

SOCIETY POLICY

INVESTMENT POLICY OF THE SOCIETY

I. PREFACE

Investment authority of the BOG and COFI

A. BOG

Article C.4.1.11 of the Society's Constitution states: "The deposit, investment, and disbursement of all funds shall be subject to the direction of the Board of Governors."

B. COFI

1. By-Law B4.4.5 states: "The Committee on Finance and Investment, under the direction of the Board of Governors, shall be responsible for the management of the securities of the Society."
2. By-Law B5.2.4.1 states: "The Committee on Finance and Investment, under the direction of the Board of Governors, shall supervise the financial and investment affairs of the Society, and shall support the Board and its committees by conducting an annual review of the Society's budgets."

II. PURPOSE

- A. The purpose of this investment policy (the "Policy") is to set forth the standards and guidelines governing the investment and management of the Society's financial assets by the Society's Board of Governors (the "BOG"), Committee on Finance and Investment (the "COFI") and staff, as well as its Investment Consultant (defined below) and investment managers.
- B. The goal of the Policy is to provide for:
 1. Preservation and marketability of principal;
 2. Maintenance of purchasing power;
 3. Reasonable yield on invested funds; and
 4. Minimum idle cash in working funds.

III. POLICY

A. Financial Assets Of The Society

1. Working Capital

The Working Capital is the amount required for short-term operating and program expenses.

2. Investment Portfolio

The Investment Portfolio includes Reserve Funds, Endowment Funds and any other funds designated by the BOG as part of the Investment Portfolio.

- a. Reserve Funds are funds held in reserve to support the Society's future operations and strategic initiatives and to serve as a resource during economic downturns.
- b. Endowment Funds include temporarily and permanently restricted endowment funds.

B. Investment Objectives And Guidelines

1. Working Capital

The Working Capital will be invested, so far as practical, in income earning short-term U.S. Government securities, in short-term notes of well financed corporations, or various money market funds.

2. Investment Portfolio

- a. The Investment Portfolio will consist of equities, fixed income securities and other types of investment (as defined below).
 - 1) Preservation of principal must be a prime consideration of investment.
 - 2) "Other types of investment" may include the following: purchase of real estate for use by the Society; purchase of real estate as a source of rental income; and other prudent investments. This type of investment may be made after economic analysis demonstrates that it will produce a return equal to or greater than the return earned through equities and fixed income securities.
- b. Following are permitted investments and constraints recommended by the COFI and approved by the BOG:
 - 1) Investments shall be limited to readily marketable securities, registered with the SEC.
 - 2) There shall be no leverage used in the Investment Portfolio.
 - 3) No purchase shall be made in securities issued by an investment manager or any of its affiliates.

- 4) No equity securities of a single issuer, or its affiliates, shall comprise more than 5% of the equity portion of any investment manager.
- 5) Equity holdings in American Depository Receipts (ADR's) and other U.S. dollar denominated foreign securities, listed on the U.S. exchanges or on NASDAQ, must not exceed 20% of the portfolio, measured at market value.
- 6) All equity portfolios are to be fully invested at all times, with cash and cash equivalents not to exceed 5% of the total market value of the account. This maximum of 5% may be temporarily (not to exceed 30 calendar days) exceeded as a result of a sale of securities, or when newly allocated funds are received into the account.

C. Diversification And Allocation

1. Investments of the Investment Portfolio will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the COFI determines that, because of special circumstances, the purposes of a fund is better served without diversification. The COFI will periodically review the diversification strategy but it must review any decision to not diversify on an annual basis.
2. From time to time COFI may set, based on the financial and economic conditions, ranges for the allocation of equities, fixed income securities and other types of investment in the Investment Portfolio. Staff will monitor external manager compliance with the asset allocation ranges on a monthly basis. In the event that the asset allocation ranges are not being met, staff will advise the Investment Consultant to take corrective action. The Investment Consultant will then develop alternatives and options to be presented to the COFI for discussion and approval.

D. Delegation To External Agents

1. To the extent it considers prudent, the COFI may delegate management and investment decisions to one or more external agents, such as a bank, investment advisor, investment manager or custodian, except where prohibited by the terms of a gift instrument.
2. The COFI will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances in (i) selecting, continuing or terminating the external agent; (ii) establishing the scope and terms of the delegation, including the compensation to be paid; and (iii)

monitoring the agent's performance and compliance with the scope and terms of the delegation.

3. The COFI, in making the decision as to whether to delegate such functions to a specific external agent, shall conduct such due diligence as the BOG deems appropriate, such as reviewing information regarding the external agent's experience, personnel, track record and proposed compensation as compared to appropriate peers.
4. An external agent to which management and investment authority is delegated owes a duty to the Society to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

E. Investment Consultant

1. The COFI will appoint a professional investment consultant (the "Investment Consultant") for advice on the investment allocation and on the specific investments to be purchased and sold. The Investment Consultant should be qualified to manage an investment portfolio, have a documented track record of investment portfolio management results and be independent of investment sales. The COFI will choose the Investment Consultant, monitor his/her performance, and make changes as deemed necessary.
2. The COFI will review with the Investment Consultant the asset allocation and performance at the quarterly COFI meetings. Based on input from the Investment Consultant, the COFI will determine if any changes to the Investment Portfolio are necessary. The Investment Consultant will research and provide appropriate investment options, and the COFI will make the final decision.

IV. PROCEDURE

A. Performance Review & Reporting

1. Reports on investments in the Investment Portfolio will be provided to the appropriate Society committees in a format and on a schedule approved by the COFI.
2. Internal & External – Monthly and quarterly reports on the performance of investments will be provided by the Society's Finance Department to the appropriate committees and participating Society Units.
3. Reports of investment performance will include:
 - a. The return on the Investment Portfolio;
 - b. Comparisons against the established benchmarks; and
 - c. The effect of the investments on Society reserves.

4. The Investment Consultant will independently provide the COFI with quarterly reports on the performance of the Investment Portfolio.

B. Guidelines On Prudent Investing

1. Standard of Care

Each person responsible for managing and investing an institutional fund of the Society will do so in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances and will consider both the purposes of the Society and the purpose of each institutional fund. The term "institutional fund" refers to each fund held by the Society other than an asset held not for investment but primarily to accomplish a programmatic purpose of the Society.

2. Factors Requiring Consideration

In managing and investing an institutional fund, the following factors, if relevant, will be considered:

- a. General economic conditions;
 - b. The possible effect of inflation or deflation;
 - c. The expected tax consequences, if any, of investment decisions or strategies;
 - d. The role that each investment or course of action plays within the Society's overall investment portfolio;
 - e. The expected total return from income and the appreciation of investments;
 - f. Other resources of the Society;
 - g. The needs of the Society and the institutional fund to make distributions and to preserve capital; and
 - h. An asset's special relationship or special value, if any, to the purpose of the Society.
3. Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio of an institutional fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund and the Organization.
 4. COFI will diversify the assets of an institutional fund unless it prudently determines that, because of special circumstances, the purposes of the fund are better served without diversification. Any decision not to diversify will be reviewed as frequently as circumstances require, but at least annually.
 5. Within a reasonable time after receiving property, COFI will make and carry out decisions concerning the retention or disposition of the property or the

rebalancing of its portfolio, in order to bring the institutional fund into compliance with the Organization's purposes and distribution requirements as necessary to meet the Organization's other circumstances and the requirements of applicable law.

6. A person with special skills or expertise, or selected in reliance upon his or her representation that he or she has special skills or expertise, will use those skills or that expertise in managing and investing institutional funds.
7. The BOG or COFI may delegate to an external agent the management and investment of an institutional fund to the extent that an institution could prudently delegate under the circumstances and will act in accordance with the prudence standard described above in selecting, continuing or terminating the agent, establishing the scope and terms of the delegation, and monitoring the agent's performance and compliance with the scope and terms of the delegation. The delegating body will take reasonable measures to assess the independence of external agents selected to manage and invest institutional funds, including any conflicts of interest the agent has or may have.

These Guidelines on Prudent Investing are included in this policy in accordance with the requirements of New York law.

C. Review Of The Investment Policy

The COFI will review the Policy, and may amend the Policy, from time to time as necessary to reflect developments affecting the Society's finances and activities, subject to BOG approval. The COFI must notify the members of the BOG of any amendment to the Policy at least thirty (30) days prior to the effective date of the amendment.

Responsibility: Committee on Finance and Investment

Adopted: October 14, 1956

Revised: October 20, 1960
September 6, 1968
June 19, 1975
March 24, 1978
September 29, 1978
June 10, 1983
November 28, 1990
June 13, 1991
(editorial change 6/96)
(editorial change 6/1/05)
June 23, 2013