

Junior Achievement of Southwest Florida, Inc.

Investment Policy

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## **INTRODUCTION**

The purposes of this investment policy statement for Junior Achievement of Southwest Florida, Inc. are:

- To set aside funds that will meet the short-term, unanticipated needs of the organization.
- To develop a long-term direction for the Finance Committee and the Board to invest funds received in excess of what is needed in the annual operating budget.
- To provide guidance for the investment of funds which are intended for long-term program objectives of Junior Achievement of Southwest Florida, Inc.
- To provide protocol for the effective measurement and evaluation of investment performance

## **DUTIES AND RESPONSIBILITIES**

The Finance Committee shall be responsible for managing the investment portfolio, inclusive of the Endowment Funds, with safeguards and diversity by which a prudent investor would adhere. The Finance Committee will:

1. Provide reports on the direction of the investment portfolio to the board.
2. Shall make recommendations to the Board concerning overall policy and types of investments.
3. Establish the Investment Policy for the Fund, including but not limited to, allocation between growth and risk management strategies, selection of acceptable asset classes and investment performance expectations.
4. Retain a professional Investment Advisor.
5. Establish formal criteria to select, monitor, evaluate and benchmark the performance results achieved by the Investment Advisor.
6. The Finance Committee shall meet to review investment performance at least annually with the advisor, and may meet more often as needed, or as investments dictate.

The Investment Advisor's role is to provide guidance to the Finance Committee on matters pertaining to the Fund including investment policy, investment selection, monitoring performance and compliance with the approved Investment Policy. The Investment Advisor, in carrying out the defined Investment Policy, has the authority and responsibility to select appropriate investments in the asset classes outlined. The Advisor will present an annual performance review of the portfolio to the Board.

## **OBJECTIVES**

The objectives are to:

- Support the long-term program objectives of Junior Achievement of Southwest Florida, Inc.
- Achieve growth of principal and income over time, sufficient to preserve or increase the purchasing power of assets.
- Maximize total return within reasonable and prudent levels of risk, and the proper monitoring, and assessment of associated costs.
- Diversify the investment portfolio to minimize the risk of large losses.
- Follow an investment policy based on total return, not yield.

## **GUIDELINES AND CONTROL PROCEDURES**

Investment results within acceptable risk considerations are the critical element in achieving the investment objectives.

If stock is donated to Junior Achievement of Southwest Florida, Inc. it is the policy to sell the stock and invest it as governed by this policy.

Funds for which donors have specified that the principal may not be invaded are to be invested to preserve the value of that principal and earn a return in accordance with the above objectives.

The authorized signers on the Endowment Fund accounts shall be the President and a member of the Executive Committee. Dual signatures are required.

Investments may be held as individual securities, pooled funds or mutual funds.

To ensure that divergence from the target policy is within acceptable limits, rebalancing assets may be necessary among asset classes. This may occur on a quarterly basis (if required) to ensure that the target asset allocation specified in this Investment Policy is maintained. The Investment Advisor shall identify the amount of the assets that must be reallocated in order to bring the Fund back into compliance with this Investment Policy Statement.

## **TIME HORIZON**

The investment guidelines distinguish between funds needed in the short-term (less than one year) versus the long-term (greater than five years). Therefore, cyclical fluctuations should be viewed with appropriate perspective. Preservation of principal is the primary concern for short-term funding needs. A total return exceeding the target plus associated costs is the primary objective for long-term funds.

## **RISK TOLERANCES**

It is important to recognize the difficulty in achieving long-term investment growth in light of the uncertainties and complexities of investment markets. The Finance Committee and the Board must all recognize and acknowledge that some risk must be assumed in order to achieve long-term objectives.

## **PERMISSIBLE INVESTMENTS**

The Committee believes that the mix of asset classes in the portfolio largely controls its risk and liquidity. Thus, the Finance Committee has reviewed the long-term performance of various asset classes, focusing on balancing the risk and rewards of market behavior. The following asset classes were selected:

- Domestic Equities- These assets should be invested in U. S. common stocks regularly traded on the New York and American stock exchanges and the NASDAQ over-the-counter market.
- Domestic Fixed Income- These assets should be invested in fixed-income obligations issued or guaranteed by the U. S. government for any agency thereof or corporate issues of the first four quality grades as established by one or more of the nationally recognized bond rating services.
- International Equities- These assets should be invested stocks of companies outside the United States.
- Satellite strategies may be used to offset short-term market fluctuations.
- Cash and Cash Equivalents- These assets should be invested in an interest bearing checking account, money market account or short-term time deposit with a FDIC insured bank.
- Alternative investments may be used as a strategic holding to offset cyclical market fluctuations.

The Committee reserves the right to expand the asset classes with Board approval.

## **ASSET ALLOCATION**

The Finance Committee should meet at least annually to evaluate the asset allocation range and target numbers. It is understood that there may be reasons to adjust the asset allocation at a shorter interval due to economic, market, financial, and program needs of Junior Achievement of Southwest Florida, Inc. It should be noted that short-term needs should be funded with securities that mature in less than one year. The primary concern for short-term investments should be safety of principal.

It is also understood that the market and economic outlook may warrant a decision to temporarily stray from the approved long-term allocation to tactically capitalize on positive trends or to take a more protective/defensive posture.

The Finance Committee recognizes the relationship between risk and reward. There is recognition that we can use a separate asset allocation range for long-term funding needs. Below is the asset allocation range and target numbers for long-term investments to include the Endowment Fund:

<u>ASSET CLASS</u>	<u>RANGE</u>	<u>TARGET</u>
Equities	20 - 80%	65%
Large Cap	0 - 40%	
Small Cap	0 - 10%	
Mid Cap	0 - 10%	
International	0 - 20%	
Real Estate	0 - 10%	
Commodities	0 - 10%	
Satellite	0 - 25%	
Alternatives	0 - 15%	
Fixed Income	20 - 50%	30%
High-Yield Bond	0 - 15%	
Cash and Equivalent	0 - 15%	5%

The Finance Committee reserves the right to expand the asset allocation ranges and target numbers with Executive Committee approval.

### **Equity Portfolio**

Investment in equities will be limited to common stocks of domestic companies and international companies that are traded as ADR on domestic exchanges; mutual funds for small cap, mid cap and international funds and index funds representing small cap, mid cap and international companies. Investment in any single corporation shall not exceed 5% of the market value of the total portfolio, nor should the portfolio include more than 1% of the outstanding shares of any one company. The investment in any individual market sector shall not exceed 150% of the market weight as measured by the S&P 500 on the close of the quarter.

### **Alternatives**

The major benefit of alternative investments is the low correlation with traditional asset classes. The goal of combining this asset class with traditional asset classes is to construct a portfolio that has a more favorable risk/reward trade-off and could reduce portfolio volatility. Only alternatives that are regulated securities can be used in the portfolio. These could include short/long, real estate funds and structured products among others.

**Fixed Portfolio**

Investments in the fixed income securities will generally be limited to securities issued by the U.S. Government and Agencies and by publicly traded domestic corporations of investment grade or better. In the event that the individual security in the portfolio drops below Baa or BBB (investment grade) as rated by Moody's or Standard & Poor's, the security will be sold at the earliest opportunity. The portfolio may include a high yield mutual fund component not to exceed fifteen percent of the total portfolio.

The target duration of the fixed income portfolio will be adjusted based on economic and business cycle factors and shall range between one to fifteen years, depending on market factors.

**Cash and Cash Equivalent Portfolio**

The cash component of the portfolio may be invested in short maturity US Government securities, FDIC issued bank CD's and money market funds, including a money market fund run by the money manager.

**PERFORMANCE EXPECTATIONS**

Investment Performance will be reviewed at least quarterly by the Finance Committee to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy to achieve the objectives. Short term changes in the financial markets and short term periods of deviations of portfolio performance from the financial markets should not require adjustments to the portfolio or policy. During such times, emphasis shall be placed on peer performance comparisons.

**LIQUIDITY**

The Finance Committee shall anticipate any disbursements or new investment requirements for the Endowment Fund and communicate these to the Investment Advisor as soon as practical.

## **INVESTMENT ADVISOR SELECTION**

The Finance Committee, with the final approval from the Executive Committee will select the appropriate Investment Advisor to manage the invested assets. The Advisor must meet the following minimum criteria:

1. Must be an investment management company (including a mutual fund company), a bank, an insurance company or investment advisor as defined by the Investment Advisors Act of 1940.
2. Provide satisfactory historical quarterly performance numbers, based upon a composite of accounts of similar investment style, reported net and gross of fees.
3. Provide performance evaluation reports that illustrate the risk/return profile of the Advisor relative to other Advisors of like investment style.
4. Understand and articulate the investment strategy that will be followed, and document that the strategy has historically been successful.
5. Provide a current ADV and ADVII.
6. Provide information on the staff, investment philosophy and the process in determining the investment opportunities.