

Solon Education Foundation Investment Policy

The purpose of this document is to provide a clear understanding of the investment policy, guidelines, and objectives of the Solon Education Foundation.

The following guidelines have been set forth to give an overview of the general investment philosophy and orientation of the Solon Education Foundation, and to provide prospective donors information about the investment of funds. The intent is to give broad direction allowing for the flexibility necessary for the fund managers to successfully implement their investment strategy.

Principal objectives of the investment program shall be:

- Investments of the Solon Education Foundation shall be selected in a manner that will ensure the preservation of capital and safety of principal. The loss of capital through consumer price inflation is a factor that should and will influence both current and future investment decisions.
- Asset appreciation must be ensured so that the future value of the investment portfolio maintains or exceeds its present purchasing value. While there may be periods of price instability due to market conditions and inflationary pressures it should be recognized that assets appreciation should be at a level equal to or exceeding any inflationary price changes.
- Investment income is an integral part of the Solon Education Foundation annual budget and long term viability. The investment portfolio shall be designed to attain a reasonable rate of return while minimizing any investment risk. The Board will, at least semi-annually or as needed, review our specific investment instruments held by the Solon Education Foundation with its asset manager and determine if the rate of return or yield on investment is reasonable under the current economic circumstances and report any conclusions and actions, if any, at the next Board meeting.

Achieving these objectives will require a moderate to conservative level of risk, a long-term investment horizon, and diversification among asset classes. The funds will be invested to provide a total return (capital appreciation, interest, and dividend income) consistent with a moderate level of risk.

Funding of withdrawals

Withdrawals are to be made based on the availability of “distribution funds”. The Solon Education Foundation has expectations for periodic withdrawals for programs and expenses. Resultant periodic cash needs will fluctuate somewhat and the investment managers will be made aware of these requirements and will be responsible for employing a strategy to meet these needs. The Solon Education Foundation anticipates that the funds needed could most often be provided from cash and cash equivalents, and investment earnings. Withdrawals are expected to be made annually. The Solon Education Foundation has set a goal of distributing up to \$5,000 a year subject to the growth of our investment portfolio and receipt of gifts and contributions.

Asset allocation

The Solon Education Foundation has established the following asset allocation guidelines. It is expected that in significant “up” or “down” markets that the percentages may temporarily change based upon recommendations of the fund managers.

- Fixed income: 30-40% including cash & equivalents

The quality of the fixed income securities shall focus on securities rated “AA” or higher by Moody’s or Standard and Poor’s. Maximum ownership of any one issue, exclusive of U.S. Government issues, shall be 15% of the fixed income portfolio at cost. Cash positions should conform to investments described in “Cash and Equivalents” section, above.

- Equities: 60-70%

The portfolio may hold common stocks publicly traded on U.S. exchanges, NASDAQ-listed stocks, and securities convertible into such stocks. Equity investments in any major sector classification shall not exceed 30% of the market value of the total equity portfolio. Equity investments in any single issue shall not exceed 10% of the equity portfolio at market value. Mutual funds with diverse management may be used for this allocation, both foreign and domestic.

Evaluation and performance criteria

Investment manager can expect to be evaluated using both absolute and relative criteria. Two or more of the following relative performance benchmarks will be used to evaluate overall performance of portfolio allocation.

Equities:

- S&P 500 composition index - largest companies, weighted by capitalization.
- Russell 3000 index - Include largest 1,000 companies and Russell 2000 Small Cap companies. When appropriate, the small cap segment will be measured by the Russell 2000 index.
- Wilshire 5,000 index – 5,000 companies, weighted by capitalization. Other managers with similar investment style.
- EAFE index for international equities.
- Any other performance index with component issues similar to those of the equity portfolio.

Fixed Income:

- Lehmann Brothers Intermediate Government/Corporate Bond Index.
- Any other fixed income performance index of issues with maturity and quality similar to the fixed income portfolio.

Inflation:

- Consumer price index (CPI)

The Solon Education Foundation may employ a professional investment advisor or consultant to perform ongoing independent investment performance analysis.

Prohibited transactions:

Investment activities in the following are prohibited for individual securities:

- Short sales
- Margin purchases
- Private placements or other restricted securities
- Commodities of futures transactions
- Put or Call Options

- Illiquid investments

Communications and review

Monthly:

- Monthly statements of activity are to be forwarded to the Solon Education Foundation Treasurer and Investment Committee Chairperson.

Semi-Annually:

- Investment managers should expect to provide portfolio presentations to the Solon Education Foundation that will include reports of portfolio status, time-weighted returns in accordance with associations of investment management research performance measurement standards, performance comparisons to appropriate benchmarks, economic outlook, investment strategy, and other related matters that should be interest to the Foundation.

Ongoing:

- Ongoing communication by phone, letter, or personal consultation will be required as deemed necessary by the investment advisor and/or the chairperson of the Solon Education Foundation.

The Solon Education Foundation places great emphasis on the investment strategy employed by the fund's managers. Any material change to, or deviations from a manager's approach or management personnel must be communicated and justified to the Solon Education Foundation.

Plan Review

The managers shall be responsible for reviewing these guidelines with the Investment Committee at least annually to assure that they remain valid and relevant. Any recommendation as to changes should be submitted to the Investment Committee Chairperson for appropriate actions.