EPISCOPAL DIOCESE OF NORTH DAKOTA
TRUST AND ENDOWMENT FUND SPENDING POLICY

1. ATTITUDE TOWARD SPENDING

   Future giving to this Trust and Endowment Fund is expected to be inconsistent, and, therefore, unpredictable. As a result, the Finance Committee has set an investment strategy with the objective of maintaining purchasing power of Investment Fund assets before consideration of spending. Accordingly, it is the goal of the Committee to limit spending to a level that will maintain or increase purchasing power.

2. SPENDING POLICY

   The Finance Committee will attempt to balance the Trust and Endowment Fund's shorter-term spending obligations with its goal to support Diocesan programs into perpetuity and, therefore, design a spending policy which is flexible. Since expected investment returns from ''riskier'' portfolios are not consistent and predictable, the Finance Committee feels that shorter-term spending in dollar terms must be flexible enough to endure periods of underperformance without excessive deterioration of real principal. Therefore, this Trust and Endowment Fund may tend toward a more "aggressive" investment strategy seeking higher long-term investment returns than would be the case if spending from year to year were less flexible. The Finance Committee will set spending at no more than 8.5% of the portfolio value, with a goal of 5% of the portfolio value.

3. SPENDING -MOVING AVERAGE DETERMINATION

   This Trust and Endowment Fund will use the moving average method of determining year-to-year spending in order to smooth distributions from the aggregate portfolio. The "portfolio value" as mentioned under Spending Policy section and referenced throughout this statement will be determined based on a 3-year moving average of portfolio market value, with a budgeting lead of one year. (That is, the moving average will be determined one year before the fiscal year in which the funds are to be spent.) This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by this fund. Second, it allows the Finance Committee to design an investment strategy which is somewhat more "aggressive" with a higher expected return than might be the case if spending were determined by annual investment performance. With the annual determination method, there is a tendency to payout the "excess" earning during periods of over performance, while maintaining a certain absolute dollar floor of spending during periods of underperformance. Over the long-term, this may result in an erosion of real principal. Therefore, by smoothing the spending, the likelihood of real principal erosion of the Fund due to portfolio volatility is reduced. In recognition that a significant portion (8-12%) of the Trust and Endowment Fund is committed to Designated Funds, when the three-year moving average is calculated the dollar amount of the Designated Funds currently covered by the Trust and Endowment Fund will be subtracted from the year-end balance of the Trust and Endowment Fund for each year that is used in the calculation.

Adopted by Finance/Investment Committee 8 November 1996; approved by Diocesan Council 9 November 1996; amended by Diocesan Council 19 August 2016.