

# ENDOWMENT SERVICE

Designed Specifically for Long-term Investing of Funds



Investment Management Options

Presbyterian  
FOUNDATION   
NEW COVENANT TRUST COMPANY

# This managed pool of institutional investments is designed to produce income now and for generations to come.

## OVERVIEW

Endowments provide for the best of ministry today and for future generations. They can provide needed funding when times are hard, and seed money for new efforts when times are good. Endowments preserve legacies of faithful Christians through the ages, and build up the body of Christ for years to come. These are just a few of the reasons why careful stewardship of a church's endowment and other long-term savings is so important. When managed well, an endowment fund can grow over time while providing a steady and predictable stream of funding, which also grows to keep pace with inflation.

The Presbyterian Foundation has been a trusted partner to congregations from the time of its establishment in 1799. Today we steward more than 7,000 permanent endowment funds, valued at nearly \$700 million, which generate \$37 million each year for the mission and ministry work of congregations, mid councils, children's homes, retirement centers, seminaries and schools, and so many other organizations created by Presbyterians to do God's work in the world. The Foundation has engaged an Outsourced Chief Investment Officer, a leading investment advisor for charitable and educational foundations, as the investment advisor to the Foundation endowment funds.

## Endowment Investment Service

The Presbyterian Endowment Service offers access for your endowment or other long-term funds to the Foundation's investment management services. This managed pool of institutional investments is designed to produce income now and for generations to come, using experienced investment managers and a spending formula

based on total return policy. Funds are managed according to a diversified policy established by the Presbyterian Foundation Investment Committee. The Presbyterian Endowment Service utilizes world-class managers that are typically only available to the largest of investors.





## LONG-TERM INVESTMENT POLICY

In order to provide the greatest likelihood of achieving these objectives, the Investment Committee has established a long-term investment policy. This investment policy is oriented around two key types of portfolio exposure. The Fund's investments shall be diversified by manager, asset class and investment strategy and within asset classes. The purpose of diversification is to provide reasonable assurance that no manager, class or securities, or individual holdings will have a disproportionate impact on the Fund's aggregate results. The asset allocation of the Fund should reflect the proper balance of the Fund's need for

liquidity, preservation of purchasing power net of distributions, and risk tolerance. It is expected that the allocation of capital across these two types of exposures will be the most important driver of long-term returns for the Endowment Fund.

### **The two broad categories of investments held will include:**

- Safety assets, intended to help manage portfolio risks including drawdown and volatility
- Growth assets, intended to drive protection of purchasing power net of distributions over time.

## FUNDS MANAGEMENT

Your organization will retain title to the assets placed in the Presbyterian Endowment Service. The Presbyterian Foundation provides complete fiduciary oversight of the Presbyterian Endowment Service and is governed by the approved Investment Policy Statement from its Board of Trustees. The Presbyterian Endowment Service is invested in a portfolio that is diversified across asset classes,

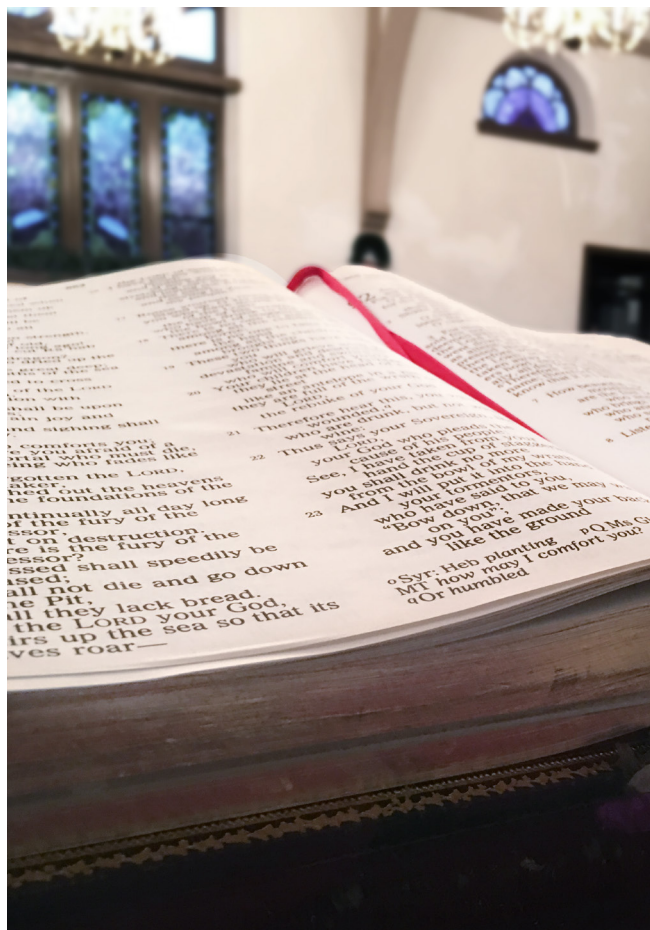
investment managers, and economic regions. Diversification provides the benefits of participating in up markets while providing reduction of volatility in down markets. The portfolio is equity oriented with representation in capital appreciation, diversifiers, inflation hedges, and deflation hedges categories.

## INVESTMENT VEHICLE

The Presbyterian Endowment Service is a common trust fund designed to provide income now and for generations to come. This fund is invested in the same investment vehicle used by the Presbyterian Foundation for all the endowment funds stewarded for the benefit of churches and other related organizations.

### We believe there are three principles for reaching objectives for the fund.

1. Discipline is required on all sides, from policies and goals set with the Foundation, to the processes used for support, implementation, and oversight.
2. Successful investment processes include a clear set of objectives and policies with sufficient resources for effective implementation.
3. Customization plays an important role because no single model is right for all institutions.



## FINANCIAL AND INVESTMENT OBJECTIVES

The Investment Committee of the Presbyterian Church (U.S.A.) Foundation Board of Trustees has defined a set of financial and investment objectives for the Presbyterian Endowment Service.

### The Financial objective of the fund is to:

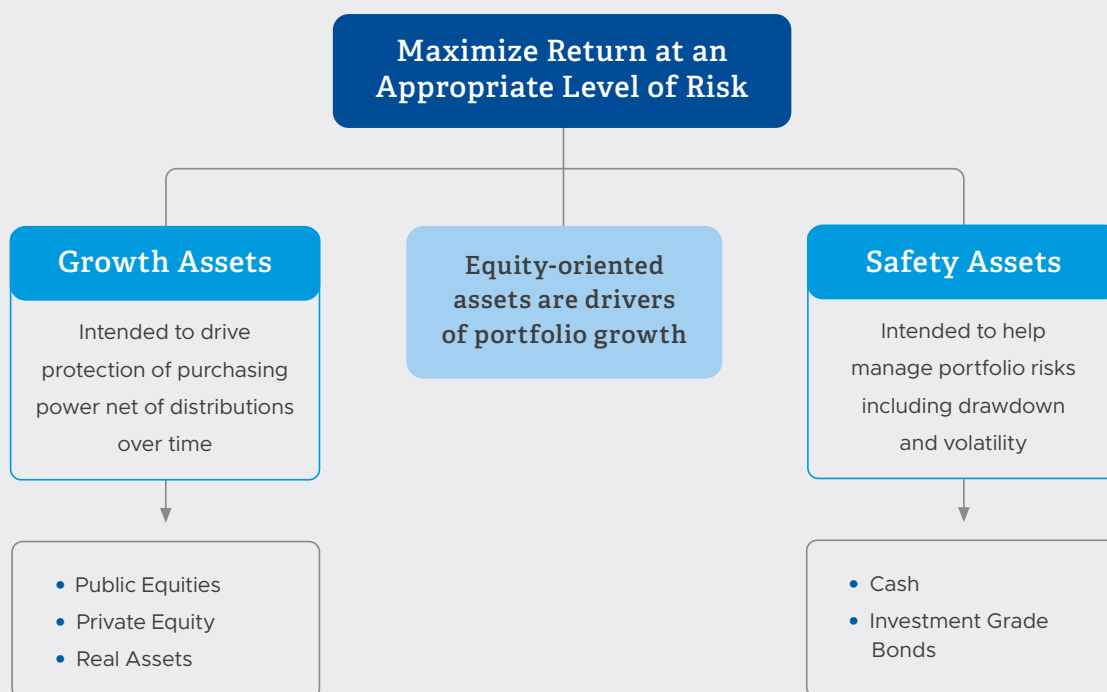
- provide a stream of regular distributions in support of annual budgetary needs; and
- preserve the real (inflation-adjusted) purchasing power of the Fund net of distributions.

### The Presbyterian Endowment Service enables you to

- Retain title to your organization's funds
- Access the Presbyterian Endowment Service
- Diversify into multiple asset classes
- Utilize Spending Formula Guidance and Implementation
- Invest in compliance with the Social Witness Principles of the Presbyterian Church (U.S.A.)

# PRESBYTERIAN ENDOWMENT SERVICE

## Asset Allocation Philosophy — Investment Strategies & Their Roles



*The Endowment Fund strategic asset allocation will be implemented in compliance with the social witness principles of the General Assembly of the Presbyterian Church (U.S.A.).*



ASSET  
CLASSES



GOALS



ROLE

## DISTRIBUTIONS AND WITHDRAWALS

Distributions from the service follow the spending formula adopted by the Presbyterian Foundation for the endowment funds that it stewards. The spending formula policy follows a Total Return Policy and provides a predictable level of payments over time while keeping the principal value at or above the level of inflation. This allows the Foundation to distribute both income and a portion of capital appreciation in the endowment fund to today's beneficiaries while preserving the long-term purchasing power of the funds for the future.

This formula dampens significant peaks and valleys that market performance can have on payouts so beneficiaries are not as directly tied to the highs and lows of market performance. Distributions are made quarterly directly into the account at your preferred financial institution. Beneficiaries may also elect to have distributions reinvested for a set period of time or until the fund reaches a predetermined amount. Your organization may also request withdrawals from the service in addition to the regular distributions.

## DISTRIBUTIONS AND WITHDRAWALS (continued)

These withdrawals are allowed quarterly with a 30-day notice. The fund will make 80 percent of a withdrawal request payment after quarter end. The remaining amount will be made after final Net Asset Value has been determined – typically six months later due to use of alternate investment where valuation is delayed and may require time to liquidate. Total withdrawals from the fund will not exceed net cash inflows and 5 percent of the entire service. During periods of extreme market disruption or significant requests for withdrawals, or any case in which the Foundation reasonably determines that the interests of the Fund investors might be harmed, the Foundation may, at its discretion, institute a partial or full moratorium on withdrawals.

### During this period, the Foundation may take actions such as:

- the creation of a new liquidation fund,
- a pro-rated in-kind distribution,
- a staged withdrawal to allow an orderly liquidation of the Portfolio Securities to minimize the realization of potential losses on the remaining Fund shareholders, and
- any other action it deems appropriate to mitigate a disproportionate or unfair effect on any Fund shareholder.

## ACCOUNT ACCESS

The Presbyterian Endowment Fund performance and asset allocation will be posted to the Foundation website monthly. In addition to:

- Quarterly statements
- Statements can be viewed online by you and other committee members. We encourage the use of online access for its timeliness and availability to all interested parties. If you prefer, paper statements can be sent in the mail.
- Online viewing of account balances available for you and/or other committee members.

***Withdrawal from the account online is not available.***

- Performance and asset allocation for the Fund is posted online quarterly.

## FEES AND DEPOSITS

The minimum investment in the Presbyterian Endowment Service is \$100,000.

The annual administration fee is 0.99 percent of assets under management.

Deposits are allowed quarterly with 30 days notice.

### Opening an Account

To open an account in the Presbyterian Endowment Service, please contact **Adriana Ballard**, Assistant Vice President, Director of Investments at 502-569-8150 or [adriana.ballard@presbyterianfoundation.org](mailto:adriana.ballard@presbyterianfoundation.org)

# MISSION RESPONSIBILITY THROUGH INVESTMENT

The Presbyterian Foundation seeks to invest the assets entrusted to us as a fiduciary in accordance with the social witness principles of the Presbyterian Church (U.S.A.).

- The social witness principles do not call for broad-based divestment and proscription, although the denomination does maintain a list of securities prohibited for investment. Rather, the Presbyterian Church (U.S.A.) models a symbolic witness to the denomination, which generates awareness and dialogue, and is not an attempt at perfection but instead that of being faithful.
- Using proxy voting and shareholder advocacy as well as dialogue with corporate managements, the denomination encourages change from within as the most effective method, with divestment as a last resort.

The Advisor is required to comply with Mission Responsibility Through Investment as part of its mandate from the Foundation.

*Well done, good and faithful servant. You have been faithful over a little; I will set you over much. Enter into the joy of your master.*

— Matt. 25:23

In recent years, clients have increasingly sought to align their investments with their institutional mission and values. The Presbyterian Foundation's Advisor established a dedicated group to work with clients on social responsibility. The focus includes helping clients make informed decisions in the broad area of social responsibility, assisting with strategies for achieving socially responsible goals and expansion of quality institutional managers in the socially responsible arena. The Advisor actively monitors and influences industry trends that could have meaningful impact on socially responsible investments.



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The Presbyterian Foundation and New Covenant Trust Company does not render legal, tax or other professional advisory services to individuals. As with any decision regarding legal and financial matters, we recommend you consult with our own independent professional advisor.