



Investment Objectives

The LCMS Foundation serves as trustee for individual life income agreements and endowments. The Foundation also acts as custodian for congregations, colleges, seminaries, auxiliaries and other related service organizations of The Lutheran Church – Missouri Synod. Several different investment vehicles or funds have been established to provide a wide array of investment opportunities that can meet the needs of various investment goals.

The LCMS Foundation believes that long-term investment objectives will be achieved through prudent management of risks associated with long-term rewards. While the preservation of capital is important, varying degrees of investment risk should be rewarded with compensating returns. Thus, prudent risk taking is justifiable. Investment strategies for the Foundation will seek to achieve total rates of return that exceed the appropriate market benchmarks and will incorporate effective risk controls.

Specific portfolio objectives seek to add value to the performance of recognized market benchmarks. Funds that incorporate multiple asset classes will have benchmarks that are composites of the appropriate underlying asset class benchmarks. A benchmark should possess the following qualities:

- It must be unambiguous.
- It must be investable.
- It must be measurable.
- It must be appropriate given the investment manager's investment style.
- It must be specified in advance.
- Managers must have knowledge of the securities that comprise the benchmark.

Investment Philosophy

The Foundation's investment philosophy is based on a set of factors that have a widely accepted theoretical basis. They include the following concepts:

- It is not possible to time market cycles.
- Capital markets revert to the mean over long time periods.
- Some markets are efficient while others are less so or inefficient.
- Costs have a meaningful impact on returns.
- Asset allocation has the most significant impact on investment results.
- Valuation and analysis based on fundamentals generally produce superior return/risk results.
- Performance measurement and monitoring activities provide assessment of the success of our investment strategies and implementation of those strategies.

The Foundation uses both separately managed accounts and commingled funds in its investment portfolios. As part of its fiduciary responsibility, the Foundation imposes investment restrictions on managers of separately managed accounts and closely monitors the investment practices of managers of commingled funds. Rebalancing of investment strategies will be undertaken as needed to ensure the optimal investment structure is maintained despite market shifts.

With the assistance of its investment consultant, Wilshire Associates, the Foundation has established a variety of investment options. Custodial accounts may choose from either the *Preference Funds* or the *Standard Funds*, or a combination of the two fund types. The Standard Funds are designed to fit the needs of most custodial accounts. They are invested in the Preference Funds in mixes that provide appropriate diversification and meet a range of investment objectives. If a custodial account has an objective that cannot be met within the Standard Fund options, then direct investment in the Preference Funds is possible, as is a combination of the two fund types. Charitable remainder trust accounts established with the Foundation are invested in the *Trust Funds*. All investment funds are monitored on an on-going basis by the investment consultant using state of the art tools.