

**Girl Scouts of Western Ohio**

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**Date:** June 5, 2008  
**To:** Board of Directors  
**From:** Jody Wainscott, Treasurer  
**Subject:** Investment Policies

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Attached for your review and approval are investment policies for Girl Scouts of Western Ohio. They were drafted by the following task group members: Jody Wainscott, Treasurer; Jerry Brose, Board Member; Lynne LaMacchia; Pirkko Witting; Barbara Bonifas, CEO; Roni Luckenbill, COO; and Linda Odenbeck, Finance Director.

The task group's intent for these investment policies is included in the following recommendation:

Whereas the objective of the council is to:

1. achieve maximum performance from the investment portfolio within the terms of the council's investment policy statement,
2. maintain a regional presence where appropriate,
3. streamline a workload for staff to maximize efficiency,
4. use the optimal number of investment managers to economize management fees, and
5. facilitate business continuity and disaster recovery planning as it pertains to the investment portfolio, it is recommended that:
  - A. Short-term investments will be managed by up to two investment firms, both of which are to be readily accessible and convenient for staff in the administrative center to interact with, inasmuch as short-term investments involve day-to-day operating funds requiring immediate service from the manager.
  - B. Long-term investments will be managed by investment firms that exhibit the ability to meet requirements as set forth in the investment policy statement, including the ability to provide required comparative benchmark performance reports. The number of investment firms may vary depending upon the needs of the council. The minimum portfolio size to be assigned to an investment manager is \$500,000.

I move adoption of the investment policies as presented.

I would be happy to answer any questions prior to taking a vote on this recommendation.

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**Our Mission**

*Girl Scouting builds girls of courage, confidence, and character, who make the world a better place.*



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4/15/08  
**DRAFT**

## **INVESTMENT POLICY STATEMENT**

### **PURPOSE**

The purpose of this investment policy statement is to communicate to the investment manager(s) the policies of Girl Scouts of Western Ohio and to state certain principles and objectives which are intended to assist the manager in maximizing account performance. In addition, this policy statement describes the performance standard that will be utilized by Girl Scouts of Western Ohio to monitor investment manager performance on an ongoing basis.

It is incumbent on the investment manager to notify Girl Scouts of Western Ohio of any perceived need for change in the policy or objectives as stated or to engage in any transaction which is unusual but not specifically prohibited.

### **GENERAL PRINCIPLES AND OBJECTIVES**

The primary objectives of the investments will be to provide for long-term growth of principal and income, and to provide income for the organization's current purposes without undue exposure to risk. These objectives may be accomplished using a balanced strategy of equity and fixed income securities, mutual funds, and cash equivalents.

### **INVESTMENT ACCOUNT FUNDS**

#### **LONG-TERM INVESTMENT FUND**

The Long-Term Fund is comprised of specific internal fund accounts that will likely be in place for five years or more. The majority of the Long-Term Fund is comprised of the Operating Reserve Fund and the Lyons Endowment Fund. The Board of Directors of Girl Scouts of Western Ohio authorizes changes to the Long-Term Fund.

### **LONG-TERM INVESTMENT OBJECTIVES**

The investment manager's greatest concern should be total return in a risk-adverse manner with consistency of investment performance. The goal to achieve returns in excess of the rate of inflation over the investment horizon in order to preserve the purchasing power of assets is also an important component of the long-term investment strategy.

## LONG-TERM ASSET ALLOCATION

The portfolio will be diversified among several asset classes to minimize risk factors and provide the best chance for performance consistency.

1. The portfolio shall target an overall asset allocation as follows:

<u>Investment Class</u>	<u>Target</u>	<u>Range</u>
Cash	0%	0-10%
Fixed Income	35%	25-45%
Equities	65%	55-75%

2. The overall asset allocation shall be monitored on an annual basis by the Girl Scouts of Western Ohio investment managers to provide guidance.

### 3. Equity Allocation

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Large Cap Equity	60%	50-80%
Mid-Cap Equity	15%	5-20%
Small Cap Equity	15%	5-20%
International Equity	10%	5-20%

### Total Return Objective and Evaluation of Investment Managers

The investment manager will demonstrate the ability to exceed the performance objectives stated herein. The performance objectives for the manager's portfolio shall be as follows:

1. The total return of the Portfolio should meet or exceed the following benchmarks:

<u>Total Fund</u>	<u>Benchmark</u>
1. Combined Index	35% - Merrill Lynch 1-10 Year Gov't/Corp Bond Index 65% - Standard & Poor's 500

- Equity and fixed income investment managers shall also be compared to the following benchmarks as appropriate:

<b>Asset Class</b>	<b>Primary Benchmarks</b>	<b>Additional Benchmarks</b>
Large Cap Equity	S & P 500 Index	Russell 1000 Growth
		Russell 1000 Value
Mid-Cap Equity	S & P 400 Index	Russell Mid-Cap Growth
		Russell Mid-Cap Value
Small Cap Equity	Russell 2000 Index	Russell 2000 Growth
		Russell 2000 Value
International Equity	MSCI EAFE Index	
Fixed Income	Merrill Lynch 1 -10 Year Gov't/Corp Bond Index	

- A net total return equivalent to the total return of selected indices on a rolling 3-5 year average basis is the minimum expectation for this part of the portfolio. Girl Scouts of Western Ohio reserves the right to review the manager over shorter time periods.
- An additional measurement will be returns compared to the rate of inflation over the investment horizon.

## **INVESTMENT MANAGER GUIDELINES FOR LONG-TERM FUND**

Unless prior written approval is obtained from Girl Scouts of Western Ohio, the following guidelines shall be followed:

- The investment manager shall have full investment discretion with regard to market timing and security selection. As a general guideline that applies to all assets managed, transactions should be entered into on the basis of best execution, which normally means best realized price.
- Each investment manager shall submit quarterly reports. The investment manager should be prepared to meet with the Girl Scouts of Western Ohio at least annually, or more often at either party's discretion.
- There shall be no investments of the following types: commodity and stock index futures, currency exchange futures, short sales, naked puts and calls, margin transactions, IPO's, illiquid investments (not publicly traded), private placements.

A securities lending program is not permissible

4. There shall be no investments in non-marketable securities.
5. With the exception of securities issued by the U.S. Government, no single security shall exceed 5% of the investment manager's investment portfolio. An exception requires justification by the investment manager.
6. Securities are not limited to a specific issuer, but may also include the use of mutual funds as the investment manager may deem appropriate to meet the overall investment objective of a fund. Mutual fund investments will be considered diversified by definition.
7. Equity securities will be diversified by economic sector so that no sector shall comprise more than 2 times that of the respective benchmark or up to 30% in one industry sector, whichever is smaller. Should a sector weighting exceed the guidelines, the manager will be responsible for justifying the over weighted sector. If it is not deemed prudent by the Girl Scouts of Western Ohio, the manager will suggest an appropriate sector substitution for the portfolio.
8. Each fixed income portfolio must maintain a dollar-weighted average credit rating of A1/A+ or better by Moody's and Standard & Poor's rating services, respectively. In addition, the minimum acceptable credit quality rating for a particular bond shall be investment grade (Baa2/BBB). In the event a bond is downgraded below investment grade, the investment manager shall notify Girl Scouts of Western Ohio of its intentions regarding the particular security.  
  
The quality rating of convertible bonds must be limited to the first four grades of any national rating system.
9. The maximum maturity for an individual fixed income holding will be 30 years.
10. The investment manager shall notify Girl Scouts of Western Ohio of any material changes in its investment outlook, investment strategy, organizational structure, financial condition or senior personnel.

### **SHORT-TERM INVESTMENT FUND**

Funds for day-to-day operations and funds designated by the Board of Directors that will be needed within five years shall make up the short-term investment fund.

## **SHORT-TERM INVESTMENT OBJECTIVES**

The paramount consideration in managing the short-term investments should be preservation of capital while maintaining liquidity sufficient for operational cash flow. While yield is secondary, the manager's objective is to earn a yield higher than that achievable through an overnight sweep option. Risk control is an important element in the investment of fund assets.

## **SHORT-TERM PORTFOLIO GUIDELINES:**

### **Acceptable Investments:**

- Cash equivalents such as Treasury Bills
- Money market funds
- Commercial paper rated A-1 by Standard and Poor's or P-1 by Moody's
- Certificates of deposit
- U. S. Government and agency securities
- Corporate notes and bonds
- Repurchase agreements

### **Prohibited Investments:**

- Mortgage-backed securities
- Derivative securities

### **Maximum Concentration:**

No more than 10% of the portfolio may be invested in any single issuer except for the U.S. Government and its agencies and instrumentalities, or repurchase agreements collateralized by U.S. Government securities.

### **Maturity Parameters:**

The maximum maturity for any one issue is five years.

## **INVESTOR RESPONSIBILITY GUIDELINES**

Individual investments that could be considered to cause concern relative to the mission of Girl Scouts of Western Ohio should be avoided. Investment should be avoided in those companies which produce or distribute products whose sale is restricted by law to adults anywhere in the USA when the nature of such products represents a temptation and threat to the health of youth.