

**Novato Rotary Endowment
Investment Policy Statement
September 1, 1999**

According to Article 8 of the By Laws the following is the Investment Policy of the Novato Rotary Endowment:

Funds of the corporation shall be invested in accordance with the following guidelines:

- (a) The corporation may not invest funds in any organization where it knows or has reason to believe that a member of the Rotary Club of Novato has either a controlling or an influential financial interest.
- (b) Funds of the corporation may be invested in short and medium term obligations of the United States of America, and its constituent agencies, and the general obligations of any state through the purchase of bonds and notes having a Standard & Poors or Moody's rating of AA or better.
- (c) Funds may be used to purchase short term Certificate of Deposit from banks or other financial institutions that are federally insured, but the ownership may not exceed the insurance limitations of that institution.
- (d) Funds may be invested in equity instruments or bonds of commercial corporations having a Standard & Poors or Moody's rating of A or better.
- (e) Funds may be invested in debt instruments issued or guaranteed by foreign governments or their agencies which are denominated in US dollars and have a Standard & Poors or Moody's rating of AA of A1/P1 or better.
- (f) No funds may be invested in limited partnerships of any kind. No funds may be invested in real estate, precious metals or any other type of investment generally considered to be speculative. No foreign investment denominated in foreign currencies may be made.
- (g) No other investments may be made without the express approval of the Rotary Club Board at a meeting specifically called for that purpose.
- (h) All new investment of or changes in the financial holdings of the corporation shall be presented to the Board of Directors by the Treasurer in writing in advance of the meeting where the action will be considered. In emergency situations, verbal communications between the Treasurer and Chairman will suffice, provided that this action is reported and confirmed at the next regular meeting of the Board.

In view of the express statement in the Bylaws, the board of directors of the Novato Rotary Endowment do hereby further state the Investment Policy of our Capital Preservation Fund as follows:

1. **Long Term.** Our first consideration is to have a sound long term policy. In this regard we are looking at a minimum of five years in order to reduce any market volatility.
2. **Risk.** All investment programs will have a degree of risk. The different types of risk could be labeled as either defensive, conservative, moderate or aggressive. Based on

our sound investment policy, we are looking for growth in excess of inflation with minimal risk. As a result, we choose our risk tolerance to be conservative.

3. **Asset Constraints.** The portfolio should be developed based on the following constraints:
- a. 100% of the portfolio is to be invested in liquid, easily valued financial instruments.
 - b. A minimum of 5% will be invested in money market funds.
 - c. A maximum of 35% will be invested in fixed income securities to be purchased on a laddered basis with maturities of 5, 10, 15 and 20 years. It is the intention of the fund to hold these fixed income investments until maturity. As these investments mature, they should be reinvested in long bonds. The eventual goal (30 years hence) is to have a 30 year ladder of 30 years bonds with one or more bonds coming due every year.
 - d. The remaining 60% will be invested in 3 stock market indexes as follows:
 - (1) 20% - S&P 500 - SPY
 - (2) 20% - DOW 30 - DIA
 - (3) 20% - NASDAQ ¹⁰⁰QQQ
 - e. The investment fund will be balanced annually in order to conform to the above allocations.
 - f. The purpose of this allocation is to simplify the structure of our investments, minimize the annual costs and to implement a plan that can be easily maintained.
4. **Implementation.** It is our plan to close out our account with invest Ronald W. Murphy, CLU, ChFC and Reinhardt Werba Bowen Advisory Services in the approximate amount of \$150,000 and a certificate of deposit at WestAmerica Bank in the approximate amount of \$31,500. Rotary Endowment will open a new investment account with stockbroker ABC at XYZ Brokerage.