Adopted: MONTH YEAR *Revised: MONTH YEAR*

CLIENT NAME
PORTFOLIO NAME
Investment Policy Statement

Note: This sample investment policy statement provides a basic structure for a nonprofit organization's investment guidelines. Please consult with an investment advisor to tailor it to your organizational needs.

I. Purpose

The purpose of this Investment Policy Statement (IPS) is to establish guidelines for the investable assets (the Portfolio) of <<CLIENT NAME>>. This document shall apply to the Investment Committee as well as all Investment Consultants and/or Investment Managers hired to assist with the management of the Portfolio.

II. Investment Objectives & Constraints

A. The objectives of the Portfolio are listed below, in descending order of priority:

B. The Portfolio is also subject to the following constraints: <<INSERT DESCRIPTION>>

III. Description of Responsibilities

A. The responsibilities of each party involved in managing the portfolio are defined below:

1. Investment Committee: <<INSERT DESCRIPTION>>

2. Investment Consultant: <<INSERT DESCRIPTION>>

3. Investment Manager: <<INSERT DESCRIPTION>>

IV. Fiduciary Duty

A. In seeking to attain the investment objectives set forth in the IPS, the Prudent Investor Rule shall apply, which states that the Investment Committee is under a duty to <<CLIENT NAME>> to invest and manage the Portfolio as a prudent investor would, as described below:

1. The exercise of reasonable care, skill, and caution that is applied to investments not in isolation but in the context of the Portfolio and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited to the Portfolio

2. In making and implementing investment decisions, the Investment Committee has a duty to diversify the Portfolio unless, under the circumstances, it is prudent not to do so

3. In addition, the Investment Committee must:

    a. Conform to fundamental fiduciary duties of loyalty and impartiality

    b. Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents (i.e. Investment Consultants and/or Investment Managers)

    c. Incur only costs that are reasonable in amount and appropriate to the management of the Portfolio

B. The Prudent Investor Rule is based on the following five basic principles:

1. Sound diversification is fundamental to risk management and is therefore ordinarily required of the Investment Committee

2. Risk and return are so directly related that the Investment Committee has a duty to analyze and make conscious decisions concerning the levels of risk appropriate to the purposes, distribution requirements, and other circumstances of the Portfolio

3. The Investment Committee has a duty to avoid fees, transaction costs, and other expenses that are not justified by needs and realistic objectives of the Portfolio

4. The fiduciary duty of impartiality requires a balancing of the elements of return between production of income and the protection of purchasing power

5. The Investment Committee may have a duty as well as having the authority to delegate as prudent investors would

V. Conflicts of Interest

A. Any person or organization involved in the oversight or management of the Portfolio (a Covered Party) should adhere to the following guidelines regarding conflicts of interest:

VI. Investment Philosophy

A. The basic tenets upon which the IPS is based include the following: <<INSERT DESCRIPTION>>

VII. Asset Allocation Guidelines

A. The Portfolio's asset allocation strategy, including permissible asset classes and applicable guidelines, is described below.

1. Strategic Asset Allocation: Long-term asset allocation based on expected returns, volatility, and the client's unique risk tolerance and/or investment objectives. It is expected that changes in the client's risk tolerance and/or investment objectives will be the primary driver of changes to the Strategic Asset Allocation. The Investment Consultant will recommend changes to the Strategic Asset Allocation as part of its annual review of the IPS.

2. Tactical Asset Allocation: A tool of active management that establishes a short-term asset allocation in order to take advantage of valuation discrepancies in specific asset classes. The objective of this periodic bias is to produce incremental returns on top of those of an already diversified portfolio. Changes in the Tactical Asset Allocation are infrequent and disciplined, based on the concept that continuous or severe shifts in and out of asset classes introduces "market timing," which increase inefficiencies and market risk.

3. Asset Class Constraints: The weighting of each asset class shall be constrained within +/- X % of the Strategic Asset Allocation targets. This constraint serves as a trigger to rebalance the portfolio, as well as a constraint within which tactical shifts to the portfolio must remain.

4. Rebalancing: Shall take place if the weighting of any asset class is outside of the Asset Class Constraints, or at least annually. A rebalancing of the portfolio should bring the weightings of each asset class listed above back in line with its Strategic Asset Allocation target, unless there has been a tactical change within an asset class, for which the rebalancing shall bring the weighting back to the target Tactical Asset Allocation for that asset class. Trading costs should also be considered prior to rebalancing the entire portfolio.

VIII. Asset Class Definitions

A. U.S. Equity

1. Eligible Securities: <<INSERT DESCRIPTION>>

2. Excluded Investments: <<INSERT DESCRIPTION>>

3. Benchmark: <<INSERT DESCRIPTION>>

B. Fixed Income: Investment Grade

1. Eligible Securities: <<INSERT DESCRIPTION>>
2. Diversification: <<INSERT DESCRIPTION>>
3. Duration: <<INSERT DESCRIPTION>>
4. Excluded Investments: <<INSERT DESCRIPTION>>
5. Benchmark: <<INSERT DESCRIPTION>>

IX. General Guidelines

A. The following guidelines apply to each asset class:

1. Excluded Investments: <<INSERT DESCRIPTION>>
2. De minimis rule: <<INSERT DESCRIPTION>>
3. Diversification: <<INSERT DESCRIPTION>>
4. Marketability: <<INSERT DESCRIPTION>>
5. Proprietary: <<INSERT DESCRIPTION>>

X. Monitoring Portfolio Investments & Performance

A. The Consultant shall prepare a quarterly performance report, which should include the Portfolio's performance, asset allocation, and compliance with all applicable guidelines defined in the IPS. The Portfolio and individual managers shall be measured against the appropriate benchmarks, as defined below.

1. Market Benchmark
2. Asset Class-Specific Benchmark

B. Performance of the Portfolio, as well as individual Investment Managers, shall be measured versus appropriate benchmarks over rolling 3- and 5-year periods, measured quarterly.

C. The portfolio shall be reviewed at least quarterly to ensure that all managers remain in compliance with all applicable guidelines defined in the IPS.

XI. Investment Manager Watch List

A. <<CLIENT>>, upon recommendation of the Investment Consultant, may place an Investment Manager on the Watch List. Events that may constitute placement on the Watch List include, but are not limited to:

B. Due diligence of any Investment Manager placed on the Watch List should include the following:

C. Investment Managers may be terminated for any of the following reasons:

XII. IPS Review

A. Any of the following shall trigger a review of the IPS:

1. A change to the organization's Investment Objectives.

2. In the absence of any change to the organization's Investment Objectives, the IPS should be reviewed at least annually.

Source: Shared by Chris Moran, investment consultant, Lancaster Pollard Investment Advisory Group (cmoran@lancasterpollard.com).