



Georgia Baptist  
Foundation



# Investment Policy





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The Georgia Baptist Foundation, Inc. was incorporated in 1941 to support the ministries and churches of the Georgia Baptist Mission Board with the objective of advancing the gospel of Jesus Christ by serving as the trust agency for the Georgia Baptist Mission Board. The Foundation manages endowments, charitable funds, designated accounts and planned gifts through prudent, dependable, and competitive fiduciary services consistent with the highest ideals of Christian stewardship.

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## Scope of this Investment Policy

This document establishes the Investment Policy for the Foundation and is designed to assist in effectively supervising, monitoring, and evaluating the investment of the “Funds” under management. The Board of Trustees “Trustees” has arrived at this Investment Policy through careful study of a range of investment strategies in relation to the current and projected distribution requirements of the Funds. This Investment Policy has been chosen as the most appropriate policy for achieving the financial objectives of the Funds which are described in the “Investment Objectives” section of this document; however, the Trustees shall be free to deviate from this Investment Policy when it concludes that it is prudent and in the interest of the Foundation or the ministries it supports to do so and may amend the Investment Policy at any time.

The Trustees have adopted a long-term investment horizon for the Ministry Trust Fund such that the probability and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

In addition to the Investment Policy defined herein, the management of the Funds will be in compliance with all applicable laws.

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## Purpose of Investment Policy

The purpose of this policy is to outline the Foundation’s philosophy and worldview that will guide the investment management of the Funds and is set forth by the Trustees to:

1. Define and assign the responsibilities of all parties.
2. Establish a clear understanding of the Foundation’s general investment objectives and principles.
3. Establish guidelines for investment consultants and managers.



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## Delegation of Authority

The Board of Trustees is the fiduciary and is responsible for directing and monitoring the management of the Funds. The specific responsibilities of the Board of Trustees relating to the investment management of the Funds' assets include:

1. Establishing an Investment Policy to oversee the management of the Funds; Establishing and reviewing the investment objectives, permitted investments, asset allocations, and risk/reward profile for the Funds;
2. Selecting and terminating the relationship with qualified investment professionals to manage the Funds; including Investment Consultants., Investment Managers., and Custodians.; establishing the Spending Policy of the Funds.

As such, the Trustees are authorized to delegate certain responsibilities. These include:

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## Investment Consultant

The Investment Consultant's role is to provide guidance to the Investment Committee and the Board on matters pertaining to the investment of the Funds' assets including investment policy development, asset allocation, investment manager selection and oversight, monitoring the Funds' performance, spending policy distributions, and compliance with the Investment Policy. The Investment Consultant, in carrying out the Investment Policy defined in this document, has authority and responsibility to select appropriate investments in the specific asset classes mandated by this Investment Policy, in accordance with the terms of an investment management agreement between the Foundation and the Investment Consultant. The Investment Consultant acknowledges its fiduciary status as non-discretionary Investment Consultant. The Investment Consultant acknowledges that it is a co-fiduciary with the Foundation with respect to determining asset allocation of the portfolio and selection of the Investment Managers. The Consultant shall not act as co-fiduciary of any managers retained or obtained by the Foundation that do not meet the Consultant's compliance requirements.

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## Investment Manager

The Investment Managers have the discretion to buy, sell, or hold specific securities used to meet the Fund's objectives as well as vote proxies on behalf of the Foundation. The managers should report to the Investment Consultant any major changes to outlook, strategy, or any qualitative change to the organization personnel, ownership, philosophy, etc..



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## Custodian

The custodian is responsible for the safekeeping of the Funds, and the duties include maintaining separate accounts, providing daily values whenever possible., collecting dividends and interest, settling all transactions, and providing at least monthly statements.

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## Investment Committee

The Trustees shall appoint an Investment Committee to act on behalf of the Trustees between the regular scheduled meetings of the Board of Trustees.

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## UPMIFA

The Trustees and Investment Committee are responsible for managing the investment process in a prudent manner with regard to preserving principal while providing reasonable returns and consistent with the principles articulated in the Uniform Prudent Management of Institutional Funds Act "UPMIFA". which was enacted in the state of Georgia July 1, 2008. In this regard, the Trustees and Investment Committee will consider, if relevant, the following factors in managing the Funds:

1. general economic conditions;
2. the possible effect of inflation or deflation;
3. the expected tax consequences, if any, of investment decisions or strategies;
4. the role that each investment or course of action plays within the overall investment portfolio of the Fund;
5. the expected total return from income and the appreciation of investments;
6. other resources of the institution;
7. the needs of the institution and the Fund to make distributions and preserve capital;
8. an asset's special relationship or special value, if any, to the charitable purpose of the institution.

In addition, each person responsible for managing and investing the Funds shall comply with the duty of loyalty imposed by law and manage and invest the Funds in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances.



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## Investment Objectives

The foremost objective is to ensure that investment portfolios overseen by the Foundation are managed in a manner that is consistent with the organization's stated beliefs and values. The Funds' investments will be actively screened and monitored by the Investment Consultant. A list of the portfolios' active social screens including prohibited investments will be maintained in the Appendix B.

The investment objective for the Ministry Trust Fund of the Georgia Baptist Foundation is to provide sufficient cash flow from interest, dividends, and realized or unrealized capital gains to meet the spending policy payout as specified from time to time by the Trustees, and to generate enough additional growth of principal to maintain the purchasing power of the income dollar. The specific performance goal for the Ministry Trust Fund is a portfolio that has a high probability of achieving an average return of 7.5% over a full market cycle.

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## Asset Allocation

The asset allocation within the funds is driven by the overall objective of the Foundation, as stated above. Specific equity, fixed income, and alternative investment disciplines that are used in the asset mix, along with the percentage of the portfolio allocated to each, are listed in Appendix A. Such allocations are subject to change upon the recommendation of the Consultant and approval of the Trustees or Investment Committee.

It will be the responsibility of the Consultant to monitor the balance quarterly and notify the CEO of the Foundation if at any time portfolio allocations deviate from the policy target allocation ranges listed in Exhibit A. It is recognized that market action may cause an imbalance in the interim period but such fluctuations are normal and acceptable.

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## Income Distribution

The Ministry Trust Fund shall distribute income based on the Georgia Baptist Foundation, Inc., Income Spending Policy. The Income Spending Policy payout shall be calculated and distributed as a dividend for each share of the Pool. The Investment Committee of the Board of Trustees will review the dividend annually with the intent of increasing the dividend by 3% each year unless the resulting dollar amount is more than 5% or less than 4% of the applicable market value of the Pool. The staff of the Foundation will review the dividend on a quarterly basis to determine if the dividend remains in the 4%-5% corridor. If the dividend moves outside the corridor in any given quarter, the Foundation staff will adjust the dividend so that it remains within the corridor.



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## Risk Tolerance and Volatility

The primary measurement of risk will be the standard deviation of average returns. Consistent with the desire for adequate diversification, the Investment Policy is based on the assumption that the volatility standard deviation of the combined equity investment will be similar to that of the market opportunity available to institutional investors with similar return objectives. The volatility of fixed income portfolios may be greater than the market during periods when the portfolio duration exceeds that of the market and/or when alternative income strategies are utilized in the portfolio. The portfolio's risk objective is to maximize returns when adjusting for risk level and should not take inappropriate risks beyond what is necessary to generate the return objective.

Failure to achieve the goal in times of excessive market volatility is not a failure of the strategy, but will trigger an in-depth review and discussion with the Investment Consultant regarding the asset allocation and investment managers to insure that all are performing to expectations and to articulate a forward-looking plan for improvement.

All assets contributed to the Foundation shall be disposed of as soon as practical should they not conform to the established guidelines. In extraordinary circumstances, per Investment Committee approval, assets contributed to the Foundation may not be allocated according to Appendix A and will be dealt with on a case-by-case basis.

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## Investment Guidelines

### Equity Manager Guidelines

1. Cash equivalent holdings in excess of withdrawal needs approximately 5%. should be avoided. However, managers may increase cash assets in the portfolio if, in their professional judgment, market conditions so warrant. The manager shall inform the Consultant of this decision.
2. Equity Holdings - Diversification and Quality Criteria
  - a. The market value of any one company holding shall not exceed 10% of the total market value of equities held in the portfolio of a specific manager.
  - b. Each manager's portfolio is expected to be appropriately diversified by industry given the manager's specific asset class and style.
  - c. Securities which are broadly classified as institutional quality issues - regardless of whether or not they are listed on a recognized stock exchange - are eligible for inclusion in the portfolio.



- d. Convertible issues are suitable for use as investment vehicles if the average quality rating conforms to the intent of these guidelines.
3. Equity Holdings - Turnover

If performance results meet objectives, the rate of turnover will not be a factor in manager evaluation.
4. Equity Holdings - Universe
  - a. The following security categories are permissible equity investments:
  - b. Common stocks;
  - c. Securities convertible into common stock;
  - d. Common stocks of foreign companies, if listed on a major U.S. securities exchange;
  - e. Equity securities of foreign companies listed on any U.S. or foreign securities exchange applies only to foreign equity managers.;
  - f. ADRs, EDRs, and GDRs;
  - g. ETFs;
  - h. REITs;
  - i. Preferred stocks;
5. The following are not permitted unless approved in writing by the Foundation except as permitted for the alternative managers.
  - a. Short sales;
  - b. Put and Call Options;
  - c. Margin purchases, or borrowing or lending money;
  - d. Letter stock, private placement, or direct placements;
  - e. Commodities or futures of any type;
  - f. Real estate or mortgages, except to the extent directed by the Board of Trustees;
  - g. Common stock of foreign companies, except as permitted in Para. 4.e applies only to domestic equity managers.
6. Securities of the Investment Consultant, investment manager, the custodian, their parent, or subsidiaries are not permitted unless approved in writing by the Foundation.
7. Performance measurement will include the following:
  - a. Each equity manager will be measured against an appropriate index as well;



- b. Each equity manager will be ranked against a universe of managers using the same investment style;
- c. A list of appropriate equity manager benchmarks will be maintained in the Appendix C.

### **Traditional Fixed Income Manager Guidelines**

1. Fixed Income Holdings - Bond Diversification and Quality Criteria
  - a. Marketable issues are desired so that the portfolio can be actively managed;
  - b. Bonds with maturities of one year or more should be of an original issue size in excess of \$50 million;
  - c. Bond holdings are expected to be well diversified across the permitted universe;
  - d. Quality: 90% of the overall traditional fixed income portfolio will be Bank Investment Grade; the remaining 10% must have a Moody's or Standard & Poor's credit rating no lower than B1 or B-.
  - e. The average duration of the portfolio should be +/-25% of the duration of the benchmark.
2. Fixed Income Holdings - Turnover
  - a. Bonds may be actively managed;
  - b. Active management is meant to include altering the average coupon yields, shifting maturity schedules, "swapping", and such other prudent strategies which enhance the income or quality of the portfolio or decrease the risk.
3. Fixed Income Holdings - Bond Investment Universe
  - a. The following security categories are generally permissible investments for the fixed income portion of the portfolio:
  - b. Debt securities issued or guaranteed by the United States Government or its agencies including U.S. Government Agency mortgage-backed securities and Small Business Administration securities.;
  - c. Corporate bonds, debentures, and other forms of corporate debt obligations, including equipment trust certificates;
  - d. Indexed notes;
  - e. Yankee Bonds;
  - f. Debt securities issued by foreign governments provided they meet the quality criteria of Para. 1;
  - g. U.S. Municipalities;







estate and private debt investments made through commitments to limited partnership funds dedicated to those asset classes. Real estate investments may include funds pursuing Core and/or Value Add real estate sub-strategies. Core real estate investments are characterized by stable, well-leased properties in major metropolitan markets and are expected to produce consistent returns primarily through current yield. Value Add real estate may consist of properties primary or secondary metropolitan areas requiring some improvement or repositioning to drive rent increases; Value Add real estate is expected to provide a combination of current income and capital appreciation. Private Debt investments generally consist of directly originated or syndicated senior loans to middle market companies and are backed by the borrower's cash flows and potentially by their hard assets. Private Debt returns are primarily through current income at a premium to traditional fixed income credit yields. Due to the private nature of alternative investments the Foundation may be limited in its ability to administer the screening guidelines listed in Appendix B for assets placed with alternative managers.

The Investment Policy is subject to modification at the discretion of the Board of Trustees of the Georgia Baptist Foundation. Adopted by the Board of Trustees of the Georgia Baptist Foundation at its regularly scheduled meeting held on February 4, 2021.

