



State Bar Association
of North Dakota

State Bar Association of North Dakota

Statement of Investment Policy Objectives and Guidelines

March 2023

TABLE OF CONTENTS

Page 3.....	Executive Summary
Page 4.....	Introduction
Page 4.....	Assignment of Responsibilities
Page 5.....	General Investment Principles
Page 7.....	Investment Guidelines
Page 8.....	Spending & Cash Flow Expectations
Page 8.....	Investment Goals
Page 9.....	Asset Allocation Guidelines
Page 9.....	Adoption
Page 10.....	Exhibit A – Asset Allocation Guidelines

EXECUTIVE SUMMARY

Investment Portfolio:	State Bar Association of North Dakota Investment Account
Account Information:	Total Market Value as of <Month> <Day>, 2023: \$500,000
Purpose of the Portfolio:	To enhance the purchasing power of funds held for future expenditure and to maintain the financial stability of the State Bar Association of North Dakota
Primary Objective:	Primary emphasis on annual income with capital growth through valuation gains
Target Rate of Return:	Rate of Return of 6%
Time Horizon:	Perpetuity
Spending Policy:	Each year the Board will determine the amount to be withdrawn from the portfolio for the following fiscal year based on the performance of the portfolio in the current fiscal year and the projected operating requirements.
Asset Allocation:	See Exhibit A – Asset Allocation Guidelines
Rebalancing Procedures:	The investment portfolio will be reviewed and rebalanced, within guidelines, when any asset class is outside the minimum or maximum policy allocation.
Investment Manager:	The Investment Manager has discretionary authority within the confines of this Investment Policy Statement. The Investment Manager will monitor strategies on a recurring basis.
Cash Limits:	The Investment Fund's cash limits are shown in Exhibit A.
Restrictions:	Investment position exposure will be through Stocks, Bonds, Mutual Funds, Exchange Traded Funds (ETFs), Closed End Funds, and liquid Alternative investment vehicles.
Review Frequency:	Investment Manager will conduct periodic reviews with the Board of Directors, Executive Director or Investment Committee. On an ongoing basis, Investment Manager will communicate any meaningful changes to the investment assets.

INTRODUCTION

This statement of investment policy has been adopted by the Board of Directors to provide guidelines for investment of funds held by the State Bar Association of North Dakota.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment objectives, and constraints of the State Board Association of North Dakota regarding funds invested for the benefit of the organization.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This investment policy statement is set forth by the Board of Directors of the State Board Association of North Dakota in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of portfolio assets.
3. Offer guidance and limitations to Investment Manager regarding the investment of portfolio assets.
4. Establish a basis for evaluating investment results.
5. The portfolio shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
6. Establish the relevant investment horizon for which the portfolio assets will be managed.

In general, the purpose of this statement is to outline a philosophy, process, goals and objectives which will guide the investment management of the assets, toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Board of Directors

The Board of Directors determines the objectives and is responsible for formulating and updating the investment policy for the portfolio. Duties of the Board of Directors include the following, unless otherwise delegated to the Investment Committee.

1. Selection and retention of Investment Manager.
2. Review performance of the portfolio to stated objectives. Review and monitor performance of Investment Manager.
3. Monitor the asset allocation of the portfolio in accordance with the asset allocation guidelines set forth in this statement.
4. Determine if the overall policies and objectives continue to be appropriate and reasonable; and make adjustments as necessary.
5. Review and approve liquidity needs and distributions from the portfolio.

The Investment Committee shall be created and maintained by the Board of Directors to serve in an Advisory capacity. The Investment Committee may carry additional duties as assigned by the Board of Directors.

Responsibility of the Investment Manager

The Investment Manager's role is that of full discretionary investment management of portfolio assets, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Investment Policy Statement. Specific responsibilities of the Investment Manager include:

1. Assisting in the development and periodic review of the Investment Policy Statement.
2. Conducting due diligence and research on investment positions and allocations.
3. Monitoring the performance of the investment positions to provide the Board of Directors with the ability to determine the progress toward the investment objectives.
4. Review portfolio investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Board of Directors or Investment Committee as requested.
5. Discretionary investment management including decisions to buy, sell, or hold individual securities so long as the trades are within reasonable standards and conducted with an understanding of responsibilities and consistent with the investment objectives, policies, guidelines and constraints as established in this statement.
6. Reporting, on a timely basis, investment values and results.
7. Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Investment Accounts' investment management.
8. Serve as custodian and maintain possession of securities owned by the portfolio, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the portfolio accounts.

GENERAL INVESTMENT PRINCIPLES

General investment principles include the following:

1. Investments of the Portfolio shall be made solely in the interest of the organization.
2. The Portfolio shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Portfolio shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Investment Management employ one or more investment position of varying styles and philosophies to attain the Portfolio's objectives.
5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, Investment Manager should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities and during general market declines.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Board of Directors recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the portfolio's objectives. However, the Investment Manager is to make reasonable efforts to manage risk commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline – portfolio investment holdings are expected to adhere to the investment management styles for which they were retained. Investment holdings will be evaluated regularly for adherence to investment discipline.

INVESTMENT OBJECTIVES

To meet its needs, the primary investment strategy of the organization is to emphasize a balanced growth approach to target an average return of 6.0%. There is no guarantee that the target return will be met. The strategy should be designed to ensure the ability to meet all expected or unexpected cash flow needs.

SELECTION/RETENTION CRITERIA FOR INVESTMENTS

Investments shall be chosen by the Investment Manager using the following criteria:

1. Consideration shall be given to both performance rankings within peer group over various time frames and consistency of performance
2. Costs relative to similar strategies
3. Size of the proposed Portfolio
4. Length of time the portfolio/manager has been in existence and length of time it has been under the direction of the current advisor(s) and whether or not there have been material changes in the advisor's organization and personnel
5. The historical volatility and downside risk of each proposed investment
6. How well each proposed investment complements other assets in the portfolio
7. The current economic environment
8. The likelihood of future investment success, relative to other opportunities

DEFINITION OF RISK

Investment theory and historical capital markets return data suggest that over long periods of time, there is a compelling relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns, investors must be willing to accept a higher degree of risk (i.e., volatility of return).

The State Board Association of North Dakota desires long-term investment performance sufficient to meet the organization's mission. The Board of Directors understands that to achieve such performance, the portfolio may experience periods of decline. The Board of Directors further understands that in cases of severe market dislocation, the recovery period could be lengthy. While the Board of Directors would prefer to limit the portfolio's volatility, it has also indicated a willingness to tolerate declines in its investment portfolio, in order to position for improved growth possibilities.

INVESTMENT GUIDELINES

ALLOWABLE ASSETS

1. CASH EQUIVALENTS
 - Treasury Bills
 - Money Market Funds
 - Short Term Investment Funds
 - Commercial Paper
 - Bank Deposits
2. FIXED INCOME
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds, including High Yield Bonds
 - Mortgage-Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
3. GLOBAL EQUITIES
 - Common Stocks
 - Convertible Notes and Bonds
 - Preferred Stocks, Convertible Preferred Stocks
 - American Depositary Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)
4. REAL ASSETS
 - Real estate investment trusts (REITS) and/or other real estate related securities
 - Energy/resources related securities
 - Commodities (futures and related securities through pooled vehicles only)
5. ALTERNATIVE INVESTMENTS (MULTI-ASSET)
 - Hedge Fund strategies (Mutual Funds and Exchange Traded Funds with daily liquidity)
 - Managed Futures (Mutual Funds and Exchange Traded Funds with daily liquidity)
 - Business Development Companies (BDCs)
 - Master Limited Partnerships (MLPs)
 - Inflation Protected Securities (TIPs)

ALLOWABLE INVESTMENT VEHICLES

- Stocks
- Bonds
- Open-end Mutual Funds
- Closed-end Mutual Funds
- Exchange Traded Funds
- Futures, Options, Short Sales or other derivatives investments (within Mutual Funds or Exchange Traded Funds)

SPENDING POLICY & CASH FLOW EXPECTATIONS

Distributions from the Investment Account may be made as determined by the Board of Directors. The Asset Allocation for the State Bar Association of North Dakota should be designed to meet these anticipated distributions by investing the liquid portion of the portfolio exclusively in securities with daily market liquidity.

The liquidity needs of the State Bar Association of North Dakota shall be determined by the Executive Director. The Executive Director will present these needs to the Board of Directors for approval. The Executive Director will communicate the approved amount of withdrawal to the Investment Manager and to arrange the transfer of funds from the investment portfolio to the operating bank account of the State Bar Association of North Dakota.

INVESTMENT OBJECTIVES – INVESTMENT PORTFOLIO

In order to meet its needs, the investment strategy of the State Bar Association of North Dakota is to emphasize a balanced growth approach including a total return philosophy; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for Fund assets shall be:

1. Preservation of Purchasing Power After Spending – To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of the Fund's assets.
2. Long-Term Growth of Capital - To emphasize long-term growth of principal while managing excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

SPECIFIC INVESTMENT GOALS

Over the perpetual investment horizon established in this statement, it is the goal of the aggregate portfolio assets to meet or exceed:

1. Achieve a total annual return of 6%, which is comprised of both income and appreciation.
2. The Portfolio's Strategic Policy Mix (as measured by the 65% MSCI All Country World Index and 33% Bloomberg US Aggregate Bond Index, 2% Bloomberg US Treasury 1 – 3 Month Index).

ASSET ALLOCATION GUIDELINES

The State Board Association of North Dakota may occasionally review its asset allocation guidelines for the portfolio. These asset allocations shall consider contingent cash requirements to meet potential financial obligations, and the desire to have some assets appreciate through growth to be used for longer time horizon objectives. These investment strategies shall be reflected in the asset allocations. The investment portfolio shall be delineated into asset classes with minimum, maximum, and preferred percentages and may be modified from time to time by the Board of Directors, in order to respond to cash flow needs, market conditions or changes in time horizon. For example, in times of economic expansion the allocation may emphasize growth assets and in times of economic stress the allocation may emphasize defensive asset classes. This is commonly referred to as overweighting and underweighting particular asset classes or sectors. See Exhibit A for asset class ranges.

REBALANCING

In the event that the above aggregate asset allocation guidelines are exceeded, for reasons including but not limited to market price fluctuations and growth, the Investment Manager will bring the portfolio into alignment with these guidelines as promptly and prudently as possible.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Manager shall be compiled as needed and communicated to the Board of Directors for review. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Directors intends to evaluate the portfolio over at least a three-year period but recognizes market cycles may necessitate longer periods such as trailing five- or seven-year horizons.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board of Directors plans to review the investment policy on a periodic basis.

ADOPTION

This statement of investment policy is adopted on March 21st, 2023 by the Board of Directors of the State Bar Association of North Dakota.

Revision History:

03/21/2023 – IPS Creation and Board Approval

Exhibit A

Asset Allocation Guidelines

ASSET CLASS	STRATEGIC TARGET	ALLOWABLE RANGE
Global Equities	60%	40 - 80%
U.S Large	35%	25 - 80%
U.S. Small / Mid	10%	0 - 20%
Foreign Developed	10%	0 - 15%
Emerging Market	5%	0 - 10%
Global Fixed Income	30%	20 - 60%
Alternatives	10%	0 - 20%
Cash Equivalents	1%	1 - 5%