

INVESTMENT FUND OF THE DIOCESE OF LONG ISLAND  
Summary of Investment Policy & Guidelines  
May 2021

Legal Structure

The Investment Fund of the Diocese of Long Island (the “Fund”) was created by the Annual Convention of the Diocese for the purpose of furnishing investments to itself and to any church, parish, congregation, society, chapel, mission, religious, benevolent, charitable or educational institution of the Episcopal Church carrying on its activities wholly or partly in the Diocese of Long Island being the counties of Kings, Queens, Nassau and Suffolk. No shares of the Fund may be offered to individuals. The Fund is exempt from registration under the Investment Company Act of 1940, amended.

Management Structure

The Board of Trustees (the “Board”) of the Fund consists of eight (8) individuals who have been elected by the Annual Convention of the Diocese as the Trustees of the Estate Belonging to the Diocese of Long Island, Inc. The Board is responsible for the overall supervision of the operation of the Fund and performs the various duties imposed on the directors of investment companies ordinarily subject to registration under the Investment Company Act.

The Board is advised by an Investment Advisory Committee (the “IAC”), whose mandate is to review from time to time the stated asset allocation, investment objectives and policies of the Fund in light of the purposes of the Fund, market and economic conditions, and generally prevailing investment themes and strategies. In addition, the IAC reviews, monitors, and evaluates the performance of the Fund and its Investment Manager (the “IM”) in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance.

The Fund’s assets will be separately managed by professional investment managers or invested in professionally managed investment vehicles. The Board will engage an external discretionary Investment Manager (the “IM”) to execute the Fund’s investment policy - including asset allocation, investment selection, and portfolio management. The IM will also be responsible, either directly or through a subcontracted custodian, for the operational aspects of the Fund – including the processing of subscriptions and redemptions from the Fund’s participants. The Fund participants’ day-to-day contact will be the Diocesan Finance & Administration staff (the “DFA”). The DFA will be responsible for checking and confirming all incoming and outgoing payments.

The Board, the IAC, and the DFA will maintain an active and ongoing dialogue with the IM regarding the evolution of industry best practices.

## Investment Objectives/Risk Tolerance

The investment objective of the Fund is maximizing total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, income. Up to 5% of the Fund's assets may be used for unconventional investment programs designed primarily to respond to Gospel imperatives as identified by the Fund's Trustees. Monies earmarked for such purpose are invested through financial intermediaries such that they will be placed with other entities that will then make the actual investments.

## Asset Allocation

The Board is responsible for setting the Fund's long-term asset allocation investment guidelines, after taking into consideration recommendations from the IAC, the spending needs, risk tolerances, and long-term financial objectives of the participating organizations of the Diocese, as well as expectations for asset class returns and volatility. Target allocations and guidelines are shown in Appendix 1. These are the defining parameters for the IM and will be reviewed and formally adopted at least annually by the Board.

The Fund will be invested in a broadly diversified portfolio, consisting of (a) core investments, to include publicly traded U.S. and international equities, fixed income securities, and real assets and (b) alternative and private investments, as outlined below.

### Equities

The purpose of the allocation to equities is providing a total return that will not only provide growth in principal and current income sufficient to support current spending requirements, but also help preserve and enhance the purchasing power of the assets over the long-term. Equity investments, historically, have provided superior long-term returns and some protection from increases in the level of inflation.

### Fixed Income

The primary function of the fixed income allocation is providing liquidity, income, stability, preservation of capital, and a partial hedge against periods of prolonged economic contraction/deflation. This allocation will minimize the possibility that the Fund will need to liquidate equity securities during unfavorable market environments to fund current income needs.

### Real Assets

Allocations to real estate – via shares in real estate investment trusts (REITs) – and commodities provide diversification from financial assets and a means of protection from inflation and periods of excessive risk avoidance.

### Alternative Investments

Certain alternative investments are not highly correlated with the public securities markets, and thus these investments can reduce overall volatility while offering attractive returns. Investments in alternative assets for the purpose of diversifying market exposure, lowering correlations to equity and fixed income investments, and/or enhancing returns are allowable. Additionally, low volatility hedge fund of funds can provide an attractive alternative to fixed income exposure within the larger portfolio. Investments in this category will primarily include hedge fund of funds that are typically transacted in a limited partnership structure and may be characterized by limited liquidity and less frequent valuations.

### Private Investments

Private investments offer opportunities for additional returns and risk exposures compared to their publicly traded counterparts. Investments in this category will primarily include private equity funds that are typically transacted in a limited partnership structure and may be characterized by limited liquidity and less frequent valuations.

### Performance Standards

The investment objective of the Fund is achieving a compound annualized rate of return over a market cycle, including current income and capital appreciation, which is the greater of 5% or 4½% in excess of inflation (all net of fees and related investment expenses) in a manner consistent with prudent risk-taking. The investment performance of the total Fund will be reviewed quarterly and compared on a rolling three-year basis and over other relevant time periods including over a market cycle to: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by the Fund's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

### Rebalancing

The IAC will monitor the asset allocation of the Fund on a monthly basis to ensure that the portfolio remains within the range of targeted asset allocations.

### Manager Guidelines

Given that the Fund is currently invested exclusively in commingled funds, mutual funds and/or hedge fund of funds, it is acknowledged that the guidelines for those collective vehicles are effectively the Fund's guidelines for those investments. This recognizes that individual participants in collective vehicles are not able to impose their own unique set of guidelines upon such investments.

## Communications

Effective communications by and between the Board, the IAC, the DFA, and the IM are critical to the achievement of the Fund's goals and the fulfillment of its purposes.

Of comparable importance are formal descriptive and procedural documents, periodic investment performance reports and macro level communications between the Board and the Fund's participants. The IAC in coordination with the DFA will be a primary resource to the Board in its discharge of these responsibilities.

The IAC will meet at least quarterly with the IM to monitor the performance and composition of the Fund. Annually or as needed, the IAC will make a formal recommendation to the Board on investment policy adjustments and on the reappointment or replacement of the IM.

The Board requires a continual awareness of the Fund's activity and investment performance, both on an absolute and relative basis. To accomplish this, the monthly portfolio review from the IM should be sent to the Board or its representative.

These periodic written communications will be supplemented by an annual joint meeting of the Board, the IAC, and the IM, at which time there will be a comprehensive review of the Fund.

The IM is expected to notify the IAC and the DFA promptly of any organizational changes (mergers/acquisitions, senior professional departures, etc.), modifications to their investment philosophy or investment structure and other pertinent information regarding the management of the Fund's assets.

## Board of Trustees (Board)

Rt. Rev. Lawrence Provenzano, Bishop of Long Island (President)

Rev. Sheldon Hamblin (term ending 2021)

Rev. Andrew Durbidge (term ending 2021)

Rev. Cn. Audley Donaldson (term ending 2022)

Rev. John Merz (term ending 2022)

Christopher Wright (term ending 2023)

John Lucas (Vice President, term ending 2023)

Very Rev. Cn. John Denaro (term 2024)

Rev. Pauline Samuel (term 2024)

## Investment Advisory Committee (IAC)

William Dreher (Former Chair, IAC member since 1991) - Bill Dreher is a consulting actuary and licensed investment advisor. Since 1968 he has been an advisor to corporations and high net worth families on retirement and estate planning and investment management. Bill is a

parishioner and former senior warden of St. Luke's Church, East Hampton. He is a former Chairman of Guild Hall in East Hampton and remains on its Board as a Life Trustee.

James D. Lang (IAC member since 2014) - James Lang is a Managing Director with Liberty City Ventures, a venture capital firm focused on investing in companies building and using blockchain technology. Previously, he was a Managing Director of Cedar Hill Capital, a multi-strategy investment manager. He is a member and former Treasurer of St. John's Church, Park Slope, Brooklyn.

Andrew J. Phillips (Chair, IAC member since 2014) - Andrew Phillips is a Managing Director (retired) with BlackRock, Inc. He is a member and former warden of Christ Church, Manhasset. Andrew is also a member of the Board of Directors and Executive Committee of the Tewaaron Foundation.

John Lucas (Board Trustee, IAC member since 2015) - John Lucas as served as an Assistant Vice President for Merrill Lynch and Vice President of Operations for Kidder, Peabody and Company Inc. Presently serving as an Investment Advisor Rep. for Transamerica. He has served on the Diocesan Budget Committee, is a former Chair of the Finance and Property Committees of St. Gabriel's, Brooklyn, and is Vice President of the Trustees of the Estate.

#### Diocesan Finance & Administration (DFA)

Joy Frazier – EDLI Director of Finance

#### Investment Manager (IM)

J.P. Morgan appointed as IM in May 2020.

Rich DeVerna – J.P. Morgan Private Bank

John Anderson – J.P. Morgan Institutional Portfolio Solutions

Priya Wad – J.P. Morgan Institutional Portfolio Solutions