

# **LOUISIANA BAPTIST FOUNDATION INVESTMENT POLICY STATEMENT**

## **Preface**

The following Statement of Investment Policy outlines the objectives, responsibilities, goals, guidelines, and management of the Louisiana Baptist Foundation (the Foundation) and is set forth in order that:

1. There is a clear understanding on the part of the Board of Trustees (the Board) and the Investment Managers of the investment objectives and policies of the Foundation.
2. The Investment Managers are given guidance and limitations in the investment of the Foundation's assets.
3. The Trustees have a meaningful basis for the evaluation of the portfolio management by the Investment Managers.

## **Purpose of the Foundation**

The purposes for which the Louisiana Baptist Foundation was formed are described as follows:

1. To encourage the making of gifts and donations to the causes and objects of the Louisiana Baptist Convention, and to administer, manage and distribute such gifts and donations.
2. To receive, invest, distribute and dispose of property it acquires for the benefit of:
  - (a) Institutions, agencies, causes or objects fostered or supported by the Louisiana Baptist Convention.
  - (b) Baptist churches cooperating with the Louisiana Baptist Convention.
  - (c) Institutions, agencies, causes or objects fostered or supported by the Southern Baptist Convention.
3. To assist in the founding or maintenance of any institution or agency recognized by the Louisiana Baptist Convention, when directed to do so by the Convention.
4. To provide information on tax and legal techniques and advantages of giving to Baptist institutions.

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### **Investment Policies**

In order to achieve the foregoing purposes, the Board have adopted the following investment policies:

### **Objectives**

1. The Board oversees investments managed by the Louisiana Baptist Foundation for the benefit of Louisiana Baptists. As such, these funds shall be invested in companies and opportunities whose operational philosophy and management activities are consistent with the overall purpose of the Foundation. Specifically, no investments shall be made in companies whose business interests involve gaming, alcohol, tobacco, pornography, abortion, or recreational marijuana, subject to reasonable revenue thresholds.
2. The investments should achieve the highest total return consistent with the long-term preservation of principal. Total return shall include current income plus/minus the appreciation/depreciation in market value.
3. The mix of investments among stocks, bonds and other investments shall be determined by the Investment Committee and staff, and the mix may vary as economic conditions change.

### **Responsibilities of the Trustees**

The responsibility of the Board in the investment process is supervisory, not advisory. The specific responsibilities of the Board in the investment process include, but are not limited to:

1. Determining the projected financial needs of the income beneficiaries of the Foundation on a short-term and long-term basis and communicating such to the Investment Manager(s) on a timely basis.
2. Developing sound and consistent investment policy guidelines, which the Investment Manager(s) can use in formulating corresponding investment decisions.
3. Selecting qualified investment managers.
4. Monitoring and evaluating investment performance results to insure that investment policy guidelines are being adhered to and that the Foundation's objectives are being met.
5. Analyzing the investment performance of the total portfolio in terms of return and risk/reward, and measuring such against commonly accepted benchmarks.
6. Analyzing the volatility of returns, as measured by the standard deviation of quarterly rates of return, for the total portfolio compared to the appropriate benchmark.

### **Delegation of Authority**

The Louisiana Baptist Foundation, under the direction of the Board, is a fiduciary and is responsible for directing and monitoring the investment management of Fund assets. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Board in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold as well as movement of assets into and out of the Fund accounts.
4. Additional specialists such as attorneys, auditors, and other may be employed by the Board to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Board will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications that they deem appropriate.

### **Assignment of Responsibility**

#### **Responsibility of the Investment Consultant(s)**

The Investment Consultant's role is that of a non-discretionary advisor to the Board. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Board.
3. Providing "due diligence", or research, on the Investment Manager(s).
4. Monitoring the performance of the Investment Manager(s) to provide the Board with the ability to determine the progress toward the investment objectives.

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5. Communicating matters of policy, manager research, and manager performance to the Board.
6. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed trustee.

### **Responsibilities of the Investment Manager(s)**

The Investment Managers are expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated herein, or as expressed in any written amendments or instructions.

1. **Discretionary Authority** - Each Investment Manager will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold or sell securities in amounts and proportions that are reflective of the Investment Manager's current investment strategy and compatible with the Foundation's investment guidelines.
2. **Communication**
  - (a) Each Investment Manager will keep the Board informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting their investment policies or philosophy.
  - (b) Each Investment Manager will inform the Board of any significant changes in the ownership, organizational structure, financial condition, or senior staffing of the Investment Manager's firm.
  - (c) Whenever any Investment Manager believes that any particular guideline should be altered or deleted, it will be the Investment Manager's responsibility to initiate written communications expressing its views and recommendations to the Board.
  - (d) Each Investment Manager, not under the responsibility of an investment consultant, will provide portfolio valuation and transaction listings on at least a quarterly basis.
  - (e) Each Investment Manager will meet with the Board upon request but not more than annually.
3. **Reporting**
  - (a) The Investment Managers will provide prompt notices of transaction activities as well as at least quarterly performance reports.
  - (b) Any information needed to assist the Board in conducting their evaluation of the Investment Managers' performances as they relate to the Foundation's assets will be presented on a timely basis. This includes transaction confirmations and attendant commissions generated to compensate consultants and other services as specified under Section 28(e) of the Securities Exchange Commission Act of 1934.

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4. **Proxy Voting** - The Investment Managers, as part of their duties and responsibilities, shall have the sole and exclusive right to vote any and all proxies solicited in connection with securities held in the Foundation's portfolio. Each Investment Manager shall keep accurate records with respect to its voting of proxies and shall submit a report to the Board upon request summarizing the votes cast.

### **Investment Guidelines**

The Board recognizes that risk, volatility and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk, as evidenced by high volatility and low quality rated securities are to be avoided, the assumption of risk is warranted in order to allow the Investment Managers the opportunity to achieve satisfactory long-term results consistent with the objectives and the character of the Foundation. The assets of the Foundation shall be invested in marketable securities of good quality in a diversified variety of industry groups. All assets selected for the portfolio must have an ascertainable market value and must be readily marketable. In order to provide the Investment Manager with flexibility to invest in various types of assets, the following lists permitted sectors and assets for investment.

### **Types of Investments**

#### 1. **Fixed Income Securities**

- (a) All bonds will be marketable and must be classified as investment grade by Standard & Poor's (BBB or better) and Moody's (Baa or better) with the exception of a specific mandate of a maximum 15% in high yield instruments. The average quality of the pool will be investment grade.
- (b) Investments in any one issuer of fixed income securities, excluding obligations of the U. S. Government, either direct or indirect, shall not exceed five percent (5%) of the total pool market value at the time of purchase. Issues selected should be of at least \$50 million par value outstanding.
- (c) Certificates of deposit must be issued by a major depository, which has capital and surplus of \$100 million or more unless the certificate of deposit is fully insured by the FDIC. Investment in any one issuer of certificates of deposit shall not exceed five percent (5%) of the Investment Manager's total portfolio at market value. Issuers of certificates of deposit must be insured by the FDIC.
- (d) Banker's Acceptances must be issued by a major depository that has capital and surplus of \$100 million or more and rated "investment grade" by Fitch, Moody's or Standard & Poors. Investment in any one issuer of bankers acceptances shall not exceed five percent (5%) of the Investment Manager's total portfolio at market value. Issuers of bankers acceptances must be insured by the FDIC.
- (e) Repurchase Agreements (Repos) shall be collateralized by U. S. Treasury Bills or agency securities and the market value of the collateral, including accrued interest, must meet at least one hundred percent (100%) of the amount of the repurchase agreement.

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- (f) Money Market Funds shall consist of SEC registered funds whose portfolios are comprised of highly liquid, short-term securities. No securities in the portfolio may have maturity longer than twelve months. Interest earned should accrue daily, but may be posted to the account monthly. All maturity and quality restrictions, which apply to the direct investment in cash and cash equivalent securities, also apply to the portfolio of any money market fund considered for the Pool.

### 2. Stocks

- (a) All common stock purchased shall be of investment quality and readily marketable.
- (b) Investment in any one company shall not exceed five percent (5%) of the total market value of equities managed by the Investment Manager; and investment in any one industry shall not exceed twenty-five percent (25%) of such total market value.
- (c) No short sales, hedging, option writing or purchasing, margin purchases or letter stock purchases shall be made in the “long only” portfolios.

### 3. Alternative Investments

- a) Hedge funds are private investments, generally structured as limited partnerships or investment companies. Hedge Fund Investment Managers are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives. When investing in Fund-of-Funds or individual hedge funds, offering memorandums must be reviewed to ensure that such investments would not constitute any violations with the Foundation’s Investment Policy.

The Trustees may consider investments in hedge fund strategies within the context of an overall investment plan. The objective of such strategies will be to diversify the Foundation’s portfolio, complementing traditional equity and fixed-income investments and improve the overall performance consistency of the Foundation. Of course, there is no guarantee that this objective will be realized.

The Foundation may invest in Fund-of-Funds or individual hedge funds. A Fund-of-Funds is managed by an Investment Manager, who subsequently invests in the hedge funds of multiple underlying Investment Advisors. Therefore, Fund-of-Funds are also referred to as Multi-Advisor Funds. Because they are diversified, Fund-of-Funds help to reduce the individual fund-specific risk. In special situations and where considered appropriate, the Foundation may also invest directly with individual rather than Multi-Advisor Funds. The Committee understands that hedge fund investments are less transparent than traditional investments, but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the Committee understands that liquidity in such investments may be limited. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments.

*Allowable Hedge Fund Strategies:* Hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include, but are not limited to the following:

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Long/Short Equity  
Convertible Arbitrage  
Merger/Risk Arbitrage  
Fixed-Income Arbitrage  
Distressed Securities

*Allowable Hedge Fund Investments:* The above-referenced strategies may include investments in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.

- b) Managed Futures
- c) Fixed Income Multi-strategy Funds

#### 4. **Other Investments and Restrictions**

- (a) The Foundation shall not make loans to denominational entities, churches, businesses or individuals, except as specified by the Policy and Regulations of the Church Site Corporation Loan Facility, from monies that have not been specifically designated by the donor as loan funds. The Foundation may make loans consistent with its investment policies when the repayment of that loan is guaranteed by the Executive Board of the Louisiana Baptist Convention.
- (b) The Foundation may accept property or investments in accordance with policies and procedures, which may be converted to cash for reinvestment upon the recommendation of the Investment Committee.
- (c) Investments with liquidity restraints cannot exceed 8% of total investment.
- (d) Collective Investments: While the Foundation shall always strive to conform to the guidelines set forth in this Investment Policy Statement, from time-to-time, while employing a prudent investment approach and in the ordinary course of investing, the Foundation may utilize portfolios of investments of various commingled funds, including, but not limited to, mutual funds, index funds, exchange traded funds (ETFs), common trust funds, or collective trust funds. The Foundation recognizes that some of the companies comprising the underlying holdings of the collective investment may not meet the guidelines set forth in this Investment Policy Statement if they were considered for individual investment. The Foundation further recognizes that these companies will normally comprise a small percentage of the entire collective investment. Due to the de minimus contribution of these securities to the overall performance of the collective investment, the Foundation may utilize these collective investments, and their use shall not be considered an exception or violation of the guidelines above.
- (e) The Foundation shall be free to make any investment which is not prohibited by these Investment Policies.

**Prohibited Investments (long only portfolios):**

Uncovered Options  
All Other Derivatives  
Principal-Only Strips  
Interest-Only Strips  
Structured Notes  
Inverse Floaters  
Swaps  
Lettered Stock  
Venture Capital  
Precious Metals  
Collectibles  
Securities on Margin  
Selling Short  
Church Bonds

**Permitted Sectors And Assets For Investments:**

U. S. Government and Agency Securities  
Corporate Bonds  
Mortgage Backed Securities  
Global and Domestic Equities  
Asset Backed Securities  
Non-Dollar Bonds  
Hedging Currency Risk  
Covered Options  
Collateralized Mortgage Obligations (CMO)  
Mutual Funds  
Cash Equivalents  
Certificates of Deposit  
Bankers Acceptances  
Commercial Paper  
Repurchase Agreements  
Commodities and Futures Contracts  
Church Expansion Term Investments (*Church/ministry loan pools*)  
Private Placements (Only via investment management consultant)  
Limited Partnerships (Only via investment management consultant)

**Investment Performance Review and Evaluation**

1. Performance results for each Investment Manager will be measured on a quarterly basis.
2. The portfolio will be measured against one or more appropriate market indices in such combination so as to match the long-term asset allocation policy of the pools.
3. The volatility of returns, as measured by the standard deviation of monthly return for the portfolio, will be monitored and evaluated by the Board on a continuing basis.



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4. While the Board intends to fairly evaluate the portfolio's performance over a three-to-five year market cycle, or such other period agreed upon, the Board reserves the right to change any Investment Manager if there is:
  - (a) Unacceptable justification for poor results.
  - (b) Failure to meet the Board's communication and reporting requirements.
  - (c) Significant deviation from the stated investment philosophy or style of the Investment Manager.
  - (d) Change of ownership or decision-making personnel of the Investment Manager's firm.
  - (e) In the Board's sole judgment, a change of Investment Manager would be beneficial to the Foundation.

### **Management of the Fund**

1. The Board may select and employ consultants, managers, brokers, custodians or other professional services at their discretion.
2. The Board shall maintain communication with the custodian of the Foundation's assets. The safekeeping of those assets and their secure transferal are to be conducted following sound accounting principles and with clear lines of responsibility.
3. All expenses of the Foundation shall be provided for out of the income generated on the investments.

### **Accounts**

1. Accounts at the Foundation fall into two categories: "agent" and "trust" accounts. Assets deposited by an institution with the Foundation create an agent account. Assets donated to the Foundation from others for the benefit of Baptist causes create a trust account.
2. Upon completion of its annual audit, the Foundation shall report the total amount of deposits with the Foundation as "agent", and the total amount held by the Foundation in "trust".
3. Institutions may withdraw from any market value based account with the Foundation only on the first day of the month following receipt by the Foundation of a request, and only to the extent of the current market value of the account as determined at the close of business on the last day of the month in which the request is received.

### **Asset Allocation**

1. The Board will adopt policy guidelines appropriate for specific pools. The asset allocation established by the Board represents a long-term view. As such, rapid and significant market movements may cause the Foundation's actual asset mix to occasionally fall outside the central tendency, but it is expected that any divergence should be of a short-term nature.

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2. At least annually, the Investment Committee shall evaluate the performance of all the Investment Managers and liquidate and/or reallocate, if the Committee deems necessary, a portion or the entirety of the invested funds among the various managers or with new managers as the Investment Committee deems reasonable and prudent.
4. Any action by the Board or the Investment Committee which requires the liquidation and/or reallocation of existing assets shall be completed within 90 days after the Board or the Investment Committee, as the case may be, approves a liquidation and/or reallocation of existing investment assets.
5. The various investment managers shall reinvest all capital gains earned on investments, unless and until directed otherwise.

### **Definitions**

1. “Fund” shall mean the investment assets of the Louisiana Baptist Foundation.
2. “Board” shall refer to the governing board established to administer the Fund.
3. “Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management disposition or administration of the Fund assets.
4. “Investment Manager” shall mean any individual or group of individuals, employed to manage the investments of all or part of the Fund assets.
5. “Investment Management Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. “Securities” shall be the time period over which the investment securities which are defined as acceptable in this statement.
7. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is 10 years.

### **Authority**

The foregoing shall serve as a guide for making investments as indicated, subject to change by the Board and its Investment Committee, where, in its opinion, the best interests of the benefiting institutions may be served and better results may be obtained.

**Revised June 27, 2023**

## LOUISIANA BAPTIST FOUNDATION INVESTMENT POLICIES

### SHORT TERM FUND

#### Objective

*The investment objective of the Short Term Fund is to provide cash management and short term investment while assuming minimal risk to enable fixed unit values.*

**Benchmark:** Government money market index for yield. 90 day Treasury Bill for total return.

#### Investment Priorities

1. *Safety of Capital.* The primary objective shall be to preserve the value of the Fund's assets by earning a positive return over the investment time horizon of one month to one year.
2. *Liquidity.* The second objective shall be to provide sufficient liquidity to meet the needs of the Fund.
3. *Income.* The third objective shall be to provide current income to the Fund.

#### Investment Goals

Achieve the following investment goals:

1. To exceed the risk adjusted return of the benchmark on an annualized basis.
2. To achieve a positive risk adjusted return.

#### Investment Guidelines

##### 1. Types of Securities

The Investment Policy Statement shall govern the types and concentration by issuer of securities.

##### 2. Credit Quality

The average quality of the Fund will be investment grade.

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SHORT TERM FUND INVESTMENT POLICIES – Cont.**

3. Duration/Maturity

Maximum maturity on any single investment shall be five (5) years. The Fund shall have a maximum duration of 1. The duration can extend past the 1-year limit with approval of the investment Consultant, LBF Executive Director and the LBF Board of Trustees.

4. Asset Allocation

The Short Term Fund's asset allocation will have a minimum of 15% in government, agency securities or FDIC insured instruments, and no more than 60% in any other bond sector. Excluding Church Expansion Term Investments, the remaining Short Term Fund shall have at least 85% of the fund will be investment grade with no more than 15% in high yield instruments. No more than five percent (5%) of the Short Term Fund shall be invested in the securities of any one issuing corporation at the time of purchase. No more than 35% of the Short Term Fund shall be invested in Church Expansion Term Investments as described within the Investment Policy Statement of the Louisiana Baptist Foundation with a maximum of 5% per entity.

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