Appendix 2: Investment Policy Statement

I. Function, Purpose, and Responsibilities

Introduction

Unity Church of Hawai'i (UCoH) is a 501(c)(3) non-profit corporation. Because the church expects to operate in perpetuity, wise stewardship of the funds entrusted to it is essential to the church's mission. With this in mind, the church has established this Unity of Hawai'i Endowment Foundation 509(a)(3) Type I, whose purpose is to manage the investment portfolio thereby providing funding for the perpetuity of the church. The final responsibility for the investment performance of the assets and their distribution lies with the Board of Directors of the Endowment Foundation. The Endowment must be effectively and prudently invested and in full compliance with all applicable laws.

Purpose

The purpose of this Investment Policy Statement is to state the responsibilities of the various parties involved with the Endowment and to provide guidelines, objectives, and administrative and review procedures. Overall it states the Endowment Foundation's intent with respect to the investment of the Endowment.

Goals and Objectives of the Endowment

1. To provide perpetual financial resources to help fund the mission of UCoH,
2. To manage the Endowment in a manner which provides long-term growth in the context of appropriate and acceptable risk.

Responsibilities of the Board of Directors

1. Prudently select/retain, evaluate the performance of, and approve the compensation for, the Investment Manager and the custodian of the assets of the Endowment,
2. Determine the investment horizon and risk guidelines for the Endowment,
3. Determine permissible investments and restrictions criteria for the Endowment,
4. Develop sound and consistent investment guidelines and review them annually,
5. Establish reasonable investment objectives,
6. Monitor and evaluate the investment performance results and ensure the policy guidelines are being adhered to and the objectives are being met, and
7. Take timely corrective action when performance objectives are not met.

Responsibilities of the Investment Manager

All investments will be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a "prudent investor," acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.

The Investment Manager will exercise complete investment discretion over the assets it is allocated. Such discretion includes decisions to buy, sell, or hold equities or fixed income securities (including cash and cash equivalents) in amounts and proportions in accordance with the Investment Guidelines. The Endowment Foundation Chair has the right to vote all proxies of the securities and may delegate this right to the Investment Manager or another officer of the Board of Directors.

The Investment Manager is responsible for frequent and open communication with the Board of Directors on all significant matters pertaining to investment policies and the management of the Endowment including, but not necessarily limited to:

1. Major changes in the manager's investment outlook, investment strategy, and portfolio structure,
2. Any significant changes in the ownership, organization structure, financial conditions, or senior personnel staffing of the investment management firm,
3. Provide statements monthly which report the assets, and the activity during the period, and
4. Quarterly performance and valuation reports to coincide with calendar quarters or at such other times as the Board of Directors may reasonably request.

II. Investment Goals and Principles

The Endowment Foundation believes that the Endowment should be managed in a way that reflects the following goals and principles:

1. The Endowment Foundation adheres to the traditional capital market pricing theory that over the long run, the risk of owning equities should be rewarded with a somewhat greater return than the return available from fixed-income investments,
2. Avoiding large risks is preferred. The Endowment Foundation is willing to trade off some potential opportunities for gain from high risk investments (with a high loss potential) by encouraging the Investment Manager to assume a moderate-risk posture in order to have a more stable positive return. This may result in sacrificing some potential opportunities for gain during rising markets in order to avoid large short-term declines in market value during falling markets,
3. Since the Endowment Foundation is adverse to large downward fluctuations in the value of its account balances resulting from volatile market value fluctuations, such year-to-year volatility should be minimized,
4. The Endowment Foundation Board of Directors will coordinate with the Investment Manager in deciding asset allocation between asset categories such as bonds, stocks, and cash/cash equivalents.