

# Lake Winnepesaukee Sailing Association Endowment Fund Investment Policy

rev. 13Apr2022

We, the Board of Directors of LWSA, resolve to implement with immediate effect this Investment Policy.

## I. Scope

1. The Lake Winnepesaukee Sailing Association Endowment Fund Investment Policy (“the Investment Policy”) shall apply to any funds or assets held by Lake Winnepesaukee Sailing Association (LWSA) in the LWSA Endowment Fund (“the Endowment Fund”), whether “pure endowment with donor restrictions,” “quasi-endowment” designated by the Board of Directors from surplus, or unrestricted funds being invested along with other assets
2. The Pure Endowment Fund and its purpose, scope, management, and governance are defined in the LWSA Pure Endowment Fund Policy.

## II. Purpose

The purpose of this Investment Policy is to grow the Endowment Fund prudently over time, which requires taking on an optimal level of risk that balances reasonable growth and returns while it seeks to avoid the loss of donated or other capital.

## III. Investment Objectives

1. The funds and assets within the Endowment Fund and the sub-funds thereof are to be managed with long-term strategies with a 5-10 year time horizon.
2. The objective is to achieve a rate of return, after expenses that is higher than a weighted composite of 2/3 S&P500 and 1/3 US 10-year Treasury Bonds over any 3-year period, although return on capital is the secondary priority and preservation of capital is the primary priority.

## IV. Investment Restrictions

1. Investments shall be limited to the following classes:
  - A. Mutual funds and Exchange Traded Funds (ETFs) composed of equity and debt securities of publicly-traded companies listed on the major US stock exchanges,
  - B. Mutual funds and Exchange Traded Funds (ETFs) composed of long-term debt issued by the US or NH governments,
  - C. Cash held in US dollar accounts and cash equivalent instruments, and
  - D. Securities or assets which have been gifted or bequeathed to LWSA as part of restricted gifts or bequests held in the Endowment Fund and which are subject to conditions that restrict their sale or disposal. It is recognized that these assets may not fall within classes 1.A., 1.B, or 1.C.

2. In addition to the limitations of paragraph 1, points A through D above, it is further stipulated that no investment may be made in the following categories or classes of assets (unless donated and restricted from sale):
  - A. Unregistered stock
  - B. Conditional sales contracts
  - C. Options
  - D. Short sales or margin purchases
  - E. Transferable certificates of participation in business trusts and limited partnerships
  - F. Securities of the investment managers or the respective parents, subsidiaries, or affiliates.
  - G. Derivatives
  - H. Securities held in violation of state or federal law.
  - I. Real estate
  - J. Art work, wine, gold or silver bars or coins, and other physical asset investments
  - K. Digital currencies, including but not limited to bitcoin or dogecoin.
3. Investments shall be diversified. Funds should be invested in securities across a variety of industry sectors, asset classes, size of capitalization (for stocks and corporate debt), and growth or value designations.
4. No investment may be made in mutual funds or ETFs rated as “Underperform” by major rating agencies.
5. No investment may be made in mutual funds or ETFs holding “junk bonds” (bonds below investment grade).
6. Investments in cash and cash equivalent instruments should be made on the basis of safety and liquidity, and secondarily by yield.
7. Not more than 10% of the overall Endowment Fund may be invested in any one mutual fund or ETF.
8. If a gifted or bequeathed equity stock or bond exceeds 5% of the overall Endowment Fund, that asset will be sold in whole or part to comply with the percentage limits, always subject to any restrictions of the gift or bequest.

#### V. Asset Allocation

1. The target asset allocation for the Endowment Fund and each sub-fund thereof is as follows: equity 30-60%, fixed income 30-60%, and cash 0-40%.
2. The Endowment Committee will determine the specific asset allocation over time within the ranges set out in this Investment Policy.

#### VI. Performance Evaluation and Benchmarks

1. Investment managers and/or financial institutions managing the assets of the Endowment Fund shall be measured on an annual basis and a trailing three-year basis against the objectives, targets, and restrictions set out in this Investment Policy.
2. The performance benchmark for performance evaluation and reporting for each asset class is as follows:
  - A. US Equities: Standard & Poor 500
  - B. US Fixed Income Bond Index: Fidelity US Bond Index
  - C. Cash: 90-day Treasury Bill
  - D. Mutual Funds and ETFs: Morningstar peer indices

#### VII. Conflict of Interest

No investment may be made in any security, entity, or asset in which any member of the Endowment Committee or the Board of Directors of LWSA has a greater than 1% stake or holds an officer or senior management position, or whose spouse, parent, or child holds such stake or position. Similarly, the managers or investment advisors of any of the investments shall not be ones in which any member of the Endowment Committee or the Board of Directors of LWSA has a greater than 1% stake or holds an officer or senior management position, or whose spouse, parent, or child holds such a stake or position.