

## **INVESTMENT POLICY**

Approved January 31, 2005

### **INTRODUCTION**

The Investment Policy Statement is intended to provide an understanding of *Legacy Endowment's* Investment Objectives and Guidelines for Directors, Committee Members, Staff and Investment Advisors.

The assets governed by this policy are those invested for long term total return and which have been designated by the Board as Charitable Remainder Trust and Permanent Endowment Funds.

The Investment Committee will regularly review this Policy and its adherence to it.

The Committee is responsible for ensuring compliance with the requirements of the Prudent Investor Rule, UPIA and UMIFA.

### **MANAGEMENT AND INVESTMENT OBJECTIVES**

To provide the services necessary to perform its task, the Committee works with several Investment Advisors, who provide counsel, custodian services and access to specialized Money Managers.

The Objectives are:

Firstly, to:

- Exercise best efforts to preserve the real (i.e. inflation adjusted) purchasing power of each Investment Pool, net of annual distributions and grants.

Secondly, to:

- Exercise best efforts to obtain real growth in the Principal Value of each Investment Pool.
- Exercise best efforts to maintain over 5 – 10 year periods, an 8.5% p.a. average total annual return, in order to provide for a 5.5 p.a. Spending Rate, (4.5% for distributions & grants plus 1% Operating costs), plus estimated inflation of 3.25% p.a.

### **INVESTMENT PORTFOLIO GUIDELINES**

The average annual return of each Investment Pool Portfolio should compare favorably with the returns of the passive indices for each Money Manager's style, the blended average of the Money Managers in each Portfolio and Legacy Endowment's specific index.

✓ **ASSET ALLOCATION**

Each Investment Pool will have a specific target percentage and range for each asset class.

The asset classes will include cash, fixed income (domestic and foreign), equity (domestic and foreign) and alternative assets.

✓ **SELECTION OF MONEY MANAGERS**

Working with each Investment Advisor, the Committee will evaluate and select individual Money Managers, who will manage specific components of each Portfolio and provide diversification.

✓ **USE OF MUTUAL FUNDS**

In certain instances, e.g. for dollar amounts less than \$100,000, the Committee may recommend a Portfolio consisting of mutual funds which employ an asset allocation strategy.

✓ **MONITORING OF MONEY MANAGER PERFORMANCE**

FIXED INCOME PORTFOLIOS will be expected to outperform the relevant Lehman Brothers Index by 25 to 50 basis points, net of fees, over 5 - 10 year rolling periods.

Other benchmarks may be agreed by mutual consent of the Committee and an Individual Investment Advisor.

Fixed Income Portfolios will be invested primarily in US dollar denominated securities.

Investments in equities are excluded.

EQUITY PORTFOLIOS will normally be invested in common stocks. A Money Manager may hold investment reserves of either cash equivalents, or bonds, including convertibles. Reserves in excess of 25% and held for more than 3 months will be investigated.

Each Equity Manager will be expected to outperform its relevant passive index by 50 to 100 basis points, net of fees, over 5 - 10 year rolling periods.

Any manager who fails this requirement for four successive quarters will be re-evaluated.

ALTERNATIVE ASSET investments may include, but are not limited to, real estate and managed futures.

These investments will be viewed as equity investments and expected to produce returns competitive or superior to the long term returns of the total stock market.

## **INVESTMENT POOL PERFORMANCE**

Each Investment Pool will be expected to outperform the *Legacy Endowment* benchmark by 100 to 150 basis points, over 5 – 10 year rolling periods.

✓

### **GUIDELINES FOR REBALANCING**

The Committee is responsible for asset allocation recommendations to the Board. Periodically, the Committee will review its target allocations to confirm or recommend adjustments.

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### **MONITORING OF OBJECTIVES AND RESULTS**

All objectives and policies are in effect until modified by the Board, following recommendations by the Committee.

If at any time, an Investment Advisor believes that any policy inhibits investment performance, it can communicate its view to the Committee.

The Committee will agree with each Investment Advisor the information to be provided, at least quarterly, to enable the Committee to monitor the performance of each Investment Pool and its component parts.

Each Investment Advisor is expected to keep the Committee informed on market conditions and the outlook. Additionally, each advisor is expected to advise the Committee on any ownership changes, or changes in the organization, strategy or investment strategy of the Money Managers being used.