



MISSOURI BAPTIST FOUNDATION

GREAT COMMISSION • GREAT INVESTMENT

Investment Guidelines

April 2021

MBF Investment Guidelines

This document describes MBF's (Missouri Baptist Foundation) overarching investment purposes and objectives regarding pool risk and return and asset allocation strategy.

Investment Philosophy

Core Beliefs

- Asset allocation is critical
- Downside protection is important
- Transparency is essential

Stewardship Investing Principles

- We **employ** our portfolio to reflect a Biblical worldview
- We **engage** in investments that please God and honor others
- We **embrace** the belief that everything is His

"If God be God over us, we must yield him universal obedience in all things. He must not be over us in one thing, and under us in another, but he must be over us in everything."

-Peter Bulkeley (1582-1646)

Stewardship Investing Principles

Our portfolios are

For

Proper care of the **environment**

Fair treatment of employees and customers

Corporate governance that protects all stakeholders

The promotion of **human flourishing**

Businesses that work towards **redemptive outcomes**

Advancement of the **Gospel of Jesus Christ**

Against

Manufacture, insurance, or services that promote or deliver **abortifacients**

Distribution or manufacture of **alcohol**

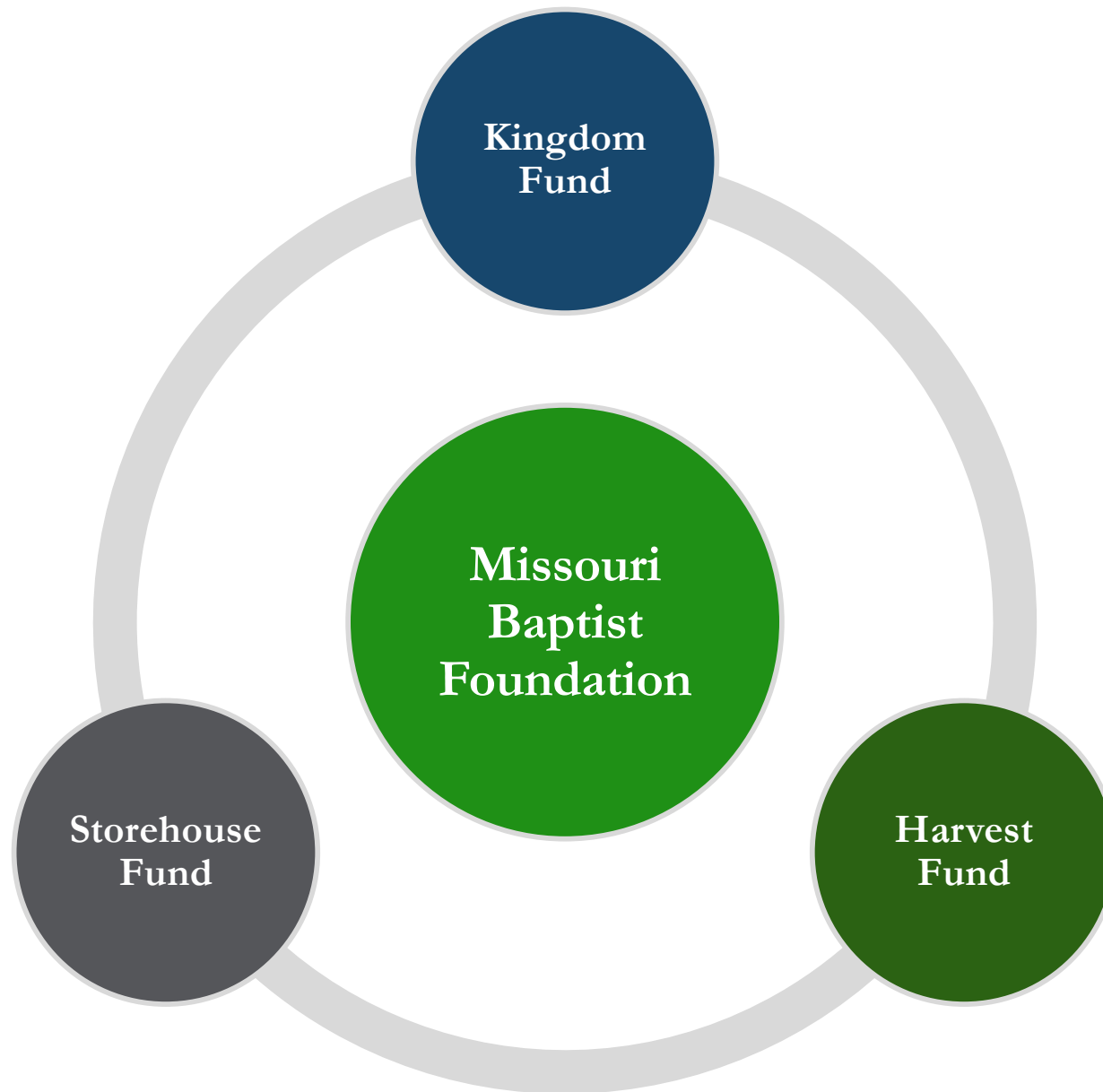
Bioethics inclusion of stem cell research and cloning

Gaming, to include bingo, betting shares, casinos, internet, lottery, para-mutual betting, and manufacture

Production or distribution of **pornography**

Manufacture and distribution of **tobacco and cannabis**

MBF Fund Choices



MBF Fund Overview

Kingdom Fund

“The kingdom of heaven is like a grain of mustard seed that a man took and sowed.” Matthew 13:31-32

Investment Time Horizon

- 5+ Years

The **Kingdom Fund** is a long-term investment for churches and endowments that require annual spending and real growth.

Harvest Fund

*“They sow fields and plant vineyards and get a fruitful yield.”
Psalm 107:37*

Investment Time Horizon

- 2 - 5 Years

The **Harvest Fund** is designed to produce growth of principal while generating income.

Storehouse Fund

*“Bring the full tithe into the storehouse, that there may be food in my house.”
Malachi 3:10*

Investment Time Horizon

- Less than 2 Years

The **Storehouse Fund** is for short-term needs with an income generating goal in conjunction with preservation of capital.

MBF Fund Overview

Kingdom Fund

➤ **Return Objective:** minimum annual performance required is **net of the following:**

- 4.3% Annual Spending
- Inflation – Consumer Price Index
- Fees

➤ **Composite Portfolio Benchmark**

- 50% MSCI All Country World Index Net
- 20% Bloomberg Aggregate Index
- 10% Russell Microcap Index
- 10% HFRX Equal Weight Hedge Fund Index
- 10% Goldman Sachs Commodity Index

(Above is per NACUBO study 2019 – allocation average of endowments of \$100 million - \$500 million)

MBF Fund Overview

Harvest Fund

- **Return Objective:** minimum annual performance required is **net of the following:**
 - 4.0% Annual Spending
 - Inflation – Consumer Price Index
 - Fees
- **Composite Portfolio Benchmark**
 - 50% MSCI All Country World Index Net
 - 50% Barclays US Aggregate

MBF Fund Overview

Storehouse Fund

- **Return Objective:** minimum annual performance required is net of the following:
 - Inflation – Consumer Price Index
 - Fees
- **Composite Portfolio Benchmark**
 - 100% Barclays US Govt/Credit 1-3 Yrs.

Historical Index Comparison

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2006-20
REIT 35.92	EM 39.78	FARM 15.84	EM 79.02	GOLD 29.27	FARM 15.18	EM 18.63	S&P 32.39	REIT 30.38	FARM 10.34	S&P 11.96	EM 37.75	FARM 6.74	S&P 31.49	GOLD 24.81	FARM 11.42
EM 32.59	GOLD 30.56	TIMBER 9.52	EAFE 32.46	REIT 28.48	TIPS 13.56	FARM 18.58	EAFE 23.29	S&P 13.69	TIMBER 4.97	EM 11.60	EAFE 25.62	TIMBER 3.21	REIT 25.84	EM 18.69	S&P 9.88
EAFE 26.86	TIMBER 18.43	BONDS 5.24	REIT 28.61	EM 19.20	GOLD 9.57	EAFE 17.90	FARM 20.93	FARM 12.63	REIT 2.52	REIT 8.60	S&P 21.83	BONDS 0.01	EAFE 22.66	S&P 18.40	GOLD 8.61
GOLD 22.17	FARM 15.90	GOLD 4.96	S&P 26.46	S&P 15.06	REIT 8.69	REIT 17.77	TIMBER 9.68	TIMBER 10.48	S&P 1.38	GOLD 8.03	GOLD 12.81	TIPS (1.26)	EM 18.90	TIPS 10.99	EM 6.95
FARM 21.16	TIPS 11.63	TIPS (2.35)	GOLD 23.99	FARM 8.79	BONDS 7.84	S&P 16.00	REIT 2.47	BONDS 5.97	BONDS 0.55	FARM 7.09	FARM 6.19	GOLD (1.94)	GOLD 17.86	EAFE 8.28	REIT 6.50
S&P 15.79	EAFE 11.63	S&P (37.00)	TIPS 11.41	EAFE 8.21	S&P 2.11	TIMBER 7.75	BONDS (2.02)	TIPS 3.64	EAFE (0.39)	TIPS 4.68	REIT 5.07	S&P (4.38)	BONDS 8.72	BONDS 7.51	TIMBER 5.36
TIMBER 13.68	BONDS 6.97	REIT (37.97)	FARM 6.33	BONDS 6.54	TIMBER 1.58	TIPS 6.98	EM (2.27)	EM (1.82)	TIPS (1.44)	BONDS 2.65	TIMBER 3.63	REIT (4.57)	TIPS 8.43	FARM 3.09	EAFE 4.97
BONDS 4.33	S&P 5.49	EAFE (43.06)	BONDS 5.93	TIPS 6.31	EAFE (11.73)	GOLD 6.60	TIPS (8.61)	GOLD (2.19)	GOLD (10.67)	TIMBER 2.59	BONDS 3.54	EAFE (13.36)	FARM 4.82	TIMBER 0.81	BONDS 4.49
TIPS 0.41	REIT (16.82)	EM (53.18)	TIMBER (4.76)	TIMBER (0.16)	EM (18.17)	BONDS 4.21	GOLD (28.33)	EAFE (4.48)	EM (14.60)	EAFE 1.51	TIPS 3.01	EM (14.25)	TIMBER 1.29	REIT (7.57)	TIPS 4.31

- | | |
|---------------------------------------|-----------------------------|
| 1 ■ S&P 500 | 6 ■ NCREIF US Farmland |
| 2 ■ MSCI EAFE | 7 ■ NCREIF US Timber |
| 3 ■ MSCI EM (EMERGING MARKETS) | 8 ■ MSCI US REIT |
| 4 ■ Barclays U.S. Aggregate | 9 ■ SPDR® Gold Shares (MKT) |
| 5 ■ Barclays U.S. Treasury: U.S. TIPS | |

7-10 Year Expected Returns

7-10 Year Expected Returns	Research Affiliates (Rob Arnott)	JP Morgan	Morningstar	Vanguard	GMO (Jeremy Grantham)	Blackrock	Oak City
Small Cap US	5.1	4.6	-0.1	4.7	-1.7	5.6	5.0
Large Cap US	2.0	4.1	-0.1	4.6	-3.6	5.0	4.0
EAFE	6.3	6.6	4.8	8.0	2.2	7.0	5.5
Emerging Markets	7.9	7.2	4.5	8.0	2.6	6.4	6.0
US Bonds	1.1	2.1	1.0	1.2	-1.3	0.8	1.0

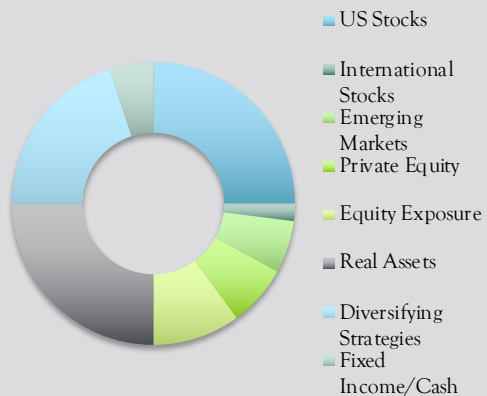
Returns as of 12/31/2020

Risk and Return Objectives for the MBF Kingdom Fund - April 2021

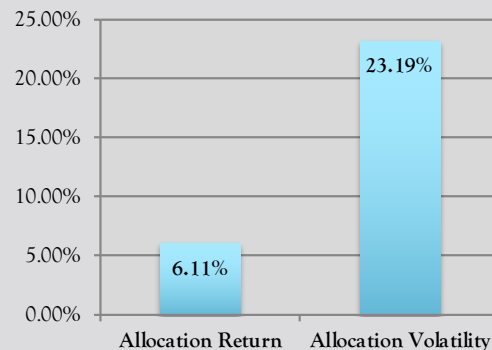
Return Goal - annual spending plus fees and inflation equals required annual return to meet long-term objectives for the MBF Kingdom Fund.

	Target Allocation	*Projected Annual Return	Average Annual Return (2000-2020)	Standard Deviation (2000-2020)	2x Standard Deviation	Allocation Return	Allocation Volatility
US Stocks	25.00%	4.50%	7.82%	15.57%	31.14%	1.13%	7.79%
International Stocks	2.00%	5.50%	4.50%	16.94%	33.88%	0.11%	0.68%
Emerging Markets	6.00%	6.00%	9.94%	21.59%	43.18%	0.36%	2.59%
Private Equity	7.00%	10.50%	11.20%	10.61%	21.22%	0.74%	1.49%
Equity Exposure	10.00%	5.50%	5.44%	9.41%	18.82%	0.55%	1.88%
Real Assets	25.00%	7.50%	8.87%	6.59%	13.18%	1.88%	3.30%
Diversifying Strategies	20.00%	6.50%	7.76%	12.84%	25.68%	1.30%	5.14%
Fixed Income/Cash	5.00%	1.00%	4.83%	3.41%	6.82%	0.05%	0.34%
	100.00%					6.11%	23.19%

Target Allocation



Allocation Return and Standard Deviation



Return Scenarios



US Stocks: Russell 3000; International Stocks: MSCI EAFE net; Emerging Markets: MSCI Em Mkts; Private Equity: Cambridge Associates PE; Equity Exposure: ML Conv, HFRX Equity Hedge Real: NCREIF Timber and Farmland; Diversifying Strategies: REIT, MLP, CTA; Fixed Income: Barclays Aggregate; *Projected annual return is for 7 years, based on several industry estimates; Average Annual Return and Standard Deviation results through Dec 2020

Return Scenarios

Best Case = Allocation Return + 2 StdDev
Worst Case = Allocation Return - 2 StdDev

MBF Kingdom Fund

Investment Policy Constraints

	<u>Minimum</u>	<u>Maximum</u>
All Stocks	20%	80%
Global Stocks	20%	80%
Private Equity	5%	20%
Equity Exposure	0%	25%
Fixed Income	5%	40%
Real Assets	10%	40%
Diversifying Strategies	5%	30%
Cash	0%	25%

Allocation Overview

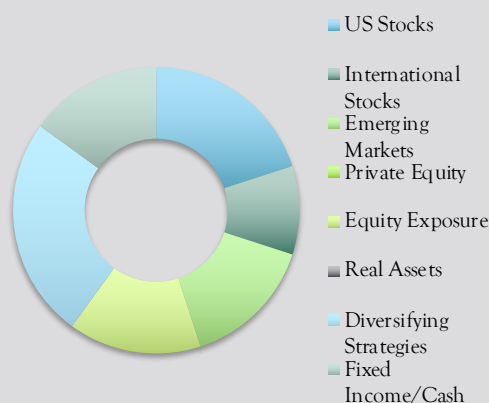
	<u>Neutral</u>	<u>Target</u>	<u>Difference</u>
All Stocks	50%	50%	0%
Global Stocks	35%	33%	-2%
Private Equity	5%	7%	+2%
Equity Exposure	10%	10%	0%
Fixed Income	20%	5%	-15%
Real Assets	15%	25%	+10%
Diversifying Strategies	15%	20%	+5%
Cash	0%	0%	0%

Risk and Return Objectives for the MBF Harvest Fund - April 2021

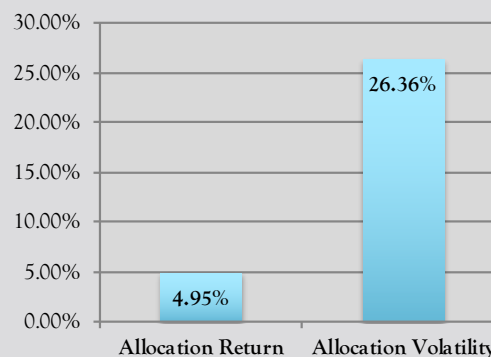
Return Goal - annual spending plus fees and inflation equals required annual return to meet long-term objectives for the MBF Harvest Fund.

	Target Allocation	*Projected Annual Return	Average Annual Return (2000-2020)	Standard Deviation (2000-2020)	2x Standard Deviation	Allocation Return	Allocation Volatility
US Stocks	20.00%	4.50%	7.82%	15.57%	31.14%	0.90%	6.23%
International Stocks	10.00%	5.50%	4.50%	16.94%	33.88%	0.55%	3.39%
Emerging Markets	15.00%	6.00%	9.94%	21.59%	43.18%	0.90%	6.48%
Private Equity	0.00%	10.50%	11.20%	10.61%	21.22%	0.00%	0.00%
Equity Exposure	15.00%	5.50%	5.44%	9.41%	18.82%	0.83%	2.82%
Real Assets	0.00%	7.50%	8.87%	6.59%	13.18%	0.00%	0.00%
Diversifying Strategies	25.00%	6.50%	7.76%	12.84%	25.68%	1.63%	6.42%
Fixed Income/Cash	15.00%	1.00%	4.83%	3.41%	6.82%	0.15%	1.02%
	100.00%					4.95%	26.36%

Target Allocation



Allocation Return and Standard Deviation



Return Scenarios



US Stocks: Russell 3000; International Stocks: MSCI EAFE net; Emerging Markets: MSCI Em Mkts; Private Equity: Cambridge Associates PE; Equity Exposure: ML Conv, HFRX Equity Hedge Real: NCREIF Timber and Farmland; Diversifying Strategies: REIT, MLP, CTA; Fixed Income: Barclays Aggregate; *Projected annual return is for 7 years, based on several industry estimates; Average Annual Return and Standard Deviation results through Dec 2020

Return Scenarios

Best Case = Allocation Return + 2 StdDev
Worst Case = Allocation Return - 2 StdDev

MBF Harvest Fund

Investment Policy Constraints

	<u>Minimum</u>	<u>Maximum</u>
All Stocks	20%	70%
Global Stocks	20%	70%
Equity Exposure	0%	25%
Fixed Income	5%	40%
Real Assets	0%	0%
Diversifying Strategies	10%	60%
Cash	0%	25%

Allocation Overview

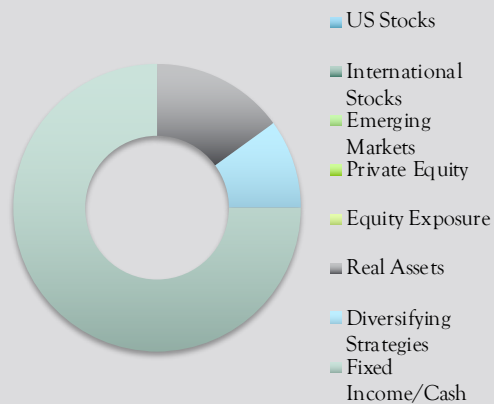
	<u>Neutral</u>	<u>Target</u>	<u>Difference</u>
All Stocks	50%	60%	+10%
Global Stocks	40%	45%	+5%
Equity Exposure	10%	15%	+5%
Fixed Income	30%	15%	-15%
Real Assets	0%	0%	0%
Diversifying Strategies	20%	25%	+5%
Cash	0%	0%	0%

Risk and Return Objectives for the MBF Storehouse Fund - April 2021

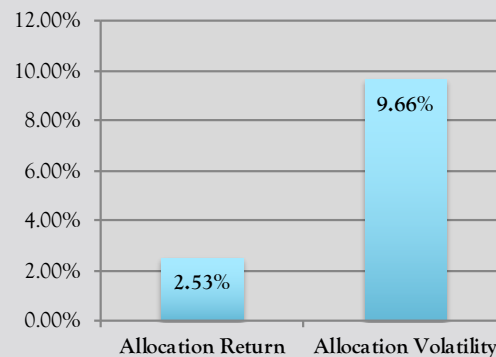
Return Goal - annual spending plus fees and inflation equals required annual return to meet long-term objectives for the MBF Storehouse Fund.

	Target Allocation	*Projected Annual Return	Average Annual Return (2000-2020)	Standard Deviation (2000-2020)	2x Standard Deviation	Allocation Return	Allocation Volatility
US Stocks	0.00%	4.50%	7.82%	15.57%	31.14%	0.00%	0.00%
International Stocks	0.00%	5.50%	4.50%	16.94%	33.88%	0.00%	0.00%
Emerging Markets	0.00%	6.00%	9.94%	21.59%	43.18%	0.00%	0.00%
Private Equity	0.00%	10.50%	11.20%	10.61%	21.22%	0.00%	0.00%
Equity Exposure	0.00%	5.50%	5.44%	9.41%	18.82%	0.00%	0.00%
Real Assets	15.00%	7.50%	8.87%	6.59%	13.18%	1.13%	1.98%
Diversifying Strategies	10.00%	6.50%	7.76%	12.84%	25.68%	0.65%	2.57%
Fixed Income/Cash	75.00%	1.00%	4.83%	3.41%	6.82%	0.75%	5.12%
	100.00%					2.53%	9.66%

Target Allocation



Allocation Return and Standard Deviation



Return Scenarios



US Stocks: Russell 3000; International Stocks: MSCI EAFE net; Emerging Markets: MSCI Em Mkts; Private Equity: Cambridge Associates PE; Equity Exposure: ML Conv, HFRX Equity Hedge Real: NCREIF Timber and Farmland; Diversifying Strategies: REIT, MLP, CTA; Fixed Income: Barclays Aggregate; *Projected annual return is for 7 years, based on several industry estimates; Average Annual Return and Standard Deviation results through Dec 2020

Return Scenarios

Best Case = Allocation Return + 2 StdDev
Worst Case = Allocation Return - 2 StdDev

MBF Storehouse Fund

Investment Policy Constraints

	<u>Minimum</u>	<u>Maximum</u>
Global Stocks	0%	0%
Long Only	0%	0%
Equity Exposure	0%	0%
Fixed Income	40%	100%
Real Assets	5%	30%
Diversifying Strategies	0%	20%
Cash	0%	25%

Allocation Overview

	<u>Neutral</u>	<u>Current</u>	<u>Difference</u>
Global Stocks	0%	0%	0%
Long Only	0%	0%	0%
Equity Exposure	0%	0%	0%
Fixed Income	100%	75%	-25%
Real Assets	0%	15%	+15%
Diversifying Strategies	0%	10%	+10%
Cash	0%	0%	0%



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