

ASSISTANCE LEAGUE® OF NORTH COAST INVESTMENT POLICY

1. Introduction. The governing Board of Assistance League® of North Coast (the “Board”) holds all funds of Assistance League of North Coast (the “ALNC”) as a fiduciary and is therefore responsible for sound financial management. The purpose of this Investment Policy shall be to define investment objectives, set forth investment guidelines and assign responsibility for their implementation. This Investment Policy shall serve as the cornerstone by which all investment purchases and sales shall be monitored for suitability and performance. This Investment Policy supersedes all previous investment policy statements of the ALNC.

2. Management Overview. The Board delegates supervisory authority over its investments to the Investment Committee. The Board may authorize the Investment Committee to recommend one or more investment professionals to advise the chapter in the investment management of funds and assets owned or administered. Subject to Board approval, the Investment Committee is authorized to receive reports from and enter into agreements with such professionals. In carrying out its responsibilities, the Investment Committee and all professional agents shall act in accordance with this Investment Policy, and all applicable laws and regulations, including, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by California.

3. Assignment of Responsibility. This section sets forth the duties and responsibilities of the Board, the Investment Committee and any investment professionals retained by the ALNC. The Investment Committee shall manage the investment portfolio and advise the chapter on its investments.

A. Responsibilities of the Board. The responsibilities of the Board with respect to investments include, but are not limited to:

- i. Projecting the chapter’s financial needs
- ii. Approving and periodically reviewing this Investment Policy at least once a year
- iii. Reviewing the Investment Committee’s quarterly reports
- iv. Appointing one member from the Board to serve on the Investment Committee.

B. Responsibilities of the Investment Committee. The Investment Committee is responsible for recommending investment policies and strategies for the assets placed under its control, while adhering to the specific limitations and guidelines set forth in this Investment Policy. The Investment Committee shall consist of at least one Board member, and members, donors, professional financial advisors and community members appointed by the Board. Specific responsibilities of the Investment Committee include, but are not limited to:

- i. Appointing a Chair (or Chairs) of the Investment Committee. The Chair must be an active Member of the ALNC.
- ii. Monitoring and evaluating performance results to ensure that policy guidelines are being adhered to and that objectives are being met.
- iii. Reporting investment performance through the Investment Committee Chair to the Board, and providing copies of reports to the Finance Committee and Planned Giving Committee.

- iv. Meeting, at least semi-annually, with investment advisers to review past account performance, observe current market conditions and adjust as necessary the coming year's allocation mix.
- v. Reviewing and evaluating investment advisers annually.
- vi. Nominating a Chair to attend semi-annual Finance Committee meetings on behalf of the Investment Committee.

C. Responsibilities of Investment Adviser. The investment adviser ("Adviser") is required to adhere to the limitations and guidelines set forth in this Investment Policy. The Adviser shall have appropriate qualifications and Series 7 and 66 licenses required to perform management services and shall be bound in an engagement letter to act in accordance with this Investment Policy and the ALNC Conflict of Interest Policy, as well as applicable laws and regulations. Specific responsibilities of the Adviser include, but are not limited to:

- i. Placing buy and sell orders at the direction of the Treasurer of ALNC or the Investment Committee Chairperson. The Adviser shall not have discretionary power to initiate buy/sell orders at any time without the approval of the Investment Committee, as communicated through the Treasurer of the ALNC or Investment Committee Chair.
- ii. Providing quarterly statements and year-end performance evaluations in writing to the Investment Committee.
- iii. Communicating any change in market conditions or specific investments to the Investment Committee and making specific recommendations for consideration.
- iv. Disclosing to the Investment Committee all sales charges and fees prior to any transaction and in the year-end performance evaluation.
- v. Each Adviser shall be qualified in the securities industry and affiliated with a registered broker/dealer.
- vi. Meeting, at least semi-annually, with the Investment Committee to review past account performance, observe current market conditions and adjust as necessary the coming year's allocation mix.

4. Investment Objectives. The primary investment objective of ALNC is to preserve and protect its assets by earning a total return appropriate to the chapter's time horizon, liquidity needs and risk tolerance. The ALNC holds various categories of investable funds which have different time horizons, liquidity needs, spending requirements, and/or risk tolerance, as outlined below. These tiers allow for future fund development including, but not limited to endowments, quasi-endowments, capital campaign funds. The primary objective for investments held in endowment funds will be to provide for long-term growth of principal and income without undue exposure to risk. Therefore, the focus will be on consistent long-term capital appreciation, with income generated as a secondary consideration.

Tier 1: Current Operating Funds: The purpose of this tier is to assure adequate liquidity and safety for current operations. To achieve this goal, the Investment Committee shall match maturities of Tier 1 investments to the chapter's cash flow draw-down requirements for the current year. The Tier 1 investments shall be 'risk free' in nature and maturities shall not exceed 180 days.

Tier 2: Operating Budget Reserve Funds: The purpose of this tier is to ensure adequate resources for a one-year operating budget reserve. When investing these reserve funds, emphasis will be placed on safety, liquidity and yield, in that order.

Tier 3: Board-Designated Endowment Funds: The purpose of this tier is to maximize total return consistent with the safety of principal. Liquidity is a secondary objective.

Tier 4: Permanent Endowment Funds: The purpose of this tier is to maximize total return consistent with the safety of principal. Liquidity is a secondary objective.

Tier 5: Capital Campaign Funds: The purpose of this tier is to assure adequate liquidity and safety for contributions received for a new building project until funds are needed. The Investment Committee shall match maturities to Tier 5 investments to the chapter’s cash flow draw-down requirements during the construction phase.

After consultation with the Finance Committee, the Board shall, at least annually, specify to the Investment Committee the dollar amounts to be maintained in each tier.

5. Investment Asset Allocation. This section contains the acceptable ranges of investment and allocations for each tier.

Sample: Acceptable Ranges of Investment

	<i>Tier 1 - Operating Funds</i>	<i>Tier 2 - Operating Budget Reserve</i>	<i>Tier 3 – Board Designated Endowment Funds</i>	<i>Tier 4 – Permanent Endowment Funds</i>	<i>Tier 5 – Capital Campaign Funds</i>
Equities	0%	0%	40%	50%	40%
Fixed-Income	0%	20%	50%	40%	40%
Cash and Equivalents	0-100%	80%	10%	10%	20%

Deviations from the allocation guidelines are permitted in order to accommodate such shorter-term considerations as anticipated liquidity requirements or extraordinary economic conditions. Additionally, the Investment Committee may authorize exceptions to accomplish the intent of particular donors.

6. Investment Guidelines

A. Allowable Assets: To accomplish the chapter’s investment objectives, the following types of investments shall be allowed:

- i. Cash and cash equivalents – treasury bills, money market funds, commercial paper, repurchase agreements and certificates of deposit.
- ii. Equity securities – common stock preferred stock and convertible preferred stock.

- iii. Fixed income securities – government and agency securities, corporate notes and bonds, mortgage-backed bonds, convertible notes and bonds.
- iv. Mutual funds and Exchange Traded Funds which invest in securities allowed in this investment policy.

B. Asset Quality and Diversification: All investments shall be diversified in accordance with this Investment Policy and shall be purchased for cash. There shall be no margin transactions, short selling, commodity transactions, index futures, option trades or use of derivatives.

- i. Cash and cash equivalents – Cash and cash equivalents should be “risk-free” assets and may include: a) U.S. Treasury bills; b) commercial paper rated A-1 or better by Standard & Poor’s or P-1 or better by Moody’s; c) certificates of deposits from institutions insured by FDIC, d) money market funds which invest primarily in instruments described in a) through c) above.
- ii. Fixed income securities – The quality rating of bonds must be A or better, as rated by Standard & Poor’s or other equivalent rating services. The portfolio may consist only of traditional principal and interest obligations (no derivatives) with maturities of five (5) years or less. No single issue of fixed income securities shall exceed 10% of the total portfolio at the time of purchase. No derivative based, leveraged or high yield (junk) bonds, closed-end trusts or unit investment trusts are allowed.
- iii. Common stock – Common stock shall be unrestricted, publicly traded common stock that is listed on a major exchange or a national over-the-counter market and is appropriate for the objectives of the tier that is to hold such shares. The quality rating of common stocks shall be B+ or better, as rated by Standards & Poor’s or other equivalent rating services. Investments in equity mutual funds shall meet the requirements of this category.
- iv. Mutual Funds – Styles of mutual funds shall be limited to: domestic growth, international, index, growth/income, equity income, asset allocation and balanced. No equity fund that has a Morningstar rating of less than four (4) stars shall be allowed. Attention shall be paid to the fee structure of any mutual fund purchased.
- v. Sector Diversification – In addition to the percentage limitations for individual stocks and bonds, no more than 10% of the total portfolio shall be invested in securities of any single economic sector or industry group.

7. Investment Performance. Investment performance will be measured quarterly and reviewed by the Investment Committee in comparison with appropriate market benchmarks. Fund managers, investment advisors, and portfolio managers may provide performance comparisons with specialized benchmarks. In any case, the Investment Committee should compare the performance of each of the three asset classes with broad market benchmarks e.g., 3-month US Treasury Securities for cash and equivalents; intermediate-term, constant-maturity Treasuries (CMTs) for fixed income; and the S&P 500 Composite Index for equity funds. Returns should be computed as time-weighted (or geometric) average annual rates."

The performance comparisons should be included in a comprehensive report and presented each quarter to the Board, and to the membership as appropriate or upon

request. In addition to the performance comparisons, the report should include financial summaries by asset class, as well as descriptions of significant transactions, receipts, and disbursements.

8. Spending Guidelines. Operating funds will be disbursed as needed to cover any budgeted expenses, as well as unbudgeted operating or capital expenditures recommended by the Finance Committee and approved by the Board. To the extent that operating funds are insufficient to cover current expenditures, disbursements may be made from Operating Budget Reserves, as recommended by the Finance Committee and approved by the Board.

Restricted assets can be disbursed to the extent they constitute earnings on permanently restricted donations, or to the extent they represent temporarily-restricted donations for which the restrictions have been satisfied. If not disbursed, such earnings and released assets will be designated as unrestricted investments within the portfolio.

9. Review and Amendment. The Investment Committee shall review these Investment Policies at least annually and make recommended changes to the Board for approval. Any amendment to this Investment Policy shall be adopted by a vote of at least two-thirds (2/3) of the membership of the Board at any regularly scheduled meeting.