HIGHLAND PRESBYTERIAN CHURCH INVESTMENT POLICY
As amended November 2022

Philosophy

Highland Presbyterian Church (the "Church") pursues an investment philosophy that incorporates a prudent approach to investing, appraising in broad terms the investment opportunities and risks presented by the economic, political and social activities in the United States and the world. Investments covered by this Policy consist of three accounts: the Stodghill Fund, which is a permanently-restricted endowment, the Legacy Fund and the Memorial Fund. This policy is intended to be consistent with the character, spirit, purpose and investment guidelines of the Church. Investment strategies will be implemented through investment management firms who are experienced, professional, diligent and properly motivated in their investing methods.

The Church acknowledges that its management and investment of funds is subject to the Uniform Prudent Management of Institutional Funds Act as set forth in KRS 273.600-273.645 (the "UPMIFA") and affirms its intent to comply fully with the UPMIFA. In accordance with the foregoing, (a) the management and investment of its funds shall be made in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances and (b) in managing and investing funds, the following factors, if relevant, shall be considered:

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 to preserve capital; and
8. An asset's special relationship or special value, if any, to the charitable purposes of the institution.

Purpose of policy

The purpose of this investment policy is to set forth the preferences, goals and objectives regarding the financial assets belonging to the Church. Active management is preferred for our funds and should be accomplished in a prudent and consistent manner. The basic goal of this statement is to provide a framework for the work of the Investment Review committee and assigned investment manager(s).

Fund Management Process.

Since December 1980, Church investment activities have been managed by an Investment Review Committee (the "IRC"), consisting of at least five Church members, at least one of whom shall be a member of the Finance Committee. The Pastor/Head of Staff may also serve as an ex-officio (non-voting) member of the IRC at his or her discretion. Effective as of January

1, 2016, the IRC members in consultation with the Pastor/Head of Staff shall select a Chairman from their number for a term not to exceed five (5) years. The Chairman selected by the IRC members, in consultation with the Pastor/Head of Staff, shall be presented to the Chairperson of the Finance Committee and the Session for approval.

Responsibilities assigned to the IRC are as follows:

1. Establishing and modifying, when appropriate, this investment policy, subject to Session approval.
2. Selecting, and changing when necessary, an investment manager.
3. Monitoring portfolio performance each quarter.
4. Reporting results to the Finance Committee and/or the Session on a regular basis.

Investment Objectives

Overall, the investment portfolios shall be considered total return funds. Emphasis shall be placed on investing in securities that have potential for capital appreciation over the long term. Year-to-year fluctuations are acceptable as long as they are reflective of widespread market movement. The goal is to earn the highest overall return possible without exposing the monies to undue risk. The risk constraints for each account may differ over time depending on distribution needs for each account and prevailing market conditions.

Equities

Over the long term, the risk of owning equities has been, and is expected to be, rewarded with a greater return than is available from fixed income investments. The returns will exhibit greater variability, but higher returns are expected over the long term. Therefore, equity investments should account for a minimum of forty percent (40%) and a maximum (70%) of total assets for each account.

1. Security type

Equity securities shall consist of common and preferred stock issues traded on the New York, American, NASDAQ, over-the-counter and regional exchanges. Exchange Traded Funds and mutual funds meeting all other requirements for equity investments are permitted. International securities are eligible for purchase through the use of American Depository Receipts (ADR's), Exchange Traded Funds and mutual funds.

2. Diversification

Fund manager(s) should maintain a diversified portfolio in order to reduce risk. No single issue may exceed five percent (5%) of the market value of the total portfolio. If more than one advisor manages equities, this restriction shall apply separately to each portfolio.

3. Quality

There are no specific guidelines suggested as to quality ratings for the equity portfolio except that prudent standards should be developed and maintained by the manager(s).

Fixed Income

Fixed income instruments should reduce the volatility of the fund while providing a predictable income stream. Fixed income investments should account for a minimum of thirty percent (30%) and a maximum of sixty percent (60%) of total assets for each account.

1. Security types

Investments in obligations of the U.S. Government, U.S. Government Agencies, U.S Corporate entities and mortgage-backed securities are permitted. Exchange Traded Funds and mutual funds meeting all other requirements for fixed income investments are permitted.

2. Diversification

With the exception of U.S. Government and Agency obligations and fixed income Exchange Traded or mutual funds, no more than ten percent (10%) of the fixed income portfolio at market value shall be invested in a single issue or corporate entity. If there is more than one manager, this restriction applies separately to each portfolio.

3. Maturity

The manager(s) shall have the responsibility for setting the appropriate maturity schedule for the portfolio. Based on current and expected market conditions, the manager(s) should determine the structure, which will yield optimum performance.

4. Quality

The portfolio manager, prior to acceptance into the portfolio, shall subject each debt instrument selected for investment to credit analysis. All individual bond holdings must be investment grade. The holdings of any exchange traded or mutual funds shall be primarily composed of investment grade bonds (>85% of holdings). Overall the quality rating of the portfolio should be A rated or higher.

Cash and Equivalents

While it is expected that these portfolios, with a total return investment objective, will be fully invested, the investment manager(s) may take cash positions as a short-term tactic. Cash assets shall be considered cash reserves and shall account for no more than fifteen (15%) of total assets; provided that cash reserves for the Memorial Fund may be increased as directed by the Session from time to time for short term needs. Cash reserves shall be invested in short term fixed income instruments. Appropriate instruments include direct and general obligations of the U.S. Government and U.S. Government Agencies, interest-bearing demand and time deposits, certificates of deposit, money market portfolios of FDIC member agencies, commercial paper and repurchase agreements.

Alternative Investments

The purpose of the alternative allocation is to provide diversification and capital protection. Historically, certain alternative investments exhibit low correlations to traditional equity and fixed income portfolios, and therefore help to diversify and protect the portfolio. Over a full market cycle, allocations to these risk mitigating strategies have historically both increased return and decreased volatility when blended with a traditional portfolio. Such strategies include certain global macro hedge fund styles, specifically managed futures. Alternative investments shall not exceed fifteen percent (15%) of total portfolio assets.

1. Investment types

Direct, limited liability investments in individual funds, either single-manager or multi-manager, shall be the method of accessing these strategies.

2. Liquidity

The underlying investments traded by the alternative asset managers shall be extremely liquid, meaning either major exchange-traded futures, forwards, options, and swaps; or securities qualifying under the descriptions above in the Equities and Fixed Income sections. The Church's investments in any private fund vehicle shall be redeemable no less frequently than monthly, with no more than 5 business days' notice, and cannot be subject to any gates, lock-ups, or other restrictions.

3. Diversification

The Church's alternatives allocation shall be broadly diversified across equities and equity indices, sovereign government bonds, corporate credit, physical commodities, and developed market currencies and related futures and swaps.

4. Quality

Prudent standards should be developed and maintained by the manager(s). Any and all managers or sub-managers for the alternatives allocation shall be subject to rigorous due diligence, in order to evaluate the quality of their strategy, risk management, and operations.

Performance Objectives

Performance analysis will be conducted on a regular basis. Although quarterly returns will be considered, emphasis will be placed on performance over one, three and five year periods. These investment guidelines will be reviewed annually and adjusted, if necessary, after consultation with the investment manager(s).

The performance of the total portfolio will be compared to a balanced index composed of the S&P 500 Index (50%), MSCI EAFE (10%) and the Barclays Intermediate Government/Credit Index (40%). Performance of the portfolio is expected to exceed or at least equal the performance of the balanced index after fees.

Over a three to five year period, the overall objective is to have the total portfolio provide a real (i.e., after inflation) return of 4% net of all fees. The rate of inflation will be measured by the Consumer Price Index. Further, the net performance of the domestic equity portion of the portfolio is expected to exceed or at least equal the performance of the S & P 500 Index of stocks. The net performance of the fixed income portion is expected to equal or exceed the performance of the Barclays Intermediate Government/Credit Index.

<u>The allocation and composition of the 3 funds does not need to be identical and each fund may be invested at the discretion of the fund advisor in method appropriate for the purpose and time horizon of each fund but must stay within these investment guidelines.</u>

Asset Allocation

Target Asset Allocation
Table

Asset Class	Neutral Allocation	Range	Benchmark Index
Fixed Income	40%	30%-60%	
• Money Mkt. Funds		0%-25%	
• Investment Grade Bonds [a]		20%-60%	40% Barclays Intermediate Govt. & Credit
• High-Yield Bonds		0%	
• Real Return/Hybrid/Global Bond Funds		0%-10%	
• Emerging Mkt. Bonds		0%-10%	
Equities	60%	40%-70%	
• Domestic Large-Cap equities	50%	20%-60%	50% S&P 500
• Domestic Small/Mid-Cap Equities		0%-20%	
• Foreign Equities—Developed Markets	10%	5%-20%	10% MSCI EAFE Int'l
• Foreign Equities—Emerging Market		0%-10	
Alternative Investments [b]		0-15%	
• Global Macro/Managed Futures Funds		0%-15%	
• Market Neutral/Real Return Funds		0%-15%	

a) Investment grade foreign bonds of developed market countries may be included in our investment-grade bond allocation.

b) The category could include investments such as futures, commodities, real return and market neutral strategies. Allocation to such assets should be limited to pooled, diversified investment vehicles such as common trust funds, mutual funds and exchange traded funds that have ample liquidity.

Approved investment managers are expected to be in line within the weighting distributions established in the above asset allocation table; unless extreme market conditions dictate otherwise or explicit consent has been received from the Investment Review Committee.

Reporting of Results

The investment manager(s) shall provide the IRC, no less often than quarterly, with a full report of the investments held, the overall portfolio performance for all periods with index comparisons and all transactions related to the portfolio. The IRC will provide the Session and/or its Finance Committee with a quarterly report of its activities no less frequently than annually as of December 31.

Communication

The IRC is responsible for maintaining regular contact with portfolio manager(s). The committee will meet no less often than semi-annually with the investment manager(s) for the purpose of reviewing the long-term goals of the portfolio and the success of the manager(s) in attaining the performance objectives outlined in this policy. The meetings will also be used to review ongoing investment policy and strategy. Any changes in asset mix, maturity schedules, etc., which will impact the portfolio also will be discussed. The IRC will maintain a set of meeting notes that will be available to the Finance Committee and to the Session as needed.

Stodghill Fund Distribution Policy

The Stodghill Trust stipulates that this endowment is "to be kept intact and the income therefrom used for programs for the enrichment of the members of its congregation and of the community in which the Church is situated". The original endowment amount was $9.46 million.

The Church acknowledges that its distributions from the Stodghill Fund are subject to the UPMIFA and affirms its intent to comply fully with the UPMIFA. In accordance with the foregoing, (a) the Church will appropriate for expenditure an amount determined to be prudent for the uses, benefits, purposes, and duration for which the Stodghill Fund was established, (b) in determining the amount to appropriate from the Stodghill Fund, the Church shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and (c) the Church shall consider, if relevant, the following factors:

1. The duration and preservation of the endowment fund;
2. The purposes of the institution and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution.

The Finance Committee Chair, during the 3rd quarter of each calendar year, will prepare a recommendation to Session for the amount to appropriate for expenditure during the following calendar year that contemplates the above relevant factors. The recommendation will be discussed at the IRC and the Finance Committee before submission to Session. Note that the

Session-approved expenditures for church operations in 2016 total 4.0% of the market value of the Fund, as is defined below.

The Session has determined that a spending formula will be utilized to determine the amount to appropriate for expenditure. The Stodghill Fund accrues an amount each quarter to the operating budget, per the Session-approved spending formula. The formula is 4.0% of the trailing twenty quarter average market value of the Fund as of June 30 of the preceding year.
The resulting amount will be paid in four equal installments on or about the last day of each calendar quarter of the following year.

Legacy Fund Distribution Policy

The Legacy Fund was established in 2018 with a transfer of investments from the Memorial Fund representing the full amount of restricted gifts held by the Memorial Fund plus additional unrestricted funds. The original amount funded was $500,000 and any sizable gifts to Highland Presbyterian that do not carry any specific restrictions will be placed in the Legacy Fund. The church established the Legacy Fund as an endowment. The current Session-approved spending formula for the Legacy Fund is 4.0% of the trailing twelve quarter average market value of the Fund as of June 30 of the preceding year.

Memorial Fund Distribution Policy for Restricted Funds

The Memorial Fund holds unrestricted funds which are spent at the discretion of the Session. The Memorial Fund contains various “sub-accounts” that were funded by gifts that were expressly designated for a specific purpose and these are tracked by the church accountant and Finance Committee. The current Session-approved spending formula for the Memorial Fund is 2.75% of the trailing twelve quarter average market value of the Fund as of June 30 of the preceding year. The Session from time to time approves additional withdrawals from the Memorial Fund to cover unbudgeted or other unexpected needs.

The Finance Committee calculates the quarterly amounts to be distributed, based on the formulas noted above, as part of the church’s annual budget process and communicates the dollar amounts to the investment advisor prior to the first quarterly distribution of each calendar year.