

Investment Policy Statement

National Association of Congregational Christian Churches (NACCC)
Congregational Investment Trust (CIT)

I. Introduction

The CIT was created in 1991 as an endowment trust for donor gifts and contributions to the National Association of Congregational Christian Churches. Several years later the Trust was reconstituted as a separate 501(c)(3) organization and opened to member churches as a vehicle for their endowment gifts. The Congregational Foundation, Inc. (Foundation), created in 2003, joined the CIT in 2013. The CIT is comprised of a Total Return Portfolio. Additional portfolios may be added to the CIT should the need arise and if approved by a majority of the CIT Oversight Committee.

II. Role of the Investment Committee

The CIT Oversight Committee (Committee) is acting in a fiduciary capacity with respect to the CIT and is accountable to the Board of Directors of the NACCC.

- A. The Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for CIT.
- B. The investment policies for the CIT contained herein have been formulated consistent with the longer-term needs of the NACCC and participating member churches and in consideration of a tolerance for assuming a level of investment and financial risk as reflected in the majority opinion of the Committee.
- C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistent with the long-term financial goals of the CIT. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions.
- D. The Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of the majority of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the CIT as soon thereafter as is practical.

E. Investment objective

- 1 The CIT is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the NACCC, the Foundation and participating member churches.
- 2 While maintaining a long-term focus, the committee's goal is to achieve an annual rate of return which exceeds long-term trend inflation, measured by the Consumer Price Index (CPI), by at least 4%. The Organization acknowledges that this return objective will require considerable exposure to return-seeking investments which presents the potential for large swings in asset values over shorter periods. The Organization understands that these swings are expected and inevitable in order to obtain the longer-term objective of the Portfolio.
- 3 For the purpose of making distributions, the CIT shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.
- 4 Periodic cash flow, either into or out of a Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy at Section III. A. herein.

III. Portfolio investment policies

A. Asset allocation Policy

1. The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
2. The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's assets allocation, it expects to do so only in the event of material changes to the capital markets and asset classes in which the Portfolios are invested.
3. Portfolio assets will be managed as a balanced fund composed of two major components: equity and a fixed income portion. The expected role of Portfolio equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.
4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for liquidity needs or to facilitate a planned program of dollar-cost-averaging into investments in either or both equity and fixed income classes.

5. Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Trust's long-term objectives. Portfolio assets will, under normal circumstances, be allocated across broad asset classes in accordance with the following guideline:

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
Asset Class			
Total Stocks	45	65	70
Total Bonds	30	35	55
Total Reserves	0	0	10
The allocation to equity securities is not to exceed 70%			

6. To the extent the Portfolio holds investments in nontraditional, illiquid, and/or nonmarketable securities (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative investments for purposes of measuring the Portfolio's asset allocation. While not specifically considered with this policy, alternative investments may comprise no more than 15% of the total Portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the three primary asset classes itemized above.

B. Diversification policy

1. Diversification across and within classes is the primary means by which the Committee expects the Portfolios to avoid undue risk of large losses over long time periods. To protect the Portfolios against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

- a) With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total portfolio assets.
- b) With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market Index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total portfolio assets.
- c) With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

C. Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

1. The investment advisor will use incoming cash flows or outgoing disbursements to realign the current weightings closer to the target weightings of the Portfolio. The investment advisor will review the Portfolio quarterly to determine the deviation from target weightings. If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.
2. Incoming cash flow (contributions) or outgoing money movements (disbursements) will be utilized to realign the current weightings closer to the target weightings.
3. The investment advisor may provide a rebalancing recommendation at any time.
4. The investment advisor shall act within a reasonable period of time to evaluate deviation from these ranges.

D. Other investment policies

Unless expressly authorized by the Committee, the portfolios and their investment advisor are prohibited from:

- a. Purchasing securities on margin or executing short sales.
- c. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- d. Purchasing or selling derivative securities for speculation or leverage.
- e. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their portfolio.

IV. Monitoring portfolio investments and performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee, it will formally assess each Portfolio and the performance of its underlying investments as follows:

- A. The Portfolios' composite investment performance (net of all fees) will be judged against the following standards:
 1. The Portfolio's absolute long-term real return objective.
 2. A composite benchmark consisting of the following unmanaged market indices weighted according to the expected target asset allocations stipulated by the

Portfolio's investment guidelines. If necessary, an underlying index may be replaced with a similar index offered by a well-respected provider.

- a. U.S. Equity: CRSP US Total Market Index
- b. Non-U.S. Equity: FTSE Global All Cap ex US Index
- c. U.S. Investment Grade Fixed Income: Bloomberg Barclays Capital US Aggregate Float adjusted Bond Index
- d. Non-U.S. Investment Grade Fixed Income: Bloomberg Barclays Global Aggregate ex USD Float Adjusted RIC capped Index (USD Hedged)
- e. Cash: Citigroup 3-Month T-Bill Index

B. The performance of professional investment managers (mutual funds) hired on behalf of the Portfolio will be judged against the following standards:

1. A market-based index appropriately selected or tailored to the manager's agreed upon investment objective and the normal investment characteristics of the manager's portfolio.
2. The performance of other investment managers having similar investment objectives.

C. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and Investment Advisor performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

D. Investment reports shall be provided by the Investment Advisor on a calendar quarterly basis or as more frequently requested by the Committee. The Investment Advisor is expected to be available to meet with the Committee, either personally or by conference call, quarterly to review portfolio structure, strategy, investment performance and investment performance attribution.

Approved by CIT Oversight Committee of the NACCC on July 25, 2024