INVESTMENT POLICY

FOR

EPISCOPAL FOUNDATION OF TEXAS

DRAFT

Dated: November 2009

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INTRODUCTION AND MISSION STATEMENT

The Episcopal Foundation of Texas ("EFT") serves as a long-term investment vehicle in support of such institutions as the Annual Council of the Episcopal Diocese of Texas may direct. Consistent with the spending policy, its purpose is to achieve longer-term appreciation of principal and income and to provide supplementary income for operation and maintenance of these institutions' properties and programs.

PURPOSE

The purpose of this investment policy statement is to communicate to the EFT's Board, EFT's Finance Committee (The Committee), retained investment consultants, investment managers and other interested parties a clear understanding of the investment goals and objectives of the EFT. This statement outlines the responsibilities and guidelines for investment managers and establishes the review and control procedures to be used in evaluating their performance.

CAPITAL MARKETS ASSUMPTIONS

The EFT has arrived at the Investment Policy through careful study of the historical and projected returns, risks (as measured by standard deviation), and correlations associated with the various assets classes and investment strategies under consideration. The Committee will review and consider updated capital market assumptions periodically.

OBJECTIVES

The objectives of the EFT should be pursued as a long-term goal designed to maximize total returns within prudent parameters of risk for a foundation of this type and size. Whereas, it is understood that fluctuating rates of return are characteristic of the securities markets, the EFT's investment objective is to:

(1) ***Provide for an annual cash distribution, inclusive of operating and administrative expenses, in the amount of 4.5% of the average market value of assets calculated monthly; and***

(2) ***Protect and grow the assets, after annual distributions, at a real, inflation adjusted rate of return that exceeds the Consumer Price Index.***

While there cannot be complete assurances that these objectives will be realized, this Investment Policy is believed to have a high likelihood of achieving the objectives based upon a five to ten year investment time horizon. Interim fluctuations are expected and should be viewed within this time horizon.

The EFT realizes that market performance varies from period to period and absolute return objectives may not be meaningful during some periods. Therefore, on a relative performance basis, the EFT expects to perform in the top third of the universe containing funds having similar investment policies. Each manager is expected to perform in the top third of their respective peer group over the most recent three year time period and will be evaluated accordingly.

INVESTMENT POLICY

Total Fund Investment Guidelines

I. Asset Allocation

The following will serve as the EFT's policy regarding the market value allocation of its assets:

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
Total Equities	45	55	65
(a) Large Cap Stocks	15	25	35
(b) Smid Cap Stocks	5	10	15
(c) International Stocks	10	20	30
Fixed Income	20	27.5	35
Alternatives	5	15	25
(a) Hedge Funds	5	10	15
(b) Real Assets (Commodities, Real Estate, Nat. Res.)	0	5	10
Cash	0	2.5	20

The asset allocation ranges established by this Investment Policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence should be of a short-term nature.

EFT will use its annual distributions as a tool for rebalancing its portfolio towards its target policy. At the end of each quarter, when a particular asset class reaches or exceeds its maximum or minimum targets, the Committee, in consultation with EFT's investment consultant, will review the allocation and rebalance the asset class if deemed appropriate.

The managers shall have discretion to invest any portion of the equity or fixed income assets in cash reserves when they deem it to be appropriate. Each manager will be evaluated on performance of the total funds under its direct management.

II. Security Selection

Equity holdings shall be restricted to issues of corporations that are actively traded on major exchanges and the NASDAQ. Small capitalization equities will generally be limited to securities with market capitalizations above $100 million.

Fixed income investments may include all securities issued by the U.S. Treasury or other federal agencies. Investments may also be made in investment grade corporate, mortgages, foreign bonds, and municipal fixed income securities including convertible issues. Investment grade is defined as BBB or better for Standard & Poors, and BAA or better for Moody’s rating services.

Holdings in equity and fixed income mutual funds are a permissible investment. EFT understands that it cannot influence the investment decisions of mutual funds or commingled trusts to comply with the specific provisions of this investment policy. In general, every attempt will be made to select funds whose investment style and philosophy approximate the investment policy guidelines contained herein unless specifically approved by the Committee.

III. Prohibited Investments

1. Selling Short
2. Futures
3. Letter Stock
4. Unregistered Securities
5. Options
6. Margin Transactions (Leverage)
7. Private Placements
8. Derivatives

Investments not specifically addressed by this statement are forbidden without the Committee's consent.

It is understood that various alternative investments which the Committee may choose to engage (i.e., real estate, hedge funds, commodities, and private equity) may employ strategies and investments contained in the prohibited investments section of this investment policy statement.

IV. Diversification

Within the above guidelines, retained managers have full responsibility for security selection and diversification, subject to the following:

(1) Equity securities in any single industry shall not exceed 25% of the equity portfolio market value for each individual manager. The equity holdings in any single corporation shall not exceed 7.5% of the market value of the equity portfolio at any time for each individual manager.

(2) The fixed income portfolio should be diversified among issuers within each sector with no one issuer comprising more than 7.5% of the aggregate fixed income portfolio for each individual manager. This does not apply to issues of the U.S. Treasury or other Federal Agencies.

Diversification is employed with the intent to minimize large losses to the EFT.

V. Volatility

Consistent with the desire for adequate diversification, the Investment Policy is based on the assumption that the volatility of the portfolio will be similar to that of the weighted composite of market indices of the target policy.

VI. Liquidity Needs

EFT will notify its investment managers well in advance of withdrawal orders to allow for sufficient time to build up necessary liquid reserves. EFT's Board will be expected to review its cash flow requirements at least annually.

VII. Distribution Policy

The EFT's Board has established a 4.5% distribution policy, inclusive of operating and administrative expenses, on the average market value of assets calculated monthly. The EFT will review the distribution policy at least annually.

REVIEW AND CONTROL PROCEDURES

The EFT Board will review the achievement of investment objectives and the appropriateness of the Investment Policy and reporting standards annually. It is not expected that the Investment Policy will change frequently, even given short-term fluctuations in the securities markets.

The Committee will review, with its investment consultant, the performance of its investment managers quarterly. The performance monitors will focus on:

(1) Total Fund and Managers' Adherence to Investment Policy Guidelines

(2) Total Fund Asset Allocations

(3) Total Fund and Managers' Performance vs Market Indices

(4) Total Fund and Managers' Performance vs Peer Group Rankings

(5) Total Fund and Managers' Risk Profile vs Established Benchmarks

(6) Material changes in the investment organization, such as investment style, personnel changes, account acquisitions or losses, etc. The investment managers will be responsible for keeping the Board and its consultant advised of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.