

11/11/06 2011

**INVESTMENT POLICIES**  
**FOR**  
**THE AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY**  
*Approved June 1998 – Revised September 2004*

***Preamble***

All funds of the American Association for State and Local History (AASLH) are held by the Council as a fiduciary. Therefore, even the legally unrestricted funds of AASLH are held by the corporation as a steward for the sake of carrying out its mission and purposes. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship.

***Delegation***

The AASLH Council delegates supervisory authority over its investment affairs to the Investment Committee of the Association. The Investment Committee is responsible for regularly reporting on investments to the full Council. In carrying out its responsibilities, the Investment Committee and its agents will act in accordance with these Investment Policies (the Policies) and all applicable laws and regulations. The AASLH Council reserves to itself the exclusive right to revise the Policies.

The Investment Committee will include the AASLH Treasurer, Vice President, and CEO. Other members may be recommended by the committee itself and/or appointed by the President. The AASLH Treasurer will act as chair of the committee.

At a point deemed appropriate by the Investment Committee, the AASLH Council and its Investment Committee are authorized to retain one or more investment counselors (the Counselor) to assume the investment management of funds and assets owned or administered by AASLH; such appointment requires a recommendation from the committee and approval by Council. In discharging this authority, the Investment Committee can act in the place and stead of the Council to receive reports from, pay compensation to, and enter into agreements with the Counselor. The AASLH Council may also grant exceptions to the Investment Policies when appropriate.

***Objectives***

The primary investment objective of AASLH is to preserve and protect its assets, by earning a total return for each fund appropriate to each fund's time horizon, liquidity needs, and risk tolerance. Further, AASLH wishes to generate over the long-term, a combination of income and appreciation which will permit withdrawal of an amount equal to 5% of total market value, calculated at the start of each fiscal year, for support of Association operations.

In addition, AASLH aims to increase the underlying principal at a rate equal to or exceeding the Standard and Poor's 500 Index for equities, and Lehman Brothers Government-Corporate for bonds, in order to preserve or enhance the purchase power of the endowment and restricted funds.

Withdrawal equal to 5% of total market value, calculated at the beginning of each fiscal year, will be based on a rolling average over 12 quarters. Year 4 will reveal a full history of income and appreciation upon which to calculate the year 5 withdrawal. Withdrawals prior to an established trend for 12 quarters will be calculated at 5%.

**Asset Mix**

To accomplish AASLH's investment objectives, the committee or Counselor is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and short-term (cash) investments. As a guide to accomplishing these objectives, the committee or the Counselor shall remain within the ranges provided in Exhibit A. These ranges can be modified from time to time by the Investment Committee with approval from the AASLH Council. The actual investment targets shall be set within those limits by the committee or the Counselor.

Each quarter, and more often if needed, the AASLH Investment Committee shall review the targets to be sure the allocations remain consistent with the objectives of each fund and with the organization's tolerance for risk.

***It was decided by the Investment Committee that all future contributions made to the AASLH Endowment will be deposited until further notice into the UBS Financial Services Inc. money market account.***

***Also a transfer was made from the Vanguard 500 Index Fund into the Vanguard Wellington Fund to keep AASLH investments within acceptable asset ranges as outlined below.***

<i>Exhibit A</i>			
<i>Acceptable Ranges of Investment Per Fund or Category</i>			
<u>Investment Fund</u>	<u>Asset Classes</u>		
	Equity securities (Common/convertible)	Fixed-income securities (US & corporate bonds)	Short-term securities (Cash/1-year notes)
Endowment	50-80%	15-50%	0-20%

## *Asset Quality*

1. *Common Stocks* -- The quality rating of at least 80% of all common stocks should be B+ or better, as rated by Standard & Poor's or other equivalent rating services. The committee or the Counselor may use nonrated common stocks at his or her discretion within the foregoing guideline.
2. *Convertible preferred stock and convertible bonds* -- The committee and the Counselor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's, Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1.
3. *Fixed-income securities* -- The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) which matures in ten years or less.
4. *Short-term reserves* -- The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities or short-term reserves.

## *Asset Diversification*

As a general policy, the committee or the Counselor will maintain reasonable diversification at all times. The Counselor may not allow the investments in the equity securities of any one company to exceed 5 percent of the portfolio nor the total securities position (debt and equity) in any one company to exceed 10 percent of the portfolio. The committee and the Counselor shall also maintain reasonable sector allocations and diversification. In that regard, no more than 15 percent of the entire portfolio may be invested in the securities of any one sector. The total of international investments will not exceed 15% of the portfolio.

The following investments/transactions are prohibited:

- companies in business less than 5 years
- private placements
- direct real estate
- short sales
- margin purchases
- commodities
- options and other derivatives.

## *Reporting Requirements*

*Quarterly* -- The Investment Committee shall be provided detailed information about (1) asset allocation, (2) investment performance, (3) future investment strategies, and (4) any other matters of interest to the Committee. In addition, the committee will be updated on:

- name and quantity of each security purchased or sold, with the price and transaction date;
- an analysis for each security of its description, percentage to total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
- an analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed income securities, and cash reserves).

*Annually* -- The Investment Committee shall provide the full AASLH Council an annual summary of all transactions in each fiscal year, together with a report of investment performance for the year by portfolio.

This document was adopted from sample policies provide by the National Center for Nonprofit Boards, *Creating and Using Investment Policies*, first printing, 2/97.