

I. POLICY STATEMENT

This policy covers the objectives and processes governing the investment management of the Endowment of the First Parish Church of Stow and Acton. The Endowment Fund is intended to serve as a perpetual source of capital to the Church through investment return. The Endowment Committee is responsible to the Congregation for the Endowment's prudent and productive management. The Endowment Committee will review this policy annually and it may be changed when the Endowment Committee deems it appropriate and the Board of Trustees Concurs.

II. SCOPE

A. Financial and Investment Objectives

1. The primary financial objective of the Endowment Fund is to preserve and enhance its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings.
2. To maintain its purchasing power and generate funds for transfer to the Operating Budget, the long-term investment objective for the Endowment is to attain an average annual real total return of at least 5%, as measured over rolling five-year periods.

B. Investment Approach

1. FPC anticipates that the Endowment will use mutual funds and Exchange Traded Funds (ETFs) as principal investment vehicles. Mutual funds provide low-cost access to professional management as well as a high degree of diversification.
2. Investments will be diversified both by asset classes (*e.g.*, equities, bonds, cash equivalents) and within asset classes (*e.g.*, within equities by economic sector, industry, size, *etc.*). Diversification provides some assurance that no single security or class of securities will have a disproportionate impact on the Endowment's aggregate results.
3. The purpose of equity investments is to provide long-term appreciation of principal that more than offsets inflation. FPC recognizes that pursuing this objective could entail assuming greater market variability and risk compared to fixed-income securities.
4. Fixed-income assets within the Endowment are included to reduce the overall volatility of the Fund and to hedge against deflation. A well-managed bond portfolio will help to protect the Endowment against severe and protracted equity market declines by providing liquidity for spending should it be needed to support the Operating Budget. In their role as a deflation hedge, the Endowment's fixed-income assets should be of high quality.

C. Portfolio Composition

Asset mixes for each element of the portfolio will be consistent with the investment objectives described above. As mentioned, to minimize risk and assure diversification, mutual funds and ETFs will be the investment vehicles of choice. The asset mix guidelines are as follows:

The Endowment Fund Asset Allocation Model

	<i>Range</i>	<i>Average</i>
Domestic Common Stocks	35–60%	50%
International Common Stocks	5–15%	10%
Fixed Income & Short-Term	30–50%	40%

III. RESPONSIBILITIES

1. It is the responsibility of the FPC Nominating Committee to nominate members of the Congregation for election by the Congregation to the Endowment Committee. The members of the Endowment Committee shall serve three-year overlapping terms.
2. Asset allocation largely determines long-term performance and short-term volatility. As such, the Endowment Committee's primary responsibility is to set asset allocation within the approved ranges for the Endowment Fund and to monitor performance on an ongoing basis. The Endowment Committee may revise the allocations at any time; however, it is anticipated that such changes will be incremental and infrequent.
3. The Endowment Committee's further responsibility is to select, consistent with policy, the investment vehicles to be used in constructing the portfolio comprising the Endowment.
4. Whenever possible, the Endowment Committee will use new cash flow to rebalance the Endowment in accordance with approved allocations. The Endowment will also be rebalanced to approved target allocations at least annually, by the transfer of funds among investments. Should current allocations move outside the approved ranges for the Endowment, the Endowment Committee shall transfer assets as needed to bring allocations back within each desired range. (See II.C above.)
5. The Endowment Committee is responsible for monitoring these investment objectives and policies for their continued appropriateness. The Endowment Committee will propose revisions to these guidelines to the Board of Trustees at any time that the

First Parish Church of Stow and Acton

Endowment Fund Policy

Policy # 030

Revision # 000

guidelines might potentially impede FPC from achieving its investment objectives, or at times when those objectives change.

6. The Endowment Committee will monitor total Endowment assets for consistency with investment philosophy, return relative to objectives, and investment risk as measured by asset allocation, exposure to extreme economic conditions, and portfolio volatility. The Endowment Committee will monitor the performance of the Endowment Fund on an ongoing basis, and performance will be evaluated annually on a rolling three- to five-year basis.

7. The Endowment Committee will provide the Treasurer, the Board of Trustees and the Congregation with an Endowment status report at least annually, generally at the Annual Meeting.

IV. DEFINITIONS

ETFs – Exchange-Traded Funds

V. REFERENCES

N/A.

VI. APPROVAL SIGNATURES

Michael Paladini 02/21/2021

Originator / Date

On behalf of the Board of Trustees



March 12, 2021

FPC President / Date