

WELS Investment Funds, Inc.
INVESTMENT POLICY STATEMENT

I. Introduction

WELS Investment Funds, Inc. serves under the Synodical Council by providing investment portfolios for the benefit of WELS, its subsidiaries and its affiliated organizations (collectively, participants). The Investment Policy Statement is issued by the WELS Investment Funds Board of Directors (the "Board") to establish appropriate objectives and guidelines for its investments (hereafter referred to as the "Portfolios") in the areas that most influence investment returns and risks. The Statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolios' investment programs and for evaluating the contributions of the Investment Consultant hired on behalf of the Portfolios and their participants.

II. Role of the Board of Directors

The Board is acting in a fiduciary capacity and is accountable for overseeing all of the assets in the Portfolios.

- A. This Investment Policy Statement ("Policies") sets forth the investment objectives, and investment guidelines that govern the activities of the Board and any other parties to whom the Board has delegated investment management responsibility for Portfolio assets.
- B. The Policies for the Portfolios contained herein have been formulated consistent with WELS Investment Funds' tolerance for assuming investment risk, mindful of the needs of the participants.
- C. The Policies contained in this statement are intended to provide boundaries, where necessary, for ensuring that the Portfolios' investments are managed consistent with the short-term and long-term investment goals of WELS Investment Funds. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions.
- D. The Board will review these Policies at least once per year. Written confirmation of changes will be provided to all participants and parties hired on behalf of the Portfolios as soon thereafter as is practical.

III. Role of the Investment Consultant

- A. The Investment Consultant, as co-fiduciary, is responsible for making investment recommendations to the Board. Once the recommendation is approved by the Board, the Investment Consultant, after consideration of this Statement and the various investment objectives and restrictions established for the Portfolios, will have discretion to implement and oversee the implementation of the investment recommendations.

- B. The Investment Consultant is responsible for independently calculating and reporting, on a monthly basis, the market values and the performance of the Portfolios and the individual investments in each of the Portfolios.
- C. The Investment Consultant is also responsible for the monitoring of compliance with this Investment Policy Statement. Recommended changes to the Investment Policy Statement must be reviewed and approved by the Board and the Synodical Council.

IV. Investment Objective Policy

- A. Each of the Portfolios have unique distribution policies based on the needs of the participants in the Portfolios. Therefore, the Portfolios are to be invested with the objective of preserving the long-term, real purchasing power of assets and/or with consideration for their unique distribution policies.
- B. Periodic cash flow, either into or out of the Portfolios, will be used to better align the investment portfolios to the target asset allocations outlined in the Asset Allocation Policy at Section V. A. herein.

V. Investment Policies for the Portfolios

A. Asset Allocation Policy

1. The Board recognizes that the assets in each of the Portfolios will be invested across broadly-defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation. The strategic allocation for each of the Portfolios will be the most significant determinant of long-term investment returns and asset value stability.
2. The Board expects that actual returns and return volatility may vary widely from expectations and return objectives across short periods of time. While the Board wishes to retain flexibility with respect to making periodic changes to the asset allocation for each of the Portfolios, it expects to do so only in the event of material changes to the Portfolios and/or to the capital markets and asset classes in which the Portfolios invest.
3. Portfolio assets will be managed as being comprised of two major components: an equity portion and a fixed income portion. The expected role of the equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of the equity investments. All Portfolio investments will be in mutual funds which are registered investment companies under the Investment Company Act of 1940.
4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for liquidity needs or to facilitate a

planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes.

5. The long-term strategic asset allocation guidelines, determined by the Board to be the most appropriate, given each Portfolios' long-term objectives and short-term constraints are contained in the Appendix of this document.

B. Diversification Policy

Diversification across and within asset classes is the primary means by which the Board expects the Portfolios to avoid undue risk of large losses over long time periods. To protect the Portfolios against unfavorable outcomes within an asset class due to the assumption of large risks, the Board will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no mutual fund shall comprise more than 20% of total Portfolio assets.
3. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

C. Rebalancing Policies

It is expected that the Portfolios' actual asset allocation will vary from their target asset allocations as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolios will be re-balanced to its target normal asset allocation under the following circumstances:

1. Utilize incoming cash flow (contributions) or outgoing money movements (disbursements) of the portfolios to realign the current weightings closer to the target weightings for the portfolios.
2. The portfolios will be reviewed quarterly to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:
 - a) If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.

- b) If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced.
3. The Investment Consultant may provide a rebalancing recommendation at any time.
4. The Investment Consultant shall act within a reasonable period of time to evaluate deviation from these ranges.

D. Prohibited Investments Policies

The Portfolios and the underlying investments within the Portfolios are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
3. Purchasing or selling derivative securities for speculation or leverage.
4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios.

VI. Monitoring Portfolio Investments and Performance

The Board will monitor the Portfolios' investment performance against the Portfolio's stated investment objectives. At least four times per year the Board will formally assess the Portfolios and the performance of their underlying investments as follows:

- A. The Portfolios' composite investment performance (net of fees) will be judged against the following standards:
 1. The Portfolios' absolute long-term real return objectives
 2. A composite benchmark consisting of the following unmanaged market indices weighted according to the expected target asset allocations stipulated by the Portfolio investment guidelines:
 - a) U.S. Equity: CRSP US Total Market Index or a similar broad domestic equity index
 - b) Non-U.S. Equity: FTSE Global All Cap ex US Index or a similar broad international equity index
 - c) U.S. Fixed Income: Barclays US Aggregate Float Adjusted Index

- d) Non-U.S. Fixed Income: Barclays Global Aggregate ex-USD RIC Capped Index Hedged
 - e) Real Estate Investment Trusts: MSCI US REIT Index
 - f) Cash: Citigroup 3-Month T-Bill Index
- B. The performance of Portfolio Investments will be judged against the following standards:
- 1. A market-based index appropriately selected or tailored to the investment's agreed-upon objective and characteristics
 - 2. The performance of other investments having similar investment objectives
- C. In keeping with the Portfolios' overall long-term financial objective, the Board will evaluate Portfolios and individual investment performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.
- D. Investment reports shall be provided by Investment Consultant on a (calendar) quarterly basis or as more frequently requested by the Board. The Investment Consultant is expected to be available to meet with the Board at least quarterly to review portfolio structure, strategy, and investment performance.

Appendix

Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

- I. Endowment Fund (WELS, WELS Foundation, Luther Preparatory School, Michigan Lutheran Seminary, Martin Luther College and Wisconsin Lutheran Seminary)

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	45%	70% - 80%
	International (Non-U.S.)	30%	
Fixed Income	Domestic (U.S.)	22.5%	20% - 30%
	International (Non-U.S.)	2.5%	
Real Estate	Real Estate Investment Trusts	0%	0-10%

- II. Charitable Remainder Trusts Fund

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	36%	55% - 65%
	International (Non-U.S.)	24%	
Fixed Income	Domestic (U.S.)	36%	35% - 45%
	International (Non-U.S.)	4%	
Real Estate	Real Estate Investment Trusts	0%	0-10%

III. Charitable Gift Annuity Fund

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	60%	55% - 65%
	International (Non-U.S.)	36%	
		24%	
Fixed Income	Domestic (U.S.)	40%	35% - 45%
	International (Non-U.S.)	36%	
		4%	
Real Estate	Real Estate Investment Trusts	0%	0-10%

IV. Donor Advised Funds

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	60%	55% - 65%
	International (Non-U.S.)	36%	
		24%	
Fixed Income	Domestic (U.S.)	40%	35% - 45%
	International (Non-U.S.)	36%	
		4%	
Real Estate	Real Estate Investment Trusts	0%	0-10%

V. Congregations

WELS Balanced Fund

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	60%	55% - 65%
	International (Non-U.S.)	36%	
		24%	
Fixed Income	Domestic (U.S.)	40%	35% - 45%
	International (Non-U.S.)	36%	
		4%	
Real Estate	Real Estate Investment Trusts	0%	0-10%

WELS Endowment Fund

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	45%	70% - 80%
	International (Non-U.S.)	30%	
Fixed Income	Domestic (U.S.)	22.5%	20% - 30%
	International (Non-U.S.)	2.5%	
Real Estate	Real Estate Investment Trusts	0%	0%-10%

WELS Equity Fund

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Equity	Domestic (U.S.)	60%	95%-100%
	International (Non-U.S.)	40%	
Real Estate	Real Estate Investment Trusts	0%	0%-5%

WELS Income Fund

Asset Class	Sub-Asset Class	Target Allocation	Target Range
Fixed Income	Domestic (U.S.)	90%	100%
	International (Non-U.S.)	10%	