



## Section I – Purpose

The purpose of this statement of Investment Policy to serve as a guide to the Board of Directors in their pursuit of the goals of MDSC and to serve as a document that expresses the investment objectives, to define the responsibilities of the Board of Directors and any other parties involved in managing the Organization's investments, and to provide target asset allocations, permissible investments and diversification requirements.

This statement represents the current policies and practices as determined by the MDSC Board of Directors. It is a dynamic document subject to review, and may be redrawn periodically in response to changes in policy, operating objectives, or investment environment.

## Section II – Investment Objectives

The Maryland Deaf Senior Citizens, Inc. seeks to meet its overall investment objectives through investment in a broadly diversified portfolio of cash equivalents, fixed income securities (government and corporate), common stocks, preferred stocks, convertible securities, mutual funds, and other alternative non-publicly-traded investments.

The primary objective for these investment categories shall be to provide for consistent long-term **growth** of principal and **income** without undue exposure to risk. The objective for these fund categories listed above is to achieve a total return including appreciation which will satisfy current financial needs, protect and increase long term inflation adjusted value, and minimize short-run volatility. MDSC seeks to supplement these objectives by attaining prudent returns on overall assets with tolerable risk based upon research.

The optimal risk level shall be sought through considering such factors as the time horizon of investments, liquidity needs, and the need for sufficient real returns for long term growth and protection of assets. Risk factors shall also include general market and

economic conditions, trends, yields, interest rates and changes in fiscal and monetary policies.

Investments and overall investment strategy shall be in harmony with anticipated patterns in income growth and distributed cash flow, support trends in the growth of the Maryland Deaf Senior Citizens, Inc., and its program development and related funding needs.

### **Section III – Decision Making Strategies**

Investment decisions and monitoring shall be made by the Investment Management Committee in accordance with this Investment Policy. Monitoring shall involve processes that combine market liquidity, portfolio management, and research on particular securities. Fundamental considerations are based on all available market analysis, with emphasis on potentials for high total return, which includes current income and capital appreciation in value, acceptable risk factors, diversification, timeliness, available company news, industry-related events, and investor perceptions.

Any and all investment decisions, which would materially change the overall portfolio of MDSC, must be in accordance with allocation specifications and limits (Section V) as well as performance measurement standards (Section VI).

### **Section IV – Operating Objectives**

In pursuing the goals of MDSC, the Board of Directors, and its investment subcommittee seeks to operate at the highest level of prudence and effectiveness. In performance of its duty, the Committee shall act solely in the interests of MDSC and its mission. The Committee shall operate in accordance with written policy and shall scrupulously avoid conflicts of interest.

The Investment Management Committee shall act with skill, care, prudence, and ensure diversification of assets and optimal return to counterbalance the risk of large losses. The Chairperson of the Investment Management Committee shall perform as the authorized agent for the portfolio of MDSC and shall make investment decisions, working in concert with goals established by the Board of Directors. The members of the Investment Management Committee shall be empowered to act in place of the Investment Management Committee chairperson's absence on behalf of MDSC.

Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Board of Directors

The Maryland Deaf Senior Citizens, Inc. may use the services of professional investment managers, on recommendation of the Investment Management Committee. In the utilization of such managers, their selection, retention, and monitoring shall be done in a prudent manner. Quarterly performance review shall monitor manager due diligence, reporting quality, market research and analysis capabilities, investment consistency and return relative to investment objectives as outlined in this Policy, and

investment risk as measured by asset concentration, exposure to extreme economic conditions, and market volatility. Change in managers may occur at any time, with or without cause, in the event of questionable progress toward attainment of MDSC investment objectives. Oversight shall include meetings with or formal review presentations by said managers at least once yearly. Management fees shall be charged only for assets under management, and shall not charge commissions on trades.

The Board of Directors will endeavor to operate the Organization's investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets. MDSC shall maintain an investment no less than \$310,000 with the investment company.

The Board of Directors and the Investment Management Committee shall strive to keep abreast of information relevant to the pursuit of their duties, with the assistance of investment advisors/managers. The Investment Management Committee and the Board of Directors shall review the performance of all investments on a quarterly basis. Further, the chair of the Investment Management Committee shall meet with all advisors/managers at least once yearly to review and stay on top of all MDSC's investment holdings, including review of performance goals (past, current, and future) for all investments.

Sufficient information shall be sought to ensure that investment and allocation decisions shall be made with an understanding of the broad investment context, including capital market cycles, the business cycle, and likely the performance of various asset classes over time.

Decision-making shall be objective, systematic, and documented. Care shall be taken to maintain an adequate record keeping and monitoring system to facilitate monitoring, not only of investment performance, but also of any relevant factors in the operations of MDSC.

### **Section V – Diversification**

MDSC will maintain a reasonable diversification of investment assets between asset classes and investment categories at all times. Investments in the equity securities of any one company shall not exceed [5%] of the portfolio nor shall the total securities position (debt and Equity) in any one company exceed [10%] of the portfolio. Reasonable sector allocations and diversification shall be maintained. No more than [25%] of the entire portfolio may be invested in the securities of any one sector. Investment within the investment portfolio should be readily marketable. The investment portfolio should not be a blind pool; each investment must be available for review.

## Section VI – Asset Allocation

Investment decisions as to which asset classes are used shall play an important role in determining optimal portfolio performance over time. Allocation decisions shall be made in accordance with the above general objectives, using financial modeling as well as historical consideration in terms of liquidity, return, growth, time horizon, and predictability.

**Permitted Securities** – Permitted investments shall focus on three asset classes: equity securities, debt (fixed income) securities, and cash and equivalents.

### Equity Securities

- Common stocks
- Corporate stocks
- Exchange Traded Funds (ETF)
- Preferred stocks
- Convertible securities
- Mutual funds
- International Equities (added 1/13/2015)

### Debt (Fixed Income) Securities

- Investment-grade corporate bonds
- U.S. treasury securities
- U.S. government agency securities
- Fixed income mutual funds
- Fixed income Exchanged Traded Funds (ETF)
- Closed-End Mutual Funds (CEF)
- Open-End Mutual Funds
- Structured Investments (added 1/13/2015)

### Cash and Equivalents

- Money market funds
- Treasury bills
- Certificates of deposit (CDs)
- Short term debt securities
- Deposit (savings) accounts

Asset Allocation Range	Target	Upper Limit
Equity Securities	25%	20 – 40%
Fixed Income	30%	20 - 50%
Cash and Equivalents	5%	0 – 15%

- Rebalancing shall be done on a semi-annual basis or more frequently if deemed necessary.

Investments not listed herein shall not be allowed – these include penny, restricted or private stocks; un-covered call writing options; writing put options; hedge funds; publicly traded limited partnerships; unit investment trusts; initial public offerings (IPOs); junk bonds; options; futures; currency forwards; and commodities futures.

Funds invested in a commingled product (such as mutual funds) will be managed in accordance with the guidelines outlined in the fund's prospectus.

For those investment funds which a target asset allocation has not already been specified within Section II, investments for general funds shall not exceed 25% in overall equity funds with the exception of debt securities, cash funds and equivalents; and alternative investments as outlined above, unless otherwise specified in Section II – Investment Objectives.

## **Section VI – Performance Measurement Standards**

The benchmarks which shall be used in evaluating the performance of the two investment categories shall include the following:

***S&P 500 Index*** (equities) – Exceed the average annual return of the index over a full market cycle of three to five years.

***Lehman Brothers Government/Corporate Index*** (fixed income) – Exceed the average annual return of the index over a full market cycle of three to five years.

Additional benchmarks, such as the Russell 2000 Index, Dow Jones Industrial Index, NASDAQ 100 Index, and others may be used as appropriate.

## **Section VII – Amendments and Modifications**

This Investment Policy shall be interpreted and applied judiciously to achieve the purpose and overall investment objectives of the Maryland Deaf Senior Citizens, Inc.

The Investment Management Committee may amend, modify, or clarify this Investment Policy at any time and from time to time, subject to approval of MDSC Board of Directors, to be consistent with the purposes of MDSC and in the interest of pursuit of the objectives of the MDSC.