

# The American Ceramic Society



## **APPENDIX 5: INVESTMENT GUIDELINES**

**The American Ceramic Society**  
**INVESTMENT GUIDELINES**

December 2004

(Update approved by Board of Directors October 2015)

**Purpose**

The purpose of this document is to define the investment policy and strategy for The American Ceramic Society. It will identify a set of investment objectives, guidelines and performance standards. The objectives have been created in response to:

- The organization’s risk tolerance; and
- The need to document and communicate objectives, guidelines, and performance standards to the investment managers; and
- Define approval and responsibility guidelines for implementing and evaluating the investment performance of the portfolio.

This policy is to be communicated to the investment managers for their use in developing an appropriate program and to the Board of Directors (BOD) for their use in exercising fiduciary responsibility. This document will also define the basis for investment performance measurement and evaluation.

**Objective of the Portfolio**

To pursue a long-term goal designed to maximize the returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristics of the securities markets. There should be a balance between long-term capital growth and preservation of capital and current income.

**Asset Structure**

The asset structure should reflect a balance of the Society’s need for liquidity, preservation of purchasing power and risk tolerances of the BOD. The Finance Committee will annually recommend a target asset mix table for approval by the BOD. Typically, a 10% range between minimum and maximum is normal. The format is shown below:

Asset Class	Minimum Weight	Maximum Weight
Equities	25	70
Fixed Income and Cash Equivalents	30	75

The Executive Director, upon recommendation of the Finance Committee and BOD approval, shall use one or more outside professional investment advisors to recommend the investing and managing of funds. The Executive Director shall be the investment funds administrator.

A balanced investment strategy should be used to invest. An aggressive strategy would be 70% equities (25% index, 25% growth and 20% value), 25% fixed income, and 5% cash

equivalents. A conservative strategy would be 50% equities, 40% fixed income, and 10% cash equivalents. All fees for professional services and trust arrangements shall be charged against the appropriate investment. Fees should be minimized.

Investment type funding may be:

- Federally insured certificates of deposit, savings accounts, and money market funds
- United States Treasury Bills and Government Securities
- Good to Excellent rated bonds
- Well-known and financially solvent mutual funds

With the exception of mutual funds, no single security will represent more than 5% of the total assets of the portfolio at the time of purchase (with the exception of those securities guaranteed by the US Government and agencies of the US Government and SEC registered mutual funds). Any securities specifically listed below under Exclusions will also be exempt.

The managers of these funds have broad responsibility and full discretion to make trades and to shift the commitment of assets under their management among asset classes, industry sectors, and individual securities to pursue opportunities presented by long-term secular changes in the capital markets. The Fund Administrator should be notified of any investment decisions made by the fund managers.

### **Equities**

For the purpose of this portfolio, equity securities are defined as common stock, preferred stock, mutual funds, bonds convertible into the common stock of an entity, and stock ETF's. The objective of this portion of the portfolio is to meet or exceed the S&P 500 over a three-year moving time period.

### **Exclusions**

The following investments and activities are prohibited:

1. Private placements
2. Letter stock
3. Derivatives and options, with exception of covered call writing
4. Securities whose issued have filed a petition for bankruptcy
5. Short sales
6. Margin transactions
7. Any speculative investment activities
8. Commodities including all futures contracts
9. Leveraged ETF's

### **Fixed Income**

Fixed Income investments are subject to the following limitations:

1. Only direct US Government obligations, US Agency obligations, or corporate issues that meet or exceed a credit rating of AA from Standard and Poor's may be purchased.

2. Investments in securities of a single issuer, with the exception of the US Government and its agencies, must not exceed 5% of the market value of the fixed income portion of the portfolio.
3. No issues may be purchased with more than 20 years to maturity.

### **Cash Equivalents**

The Manager may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the accounts principle value. All such assets must be rated A-1 or P-1 by Standard and Poor's and Moody's, respectively. Uninvested cash reserves should be kept to minimum levels unless market conditions suggest otherwise.

### **Other Assets**

Assets other than those mentioned above can only be purchased with written consent by the President of the Society after recommendation of the Finance Committee.

### **Performance Monitoring and Reporting**

The Finance committee will review the Plan's performance and trades history with the Fund Manager annually, at its December meeting. In addition, the Finance Committee will review the investment portfolio at each of its meetings during the year. The Fund Manager will issue a memo to the Finance Committee with fund performance measurements versus general investment indexes for each of the meetings where the Fund Manager will not be present. Rolling three and five year time periods will be used as the primary performance horizons. Semi-annual, year-to-date, and one-year results may also be reviewed.

The overall Investment Guidelines will be reviewed at least annually. At the time of such reviews, the objectives and/or investment policy may be subject to revision, which requires Board approval for implementation.

### **Internal Controls**

1. When a withdrawal from the Investment Funds is anticipated, the President and the Treasurer shall be notified of the withdrawal and shall approve the withdrawal in writing. Notification of anticipated withdrawals can be done by phone call or email and the approval must be confirmed in writing by email or other means.
2. The written confirmation from the President and the Treasurer shall be forwarded to the Executive Director and the Director of Finance and Operations for their approval.
3. The actual withdrawal will require the signatures of both the Executive Director and the Director of Finance and Operations, and the withdrawal can only be deposited in Society banking accounts.