

DALLASTOWN AREA EDUCATIONAL FOUNDATION

TITLE: *INVESTMENT POLICY*
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1. **BACKGROUND:** The Dallastown Area Educational Foundation Funds are comprised of cash and marketable securities owned by the Dallastown Area Educational Foundation. These funds become part of the endowment of the Dallastown Area Educational Foundation or part of the capital investment resources of the Dallastown Area Educational Foundation.
2. **OBJECTIVES:** The philosophy of the Investment Policy is to maximize the total rate of return (i.e., income plus capital appreciation) consistent with a prudent regard to safety of principal. The investment objective is to produce at least a targeted annualized return above inflation (as measured by CPI) over a three to five year trailing period. In addition, the Fund will:
 - Maintain sufficient liquidity to meet distribution requirements as defined by the annual budget.
 - Provide current income to support operations as defined by the annual budget.
 - Provide for growth of principal to insure the long-term viability and financial soundness of the Dallastown Area Educational Foundation.
 - Maintain a diversified portfolio by allocating the Fund's assets to different asset classes, such as (equities, long term fixed income and money market instruments) based on guidelines set forth by the Investment Committee.
3. **RESPONSIBILITY:**
 - **Board of Directors:** The operating board of the Dallastown Area Educational Foundation is responsible for the management of the organization's assets. This Policy cannot be altered without the approval of the Board. The Board of Directors shall approve all Investment Managers.
 - **Investment Committee:** The Investment committee shall be an ad-hoc committee consisting of the treasurer of the Foundation and one member of the Foundation operating board. The Investment Committee is responsible for the implementation and adherence to this Policy. The Investment Committee will:
 - i. **Establish asset allocation guidelines.**
 1. Meet with Investment Manager at least semi-annually to review performance and philosophy.
 2. Evaluate performance at least quarterly relative to the appropriate benchmarks.
 3. Report to the board on investment results.
 4. Recommend the addition or deletion of an Investment Manager for Board approval
 5. Approve short-term exceptions to the details section of the policy and report to the Board.

6. Review this Investment Policy at least every two years and recommend needed changes to the Board of Directors.
- **Treasurer:** The Treasurer will be responsible for day-to-day contact with the Investment Manager(s).

4. DETAILS:

Investment Managers: Selection of one or more Investment Managers will be upon recommendation by the Investment Committee and approval by the Board of Directors. Prospective Managers will be evaluated based on past performance, general credibility and reputation, consistency of results, fee structure, their relationship to the District (i.e., residency, other involvement), and in a manner consistent with proper investment planning for the Foundation's goals. Investment Managers are required to vary the asset mix within the guidelines established in the Investment Policy in response to changes in economic conditions.

- **Asset Allocation Strategy:** This will be discussed by the committee with the investment manager.
 - i. To perpetuate the long-term viability and growth of the Foundation, 5-25% of the Foundation's net revenues will be invested for long-term growth in accordance with this policy. The remaining revenues will be utilized to fund projects of the Foundation on a current basis, with these monies being placed in short-term investments because of pending use.
 - ii. Diversification of assets will be employed to ensure that adverse results from one security class will not have an unduly detrimental effect on the entire portfolio. Diversification among securities within an asset class shall be pursued.
 - iii. Investment fund assets will be invested as follows:
 1. % Equities
 2. % Fixed Income Securities
 3. % Cash or Equivalents

The term "equities" includes common stock, equity mutual funds, convertible bonds and preferred stock.

The term "fixed income securities" indicates any instrument that provides for contractual payments and has a specific maturity date greater than one year.

- **Investment Guidelines:**
 - i. Investment in any one company shall not exceed 5% of the total market value of the portfolio, with the exception of issues of the U.S. Government and its agencies.
 - ii. Investment in one Industry shall not exceed 20% of the total market value of the equity portfolio.
 - iii. Investment in any equity mutual fund shall not exceed 20% of the total market value of the portfolio.
 - iv. Acceptable Equity Securities include the following:

1. Stocks traded on the New York or American stock exchanges or on the NASDAQ system.
2. Convertible bonds and convertible preferred stocks.
3. American Depository Receipts (ADRs) and foreign stocks up to a maximum of 20% of the equity portion of the portfolio.
- v. Acceptable Fixed Income Securities include the following:
 1. Bonds and notes issued of backed by the U.S. Government and its agencies.
 2. Debt instruments issued by domestic corporations.
 3. Eurodollar bonds issued by foreign corporations.
 4. All Fixed Income Securities must be investment grade.
- vi. Short-term funds and cash will be managed at the Investment Manager's discretion. Commingled funds may be utilized. Commercial paper must be A1-P1. Certificated of deposit must be those of FDIC – insured U.S. financial institutions, up to the FDIC insurance limit per institution.
- vii. The following categories of securities or security transactions are not permitted.
 1. Short sales
 2. Put and Call options
 3. Margin purchases or other leveraged transactions
 4. Letter stock, private placement or direct payments
 5. Equity securities of any company that has a record of less than three years continuous operation, including the operation of any predecessor unless received and approved by the Gift Acceptance Committee
 6. Purchase for purposes of exercising control of management
 7. Stock loans
 8. Future contracts

- **Performance Measurement:**

- i. Quarterly: The Investment Committee will review the Fund's performance relative to appropriate comparable market indices.
- ii. Annually: Annual reviews should include a presentation by the Investment Manager to include:
 1. A review and appraisal of the investment program.
 2. A commentary of investment results in light of the current investment environment and their asset allocation guidelines.
 3. A review of the key investment decisions and the rationale for these decisions.
 4. A discussion of the Manager's outlook and what specific decisions this outlook may dictate.
 5. Any recommendations as to changes in goals and guidelines in light of material and sustained changes in capital markets.
 6. Any significant change in the manager's investment outlook, philosophy, policy, ownership or key professional staff.