



New Policy - Investment – Adopted 2-18-04

Revised Policy – Investment – Adopted 7-16-09

## **St. Charles City-County Library Foundation**

### **Investment Policy**

#### **Part One**

#### **Overview**

##### **Objective**

The purpose of the investment portfolio is to fund the Foundation's financial support of the literary and educational activities of the St. Charles City-County Library District. The goal of the Foundation is to make contributions in furtherance of its mission, on the basis of specific needs of the Library District. Therefore the Foundation seeks an investment mix oriented toward balanced long term growth and current income, while providing sufficient liquidity that assets may, from time to time, be accessed at the discretion of the Foundation's Board to fund its contributions. The Foundation may make such contributions from either income or principal, at its discretion, and thus an important secondary goal is to reduce volatility in the portfolio's overall value within the constraints of the balanced long-term growth and current income objective.

##### **Asset Allocation and Rebalancing, Performance Indicators, and Risk**

The Foundation Board shall periodically review and set appropriate allocation targets as shall seem most likely to support long-term objectives. In general, the Foundation's goal is to maintain an ideal asset mix of 60 percent equities, 30 percent fixed income, and 10% in cash or cash equivalent, with a maximum ten percent (10%) variation from this asset mix. Short-term deviations from this asset mix, less than six (6) months, are permissible at the Foundation Board's discretion with recognition that sudden short-term shifts on one side of the portfolio might mandate selling that may be detrimental to overall objectives. The Foundation Board will closely scrutinize any deviation from stated expectations greater than five percent.

The portfolio's investment performance shall be measured and presented at regularly scheduled Foundation Board meetings against a model portfolio comprised of fixed income and equity indices in such weighted allocations as represented in the actual portfolio at the end of the period

being measured. Comparative indices may include, but shall not be limited to, the Barclay's Fixed Income Index (Fixed Income), the Standard & Poor's 500 index (Large Cap), the Russell 2000 index (Small Cap), the MSCI-EAFE Index (International) and the 3 Month T-Bill (Cash). The Foundation Board recognizes the inherent issues in comparing an actual managed portfolio to hypothetical indices with no associated expenses. Therefore, the Foundation Board may from time to time and at its discretion utilize other comparative benchmarks in measuring the relative performance of the portfolio.

## **Part II**

### **Fixed Income Investments**

#### **Allowable Securities**

Fixed income investments that can be considered for investment of the assets of the funds are as follows: obligations of the U.S. Government and its agencies, including Treasury Notes and Bonds; zero coupon bonds (U.S. Treasury Strips); Federal Home and Long Bank Bonds, Federal Farm Credit Bonds, Federal National Mortgage Association Bonds, Federal Land Bank Bonds, Government National Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Bonds; dollar denominated corporate bonds of U.S. corporations or dollar-denominated obligations of foreign issues if issued in the United States; and in fixed income mutual funds properly registered under the 1940 Investment Management Company Act.

#### **Quality**

At the time of purchase, Corporate Debt securities should predominantly meet or exceed a credit rating of "A /A3" from Standard and Poor's or Moody's. However to broaden the fixed income portfolio's potential investment return, and yet remain within the context of the Missouri Prudent Investor Act, it is the intent of the Foundation to permit, but limit the potential effects of weak credit quality debt in the portfolio. Therefore, while not prohibiting investment in debt rated below BBB/Baa, the amount of such debt shall generally be limited to five percent of the total portfolio and shall never exceed ten percent.

#### **Prohibited Securities and Transactions**

The portfolio is prohibited from directly investing in private placements, from speculating in fixed income or interest rate futures, and from arbitrage or any other specialized investments. However, acknowledging that many mutual funds do permit fund managers to engage in such practices, this policy shall not necessarily exclude those funds from inclusion in the Foundation's portfolio.

## **Part III**

### **Equity Investments**

#### **Allowable Securities**

Equity investments that can be considered for investment of the Fund's assets shall include common stocks, preferred stocks, and American Depositary Receipts (ADR's) traded on the New York, American, Regional Stock Exchanges, and the NASDAQ market, and pooled, mutual funds, including international mutual funds and finally Exchange Traded Funds (ETF's).

#### **Quality**

Stocks or funds will be selected for purchase or sale on the basis of estimates of intrinsic value, appreciation potential and acceptable risk in relation to the objective of minimizing portfolio volatility.

#### **Prohibited Securities and Transaction**

Investments in private placements, letter stock, short sales, margin transaction, or other specialized investment activities are prohibited. Investments in securities of foreign companies traded on foreign exchanges are prohibited, with the exception of investments made through properly registered international mutual funds without the specific consent of the Board of Directors.

## **Part IV**

#### **Cash or Cash Equivalent**

Cash or Cash equivalent investments shall be held in accounts offering FDIC or comparable insurance coverage in excess of the amount held in the account,

## **Part V**

#### **Items for Periodic Review**

The Following items should be periodically reviewed as deemed necessary within the Foundation Board's discretion:

- Underlying Mutual Fund Expense Ratios
- Trade Execution and Associated Expenses
- Appropriateness of this Investment Policy Statement as Necessary

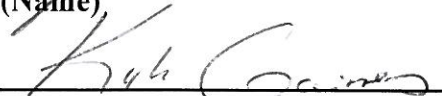
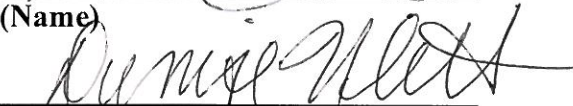
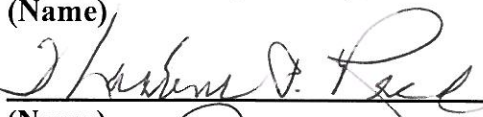

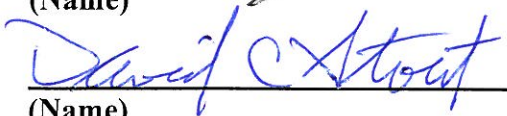
## Part VI

### Investment Authority Delegation

The Foundation Board may retain and reasonably compensate a Registered Investment Advisor to act in a discretionary manner within the constraints detailed in this policy. Such retention shall be accompanied by a written acceptance of a delegation of investment responsibility by the Advisor. This provision shall in no way be construed as a requirement for the Foundation Board to utilize the services of an advisor, and such decision remains completely within the Foundation Board's discretion.

## Part VII

### Signatures:

 (Name)	<u>President</u> (Office)
 (Name)	<u>Vice President</u> (Office)
 (Name)	<u>Secretary</u> (Office)
 (Name)	<u>Treasurer</u> (Office)
 (Name)	<u>Past-President</u> (Office)
 (Name)	<u>Finance Committee Chair</u> (Office)