

# **Pennsylvania Kiwanis Foundation Investment Policy**

## **1. Purpose**

It is the policy of the Pennsylvania Kiwanis Foundation (Foundation) through its Board of Directors (Board) to treat all assets of the Foundation, including Funds that are legally unrestricted, as if held by the Foundation in a fiduciary capacity for the sake of accomplishing its mission and purposes. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. In that regard, the basic investment standards shall be those of a prudent investor as articulated in applicable state laws.

The Board recognizes the following Uniform Standards of Care in fulfilling its fiduciary responsibilities:

- Know standards, laws and pertinent trust provisions.
- Diversify assets to specific risk/return profiles for Foundation assets.
- Prepare written, detailed statement of Investment Policy.
- Use prudent experts and document due diligence.
- Control and account for all investment related expenses.
- Monitor activities of engaged experts.
- Avoid all conflicts of interest and prohibited transactions.

The objective of the investment portfolio is to balance the maintenance and growth of assets to support the mission and to honor donors' intentions with the ability to use the income from the investments for current use as intended by donors.

## **2. Investment Assets**

For purposes of this policy, investment assets are those assets of the Foundation that are available for investment in the public securities markets as stocks, bonds, cash, or cash equivalents, either directly or through intermediate structures.

## **3. Supervision and Delegation**

The Board has adopted these policies and has formed an Investment Committee (Committee), described below, to whom it has delegated responsibility to supervise Foundation investments. The Board reserves to itself the exclusive right to amend or revise these policies.

## **4. Investment Committee**

The Committee shall consist of Board members and the Treasurer duly appointed by the President and ratified by the Board who serve at the pleasure of the Board. The Committee shall:

- a. Monitor and evaluate the investment performance of the Foundation's investments, including comparisons of investment category performance to benchmarks,
- b. Report regularly on Foundation investment matters to the Board of Directors,
- c. Execute such other duties as may be delegated by the Board.

The Board is specifically authorized to retain one or more investment advisors (Advisors) or other investment service providers required for the proper management of the Foundation's investments. The Board may utilize an Advisor as an investment consultant to advise and assist the Committee in the discharge of its duties and responsibilities. In that regard, an Advisor may help the Committee to:

- a. Develop investment policy recommendations, asset allocation strategies, risk-based investment objectives, and to evaluate appropriate investment management structures;
- b. Provide and/or review quarterly performance measurement reports and assist the Committee in interpreting the results;
- c. Review portfolios and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each category of investment; and,
- d. Execute such other duties as may be mutually agreed.

In discharging its responsibility, the Committee may recommend to the Board to enter into agreements with, pay compensation to and delegate discretionary investment authority to such Advisors.

### **5. Investment Goals & Objectives**

The Foundation's primary investment objective is to preserve and protect its assets, by earning a total return for each category of assets which is appropriate for each category's time horizon and risk tolerance. This objective shall be met when a category of investments outperforms an appropriate benchmark. These policies apply to all categories of Foundation investments although the specific objectives, risk parameters, and asset allocation will vary, as appropriate, from category to category.

Additional goals include 1) to maintain a sufficient value in the total portfolio to continuously exceed the amount of the Foundation's restricted fund balances, and 2) to provide a stream of income to support donors' intentions and the Foundation's purpose.

### **6. Authorized Investments and Prohibited Investments**

The Foundation's investments generally may include securities that are publicly traded in the United States, FDIC insured bank certificates of deposit and insured money market cash accounts. Typically, the investment portfolio will consist of mutual funds (equity and income), investment grade bonds rated a minimum of BAA1/BBB+ (Moody's/S&P) and cash equivalents.

Investments specifically prohibited are direct investments of the following types: real estate properties, bullion, commodities, junk bonds, futures contracts, private placements, options, general or limited partnerships, venture capital investments, derivatives, interest rate swaps, leases, managed futures funds, hedge funds, and private equity funds. The Foundation will not utilize margin, short selling, or other leveraged investment strategies.

Indirect investments in bullion or commodities may be permitted through mutual funds that maintain a very small portion of the fund in such types of investment. Indirect investments in sub-investment grade bonds may be permitted in mutual funds whose investment objective is high yield income and whose total value does not exceed 5% of the portfolio.

The Investment Committee, after exercising due diligence research, is authorized to direct the investment in alternative publicly traded securities that may not otherwise qualify according to the above criteria so long as the total of alternative investments does not exceed 5% of the portfolio and such that the Foundation is not exposed to undue risk. Alternative investments may not include any investment that may generate Unrelated Business Taxable Income or any investment that has the potential of obligating the Foundation beyond its initial investment. Upon purchase of an alternative investment, the Committee shall promptly report the transaction to the Board with an explanation of the strategy being exercised.

### **7. Asset Allocations**

In support of the purpose and objectives of the investment portfolio, the following asset allocation and diversification limits shall be maintained:

- a. The equities/fixed income allocation mix will be 65% equities +/- 10%, 35% fixed income +/- 10%.
- b. The maximum amount in any one mutual fund shall not exceed 10% of the total portfolio. The maximum value of any other securities of a single issuer shall not exceed 5% of the portfolio
- c. A reserve of cash or cash equivalents in the range of 0-8% may be maintained to meet budget requirements in accordance with the Foundation's approved budget and in consultation with the Treasurer.
- d. Bond maturities shall not exceed 10 years unless approved by the Board.
- e. In the event of general economic distress or sudden financial exigency, the Committee may act in consultation with the investment Advisor and other consultants to make temporary adjustments to the asset allocation.

## **8. Rebalancing Procedures**

The Committee will monitor the asset allocation based on reports provided by the Foundation's securities custodian or Advisors. The Committee may establish any reasonable rebalancing procedure based on either periodic reviews or departures from a range and may use its discretion to determine the timing of rebalancing actions. To achieve rebalancing, the Foundation may either move money from one asset class to another or may direct future contributions to and expenditures from particular classes as is most convenient. At a minimum, the portfolio will be rebalanced, if necessary, at least once per year.

## **9. Custody and Securities Brokerage**

The Committee will establish, with the approval of the Board, such custodial and brokerage relationships as are necessary for the efficient management of the Foundation's investments.

## **10. Reporting Requirements**

- a. Once monthly the Treasurer and the Chair of the Investment Committee will receive a written custodial statement which will indicate allocation of assets among categories.
- b. The Committee will obtain from the Investment Advisors a detailed review of the Foundation's investment performance for the proceeding quarter and for longer trailing periods as appropriate.
- c. Periodically and at least annually, the Committee should meet with the investment Advisor to review all aspects of the Foundation's investment assets. Such a review should include (1) strategic asset allocation, (2) manager and investment entity performance, (3) anticipated additions to or withdrawals from Funds, (4) future investment strategies, and (5) and other matters of interest to the Committee or the Board.

## **11. Policy Review**

To assure continued relevance of the objectives, goals and guidelines of this Policy, and applicability of provisions to current conditions in the financial markets, this Policy shall be reviewed by at least annually by the Investment Committee who will issue a report of the Policy review to the Board.

This Investment Policy is duly adopted by the Pennsylvania Kiwanis Foundation Board of Directors at it's meeting on June 28, 2014.

/s/ Marty Schaefer    President    June 28, 2014  
/s/ Maureen Gallo    Secretary    June 28, 2014

Adopted June 28, 2014  
Reviewed September 26, 2015  
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