

# **Weatherford ISD Education Foundation**



## **Investment Policy**

Adopted May 25, 2004

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## **Investment Policy Statement**

The Weatherford ISD Education Foundation fulfills a purpose to provide funds for scholarships and grants. The continuing trend of the Foundation's needs suggest the investment objective shall recognize the need to grow principal and income at a rate superior to inflation so the purchasing power of the asset base grows in real terms. Through assumption of a balanced portfolio assuming prudent levels of risk, the Foundation's portfolio is directed toward the following purposes:

1. Increasing the principal value of the asset base in real terms through reinvestment of capital gains and growth in the market value of the asset base.
2. Provide a source of funds for any unanticipated needs.

## **Rate of Return Objective**

Over a market cycle (4-5 years) the portfolio's total rate of return is expected to exceed the inflation rate by 2.0% to 4.0% on an annualized basis.

## **Long Term Objective**

The long term objective of the portfolio is to achieve capital appreciation. Therefore, frequent trades in the equity market are discouraged.

## **Asset Allocation Parameters**

Consistent with the current and the long term return objective, the combined portfolios' strategic asset allocation shall be 40% to 50% fixed income and 50% to 60% common stocks or their equivalents. Money market investments are to be classified as fixed income securities and convertible securities are to be classified as common stocks for asset allocation purposes.

## **Fixed Income Investments**

It is the policy to minimize credit risk and to avoid extreme fluctuations in income from bond investments. Bonds with a credit rating of A-or-better are eligible for investment, and the core of the bond maturity schedule shall utilize a "laddered" structure of one to ten years to assure liquidity is available each year. The "core" of the portfolio's bond portfolio is defined as 40% of the total fixed income market value.

## **Common Stock Investments**

Common stock investments shall emphasize issues with a B-or-better dividend ranking by Standard & Poors. Convertible debentures and convertible preferred stocks are to be classified as common stock investments.

## **Diversification**

Diversification is a policy consistent with the need to avoid significant capital losses to the portfolio. As such, no single fixed income issue, or issuer, shall comprise more than 5.0% of the portfolio's market value. Direct obligations of the U.S. Government are excluded from this constraint.

No single common stock or its equivalent shall comprise more than 3.0% of the combined portfolio's total market value.

## **Insured Funds**

Monetary investments will be placed in federally insured financial institutions. The total maximum amount of invested funds in excess of insurance coverage may not exceed 25% of the total maximum federally insured deposit amounts.

## **Liquidity**

Investment income is expected to meet all liabilities; however, due to the timing of withdrawals, a money market fund balance of \$25,000 shall be kept at all times.

## **Ineligible Securities**

Options, futures, options of futures, zero coupon bonds, and C.M.O.'s are ineligible for investment.

## **Portfolio Review**

The Investment Manager shall meet at the investment committee's discretion to review investment results and to discuss strategies that are intended to fulfill the needs of the return objective.

Investment returns are to be compared to the major market indices and judged in light of any constraints imposed by policy. Returns will be evaluated over a market cycle, normally 4-5 years.

The above policy is believed to accurately reflect the objective and needs of the Weatherford ISD Education Foundation. The policy is subject to revision at any time and has been agreed upon by the Foundation Board of Directors and Investment Advisor.