

# **INVESTMENT POLICY STATEMENT**

## **KARL, Inc. – Foundation Account**

### Purpose of the account

To provide indefinite and long term benefit of the KARL Program.

### Degree of Diversification

Diversification is desirable and will be achieved in whole or in part by investing in mutual funds and individual securities with several different investment objectives, managed by different managers and investing in a variety of market sectors.

- 0% – 25% of the account may be held in money market account, cash equivalents or short-term government securities or certificates of deposit. The projected cash needs and the current investment outlook will determine the cash and cash equivalent levels to be maintained at any given time. Normal cash distributions will be made during the first quarter every other year.
- 75 - 100% of the account may be held in fixed income investments such as government bonds, investment grade corporate bonds, high yield corporate bonds, taxable municipal bonds or certificates of deposit.
- 0 - 25% of the account may be held in equity investments with growth as their primary objective and income as a secondary objective.
- No more than 10% of the value of the principal should be invested in any single investment unless such investment is a government guaranteed investment.

### Risk Level

Specific investments within the portfolio may range from “no risk” (Treasury bills) of principal loss to moderate high risk (aggressive growth funds). Overall, since income and stability of principal is the primary goal, volatility in the overall portfolio should be moderate. Individual bonds must be investment grade with a minimum rating by S&P or Moody’s of A or equivalent.

*NOTE: This account includes endowment gifts from family and friends of KARL supporters known by record as O’Hare, Clawson, Peterson, 21<sup>st</sup> Century Alliance, Finnup, Gjerstad and Musil funds.*

### Time Horizon

The account is intended for to be a long term fund with distributions every two years and with additional deposits coming periodically. This shall be a permanent endowment fund. Since no one can foresee their financial needs with complete certainty, the account will be managed with a short-term to intermediate time horizon in order to provide liquidity and flexibility but still maximize current income. Funds will be available upon 3 business days notice.

### Investment Strategies

Investments will be managed using a top down approach, first determining the proper asset allocation ranges and then working down to specific securities within the appropriate sectors. Investments will be reviewed daily and actively managed. The portfolio and investment strategies will be reviewed on a regular basis by The Trust Company and in consultation with KARL, Inc.

### Active Investment Management

The Trust Company will actively manage the portfolio.

- Daily review of cash receipts and disbursements and core investments.
- Asset allocation review on a weekly basis.
- Portfolio realignment as needed.
- Review of investment strategies and asset allocations on a monthly basis by the Investment Committee. The investment committee is composed the officers and staff of The Trust Company of Manhattan.
- Annual review of brokerage firms used and negotiated commission schedules.
- Monthly reviews of an industry sector so that all sectors are reviewed in the course of a 12-month period.
- Monthly review of a mutual fund sector (such as large cap growth stocks) to determine the best funds within each sector.
- Regular meetings with you to review investment strategies and your projected needs.

# **INVESTMENT POLICY STATEMENT**

## **KARL, Inc. – Flinchbaugh Fund**

### Purpose of the account

To provide indefinite and long term benefit of the KARL Program.

### Degree of Diversification

Diversification is desirable and will be achieved in whole or in part by investing in mutual funds and individual securities with several different investment objectives, managed by different managers and investing in a variety of market sectors.

- 0% – 15% of the account may be held in money market account, cash equivalents or short-term government securities or certificates of deposit. The projected cash needs and the current investment outlook will determine the cash and cash equivalent levels to be maintained at any given time. Due to the long term nature of this account cash needs should be minimal and pending distributions should be known well in advance, therefore immediate liquidity is not a major concern for distribution purposes but mostly for strategic investment opportunities.
- 0% -35% of the account may be held in fixed income investments such as government bonds, investment grade corporate bonds, high yield corporate bonds, taxable municipal bonds or certificates of deposit.
- 50% - 100% of the account may be held in equity investments with growth as their primary objective and income as a secondary objective.
- No more than 10% of the value of the principal should be invested in any single investment unless such investment is a government guaranteed investment.

### Risk Level

Specific investments within the portfolio may range from “no risk” (Treasury bills) of principal loss to moderate high risk (aggressive growth funds). Overall, since growth of principal is the goal, the volatility in the overall portfolio may be moderate to high over the short to intermediate term. Other risks should be balanced against the goal of long term growth.

*NOTE: The Flinchbaugh Fund was established through gifts and Flinchbaugh Roast proceeds to recognize the life-long support of KARL by Dr. Barry Flinchbaugh.*

### Time Horizon

The account is intended for growth and is to be held for the long term. This shall be a permanent endowment fund. Since no one can foresee their financial needs with complete certainty, a portion of the account will be managed with a short-term horizon in order to provide liquidity and flexibility. Funds will be available upon 3 business days notice. The majority of the account will be invested with a long-term investment horizon.

### Investment Strategies

Investments will be managed using a top down approach, first determining the proper asset allocation ranges and then working down to specific securities within the appropriate sectors. Investments will be reviewed daily and actively managed. The portfolio and investment strategies will be reviewed on a regular basis by The Trust Company and in consultation with KARL, Inc.

### Active Investment Management

The Trust Company will actively manage the portfolio.

- Daily review of cash receipts and disbursements and core investments.
- Asset allocation review on a weekly basis.
- Portfolio realignment as needed.
- Review of investment strategies and asset allocations on a monthly basis by the Investment Committee. The investment committee is composed the officers and staff of The Trust Company of Manhattan.
- Annual review of brokerage firms used and negotiated commission schedules.
- Monthly reviews of an industry sector so that all sectors are reviewed in the course of a 12-month period.
- Monthly review of a mutual fund sector (such as large cap growth stocks) to determine the best funds within each sector.
- Regular meetings with you to review investment strategies and your projected needs.

# **INVESTMENT POLICY STATEMENT**

## **KARL, Inc. – Operating Account**

### **Purpose of the account**

To provide funding for operating expenses as approved by the KARL, Inc. Primarily a withdrawal of up to \$100,000 cash for the International Study Tour air and land expenses will take place on or shortly after January 15 of odd numbered years.

### **Degree of Diversification**

Diversification is desirable and will be achieved in whole or in part by investing in mutual funds and individual securities with several different investment objectives, managed by different managers and investing in a variety of market sectors.

- 25% –100% of the account may be held in money market account, cash equivalents or short-term government securities or certificates of deposit. The projected cash needs and the current investment outlook will determine the cash and cash equivalent levels to be maintained at any given time.
- 0% - 75% of the account may be held in fixed income investments such as government bonds, investment grade corporate bonds, high yield corporate bonds, taxable municipal bonds or certificates of deposit.
- 0% of the account may be held in equity investments with growth as their primary objective and income as a secondary objective.
- No more than 10% of the value of the principal should be invested in any single investment unless such investment is a government guaranteed investment.

### **Risk Level**

Specific investments within the portfolio may range from “no risk” (Treasury bills) to low risk investment grade bonds and money market accounts. Funds during the “idle” period can be invested in money market accounts earning more than 3 basis points. Overall, since stability of principal is the primary goal, volatility in the overall portfolio should be low. Individual bonds must be investment grade with a minimum rating by S&P or Moody’s of A or equivalent.

*NOTE: These funds are from “savings or reserve” deposits from the contributed gifts to the general fund of the two year program.*

### Time Horizon

The account is intended for to be immediate short term cash needs of the organization. Since no one can foresee their financial needs with complete certainty, the account will be managed with a short-term to time horizon in order to provide liquidity and flexibility but still provide current income. Funds will be available upon 3 business days notice.

### Investment Strategies

Investments will be managed using a top down approach, first determining the proper asset allocation ranges and then working down to specific securities within the appropriate sectors. Investments will be reviewed daily and actively managed. The portfolio and investment strategies will be reviewed on a regular basis by The Trust Company and in consultation with KARL, Inc.

### Active Investment Management

The Trust Company will actively manage the portfolio.

- Daily review of cash receipts and disbursements and core investments.
- Asset allocation review on a weekly basis.
- Portfolio realignment as needed.
- Review of investment strategies and asset allocations on a monthly basis by the Investment Committee. The investment committee is composed the officers and staff of The Trust Company of Manhattan.
- Annual review of brokerage firms used and negotiated commission schedules.
- Monthly reviews of an industry sector so that all sectors are reviewed in the course of a 12-month period.
- Monthly review of a mutual fund sector (such as large cap growth stocks) to determine the best funds within each sector.
- Regular meetings with you to review investment strategies and your projected needs.