. microfinance lending opportunities
- d. charter schools
- e. enterprises owned by women, ethnic, or racial minorities, or enterprises that provide positive social impact to women, ethnic or racial minorities
- f. special social concerns as identified by General Conference provided all such loans are in keeping with this Investment Policy

Quarterly, WII shall report to the Board new loans purchased through its Positive Social Purpose Lending Program.

2. **Women and/or Minority-Owned Manager Program:** WII supports and shall endeavor to identify and retain qualified and sound investment management firms that are owned by women or members of an ethnic minority group or who integrate ESG criteria into their investment philosophies.

Quarterly, WII shall report to the Board investments directed through the Women or Minority-Owned Manager Program.

- E. **Manager ESG Integration Due Diligence:** WII shall endeavor to ensure that external asset managers demonstrate a commitment to integrating the consideration of ESG factors into their investment decision processes. WII's request for proposals shall include questions asking prospective external asset managers to describe their policy of integrating ESG issues into investment decisions. Ongoing asset manager due diligence shall require an annual response by all of WII's external asset managers explaining their integration of ESG issues into their investment decisions. WII shall formally assess each external asset manager's commitment and success in integrating ESG factors into its investment decisions.

- III. **Investment Funds:** WII offers a variety of investment funds comprised of permitted asset classes and investment strategies. WII determines the net asset value for each fund based on the fair market value of the underlying assets. Unless otherwise specified, only institutional investors controlled by or associated with, sharing common religious bonds and convictions with, affiliated with, or otherwise related to The United Methodist Church may select and invest in the funds. Exhibits shall be provided as addenda to this Investment Policy for each approved investment fund. Each exhibit shall include the following elements for each fund: fund objective, fund performance benchmark, performance objective, investment strategy, eligible investments and limits including target and permitted range, active risk target, permitted active risk range and eligible investors.

WII will act as the investment adviser for the following funds:

- A. U.S. Equity Fund–I Series:** The fund invests in a broadly diversified portfolio of primarily publicly traded, U.S.-based equity securities. The fund portfolio is intended to have most of its assets invested in equities and equity index futures (Exhibit A).
- B. U.S. Equity Index Fund–I Series:** The fund invests in a passively managed portfolio of publicly traded, U.S.-based equity securities in the Russell 3000™ index. The fund is intended to invest most of its assets in equities and equity index futures (Exhibit B).
- C. International Equity Fund–I Series:** The fund invests in a broadly diversified portfolio of primarily equity securities of companies from non-U.S. countries. The fund is intended to invest most of its assets in equities and equity index futures of companies based in both developed and emerging market countries and may also purchase currency forward contracts (Exhibit C).
- D. Fixed Income Fund–I Series:** The fund invests in a broadly diversified portfolio of fixed income securities, and alternative investments. The fund may also hold mortgages and other loans originated through the Positive Social Purpose Lending program (Exhibit D).
- E. Inflation Protection Fund–I Series:** The fund invests in a portfolio of domestic and international inflation-protected securities, floating rate securities, commodities futures contracts, real assets and cash equivalents (Exhibit E).
- F. U.S. Treasury Inflation Protection Fund–I Series:** The fund invests primarily in U.S. Treasury Inflation Protected Securities (Exhibit F).
- G. Short Term Investment Fund–I Series:** The fund invests in cash and cash equivalents through units of a sweep account that holds short-term, highly-rated fixed income securities and positive social purpose loans (Exhibit G).
- H. Multiple Asset Fund–I Series:** The fund is primarily a fund-of-funds with targeted allocations to the U.S. Equity Fund–I Series, the International Equity Fund–I Series, the Fixed Income Fund–I Series, and the Inflation Protection Fund–I Series (Exhibit H).
- I. Sweep Account–I Series:** The fund holds a broad range of high quality bonds such as U.S. Treasury Bills and Notes, U.S. Agency debt, short-term corporate obligations, and Positive Social Purpose Loans. The Sweep Account is limited to cash investments. WII does not permit direct investment in the Sweep Account (Exhibit I).

**IV. Permitted Asset Classes/Investment Strategies:** Asset classes and investment strategies are permitted only if specifically listed below.

- A. U.S. Equity Securities:** Investments in U.S. equities shall be limited to common or preferred corporate stocks and investment trusts of corporations domiciled in the U.S. or the ADRs of foreign stocks listed on a regulated exchange. To avoid the risk of concentration of assets, WII shall hold no more than 3% of the outstanding securities of any one class of an issuer. WII may authorize equity derivative contracts, but they must comply with the Derivatives Investment Policy (Exhibit J).

- B. International Equity Securities:** Investments shall be limited to common or preferred stocks of corporations domiciled in countries that comprise the Morgan Stanley Capital International All Countries World Index or other countries specifically authorized by WII and listed on a regulated exchange. Sub-asset classes include Developed Market Equities, which consist of stocks of companies domiciled in countries that comprise the MSCI EAFE plus Canada Index; and the MSCI Emerging Market IMI Index. External asset managers may purchase stocks of companies domiciled in countries that do not comprise either of these indices if permitted by the investment guidelines accompanying the investment management agreement and listed on a regulated exchange. External asset managers may execute foreign exchange contracts and invest in local country cash equivalents issued under the laws of permitted foreign countries. WII may authorize equity derivative contracts, but they must comply with the Derivatives Investment Policy (Exhibit J).
- C. Fixed Income Securities:** Investments shall be limited to classes of securities specified below. External asset managers may purchase classes of securities not listed if specifically permitted by the investment guidelines accompanying the investment management agreement. Fixed income derivative contracts are permitted but must comply with the Derivatives Investment Policy (Exhibit J). The following classes are permitted:
1. U.S. Treasury and agency fixed income securities;
  2. Credit Bonds that are rated investment grade that comprise the Barclay's Capital Credit Index;
  3. U.S. Treasury Inflation Protected Securities;
  4. Guaranteed investment contracts issued by insurance companies with a rating of "A" or better by A M Best;
  5. Non-investment grade securities if permitted by the investment guidelines accompanying the investment management agreement. These include publicly and privately traded U.S. dollar-denominated securities (including bank loans) that have a below investment grade rating from one of the major rating services. WII may permit investment in unrated securities pursuant to a specific exception to the asset manager's investment guidelines accompanying the investment management agreement;
  6. International Bonds: exchange traded fixed income securities (including inflation-linked bonds) that are investment grade denominated in currencies other than the U.S. and issued by governments and corporations domiciled outside of the United States. WII may also permit investment grade emerging market debt denominated in U.S. dollars and foreign currencies. WII may permit agency rated non-investment grade debt if permitted by the investment guidelines accompanying the investment management agreement;
  7. Cash Equivalents: dollar-denominated instruments issued by U.S. and international corporations including corporate notes and floating rate notes, repurchase agreements (subject to appropriate collateralization), obligations of domestic banks, including banker's acceptances, certificates of deposit, time deposits, notes and other debt instruments, instruments denominated in U.S. dollars of U.S. banks offshore, bank loans, agency and non-agency mortgage backed securities;



8. Mortgage-Backed Securities (MBS): securities with cash flows backed by the principal and interest payments of a set of mortgages. MBS issued by Fannie Mae, Freddie Mac, and Ginnie Mae are permitted. Non-agency MBS are only permitted if rated in the three highest investment grades assigned by a major rating agency or allowed by investment guidelines;
  9. Asset-backed securities secured by cash flows backed by principal and interest payments for financing business and consumer purchases such as auto loans, credit cards, and student loans;
  10. Bank loans: syndicated bank loans provided they meet investment guideline requirements; and
  11. Municipal securities of state or local government entities.
- D. Active Currency:** Investments in forward contracts for foreign currencies of countries approved by WII.
- E. Securities Lending:** WII shall administer a securities lending program in accordance with the Securities Lending Policy (Exhibit K). The purpose of the securities lending program is to generate incremental income while safeguarding the return of principal and ensuring liquidity. WII may lend securities for all WII funds unless specifically not permitted in the fund.
- F. Positive Social Purpose Lending Program:** WII manages a positive social purpose lending program to make a positive contribution toward the goals outlined in the Social Principles while earning a rate of return commensurate with risk. WII shall adhere to the PSP Lending Program Oversight Policy of Wespeth Benefits and Investments as applicable until such time as it establishes its own policy. The program may purchase loans through the following structures:
1. mortgage-backed securities issued or guaranteed by government sponsored entities;
  2. bridge loans to Low Income Housing Tax Credit partnerships;
  3. public and privately-placed commercial mortgage-backed securities;
  4. participations in pools of loans to microfinance institutions;
  5. senior participations in pools of mortgage loans;
  6. senior participations in individual affordable multi-family mortgage loans;
  7. senior participations in loans to New Markets Tax Credits partnerships; and
  8. other investment structures are permitted provided that underlying assets are loans that meet the criteria of the Positive Social Purpose Lending Program Oversight Policy and are approved in accordance with that policy.
- G. Private Real Estate:** Private real estate consists of investments in commingled limited partnerships or separate accounts (fund of one) which invest either domestically or internationally in the debt or

equity of underlying real estate properties, portfolios of properties or operating companies within the real estate industry.

- H. **Real assets:** Timber and energy via commingled limited partnership vehicles which own interests in infrastructure, timber-producing and energy-producing properties, such as cultivated forestlands, oil wells, pipelines, gas fields, etc.
- I. **Private Equity:** Private equity consists of private equity fund-of-funds and separate accounts (fund of one) in buyout, venture capital and special situation funds, such as distressed and mezzanine debt. Private equity funds can invest domestically and internationally. The Board must authorize any direct investments in private equity funds and mezzanine investment funds.
- J. **Hedge Funds:** Hedge funds that invest according to specific strategies, which may include, but are not limited to global macro, convertible arbitrage, equity long/short, equity market neutral, distressed, and merger arbitrage. WII may invest in hedge funds only through a registered commingled investment fund-of-funds vehicle that is offered by a Securities and Exchange Commission-registered investment advisor. The nature of hedge fund investing, including complex investment strategies and very rapid fluctuations in investment portfolios, makes it extremely difficult to impose sustainable investment guidelines on individual hedge fund managers prospectively. However, not less than once quarterly, WII will obtain from the asset manager a report regarding restricted securities held by the underlying hedge funds aggregated at the overall fund level.
- K. **Commodities:** Exchange-traded agreements, including swaps and futures, which allow WII to gain exposure to the return on a portfolio of physical commodities without having to own the underlying commodities directly. The use of commodities derivatives contracts is subject to the Derivatives Investment Policy (Exhibit J).
- L. **Rebalancing:**
  - 1. Fund rebalancing: WII shall rebalance asset classes within each fund whenever actual allocations to an asset class fall outside the maximum and minimum allocation range as specified in the fund exhibits.
  - 2. Liquidity limitations: WII may suspend rebalancing should market conditions preclude cost-effective implementation of fund rebalancing. WII shall notify the Board whenever conditions warrant suspending rebalancing.
- V. **Delegation of Authority:** The Board delegates to WII the following responsibilities for administering this Investment Policy, specifically to:
  - A. Invest fund assets among approved asset classes listed in Section IV consistent with the guidelines specified in each fund exhibit.
  - B. Select external asset managers responsible for investing assets allocated to approved asset classes for each fund. WII shall identify and hire external asset managers for fund mandates without seeking formal approval from the Board if each manager's investment mandate is within permitted guidelines. In addition, WII may terminate investment contracts with existing external asset managers without Board approval. WII shall informally notify the Board quarterly of changes that it initiates.

- C.** Manage WII's Positive Social Purpose Lending Program. Not less than once biennially, WII shall provide the Board with an independent opinion from a qualified third party regarding the viability and adequacy of the administration of the Positive Social Purpose Lending Program.
- D.** Develop for each external investment management firm investment guidelines that formally outline the nature of that firm's engagement with WII, which shall include the importance of evaluating ESG issues in selecting investments.
- E.** Maintain formal documentation that outlines the policies and procedures to which WII shall adhere when carrying out its responsibilities.
- F.** Hire and retain qualified external asset managers, consultants, and PSP intermediaries to assist in the execution of this policy and document annually an appraisal of the external asset managers', consultants' and PSP intermediaries' services.
- G.** Develop and adhere to a code of conduct for all management and staff involved in administering the responsibilities delegated by this Investment Policy.
- H.** Provide the Board with an annual written analysis of the impact of WII's screening guidelines on investment.
- I.** Review not less than annually with the Board that WII has applied best practices for reporting the fair market value of all investments for which a readily identified market price is not available.
- J.** Provide the Board with a quarterly summary report on the performance of investment funds and external asset managers and other related investment activities, such as engagement initiatives.
- K.** Within six months after each General Conference, provide the Board with a listing of resolutions adopted by General Conference that affect, either directly or indirectly, WII's investment program.
- L.** At least annually, submit a strategic engagement proposal to the Board that reflects United Methodist policies and positions. WII will obtain the Board's approval of its WII's engagement program.
- M.** At least quarterly, prepare and submit a report to the Board listing all corporate engagements and issues under discussion.
- N.** At least annually, prepare and submit a report to the Board that outlines the extent to which external asset managers have integrated ESG issues or compliance with the Principles for Responsible Investment into their investment decision processes.
- O.** At least annually, prepare and submit a report to the Board listing all shareholder resolutions filed by WII with respective voting results. The report also shall include withdrawn resolutions and the reason for withdrawal.
- P.** At least annually, provide the Board with a written analysis of the long-term investment return assumptions and strategic asset allocations for all funds.
- Q.** Report not less than quarterly to the Board that WII has complied with this Investment Policy and list any exceptions.

**Exhibit A**  
**Investment Strategy**  
**U.S. Equity Fund–I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in a diversified portfolio of primarily U.S. domiciled publicly owned companies and to a lesser extent U.S. privately owned companies, U.S. private real estate and U.S. equity index futures.
- II. **Fund Performance Benchmark:** Russell 3000 Index
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 35 basis points on average per year over a market cycle (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund employs a blended use of passive and active investment management. For passive management, the fund includes investments that are designed to closely match the performance of various indices representing different market segments. Index funds are permitted to hold all, or a representative sample, of the securities that comprise the target market index. For active management, the fund employs different investment management firms to make decisions about the fund's portfolio investments. The fund relies on the professional judgment of its asset managers to seek investments in attractively valued companies that, in their opinion, represent good long-term investment opportunities. The fund primarily employs asset managers that will accomplish this objective through fundamental analysis, including meeting with company executives and employees, suppliers, customers and competitors. Securities may be sold when the adviser no longer believes that they represent attractive investment opportunities. Passive and active managers are subject to portfolio screening restrictions.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Equity Securities	85%	90%	100%
Cash Equivalents	0%	0%	5%
Alternatives Investments <sup>1</sup>	0%	10%	12%

<sup>1</sup> Permitted Alternative investments include private real estate, real assets, private equity, and hedge funds.

- VI. **Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: between 1% and 3%.



**VII. Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.



**Exhibit B**  
**Investment Strategy**  
**U.S. Equity Index Fund—I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in a passively managed diversified portfolio primarily U.S. domiciled publicly owned companies and U.S. equity index futures.
- II. **Fund Performance Benchmark:** Russell 3000 Index
- III. **Performance Objective:** To produce a return that matches that of the performance benchmark on average per year over a market cycle (five to seven years) and gross of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund seeks to achieve its performance objective by passively investing in stocks of U.S. domiciled publicly owned companies and stock index futures. The fund will hold a broad representative sample of the securities that comprise the fund’s performance benchmark index and is subject to portfolio screening restrictions.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Equity Securities	90%	95%	100%
Cash Equivalents <sup>1</sup>	0%	5%	10%

<sup>1</sup>The fund will hold equity index futures that will closely approximate the notional value of any cash held by the fund.

- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.



**Exhibit C**  
**Investment Strategy**  
**International Equity Fund—I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To attain long-term capital appreciation by investing in a diversified portfolio of primarily non-U.S. domiciled publicly owned companies and to a lesser extent non-U.S. domiciled privately owned companies, non-U.S. private real estate, and non-U.S. equity index futures.
- II. **Fund Performance Benchmark:** Morgan Stanley Capital International All Country World (MSCI ACWI) ex USA IMI Net Index
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 75 basis points on average per year over a market cycle (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund seeks a favorable long-term rate of return from a broadly diversified portfolio of international equities domiciled in developed and emerging market countries. The fund relies on the professional judgment of its asset managers to decide how to allocate fund assets among different countries and/or regions of the world and in which equities the fund should invest. The asset managers seek to invest in attractively valued companies that represent above-average long-term investment opportunities. The asset managers accomplish this objective primarily through fundamental analysis, which may include meeting with a company’s management, competitors, suppliers and customers in order to evaluate a company’s future prospects. Asset managers are subject to portfolio screening restrictions.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
International Developed Market Equities	62%	72%	82%
International Emerging Market Equities	18%	23%	28%
Cash Equivalents	0%	0%	5%
Alternative Investments <sup>1</sup>	0%	5%	10%

<sup>1</sup> Permitted Alternative investments include private real estate, real assets, private equity, and hedge funds.



- VI. Active Risk Target:** 36 month trailing standard deviation of benchmark relative excess return equal to 3%. Permitted Active Risk range: Between 2% and 4%.
- VII. Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.





**Exhibit D**  
**Investment Strategy**  
**Fixed Income Fund—I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To earn current income while preserving capital by primarily investing in a diversified mix of fixed income securities.
- II. **Fund Performance Benchmark:** Bloomberg Barclays U.S. Universal Index (excluding Mortgage-Backed Securities).
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points on average per year over a market cycle (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund employs a blended approach of enhanced passive and active investment management. For the enhanced passive management component, the fund’s manager attempts to slightly exceed the return of the performance of the benchmark (10 basis points). For active management, the fund relies on asset management firms to exercise professional judgment in seeking investments in attractively valued securities that, in their opinion, represent good long-term investment opportunities. The Fund is intended to complement the Inflation Protection Fund in terms of credit exposure. Accordingly, the Fund will tend to have a lower allocation to U.S. Government debt than what is typical for a diversified bond fund. Passive and active asset managers are subject to portfolio screening restrictions.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities	75%	85%	90%
Positive Social Purpose Loans	10%	15%	20%
Alternative Investments <sup>1</sup>	0%	0%	5%
Cash Equivalents	0%	0%	5%

<sup>1</sup> Permitted Alternative investments include real assets and hedge funds.

- VI. **Active Risk Target:** 36-month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: between 1% and 3%.



**VII. Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.



**Exhibit E**  
**Investment Strategy**  
**Inflation Protection Fund—I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To provide investors with current income and to protect principal from long-term loss of purchasing power due to inflation by primarily investing in fixed income securities and commodity futures with high correlations to inflation.
  
- II. **Fund Performance Benchmark:** The fund uses a blended benchmark to measure the success of its performance. The benchmark includes the following:
  - 80% Bloomberg Barclays World Gov't Inflation-Linked (Hedged) index
  - 10% Bloomberg Barclays EM Tradable Inflation-Linked (EMTIL) (Unhedged) index
  - 10% Bloomberg Commodity index
  
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 25 basis points on average per year over a market cycle (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
  
- IV. **Investment Strategy:** The Fund employs a blended approach of enhanced passive and active asset management. For the enhanced passively managed component, the fund's asset manager attempts to slightly exceed the return of the performance benchmark (10 basis points). For the active management component, the Fund's asset manager(s) exercise(s) professional judgment to seek attractively valued investments that, in their opinion, represent good long-term investment opportunities. The Fund is intended to complement the Fixed Income Fund in terms of credit exposure, as the Fund is comprised primarily of U.S. Government and foreign government debt. The fund also attempts to modestly improve investment returns by investing 10% of its assets in commodities, 10% in floating rate senior secured loans, and 5% in inflation-hedged illiquid strategies such as real assets and other alternative investments that provide an inflation hedge. Asset managers are subject to portfolio screening restrictions.



**V. Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Passive U.S. Treasury Inflation Protected Securities	30%	35%	40%
Active Global Inflation-Linked Bonds	28%	30%	32%
Active Emerging Market Inflation-Linked Bonds	8%	10%	12%
Floating Rate Senior Secured Loans	8%	10%	12%
Commodities	8%	10%	12%
Real Assets and Alternative Investments	0%	5%	10%
Cash Equivalents	0%	0%	5%

**VI. Active Risk Target:** 36-month trailing standard deviation of benchmark relative excess return equal to 2%. Permitted Active Risk range: between 1% and 3%.

**VII. Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.



**Exhibit F**  
**Investment Strategy**  
**U.S. Treasury Inflation Protection Fund—I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To provide investors with current income and to protect principal from long-term loss of purchasing power due to inflation by primarily investing in U.S. Treasury Inflation Protected Securities.
- II. **Fund Performance Benchmark:** Bloomberg Barclays U.S. Treasury Inflation Protected Securities Index
- III. **Performance Objective:** To produce a return that matches that of the performance benchmark on average per year over a market cycle (five to seven years) and gross of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund seeks to achieve its performance objective by passively investing in U.S. Treasury inflation indexed bonds. The fund asset manager will hold a representative sample of the securities that comprise the fund’s performance benchmark index and is subject to portfolio screening restrictions.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Treasury Inflation Protected Securities	90%	100%	100%
Cash Equivalents	0%	0%	10%

- VI. **Active Risk Target:** N/A
- VII. **Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.



**Exhibit G**  
**Investment Strategy**  
**Short Term Investment Fund–I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To preserve capital while earning current income higher than that of money market funds by exclusively investing in units of the Sweep Account.
- II. **Fund Performance Benchmark:** BofA Merrill Lynch 90 day Treasury Bill Index
- III. **Performance Objective:** To produce a return that, on average, slightly outperforms the performance benchmark by approximately 10 basis points (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund will invest in the Sweep Account–I Series comprised of investment-grade short term bonds, positive social purpose loans, and cash equivalents.
- V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Sweep Account	100%	100%	100%

- VI. **Active Risk Target:** 36-month trailing standard deviation of benchmark relative excess return equal to 0.5%. Permitted Active Risk range: between 0% and 1%.
- VII. **Eligible Investors:** Organizations related to The United Methodist Church which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.



## Exhibit H Investment Strategy Multiple Asset Fund–I Series

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To attain current income and capital appreciation by investing in a broad mix of different types of investments.
  
- II. **Fund Performance Benchmark:** The Fund uses a blended benchmark to measure the success of its performance. The benchmark includes the following:
  - 10% Custom Inflation Protection Fund - I Series Benchmark (see Exhibit E)
  - 25% Bloomberg Barclays U.S. Universal Index, ex Mortgage-Backed Securities
  - 35% Russell 3000 Index
  - 30% MSCI All Country World Index (AWI), ex-USA IMI Net Index
  
- III. **Performance Objective:** To produce a return that exceeds that of the performance benchmark by 50 basis points on average per year over a market cycle (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
  
- IV. **Investment Strategy:** The Fund is intended to provide investors with exposure to a broadly diversified universe of asset classes. The Fund will closely adhere to a pre-specified allocation primarily comprised of four funds offered by WII. The Fund may also invest in non-publicly traded alternative investments. WII will rebalance the Multiple Asset Fund – I Series to the pre-specified mix when the actual holdings fall outside of the pre-specified range. The Fund will maintain an allocation to “risk assets”, defined as equities and alternative investments, between a range of 62% and 68% absent aberrant market conditions. Futures overlays may be used to temporarily adjust allocations to align more closely with targets.
  
- V. **Eligible investments and limits:**

<u>Investment Funds</u>	<u>Min</u>	<u>Target</u>	<u>Max</u>
U.S. Equity Fund–I Series	32%	35%	38%
International Equity Fund–I Series	27%	30%	33%
Fixed Income Fund–I Series	23%	25%	27%
Inflation Protection Fund–I Series	8%	10%	12%
Alternative Investments	0%	0%	5%



**VI. Risk Target:** N/A

**VII. Eligible Investors:** Organizations related to The United Methodist Church, which are organized and operated exclusively for (1) religious, educational, benevolent, fraternal, charitable or reformatory purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; or (2) certain collective funds or pooled investment vehicles maintained by a charitable organization.





**Exhibit I**  
**Investment Strategy**  
**Sweep Account–I Series**

The strategy below is subject to review by the Board no less than annually.

- I. **Fund Objective:** To preserve capital while earning current income higher than that of money market funds by investing in a diversified mix of short term fixed income securities.
- II. **Fund Performance Benchmark:** Merrill Lynch 90 day Treasury Bill Index
- III. **Performance Objective:** To produce a return that, on average, slightly outperforms the performance benchmark by approximately 10 basis points (five to seven years) and net of external management fees, custody fees and administrative and operating expenses.
- IV. **Investment Strategy:** The Fund will invest in a broad range of high quality bonds such as U.S. Treasury Bills and Notes, U.S. Agency debt, short-term corporate obligations, and Positive Social Purpose Loans.

V. **Eligible investments and limits:**

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Securities and Cash Equivalents	95%	100%	100%
Positive Social Purpose Loans	0%	0%	5%

- VI. **Active Risk Target:** 36-month trailing standard deviation of benchmark relative excess return equal to 0.5%. Permitted Active Risk range: between 0% and 1%.
- VII. **Eligible Investors:** The Sweep Account-I Series is limited to cash investments from other I Series funds. Investors may not invest directly in the Sweep Account–I Series.



## Exhibit J Derivatives Investment Policy

The strategy below is subject to review by the Board no less than annually.

- I. **Definition:** A derivative is a financial instrument whose value is derived from, in whole or part, the value of any one or more underlying securities or assets of an index of securities or assets (such as bonds, stocks, commodities and currencies). Mortgage-backed securities and asset-backed securities are not considered derivatives for the purpose of this policy. Derivatives may be purchased through a national exchange or through an over-the-counter direct arrangement with a qualified counterparty.
  
- II. **Philosophy:** WII may use derivatives to manage asset exposure and risks in a prudent, timely and cost effective manner. This is accomplished by using derivatives to achieve exposure that could otherwise be achieved with physical securities as well as strategies described in **Section V** below. Derivatives shall only be used to acquire or hedge asset and risk exposures consistent with approved investment policies and portfolio guidelines. Generally, derivatives are primarily to be used for tactical implementation of WII's investment strategies. Long-term strategic use of derivatives is generally discouraged unless it is impractical to hold the physical assets represented by the derivative contracts (e.g. commodities).
  
- III. **Objective:** To facilitate cost-effective and timely investment and risk management, provide for trading efficiency (i.e. speed of trade execution and lower cost), and to optimize asset allocation in cases where using derivatives may be more cost-effective than purchasing/selling physical securities in illiquid financial markets. In addition, derivatives may be used to enhance or manage the risk/return profile of individual securities or portfolios.
  
- IV. **Authorization for Executing Derivative Transactions:** Qualified external asset managers specifically contracted by WII may engage in derivatives transactions only if the transactions are consistent with the overall investment objectives of the asset manager's investment mandate. Additionally, for the derivative transactions WII periodically directs to fulfill WII's asset allocation objectives, WII staff will maintain detailed policies and procedures for initiating, documenting, and monitoring directed derivative transactions. The procedures shall require a Derivatives Strategy Form and Directed Exposure Form for each transaction with multiple signoffs and reviews by WII staff, including the Chief Investment Officer.



## V. Permitted Strategies:

Derivatives may be used to facilitate the following strategies:

- A. Manage overall asset allocation of a fund, including rebalancing activities
- B. Implement investment strategies in a low-cost and efficient manner
- C. Construct portfolios with risk/return characteristics that could not be created with cash market securities
- D. Manage transition of assets between asset managers
- E. Hedge cash balances in a fund to replicate the performance of a permitted fund asset class within a fund
- F. Hedge or manage exposure to equity markets
- G. Hedge or manage duration, total return, yield or credit exposure, sector and/or country exposure
- H. Hedge or manage the risk/return profiles of individual securities of a portfolio.
- I. Hedge or manage commodity exposures
- J. Hedge or manage currency exposures

## VI. Permitted Types of Derivatives:

- A. Futures
- B. Options
- C. Forward Contracts
- D. Credit Default Swaps
- E. Interest Rate Swaps
- F. Warrants

## VII. Restrictions:

- A. Derivatives shall not be used to replicate the performance of an asset class not specifically listed in **Section IV** of the Investment Policy.
- B. Derivatives are not permitted for the purpose of leveraging a portfolio unless specifically approved by the Board.
- C. Asset managers shall reconcile cash and margin requirements. concerning derivatives on a daily basis with WII's custodian bank.
- D. Speculation with derivatives is prohibited.

## VIII. Delegations of Authority:

The Board delegates to WII staff the following responsibilities for administering this policy:

- A. Define the strategy parameters and guidelines for portfolios using derivative strategies including risk assessment and counterparty guidelines
- B. Select asset managers to execute derivatives strategies
- C. Monitor on a daily basis all derivatives activities to assure that they comply with this policy and are within strategy, asset class and overall fund investment guidelines
- D. Report to the Board not less than annually all derivative strategies executed by WII for the preceding year



## Exhibit K Securities Lending Policy

The strategy below is subject to review by the Board no less than annually.

- I. **Definition:** Securities lending is an agreement between a lender and a borrower to temporarily transfer ownership of a security for a variety of strategies executed by the borrower. Transactions are structured so that the lender retains the economic benefits of the security and receives any distributions such as coupon interest and dividend payments that occur with respect to the security during the life of the lending transaction. The lender receives cash or non-cash collateral in the form of U.S. government, agency securities, and investment grade corporate debt from the borrower as collateral to ensure that the borrower returns the borrowed securities. Typically, the borrower provides additional margin to collateralize the lending transaction. The lender pays the borrower a rate of interest on the cash collateral called the “rebate” rate. The lender generates income primarily from the difference between the risk free rate (U.S. Treasury Bills) and the rebate rate paid on cash collateral received from the borrower or the securities lending fee earned on non-cash collateral loans. Additionally, by investing in cash equivalent instruments other than U.S. Treasury Bills, WII may be able to earn an additional spread over and above the risk free rate, depending on market conditions. In both cases, the lender transfers all ownership rights to the securities, such as the right to vote proxies. The lender, however, has the ability to direct the lending agent to recall securities for proxy voting. Such action allows WII to execute its sustainable investor engagement initiatives.
- II. **Philosophy:** WII may engage in securities lending activity for the purpose of adding incremental value to WII’s investment program. All publicly traded fixed income and equity securities held by WII are eligible for lending under this program. The program is to be administered by highly-qualified third party lending agents that incur minimal risk. The program is to be administered to generate incremental income while safeguarding the return of principal and ensuring liquidity.
- III. **Objective:**
  - A. To generate incremental income from a high quality program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates by lending securities to qualified borrowers.



- B. The lending portfolio should generate income primarily from the difference between the risk free rate (U.S. Treasury Bills) and the rebate rate paid on cash collateral received from the borrower or the securities lending fee earned on non-cash collateral loans. Additionally, by investing in cash equivalent instruments other than U.S. Treasury Bills, WII may be able to earn an additional spread over and above the risk free rate, depending on market conditions.
- C. The securities lending program will be conducted in a manner so as not to interfere with the management of WII's investment funds.

**IV. Permitted Investments for Cash Collateral Reinvestment:**

- A. Reinvestment of cash collateral shall be in Cash Equivalents
  - 1. Instruments purchased with cash collateral must be rated in the three highest investment grades assigned by a major rating agency. In the case of split-rated securities, the lowest rating shall prevail.
  - 2. No instrument purchased with cash collateral shall have a maturity in excess of three months, with the exception of floating rate instruments, which can have a two-year maturity.
  - 3. The lending agent is required to maintain prudent diversification across reinvestment instruments, market sectors, industries and specific issuers.
- B. The issuers of the securities purchased for reinvestment must adhere to WII's socially responsible investing guidelines outlined in Section III of the Investment Policy.

**V. Restrictions:**

- A. Borrowing of WII securities:
  - 1. Permitted borrowers must meet the highest standards as outlined in formal guidelines prepared and monitored by WII staff.
  - 2. The lending agent must ensure that WII has sufficient collateral from borrowers on a daily basis.
  - 3. The following margin requirements apply for securities on loan:
    - a. 102% for domestic equity and fixed income securities; excluding U.S. Treasury Inflation Protected Securities
    - b. 100% for U.S. Treasury Inflation Protected Securities
    - c. 105% for international equity securities.
  - 4. The lending agent will be responsible for the preservation of WII's voting rights for all equity securities on loan. Agents may lend equity securities without preserving voting rights if the incremental income from such loan is excessively high unless the company is subject to a WII-sponsored resolution or a resolution which involves an issue of high sensitivity related to the Social Principles.
  - 5. WII has the right to recall any loaned security at any time.
- B. Reinvestment in cash collateral instruments:  
*(See Section IV above.)*



## VI. Delegations of Authority:

The Board delegates to WII staff the following responsibilities for administering this policy:

- A. Select and negotiate contract terms with securities lending agents to execute the securities lending program.
- B. Perform oversight and monitoring of the securities lending agents to ensure compliance with this policy and all contractual securities lending guidelines.
- C. Monitor daily all securities on loan to ensure that they are in compliance with established program guidelines.
- D. Maintain a list of approved borrowers and monitor to ensure that lending is conducted only with approved borrowers.
- E. Develop guidelines for prudent diversification of cash collateral reinvestment with respect to types of instruments, market sectors, industries and issuers and ensure compliance.
- F. Maintain a list of acceptable collateral instruments for repurchase agreements (*See Section IV above*).
- G. Report to the Board quarterly regarding the performance of the securities lending program.
- H. Develop and modify this securities lending policy as well as the detailed securities lending guidelines for securities lending agents where appropriate and to keep current with best industry practices.

