

## ***Endowment Fund Services***

### **OVERVIEW:**

The American Baptist Foundation (“Foundation”) is the planned giving organization of the American Baptist Churches USA. As such, it is frequently requested to accept and hold funds in perpetuity and to pay income to various American Baptist churches and organizations. In order to provide this service the Foundation has established an Endowment Fund (“Fund”). The purpose of the Fund is to accept and manage permanent funds and to make distributions to the various charities which donors indicate, as defined in the Endowment Fund Plan (“Plan”).

The Fund is intended for endowment and similar (reserve or building) funds with an investment horizon of at least three years. It is not a cash management fund with daily liquidity. The Fund does not guarantee a fixed rate of return. Instead the Fund manages funds from organizations willing to take risk and invest in the equity and fixed income markets where the value of the investment principal may change.

Money invested in the Fund becomes part of a pool of American Baptist managed investment funds. The funds are professionally managed, and the management is overseen and monitored by the Foundation Finance Committee. The Finance Committee members are chosen for their interest and expertise in the investment and money management areas. Face to face meetings are held semi-annually to monitor results and consider alternatives and additional conference calls are held as needed, generally five or six annually.

### **MANAGEMENT:**

The Fund has utilizes a variety of investment managers. The Finance Committee reviews the performance of the managers and makes changes from time to time. The fixed income money is currently invested in PIMCO Total Return and BlackRock Management. The investment of the stock portion of the portfolio is divided among Steinberg Management, BlackRock Management and Victory Capital, Gabelli, and Neuberger. Our international equity investments are managed by Wentworth, Hauser & Violich and Philadelphia International Advisors.

The Foundation's administration fees are 50 basis points (one half of one percent - 0.5%). Investment performance is reported net of investment management and consultative fees which are currently 83 basis points (0.83%).

**SIZE:**

The current balance of the American Baptist Foundation Endowment Fund is in excess of \$62 million. The Foundation also manages annuity reserve funds and serves as trustee for charitable remainder trusts. The total of all funds managed by the Foundation is in excess of \$98 million.

**ASSET ALLOCATION:**

It is possible to select one or more of three different portfolios for investment; Blended Portfolio, Fixed Income Portfolio, and Stock Portfolio. Most participants have selected the Blended Portfolio that has a target allocation of a blend of 60% stocks and 40% bonds. The actual allocation may vary by as much as plus or minus 15% in each category from the target. A cash money market account is maintained to hold cash until it is invested at the end of the month.

**SOCIAL SCREENS:**

The General Board of American Baptist Churches USA has some broad social screens that prohibit in vesting in firms primarily involved in gambling, defense, tobacco and alcohol. Our stock and bond investments satisfy these screens. In addition, both the General Board of ABC/USA and our investment managers have additional screens from time to time. For example, companies doing business in South Africa and the Sudan were screened in years past. .

One difficulty of social screens is that the money managers must constantly review the holdings to see that the companies satisfy the screens. While most investments are in large stocks, there are also investments in some medium sized and small company stocks. There may be stocks of foreign companies as well as stocks of foreign companies not traded on any US exchanges Small capitalization United States companies are allowed. It is challenging for money managers to satisfy social screens as information about some foreign companies is difficult to obtain and small companies can change emphasis rather quickly. However, there are a number of managers which are now emerging in this area, and their performance will be monitored.

**PARTICIPATION:**

The Fund serves as an investment vehicle for any American Baptist organization. The Fund also accepts gifts from individuals wishing to create or add to an endowment that supports American Baptist organizations. A minimal initial deposit of \$10,000 is usually required to establish a named account within the Fund. There is no minimum for additions to an established account. Each participant may establish up to four separate accounts within the Fund.

**PURCHASES AND REDEMPTIONS:**

Each participant in the Fund purchases units at the beginning of the month at the then current unit value. Money received during a month is held until the end of the month and interest paid thereon is at current money market rates. Redemptions by a church, region or other American Baptist organization can be made at month's end, provided notification is made at least one week in advance.

Deposits by individuals are accepted as outright charitable gifts and are not redeemable. Federal law does not allow the Fund to manage money for individuals.

**PAYOUT AND REPORTING:**

The Fund pays out a fixed amount per unit on a quarterly basis. This amount is determined in the third quarter of the previous year and is based upon a rolling average of the unit value over the prior twenty quarters. This is done to smooth out any abrupt ups or downs in investment results. This averaging results in an annual payout of approximately 5 percent of the current market value of the units.

A second option is for the account to accumulate without any payout. At times the specified amount is not agreeable for a particular participant, and a different payout may be negotiated. Quarterly reports of performance and current evaluation are available.