

# Sheboygan County 4-H Endowment Fund Investment Policy Statement

## 1. Introduction

The Fund was created to provide perpetual financial support to the Sheboygan County 4-H Leaders Association and its members. The purpose of this Investment Policy Statement (IPS) is to establish guidelines for the Fund's investment portfolio. The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions for the managers hired on behalf of the Fund and its beneficiaries.

## 2. Role of the Investment

The 4-H Endowment Fund Committee is acting in the fiduciary capacity with respect to the Portfolio and is accountable to the Sheboygan County 4-H Leaders Association, for overseeing the investment of all assets owned by, or held in trust for, the Portfolio.

### **Role of Investment Policy:**

- A. This IPS sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for the Portfolio assets.
- B. The investment policies for the Fund contained herein have been formulated consistent with the Organization's anticipated financial needs and in consideration of the Organization's tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
- C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Fund. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in the capital market conditions and in the financial circumstances of the Organization.
- D. The Committee will review this IPS at least once per year. Changes to the IPS can only be made by affirmation of the majority of the Sheboygan County 4-H Leaders Association, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

### **Role of Investment Committee:**

- A. The Committee will assist the Sheboygan County 4-H Leaders Association in creating an awareness of the Endowment Fund and the benefits it offers to the Sheboygan County 4-H Program.
- B. The Committee will direct the solicitation of funds through donations of cash or property from various sources including bequests and memorials.
- C. The Committee will set up grant proposal guidelines and annually invite grant proposal requests. They will review grant requests and recommend projects to be funded from the earnings to the Sheboygan County 4-H Leaders for approval.
- D. The Committee will meet with the financial advisor of the investment firm annually.
- E. The Committee will prepare an annual report for the Leaders Association.

### **3. Investment objective and spending policy**

- a. The Fund is to be invested with the objective of preserving the long term assets while providing a relatively predictable and growing stream of annual distributions in support of the organization.
- b. The Fund shall fund distributions from net investment income, and net realized capital gains.
- c. All accepted funds will be included under this IPS.

### **4. Portfolio Investment Policies**

- a. Asset Allocation Policy
  - i. The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset categories with varying degrees of risk, return and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
  - ii. The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocations, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes to which the Portfolio invests.
  - iii. Fund assets will be managed as a balanced portfolio composed of two components: an equity portion and a fixed income portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some

protection against a prolonged decline in the market value of Portfolio equity investments.

- iv. Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across asset classes in accordance with the following guidelines:

<u>Asset Class</u>	<u>Sub-Asset Class</u>	<u>Target Allocation</u>
Equity		40%-60%
Fixed Income		40%-60%

#### B. Diversification policy

1. Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within asset classes due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

a) Investments of the Portfolio should be limited to the following:

- i. Individual securities for equities and fixed income
- ii. Open and closed end mutual funds
- iii. Exchange traded funds
- iv. Liquid securities

#### C. Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target assets allocation as a result of varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

1. The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.
2. The investment manager will review the Portfolio on an annual basis to determine the deviation from target weightings. During each annual review, the following parameters will be applied:
  - a. If any asset class (equity or fixed income) within the portfolio is +/- 10% from the target weighting, the Portfolio will be rebalanced.
3. The investment manager may provide a rebalancing recommendation at any time.

4. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.
5. Redemption of shares can only occur as directed by a minimum of two appointed committee members of the Endowment Committee and with approval of the Sheboygan County 4-H Leaders Association Executive Board. Youth serving on the committee are not legal signatory.

#### D. Other Investment Policies

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Pledging securities, except for loans of securities that are fully collateralized.
3. Purchasing or selling derivative securities for speculation or leverage.
4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their Portfolio.
5. Purchase non-traditional, illiquid assets including venture capital and hedge funds which do not act under a 1940 Act mutual fund company.
6. Investment manager cannot approve any changes to the fund without full approval of the Committee.

#### **Monitoring portfolio investments and performance**

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At each Sheboygan County 4-H Endowment Fund committee meeting, it will formally assess the Portfolio and the performance of its underlying investments as follows:

- A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:
  - a. The Portfolio's absolute long-term real return objective.
  - b. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines
- B. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:
  - a. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.
  - b. The performance of other investment managers having similar invest objectives.

- C. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.
- D. Investment reports shall be provided by the investment manager on a monthly basis or as requested by the Committee. The investment manager should also include a statement of compliance with the fund allocation guidelines included in the IPS. Each investment manager is expected to be available to meet with the Investment Committee a minimum once per year or by special request to review the portfolio structure, strategy, and investment performance.