**YOUR ORGANIZATION**

**INVESTMENT POLICIES**

The primary investment objective for the ABC Investment Fund is to seek growth of principal over time.

The Fund will accept moderate short-term volatility in those assets providing income.

The majority of assets are to be invested for the long term, and appreciation volatility in these assets is to be expected and accepted. The investment objectives for these assets shall be to achieve **an average annual rate of return of the Consumer Price Index plus 3.5%** for the aggregate investments evaluated over a period of five years.

The portfolio will be made up of a mix of 40-60% Bond Mutual Funds and\or cash instruments and 50-60% moderate risk Stock Mutual Funds.

**Investment Management**

Initially, the Fund will be managed and invested by members of the ABC Board or its designees. Outside investment counsel may be retained by ABC to manage the funds if such counsel.

Voluntary or in-kind management services will be accepted, provided no conflict of interest or self-serving issues arise.

**Time Horizon**

For purposes of planning, the time horizon for investments is to be in excess of 5 years. Recognizing that short-term fluctuation may cause variations in the portfolio's performance, ABC understands investment objectives are established for a 5 year time period.

Capital value fluctuates over time and ABC recognizes the possibility that capital loss does exist. However, historical data suggest that the risk of principal loss over a holding period of 5 years or more can be minimized with a long term investment mix.

**Risk Tolerance**

ABC is a moderate risk taker, accepting moderate declines in total portfolio value as a necessary risk to achieve above average long-term yields.

The portfolio will be managed in a manner that seeks to minimize principal fluctuations over the established horizon and is consistent with the stated objectives. Financial research has demonstrated that risk is best minimized through diversification of assets, including some international exposure.

**Permitted Investment Categories**

\*  Cash and cash equivalents, including checking, savings and money market accounts

\*  Fixed income assets

-  Bond Mutual Funds and Bonds

-  Bank Certificates of Deposit

-  US Treasury Notes and Bonds

\*  International and domestic Stock Mutual Funds and Stocks

**Excluded Investment Categories**

\*  Equipment leasing

\*  Natural resources

\*  Precious metals

\*  Venture capital

\*  Commodities

\*  Annuities

\*  Futures

\*  Mortgages, loans or promissory notes

**Investment Concentration**

At all times there should be a minimum of all three investment categories represented among plan assets.

**Bond** maturities should average no more than 10 years and should be of average to excellent quality.

**Equity** investments may be either in the form of mutual funds or individual securities. No individual bond or stock issue held shall represent more than 5% of the total portfolio and should be of the highest quality.

**Mutual Funds** shall have an investment track record of no less than 8 years and be in the top 30% of its investment style peer group over the last 5-year average as judged by Morningstar Rating Service.

**Investment Monitoring**

The ABC Finance Committee will monitor investment management.

The Finance Committee is responsible for maintaining contact with investment management, reviewing investment policies, procedures and reports, and keeping the ABC Board informed of investment practices and results.

The Committee shall receive investment reports from professional management at least semi-annually and shall report results to the ABC Board at least annually.