

Hutto Education Foundation Endowment Investment Policy

Preamble:

The investment policy for endowment funds should emphasize conservation of principal as the priority and preserving purchasing power as the second priority.

Section I: Purpose:

1. To specify assets allocation, including the distribution of assets among classes of securities such as bonds, cash equivalents and equities.
2. To formulate parameters of risk, such as bond ratings and measures of volatility for equities.
3. To establish investment guidelines/goals to be achieved.
4. To communicate these investment criteria to the Greater Round Rock Community Foundation (Trustee).

Section II: Investment Objectives for Total Funds:

1. The primary investment objective is to provide the needed funds for the distribution of The Hutto Education Foundation Endowment (Endowment) Scholarship Program.
2. The Foundation's goal is for the weighted average return of all funds to exceed the inflation rate (as defined by the Consumer Price Index) by 4%.
3. There is a preference for capital gains. Access to realized capital gains on principal is not considered a source for operating budget purposes but will be considered in computing weighted average investment return.
4. Guidelines and performance objectives will be developed individually for each trustee of funds. An Appendix of these guidelines will be attached as an integral part of this statement of Investment Policy for each trustee, as needed. Each appendix will be tailored to reflect the types of assets managed and the particular style of approach to ensure that the site manager adds value while fulfilling its defined role within the overall fund.

Section III: Asset Allocation:

1. **Asset Mix Guidelines:** It shall be the policy of the foundation to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

Asset Category	Minimum	Maximum
Common Stocks	30%	70%
Fixed Income (Bonds & CDs)	30%	70%
Short Term	0%	20%
Other Assets	0%	20%

- a. No holding shall exceed 10% of the value of the total fund except federal government notes, bills, bonds and agency issues. In general, individual holdings are not expected to exceed 5% of the total fund.
 - b. Investment in banks and savings and loan institutions shall be federally insured and not exceed \$250,000.00 in any single institution unless approved by the Board of Directors.
 - c. The Asset Mix Policy and acceptable minimum and maximum ranges established by the Investment Committee represent a long-term view. Designated funds will not be included when determining asset mix ratios. As such, rapid and significant market movements may cause the Foundation's actual asset mix to fall outside the policy range, but any divergence should be of a short-term nature.
2. **Summary** This policy should be reviewed periodically and modifications made to reflect significant changes. The Foundation Board of Directors may approve exceptions to this policy by majority vote of Board members present at any legally called Board Meeting.
 - a. The allocation of assets should be redistributed quarterly to ensure that we maintain compliance with the Asset Mix Guidelines. The HEF Endowment Committee will review the Quarterly Investment Report to determine redistribution.

Section IV: Communications:

1. The HEF Endowment Investment Committee shall provide reports to the Foundation Executive Committee on a quarterly basis and to the entire Board annually.

Such reviews and reports shall consist of:

 - ☐ Quarterly portfolio valuations
 - ☐ A review of past investment performance and an evaluation of the current investment strategy
 - ☐ Information regarding major changes in investments policy that may result in major investment strategy changes

2. The Trustee is to have full investment discretion within the defined statement of objectives and policies. This recognizes that active investment management will involve reallocating funds among assets classes listed in Section III, Item No. 1, indicated above.

Section V: Portfolio Limitations

Portfolio Limitations (such a quality ratings, diversification, and selection criteria)

1. **Equities:** Equity securities shall mean common stocks or equivalents plus issues convertible into common stock and mutual funds whose funds are invested primarily in equity securities.
 - b. Diversification: The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security. Quality and Marketability: Common and convertible preferred stocks should be of good quality and listed on either the New York or American Stock Exchange or in the NASDAQ system with the requirement that such stocks have adequate market liquidity relative to the size of the investment.
 - c. Concentration by Issuer: No more than 10% of the equity portfolio based on market value shall be invested in the securities of any one issuing corporation at the time of purchase.
 - d. Concentration by Industry: No more than 20% of the equity portfolio based on market value should be invested in any one industry at the time of purchase.
2. **Fixed Income Investments:** Funds not invested in cash equivalents (securities maturing in one year or less) may be invested entirely in marketable debt securities issued by either the United States Government, or agencies of the United States government, domestic corporations, including industrials and utilities, and domestic banks and other United States financial institutions.
 - a. Quality: Only fixed income securities will be a minimum of investment grade rated (BAA, A or better).
3. **Cash and Cash Equivalents:** Investments and deposits maturing in one year or less may be placed in FDIC insured bank accounts or short-term investment funds whose investments would qualify as acceptable fixed income investments under this policy.
4. **Other Investments:** Any other investments not specifically covered by this policy may only be made after unanimous vote of approval of the Board members present at any legally called Board meeting.
5. **Restricted Investments:** Categories of investments that are not eligible for investment include:

1. Short sales
2. Margin purchases or other use of lending or borrowing of money
3. Commodities
4. Direct loans or extension lines of credit to any interested party
5. Options or futures
6. C.M.O.s
7. Direct Participation Programs (DPPs)

Section VI: Implementation:

1. **Trustees:** The Executive Committee of the Foundation will be responsible for selecting all HEF Endowment Committee members. The HEF Endowment Committee will recommend selection in light of investment performance, market outlook, and changes in investment objectives at least annually. The Committee reserves the right to recommend changing the Trustee with Foundation Board Approval at any time.
2. **Performance Measurements:** The Executive Committee of the Foundation shall review the performance of the Trustee, relative to the objectives and guidelines described, at least annually as presented by the HEF Endowment Committee. The investment of performance review will include comparisons with unmanaged market indices, a broad universe of possible Trustees and the consumer Price Index. Such comparisons are to be prepared and submitted by the Trustee in a format previously approved by the Foundation Executive Committee.
3. **Meetings:** Each Trustee will meet with the HEF Endowment Committee at least annually to review the portfolio under management and investment results in the context of this Statement of Investment Policy.
4. **Review and Modification of the Investment Policy:** The Foundation Executive Committee shall review this Statement of Investment Policy as recommended by the HEF Endowment Committee at least once a year to determine if modifications are appropriate. Any modifications will promptly be communicated to the Trustee.

Hutto Education Foundation

(Name of Trust Agency/Agent)

(Signature)

(Signature)

(Print Name and Title)

(Print Name and Title)

(Date)

(Date)