

DRAFT

[INSERT NAME OF ORGANIZATION]

Investment Policy Statement

Adopted _____, 200_

I. PHILOSOPHY

It is the responsibility of the Board of Directors (the “Board”) to establish broad guidelines for investment of endowment assets and Board designated reserves, to determine asset allocation parameters, to select and monitor investment managers, and to establish endowment spending policy. It is the practice of the Board to delegate asset management oversight to the Finance Committee of the Board. The goal is to achieve growth of endowment principal over time in order to support the operations of the company through the endowment transfer process and to preserve and enhance the endowment.

II. GENERAL INVESTMENT OBJECTIVES

Endowment funds shall be invested with a goal to earn a real rate of return (return in excess of the CPI) on an annual basis of four to six percent. The goal will also be to outperform selected broad-based market indices. Management of the endowment will seek a reasonable balance of rate of return, adequate liquidity, and long-term preservation of capital.

III. GENERAL POLICIES

The Endowment is intended for [INSERT NAME OF ORGANIZATION]’s benefit. The assets shall be invested in accordance with the Prudent Man Rule and all applicable laws.

Investment of endowment shall be diversified among equity-type and fixed income securities to provide a balance between maximization of total return and avoidance of undue risk from market or economic fluctuations due to concentration in any one industry or company.

Investments may be made in cash equivalent instruments, fixed income securities, and domestic or international equities provided that any such securities are listed on a national exchange or marketplace.

IV. GENERAL GUIDELINES

A. Asset Allocation

To enhance total return while protecting against undue risk, the long-term guideline for the endowment should be:

	Allocation Range
• Common Stock	__% to __%
• Fixed Income/Preferred Stock	__% to __%
• Cash Equivalents	__% to __%

Assets in the endowment should be reviewed by the Finance Committee semi-annually to determine if re-allocation is needed.

B. Securities

1. Equity

The primary purpose of equity investments is to provide capital appreciation with a total return higher than the risk-free U.S. Treasury rate. The principal category of equity investments will be publicly traded common stocks which shall be broadly diversified.

- a. Equity allocation and diversification will be at the discretion of investment counsel.
- b. No more than __% of equity securities at time of purchase shall be invested in diversified international securities or international institutional mutual funds.
- c. No more than __% of equity securities at time of purchase shall be invested in any one sector and no more than __% of the total value at time of purchase of the endowment shall be invested in any one common stock.
- d. Equity investment may also include equity real estate investment in trusts (REITS) in professionally managed, geographically and/or product-type diversified income-producing property. Direct real estate equity investment requires specific approval of the Board. All real estate investments, however, shall not exceed __% of the total endowment assets.
- e. Upon specific approval of the Board, equity investments may also include private equity placements or venture capital investments in a diversified portfolio but not exceeding __% of total Endowment assets.

2. Fixed Income

- a. Fixed income allocation and diversification will be at the discretion of the investment counsel, but limited only to domestic securities or institutional mutual funds.
- b. Maximum maturity of all fixed income, except convertible bonds, will not exceed twenty years with the balance of fixed income maturity range at the discretion of investment counsel. Mortgage-backed and asset-backed securities may have a final maturity date greater than ten years, however, the duration of these securities shall not exceed ten years.
- c. At least __% of all bonds must have a rating of A or better by Moody's or Standard and Poor's at any time.
- d. No single issue at cost may represent more than __% of the total value of the endowment's portfolio; U.S. government obligations and money market funds are excluded from the __% limitation.
- e. Convertible funds will represent no more than __% of the endowment assets at time of purchase.
- f. If any security held in the portfolio is downgraded to below investment grade by a recognized rating agency, the investment counsel will dispose of the security as soon as practicable, absent a finding by the Board that this would not be in its best interest.

3. Cash Equivalents

Cash Equivalents, defined as fixed income investments with maturities less than one year, allocations and diversifications will be at the discretion of the investment counsel but limited only to domestic securities or institutional mutual funds.

V. MANAGEMENT

The endowment shall be managed by one or more investment firms selected by the Board and reviewed at least annually. Such firm(s) should have clearly defined investment strategies, a disciplined process for following its strategies, competitive fee structures, and a demonstrated record of superior performance over a period of time.

The investment management firm is expected to achieve an average total rate of return net of fees on equities and fixed income that equal or exceed a relevant index of each asset class. Investment results should be measured generally over a four-year period.

VI. SPENDING POLICY OBJECTIVES FOR THE BOARD

The objective of the spending policy is to allocate in a reasonable and balanced manner the total earnings from endowment between current spending and reinvestment for future earnings and expenditures in order that the purchasing power of the Endowment shall be maintained or enhanced. A secondary objective is to provide a stable source of income to the operating fund of the organization.

Budgeted annual endowment spending shall be set at no higher than __% of the ____-year rolling average of the Fair Market Value of the endowment as measured on December 31st of the last ____ calendar years. Over time, the Board should work to reduce the spending rate toward __%.

VII. REPORTING

Investment counsel shall provide written monthly status reports of each fund for each account under management which shall show the value of all investments in each account together with a statement of earnings or interest thereon for the period. Endowment results and asset allocation shall be discussed periodically, but at least annually by the [INSERT NAME OF ORGANIZATION] Finance Committee.

Investment Counsel shall be available to meet with the [INSERT NAME OF ORGANIZATION] Finance Committee upon request.