



VIRGINIA
UNITED METHODIST
FOUNDATION

VIRGINIA UNITED METHODIST FOUNDATION

INVESTMENT POLICY STATEMENT

**Adopted by the Board of Directors
March 31, 2016
Revised December 11, 2019**

TABLE OF CONTENTS

BACKGROUND	3
PURPOSE.....	3
STATEMENT OF OBJECTIVES	3
Performance Expectations.....	4
Risk Tolerance/Time Horizon	4
Foundation Spending Policy	5
Liquidity Requirements	5
Legal Standard of Conduct	5
DUTIES AND RESPONSIBILITIES.....	6
The Board of Directors and Investment Committee	6
Investment Advisor	6
Custodian.....	7
Investment Managers	7
INVESTMENT GUIDELINES.....	7
Asset Allocation Policy.....	7
Adherence to Policy Targets and Rebalancing	8
Alternative Investments.....	8
SECURITY SELECTION GUIDELINES	8
United Methodist Church Socially Responsible Guidelines.....	8
PERFORMANCE MONITORING	8
Performance Measurement and Evaluation	8
Monitoring of Investment Managers	9
Monitoring of Investment Advisors.....	9
CONTROL PROCEDURES.....	9
Brokerage Policy.....	9
Proxy Voting.....	9
REVIEW AND UPDATING PROCEDURES.....	9
INVESTMENT POLICY ADOPTION	10
APPENDIXES	11
Appendix A1 - Balanced Fund	11
Appendix A2 - Balanced Plus Fund	12
Appendix A3 - Stock Fund	13
Appendix A4 - Bond Fund.....	14
Appendix A5 - GCA & CRUT Funds	15
Appendix B - Market Index Benchmarks	16
Appendix C - Asset Allocation Study	17
Appendix D - Key Information	18
Appendix E – Investment Advisor Acknowledgement	19

BACKGROUND

The Virginia United Methodist Foundation (the Foundation) is a not-for-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code and is a Section 509(a)(3) supporting organization of the Virginia Annual Conference of the United Methodist Church. The Foundation serves its beneficiaries, Conference agencies and member churches in their efforts to expand their programs and ministries through the prudent management of investment funds and by providing strategic planning and other support services.

PURPOSE

The management of the Foundation's investments is the responsibility of the Foundation's Board of Directors (the Board). The purpose of this Investment Policy Statement (IPS) is for the Board to establish a comprehensive set of guidelines and protocols to ensure a high level of procedural prudence in the management of the Foundation's investments. Although the Board recognizes that it is not possible to guarantee levels of investment success, the Board believes that the process and procedures outlined in this IPS will work to protect assets and increase the probability of achieving acceptable long-term rates of return for the Foundation and its constituent funds.

The Foundation's investment program is composed of four investment portfolios (Funds) for use by the Foundation and its constituent churches and Conference agencies, as well as an investment strategy to support its Charitable Gift Annuities and Charitable Remainder Trusts. The Foundation's investment program is defined in the various sections of the IPS by:

1. Stating in this written document the Board's return expectations, tolerance for risk, and guidelines for the investment of the assets.
2. Setting forth an investment structure for managing the assets. This structure includes various asset classes, investment management styles, asset allocation percentage targets and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and investment return over full market cycles.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by the Foundation's investment advisers and investment managers.
4. Providing guidelines that work to control the level of overall market risk and liquidity risk assumed in the Funds, so that all the assets are managed in accordance with stated objectives.
5. Encouraging effective communications between the Board, the Foundation's Investment Committee, investment advisers, investment managers and custodian(s).
6. Complying with the standards for procedural prudence required of investment fiduciaries under applicable laws and regulations.

This Investment Policy Statement replaces and supersedes all other Investment Policy Statements previously employed in managing the Foundation's investment assets.

STATEMENT OF OBJECTIVES

The Board has established this IPS in conjunction with a comprehensive review of the returns and risks associated with various investment strategies in relation to current and projected financial requirements. This policy has been chosen as the most appropriate policy for achieving the various financial objectives of the Foundation and its constituent investors.

The objectives for the Funds are to:

1. Provide the financial support for the Foundation's mission as determined by the Board.
2. Provide prudent investment options to support the missions of the Foundation's constituent investors.

3. Preserve the purchasing power of current investment assets and all future contributions.
4. Achieve the investment return objectives as set forth in the current Executive Summaries of this document within reasonable and prudent levels of risk.
5. Maintain asset allocation policies designed to provide high levels of consistency of positive real returns for each Fund.
6. Retain flexibility in managing the future level of disbursements that may be affected by extraordinary market conditions or the unexpected liquidity needs of the Foundation and/or its constituent investors.
7. Control the costs of administering the Foundation and managing its investments.
8. Ensure that the management of the Funds will be in strict compliance with all provisions of relevant legislation.
9. Conform as closely as possible to the Socially Responsible Investment guidelines as set forth in the United Methodist Church Book of Discipline.

Performance Expectations

The Foundation seeks to continue to develop and grow both the number and size of its constituent investors with the overall goal of building capital for use in meeting the aggregate long-term capital and short to intermediate financing requirements of the Foundation and its constituent funds. Investment performance is expected to be a significant contributor of the Foundation's anticipated long-term growth. Investment returns will be projected and measured using a total return approach, whereby returns for a given period are computed to include investment income and the increases or decreases in market value.

The Board recognizes that capital markets returns will vary from year to year due to a variety of essentially unpredictable factors, including in general: changing market valuations and trends, the interplay of global economic cycles, changing monetary conditions and the occurrence of geopolitical events, natural disasters and other exogenous forces. In consideration of these uncertainties, the Board employs a strategic investment planning process that uses modern finance theory and fiduciary investor best practices in developing diversification strategies designed to optimize expected returns for given levels of risk. Asset Allocation Studies are developed that use expert capital markets projections and statistical modeling programs to develop expected target returns, ranges of returns and downside risk thresholds (95% probabilities) for ensuing annual periods. These projections for returns and risk are updated periodically, reset with current data and set forth in the updated Executive Summaries attached to this IPS in Appendix B.

Risk Tolerance / Time Horizon

The Board believes that prudent investment management is essentially a risk management endeavor and that investment horizon is a primary determinant of an investor's ability to accept market risks. Investment horizon is generally defined as the period in which expected cash inflows exceed expected cash outflows. Since the Foundation is established to exist in perpetuity and is growing rapidly in terms of new constituent investors and investment inflows, the Board has established a long-term horizon of 10 to 20 years for risk management planning and therefore deems either the *Balanced Fund* or the *Balanced Plus Fund* as appropriate for the management of the Foundation's investment assets.

In addition to the capital markets risks estimated in the appended Asset Allocation Studies, the Board also considers and seeks to effectively manage and control the following related forms of risk.

- **Asset Protection Risk** The risk of loss due to fraud, embezzlement or financial system failure which are to be mitigated through the use of licensed trust companies to custody Fund assets.
- **Purchasing Power Risk** The use of investment strategies is designed to produce positive real returns over the longer term.
- **Liquidity / Horizon Risk** Managing losses due to unexpected liquidity or cash flow needs by employing asset allocation strategies constructed with highly liquid capital markets securities. In addition, the investment fiduciaries of constituent

funds are counseled to make informed decisions regarding the appropriate use of the Funds and the attendant ability to withstand short-term volatility in favor of adhering to appropriate long-term strategies.

- **Active Management Risk** The potential for market underperformance exists when active investment management strategies are employed by a Fund's investment managers. This risk is mitigated by closely monitoring investment manager relative performance. In addition, passive investment approaches may be employed in certain asset categories.
- **Asset Allocation Risk** Fund asset allocation strategies are designed to seek optimal levels of long-term risk-adjusted returns based on certain asset class target allocations. These target asset class allocations are monitored and managed to remain within established ranges. Market timing tactics are considered to be generally unproductive and are to be avoided.

In summary, the management of investment risk is a central focus of the Foundation's investment management process, and the Board believes the provided Fund options can be used to efficiently satisfy the needs of the Foundation's constituent investors who have varying horizons, investment objectives and cash flow requirements.

Foundation Spending Policy

The Foundation Board has established a spending policy for the annual grants to the Foundation's selected beneficiaries. In determining the total amount of the annual grants, the Foundation Board will use a guideline rate of 3% to 5% of the average account valuations of the previous twelve-quarters.

The Foundation also determines the spending policies for the annual distributions of the endowment accounts of its constituent funds. The spending policy for such endowment funds is determined each year based on a rate that the Foundation Board considers prudent considering the most recent set of projected real returns for the Foundation's Balanced Funds.

A non-endowment constituent fund may choose to follow the Foundation's spending policy or, alternatively, set a separate spending policy to meet its respective goals and ministry priorities.

Liquidity Requirements

The Board expects cash inflows for the Foundation to continue to consistently exceed cash outflows. In addition, the predominant use of liquid, professionally managed investment portfolios serve to reduce the need for a dedicated cash position in the Funds. The Board may choose to either provide for dedicated cash positions in each Fund or, alternatively, to consider the cash allocation for a Fund to be satisfied by the cash positions of the underlying investment managers.

Legal Standard of Conduct

The Board and Investment Committee members acknowledge their fiduciary status in managing the Foundation's investment assets and the requirement for complying with the standards of conduct and procedural prudence as set forth in the *Virginia Uniform Prudent Management of Institutional Funds Act*, as may be amended from time to time.

DUTIES AND RESPONSIBILITIES

Board of Directors and Investment Committee

The Board is responsible for managing investment decisions and has appointed an Investment Committee (the Committee) comprised of present Board members to supervise the execution of the policies as set forth in this IPS. All decisions pertaining to the development of the investment policy and guidelines for the policy's implementation shall be made by the Board. The Committee may make recommendations to the Board regarding investment policy guidelines and other investment decisions. This includes, but is not limited to, the selection of acceptable asset classes, the establishment of allowable ranges of holdings by asset class as a percent of total assets, the definition of acceptable securities within each asset class, investment performance expectations and investment process monitoring procedures. The Board shall also establish specific procedures for the rebalancing of assets between and among asset classes to remain in compliance with this document.

In carrying out these duties, the Board may retain a qualified registered investment advisor (Advisor) to assist in the development and implementation of the investment policy and guidelines. The Board may grant the Advisor discretionary authority in the selection of investment managers (Managers) to include the design and administrative management of the manager structures for each asset class. Such Managers shall have the discretionary authority to manage the assets that are assigned to them by the Advisor.

The Board may also delegate to the Advisor, or to other registered investment advisors, either full or partial discretionary authority to manage the reallocation and/or rebalancing of asset classes within the limits set forth in this IPS.

The Committee is responsible for the periodic monitoring of investment values for the various Funds. Such monitoring shall be performed no less frequently than on a calendar quarterly basis and more frequently as deemed necessary by the Committee. The Foundation's Executive Staff will review investment values on a monthly basis and post monthly performance of the Funds on the Foundation website.

Investment Advisor

The Advisor is engaged by the Board based on a due diligence analysis and examination of alternative advisors. The Advisor is to serve as a registered investment advisor under the Investment Adviser's Act of 1940 and shall exercise a fiduciary standard of care in providing objective advice to the Board on matters pertaining to the investment of Foundation's assets. The duties and responsibilities of the Advisor are as follows:

1. Assist in establishing and maintaining the investment policy and guidelines contained in this IPS.
2. Administer the Foundation's investments, asset custody and securities trading activities on a trust company custody platform as directed by the Board, including the voting of all proxies.
3. Exercise discretion in determining the investment manager structure and the selection/engagement of individual Managers within each asset class in accordance with the Foundation's asset allocation strategies. Annually provide a written explanation of the due diligence process employed by the Advisor to select and approve Managers, including a performance attribution analysis for each of the incumbent Managers.
4. Communicate to the Managers the objectives, guidelines and other information necessary for the appropriate management of Foundation assets, including the requirement to select securities that conform to the SRI principles of The United Methodist Church. The Adviser will report annually on the procedures it employs to confirm that these SRI guidelines are being followed.
5. Monitor investment performance for each Fund, each asset class and manager and/or commingled fund within each Fund and provide monthly asset valuations and quarterly performance assessments as so specified by the Board.
6. Oversee and administer the asset allocation alignments for each Fund according to the IPS asset class guidelines as set forth in the appended Executive Summaries.

7. Recommend to the Board modifications in the investment policies, objectives, guidelines or management structure, as deemed appropriate by the Advisor.
8. Counsel the Board on current investment matters/issues and economic trends that should be considered in the management of Board's oversight and decision-making responsibilities.

Custodian

The Custodian is a financial institution licensed to operate as a trust company in the Commonwealth of Virginia and is responsible for the safekeeping of Foundation's assets and providing cash management services, administrative support and accounting services. The specific duties and responsibilities of the Custodian are to:

1. Settle securities transactions on a timely basis.
2. Collect all income and dividends when due.
3. Value the investment holdings.
4. Invest all available cash in an overnight sweep account or other short-term investment vehicle as directed by the Board.
5. Provide monthly reports that detail transactions, cash flows, securities held and their current values and change in value of each security and the overall Fund since the previous report.
6. Ensure that the Foundation is the registered or beneficial owner of all Fund assets contained in the custody account.

Investment Managers

The Foundation retains the services of outside Investment Managers (Managers) to include both separately managed accounts and commingled funds. The Board and the Committee rely on the research and due diligence of the Advisor in the selection of the Managers for the Funds, unless otherwise instructed by the Board, and are subject to the Guidelines and Procedures set forth below. The Managers are charged with the responsibility to conduct day-to-day discretionary management of the funds assigned to them by the Advisor and in accordance with a fiduciary standard of care and all related laws. All Managers selected by the Advisor must be either:

1. A registered investment adviser under the Investment Advisers Act of 1940,
2. A mutual fund registered under the Investment Company Act of 1940,
3. A bank or an insurance company licensed to do business in the Commonwealth of Virginia.

INVESTMENT GUIDELINES

Asset Allocation Policy

The Board acknowledges that long term investment performance is primarily a function of the selection of asset classes and their deployment in the design and management of a Fund's asset allocation strategy. Therefore, the Board has reviewed the risk and return characteristics of a broad spectrum of asset classes in seeking to develop statistically efficient asset allocation strategies. To that end, the Board has approved the following asset categories that may be included in the Funds according to each Fund's risk and return objectives:

- Cash and Cash Equivalents
- Core Fixed Income (U.S. and International)
- U.S. Large Cap Equities
- U.S. Small/Mid Cap Equities
- Foreign Equities to include both developed and emerging markets
- Alternative Investments (as defined herein below under **Alternative Investment Categories**)

The approved Asset Allocation Policies in effect for the Funds are based on the current Asset Allocation Studies appended to this IPS. The risk and return parameters and strategic asset mix for each Fund are summarized in the current edition of the Executive Summaries of this IPS.

Adherence to Policy Targets and Rebalancing

Deviations from the IPS target allocations are expected to occur over time due to market movements, cash flows and other factors, thereby requiring protocols and procedures for Fund rebalancing and/or reallocations. The Advisor is delegated the authority and discretion to adjust the asset class allocations within the guidelines (*Asset Allocation Targets and Ranges*) for each Fund as set forth in the appended Executive Summaries. The execution of such adjustments shall be determined and executed by the Advisor and reported to the Committee on a quarterly basis. The Advisor may also recommend asset allocation adjustments that exceed the stated guidelines for the Funds. Such recommendations shall be conveyed by the Advisor to the Executive Staff and submitted to the Board for approval.

Alternative Investment Categories

Allocations to alternative investments are designed to expand diversification attributes and improve overall portfolio risk-adjusted returns by accessing investments and/or investment strategies with sources or risk and returns that are differentiated from those of long-only investments in traditional capital markets securities. Permissible alternative investments generally include hedge funds and hedge funds-of-funds, private equity funds, real estate funds and commodities/managed futures.

The Board recognizes that alternative investments are generally not as liquid as investments in traditional stocks and bonds. In addition, the Board recognizes that alternative investment strategies may invest in some securities that do not comply with the SRI principles of the United Methodist Church. Due to these uncertain liquidity and SRI compliance considerations, the use of alternative investments will be limited to only the *Balanced Plus Fund*, thereby allowing each constituent investor the ability to determine the propriety of such investments.

SECURITY SELECTION GUIDELINES

Other than for Managers of alternative investments products as stated above, the Managers selected to manage Foundation assets must adhere to the following guidelines, unless otherwise authorized by the Board.

United Methodist Church Socially Responsible Guidelines

The Statement of Investment Guidelines adopted by the General Council on Finance and Administration of the United Methodist Church in December, 1985, is used to establish the social and moral goals of The Foundation. The Foundation shall follow the general provisions of *Socially Responsible Investments* in the current copy of The Book of Discipline of The United Methodist Church.

PERFORMANCE MONITORING

Performance Measurement and Evaluation

The return expectations set forth in this IPS are based on the adherence to IPS guidelines and policies over the longer term, with the understanding that returns over shorter time periods are likely to vary substantially and may be negative. Therefore, quarterly performance evaluations should be viewed in the context of longer periods encompassing complete market cycles, typically ranging from three to five years in duration.

Performance evaluations will focus on total Fund results with secondary emphasis on asset class and individual Manager performance. Each Fund's performance will be compared to a benchmark of blended market indices that correspond to the asset classes in the Fund's strategic asset allocation policy. In addition, the Balanced Fund and the Balanced Plus Fund will be compared to the median performances of a recognized database of similarly managed funds. Manager performance will be evaluated on an ongoing basis by the Advisor and compared quarterly to the Manager's relevant market index benchmark as set forth in the Appendix B of this IPS, as well as to each manager's peer universe.

Monitoring of Managers

The Advisor has discretion over the selection of Managers for the Funds and will report to the Committee quarterly on Managers that are under the Advisor's watch list surveillance and/or that have been terminated by the Advisor. In addition, the Advisor will monitor each traditional asset Manager for adherence to the Foundation's SRI standards and provide an annual report to include any variances from that standard.

Monitoring of Investment Advisors

The Committee will periodically review the services of the Adviser in comparison with other professional investment advisory services and report its findings to the Board. The Advisor will report on an annual basis any material changes in its personnel and/or investment advisory services.

CONTROL PROCEDURES

Brokerage Policy

An affiliate of the Advisor may serve as the investment broker for the administration of the Funds. As such, the Advisor will establish control procedures to monitor securities trading policies to seek best execution, as well as reporting the use of "soft dollars", directed brokerage and commission recapture programs.

Proxy Voting

Voting of proxy ballots shall be for the exclusive benefit of the Foundation. Proxies for securities held in the Funds of separate account investment managers will be voted as outlined in the Duties and Responsibilities of Investment Managers section or, alternatively, by the Advisor's investment brokerage affiliate. Mutual fund proxies should be voted by the Board or by the Advisor's brokerage affiliate.

REVIEW AND UPDATING PROCEDURES

The Board and the Advisor shall formally review this IPS periodically to assess the use of recognized investment best practices and to determine whether stated the investment objectives continue to be appropriate and reasonably achievable. Such periodic reviews are expected to include reviews and/or updates of the Asset Allocation Studies (Appendix B) and any corresponding changes to the investment objectives. It will also include any changes to the Asset Allocation Strategies and/or benchmarks set forth in the Executive Summaries (Appendix A), as well as changes to the Key Information (Appendix C) and the endorsement of the Advisor. These changes will be recorded as updates to the IPS Executive Summaries and relevant Appendices. Such changes shall be approved by the Board, recorded in the Board minutes and attached to this IPS.

INVESTMENT POLICY ADOPTION

The Board of Directors of the **Virginia United Methodist Foundation** has formally adopted this Investment Policy Statement as of December 11, 2019. The signatories to this document acknowledge their fiduciary responsibility and confirm that they have informed each of the members of the Board of their status as investment fiduciaries.



Christine Williamson
Chair, Board of Directors

4-9-2020

Date



Tom Sturgis
Chair, Investment Committee

4-10-2020

Date

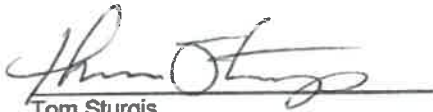
The following appendices of the Investment Policy Statement Executive Summaries have been ratified as of January 1, 2020:



Christine Williamson
Chair, Board of Directors

4-9-2020

Date



Tom Sturgis
Chair, Investment Committee

4-10-2020

Date

APPENDIX A-1

VAUMF Balanced Fund IPS Executive Summary

Effective January 2020

Type Foundation	Religious
Fiduciary Standard of Care	UPMIFA - Virginia
Planning Time Horizon	20 years
Capital Markets Projections	2020 Capital Markets Assumptions Merrill Lynch Global Institutional Consulting
Modeled Annual Return Objective	6.8% or 4.6% over CPI (2.2%)
Modeled Annual Range of Returns	17.9% to -4.3% (one standard deviation = 11.1%)
Modeled Annual Loss Threshold	-15.4% (95% confidence)

Asset Allocation Targets and Ranges

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
Total Equities	50%	60%	70%
Total Fixed Income	25%	35%	45%
Total Cash¹	0%	5%	10%
Domestic Equities	30%	40%	55%
Large Cap	25%	30%	45%
Small/Mid Cap	0%	10%	15%
Foreign Equities	5%	20%	30%
Core Fixed Income²	25%	35%	45%
Cash and Equivalents	0%	5%	10%

¹ Cash allocations may include the discretionary cash positions of the Investment Managers.

² Fixed Income allocations are composed of investment grade fixed income sectors that are generally included in the Barclays US Aggregate Bond Index.

VAUMF Balanced Plus Fund
IPS Executive Summary

Effective January 2020

Type Foundation	Religious
Fiduciary Standard of Care	UPMIFA - Virginia
Planning Time Horizon	20 years
Capital Markets Projections	2020 Capital Markets Assumptions Merrill Lynch Global Institutional Consulting
Modeled Annual Return Objective	7.3% or 5.1% over CPI-U (2.2%)
Modeled Annual Range of Returns	18.8% to -4.2% (one standard deviation = 11.5%)
Modeled Annual Loss Threshold	-15.7% (95% confidence)

Asset Allocation Targets and Ranges

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
Total Equities	45%	55%	65%
Total Fixed Income	17%	22%	27%
Total Alternatives	0%	20%	30%
Total Cash³	0%	3%	10%
Domestic Equities	32%	37%	47%
Large Cap	23%	28%	40%
Small/Mid Cap	0%	9%	14%
Foreign Equities	4%	18%	30%
Core Fixed Income	17%	22%	27%
Alternatives⁴	0%	20%	30%
Cash and Equivalents	0%	3%	10%

³ Cash allocations may include the discretionary cash positions of the Investment Managers.

⁴ Alternatives generally include investments in hedge funds, private equity, managed futures and real estate.

VAUMF Stock Fund
IPS Executive Summary

Effective January 2020

Type Foundation	Religious
Fiduciary Standard of Care	UPMIFA - Virginia
Planning Time Horizon	20 years
Capital Markets Projections	2020 Capital Markets Assumptions Merrill Lynch Global Institutional Consulting
Modeled Annual Return Objective	7.8% or 5.6% over CPI (2.2%)
Modeled Annual Range of Returns	25.6% to -10.0% (one standard deviation = 17.8%)
Modeled Annual Loss Threshold	-27.8% (95% confidence)

Asset Allocation Targets and Ranges

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
Total Equities	75%	95%	100%
Total Cash⁵	0%	5%	25%
Domestic Large Cap Equities	40%	50%	70%
Domestic Small/Mid Cap Equities	0	10%	30%
Foreign Equities	10%	35%	40%
Cash and Equivalents	0%	5%	10%

⁵ Cash allocations may include the discretionary cash positions of the Investment Managers.

APPENDIX A-4

VAUMF Bond Fund
IPS Executive Summary
Effective January 2020

Type Foundation	Religious
Fiduciary Standard of Care	UPMIFA – Virginia
Planning Time Horizon	20 years
Capital Markets Projections	2020 Capital Markets Assumptions Merrill Lynch Global Institutional Consulting
Modeled Annual Return Objective	3.7% or 1.5% over CPI (2.2%)
Modeled Annual Range of Returns	8.6% to -1.2% (one standard deviation = 4.9%)
Modeled Annual Loss Threshold	-6.1% (95% confidence)

Asset Allocation Targets and Ranges

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
Fixed Income ⁶	80%	95%	100%
Total Cash	0%	5%	20%

⁶ Core Fixed Income is composed of investment grade fixed income sectors that are generally included in the Barclays US Aggregate Bond Index.

CGA and CRUT Funds Executive Summary

Effective January 2020

Type Fund	Religious – Annuity Funding
Fiduciary Standard of Care	UPMIFA - Virginia
Planning Time Horizon	20 years
Capital Markets Projections	2020 Capital Markets Assumptions Merrill Lynch Global Institutional Consulting
Modeled Annual Return Objective	6.3% or 4.1% over CPI (2.2%)
Modeled Annual Range of Returns	14.8% to -2.2% (one standard deviation = 8.5%)
Modeled Annual Loss Threshold	-10.7% (95% confidence)

Asset Allocation Targets and Ranges

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
Global Equities	35%	45%	55%
Fixed Income⁷	40%	50%	60%
Cash and Equivalents⁸	0%	5%	10%

⁷Core Fixed Income is composed of investment grade fixed income sectors that are generally included in the Barclays US Aggregate Bond Index.

⁸ Cash allocations may include the discretionary cash positions of the Investment Managers.

Appendix B Market Index Benchmarks

Asset Category	Index Benchmark
U.S. Large Cap Core Equity	Russell 1000
U.S. Large Cap Value Equity	Russell 1000 Value
U.S. Large Cap Growth Equity	Russell 1000 Growth
Small/Mid Cap Equity	Russell 2000/2500
International Developed Markets Equity	MSCI EAFE
International Emerging Markets Equity	MSCI Emerging Markets
Fixed Income	Bank of America US Corp. & Govs. 1-10
Cash	US T-Bill 30 Days
Alternatives	HFRI Hedge Fund of Funds Index

Asset Allocation Study

This Asset Allocation Study has been developed for the Foundation's strategic investment policy planning, using investment modeling programs and the 2020 Capital Markets Assumptions as provided by Merrill Lynch Global Institutional Consulting. The Study contains asset allocation analyses for each of the four Foundation investment options plus the VAUMF's CGA and CRUT Funds:

- Balanced Fund
- Balanced Plus Fund
- Equity Fund
- Bond Fund
- CGA and CRUT Funds

Key Information:

As of January 2020

Virginia United Methodist Foundation

Board of Directors:

Christine Williamson, Chair
Lewis Ashley
Amanda Wilson
Gary Bonnewell
David Dommissie, Ex Officio
Sarah Harrison-McQueen
Bobbie Henley, Treasurer
John Jones
Sharma Lewis, Bishop, Ex Officio
Mark Manasco

Justin White
Pat McGuckin
Linda Monroe
Pete Moon, Ex Officio
Ella Sue Smart
James Smith, Secretary
Richard Smith
Tom Sturgis
Malcolm White
Neal Wise, Vice Chair

Investment Committee:

Tom Sturgis, Chair
David Dommissie, Ex Officio
Gary Bonnewell
Mark Manasco
Richard Smith
Christine Williamson
Neal Wise

Custodian: U. S. Trust

Investment Advisor: Merrill Lynch Pierce Fenner and Smith
Advisor Representatives: Mark Humphrey and Scott Kelly

Legal Counsel: McGuire Woods – Michelle MacKinnon, JD

Accountant: Dixon Hughes Goodman – Dan Miles, CPA