



Adopted February 2008

## AIA Las Vegas Endowment Investment Policy Statement

### Statement of Purpose

The purpose of this Investment Policy Statement (“The Statement”) is to establish a clear understanding for the Finance Committee of AIA Las Vegas and of the investment objectives and policies applicable to AIA Las Vegas’s Endowment (“The Portfolio”). This statement will:

- Establish reasonable expectations, objectives, and guidelines in the investments of the Portfolio.
- Set forth an investment structure detailing permitted asset classes, normal allocations, and permissible ranges of exposure for the portfolio.
- Encourage monitoring and review by the Finance Committee.
- Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to AIA Las Vegas.

The statement has been developed from an evaluation of many key factors that have an impact on AIA Las Vegas’s specific situation and investment objectives. This statement is not a contract. It is intended to be a summary of an investment philosophy that provides guidance for the Finance Committee.

### Statement of Responsibility and Authority

The following parties associated with AIA Las Vegas shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of the AIA Las Vegas (2) by diversifying the investments so as to minimize the risk of large losses.

- A. Board of Directors: The members of the Board of Directors are the fiduciaries of the AIA Las Vegas and are ultimately responsible for the selection of the investment managers.
- B. Finance Committee: The members of the Finance Committee have been delegated authority by the Board of Directors to manage the day to day administrative issues associated with AIA Las Vegas’s endowment assets. They have the recommendatory authority to the Board of Directors with respect to the implementation of this Investment Policy Statement.
- C. Investment Consultant: The investment consultant is charged with the responsibility of advising the Investment Committee on investment policy, the selection of investment managers, and providing performance analysis and monitoring services.

- D. **Investment Manager(s):** The investment manager(s) are delegated the responsibility of investing and managing AIA Las Vegas's assets in accordance with all applicable laws. Each investment manager must either be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the AIA Las Vegas's assets, (5) such other person or organization authorized by applicable law or regulation to function as an investment manager, or (6) Managed funds.

## **Investment Objective**

The objective of the portfolio is to preserve capital and produce income while achieving some long-term growth. The portfolio will maintain an asset allocation strategy in accordance with the guidelines described in this policy. The majority of the assets held in the portfolio will be liquid. The portfolio seeks to provide long-term growth of capital with a moderate level of current income as well as to fund program costs and necessary expenditures as required by AIA Las Vegas's Board.

## **Guidelines and Policies**

### **Time Horizon**

As an endowment, the portfolio is designed with a long-term time horizon (greater than 10 years), except for those funds specifically designated for liquidity or cash needs in the current year. Capital values do fluctuate over shorter periods and AIA Las Vegas does recognize that the possibility of capital loss does exist no matter what AIA Las Vegas's investment time horizon may be. However, historical asset class return data suggest that the risk of principal loss over a holding period of ten years or longer can be minimized with the long-term investment mix employed by the portfolio.

### **Risk Tolerance and Performance Expectations**

AIA Las Vegas recognizes that the objectives of the portfolio cannot be achieved without incurring a certain amount of principal volatility. The portfolio will be managed in a style-neutral manner that seeks to minimize principal fluctuations over the established time horizon and is consistent with the portfolio's stated objectives. The portfolio will invest primarily in U.S. equity (stock), global equity (stock) securities and debt (bond). Other assets may be added to the portfolio when deemed prudent by the Finance Committee. The Board of Directors delegate the authority to the Finance Committee and the Investment committee could direct who adds other assets. This additional diversification is expected to enhance returns and reduce risk over the long-term.

## **Investment Constraints**

The direct investment or use of derivatives, futures, options, limited partnerships, real estate, and initial public offerings is prohibited. Margin will be used against only cash and fixed income assets in the portfolio.

## Loans

The Board of Directors of the AIA Las Vegas, by simple majority vote has the ability to make loans from the endowment to the operating account. The time frame of the loan is not to exceed 90 days. The board at its discretion may also margin the portfolio for short-term cash needs.

## Asset Allocation Guidelines

Academic research suggests that the decision to allocate total account assets among various asset classes will far outweigh security selection and other decisions that affect portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior, the following asset classes are selected to achieve the objectives of the Portfolio. These are recommended guidelines only and the Board of Directors and Investment Committee may find it prudent and acceptable to deviate from them time to time to invest outside the recommended ranges.

Asset Class	Range	Target
Money Market (Cash)	0% to 25%	10%
Fixed Income (Bonds)	25% to 75%	35%
Large Cap US Equity (Stocks)	25% to 75%	30%
Small/Mid Cap US Equity (Stocks)	1% to 20%	5%
Global Equity (Stocks)	0% to 25%	20%

To implement the recommended Asset Allocation, the Portfolio will invest in numerous assets such as individual securities or mutual funds that focus on specific segments of each asset class.

## Re-balancing Procedures

From time to time, market conditions, contributions and distributions may cause the Portfolio's investment in various asset classes to vary. To remain consistent with the asset allocation guidelines established by this statement, each asset in which the Portfolio invests will be reviewed on a quarterly basis and re-balanced as needed at the direction of the Finance Committee and Board of Directors. Current cash needs and near term distributions will be taken into consideration before rebalancing the portfolio.

## Spending Rate

The portfolio will not have a set distribution rate, but rather make distributions for programs and scholarships as deemed necessary or worthy by the Board of AIA Las Vegas. There is a spreadsheet appended to this Investment Policy Statement which shows the scholarships at present, listed by donor, scholarship name, and amount of annual scholarship.

## **Duties and Responsibilities**

The Finance Committee will be responsible for conducting a quarterly review of the asset allocations and to approve any asset rebalancing recommended by the Investment Manager or Investment Consultant. The Committee will also be responsible for identifying the Investment Manager or Investment Consultant, for approval by the Board and evaluating them on at least an annual basis. The Investment Manager or Investment Consultant will provide at least quarterly financial information, which includes separate disclosure of fees charged to the Finance Committee for review.

## **Board of Directors**

The Board of Directors will have final approval of the Investment Policy Statement, Asset Allocation Guidelines and selection of the Investment Manager or Investment Consultant recommended by the Finance Committee. The Board will have the ultimate approval of any significant changes proposed by the Finance Committee to the policy statement, asset allocations or Investment Manager or Investment Consultant. The Board of Directors will be provided with financial information on a quarterly basis for approval and inclusion in AIA Las Vega's financial statements and tax returns.