

SOUTHERN VIRGINIA DIOCESAN FOUNDATION

STATEMENT OF INFORMATION

January 1, 2006

(Revised July 1, 2020)

INTRODUCTION

The Diocese of Southern Virginia (the “Diocese”) has organized a Virginia non-stock corporation known as the Southern Virginia Diocesan Foundation (the “Foundation”) to provide its parishes, missions and agencies with investment assistance. This corporation established a pooled investment fund known as the Diocesan Composite Fund (the “Composite Fund”) in 1950 and has since operated it as a professionally managed, long-term investment vehicle for parishes, congregations, missions and agencies within the Diocese that desire or need investment assistance in managing their special purpose accounts.

This Statement of Information for the Southern Virginia Diocesan Foundation describes the material terms of the operation of the Composite Fund and should be reviewed thoroughly before an investment is made in the Composite Fund.

THE SOUTHERN VIRGINIA DIOCESAN FOUNDATION

The Foundation is a charitable religious organization that operates under the auspices of the Diocese and is managed by a Board of Trustees. The Foundation’s day-to-day activities are managed by the Treasurer of the Diocese.

The mission of the Foundation is to provide financial and investment management assistance to parishes, congregations, missions and agencies within the Diocese, to assist in promoting the financial stability of the Diocese and its member organizations and to help provide such related services as may be considered necessary or desirable by the Board of Trustees to help support Diocesan and parish activities.

THE COMPOSITE FUND

The Foundation operates and manages the Composite Fund as a long-term investment vehicle. Currently, along with the Diocese, many parishes and agencies participate in the Composite Fund. Participation in the Composite Fund is accomplished by completing the appropriate forms and forwarding a check in the amount of the initial investment.

Ultimate responsibility for the operation of the Composite Fund rests with the Foundation’s Board of Trustees. The Composite Fund is audited each year by an independent certified public accounting firm. Its audited financial statements are available from the Diocesan offices upon request.

THE BOARD OF TRUSTEES

The Foundation's Board of Trustees is composed of no less than seven members and no more than twelve members nominated by the Board, and elected on a staggering term basis each year by the Board of Trustees. Members of the Board of Trustees serve three-year terms and receive no compensation.

The Board of Trustees is responsible for the safekeeping, management and investment of the Composite Fund. The day-to-day investment activities of the Composite Fund are managed by one or more investment advisors and/or managers chosen and retained by the Board of Trustees. The Board of Trustees regularly monitors these managers in relation to the Foundation's investment policy. The current investment advisor and custodian is US Trust, a fiduciary and part of Bank of America Private Wealth Management.

INVESTMENT OBJECTIVES

It should be recognized that there is always volatility in capital market investments and that such investments can decline in value at any time. The overall objective is to grow the Composite Fund in a risk efficient manner through market participation with an emphasis on a diversified portfolio of securities. Therefore, the Composite Fund's investments will be of such quality and diversification so that over the long-term adverse or negative events from any single investment or group of investments will not materially impair the total capital invested by the Composite Fund. The asset allocation will be appropriate to support a total return compatible with the spending policy adopted by the Board of Trustees.

The focus of the Composite Fund is long-term growth of capital with a secondary emphasis on the generation of current income. The Composite Fund invests in domestic and global publicly traded equity securities, mutual funds, hedge funds, real estate private equity and domestic corporate and U.S. government and agency bonds. The Composite Fund's goal is to produce over the long-term a net total return (income plus appreciation) that exceeds the rate of inflation by five percentage points.

RISK FACTORS

There are risks in all investments. The value of an investment may fluctuate, and at times the current value of an investment may be less than the amount of the original investment. The principal risk factor associated with an investment in the Composite Fund is that the market value of the Composite Fund's underlying investment holdings may decrease, resulting in a decrease in the value of the Participant's investment.

The Foundation and US Trust can provide no guarantee that the Composite Fund will meet its investment objectives or that the value of an investment in units of the Composite Fund will not decline.

Even though there are risks in all investments, it is generally agreed that the risks associated with equity investments (stocks) are greater than those associated with fixed

income investments (bonds). It is also generally agreed that over the long-term the total return generated by equity investments should be greater than the total return generated by fixed income investments.

WHO SHOULD INVEST IN THE COMPOSITE FUND

An investment in the Composite Fund can be made only by a qualified charitable organization located within the Diocese and at the discretion of the Board of Trustees. **Individuals cannot invest in the Composite Fund.** Generally, any parish, congregation, mission or agency within the Episcopal Diocese of Southern Virginia may invest the assets of its general endowment or other funds in the Composite Fund. This is not to say that an investment in the Composite Fund is necessarily an appropriate investment for all parishes or agencies within the Diocese. **It is recommended that those organizations requiring the use of invested assets within five years should seek alternative investment options.**

Before investing in the Composite Fund an investor should thoroughly review this Statement of Information and carefully consider not only the specific and unique nature of the funds to be invested, but also the risks associated with an investment in the Composite Fund.

HOW THE COMPOSITE FUND'S UNIT PRICES ARE DETERMINED

The market value of the Composite Fund's underlying investment holdings, including all cash and cash equivalents, is provided to the Foundation at the end of each calendar quarter by US Trust as the Composite Fund's custodian. This market value has been reduced by the Composite Fund's expenses, to determine the Composite Fund's net assets. The Composite Fund's unit price is then calculated by dividing its net assets by the number of units outstanding at the end of the valuation period. This unit price then is used to calculate the value of each Participant's account at the end of the valuation period. An interim Unit price is determined by the US Trust system's internal programming using the posting date of any initial investments, additional investments or withdrawals in order to determine the number of units to be assigned or reduced to the Participant's account depending on the transaction.

HOW TO MAKE AN INVESTMENT IN THE COMPOSITE FUND

Investments in the Composite Fund may be made at any time. The investment is effective on the date received by the Bank and deposited in the investment account.

The minimum initial investment is \$2,000.00. A fully completed *Initial Investment Form*, a properly executed *Investment Authorization Form* (both of these documents can be found on the Diocesan website, www.diosova.org) and a check payable to Bank of America should be sent to Diocese of Southern Virginia, 11827 Canon Blvd., Suite 101, Newport News, VA 23606.

To add funds to an existing account, Participants should complete the *Additional Investments Form* (also on the diocesan website) and send to the Diocesan Office with a check for the investment amount. There is no minimum amount required to add to an

existing investment account.

Checks should be made payable to “Bank of America”, and may indicate in the Memo space, “SVDF” and the Participant’s Fund name or number.

HOW TO MAKE WITHDRAWALS FROM THE COMPOSITE FUND

Withdrawals from the Composite Fund may be made anytime during the quarter. Requests to withdraw funds must be made in writing on the *Withdrawal Form* (also found on the diocesan website) and must indicate clearly the exact dollar amount to be withdrawn and the participant’s Fund Name and Fund Number. The Foundation requires that a Participant maintain an account balance of at least \$1,000.

Instead of requesting a withdrawal, a Participant may elect to receive quarterly distributions.

QUARTERLY DISTRIBUTIONS

The Foundation has adopted a policy that provides a Participant with a quarterly distribution based on the investment’s “total return”. This policy recognizes that capital appreciation, dividends and interest should be considered in determining the amount that should be available for distribution.

The Foundation’s current quarterly distribution policy provides for a distribution, at the end of each calendar quarter, to a Participant of 1.25 percent of the average market value of its account (computed on a per Unit basis) for a total of 5 percent per year. The average market value of each Unit is determined on September 30 of each year for distributions to be made during the subsequent calendar year, and is the average of the market value of the total Fund (divided by total Units then outstanding) at the end of each of the preceding twelve (12) calendar quarters. This policy evens out market highs and lows and provides a more conservative distribution schedule. The Board of Trustees reserves the right to change this distribution policy from time to time if it determines that a change is needed.

Each quarter, a Participant’s account balance will be increased by its share of earnings (net of expenses) and increased or decreased by its share of the undistributed appreciation or depreciation. Conversely, quarterly distributions to a Participant based on the quarterly distribution policy will decrease its account balance and the number of Units held in its account.

If a participant has withdrawn funds from its account so that there is not a sufficient balance in the account to implement the policy stated in this section, quarterly distributions to that Participant shall cease.

When completing the *Initial Investment Designation Form*, a Participant must indicate that the quarterly distribution option is being requested. A request to stop receiving quarterly distributions or to begin receiving quarterly distributions may be made at any time by forwarding a written request to the Treasurer of the Diocese. The request must be made on a *Change Distribution Form* (also found on the diocesan website).

Requests to change a Participant's distribution election that are not received by the Diocesan Treasurer by the 15th day of the last month of a calendar quarter will become effective at the end of the following quarter.

ABOUT EXPENSES

No costs are incurred by Participants in making contributions to or withdrawals from the Composite Fund or in maintaining their investments in the Composite Fund. However, the Composite Fund does incur fees in connection with the day-to-day management of the Composite Fund's investments by its selected investment managers. These fees are charged against the Composite Fund's investments by its investment managers, and the investment returns and valuations of Participants' accounts are shown net of these fees.

THE COMPOSITE FUND'S INVESTMENT MANAGERS

The Trustees of the Foundation have selected US Trust, a fiduciary and part of Bank of America Private Wealth Management, as investment advisor to the Composite Fund. The Composite Fund utilizes the local portfolio management team at US Trust as well as the Investment Management and Guidance (IMG) Team within Bank of America to conduct in-depth research and analysis on selected investment management firms and has assisted the Foundation in the identification of the Composite Fund's investment objectives, enabling the Foundation to align its risk tolerances with appropriate investment offerings.

Currently the Composite Fund is invested in the following distinct investment styles:

- Domestic U.S. Large Cap Equity Solutions
- Domestic U.S. Mid Cap Equity Solutions
- Domestic U.S. Small Cap Equity Solutions
- International Developed and Emerging Markets Equity Solutions
- Customized taxable Fixed Income Solutions
- Alternative Investments Managers, Private Equity and Hedge Funds
- Real Estate Investments

A more detailed description of the individual investments can be requested from the offices of the Foundation.

THE COMPOSITE FUND'S CUSTODIAL AND ADMINISTRATIVE SERVICES PROVIDERS

The Bank of America provides the Composite Fund with custodial and various administrative services. Bank of America has been retained to provide all quarter-ending unit price calculations, including unit income, as well as to maintain those records necessary to track each Participant's holdings of the Composite Fund. The Composite Fund pays Bank of America a nominal fee for these services.

The Board of Trustees has determined that Bank of America provides superior service and adequate protection and safekeeping of the Composite Fund's assets.

As the operator of the Composite Fund, the Foundation also provides the Composite Fund with a variety of administrative services with the assistance of personnel in the Diocesan Treasurer's Office. The Diocese is paid an administrative fee of \$1,500 each year for its services. These services relate primarily to "Participant Services," meaning that the Foundation is the only point of contact for communications (quarterly reports, the investment and withdrawal of funds and distribution of funds, etc.) between the Composite Fund and the Participants.

The Southern Virginia Diocesan Foundation receives no payment of any kind for services it provides to or on behalf of the Composite Fund.

PARTICIPANT REPORTING

The Foundation receives quarterly statements for each Participant that reflects each Participant's investments and prior quarter's activities in the Composite Fund. These statements include the total number of units held, the unit price, the beginning and ending balances, the earnings and expenses allocated to the Participant's account and any deposits to or withdrawals from the Participant's account.

The Foundation, through the Diocesan Treasurer's office, distributes these quarterly statements to each Participant during the month following each quarter.

The Foundation also receives a quarterly report that combines and summarizes all of the Composite Fund's activities, including the investments and the performance of the Composite Fund.

HOW THE FOUNDATION MAY BE CONTACTED

Please contact the Foundation through the offices of the Episcopal Diocese of Southern Virginia, at the following address:

The Southern Virginia Diocesan Foundation
c/o The Episcopal Diocese of Southern Virginia
11827 Canon Boulevard, Suite 101
Newport News, VA 23606-3071
Attn: Judy Dobson, comptroller
757-213-3386
jdobson@diosova.org

ADDITIONAL INFORMATION

Additional information regarding the Composite Fund is available and should be considered an integral part of this Statement of Information. The following documents may be found on the Diocesan website or may be requested from the Diocesan office:

- Current Quarterly Investment Performance Report for the Composite Fund (website)

- The Foundation's Investment Policy Statement (website)
- The Foundation's audited Financial Statements (upon request)

The Composite Fund is sponsored and administered by the Foundation exclusively for the collective investment of assets of one or more charitable organizations located within the Diocese. Consequently, the Foundation is not deemed to be an investment company and is not registered under the Investment Company Act of 1940. Moreover, the Composite Fund is also exempt from registration under the Securities Act of 1933 and the Securities Exchange Act of 1934 pursuant to exemptions in each Act and the provisions of the Philanthropy Protection Act of 1995 (Pub. L. 104-62). The Composite Fund is also exempt from registration under the Virginia Securities Act. The Foundation does not deem itself to be an investment advisor and, therefore, is not registered under the Investment Advisers Act of 1940.