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## **Investment Policy Statement – Board approved 1/18/18**

### 1. PURPOSE

The purpose of this policy is to set forth the standards and guidelines governing the investment and management of The Galano Club's financial assets.

### 2. INVESTMENT OBJECTIVES

The Galano Club seeks to produce the best financial return within an acceptable level of risk as it will rely on the long-term investment return of the financial assets to fund future operations and capital expenditures. As the assets are expected to be spent in the long term, growth and capital preservation is of paramount importance.

### 3. RISK

- a. The key risk to the long-term sustainability is inflation, and the assets should be invested to mitigate this risk over the long term. The board of directors understand that this is likely to mean that the financial investments will be concentrated in real assets and that the capital value will fluctuate.
- b. The board can tolerate volatility of the capital value of the financial investment portfolio, as long as it's able to meet its short-term commitments through either income or liquid capital assets.

### 4. AVAILABLE FUNDS TO INVEST

- a. Available funds to invest equals the amount over the prudent reserve plus planned short-term (2 yr.) capital expenditures.
- b. Prudent Reserve is defined as 4.5 months of working capital by taking the total annual budget less any planned capital expenditures divide by 12 and multiply by 4.5.
- c. Short-term capital expenditures are defined by the Long-Term Capital Reserve & Expenditure Plan as approved annually by the board.

### 5. ALLOCATION AND DIVERSIFICATION REQUIREMENTS

- a. The Galano Club's assets can be invested widely and should be diversified by asset class, by manager and by security. Asset classes could include cash, bonds, equities, property, commodities and any other asset that is deemed suitable.
- b. Investments of funds should be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment.
- c. Investment Portfolio requirements:
  - i. Each investment is subject to a maximum exposure of 20% of the total amount invested.
  - ii. A minimum of 60 % of total amount invested needs to be held in FDIC insured accounts.
  - iii. A maximum of 25% of total amount invested is allowed per banking institution.
  - iv. A minimum of 20% of total amount invested is to remain in cash.

### 6. REBALANCING

The portfolio will be rebalanced annually, if necessary.

## 7. LIQUIDITY

The Galano Club will draw down the cash in line with the planned capital expenditure schedule. Maturities of cash deposits should match this timetable. If a non-planned event occurs, liquidation with the least cost and return impact should be used first.

## 8. DEFINITION OF DUTIES

- a. **Board of Directors:** The board has the ultimate fiduciary responsibility for the corporation's investment portfolio. The board is responsible for ensuring that appropriate policies governing the management of the portfolio are in place and that they are implemented. Typically, the board sets and approves the Investment Policy Statement (IPS), and delegates responsibilities to the investment committee for implementation and ongoing monitoring. The Board should review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.
- b. **Investment committee:** The investment committee is responsible for creating and updating the investment policy, its implementation and monitoring portfolio performance on a regular basis to ensure compliance with investment policy. The investment committee is charged with agreeing to a suitable asset allocation strategy for the financial investment portfolio while minimizing the expense ratios in any managed investment.
- c. **Treasurer:** The duty of the treasurer is to implement the strategy for which has been approved.

## **TERMS:**

**U.S. Stocks:** Stocks of U.S. based companies the primary shares of which are traded on the following exchanges: New York Stock Exchange; American Stock Exchange; and NASDAQ over-the-counter market. The composition of US equity holdings will be selected from index funds with a low expense ratio. The fund should be broadly diversified and are subject to wide fluctuations.

**International Stocks:** Stocks of non-U.S. based companies, the primary shares of which are traded on exchanges outside the U.S. American Depository Receipts (ADRs) are considered International Stocks. The composition of international stock holdings will be selected from index funds with a low expense ratio. The fund should be broadly diversified and are subject to extremely wide fluctuations

**Cash and Cash Equivalent:** Cash shall be invested in short-term fixed income instruments. Appropriate instruments include direct and general obligations of the U.S. Government and U.S. Government Agencies, interest-bearing demand or time deposits, certificates of deposit, money market portfolios of FDIC member agencies, commercial paper, and repurchase agreements. Investment vehicles may include mutual funds and exchange traded funds (ETFs).

**Certificates of deposit (CDs)** are among the safest investments out there. They're available from banks and credit unions, and they tend to pay more than savings accounts and money market accounts. The main drawback to CDs is that you must lock your money up in order to earn the higher interest rate.