

~~Winnebago Area Council~~ ~~Boy Scouts of America~~
WINNEBAGO BOY SCOUT TRUST FUND
INVESTMENT GUIDELINES/POLICY
AS OF SEPTEMBER 1, 1996

POLICY BACKGROUND AND PURPOSE

The ~~Winnebago Area Council~~ of the ~~Boy Scouts of America~~ serves as sponsor for the ~~Winnebago Boy Scout~~ Trust Fund ("Fund"), a trust for the benefit of ~~Scouting~~ in the territory served by the ~~Winnebago Council~~. This agreement shall provide a set of guidelines, definitions of authority and reporting requirements for the investment of the Fund. The investment objective of the Fund is to ensure the greatest real rate of return subject to the fiduciary nature of the funds and the level of risk, while providing stability of income, consistent with the need and opportunity for long term capital appreciation. Within this global objective the Fund will be managed so that:

1. Assets grow sufficiently to offset long-term inflation
2. Sufficient income and liquidity is provided to meet cash needs
3. Assets will be held with reasonable safety and in a manner that minimizes principal volatility.

INVESTMENT GUIDELINES

1. Asset Allocation

In an effort to increase the value of the Fund assets while seeking to control and minimize risk, the allocation of assets between cash equivalents, fixed income securities and stock will be established and followed. The allocation of assets as a percentage of total Fund value will observe the following guidelines:

	<u>Range</u>	<u>Target</u>
Cash Equivalents	0 -10%	5%
Fixed Income	20-30%	25%
Stocks	40-70%	70%

It is possible that market fluctuations may cause the proportions within the various asset classes to move out of their intended ranges. Such market fluctuations need not trigger the immediate purchase or sale of stocks or bonds to re-balance the portfolio. However, the portfolio should be adjusted in a timely manner.

The Investment Committee shall review this policy and the asset allocation at least annually to determine if the allocation guidelines are appropriate.

2. Qualified Investment Instruments

Qualified equity and fixed income investments consist of the following:

Equity Related

Common Stocks
Convertible Securities
Preferred Stocks
Equity Mutual Funds

Fixed Income Related

Government and Agency obligations
Corporate obligations
Fixed Income Mutual Funds

3. Fixed Income Guidelines

The fixed income portion of the Fund is designed to generate income and to provide overall portfolio diversification. The following specific guidelines apply to investment in fixed income securities:

- a. The Fund may invest in obligations issued or guaranteed as to interest and principal by the government of the U.S., or any U.S. federal agency with intermediate maturity 10 years or less.
- b. The Fund may place monies in a fixed income mutual fund provided the duration of the mutual fund portfolio is 10 years or less, the assets are either guaranteed by the U.S. government or have no less than an A credit rating by Standard and Poors or Moody Investor's Service or their equivalent as defined by recognized rating agencies.
- c. At no time may Fund monies be placed in derivative securities either as a direct investment or in a mutual fund.
- d. The Fund will invest in corporate obligations which are rated no less than A by Standard and Poors or Moody Investor's Service or their equivalent as defined by other recognized rating agencies.
- e. With the exception of U.S. Government and U.S. Agency obligations, debt obligations of a single issuer will not exceed 20% of the Fund's asset value. Corporate obligations should not constitute more than 60% of the portfolio.
- f. It is not necessary to hold bonds to maturity. Bonds may be sold for cash or swapped for bonds of longer or shorter maturity as benefits the Fund.
- g. In terms of the Fund's fixed income investments, aggregate duration shall not exceed 7 years.

4. Equity Guidelines

The equity portion of the Fund is designed to provide capital growth and overall portfolio diversification consistent with the fiduciary responsibilities of the trust. The equity portfolio will diversify its holding among various industries and companies within each industry. No single company shall comprise more than 10% of the market value of the Fund. Mutual funds consisting of individual companies may be used to meet this diversification objective. The following specific guidelines apply to investment in equity instruments by the Fund:

- a. The Fund may invest in convertible securities, or preferred stocks provided they carry a credit rating, no less than A by Standard and Poors or Moody Investor's Service or their equivalent as defined by other recognized rating agencies.
- b. The use of derivative securities such as options, or financial futures is not permissible.
- c. Preferred stocks and bonds with convertible features (convertible into common stocks) will be considered as equities.
- d. In the case of equity securities, at least 90% of the total value of the equity portion of the portfolio shall be committed to domestic or U.S. exchange listed securities. No more than 10% of the equity in the Fund can be invested in International Securities.
- e. When individual issues are held in the portfolio, such should carry a rating by ValueLine no less than 3 for safety and 3 for timeliness, and should be of good quality and daily trading volume to allow timely liquidation without adverse effect on the market price.
- f. No more than 1 percent of the portfolio shall be invested in initial stock offerings sold to the public within the prior 12 months.
- g. The Fund shall not invest in any initial offering of common stock.

5. Portfolio Performance and Reporting

The Investment Committee shall monitor the investment performance of the Fund and report to the Board of Directors and Executive Committee on a quarterly basis. The investment manager employed by the ~~Investment Manager~~ shall provide the Investment Committee with the following:

a. A quarterly report providing:

1. Information on the performance of the Fund based on total return (i.e. the sum of dividends and interest income, both received and accrued plus net appreciation or depreciation);
2. A review of the investment results achieved over the recent time periods such as the prior quarter and year in relation to the managers' investment views and internal policies in effect prior to, and during the periods;
3. The manager's current outlook for the economy and capital markets over the next three to six months;
4. The appropriateness of the present portfolio structure given the investment policy guidelines, expectations about the economy and capital markets, and significant risks or opportunities with specific investments in the Fund;
5. Recommendations about continuing investments or changes in investment strategy requiring approval.

b. The investment manager will also provide relevant market rate of return data for comparison purposes. The indices provided will correlate with the appropriate asset classes utilized within the Fund and will be agreed to by the Investment Committee and the investment manager.

c. The investment manager will prepare and deliver to the Investment Committee and Board of Directors an annual report that measures Fund performance on a calendar year basis. This report will identify total return characteristics, investment structure, duration and the manager's outlook for the economy and capital markets over the next year.

d. The performance of the Fund shall be measured over a full market cycle. Market cycles may differ markedly in length and there is no standardized measure for market cycle terms, but the period will range between 3 to 5 years. Shortfalls relative to return objectives may be tolerated over short periods of time, provided the return objectives are met over the full market cycle.

5. Other Considerations

At this time no portion of any income or capital gains generated by the Fund is subject to state or federal income taxes. Cash equivalent reserves are to be maintained to meet the liquidity requirements of the ~~Investment Committee~~, and may be increased to accommodate a distribution of the Fund based on need. The Investment Committee shall recommend to the Board of Directors and the Executive Board of the ~~Investment Committee~~ for approval, the name of the investment manager. The Investment Committee shall be responsible for evaluating and screening investment manager candidates as the need arises. The selection of an investment manager shall be based on the background, working relationship, past performance, quality of proposal and presentation made to the Investment Committee and the Board of Directors of ~~the Investment Committee~~ ~~of the Board of Directors of the~~.