**Statement of Investment Policy for the**

**Suburban Rotary CLUB Charitable Foundation**

Revised August 15, 2017

**A. PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This Statement of Investment Policy is set forth by the Board of Trustees of the Suburban Rotary Club Charitable Foundation to:

1. Set forth the Foundation’s investment objective.

2. Establish guidelines and limitations regarding the investment of the Suburban Rotary Club Charitable Foundation assets.

3. Establish a basis for evaluation of investment results.

**B. Description: The Suburban Rotary Charitable Foundation investment fund has two distinct parts**

1. Revenues are raised throughout the year which are programmed to be expended according to the Annual Foundation Budget and for exceptional projects approved by the Foundation Board of Trustees. Any forecasted amounts needed for distributions necessitating cash from the Investment Portfolio will be provided to the Investment Manager in a timely fashion.

2. Amounts are accumulated over a period of years for yet to be determined projects at some time in the future. Now, this balance is viewed as an “endowment” fund.

**C. General Investment Principles**

1. The assets shall be invested with the care, skill, prudence and diligence under the circumstance then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of assets of like character and with like aims.

2. Investment of the assets shall be properly diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

3. The Investment Committee shall employ one Investment Manager to attain the Objective.

4. The assets are expected to exist indefinitely.

**D. Committee Responsibility**

At the direction of the Board of Trustees, the Investment Committee is charged with the responsibility for administration of the assets. The specific responsibilities of the Committee include:

1. Selecting and Monitoring the investment manager including but limited to monitoring compliance with applicable guidelines and limitations.

2. Determining liquidity needs, and communicating these to appropriate parties.

3. Setting the target equity and fixed income allocations within the ranges set forth in Section H.

4. Evaluating Investment Management performance on a semi-annual basis, but reviewing such results on a 1, 3 and 5 year rolling average.

5. Presentation to the Board annually along with the Investment Manager.

6. Review the Risk Profile analysis provided by the Investment Manager annually. Inform Investment Manager of any changes that may impact the investments in the portfolio.

**E. Liquidity**

1. The majority of these revenues are raised via the annual fund-raising event in April of each year. Lesser amounts are raised throughout the other months of the year. The majority of expenditures are for the handicapped scholarships which are awarded in May but not actually paid until September of each year. In addition, exceptional projects authorized by the Trustees will be funded annually. Generally, amounts sufficient for these purposes are held within the Foundation cash accounts and not transferred to the investment portfolio providing all needed liquidity for the year. Any forecasted amounts needed for distributions necessitating cash from the Investment Portfolio will be provided to the Investment Manager in a timely fashion. In the event of a funding shortfall of revenue for the Foundation, there should be sufficient time to provide such notice to the Investment Manager for prudent liquidation of positions to provide such funding required for future needs.

2. Until directed otherwise, these amounts (with the exception of the Foundation cash accounts held outside the Investment Portfolio) should be viewed as being available for investment on a long-term basis. At such future time that a major charitable project is identified, there should be adequate time to manage the liquidation of these investments so that losses do not occur.

3. No investments shall be made in securities not routinely liquid within 3 days of sale.

**F. Investment Goals**

1. Safety of principal is important for these funds, but with consideration for long-term growth within the parameters of the Risk Profile under number 3 below. Income will be reinvested to provide for further growth net of funding for endowed scholarships.

2. The total return objective is to exceed the return of CPI + 3.0% on an annualized basis.

3. The risk profile analysis originally completed in March 2017 was reviewed and updated at the investment committee meeting in April 2017, with the following determinations:

**The Investment Committee has defined the risk profile stating that the Foundation:**

1. has a 5 - 10-year outlook and wants to grow the assets with some income required when needed
2. is willing to accept a generally higher risk portfolio to achieve moderate growth over time
3. is willing to take some risk to achieve gains and have an above average risk tolerance
4. can tolerate a drawdown of no more than 30% in a tough market; however, wouldn't need to make changes to protect principal to adapt in a tough market.
5. willing to accept that markets can have a prolonged (2-4 year) timeline to fully recover
6. does not foresee or anticipate a need for liquidity in the event of an emergency over 1-3 yrs.
7. can stomach a 10% loss without materially impacting objectives, however a 25% reduction may moderately impact some need or objectives.
8. Ideally the portfolio carries a moderate measure of volatility within a balanced approach when considering risk and returns.

**G. Investment Guidelines**

It is not anticipated that trading for short-term gains nor the buying and/or selling of options will occur in either of these funds. See Section H for further detail.

1. In keeping with the liquidity needs and investment goals, it would appear that a portion of the investments of these funds do not require a specific maturity coinciding to the liquidity needs. Examples might be government notes, certificates of deposit or high-quality corporate commercial paper. Investments should not be subject to short term market fluctuations.

2. Investment guidelines for this fund will be generally to invest in common stock of investment grade companies and high-quality bonds of investment grade companies at the discretion of the Investment Management within the guidelines of the stated risk portfolio, Such companies might be selected from any category of companies i.e. industrials, financial institutions, utilities, transportation, etc. Mutual funds and ETFs with investment goals coinciding to those objectives established for this account an appropriate investment, it is understood that these Mutual Funds and ETFs may include securities that may not meet the criteria above... Investments can be made in US based companies and global or international companies.Preferred stocks would also be appropriate investments for this account.

3. During periods of extremely low interest rates in the bond market, dividend bearing equity securities, either equities of preferred stocks or funds can be utilized in lieu of bonds to provide current income. However, such holdings shall meet the criteria as defined in this Policy Statement.

**H. Permitted Investments, Prohibited Assets, Benchmarks and Limitations**

**Permitted Investments**

Cash Equivalents

Fixed Income

Equities (which includes REITs)

Mutual Funds, Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs)

Covered Calls/Puts

Other

**Prohibited Purchases**

Commodities and Future Contacts

Real Estate Property

Artwork

Collectibles

Securities which may expose the assets to a loss in excess of the amount invested in such security

**Prohibited Transactions**

Short selling

Naked Puts / Calls

Futures Trading

Margin transactions

**Benchmarks and Ranges**

*Domestic Equity Large Cap:* S&P 500

*Domestic Equity Small Cap:* Russell 2000

*International Equity*: MSCI EAFE

*Fixed Income:* Barclays Capital Aggregate Bond Index

*Cash Limitations:* Cash is a residual of the investment process.

*Equity Limitations:* Equity securities of any one issuer (other than a mutual fund or an exchange traded fund) are limited to a maximum of 10% of the market value of the Investment Manager’s equity portfolio. The Board needs to approve an amount over 10%.

*Fixed Income Limitations:* Fund assets may only be invested in high quality investment grade bonds rated Baa or better.

Any deviation to these Benchmarks requires prior Investment Committee approval.

*Trustee Investment Committee Members*: Rich Craig, Roxy Orr, Curt Peters, Lyle Sapp, Kathryn Schubert

*Foundation Board Liaisons Investment Committee Members (appointed by Trustees):* David Laferla, Herbert Hartman, Jeff Moran, Howard Epstein

*Board of Trustees Approval Date: 8/15/17*