Investment Policy Statement

June 2026

I. Mission and Description

The Midwest Methodist Foundation (hereinafter, “Foundation”) was organized October 14, 1949. As a Christian stewardship resource for churches, agencies, and institutions, the Foundation offers planned giving programs and asset management services. The vision of the Foundation is to encourage lifelong generosity with God’s abundance. To achieve this vision, the Foundation offers asset management services for churches, agencies, and institutions who share the Foundation’s values.

II. Statement of Purpose

The purpose of this statement is to establish a clear understanding of the investment policies and objectives of the endowment funds of the Foundation. All funds, whether designated or not, are to be managed pursuant to this Policy. The conditions of this Investment Policy Statement shall apply to the investable assets and not the operating capital and short-term cash positions. (See Section V, Paragraph D below for Prohibited Investments.)

The Foundation has adopted this Investment Policy Statement in recognition of its fiduciary responsibilities to its members to manage Foundation assets in accordance with Illinois law and with prudent standards as established by the Uniform Prudent Management of Institutional Funds Act “in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances” 760 ILCS 51/3(b). The Foundation believes that a *conservative*, *moderate*, and *aggressive* approach to portfolio management is required to minimize volatility, maximize total return, and provide a prudent range of risk-return opportunity with which clients can make their own context-appropriate allocation decisions. It is the overall objective to invest the assets of the Foundation in a manner to obtain an investment return, comprised of income and appreciation that is sufficient to meet the annual goals (spending needs), as prescribed by the Board, and to, at a minimum, maintain the purchasing power of Foundation assets.

III. Statement of Responsibilities

A. Foundation Board

The Foundation Board of Directors is responsible for broad fiduciary oversight of the policy assets and has adopted these policies as their statement of intent for achieving the investment objectives. The Foundation Board of Directors shall adhere to the reporting and disclosure requirements of ¶718 of *The Book of Discipline of The United Methodist Church*, and the Foundation Board of Directors:

a. Approves the Investment Policy Statement and any future revision to the statement;
b. Appoints an Investment Committee with responsibilities as defined below;
c. Confirms appointment of members to the Investment Committee;
d. Receives a report from the Investment Committee regarding the investment results, composition, and other information the Foundation Board of Directors requests;
e. Approves the annual spending rate from the Endowment Funds.

B. Investment Committee

The Investment Committee will have the responsibility and authority to oversee the implementation of the Investment Policy Statement, investments, and to provide information and recommendations to the Foundation Board. Responsibilities of the Investment Committee will include the following:

a. Select and periodically evaluate service providers for the investment portfolios including an Investment Consultant;
b. Provide direction in the attainment of the goals and objectives of this Policy;
c. Review, monitor, and adjust asset allocation;
d. Monitor and evaluate investment performance on a quarterly and ongoing basis;
e. Monitor investment expenses;
f. Report to the Board the investment results, composition, and other information the Board may request;
g. Periodically review this Investment Policy Statement and make recommendations for changes to this Policy to the Board.
h. Adhere to the reporting and disclosure requirements of ¶718 of *The Book of Discipline of The United Methodist Church* to help assure transparency, availability of timely information for investors, and compliance with applicable laws and regulations.

C. Investment Consultant

The Investment Consultant will provide the following:

Quarterly, the Consultant will provide performance measurements and evaluation reporting for each manager and for the overall Funds, which shall include:

a. Performance results in relation to stated objectives and policy guidelines, including both rates of return and an examination of the risk a Manager assumed in order to achieve that return.
b. Comparison of individual Manager's performance versus the appropriate relative index for the most recent quarter, and for longer periods. In addition, each Manager will be evaluated relative to their stated investment style. An Investment Manager may be placed on a **Watch List when**:

    1. An investment strategy performs below median for its peer group over a 1-, 3- and/or 5-year cumulative period.
    2. An investment strategy's 3-year risk adjusted return falls below the peer group's median risk adjusted return.
    3. There is a change in the professionals managing the investment option.
    4. There is a significant decrease or increase in the investment option's assets.
    5. There is an indication the investment option is deviating from the stated style and/or strategy.
    6. There is an increase in the investment option's fees and expenses.
    7. Any extraordinary event occurs that may interfere with the investment option's ability to prudently manage investment assets.

c. Review and discussion of any changes in economic conditions, policy guidelines, or situations that might affect the performance.
d. Performance Reporting: Review of capital markets, actual versus strategic asset allocation, aggregate reporting on the entire portfolio, asset class performance versus representative benchmarks, statements of cash additions and withdrawals.

e. Select and monitor investment options for compliance with the guidelines set forth in Appendix A of this Policy.

D. Investment Managers

Investment managers hired by the Foundation at the recommendation of the Investment Consultant are responsible for managing investment strategies in a consistent style and manner. The Investment Manager must meet at least the following criteria: (1) registered under the Investment Company Act of 1940, or a bank, as defined in that Act, or (2) such other person authorized by applicable law or regulation to function as an Investment Manager.

Investment Managers will be hired after the Investment Consultant has provided due diligence on the managers and the Investment Committee has approved the strategy.

E. Custodian & Broker-Dealer

Custodians hired by the Foundation are responsible for the safekeeping of the portfolio's assets and, when acting in a broker-dealer capacity, for the execution, clearing, and settlement of securities transactions. The primary responsibilities of the custodian and broker-dealer include:

a. Safekeeping and custody of all Portfolio assets, including maintaining appropriate books and records.
b. Valuing the Portfolio's holdings on a periodic basis and providing independent account statements.
c. Collecting, crediting, and distributing all income, dividends, and other proceeds due to the Portfolio.
d. Executing, clearing, and settling all authorized securities transactions (buy and sell orders) in accordance with applicable laws and best execution standards.
e. Providing monthly reports detailing transactions, cash flows, securities held, their current value, changes in value for each security, and the overall Portfolio since the prior reporting period.
f. Processing corporate actions, proxy materials, and other administrative functions related to securities held in the Portfolio.

F. Sub Account

Sub-accountants engaged by the Foundation are responsible for providing accounting and reporting services that enable the Foundation to manage end client accounts invested across the investment models. Primary responsibilities of the Sub-Accountant include:

a. Tracking account balances, allocations, and investment performance for each end client based on their proportionate share of funds invested across the Foundation's investment models.
b. Maintaining accurate records of contributions, disbursements, and transfers for all end client accounts.
c. Facilitating data and reporting necessary for client communications, internal governance, and board oversight.

IV. Investment Objectives

The investment objectives for the Foundation will be for asset values to grow, through a combination of investment income and capital appreciation, at a rate of return in line with relevant benchmarks over rolling 3- and 5-year periods while maintaining adherence to Methodist values.

The Foundation recognizes that long-term investment outcomes are influenced by the level of risk assumed and that achieving higher returns generally requires acceptance of greater variability in portfolio value. Market fluctuations, including periods of decline and extended recovery, are an inherent component of investing. Accordingly, the Foundation has established three primary investment model portfolios to accommodate differing risk tolerances, time horizons, liquidity needs, and the capacity to withstand interim declines in market value.

To support client allocation decisions, the Foundation offers the following investment models, each aligned with a distinct risk profile:

Conservative Model
Designed for investors with a lower tolerance for volatility and a focus on capital preservation and liquidity. This portfolio seeks to limit interim market declines while providing stability to support near-term spending or reserve requirements.

Moderate Model
Designed for investors seeking a balance between growth and capital preservation. This portfolio accepts a moderate level of interim volatility in pursuit of long-term objectives and is intended for investors with intermediate time horizons and a measured capacity for market fluctuations.

Aggressive Model
Designed for investors with a higher tolerance for volatility and a long-term investment horizon. This portfolio accepts significant interim fluctuations in market value in pursuit of long-term growth and is appropriate for clients with limited near-term liquidity needs and a strong capacity to withstand extended market downturns.

Each client’s allocation among these models is determined based on its specific financial circumstances, objectives, and risk tolerance, as assessed in consultation with the Foundation.

A. Performance Objectives:

Active and indexed managers will be evaluated against their relative Benchmarks. Performance reviews will occur quarterly to measure the portfolios progress to investment goals stated in this policy. In addition, the Board and Investment Committee will monitor account balances and performance online as frequently as daily.

Benchmarks:

The **Portfolio Segments** are expected to perform in line with their respective Benchmarks over rolling 3- and 5-year periods while maintaining adherence to Methodist values.

- **U.S. Equity Segments** include:
  - Large & Mid Cap Domestic Equity benchmark: CRSP US Large Cap TR USD
  - Small Cap Domestic Equity benchmark: CRSP US Small Cap TR
- **International Equity Segments** include:
  - International Developed Equity benchmark: S&P Dev Mkt Classic ADR Ind
  - International Emerging Markets Equity benchmark: S&P Emg Mkt Classic ADR Ind
- **Fixed Income Segments** include:
  - Intermediate Bonds benchmark: Bloomberg Intermediate U.S. Government/Credit TR
  - Short Term Bonds benchmark: Bloomberg 1-3 Govt/Credit Bond TR
  - International Bonds benchmark: Bloomberg Gbl Agg Ex USD TR Hdg USD

B. Asset Allocation

The following allocations of Foundation assets shall serve as the general guidelines for the Investment Committee, subject to changes over time by the Board. Target allocations should be agreed upon by the Investment Committee and the Investment Consultant. Revisions to the specified ranges for each asset class will require Board approval. Utilizing the underlying portfolio strategies based on the Benchmarks, the Foundation may offer customized investment portfolios and allocations based on client needs.

Conservative Fund

Asset Class	Min	Target	Max
Domestic Equity	15%	22%	25%
International Equity	5%	11%	15%
Fixed Income	60%	67%	80%
Other	0%	0%	10%
Cash	0%	0%	10%

Moderate Fund

Asset Class	Min	Target	Max
Domestic Equity	35%	42%	45%
International Equity	15%	18%	25%
Fixed Income	30%	40%	50%
Other	0%	0%	10%
Cash	0%	0%	10%

Aggressive Fund

Asset Class	Min	Target	Max
Domestic Equity	45%	59%	65%
International Equity	20%	27%	40%
Fixed Income	10%	14%	20%
Other	0%	0%	10%
Cash	0%	0%	10%

The asset allocation and acceptable minimum and maximum ranges represent a long-term view. Rapid and significant market movements may cause the portfolio's actual asset mix to fall outside the policy range. Any such divergence should be short-term in nature.

Each primary investment model is maintained through a multi-faceted rebalancing policy designed to help manage risk, maintain alignment with strategic targets, and ensure consistency in investment implementation. Rebalancing occurs through three primary mechanisms:

1. Drift Policy: Rebalancing thresholds are defined at the model level and vary by manager and asset class. Generally, drift thresholds for equity strategies are greater than fixed income strategies. When an allocation exceeds its designated drift allowance, the portfolio is automatically rebalanced to bring it back in line with target weights.

2. Cash Flow Management: All cash inflows and outflows are allocated according to the portfolio's target weights, as defined in the Statement of Investment Selection *(a summary of the investment objectives, managers, allocations, goals, and guidelines generated by the investment consultant upon creation or modification of the model)*. New contributions are used to reinforce underweight allocations, while withdrawals are drawn from overweight positions, helping to maintain balance without triggering unnecessary trades.

3. Scheduled Rebalancing: Independent of drift-based or cash flow adjustments, a full portfolio rebalance is scheduled quarterly. This hard rebalance ensures the portfolio remains aligned with its long-term strategic allocation.

Additionally, the investment consultant retains discretion to initiate rebalancing at any time to maintain strategic alignment.

V. Investment Guidelines

The Investment Consultant shall act with prudence and care when managing the Foundation portfolio. It is the intention of the Investment Committee to allow the Investment Consultant to make recommendations within the scope of these mutually agreed upon investment guidelines.

A. **Types of Securities:** Allowable securities include domestic or foreign common stocks, preferred stocks, convertible preferred stocks, real estate investment trusts, bonds, and cash equivalents. Investments in non-investment grade bonds is allowed at the discretion of the Investment Manager, but only up to 10% of the total portfolio value, and only in an actively managed strategy.

B. **Diversification:** The equity and fixed income portfolio should be well diversified to avoid undue exposure to any single asset class, economic sector, industry, or individual security. A maximum concentration in any single corporation issue should be no greater than 10% of the total portfolio (both equities and fixed income), except for securities of the U.S. government and agencies.

C. **"Sustainable and Socially Responsible Investments:"** The Investment Committee endeavors to adhere to ¶717 of *The Book of Discipline of The United Methodist Church* and may direct Investment Managers to ....

   a. ... screen the Foundation's investments, vote its proxies, participate in shareholder engagement, and seek investments that are based on sound environmental, social, and governance principles.
   b. ... exclude "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."
   c. ... seek investments "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."[1]

   Investment Managers will report sustainable and socially responsible investing activity, at least annually, to the Foundation Board of Directors.

D. **Prohibited Investments:** Categories of investments that are not eligible for investment on a standalone basis without approval of the Board include:

   1. Short Sales
   2. Margin Purchase or Other use of Lending or Borrowing
   3. Options including Puts or Calls
   4. Limited Partnership or Private Placements
   5. Gold, Other Commodities or Futures Contracts
   6. Security Loans
   7. Leveraged Derivatives
   8. Leveraged Structured Notes
   9. Warrants
   10. Cryptocurrencies

Alternative Investments may utilize the above strategies so long as such investments are consistent with the portfolio's goal of stable returns with low volatility and are agreed upon by the Investment Consultant and the Board.

[1] https://www.umc.org/en/content/book-of-discipline-717-sustainable-and-socially-responsible-investments

E. **Trading and Execution:** The Investment Consultant shall use his/her best efforts to obtain best execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates.

F. **Liquidity:** Sufficient liquidity shall be maintained to fund distributions according to the Spending Policies adopted by the Foundation. When withdrawals become necessary, the Investment Committee will notify the Investment Consultant as far in advance as possible to allow sufficient time to build up necessary liquid reserves. The Investment Consultant will be expected to review the cash flow requirements with the Investment Committee at least annually.

G. **Receipt of Securities and Non-liquid Assets:** In the event that the Foundation receives gifts of non-liquid assets, such as real estate or closely held stock, each donation will be reviewed according to the Gift Acceptance Policy to determine the appropriate course of action.

VI. Measuring Costs

The Investment Committee will review periodically all costs associated with the management of the Portfolio, including:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative Fees; costs to administer the Portfolio, including record keeping, custody and trust services.
3. Investment Consulting fees.
4. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the Portfolio, if applicable.

It should be the goal of the Investment Committee, with assistance from the Investment Consultant, to demonstrate that all costs associated with managing the Foundation’s portfolio are reasonable, transparent, and aligned with the services provided and the Foundation’s fiduciary objectives. This includes a clear disclosure of advisory fees, underlying manager fees, fund expense ratios, transaction costs, custody and administrative expenses, and any indirect or embedded fees. Costs will be evaluated relative to comparable strategies and peer benchmarks, with consideration given to complexity, asset class, and value added through active management or specialized expertise. Ongoing monitoring will assess changes in fees, cost efficiency over time, and the net-of-fee impact on portfolio performance to ensure expenses do not unduly impair the Foundation’s ability to meet its long-term mission.

DISCLAIMER

This “Investment Policy Statement" is intended to summarize the Foundation’s investment approach and philosophy. The information contained herein does not suggest or imply and should not be construed, in any manner, as investment advice or as a representation or guarantee of future performance. Past performance does not guarantee future results. Therefore, no current or prospective Investor should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies adopted by the Investment Committee in consultation with its Investment Consultant), will be profitable or equal to indicated or anticipated performance levels.

APPENDIX A: Investment Due Diligence Criteria

The following due diligence criteria, informed by best practices established by the Centre for Fiduciary Excellence (CEFEX), will be used to select and monitor active, passive, and money market/stable value investments:

- **Regulatory Oversight:** The Investment Manager must meet at least the following criteria: (1) registered under the Investment Company Act of 1940, or a bank, as defined in that Act, or (2) such other person authorized by applicable law or regulation to function as an Investment Manager.
- **Correlation to Style or Peer Group:** The investment product or manager (strategy) must demonstrate high correlation to the asset class it represents, as appropriate comparisons are essential for performance evaluation.
- **Performance Relative to Peer Group:** The investment strategy should perform at or above its peer-group median over a 1-, 3- and/or 5-year cumulative period.
- **Performance Relative to Risk:** The investment strategy's 3-year risk adjusted return should rank in the top 50% of its peer group.
- **Minimum Track Record:** The investment strategy must have an inception date older than three years, except for index-type funds or managers with demonstrable experience with similar strategies.
- **Assets Under Management (AUM):** The manager or product should have at least $75 million in AUM.
- **Holdings Consistent with Style (Active Portfolios):** No more than 20% of the portfolio may be invested in unrelated asset class securities (e.g., a Large-Cap Growth fund holding excessive cash or fixed-income securities).
- **Holdings Consistent with Style (Passive Portfolios):** The tracking error of a passive index fund is 4% or less.
- **Expense Ratios and Fees:** The investment fees are not in the bottom quartile (most expensive) of their peer group.
- **Stability of the Organization:** The portfolio management team must have been in place for at least two years, with no significant organizational instability. Index funds may be exempt from this criterion.
- **ESG Strategies:** ESG strategies are clearly defined with a defined compliance measurement and reporting standards