

# PSADA Foundation

## Investment Policy Statement

### **Introduction**

The purpose of this Investment Policy Statement (the “IPS”) is to establish a clear understanding as to the investment objectives and policies applicable to the management of our investment Portfolio.

The Investment Policy Statement:

- Establishes reasonable expectations, objectives and guidelines for the investment of our Portfolio.
- Sets forth an investment structure detailing permitted asset classes and the expected allocation among asset classes.
- Creates the framework for a well-diversified asset mix that can be expected to generate acceptable long term returns at a suitable level of risk.
- Encourages effective communications between ourselves and our Investment Advisor(s).

The IPS is not a contract. The IPS is intended to be a written summary of an investment philosophy that provides guidelines for us and our Investment Advisor(s).

### **Time Horizon**

We understand that the long-term time horizon for portfolios should be in excess of ten years. A period in excess of ten years takes into account a full market cycle. For shorter periods, we understand that markets can be volatile and preservation of principal should be considered in these shorter time horizons. We view our overall time horizon as 5-10 years. While scholarships need to be funded yearly, the amount is not large enough currently to warrant a shorter time horizon.

### **Risk Tolerance**

We view ourselves as balanced growth investors, seeking capital appreciation and to a lesser extent current income. It is our desire to have our assets allocated primarily among equity securities. The equity portion of our Portfolio should be invested predominately in domestic large cap and small/mid cap equities. International markets exposure, when utilized, is intended to add diversification and the opportunity for enhanced returns over the long-term. Investment in fixed income securities and Real Estate Investment Trusts, when utilized, are intended to provide both income and stability to the Portfolio. Our equity exposure should range between approximately 40% - 80%.

### **Investment Objectives**

Based on our primary goal of capital appreciation and some current income, we have established our annual rate of return objective over the next 5-10 years at 6% - 8%.

We understand that this objective is defined in order to establish guidelines for our portfolio, and that adoption of this objective does not assure achievement of any specific investment results.

### **Asset Allocation**

An important research study suggests that the decision as to how our assets are allocated among various asset classes

will account for over 90% of our Portfolio's performance.\* Therefore, maximum emphasis will be placed on the determination of the asset mix that is appropriate to meet our risk/return objectives.

In creating our Portfolio, our Investment Advisor(s) will select the asset classes, evaluate the historic and expected relationships between the asset classes, develop the target allocation for each asset class and make changes as necessary in an effort to reach or exceed our established risk and return objectives.

We and our Investment Advisor(s) will maintain the flexibility to choose either a TACTICAL or STRATEGIC portfolio strategy. The Investment Advisor(s) will be responsible for monitoring the asset allocation and recommending rebalancing or making adjustments to the Portfolio as described below.

\*Brinson, Hood, Beebower Study, Financial Analyst Journal, June 1986  
Brinson, Singer, Beebower Study, Financial Analyst Journal, February 1991

## Rebalancing Procedures

Over time, market conditions and the varying performance of the asset classes may cause the Portfolio's asset mix to vary from the original target allocation. To remain consistent with the asset allocation guidelines established, each asset class shall be reviewed on a periodic basis by our Investment Advisor(s). On an annual basis (every July), our Investment Advisor(s) will recommend the rebalancing of the Portfolio either to maintain (approximately) the initial target allocation or to make an adjustment to the target allocation as they deem appropriate.

## Investments

### A. Asset Classes

The diversification of assets among asset classes will be based on our Risk/Return Profile and the research and analysis conducted on our behalf by our Investment Advisor(s).

The asset classes that may be included in our Portfolio are:

• Large Cap U.S. Equities	• U.S. Government Bonds
• Small/Mid Cap U.S. Equities	• U.S. Corporate Bonds
• International Equities	• U.S. High Yield Bonds
• Real Estate Investment Trusts	• International Bonds
• Emerging Markets Equities	• Inflation Protected Securities
• Money Markets	• Natural Resources

### B. Investment Vehicles

Our Portfolio's asset allocation strategy will be implemented with the following investment vehicles:

Open ended mutual funds

Although our intention is to invest our assets utilizing one or more Model Portfolio(s), we are free at any time to reject a Model Portfolio, to vary from a Model Portfolio, or to select an alternate Model Portfolio developed by another Investment Advisor.

The initial asset classes and investment vehicles selected for our Portfolio appear in the “Proposal” presented by our Investment Advisor(s). The Proposal will be filed with this document for future reference.

## **Liquidity**

Since the investment vehicles our Portfolio will be invested in are considered highly liquid investments, we will not need to maintain unnecessarily high cash balances among our asset mix, except as may be dictated for investment purposes.

We may request withdrawals at any time by notifying either our Investment Advisor(s) or the Custodian.

## **Duties and Responsibilities**

### **A. Foundation Board**

We will provide our Investment Advisor(s) with all relevant information on our financial condition, net worth, and risk tolerance and must notify our Investment Advisor(s) promptly of any changes to this information.

We will read and understand the information contained in the prospectus of each mutual fund in our Portfolio.

### **B. Investment Advisor(s)**

Our Investment Advisor(s) is responsible for assisting us in making an appropriate asset allocation decision based upon our particular needs, objectives, and Risk/Return Profile.

Our Investment Advisor(s) shall be responsible for:

- Analyzing our current financial situation and assisting us in determining our Risk/Return Profile.
- Advising us about the selection and allocation of asset classes and mutual funds for our Portfolio.
- Monitoring the asset allocation and mutual fund selection decisions.
- Monitoring the performance of our Portfolio and each mutual fund relative to our goals and objectives.
- Periodically reviewing the suitability of the investments in our Portfolio.
- Being available to meet with us at our Board meetings.
- Preparing and presenting appropriate reports, including Quarterly Performance Reports.

## **Investment Management**

Our Investment Advisor(s) shall utilize the following criteria when assisting us in the selection of our investment vehicles:

- Potential to add value, considered relative to other investments having the same investment objective. Our Investment Advisor(s) will evaluate several factors including the investment philosophy, organizational stability, investment team qualifications, business strategy, and Portfolio construction process in selecting mutual funds. Performance rankings over various time frames and consistency of performance will also be reviewed.
- The historic volatility and downside risk of each proposed investment.
- The investment style and discipline of proposed mutual funds.
- How well each proposed investment complements other assets in the Portfolio.
- The current economic environment.
- The likelihood of future investment success, relative to other opportunities.

## **Adoption**

The signature(s) below affirm(s) that this document has been read, understood and accepted.

Board Member Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Board Member Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_