

**Diocese of Western Michigan  
Investment Policy Statement**

**1. Objective**

The primary investment objective is to maintain the purchasing power of the Fund's assets over long periods of time while allocating up to five percent (5%) of the annual beginning market to participating congregations and diocesan organizations.

**2. Asset Allocation**

Within specified ranges, the investment manager shall have the authority to vary and adjust the allocation of asset classes in order to enhance the fund's total return and / or reduce risk.

<u>Asset</u>	<u>Range</u>	<u>"Normal"</u>
Equity	60%-70%	65%
Fixed Income	30%-40%	35%
Money Market*	0%-10%	0%

\* A \$25,000 cash reserve is required for liquidity needs

**3. Portfolio Management**

The general management guidelines are:

- Risk management through appropriate portfolio diversification is required. The portfolio shall be diversified across industries and sectors of the economy. The market value of any one investment shall not exceed five percent (5%) of the portfolio at the time of purchase with the exception of direct obligations of the U.S. Government.
- Equity and bond investments are selected for their total return potential. Since the Diocese of Western Michigan is a tax-exempt entity, dividends or current yields are not a primary investment criteria.
- All fixed income securities will be rated "A" or higher by Moody's or Standard & Poor's.

- Equity investments shall consist of common stocks, or securities convertible into common stocks, and will be evaluated for their risk/return potential within the context of the overall equity portfolio. The equity portfolio will consist of at least 20 positions.
- Derivative instruments may not be used.
- Money market funds must invest only in U.S. Government or agency fixed income securities.

**4. Investment Performance**

The investment manager's performance will be evaluated against appropriate benchmarks each calendar quarter. The fund's total return should exceed its benchmark over a market cycle.

**Performance Benchmarks:**

Stocks:	S&P 500 Index	Primary benchmark for long-term performance
Bonds:	Merrill Lynch 1-5 Year Government/Corporate Index	
Portfolio:	65% S&P 500 Index + 35% Merrill Lynch 1-5 Year Government/Corporate Index	

The trustees shall meet on a timely basis to review the investment performance of the fund.