

**REDLANDS OPTIMIST CLUB, INC.
REDLANDS OPTIMIST CLUB FOUNDATION**

INVESTMENT POLICY STATEMENT

Statement of Purpose

The purpose of this Investment Policy Statement (“The Statement”) is to provide guidance and facilitate an understanding related to the investment objectives and policies applicable to the investments of the Redlands Optimist Club, Inc. (“The Club”) and the Redlands Optimist Club Foundation (“The Foundation”).

Mindful of its fiduciary responsibilities, the Board of Directors has adopted this Statement. This Statement is not a contract, but rather intended to be a summary of an investment philosophy that provides guidance to the Board of Directors, and others assigned the responsibility of investment management.

Statement of Responsibility and Authority

The following parties associated with the Club and/or the Foundation shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: 1) in the sole interest of the Club and/or Foundation; 2) by diversifying the investments so as to minimize the risk of significant losses.

- A. **Board of Directors:** The members of the Board of Directors are the fiduciaries of the Club and Foundation and are ultimately responsible for the selection of the investment managers.
- B. **Finance Committee:** The Finance Committee has been delegated authority by the Board of Directors to manage the day-to-day administrative issues associated with the Club and Foundation’s portfolio. It has the responsibility to make recommendations to the Board of Directors with respect to the implementation and maintenance of this Investment Policy Statement, investment managers, investment consultants and investments.
- C. **Investment Consultant:** The investment consultant is charged with the responsibility of advising the Finance Committee on investment policy, the selection of investment managers, and providing performance analysis and monitoring services.
- D. **Investment Manager(s):** The investment manager(s) are delegated the responsibility of investing and managing the Club and/or Foundation assets in accordance with all applicable laws. Each investment manager must either be (1) registered under the Investment Company Act of 1940; 2) registered under the Investment Advisors Act of 1940; 3) a bank, as defined in that Act; or, 4) such other person or organization authorized by applicable law or regulation to function as an investment manager.

Investment managers may be hired independently, managers of mutual funds, or ETF’s.

Investment Plan

Policy

The portfolio will maintain an asset allocation strategy in accordance with the guidelines described in this policy. The portfolio seeks to provide long-term growth of capital with a moderate level of current income. For this purpose, the portfolio shall include, but not be limited to, cash and

cash equivalents, investments in stocks, bonds, mutual funds, real estate and other investments which may reflect varying risk levels and rates of return.

Guidelines and Policies

Time Horizon

Except where noted, the overall portfolio is designed with a long-term time horizon (greater than 5 years). The Club and Foundation recognizes that capital values will fluctuate over shorter periods, and the possibility of capital loss does exist regardless of the investment time horizon.

Risk Tolerance and Performance Expectations

The Club and Foundation recognize that the objectives of the portfolio cannot be achieved without incurring a certain amount of principal volatility. The portfolio will be managed in a style-neutral manner that seeks to minimize principal fluctuations over the established time horizon and is consistent with the portfolio's stated objectives. The portfolio will invest primarily in U.S. and global equity (stock and debt (bond) securities). Other assets may be added to the portfolio when deemed prudent by the Finance Committee and as approved by the Board of Directors. This additional diversification is expected to enhance returns and reduce risk over the long term.

Investment Constraints

The direct investment or use of derivatives, futures, options, short sales, limited partnerships, initial public offerings and margin leverage as part of the investment portfolio is prohibited. Use of Commodity Trading Advisors (CTA's) is allowed.

It is the policy of the Club and Foundation not to hold individual equity securities. All investments in equity securities will be through an individual money manager or through the purchase of managed mutual funds. All individual equity securities received through donation shall be sold immediately upon receipt.

Asset Allocation Guidelines

The Club and Foundation Boards recognize that research suggests the decision to allocate total investment assets among various asset classes will far outweigh security selection and other decisions that affect the Portfolio's performance. Therefore, the following asset classes and weighting ranges are selected to achieve the objectives of the Portfolio. These are recommended guidelines only and the Board of Directors and Finance Committee may find it prudent and acceptable to deviate outside the recommended ranges from time-to-time.

<u>Asset Class</u>	<u>Range</u>
Cash Equivalents	0% to 20%
Fixed Income Investments	10% to 60%
Equity Investments	20% to 65%
Alternative Investments	0% to 20%

Cash Equivalents –

All Operating Funds in both the General Fund and Youth Fund will be held in FDIC insured checking and savings accounts, bank deposit money market accounts, or money market funds rated at least M-2, V-2 or A, and insured by SIPC.

In addition, all Operating Funds will be excluded from the calculation of Asset Class Ranges for the investment portfolio recommended above.

Cash Equivalents held in the investment portfolio will be invested in bank deposit money market accounts, or money market funds rated at least M-2 by Standard and Poor's and insured by SIPC.

Fixed Income Investments –

Fixed income instruments may include U.S. Treasuries and Agencies, U.S. Corporate bonds, Mortgage Pass-through securities (GNMA, FNMA, FHLMC, FHLB, Federal Farm Credit Bank), Asset-Backed securities, Collateralized Mortgage Obligations (CMO's), taxable Municipal bonds, U.S. Preferreds and other non-convertible securities.

Short term instruments may include U.S. Treasury and Agency securities, Certificates of Deposit and Bankers Acceptances of U.S. banks, Commercial Paper and U.S. Money Market Funds.

High quality issues (rated "A" or better by Moody's) should be emphasized with a minimum quality rating of "Baa" and/or "BBB" at purchase. If a security's quality rating falls below the equivalent of "BBB", and the investment manager continues to hold the security, the manager shall notify the Board or Finance Committee with the reason for holding the security.

High Yield fixed income securities and/or mutual funds will be acceptable, but shall not exceed 10% of the total fixed income portfolio. Individual issues, and average credit quality for high-yield mutual funds, must be no less than "C".

It is also expected that fixed income portfolios shall be well diversified with respect to duration, sector, industry and issuer in order to minimize risk. Specific portfolio management decisions, including security selection, size, quality, number of industries or holdings, emphasis on income levels, and portfolio turnover are left to the investment manager's discretion, subject to fiduciary prudence and the guidelines set forth herein.

Equity Investments –

As a general guideline, equity investments shall consist of equity mutual funds and/or managed portfolios. Individual equity securities will generally not be held in the overall investment portfolio. Domestic equity investment managers may invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets, including American Depository Receipts (ADR's). International equity managers may also invest in the ordinary shares of non-U.S. companies. Convertible securities will be regarded as equity securities within the portfolio.

Equity investments shall be well diversified across industries and economic sectors, with no more than 20% or 1.75 times the sector weighting of the market represented in the equity investment portfolio. Total allocation to small capitalization equities, as defined by the median market capitalization of the Russell 2000 Index, shall be no greater than 20%.

Specific portfolio management decisions, including security selection, size, quality, number of industries or holdings, emphasis on income levels, and portfolio turnover are left to the investment manager's discretion, subject to fiduciary prudence and the guidelines set forth herein.

Rebalancing Procedures –

From time to time, market conditions, contributions and distributions may cause the investment portfolio's weighting in various asset classes to vary. To remain consistent with the asset allocation guidelines established by this statement, the asset class weightings will be reviewed on a semi-annual basis and re-balanced as needed at the direction of the Finance Committee.

Duties and Responsibilities

The Finance Committee will be responsible for conducting a semi-annual review of the asset allocations. The Committee will also be responsible for monitoring and evaluating investment performance and fund / portfolio managers. The Investment Consultant will provide financial information, which includes separate disclosure of fees charged, to the finance Committee for review at least quarterly.

DESIGNATED PORTFOLIOS

GENERAL FUND

Operating Funds –

The Club's General Fund is intended to pay Club administrative expenses and weekly luncheon meeting expenses. General Fund revenues are derived primarily from member dues and fees charged for member social events. Due to the nature and purpose of the General Fund, Fund assets will be held in cash, or cash equivalents, in the Club's checking and/or bank savings account.

Board Designated Funds –

Following the end of each fiscal year, and subject to Finance Committee recommendation and Board approval, surplus funds held in the Club's General Fund checking and/or savings accounts, less three month's budgeted operating expenses, will be transferred to the General Fund investment portfolio, and invested in accordance with the guidelines set forth in this statement. All distributions from the General Fund investment portfolio are subject to Board approval.

YOUTH FUND (Redlands Optimist Club Foundation)

Operating Funds –

The Club's Youth Fund is intended to provide grants and other funding for the youth, and youth-related, community service programs and projects supported by the Club, all of which are subject to Board approval. Youth Fund revenues are derived primarily through community fund-raising events, and member donations. Expenses directly related to fund raising activities are paid from the Youth Fund.

As a general policy, an amount sufficient to fund the Club's budgeted youth, and youth-related, community service programs and projects, less budgeted revenues, will be held in cash, or cash equivalents, in the Club's checking and/or bank savings account.

Board Designated Funds –

Following the end of each fiscal year, or more frequently if recommended by the Finance Committee and approved by the Board, surplus funds held in the Club's Youth Fund checking and/or savings accounts will be transferred to the Youth Fund investment portfolio, and invested in accordance with the guidelines set forth in this statement. All distributions from the Youth Fund investment portfolio are subject to Board approval.

Endowment –

Gifts, grants and other donations made to the Redlands Optimist Club Foundation and designated to be used for a specific purpose will be considered Endowment Funds. Such funds are,

therefore, restricted as to their use, and are to be invested such that the objectives of the Grantor will be met. This may include, but not necessarily be limited to, generation of income to fund annual projects and/or programs, or capital appreciation to fund a longer term capital project. The Finance Committee will be responsible for ensuring funds are invested appropriately.

MISCELLANEOUS

Gifts of other than financial assets –

Any gift of donation of a nature other than financial assets (e.g., real estate, personal property, etc.) may not be allowed prior to review by the Finance Committee and approval by the Board. In-kind donations in connection with specific fund raising activities are acceptable.

Review and revisions to Investment Policy Statement –

No less frequently than annually, the Finance Committee will review this statement for any needed changes and/or modifications. All changes and/or modifications to this statement are subject to Board approval following a recommendation of the Finance Committee.

Approved by the Board 10/8/13