



YMCA

We build strong kids,
strong families, strong communities.

Investment Policy

Authorized by: _____
President of the Board of Directors

POLICY

The Executive Board of the Greater Missoula Family Young Men's Christian Association (YMCA) adopted the following policy:

Purpose

The purpose of this policy is to establish guidelines for investments and cash.

Scope

This policy covers all funds which may be invested by the YMCA including general operations and designated project funds.

Objectives

- A. **Safety of Capital:** Safety of principal is the foremost objective of the YMCA. Each investment transaction shall seek to avoid capital losses from security defaults or erosion of market value.
- B. **Return on Investment:** The YMCA cash management portfolio shall be designed with the objective of equalizing or exceeding the average return on three month US Treasury bills or the average rate of Federal funds, whichever is higher. These indices are considered benchmark for risk-less investment transactions and, therefore, comprise a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, subject to risk limitations identified herein, the liquidity needs of the YMCA and investment principles. Rate of return shall be the decisive factor only when selecting between two or more equally safe investments.
- C. **Liquidity:** The YMCA's investments shall be managed to maintain liquidity needed to meet cash requirements and not be subject to early disposal of an investment which would cause a loss.

Cash and Cash Equivalents

Cash reserves will be utilized to provide liquidity and to implement some types of investment strategies. Cash reserves should be invested in money market funds, bank checking accounts, U.S. Government Securities, and repurchased agreements fully collateralized with U.S. Government or agency securities.

Approved Short-Term Investment Securities

Security	Maximum Investment/Maturity	Credit Quality
US Government Obligations	No max. nor more than 2 years	N/A
Bank C.D.	\$100,000 per bank, insured by FDIC, no more than 1 year	Insured by FDIC
Repurchase Agreements	None	US Government or US Agency security with market value of 110% or greater than face value
Commercial Paper	10% of total cash with maturity not greater than 270 days	Rating must be both A1 by S & P and P1 by Moodys (no split rating)

Stocks, bonds, and other investments donated will be sold upon receipt.

The short-term investment portfolio will be reviewed at least semi-annually by the Finance Committee. Short-terms are generally defined as those with maturities under one year.

INVESTMENT PHILOSOPHY

Introduction

Purpose of this Policy Statement

This Policy Statement outlines the goals and investment objectives of the Greater Missoula Family YMCA (YMCA) Endowment Funds (henceforth call the “Endowment Funds”). Since this policy statement is intended to provide guidelines for those responsible for managing the Funds’ Equity, Fixed Income, and Cash Equivalents assets, this document outlines certain specific investment policies which will govern *how* those goals are to be achieved. Endowment Funds include all long-term investments, including unrestricted and restricted by donor amounts. This statement:

- Describes an appropriate risk posture for the investment of the Endowment Funds’ assets,
- Specifies the target asset allocation policy,
- Establishes investment guidelines regarding the selection of investment managers, permissible securities, and diversification of assets,
- Defines the responsibilities of the Board of Directors, YMCA Management (the “Management”), and other parties responsible for the management of the Endowment Fund’s assets.

The investment policies described in this statement should be dynamic. These policies should reflect the Endowment Funds’ current status and management’s philosophy regarding the investment of assets. These policies will be reviewed and revised periodically to ensure they adequately reflect changes related to the Endowment Fund and the YMCA, as well as fundamental changes in the capital market.

Investment Objective

The funding obligations of the Endowment Funds are long-term in nature; consequently the investment of the Funds’ assets should have a long-term focus. The Endowment Funds’ assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The investment objective for the Funds is to achieve an above-average growth in principal over the long-term and to protect principle from both long-term market value and inflationary erosion. This objective can be obtained through a well-diversified portfolio structure in a manner consistent with this investment policy.

Parties Associated with Endowment Investments

Board of Directors

The Board of Directors bears ultimate responsibility for Endowment Funds and the appropriateness of investment policy and execution. The Finance Committee is responsible for developing and defining the investment program for the Endowment Funds, including investment policy, objectives, and asset mix policy. The Finance Committee engages investment managers, consultants, actuaries and other advisors to implement and execute the investment policy as it relates to the Endowment Funds. Any appreciable changes in the direction or content of the Endowment Funds' investments will be reviewed and approved by the Board. As needed, the Board will assist the Finance Committee in reviewing such issues as Endowment Funds' investment performance, investment philosophy and strategy, and specifics on related portfolio analytics.

Finance Committee

As authorized by the Board of Directors, the Finance Committee develops and defines the investment management structure within the asset mix policy with full discretion to allocate funds to investment managers. The Finance Committee engages investment managers, consultants, actuaries and other advisors to implement and execute investment policy as it relates to Endowment Funds. The Finance Committee meets regularly and reviews such issues as endowment Fund investment performance, investment philosophy and strategy, and specifics on related portfolio analytics. Any appreciable changes in the direction or content of the Endowment Funds' investments will be reviewed and approved by the Board.

a) Investment Managers

It is the intention of the Missoula Family YMCA to use mutual or other commingled funds or individual securities through a money manager to implement the investment strategy of Endowment Funds. In the event that mutual funds are used, the prospectus of the fund(s) will govern the investment policies of the fund investments.

b) Investment Objectives

In consideration of the cash flow characteristics of Endowment Funds and the financial status of the YMCA, the Board has adopted an overall investment objective for the Endowment Funds' assets of *growth and income*; that is, a total return approach, emphasizing both current growth and income over a relatively long term.

c) Risk Tolerance

Investment theory and historical capital market return data suggests that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (i.e. volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Endowment Fund is the determination of an appropriate risk tolerance. Two important facts that affect the Endowment Fund's risk tolerance are the financial ability to accept risk within the investment program and the willingness to accept return volatility.

After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the Endowment Fund over the long term, and capital market volatility, the Board is comfortable with a *moderate* risk strategy. This is a goal of relatively more stable returns over the longer term, with a reduced potential of negative returns in any given year.

d) Investment Strategy

Criteria for Selecting and Retaining Mutual Funds

For mutual and other commingled funds retained by the Missoula Family YMCA, the prospectus or trust documents of the fund(s) will govern the investment policies of the fund investments. Any mutual funds selected for the Endowment Fund shall be registered Investment Companies as defined under the Investment Company Act of 1940. Mutual and other commingled funds retained by management shall be chosen using the following criteria:

Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames, consistency of performance, and the level of risk taken to achieve results.

The Investment style and discipline of the fund. How well the fund's investment style or approach complements other assets in the Endowment Fund.

Level of experience, financial resources, and staff levels of the investment advisor managing the fund.

As assessment of the likelihood of future investment success, relative to other opportunities.

Total fund expenses.

Investment Fund Structure

The YMCA may use mutual funds of complementary investment styles and asset classes and, if appropriate, individual securities invested through a money manager to implement the investment strategy of the Endowment Fund.

Asset Allocation Strategy

In line with the Missoula Family YMCA's Endowment Fund return objectives and risk parameters, the mix of assets should be maintained as follows:

Asset Class	Minimum	Target Average	Maximum
Large/Medium Cap US Stocks	20%	30%	50%
International Stocks	10%	15%	20%
Small Cap Stocks	10%	15%	20%
Total Equity	40%	0%	70%
Real Estate	0%	0%	15%
Fixed Income	30%	40%	60%

The aggregate asset allocation will be monitored and may be rebalanced on the target allocation on a period basis.

Deviations from this asset mix guideline may be authorized by the Board of Directors when it determines that the aggregate deviation does not constitute a material departure from the spirit of the target allocation or if acceptance of a contribution may temporarily affect the allocation.

Investment Policies and Constraints

The investment activity must be consistent within the requirements of this Policy and the Endowment Fund's governing documents.

The securities in the Endowment Fund should generally be of a quality that makes them appropriate for the portfolio and consent with the Missoula Family YMCA's investment policies. The following guidelines will apply:

1. Domestic Securities

Equity securities generally include, but are not limited to, common stocks, American Depositary Receipts, convertible securities, and equity-oriented mutual funds.

Fixed income securities generally include, but are not limited to, domestic, fixed or variable rate bonds and notes issued by the U.S. Government and its Agencies, U.S. corporations, Yankee bonds, and notes (bonds or notes issued by non-U.S.-based corporations but traded in the U.S.), securitized mortgages, preferred stock, and debt-oriented mutual funds.

Domestic securities purchased should be registered with the Securities and Exchange Commission, traded on a recognized U.S. stock exchange or over-the-counter market, and conform to the liquidity constraints already described.

2. International Securities

Allowable international securities are limited to sponsored and unsponsored American Depositary Receipts (ADRs) or American Depositary Shares (ADSs), and open-end and closed-end mutual funds, so long as the securities purchased are registered with the Securities Exchange Commission, traded on a recognized national exchange or over the counter market, and conform to the liquidity constraints already described.

3. Other Assets

The Missoula Family YMCA may elect to accept and hold other assets such as direct residential or commercial mortgages, unregistered securities, real estate, raw land or other items determined to have value.

Exclusions

This Fund's assets may not be used for the following purposes:

- Short Sales
- Purchases of letter stock, private placements, or direct payments
- Leveraged transactions
- Purchases of securities not readily marketable
- Commodities transactions
- Puts, calls, straddles, or other option strategies other than for hedging purposes
- Purchase of real estate with the exception of REITs and operating facilities
- Purchase of interest-only principal-only bonds
- Any type of derivative security not explicitly allowed in this policy statement or without the prior written approval of the Finance Committee.

Investment Policy

8/08

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