

## **Westlake Academy Foundation**

### **INVESTMENT POLICY STATEMENT**

*(Adopted May 17, 2017)*

#### **I. Scope**

This policy applies to the investment of all funds of the Westlake Academy Foundation, hereinafter called “the corporation.”

##### **A. Responsibility for Management of Funds**

All funds of the corporation shall be managed by the Investment Committee. At the discretion of the committee, an external agent or agencies may be engaged to manage funds of the corporation; in which case, the external manager(s) shall be responsible directly to the Investment Committee.

##### **B. External Management of Funds**

Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

##### **C. Pooling of Funds**

Except for cash in certain restricted and special funds, the corporation will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

#### **II. General Objectives**

The primary objectives of investment activities shall be:

##### **A. Investment Objectives and Risk Tolerance**

Assets of the Authority shall be invested in a manner consistent with the circumstances, time horizon, cash flows and risk tolerance. The Authority has a long-term time horizon and the investment objective of a balanced growth and income portfolio.

The investment objectives of the Authority are to:

- Maintain a long-term time horizon.
- Monitor liquidity to meet anticipated cash flows.
- Achieve return objectives within acceptable levels of risk.
- Reduce portfolio risk with diversification.

The Westlake Academy Foundation’s risk tolerance will be driven by the Board of Trustees willingness to accept risk in order to seek opportunities for growth. Other attributes which drive risk tolerance are liquidity needs, time horizon and other sources of income. With the guidance of the investment consultant, the Board of Trustees will determine the Foundation’s risk tolerance and which investments align with their investment objectives.

## **B. Performance Objectives**

Upon recommendations by the investment consultant, the Board will select investment managers, certificate of deposits, separate accounts, collective trust funds, commingled funds, mutual funds and/or exchange traded funds consistent with the Westlake Academy Foundation overall investment objectives. The investment consultant will incorporate within their decision making processes with respect to investments; current and projected economic factors, industry trends, desired levels of income, capital growth, liquidity needs, risk tolerance, diversification and other matters. Specific performance objectives will be established for each appropriate investment account. Performance will be evaluated against selected appropriate benchmarks that will consist of a market index and on an absolute basis. Investments will have multiple static benchmarks and a composite index specifically for the Foundation's investments. Each investment vehicle (mutual fund, exchange traded fund etc.) will be compared to its suitable benchmark and to its peer group. For example, a large cap core equity manager would be benchmarked to the S&P 500 Index.

## **C. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets. A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

## **III. Standards of Care**

### **A. Prudence**

The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The investment committee, acting in accordance with written procedures and this investment policy, and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

### **B. Ethics and Conflicts of Interest**

Directors and agents involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Directors and agents shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

### **C. Delegation of Authority**

Responsibility for the operation of the investment program is hereby delegated to the corporation, which shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the corporation.

### **D. Audits**

The books and records of the corporation shall be audited annually by a certified public accountant.

## **IV. Suitable and Authorized Investments**

### **A. Investment Types**

In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that the corporation will consider and which shall be authorized for the investments of funds by the corporation.

1. United States Treasury Securities: Obligations of the United States Government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. United States Agency Securities: Obligations issued or guaranteed by any agency of the United States Government.
3. Collateralized Public Deposits (Certificates of Deposit): Instruments issued by financial institutions that state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by state statute.
4. Mutual Funds: SEC-registered mutual funds in good standing with holdings solely composed of the above types of investments.
5. Exchange-Traded Funds: An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, or bonds and trades at approximately the same price as the net asset value of its underlying assets over the course of the trading day.
6. Equities: Common stock of companies that are registered with the SEC and publicly traded on a major exchange.
7. Bonds: Debt securities whereby the issuer promises the holder to repay the principal at a later date and may or may not pay interest during the term of the obligation.

## B. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the corporation's funds, the investment portfolio will be subject to the following restrictions:

1. Borrowing for investment purposes ("leverage") is prohibited.
2. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
3. No more than 5% of the total market value of the portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

## V. Investment Parameters

### A. Asset Allocation

Academic research suggests that the decision to allocate total account assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior, the following asset classes were selected to achieve the objectives of the Portfolio. To implement the recommended Asset Allocation, the Portfolio will be diversified with regard to asset class and investment style.

The Investment Committee or Advisor will, from time to time, use assumptions to determine whether an asset class allocation should be at the high or low end of its range based on tactical allocations.

The Board has approved the use of mutual funds and exchange traded funds. The investments in mutual funds and exchange traded funds must be consistent with the intention of the Board of Directors' approved asset allocation. Eligible and restricted securities are provided within the prospectus for each mutual fund and exchange traded fund.

The following table reflects the recommended allocation ranges:

TARGET ALLOCATION +/- 10%	ASSET CLASSES	ALLOCATION RANGES
<b>40%</b>	Fixed Income	10% to 60%
	Preferred Stocks	0% to 10%
	Money Market and Cash	0% to 25%

<b>60%</b>	Large Cap Equities	5% to 50%
	Mid Cap Equities	5% to 25%
	Small Cap Equities	5% to 20%
	International Equities	5% to 25%
	Real Estate	0% to 10%

## **B. Rebalancing Procedures**

From time-to-time, market conditions may cause the Portfolio's investments to vary from the established allocation. To remain consistent with the target asset allocation model established by this Statement, the Portfolio investments will be reviewed quarterly and rebalanced at least annually.

## **VI. Reporting**

The investment committee shall prepare annual and quarterly investment reports, including a management summary that provides an analysis of the status of the investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the corporation to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the corporation. The report will include the following:

- A. Listing of individual securities held at the end of the reporting period;
- B. Listing of investment by maturity date;
- C. Percentage of the total portfolio that each type of investment represents;
- D. Current market value of investment portfolio; and
- E. Market value deviation from previous reporting period, and year-to-date.

## **VII. Adoption**

This policy shall be adopted by resolution of the corporation's board of directors. The corporation's finance committee shall review the policy annually and recommended changes will be presented to the board of directors for consideration.