



# American Association of Neuropathologists

## Investment Policy

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## **Investment Policy**

### **Purpose of Investment Policy:**

The purpose of the Investment Policy is to provide the objective of the American Association of Neuropathologists (AANP) in regard to its investment portfolio. This policy also defines the responsibilities of the Finance and Investment Committee and any other parties involved in managing the investments of the AANP, and to identify or provide the target asset allocations, permissible investments and diversification requirements.

### **Purpose of Investments:**

The purpose of long-term investments for the AANP is to provide funds for strategic investments to enhance the membership of its members. Also, to provide diversification of revenues from its traditional sources, to help with the sustainability of the organization.

### **Investment Objective:**

The investment objective of the AANP is to maximize the return on investments while minimizing risk and expenses. The overall goal is to increase the financial worth of the AANP. These objectives will be managed through prudent investing and planning of a diversified portfolio.

### **General Provisions:**

1. Setting forth an investment structure for managing the portfolio. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over an extended investment time horizon while minimizing risk.
2. Establishing formal criteria to select, monitor, evaluate and compare the performance of investments and money managers.
3. Complying with all applicable laws, rules, and regulations from various local, state, and federal political entities that may impact the portfolio.
4. All transactions shall be for the sole benefit of the AANP and its entities.
5. Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Finance and Investment Committee and Executive Council.

## **Responsibilities of the AANP Finance and Investment Committee:**

1. The AANP Finance and Investment Committee has ultimate responsibility, in collaboration with the Executive Council, of the investment and management of the AANP's funds.
2. The Finance and Investment Committee, in collaboration with the Executive Council, may hire outside experts as investment consultants or managers.
3. Communicating the financial needs of the AANP to the investment managers on a timely basis.
4. Determining the risk tolerance of the AANP and communicating the same to the appropriate parties.
5. Establishing investment objectives, policy guidelines, and allocations directing the investment of the assets, subject to annual review.
6. Prudently and diligently selecting one or more qualified investment professionals, including investment managers, investment consultants, and custodians.
7. Annually evaluating the performance of the investment managers to assure that this policy is being followed and to monitor performance of the investments.

## **Responsibilities of the Investment Advisor:**

1. Selecting sufficient asset classes with different and distinct risk/return profiles so that the portfolio can be prudently diversified.
2. Discretionary investment management, including decisions to buy, sell, or hold investments and to alter allocation within the guidelines established in the Investment Policy.
3. Administering the AANP's investments at a reasonable cost, balanced with avoiding a compromise to quality. These costs include but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs.
4. Monitoring and supervising all service vendors and investment options.
5. Each investment manager must acknowledge in writing acceptance of responsibility as a fiduciary.
6. Reporting on a timely basis, monthly investment performance results.
7. Communicating any major changes in the economic outlook, investment strategy, or any other factors that affect the investment process.
8. Informing the Finance Committee of any changes in portfolio management personnel, ownership structure or investment philosophy.

## **General Investment Guidelines**

1. The Investment Policy will be provided to investment managers.
2. The investment goal is to achieve a total return (income and appreciation) 5% after inflation over a 5 – 7 year market cycle.

3. The AANP is a tax-exempt organization as described in section 501(c)3 of the Internal Revenue Service Code. This tax-exempt status should be considered when make investments.
4. Transactions should be executed at minimal cost, taking into consideration prevailing market conditions.
5. Permitted investments include: Cash and cash equivalents, marketable securities including, but not limited to equities, fixed income securities, exchange traded funds (ETFs), mutual funds, and REITs.
6. Dividends may be reinvested, unless reserved by the Finance and Investment Committee for debt reduction or cash flow.
7. The following transactions are prohibited: Purchase of initial public offerings, non-negotiable securities, derivatives, futures, private placements, physical precious metals or commodities, any margin transactions, warrants, or life insurance contracts.
8. A reasonable diversification of investment assets between asset classes and investment categories will be maintained at all times.
9. Initial investments in the equity securities of any one company shall not exceed 5% of the portfolio, nor shall the total securities position in any one company exceed 10% of the portfolio.
10. 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.
11. Investments with the portfolio should be readily marketable.

### **Asset Allocation:**

The asset allocation will be predicated on the factors listed below:

1. Historical performance of capital markets adjusted for the perception of the future short and long-term market performance.
2. The correlation of returns among the relevant asset classes.
3. The perception of future economic conditions, including inflation and interest rate assumptions.
4. Rebalancing will be done at the discretion of investment managers, but should be considered annually.
5. The table below shows the desired asset allocations:

ASSET ALLOCATION RANGE	TARGET	UPPER LIMIT
Cash and Equivalents	5%	0 – 20%
Fixed Income	30%	20 – 60%
Equities: Domestic Large Cap	25%	20 – 40%
Equities: Domestic Small/Mid Cap	20%	10-25%
Equities: International	10%	5 – 15%
Alternative Strategies including commodities and precious metals through liquid markets.	10%	0 – 20%

### **Performance:**

The investment advisor will apply the following general due diligence criteria in selecting each investment and money manager.

1. Regulatory oversight: Each investment option should be managed by: (a) a bank; (b) an insurance company; (c) a registered investment company (mutual fund); or (d) a registered investment advisor.
2. Performance objectives are to be met on a net of fees basis. The performance of each asset class will be measured on two levels: against inflation objectives and against index objectives for individual portfolio components. Investment performance will be measured no less than quarterly on a net of fees basis. Performance will be evaluated on a five to seven year cycle to allow for market fluctuations and volatility.
3. Assets in the product: The investment option should have sufficient assets so that the portfolio manager can properly trade the account and provide adequate liquidity.
4. Holding consistent with style: The underlying securities of the investment option should be consistent with the associated broad asset class.
5. Expense ratios/fees: The investment option's fees should be fair and reasonable.
6. Stability of the organization: There should be no perceived organizational problems.

### **Monitoring:**

On a timely basis the Investment Advisor will review whether each investment option continues to conform to the criteria outlined in the Performance section; specifically:

1. The investment option's adherence to investment guidelines;

2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or regulatory agency proceedings affecting the investment option's organization.

An investment option may be placed on a "watch list" and a thorough review and analysis of the investment option may be conducted, when:

1. An investment option performs below median for their peer group over a 1 -, 3 -, and/or 5-year cumulative period.
2. An investment option's 3-year risk adjusted return (Alpha and/or Sharpe) falls below the median risk adjusted return.
3. There is a change in the professionals managing the investment option.
4. There is a significant decrease or increase in the investment option's assets.
5. There is an indication the investment option is deviating significantly from the stated style and/or strategy.
6. There is an increase in investment option's fees and expenses.
7. Any extraordinary event occurs that may interfere with the investment option's ability to prudently manage investment assets.

Amendments to this Investment Policy shall be approved by the Finance and Investment Committee. Approval of this updated Investment Policy may be made by the Executive Council.

The AANP Investment Policy is adopted by the American Association of Neuropathologists on this day of June 9<sup>th</sup>, 2021.