

ROBERT AND CHRISTINE STEINMANN

INVESTMENT POLICY

JULY 2016

(Policy 2016-01)

This investment policy supersedes the Investment Policy for the Robert and Christine Steinmann Family Foundation, March 15, 2005.

GENERAL INFORMATION

Foundation Title: Robert and Christine Steinmann Family Foundation, hereafter known as the "Foundation."

Adoption Date: July 26, 2016

Funding Status: Currently valued at approximately \$4.5 million.

Mission Statement: Since its inception, it has been the mission of the Robert and Christine Steinmann Family Foundation to help those in need help themselves, through the practical application of knowledge and resources that improve the quality of their lives and the lives of future generations.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the Foundation.

INVESTMENT POLICY PURPOSE

This investment policy is set forth by the Board of Directors in order to:

1. Define responsibilities of all involved parties.
2. Establish the investment goals and objectives.
3. Offer guidance and limitations to all investment managers regarding investment of Foundation assets.
4. Establish a basis for evaluating investment results.

5. Manage foundation investments according to prudent standards as established by Common Trust Law.

6. Establish the relevant investment horizon for which the Foundation assets will be managed.

#### DELEGATION OF AUTHORITY

1. Investment Broker. Would assist the Board of Directors (hereafter referred to as the "Board") in: establishing investment policy, objectives, and guidelines; selecting investments; reviewing such investments over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. Selected Brokers must have all established and accepted certifications and credentials.

2. Custodian. The custodian would physically maintain possession of assets held by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales.

3. Oversight. Additional specialists such as attorneys, auditors, actuaries, retirement fund consultants, and others may be employed by the Board to assist in meeting its responsibilities and obligations to administer Foundation assets prudently.

The Board will not reserve and control over investment decisions, with the exception of specific limitations described in these statements.

If experts employed are also deemed fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Foundation as deemed appropriate and necessary.

#### DEFINITIONS

1. "Board of Directors" shall refer to the governing board established to administer the Foundation as specified by applicable ordinances.

2. "Investment Advisor" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

3. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.

4. "Investment Horizon" shall mean the time period over which investment objectives, as set forth in this statement, are expected to be met. The Investment Horizon for this Foundation is understood to mean investments to maintain the Foundation into perpetuity.

#### ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Board of Directors of the Foundation

The Board is charged by law with the responsibility for the management of the assets of the Foundation. The Board shall perform its duties solely in the interest of the Foundation, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Board relating to the investment management of Foundation assets include:

1. Projecting the Foundation's financial needs, and communicating such needs to the investment broker on a timely basis.
2. Determining the Foundation's risk tolerance and investment horizon, and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policies, and guidelines, which will direct the investment of the Foundation's assets.
4. Prudently and diligently selecting a qualified investment professional, an investment broker, and custodian.
5. Regularly evaluating the performance of the investments to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures to detect possible shifts away from established plans and guidelines that may affect overall meeting of investment goals.

#### Responsibility of the Investment Broker

The investment broker's role is that of a non-discretionary advisor to the Board of the Foundation. Investment advice concerning the investment management of Foundation assets will be offered by the investment broker, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the investment broker include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Board.
3. Providing "due diligence" or research on the investment fund manager(s).
4. Monitoring the performance of the investment fund managers to provide the Board with the ability to determine progress toward meeting the investment objectives of the Foundation.
5. Communicating matters of policy, manager research, and manager performance to the Board.
6. Reviewing investment history, historical capital markets performance and the contents of this investment policy statement to newly appointed members of the Board.

## GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the participants and beneficiaries of the Foundation and for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.
2. The foundation assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. The Foundation considers itself as being part of a dynamic world economy with constantly shifting markets and opportunities. We would expect our investment partners to share this view. An important component to the investment strategy is an ongoing forward looking effort that would allow investment shifts that would financially benefit the Foundation.
4. Investment of the Foundation assets shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
5. The Board may employ one or more fund managers of varying styles and philosophies to attain the Foundation objectives.

## FUTURE CONTRIBUTIONS:

Future giving (contributions) to the Foundation is expected to be unlikely and unpredictable. As a result, the Board has set an investment strategy with the objective of maintaining purchasing power of the Foundation's assets to meet annual gifting requirements plus covering current year operating expenses for the Foundation. Expectations may may be expressed by the following equation:

Total Foundation Return (equal to or greater than) (Gifting+Inflation+Expenses)

## INVESTMENT POLICY

The Board will attempt to balance the Foundation's shorter term grant-making obligations with its goal to provide grants into perpetuity, and therefore design a flexible investment policy. Since expected investment returns from "riskier" portfolios are not consistent and predictable, the Board will exercise shorter-term spending in dollar terms when necessary to endure periods of under-performance without excessive deterioration of real principle. However, the requirement to provide annual grants of a minimum of five percent of previous year's net worth will take some degree of flexibility from short term spending. Therefore, this Foundation will tend toward a reasonable risk investment strategy but will seek a more "aggressive" strategy when prudent and as determined by the Board. In doing so, the Foundation will seek higher long-term investment returns while maintaining the long term policy of operating the fund to perpetuity. The Board will set three-year Annual Investment Returns Goal to average 6.5 percent of the portfolio value.

## INVESTMENT MANAGEMENT POLICY

Adherence to Investment Discipline - Investment fund managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

## INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Foundation is to emphasize capital appreciation primarily with equity-oriented investments that have potential for significant growth, but with the addition of necessary fixed income/other related investments that are designed to offset a major capital market devaluation as a means of attaining the goal of a 6.5 percent return on the average over a running three-year period. These positions would vary over time depending upon the world economic outlook and policies that might significantly impact the market index.

## SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, it is the goal of aggregate Foundation assets to meet or exceed a three-year Annual Investment Returns Goal to average 6.5 percent of the portfolio value; however, this investment goal shall be reviewed by the Board annually so as to assure Foundation operation into perpetuity while taking into consideration the minimum annual grant requirement, the Consumer Price Index and how it may impact annual expenses other than grants, and the opportunity to take advantage of greater forecasted economic growth by placing a greater amount of Foundation investment funds into the capital equity market. Likewise, during forecasted periods of economic downturn, the Foundation may shift investments more towards preservation of capital.

The investment goal of the Foundation is not meant to be imposed on each investment manager. The goal of each investment manager throughout the investment horizon, shall be to:

1. Meet or exceed the appropriate market index that most closely corresponds to the style of a particular investment manager as so selected and agreed upon by the Board.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of the quarterly returns.

## INVESTMENT GUIDELINES

Allowable assets include mutual funds that invest in the following:

1. Cash Equivalents
  - Treasury Bills
  - Money Market Funds
  - Short Term Investment Funds (STIFs)
  - Commercial Paper
  - Bankers Acceptances

- Repurchase Agreements
- Certificates of Deposits

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Collateralized Mortgage Obligations
- Multiple Limited Partnerships

3. Equity Securities

- Common Stock
- Convertible Notes and Bonds
- Convertible Preferred Stock
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares) (If Appropriate)

Prohibited investments and transactions include, but are not limited to the following:

1. Direct Investments in Commodities and/or Futures Contracts
2. Private Placements
3. Options
4. Short Selling
5. Margin Transactions

Asset Allocation Guidelines

Investment management of the assets of the Foundation generally should be in accordance with the following asset allocation guidelines:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	40%	80%	70%
Fixed Income	20%	50%	25%
Cash and Equivalents	3%	60%	5%

2. The Board may employ investment fund managers whose investment disciplines require investments outside the established asset allocation guidelines. However, taken as a component of the aggregate Foundation assets, such disciplines must fit within the overall asset allocation guidelines established in this statement.

#### Diversification for Investment Managers

In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total assets and no more than 20% of the total assets should be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed 15% of the market value of the fixed income portfolio.

#### Guidelines for Fixed Income Investments and Cash Equivalents

1. Foundation assets may be invested only in investment grade bonds rated A (or equivalent) or better.
2. Foundation assets may be invested only in commercial paper rated A1 (or equivalent) or better.
3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors and/or Moody.

#### SELECTION OF INVESTMENT FUND MANAGERS

The Board's selection of the investment manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank insurance company.

#### INVESTMENT MANAGER PERFORMANCE REVIEW

Performance reports shall be generated by the investment broker at least quarterly and communicated to the Board for review. The investment performance of the total portfolio, as well as asset class components, will be measured against commonly accepted benchmarks. Consideration shall be given to the extent to which the investment results are consistent with objectives, goals, and guidelines, as set forth in this statement. The Board intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline that is employed and the risk parameters established, or unacceptable justification of poor results.
2. Unless directed by the Board, failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment fund managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status, and capital markets expectations established in this statement of investment policy, the Board shall review investment policy no less often than annually and more often if situations would indicate.

This statement of investment policy is adopted on July 26, 2016 by the Board of the Foundation.



Bruce L. Fister

DATE: August 4, 2016

President