

## Sample Long Term Reserve Investment Policy Statement

### Purpose

The purpose of this statement is to set forth the policy and operational factors governing the investment management of the Sample (SAMPLE) Long Term Investment Reserve. This statement will serve to direct the management of investment assets within this portfolio by the designated investment advisor.

### Statement of Objectives

The primary objectives of this portfolio are:

- Long term growth of assets
- Optimize return while minimizing risk through diversification and asset allocation

A secondary objective is to preserve the capital of the portfolio by utilizing an asset allocation that provides exposure to more stable asset classes including fixed income securities.

### Cash Flow Expectations

This portfolio is not expected to be a primary source of cash flow for SAMPLE; however, periodic withdrawals from this account may be required in order to maintain the minimum balance requirements in the SAMPLE Short Term Reserve portfolio. Withdrawals are not expected to be in excess of \$500,000. As such, an adequate amount of the fixed income portfolio will be held in short term securities. Any change in SAMPLE's need for cash flows from this account should be addressed through a change in this policy statement.

### Time Horizon

This portfolio is considered long term in its investment time horizon. Investments seek long term growth as their primary objective. The funds in this account are not expected to be withdrawn in the next seven years.

### Tax Status

SAMPLE is a 501(c)6 organization and is thus exempt from taxes. Investment decisions should reflect this tax status when purchasing or selling securities.

## Risk Tolerance / Asset Allocation

This portfolio is classified as moderate risk based on the stated objectives of long term growth, a long time horizon, and the low need for cash flow. The asset allocation also reflects the secondary objective of preservation of capital. The recommended target asset allocation is set to achieve these objectives while maximizing returns.

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
US Equity	30.0%	37.5%	45.0 %
International Equity	10.0%	12.5%	15.0%
Fixed Income	40%	50%	60%

The fixed income asset class will target a weighted average maturity of no greater than ten years and a weighted average credit rating of no lower than A.

## Rebalancing Procedures

This portfolio will be rebalanced periodically to assure that the overall asset allocation target of the portfolio is maintained. Events including large deposits or withdrawals and significant market movements may trigger the need to rebalance the portfolio. Regardless of activity the portfolio will be reviewed on a quarterly basis at a minimum to assure the balance is adequately maintained. In order to minimize transaction costs, the manager will evaluate the benefit of rebalancing relative to the transaction cost. The advisor will maintain a rebalancing threshold of +/- 20% of the target allocation percentage for each asset class.

## Return Expectations

Returns are expected to be commensurate with the risk tolerance and asset allocation of the investments and will reflect the portfolio's objectives of preservation of capital, income, and liquidity. The portfolio performance will be gauged against a designated benchmark and is expected to track those benchmark returns over time.

## Eligible Investments and Restrictions

The following are eligible investments for this investment portfolio:

- Common stock issued by US Based companies and available on an exchange
- US Treasuries
- US Agencies
- Municipal and Corporate Bonds rated A or higher by Moody's, S&P, or Fitch
- Mortgage Backed Securities issued by US Agencies
- Bonds with a maturity of 11 years or less at the time of purchase
- FDIC Insured Certificates of Deposit

- FDIC Insured Money Market Accounts
- Money Market funds that invest solely in eligible securities listed above, and whose credit quality is such that they must invest exclusively in high-quality securities (generally those that are in the top two tiers of credit quality)
- Mutual funds that invest solely in eligible securities listed above
- Exchange traded funds that invest solely in eligible investments listed above
- Mutual funds and exchange traded funds that invest in the common stock of companies that operate in developed international markets

The following are specific restrictions for the investment portfolio:

- All bonds with a rating lower than A by Moody's, S&P, or Fitch
- Non Agency Mortgage Backed Securities with a rating below AAA
- All derivative instruments, including futures, options, swaps, swaptions, forwards, and credit default swaps
- All auction rate securities and variable rate demand bonds
- All commodities
- All forms of hedge funds
- All forms of private equity
- All privately placed securities
- Equity securities not registered with an exchange (i.e. NYSE, NASDAQ, American)
- Preferred shares of stock
- Fixed Income securities with convertible options

#### **Diversification**

- No more than 5% of the portfolio combined may be in the securities of any one issuer with the exception of obligations of the US Government and its agencies, and federally insured instruments.

#### **Benchmarking**

The portfolio's performance will be compared to two distinct benchmarks:

1. The Long-Term Reserve performance will be compared to a total reserve benchmark comprised of the Russell 3000 Stock Index, MSCI All World Ex. US Stock Index, BBgBarc Intermediate Term US Gov/Credit Bond Index. Weights will be applied to each index based on the target allocation to each broad asset class (US Stock, International Stocks, Bonds and Cash).
2. The investment advisor will provide SAMPLE with a benchmark for each fund and separately managed account held within the portfolio. These benchmarks will be used to measure the performance of selected investments and will be weighted based on actual allocations to the funds to produce a custom weighted benchmark to which the portfolio will be compared.

## Monitoring

The advisor will provide SAMPLE with a detailed report of the portfolio at least quarterly. The quarterly report will outline the following:

- Returns for the specified quarter, year to date, and inception
- The current portfolio allocation compared to the target asset allocation
- A comparison of the performance of each fund and manager relative to other managers with a similar investment style or strategy
- The portfolio's performance relative to a broad portfolio based on the target asset allocation
- The portfolio's performance relative to a custom benchmark based on the individual funds held within the portfolio.

## Policy Revisions

This policy is designed to be dynamic and amendable as the objectives and needs of SAMPLE may change over time. This policy will be formally reviewed annually to determine if the objectives, constraints, and allocations are accurate. Additionally, any number of other changes may occur between reviews that would warrant a review of this policy, including:

- A change in SAMPLE's risk tolerance, timeline, tax status, or cash flow expectations
- Introduction of new investment vehicles
- A change in the objective of the portfolio
- The introduction of a new investment manager
- A change in management at SAMPLE

SAMPLE will work with the designated investment advisor to review the policy for its appropriateness after such changes, and will amend the policy when necessary.

## Duties and Responsibilities

The following parties to this policy will be charged with certain duties and responsibilities as it relates to management of the portfolio:

SAMPLE: Will be required to review and approve this Investment Policy Statement in its entirety. SAMPLE will be responsible for working with a Designated Investment Adviser no less than annually to review and amend this policy statement. SAMPLE is responsible for selecting an investment advisor who will comply with this policy statement, and is responsible for periodically reviewing the advisor's compliance with this policy statement.

Designated Investment Advisor: Will be responsible for implementing the investment strategy outlined in this policy statement by selecting investments and external managers that meet the investment criteria within this policy statement. The Designated Investment Advisor will be charged with recommending investments, transacting approved purchases and sales of investments, and timely reporting of investment performance to SAMPLE. The Designated Investment Advisor is also required to perform all normal due diligence in selecting external investment managers, including a review of their ability to operate within the investment guidelines and restrictions outlined in this policy. The Designated Investment Advisor is responsible for selecting other appropriate parties as needed to implement this policy, including attorneys, custodians, and broker/dealers.

Investment Manager: Investment managers will be any party the Designated Investment Advisor selects to invest funds on behalf of SAMPLE. For purposes of this policy, Investment Managers include Mutual Fund Managers, Exchange Traded Fund Managers, Separate Account Managers, Money Market Fund Managers, and any other party that the Investment Manager contracts uses to invest funds on behalf of SAMPLE. The Investment Advisor is responsible for assuring that any Investment Manager selected is investing funds in a manner consistent with the eligible investments and restrictions outlined in this policy.

-----

### **About Raffa Investment Advisers**

Raffa Investment Advisers (RIA) was founded in 2005 with the mission to empower associations to make better-informed investment decisions. We have been providing investment advisory services to associations ever since. RIA is registered with the SEC as a Registered Investment Adviser, independent of any broker-dealer or custodian.

About Raffa Investment Advisers:

- Created specifically for associations. We know this community, inside and out – and we're driven to meet your unique needs.
- Provides comprehensive investment advisory services for more than 130 nonprofit and association clients.<sup>1</sup>
- Provides investment consulting and advisory services for \$ 1,412,006,159 in assets.<sup>1</sup>
- Eight principals and professional staff (combined) with approximately 15 years of financial services experience each, on average.<sup>2</sup>
- Accountable to you. As an investment adviser that is independent of any bank or broker, we sit on your side of the table – embracing our role as a fiduciary and advocating for you.
- Founder of SONI, the Study on Nonprofit Investing – a peer benchmarking survey of nonprofit investment policies and results.

Learn more about us at [www.raffaadvisers.com](http://www.raffaadvisers.com).

---

<sup>1</sup> Data as of 12/31/22

<sup>2</sup> Visit our website at [raffaadvisers.com](http://raffaadvisers.com) to learn more about our principals and professional staff