

**UPPER VALLEY HOSTEL**  
**INVESTMENT POLICY STATEMENT**

The management of the Upper Valley Hostel's (Hostel) endowment portfolio should be conducted in compliance with the following investment policy guidelines. Investment portfolios should be managed to maximize the total return of the portfolio, given the investment objective, asset allocation ranges, and constraints detailed below.

**Upper Valley Hostel Finance Committee**

The Hostel's Finance Committee (Committee) will have primary oversight responsibilities for the management of the endowment portfolio and will report to the Board of Directors on a quarterly basis. The Committee will conduct a quarterly fiduciary review of the portfolio using the fi360.org 22 question checklist detailed in their SAFE (Level I Assessment) for Investment Stewards.

**Spending Policy**

The Board of Directors of the Hostel has adopted a spending policy of 4%. The spending policy determines the dollar amount of the endowment portfolio that may be utilized to support the Hostel's operations in any given fiscal year and is calculated as follows: the three year moving average of the market value of the portfolio, as of December 31<sup>st</sup> of each year, will be multiplied by the spending policy percentage. This dollar amount is available in the following fiscal year to support the operating activities of the Hostel.

**Return Requirements**

The investment objective of the portfolio is total return of which capital appreciation is the most significant component. The minimum annualized target total return for the portfolio is equal to the spending policy percentage plus annual inflation, as measured by the Consumer Price Index. The investment managers should note that safety and diversification are important considerations.

**Asset Allocation and Permissible Asset Classes**

To achieve this investment objective, the following asset classes and asset allocation policy ranges are permissible:

<u>Asset Class</u>	<u>Policy Target</u>	<u>Policy Range</u>
<b><u>Equities:</u></b>	<b>60%</b>	<b>50-70%</b>
<b><u>Fixed Income:</u></b>	<b>40%</b>	<b>30-50%</b>

It is expected that the investment manager will rebalance the portfolio quarterly, if necessary, to maintain compliance with the respective asset allocation policy ranges.

The investment manager is encouraged to make recommendations to the Hostel in the event the asset allocation ranges or any other element of this investment policy statement appears contrary to the long term objective or risk level of the portfolio.

### **Investment Constraints**

The portfolio and all securities held must comply with the following constraints:

Equities – It is expected that the equity component of the portfolio will be diversified across economic sectors, with no sector comprising more than 35% of the total equity component. Equities may include any of the following asset classes: Large Cap, Mid/Small Cap, International-Developed, and International-Emerging. Holdings in any single company or emerging market country should not exceed 5% of the equity component of the portfolio. Mutual funds and exchange traded funds may be used where appropriate. Options or futures on individual companies or indices are prohibited.

Fixed Income – All fixed income securities should be rated “Investment Grade” or better by one of the nationally recognized rating agencies (e.g. Moodys) at the time of purchase. In the event of downgrades in the rating of such securities below investment grade, including split ratings, subsequent to purchase, the investment manager shall be immediately discuss the matter with the Upper Valley Hostel investment advisor, the president of the board and the treasurer of the board. Holdings of a single issuer shall not exceed the greater of 10% of the fixed income component to the portfolio or \$25,000 face value.

Cash – Cash balances may be invested in treasury bills, commercial paper rated A1 or P1, negotiable certificates of deposit, and money market mutual funds.

The portfolio may not be leveraged. Fixed income and equity derivative securities are prohibited.

### **Liquidity Requirements**

The Hostel will keep the investment manager informed of any liquidity needs.

### **Proxy Voting**

The investment manager will be responsible for voting the proxies on all securities held, documenting how proxies were voted, and providing the Hostel Committee and/or Board with an annual report confirming that all proxies were voted.

### **Soft Dollar Arrangements**

The investment manager is responsible for disclosing, on an annual basis, the existence or utilization of any soft dollar arrangements associated with their management of the portfolio.

### **Performance Measurement and Other Reporting Requirements**

The investment manager will provide quarterly performance reports to the Committee and/or the Hostel Board within 30 days after the end of each calendar quarter.

Additionally, the investment manager will report directly to the Committee and/or Hostel Board at least semi-annually or more frequently, if needed and will confirm in writing, on a quarterly basis, that the investment portfolio is being managed in compliance with the investment policy statement.

It is expected that the investment manager will out perform over a 3-5 year time period the “market” portfolio allocated according to the target asset allocation guidelines set forth herein. Performance measurement should be in compliance with the AIMR-PPS Standards of the CFA Institute.

Benchmark indices for performance measurement are as follows:

**Equities:** MSCI ACWI IMI (Morgan Stanley Capital International – All Country World Index - Investable Market Index)

**Fixed Income:** Barclay’s Capital Aggregate Bond Index

Approved: \_\_\_\_\_ Date: \_\_\_\_\_

Board of Directors

Accepted: \_\_\_\_\_ Date: \_\_\_\_\_

Investment Manager

Adopted January 15, 2008  
*Revised* November 17, 2009; May 10, 2012;  
*Revised and Approved* May 21, 2013  
*Revised and Approved* June 20, 2014