

YMCA of Greater Houston Endowment Foundation

STATEMENT OF INVESTMENT GOALS, OBJECTIVES, AND GUIDELINES GENERAL ENDOWMENT PORTFOLIO

UBS account #HM80741

The YMCA Foundation's General Endowment is composed of the gifts, legacies and bequests made to support the work of the YMCA. It is the purpose of this policy to insure that the principal of these funds remains whole and intact and that income from the funds is disbursed in accordance with the donor's wishes to foster the success of the YMCA.

I. GOALS AND OBJECTIVES

A. *Capital appreciation with no more than normal risk as implied by the "prudent person" philosophy.*

B. *Follow an investment policy that maintains the purchasing power of endowment income and protects the real value of endowment principal.*

C. *Total portfolio return (investment income plus capital appreciation) should fall into the top quartile of performance by investment managers of portfolios with similar asset allocations.*

D. *Make investment management independent of Foundation spending decisions.*

E. *The Foundation shall employ competent professional investment management.*

F. *Net income will be distributed to operating or specially designated funds based upon a spending rate determined by the Investment Committee annually.*

II. GUIDELINES

A. *Investment Philosophy*

1. The investment objectives call for disciplined, consistent management using a current "prudent person" philosophy (based

upon the entire portfolio being invested, rather than based upon any single investment).

2. The investment portfolio shall be diversified.
3. The purpose of fixed income investments is to provide:
 - a) liquidity
 - b) risk reduction
4. The purpose of equity investments is to provide:
 - a) growth of principal
 - b) income

B. Portfolio Composition and Risk

1. The portfolio should remain fully invested in equity securities. At the manager's discretion, however, in order to adjust for unusual market behavior or to increase liquidity, the portfolio may hold cash and fixed income securities.
2. The Fund may sell options on securities held in the portfolio for the purpose of enhancing income. The Fund shall not invest in commodities, futures, or venture capital projects, and may not make short sales.
3. The Fund shall not invest directly in real estate because the YMCA has substantial real estate holdings in its operating units.
4. Aggregate holdings in any one corporation may not exceed 5% (at cost) or 10% (at market) of the total portfolio.
5. A portfolio custodian will be designated by the Foundation.
6. Investment manager(s) should seek the most cost effective possible execution and commission. Copies of confirmations must be sent to the YMCA Chief Financial Officer.

C. Policies Regarding Fixed Income Securities

1. The portfolio's average duration should not exceed the duration of the Shearson Lehman Government/Corporate Bond Index.
2. Bond Investments (one year or longer) shall be limited to U.S. government and agency issues and quality corporate bonds.

Corporate issues must be rated “A” or above by Moody’s and/or Standard and Poor’s, excluding private placements.

3. Short-term investments (less than one year) can be composed of the following government and corporate obligations: U.S. Treasuries and Agencies, U.S. Government money market funds, U.S. Government repo’s purchased through local banks, obligations of banks, corporate obligations, and trustee’s S.T.I.F. funds. All short-term investments must be rated “A1P1” by Moody’s or Standard and Poor’s.

D. Policies Regarding Equity Investments – Common Stocks

1. Investments shall be made in quality companies whose securities have good liquidity.
2. The following rules apply to equity investments including convertible securities:
 - a) No more than 20% of the equity portfolio may be invested in stocks with market value less than \$10 per share. No stocks shall be purchased at less than \$5 per share.
 - b) Market capitalization of companies from which equity securities purchase should be at least \$500 million.
 - c) Public equities must be traded on the New York Stock Exchange, American Stock Exchange, or NASDAQ.
 - d) Foreign ADR’s meeting the above requirements may be purchased.
 - e) If the manager(s) feels that any of the above are not in the best interest of the performance of the portfolio, the manager(s) shall seek approval of the Investment Committee to waive any of the above guidelines.

E. Reporting and Review

1. All of the foregoing goals, objectives and guidelines shall be monitored by the Investment Committee and reviewed annually. The Investment Committee shall report the results of its monitoring and review to the Foundation Board of Directors.
2. The Investment Committee requires quarterly statements from the manager(s) and semi-annual meetings with the manager(s).

3. Investment manager(s)' performance, as calculated using AIMR standards, shall be reviewed annually against the following objectives:

- a) The equity portion of the portfolio will be measured against the S&P 500 over a selected period of time and with a diversified universe of other professionally managed funds.
- b) The fixed income portion of the portfolio will be measured against the Shearson Lehman Government/Corporate Bond Index over a selected period of time and with a diversified universe of other professionally managed funds.