# **Jewish Federation of Arkansas**

# **Endowment Fund, Investment Accounts, Restricted Funds and Investment Policy**

## Purpose

## This policy is twofold:

### Establishes investment objectives, policies, guidelines and eligible securities related to Endowment Funds and other Investment Funds held by JFAR and The Jewish Federation of Arkansas Endowment Fund, primarily for investment purposes (“Funds”). In doing so the policy:

#### Clarifies the delegation of duties and responsibilities concerning the management of Funds;

#### Identifies the criteria against which the investment performance of the organization’s investments will be measured;

#### Communicates the objectives to the Board, staff, investment advisors and managers, brokers, donors and funding sources that may have involvement; and

#### Serves as a review document to guide the ongoing oversight of the management of the organizations’ investments; and

### Establishes the yearly amount to be distributed from funds if a fund does not provide for a distribution formula.

## Delegation of Responsibilities

### The Board of Directors has a direct oversight role regarding all decisions that impact Funds. The Board has delegated supervisory responsibility for the management of our Funds to the Endowment Fund and Investment Committee (EIC). Specific responsibilities of the various bodies and individuals responsible for the management of our Funds are set forth below:

### Responsibilities of the Board

#### The Board shall ensure that its fiduciary responsibilities concerning the proper management of its Funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the EIC, the Board shall:

#### Select, appoint and remove members of the EIC.

#### Approve investment policies and objectives that reflect the long-term investment-risk orientation of the Funds.

### Responsibilities of the EIC

### Members of the EIC are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the EIC is responsible for the development, recommendation, implementation and maintenance of all policies relative to Funds and shall:

* + - 1. Review and approve Investment Policy Statement between the EIC and the Investment Advisor for the Funds which addresses asset allocation, spending guidelines, acceptable risk levels, and total return objectives.
      2. Review and approve investment guidelines relating to eligible investments, diversification and concentration restrictions, and performance objectives for specific managers, consultants and direct investments.
      3. Select external Investment Advisor, custodian(s) and other experts, as needed.
      4. Monitor the adherence to the IPS and evaluate the performance based on achieving the stated objectives.
      5. Evaluate the performance of the external Investment Advisor and make changes if needed.
      6. Report on EIC activities regularly to the Board of Directors.

1. Investment Considerations

## Guidelines for Investing

The primary investment strategy for the Funds is to emphasize Total Return on assets, which is defined as the aggregate return from capital appreciation, dividend and interest income and realized gain or loss on sale of assets. It is the goal of the Funds to generate a long-term Total Return target, which is in excess of 4% (four percent) above the rate of inflation plus the costs of managing the investments.

The EIC understands that in order to achieve its investment objectives the Funds may experience volatility of returns and fluctuations of market values. The EIC will tolerate some interim fluctuation in the Funds’ market value and rates of return in order to achieve long-term growth objectives. The EIC has determined that, for investment objective purposes, its risk tolerance is moderate growth. However, a total portfolio decline in market value in excess of 15% over the preceding four quarters is grounds for a review of the Asset Allocation.

* + 1. Allowable Assets for the Plan
       1. Cash Equivalents
          1. Mutual Fund Cash Management Accounts
          2. US Treasury Bills or Agencies
          3. Money Market Funds
          4. Commercial Paper (A1 or P1 only)
          5. Certificates of Deposit
       2. Fixed Income Securities
          1. US Government Agency Securities
          2. Corporate Notes and Bonds
          3. Mortgage Backed Bonds
          4. Preferred Stock
       3. Equity Securities
          1. Common Stocks
          2. Convertible Notes and Bonds
          3. Convertible Preferred Stocks
          4. American Depository Receipts (ADRs) of non-US Companies
          5. Stocks of non- US Companies (Ordinary Shares)
          6. ETFs
       4. Mutual Funds
          1. Mutual Funds which invest in securities as allowed in this statement
       5. Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, I/Os, P/O, residual bonds etc.) and interest rate swaps, among others. Derivatives are not permissible investments unless they are a component of a mutual fund.

* + - 1. Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange, American Stock Exchange, NASDAQ over the counter market or other recognized investment exchange. In the event that the Investment Advisor determines there is a benefit or need to execute transactions in exchanges other than those listed in this statement, written approval is required from the EIC.

* + - 1. Prohibited Assets for the Funds

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

* + - * 1. Commodities and Futures Contracts (a mutual fund of commodities and futures may be considered as allowable asset upon the specific permission of the EIC)
        2. Private Placements
        3. Options
        4. Limited Partnerships (not including MLPs that trade daily)
        5. Venture-Capital Investments
        6. Real Estate Properties
        7. Interest Only (I/O), Principal-Only (P/O) and Residual Tranche CMOs
        8. Any non-liquid asset or asset for which there is no daily market price
        9. Hedge Funds
      1. Prohibited Transactions for the Funds

Prohibited Transactions include, but are not limited to the following:

* + - * 1. Short Selling
        2. Margin Transactions
    1. Asset Allocation

The asset allocation shall be as follows, with the ability of the Investment Advisor to invest in various styles within the following Asset Classes.

* + - 1. Cash & Equivalents
      2. Equities
      3. Fixed Income
      4. Mutual Funds
      5. ETFs
    1. Benchmark

The Investment committee has selected a “moderate-growth” objective. The benchmark will be the S&P 500 index.

## Performance Review

## It will be the responsibility of the EIC to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least annually with updates and recommendations as needed.

## Distributions from the Funds

The EIC will direct distributions from each invested fund as provided for in each respective funds' documentation.  If a fund contains a permanent endowment principal but has no documentation or detailed distribution provision, then 3.5% of the average of the ending balances of over the previous 20 calendar quarters may be distributed each year.