

**INVESTMENT POLICY OF
SPECIAL OLYMPICS NORTH DAKOTA**

I. FORWARD

1. SCOPE

The purpose of the Investment Policy (“Policy”) is to provide guidance for management of the investable assets maintained by Special Olympics North Dakota (“SOND”) Endowment (“Fund”).

2. PURPOSE/MISSION

The Fund shall be used to support the mission of Special Olympics and programs offered. The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community.

3. OBJECTIVE

The Fund’s primary investment objective is to invest assets in a manner consistent with the prudent fiduciary management of foundation and endowment assets. Fund assets may be used to fund current operations, programs, philanthropic efforts and to assure the financial stability of the Fund as approved by the SOND Board of Directors (“Board”).

The objectives of the SOND Fund are to:

1. Preserve and grow principal
2. Generate income for use by the organization
3. Meet liquidity needs of the organization
4. Avoid inappropriate concentrations of investments
5. Provide fiduciary control of all cash and investments by SOND’s appointed custodians
6. Deliver yield in relationship to these guidelines and market conditions

Risk Objectives:

The Board recognizes the difficulty of achieving the Fund’s investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes some risk must be assumed to achieve the Fund’s long-term investment objectives. The risk tolerance for the Board is considered moderate; that is, moderate declines in total portfolio value would be acceptable during certain periods of time. Moderate allocation objective seeks to provide both capital appreciation and income by investing in three major areas: equities, fixed income (i.e., bonds), and cash equivalents. A moderate allocation balances the potential capital appreciation of equity securities with the income and relative

stability of fixed income securities over the long term. It should be less volatile than an all-equity portfolio, since prices of equities and fixed income securities may respond differently to changes in economic conditions and interest rate levels.

Return Objectives:

GROWTH PARAMETERS – Increase the value of the endowed principal over a ten-year time horizon by the rate of inflation as measured by the Consumer Price Index (CPI) plus two (2) percent.

INCOME PARAMETERS – No more than 5 percent of the SOND Fund’s assets (net of investment fees) shall be distributed annually (determined as an average over a rolling four-year period) unless otherwise required by law. Distributions from the Fund may include dividends, interest income, non-endowed contributions and capital appreciation. The Board may elect to distribute a range of 0 to 5 percent to support the goals of the SOND.

Understanding that no more than 5 percent of the Fund’s asset’s value based upon a four-year rolling average may be distributed annually, unfavorable market conditions may affect the Board’s recommendation for annual distribution. In the circumstance that the Fund’s assets are less than the permanently restricted endowment balance, no distributions shall be allowed from the Fund.

RESERVE TARGET – A reserve (“Reserve Target”) will be established to incorporate flexibility and provide stability to the annual spending distribution amount of the Fund and to protect SOND from unfavorable market fluctuations affecting the Fund’s assets. This provides for a capital cushion which will allow for the portfolio to absorb some short-term volatility and reduce the risk of transmitting portfolio volatility into spending distributions volatility. The Reserve Target will initially be set at 1 percent of the Permanently Restricted Endowment balance and will be increased an additional 1 percent each year thereafter until a Reserve Target of 5 percent is achieved. The Board may adjust the Reserve Target percentage in future years as deemed appropriate.

4. POLICY MAINTENANCE

The Board is responsible for the development and maintenance of this Policy as well as oversight of compliance to the Policy. The Policy is to be reviewed no less than annually by the Finance Committee of SOND, with any recommended changes made to the Board. The Board must approve any changes or exceptions to this policy.

5. MANAGEMENT OF ASSETS

Fund assets are classified as either Temporarily Restricted or Permanently Endowed. Assets will be managed by external professional investment managers (“Investment Managers”). Investment Managers are defined as either a registered investment advisor (RIA) or a bank with trust powers granted by the state of North Dakota.

Temporarily Restricted Funds:

Temporarily Restricted Funds serve multiple purposes, but are primarily intended to meet the immediate distribution needs in accordance with the Gift Agreement. Therefore, they must be accessible and relatively liquid. Temporarily Restricted Funds occur as a result of dividend, interest income, and capital appreciation generated by the Endowment as well as donations received that are not intended to add to the permanently restricted Endowment. Assets may be invested in accordance with the Asset Allocation guidelines defined below.

Permanently Endowed Funds:

Pursuant to the establishment of a permanent, irrevocable endowment of the Fund invested for the production of income and growth of principal. Permanently Endowed Funds may be invested in accordance with the Asset Allocation guidelines defined below.

6. CUSTODY OF ASSETS

All assets managed by an Investment Manager will be safeguarded by a custody agent in the Special Olympics North Dakota Endowment. The Investment Manager will select brokers to handle transactions on a competitive basis. Proxy voting will be managed by the Investment Manager unless otherwise requested.

7. REPORTING REQUIREMENTS

The Investment Manager will provide statements on a monthly basis and report investment results and compliance to the Investment Policy to the Finance Committee and Board at least three times annually.

II. SPECIFIC GUIDELINES FOR EXTERNAL INVESTMENT MANAGERS

1. ASSET ALLOCATION

All investments involve some and differing levels of risk. In determining overall asset allocation, the Investment Manager is expected to undertake a thorough analysis of the markets relative to the Fund’s specific circumstances, including cash flow levels and variability, projected liquidity needs, current financial strength versus long term objectives, and ability to withstand market volatility.

Asset Class	Range	Index Benchmarks
Cash Equivalents	0 - 10%	Merrill Lynch 90 Day T-Bill
Fixed Income	50 - 100%	Barclays Capital Intermediate Aggregate Bond Index
Equities	0 - 40%	S&P 1500 Index and MSCI EAFE (Net)
Alternative Assets	0 - 10%	

2. DIVERSIFICATION

No individual issue shall represent more than 5 percent of the market value for all invested assets with the exception of direct obligations of the U.S. Government or its agencies, CDs to the limit of Federal Deposit Insurance

Corporation (FDIC), demand deposits, repurchase agreements and money market funds are allowed providing they meet all other relevant guidelines.

3. PERMISSIBLE INVESTMENTS

This policy requires that investment holdings are in liquid securities which may be transacted quickly and efficiently with minimal impact to market price.

Investable assets may include the following asset classes:

a) **CASH EQUIVALENTS**

Cash equivalent investments may include money market savings accounts, certificates of deposit with maturities no greater than 12 months, or fixed income mutual funds with adjusted duration of no greater than one year.

b) **FIXED INCOME**

Fixed income investments may include individual domestic and foreign bonds, convertible bonds and notes, mutual funds, and exchange traded funds and notes. The average credit quality of the fixed income portfolio will be no less than "A", with a minimum credit quality for individual issues of investment grade "Baa3". Should a purchased bond be downgraded below investment grade, the Investment Manager will inform the Committee and propose a strategy for retention or sale. Below investment grade investments will be allowed through the use of diversified mutual funds or exchange traded funds and notes. No more than 20 percent of the fixed income portfolio will be invested below investment grade.

c) **EQUITY**

Equity investments may include common stock, preferred stock, convertible stock, American Depository Receipts (ADRs), mutual funds, and exchange traded funds and notes.

d) **ALTERNATIVE ASSETS**

Alternative assets may include a variety of asset classes and strategies. Asset classes that may be considered as an alternative to traditional equity and fixed income include real estate and commodities. Alternative strategies may include hedging, private equity, futures, options and derivatives. These asset classes and strategies may only be employed via diversified mutual or exchange traded funds.

e) **NON-PERMISSABLE INVESTMENTS**

Limited partnerships
Private placement securities
Uncovered options
Closely held business interests
Real or personal property
Non-publicly traded stock or other securities
Guaranteed Insurance Contracts

4. INVESTMENT MONITORING AND CONTROL

Consideration will be given to the extent to which investment results are consistent with the guidelines set forth in this Policy. The Investment Manager will disclose returns net of fees and in relation to appropriate risk metrics. The Finance Committee and the Board will evaluate performance relative to appropriate benchmarks on one, three, five, 10 year and/or inception to date periods as applicable.

The Board reserves the right to recommend a change in Investment Manager due to the following:

- a) Failure to comply with this Policy,
- b) Significant underperformance or risk, or
- c) For any other reason deemed appropriate by the Board.

This investment policy of Special Olympics North Dakota approved on December 11, 2015.