

# **Amended and Restated Investment Policy**

## **Ronald McDonald House Charities of Madison, Inc.**

**Updated 05-14-2020**

This document represents the investment responsibilities, objectives, principles, and policies for the management of the assets of Ronald McDonald House Charities of Madison, Inc. It is the intent of the Board of Director's to review this document on an annual basis realizing changing circumstances could dictate its modification.

### **Responsibilities**

#### **Board of Directors**

1. Fiduciary responsibility to ensure that the investment portfolio is managed to protect and maintain the assets of the corporation
2. Develop the appropriate investment objectives, taking into consideration current and future funding needs. These objectives are to be reviewed on an on-going basis for modification as circumstances dictate.
3. Develop reasonable policies and guidelines that are consistent with obtaining the stated investment objectives.
4. Recruit members of the community who do not manage funds in which the organization is invested, to serve on the consultative Investment Committee.
5. Approve the recommendation of the Investment Committee for selection of an investment consultant(s) to assist the organization in reaching the stated objectives.
6. Monitor and evaluate investment results and meet with Investment Committee on a quarterly basis to assure adherence to policies and guidelines, and assure the investment consultant is providing investment performance at or exceeding established benchmarks.
7. Administer assets that are not included in the managed asset pool
8. Provide the Investment Committee annually with an estimate of net cash flow for future years.
9. Review the asset allocation model annually
10. An individual shall not serve as an Investment Consultant or Portfolio Manager (see below) while serving as a member of the Board of Directors.

**Investment Consultant(s)**

1. Provide assistance with the development of investment objectives, policies and guidelines, including asset allocation modeling.
2. Screen, select and provide on-going evaluation of portfolio managers
3. Provide the organization on line access to information.
4. Provide the Board of Directors performance reports and benchmark information on a quarterly basis, including (1) current valuation of the investments, (2) summary of each managed portion, (3) a performance review of each separate account or investment, and (4) a historical review of the portfolio's growth including additions and/or withdrawals, and total investment return.
5. Communicate frequently and openly with the Board of Directors on all matters of significance regarding the portfolio.
6. Attend quarterly Investment Committee meetings, providing performance information and recommendations.

**Portfolio Manager (s)**

1. Exercise discretion over the management of the portfolio following the guidelines contained in this policy
2. Place all trades, handle proxy voting and manage all capital action decisions.

**Custodian**

The custodian shall be selected by the Board upon recommendation of the investment committee, with input from the consultant, as needed. The custodian shall:

1. Make available a full accounting of all transactions and current holdings to the organization on a quarterly basis including (1) an accounting of purchase price/current valuation showing realized/unrealized gains or losses for each investment and (2) an accounting of all management fees, including those of the sub –account managers.
2. Provide safekeeping services for the securities held in the portfolio. Maintain cost basis information on securities and provide tax information as requested

**Investment Committee**

(Treasurer, RMHC-Madison Board of Directors serves as chair)

1. Provide assistance with the development of investment objectives, policies and guidelines, taking into consideration current and future funding needs as defined by the Board of Directors.
2. Meet quarterly to monitor and evaluate the implementation of investment strategies to assure the policies and guidelines as set forth by the Board of Directors are being adhered to.

3. Provide guidance to the investment consultant(s) regarding asset allocations and investment strategy to assure the investment portfolio is performing within established guidelines and benchmarks.
4. Make recommendations to the Board of Directors regarding the selection of investment consultant(s).

### **Gift of Securities**

It is the policy of the Ronald McDonald House Charities of Madison that any gift of a security shall be sold as soon as the security has been registered in the name of Ronald McDonald House Charities of Madison or as soon as is practical. A security shall include, but is not limited to, any type of security mentioned in this investment policy.

### **Investment Objective**

The objective of the investment portfolios is to provide a sustainable level of cash distribution to support the financial commitments of Ronald McDonald House Charities of Madison, while preserving the purchasing power of the remaining invested assets. To achieve this objective, there will be two separate investment portfolios each with its own objectives and guidelines. The portfolios shall be known as a Short Term Portfolio and Long Term Portfolio.

### **Short Term Portfolio**

The objective Short Term Portfolio is to provide for the investment of a reserve of funds known as a sleep factor for Ronald McDonald House Charities of Madison. Sleep factor is known as a minimum of six months operating cash flow. The investments in this portfolio should seek to minimize volatility, and should be liquid. The investments are subject to the following guidelines:

#### **A) ASSET MIX**

The target asset mix for the portfolio is 100% fixed income. The acceptable ranges for the allocation of portfolio assets among various asset classes are:

Cash Reserves/Money Market:	[ 0 ]% - [ 100 ]%
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Fixed Income:	[ 0 ]% - [ 7 ]%
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#### **B) ACCEPTABLE INVESTMENTS**

- a) Securities of the U.S. Government or its agencies and sponsored organizations. Repurchase agreements 100% collateralized by such securities.
- b) Money Market securities which meet the SEC rule 2a-7 definition of top tier, or if unrated, are deemed equivalent to top tier by the investment advisor.
- c) Fixed income securities with a minimum rating of Baa3/BBB- at the time of purchase, as rated by a major fixed income rating organization, or if unrated, deemed equivalent to investment grade quality by the investment advisor.
- d) Certificates of Deposit
- e) Bank Deposit Accounts

## **C) MATURITY GUIDELINES**

The weighted average maturity of the portfolio of fixed income investments will not exceed six months. Individual fixed income securities will typically have maturities of 30 years or less. For purposes of this Policy Statement, “maturity” is defined as final payment for conventional debt securities or as “average life” for securities that have periodic principal paydowns over the life of the security.

### **Long Term Portfolio**

The objective of the Long Term Portfolio is to provide for the investment of all assets not allocated to the Short Term Portfolio of Ronald McDonald House Charities of Madison. The **Sleep Factor** associated with the Long Term Portfolio is known as a minimum of six months operating cash held in cash and fixed income investments. The Long term Portfolio is subject to the following principles and guidelines:

#### **A) General Investment Principles**

1. The portfolio shall be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time such that a prudent individual, acting in a like capacity and familiar with such matters, would use in the investment of a fund of like character and like aims.
2. Investment of the assets shall be diversified so as to minimize the risk of large losses.
3. Short term fluctuations in value shall be considered secondary to long-term results.
4. One or more portfolio managers may be employed to attain the investment objectives.
5. Cash is to be productively employed at all times through investment in short term cash equivalents, to provide safety, liquidity and return.

#### **A) Asset Allocation**

The assets of RMHC-Madison are to be diversified in order to minimize risk of large losses to the portfolio by any one or more individual investments. The following asset mix is for the organization's portfolio in entirety.

Asset Class	Asset Range	Target
Cash	0% to 20%	5%
Fixed Income	20% to 40%	30%
Equity	50% to 80%	65%
Alternative Investments	00% to 10%	0%

### C. ACCEPTABLE INVESTMENTS

#### 1. Money Market and Fixed Income Investments:

- a) Securities of the U.S. Government or its agencies and sponsored organizations. Repurchase agreements 100% collateralized by such securities.
- b) Money Market securities which meet the SEC rule 2a-7 definition of top tier, or if unrated, are deemed equivalent to top tier by the investment advisor.
- c) Fixed income securities with a minimum rating of Baa3/BBB- at the time of purchase, as rated by a major fixed income rating organization, or if unrated, deemed equivalent to investment grade quality by the investment advisor.
- d) Shares of open-end mutual funds, closed-end mutual funds, Exchange Traded Funds, or separately managed sub-accounts.
- e) Investment companies or trusts (open-end, closed-end, or ETF) which invest in non-investment grade securities, to the extent that the portfolio's allocation to this category does not exceed ten percent of portfolio assets at the time of purchase.
- f) Investment companies or trusts (open-end, closed-end, or ETF) which invest in foreign and/or global debt instruments to the extent that the portfolio's allocation to any one of these categories does not exceed ten percent of portfolio assets at the time of purchase.

#### 2. Equities:

- a) Common stocks of U.S. companies that are listed on a domestic stock exchange or are traded in the over-the-counter market or are traded on a domestic electronic stock exchange.
- b) American Depositary Receipts (ADRs or ADSs).
- c) Shares of open-end mutual funds, closed-end mutual funds, Exchange Traded Funds, or separately managed sub-accounts which invest in U.S. and/or international equity securities.

- d) Rights or warrants received by the portfolio as a result of a holding in the issuing parent company.
- e) Protective put option strategies or covered call option strategies.

3. Alternative Investments:

- a) Hedge Funds and Hedge Funds of funds.
- b) Private Equity investment companies or partnerships which invest in leveraged buyouts, mezzanine financing, and/or venture capital financing.
- c) Privately-held real estate and/or real estate funds; Real Estate Investment Trusts (REITs).
- d) Commodity-related, Currency-related or other specialized mutual funds, pooled funds or ETFs that invest in assets designed to track the behavior of a specific commodity, currency, commodity index, currency index, or other alternative investment category.
- e) Other alternative investment assets provided suitable documentation for such assets is on file.]

## **D. MATURITY GUIDELINES**

The weighted average maturity of the portfolio of fixed income investments will not exceed 10 years. Individual fixed income securities will typically have maturities of 30 years or less. For purposes of this Policy Statement, “maturity” is defined as final payment for conventional debt securities or as “average life” for securities that have periodic principal paydowns over the life of the security.

## **E. DIVERSIFICATION**

The diversification of an investment portfolio is an important consideration in controlling some of the risks associated with investing. Diversification among asset classes as well as within each asset class are key aspects to structuring a portfolio. The standard for prudent investment applies to the combined portfolio rather than to the individual investments.

1. Securities of any one issuer may not exceed 10% of portfolio market value at the time of purchase.
2. Individual fixed income securities of any one issuer may not exceed 10% of portfolio market value at the time of purchase.
3. Individual equity securities of any one corporation may not exceed 5% of the market value of the portfolio at the time of purchase.
4. All alternative investments are limited to 30% of the value of a non-related account or relationship of accounts. Less liquid alternative investments are limited to 20%.
5. [Alternative investments of any one issuer may not exceed 5% of the market value of the portfolio at the time of purchase when said issuer intends to limit the holding to a single alternative investment. In cases where the issuer intends to diversify within the alternative investment asset by making allocations to separate sub-advisor managers, such as a registered fund of funds with at least ten sub-

advisor managers, then such an individual alternative investment may not exceed 15% of the market value of the portfolio.]

The above restrictions do not apply to the following assets: issues of the U.S. Government, issues of U.S. Government agencies or Sponsored Enterprises, issues whose principal and interest are guaranteed by the U.S. Government or one of its agencies, shares of open-end or closed-end investment companies (mutual funds), or Exchange Traded Funds.

#### ***F) Prohibited Transactions and Assets***

The following types of assets are expressly prohibited:

1. Selling short
2. Letter stock without proven liquidity
3. Foreign securities other than those listed in a major exchange.
4. Commodity Futures
5. Equity, Market or Fixed Income Options, except those related to conservative or defensive strategies specifically approved by the investment committee as outlined above.

#### ***G) Equity Investments***

*Diversification:* No more than 30% of the market value of a respective portfolio manager's fund may be invested in any single industry and no more than 5% of the market value of the equity investments may be invested in any one company.

*International:* Up to 30% of equities may be invested in international, and/or global mutual funds, ADRs or ETFs.

*Percentages relate to the time of purchase.*

### **Measurement of Performance**

Performance will be measured quarterly on a total rate of return basis and reported to the Investment Committee and Board of Directors.

Performance will be related to the overall investment objectives and capital market returns as evidenced by appropriate market indices and other measurements of funds invested under similar objectives and guidelines.

The Investment Committee shall develop appropriate benchmarks for each portfolio manager and for the overall portfolio.

The Board of Directors will evaluate the overall investment portfolio's performance annually or more frequently if deemed appropriate.