

**INVESTMENT GUIDELINES**  
**Fixed Income Fund**  
**GEORGIA BAPTIST FOUNDATION, INC.**

February 2009

**INVESTMENT OBJECTIVE**

The investment objective of the Georgia Baptist Foundation Fixed Income Fund is to provide a positive income flow from interest on corporate and government bonds while minimizing the volatility of the fund.

**INVESTMENT POLICY**

A. Asset Allocation

The asset allocation of the fund will consist of a diversified pool of government and corporate fixed income securities selected in compliance with the stated guidelines.

B. Income Distribution

The Trustees have determined that the level of income to be paid to beneficiaries shall be as follows:

Fixed Income Fund interest, minus investment expenses, will be allocated among investing trusts as of the last business day of the month. The income will be credited to each investing trust's account on the sixth business day of the following month. The income is retained in the trust account, earning temporary investment income, until distributed to the trust beneficiary or reinvested.

C. Risk Tolerance

The primary measurement of risk will be the standard deviation of average returns. The desired ratio of return units to risk units shall be such that when average return over the life of the portfolio is divided by standard deviation, the result is greater than one (1).

Failure to achieve the goal in times of excessive market volatility is not a failure of the strategy, but should trigger a review of the asset allocation and managers to insure that all are performing to expectations.

## **Fixed Income Investment Guidelines**

### **GEORGIA BAPTIST FOUNDATION, INC.**

1. Fixed Income Holdings - Bond Diversification and Quality Criteria
  - a. Marketable issues are desired so that the portfolio can be actively managed.
  - b. Bonds with maturities of one year or more should be of an original issue size in excess of \$50 million.
  - c. Bond holdings are expected to be well diversified across the permitted universe.
  - d. Quality: 90% of the portfolio will be Bank Investment Grade; the remaining 10% must have a Moody's or Standard & Poor's rating no lower than B2 or B.
  
2. Fixed Income Holdings - Turnover
  - a. Bonds may be actively managed.
  - b. Active management is meant to include altering the average coupon yields, shifting maturity schedules, "swapping", and such other prudent strategies which enhance the income or quality of the portfolio or decrease the risk.
  
3. Fixed Income Holdings - Bond Investment Universe

The following security categories are generally permissible investments for the fixed income portion of the portfolio:

  - a. Debt securities issued or guaranteed by the United States Government or its agencies (including U.S. Government Agency mortgage-backed securities).
  - b. Corporate bonds, debentures, and other forms of corporate debt obligations, including equipment trust certificates.
  - c. Indexed notes.
  - d. Yankee Bonds.
  - e. Debt securities issued by foreign governments provided they meet the quality criteria of Para. 1. d.
  
4. Cash Equivalent Holdings - Diversification

Excluding debt obligations of the U.S. Government or its agencies, or the Master custodian short-term reserve fund, no single issue may exceed 10% of the market value of the total account.

5. Cash Equivalent Holdings - Universe  
The following short term investment vehicles are acceptable:
  - a. All obligations issued or guaranteed by the U.S. Government or its agencies.
  - b. Commercial paper rated A1 by Standard & Poor's and P1 by Moody's.
  - c. Certificates of Deposit - only of banks or savings and loan institutions with listed deposits in excess of \$500 mm (excluding the custodian bank) in the United States in terms of total assets.
  - d. Custodian bank short term reserve funds which meet the diversification and quality criteria set forth by the Controller of the Currency.
  - e. No-load money market mutual funds.
  - f. Euro-dollar CD's.
  - g. Bankers Acceptances.
  
6. The following are not permitted unless approved in writing by the Foundation:
  - a. Securities of the asset manager, the custodian, their parent, or subsidiaries (excluding short term reserve funds).
  - b. Securities of companies, whose primary business is related to alcohol, tobacco, gambling, or publishing materials of limited redeeming social value.
  - c. Securities of entertainment companies whose primary business is the production, sale, or distribution of pornographic movies, music, or television programs.
  
7. Investment transactions are to be executed at the best net price. The Foundation may, in its discretion, instruct the manager to direct trades to a specific broker-dealer.
  
8. Fixed Income managers will be measured against a universe of managers using the same investment style, as well as the Barclay/s Capital (BARCAP) Government/Credit Bond Index.

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