
The Junior League of Santa Barbara, Inc.

Investment Policy Statement
Date of Board Resolution: 3 /6 /2019

Purpose

This Investment Policy Statement ("Policy") establishes investment objectives, policies, guidelines and eligible securities related to all assets held by The Junior League of Santa Barbara, Inc., and/or any of our subsidiary corporations, (hereinafter collectively referred to as the "Organization", "us", "we", or "our") primarily for investment purposes. In doing so the Policy:

- Clarifies the delegation of duties and responsibilities concerning the management of investments.
- Identifies the criteria against which the investment performance of the Organization's investments will be measured.
- Communicates the objectives to the Board, staff, investment managers, brokers, donors and funding sources that may have involvement.
- Confirms policies and procedures relative to the expenditure of investment assets.
- Serves as a review document to guide the on-going oversight of the management of the Organizations' investments.

Delegation of Responsibilities

The Organization's Board of Directors ("Board") has a direct oversight role regarding all decisions that impact the Organization's investments. The Board has delegated supervisory responsibility for the management of our investments to the Organization's Finance Committee (hereinafter referred to as the "Committee"). The Committee shall consist of the Finance Council Director, Treasurer, President, and the President-Elect. Specific responsibilities of the various bodies and individuals responsible for the management of our investments are set forth below:

Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of the Organization's investments are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Committee, the Board shall:

- Select, appoint and remove members of the Committee.
- Approve investment policies and objectives that reflect the appropriate investment-risk orientation of any of the Organization's funds, including "quasi" or "true" endowment funds.

Responsibilities of the Organization's Finance Committee

Members of the Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation and maintenance of all policies relative to the Organization's investments and shall:

- Develop and/or propose policy recommendations to the Board with regard to the management of all investments.
- Recommend long-term and short-term investment policies and objectives for our investments, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- Determine that investments are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- Monitor and evaluate the performance of all those responsible for the management of investments.
- Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- Receive and review reports from management, investment consultants and/or other outside professionals, if any.
- Periodically meet with management, investment consultants and/or other outside professional management, investment consultants and/or other outside professionals.
- Convene at a minimum twice annually to evaluate whether this Policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of investments.

Responsibilities of the Finance Council Director

The Finance Council Director shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the Committee concerning the management of investments. The Finance Council Director shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, the Finance Council Director shall:

- Oversee the day-to-day operational investment activities of all investments subject to policies established by the Board and/or the Committee.
- Contract with any necessary outside service providers, such as investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.
- Ensure that the service providers (i) adhere to the terms and conditions of their contracts; (ii) have no material conflicts of interests with the interests of the Organization; and (iii) maintain performance monitoring systems that are sufficient to provide the Committee with timely, accurate and useful information.
- Comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board and the Committee.
- [Would you like to add a requirement re meeting regularly with investment managers / Investment Advisor]

Responsibilities of the Investment Advisor

The "Investment Advisor" shall be an outside professional retained by the Committee to assist the Organization with the investment of its assets in accordance with this Policy. The Investment Advisor must acknowledge in writing acceptance of responsibility as a fiduciary. The Investment Advisor shall meet with the Board annually to discuss and gain an understanding of the Organization's annual needs and vision. The Investment Advisor will meet with the Committee and Financial Council Director on a more frequent basis to review the Organization's investments and ensure compliance with this Policy. The Investment Advisor is responsible for establishing and implementing investment strategies within the guidelines set by this Policy, including selecting investment managers, determining and rebalancing asset allocations, establishing appropriate benchmarks, and monitoring and reporting performance. In seeking to attain investment objectives, the Investment Advisors has been granted investment discretion. Assets shall be invested and managed in good faith with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor, acting in like capacity and familiar with such matters, would use in the investment of a fund of similar character and goals.

The Investment Advisor must also clearly disclose and detail all fees and expenses to the portfolio. These expenses include the gross advisory fee, trading costs and if such costs are paid separately or are part of the advisory fee, and underlying management fee of and funds that are used. Fees and expenses should be broken out separately and also as cumulative fee to the portfolio.

Investment Philosophy and Objectives

The primary investment objectives for the Organization's portfolios are to provide for growth of principal and income, yet maintain the liquidity necessary to meet annual cash flow needs, and/or fund projects, as approved by the Organization's policies and procedures. Due to the fact that we are a nonprofit and fiduciary, the Organization's funds need to be invested with an emphasis on preservation of principal with moderate growth. The investment priority is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The primary objectives in the investment management for assets shall be:

1. Preservation of Purchasing Power: To ideally achieve minimum net returns of 2-3% over inflation as measured by CPI.
2. Long-Term Growth of Capital: To emphasize long-term growth of principal consistent with the stated investment objectives.
3. Generate Current Income: To generate reasonable investment income (interest and dividends).
4. Avoidance of Excessive Risk: Risk control is an important element in the investment of assets.
 - Assets shall be so diversified as to minimize the risk of large losses.
 - Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return. If necessary, cash may be invested in a specific short-term bond, cash reserve portfolio (*Short-Term Reserve Investments*) as outlined in *Investment Objective* below.
 - All investments shall adhere to such federal and state laws as now apply or may be applicable to investments in the future.
5. Nonprofit Status: To take into consideration the Organization's status as a tax-exempt organization as described under section 501(c)(3) of the Internal Revenue Code when managing the Organization's investments.
6. Cost Management: To execute all transactions at reasonable cost taking into consideration prevailing market conditions and services provided by the investment manager, balanced with avoiding a compromise of quality.

Investment Guidelines

Allowable Assets:

1. Cash Equivalents
2. Fixed Income Securities
3. Equity Securities
4. Exchange Traded Funds
5. Mutual Funds
6. Bonds
7. Fixed Annuities

Prohibited Assets (include but not limited to):

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture Capital Investments
6. Interest Only, Principal Only, and Residual Tranche CMO's
7. Derivative Investments
8. Collectibles
9. Subscription Rights and Subscription Warrants

Prohibited Transactions (include but not limited to):

1. Short Selling
2. Margin Transactions

Portfolios Held by the Organization

The Committee will maintain, if needed, two types of investment portfolios as set forth below:

- Short-term reserve investments
- Long-term endowment investments

Short-Term Reserve Investments

Statement of Objectives: The primary objectives of this portfolio are:

1. Preservation of capital
2. Generation of income for periodic cash flow needs
3. Liquidity of assets for cash flow needs
4. Earning a long-term real rate of return that adequately preserves the purchasing power of the portfolio by exceeding inflation

Time Horizon: This portfolio is considered short to medium term in its investment time horizon. Investments reflect a maturity target of up to three years, with an appropriate allocation to short term investments to satisfy any cash flow expectations in the next six to nine month period.

Risk Tolerance/Asset Allocation: This portfolio is classified as moderately conservative based on the stated objectives of preservation of capital, income, and liquidity. The recommended target asset allocation is set to achieve these objectives while maximizing returns.

Asset Class	Target Allocation
Domestic Equity	0%
International Equity	0%
Fixed Income	0 – 100%
Cash	0 – 100%

Long-Term Endowment Investments

Statement of Objectives: The primary objectives of this portfolio are:

1. Provide for long-term growth of assets and income
2. Optimize return while minimizing risk through diversification and asset allocation
3. Preserve the capital of the portfolio by utilizing an asset allocation that provides exposure to more stable asset classes

Time Horizon: This portfolio is considered long term in its investment time horizon. Investments seek long term growth as their primary objective, and reflect an investment horizon of more than 10 years.

Risk Tolerance/Asset Allocation: This portfolio is classified as moderate risk based on the state objectives of long term growth and a long time horizon. 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	Target Allocation
Domestic Equity	0 – 100%
International Equity	0 – 100%
Fixed Income	0 – 100%
Cash	0 – 100%

The Organization recognizes that rapid unanticipated market shifts or changes in economic conditions may lead to deviations from the Target Allocations and approved ranges. Generally, these divergences should be short-term or tactical in nature in response to limited, short-term fluctuating marketing environments.

General Considerations

Monitoring Portfolio Investments and Performance: The Investment Advisor shall prepare a bi-annual performance report which should correlate with the Committee’s Meetings, and which should include the portfolio’s performance, asset allocation, and compliance with all applicable guidelines defined in this Policy. The portfolio and individual managers shall be measured against a market benchmark. Performance of the portfolio, as well as individual investment managers, shall be measured versus appropriate benchmarks over rolling three and five year periods, measured annually. The portfolio shall be reviewed at least annually to ensure that all managers remain in compliance with all applicable guidelines defined in this Policy.

Policy Review: Any of the following shall trigger a review of this Policy:

- A change to the Organization’s investment objectives
- In the absence of any change to the Organization’s investment objectives, this Policy should be reviewed at least annually.

Rebalancing Procedures: Portfolios 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 bi-annual basis at a minimum to assure the balance is adequately maintained. In order to minimize transaction costs, the Investment Advisor will evaluate the benefit of rebalancing relative to the transaction costs.

Withdrawal Considerations

The Board of Directors and the Committee are responsible for the establishment of withdrawal policies from the Short-Term Reserve and Long-Term Endowment portfolios to ensure that over the medium to long-term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority.

Donor Restrictions

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, the Organization shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

Acknowledgement

The undersigned recognizes the importance of adhering to the mission and strategies detailed in this Policy and agree to work and fulfill the objectives stated herein, within the guidelines and restrictions, to the best of their ability.