

**Pueblo Library Foundation**  
**Investment Policy Statement**  
**Approved February 9, 2022**

**I. COMPOSITION AND POWERS OF THE INVESTMENT COMMITTEE**

A. The Finance and Investment Committee shall be composed of at least three (3) but not more than seven (7) members. It shall consist of community leaders with sufficient practical experience as to guide the investments of the Pueblo Library Foundation. It is not necessary that the members of this committee also be on the Board of Directors of the Pueblo Library Foundation. However, the Finance and Investment Committee chair shall always be a board member of the Pueblo Library Foundation.

B. The Finance and Investment Committee shall have the power to approve investment decisions as may be permitted by this investment policy, or in the alternative, shall have the power to recommend investment advisors to the Pueblo Library Foundation Board of Directors, which shall be employed and dismissed only by the full Board of Directors.

C. As an extension of fulfilling its fiduciary responsibility, the Board of Directors delegates responsibility for managing the Pueblo Library Foundation's investments to the Finance and Investment Committee. Specific responsibilities of the Finance and Investment Committee are described through these investment policies, and include at least the following:

1. Monitoring the relevance of these investment policies and making recommendations for modification to the Board of Directors as needed, and at least annually;
2. Working with the designated investment advisor to set asset allocation targets within the guidelines of these investment policies;
3. Reviewing at least quarterly the status of the investment portfolio(s);
4. Preserve and develop real (inflation-adjusted) purchasing power with consistent (in real terms) stream of earnings, in line with spending needs;
5. Continuing to assess the alignment between the investment strategy and investment policies with the organization's long-term business strategy;
6. Monitoring the Investment Advisor's effectiveness and making recommendations to the board as to the suitability of the advisor.

## **II. PURPOSE**

A. This investment policy has been adopted by the Pueblo Library Foundation Board of Directors to define the investment policy of the Pueblo Library Foundation. It is intended to be a guide to the Finance and Investment Committee and the officers and directors of the Pueblo Library Foundation as well as to provide public information to donors and others who may be interested in the Pueblo Library Foundation's investment policy and practices.

## **III. INVESTMENT ADVISOR**

A. In recognition that the Board of Directors and members of the Finance and Investment Committee may not possess the resources, time, experience, or expertise to most appropriately guide the investment strategy, the organization delegates a portion of its investment related responsibilities to an independent investment advisor.

While the advisor shall not be given discretion to unilaterally make changes to the investment strategy, it is expected that the advisor will proactively make recommendations consistent with the advisor's best thinking at any point in time

Specifically, the advisor shall be primarily responsible for:

1. Providing recommendations related to the investment policy statement.
2. Advising the Board of Directors and Finance and Investment Committee members as to general asset allocation policy, ranges, and the target allocation policy.
3. Select investment advisors, if needed, considered appropriate for implementing the asset allocation policy.
4. Providing ongoing research and due diligence on investment advisors for implementing the asset allocation targets.
5. Providing performance reports at least quarterly for the Finance and Investment Committee and as needed by the Board of Directors.
6. Providing ongoing education on topics relevant to investment strategy for nonprofits.

## **IV. ASSET ALLOCATION**

A. The asset allocation should reflect the long-term objectives and portfolio constraints of the Pueblo Library Foundation. Management of the Pueblo Library Foundation's portfolio should focus on satisfying these objectives through optimal

allocation of stocks, bonds, and certain income alternatives. Fixed income mutual funds, exchange traded funds (ETFs), certificates of deposit, bonds, publicly traded real estate investment trusts (REITs), and master limited partnerships (MLPs) may be used to satisfy current income requirements and control total portfolio volatility. Equity mutual funds, ETFs and stock should generate capital and income growth to preserve and enhance the purchasing power of the portfolio. The nature of the assets involved and the long-term objective of the Pueblo Library Foundation suggest utilizing a total return approach to investment management. Specifically, the funds should conform to the following asset allocation guidelines:

	Long-Term Target	Allowable Range
1. Fixed Income/REITs/Bonds/Income Mutual Funds/MLPs/ETFs/Cash	Approximately 35%	25% - 45%
2. Equities/ETFs/Stocks/Equity Mutual Funds	Approximately 65%	45%-65%
3. Cash Reserves	As necessary	As necessary

These percentages will be valued on the market value of the investments, rather than the acquisition cost.

B. It is anticipated that a reasonable cash reserve will be established to meet the Pueblo Library Foundation's on-going cash needs when necessary. The balance of the assets will be allocated as outlined above. The above allocation guidelines are exclusive of any real estate or other miscellaneous property which the Pueblo Library Foundation may hold.

## V. INVESTMENT OBJECTIVES

The overall investment fund is organized into multiple portfolios that reflect the risk profile, time horizon, and investment objectives of the monies assigned therein. At this time, the portfolios are:

<b>Portfolio</b>	<b>Purpose</b>	<b>Objective</b>	<b>Time Horizon</b>	<b>Risk Profile</b>
Operating	Funds for day-to-day operation of organization.	High liquidity and safety of principal	<1 year	Conservative
Short-term Investments	Short-term investments for Pueblo Library Foundation growth and initiative funding	Long-term growth with moderate volatility	3+ years	Moderate
Long-Term Investments	Long-term investments for Pueblo Library Foundation overall sustainability.	Long-term growth with moderate volatility	Perpetuity	Moderate to Moderate Aggressive

The investments of the Pueblo Library Foundation have a long-term time horizon with emphasis on capital appreciation as a primary investment objective. Recognizing that there is no risk-free way to earn returns, the Pueblo Library Foundation Board of Directors, Finance and Investment Committee, and the investment advisor shall strive to improve the likelihood of achieving return with investment risk that is reasonable and appropriate given the organization’s objectives and risk profile. The Pueblo Library Foundation asset allocation has the ability to hold fixed income investments and equities/stocks. It is the goal of the Pueblo Library Foundation to benchmark and measure the overall rate of return to the S&P Target Risk Growth Index and AOR. The benchmark established should be tracked and measured alongside the return of the Pueblo Library Foundation investment portfolio.

**VI. Distribution**

- A. The Pueblo Library Foundation’s spending policy goal is to provide a reasonable, predictable, and sustainable amount of funds available for their use. Given the Pueblo Library Foundation’s commitment to support both current needs and to

provide for future needs, the Pueblo Library Foundation advocates a total return approach to investing and to fund distributions.

- B. The long-term focus of the investment program should be to meet the needs for current distributions and to provide growth in assets and income over time through investment of excess income and capital appreciation.

## **VII. Investment Guidelines**

- A. Permissible Investments. Pueblo Library Foundation assets may be invested in high quality publicly traded common and preferred stocks, convertible bonds, bank common funds, mutual funds, ETFs, fixed income securities including publicly traded REITs and MLPs, income mutual funds, bonds and other assets as authorized by the Board of Directors from time to time. Individual options, futures, and real estate may not be purchased by the Pueblo Library Foundation without prior consent of the Board of Directors.

- B. Prohibited Investments. The Following are not permissible investments:

1. Common stock in non-public corporations
2. Letter or restricted stock
3. Buying or selling on margin
4. Direct placement of mortgages on real property
5. Bonds, notes or other indebtedness for which there is no public market (private placements).

- C. Equity Investments. At this time of investment, the Pueblo Library Foundation shall not be invested in more than five percent (5%) of total Pueblo Library Foundation assets, based on fair market value of said assets, in any single security. Mutual funds and ETFs are exempt from this guideline. No more than twenty percent (20%) of the market value of the total Pueblo Library Foundation assets may be invested in any single industry. It is preferable that no more than twenty-five percent (25%) of the Pueblo Library Foundation's assets may be invested in foreign stocks or in international equity mutual funds.

Investments in small capitalization companies (less than \$500,000,000 in total market capitalization) should comprise no more than ten percent (10%) of the total market value and should be consistent with the long-term objectives and constraints of the Pueblo Library Foundation.

- D. Fixed Income Investments. Income Strategies will focus on traditional long term bonds, provided that the average credit rating of their overall fixed income allocation is "BBB" or better, as rated by the major credit rating agencies. Emphasis should be on certainty of cash flows from the bond investments. Other considerations may be allowed

if approved by the Finance and Investment Committee. Maturity and duration shall also be considered in the selection of fixed income investments.

### **VIII. Rebalancing**

If, at the semi-annual report, any one asset class shall deviate from its target asset allocation by more than 20% of the target (e.g. over or under 2% on a 10% allocation target), then the investment advisor and Finance and Investment Committee shall consider rebalancing the allocation back toward the target as defined in the Asset Allocation.

When cash flow events occur, the Finance and Investment Committee shall direct the investment advisor as to which portfolio shall receive or distribute the funds in question. The advisor is charged with evaluating the portfolio's current assets allocation compared to the target. As with the paragraph above, should there be deviation from the target, the investment advisor and Finance and Investment Committee shall consider using the cash flow event to rebalance toward the target allocation.

### **VIII.GUIDELINES FOR ADVISORS**

A. Quantitative Considerations. The Advisor shall review the following metrics when comparing investment options. Additional data should be considered as relevant.

Historic Returns:

- i. Net absolute returns over multiple market periods.
- ii. Net returns relative to relevant market indices and appropriate peer group universe
- iii. Net returns during more extreme market periods, both positive and negative

Historic Risk:

- i. Net absolute returns over multiple market periods.
- ii. Volatility relative to relevant market indices and appropriate peer group universe
- ii. Consistency of ability to reduce participation in down markets while capturing appropriate amounts of positive performance in up markets.

B. Committee Considerations. The Committee shall gather information about the advisor and provide qualitative factors, including:

- i. Financial soundness and resources of the organization
- ii. Quality, consistency, and compensation of personnel
- iii. Clearly defined investment philosophy

- iv. Investment process if methodical, repeatable and indicates consistently effective decision-making
- v. High-quality, objective research
- vi. Appropriate risk controls
- vii. Style consistency and reliable implementation
- viii. History and ownership of the firm, key investment personnel stability, key clients, fee schedule, and support personnel

C. Decision Making. In order to model fiduciary best practices, the selection of investment advisors shall always be competitive, with the Finance and Investment Committee striving to select the most suitable investment advisor in each asset sleeve. Personal relationships with investment advisors and board members, committee members, or the advisor shall be disclosed.

D. Investment Advisor Review. Investment advisors shall go on “Review” when the Finance and Investment Committee is concerned about material change in any of the following factors:

- i. Change in ownership of the firm
- ii. Change in the money management team
- iii. Material absolute or relative underperformance over at least three quarters
- iv. Sudden and dramatic underperformance over a shorter period
- v. A change in investment philosophy
- vi. Other factors that cause a decline in confidence in the investment advisor

When an investment advisor is on “Review,” the Finance and Investment Committee shall work to monitor the ongoing suitability of the advisor in question, both on its own merits and in relation to other investment advisors in the same asset style that may be more suitable.

E. The Finance and Investment Committee shall review, at least annually as part of the annual budget process of the Pueblo Library Foundation, the financial needs of the organization and recommend to the Pueblo Library Foundation Board of Directors amounts for withdrawals and distributions from the investment portfolio consistent with any applicable provisions governing the fund. The Pueblo Library Foundation Board of Directors will have the ultimate authority to decide the amounts of such withdrawals and distributions.

## **X. REVIEW PROCEDURES**

A. The Investment Committee shall review this investment policy statement at least annually to determine if modifications are necessary or desirable. Any modifications shall be promptly communicated to the investment advisor, the Board of Directors and other interested persons.

- B. The Investment Advisor is expected to meet at least annually with the Finance and Investment Committee to review the portfolio and investment results in contact with this statement of investment policy. The advisor is expected to meet more often with the Finance and Investment Committee if so requested.
- C. The Pueblo Library Foundation expects that the advisor will achieve a compound, time-weighted total return in line with a weighted-average composite of the component indices over a fair market cycle of 3-5 years. The Finance and Investment Committee shall use such performance benchmarks as are available and are practical under the circumstances.
- D. The Finance and Investment Committee requires a quarterly performance report on the performance of each portfolio versus appropriate benchmarks and on the performance of individual advisors versus their appropriate market benchmarks.