

US SAILING ASSOCIATION & US SAILING FOUNDATION **INVESTMENT POLICY**

BACKGROUND

The US Sailing Foundation’s (the “Foundation”) board of directors (the “Board”) formed its Investment Oversight Committee (the “IOC”) to provide stewardship of the investable funds held by the Foundation and the US Sailing Association (“Association”). It is the intent of the Board that assets held by the Association be used to help fund operations, while the Foundation’s assets be used to support US Sailing’s initiatives. This Investment Policy (“IP”) establishes guidelines for the management and implementation of the investment portfolios (the “Portfolios”) that comprise the above-mentioned assets.

The primary goals of the Association for its Portfolio are as follows:

- Preservation of capital with appropriate liquidity for its short-term funding needs;
- Sufficient growth of capital to offset the effects of inflation and provide for future needs;
- Support its various initiatives that promote and help grow the sport of sailing

The primary goals of the Foundation for its Portfolio are as follows:

- Preservation of capital with appropriate liquidity for its short-term funding needs (if any);
- Sufficient growth of capital to offset the effects of inflation and provide for future needs;
- To support both the short- and long-term funding needs of United States Olympic Sailing team, the Olympic Development Team and youth sailing.

ROLE OF THE INVESTMENT COMMITTEE

The IOC acts in a fiduciary capacity with respect to the Portfolios and is accountable to the Foundation’s Board of Directors (the “Board”) for overseeing the investment of all assets in the Portfolios.

- A. The IOC, ever mindful of their stewardship duties, has caused this Investment Policy Statement to be prepared. This IP sets forth the investment objectives, distribution policies and investment guidelines that govern the activities of the IOC and any other parties to whom the IOC may delegate investment advisory/management responsibility for Portfolio assets.
- B. The investment policies for the Portfolios have been formulated with the understanding of the Foundation’s anticipated financial needs, and with consideration of the tolerance for investment and financial risk, as reflected in the majority opinion of the IOC.
- C. The policies and guidelines in this IP are intended to provide for the consistent management of the Portfolios to meet the short- and long-term financial goals of the

Association and the Foundation, while also providing for sufficient investment flexibility to respond to changes in capital market conditions and in the financial circumstances.

- D. The IOC while taking into consideration feedback from the Board and Finance Staff as well as the recommendations of the Investment Advisor will decide on the timing as to how new cash will be invested and how and when cash will be raised (for distributions). Overall investing or raising cash all at once or a mechanism of dollar cost averaging is the preferred method for handling cash flows.
- E. The IOC will review this IP at least once per year. Changes to the IP can only be made by the affirmation of a majority of the voting members of the IOC, followed by ratification of the Board. All Board and IOC members shall have access to the IP as well as performance reports.

PORTFOLIO INVESTMENT POLICIES

A. ASSET ALLOCATION POLICY

Since the selection and weighting of asset classes comprising the Portfolios is the primary determinant of investment return and volatility, asset choice will be carefully considered by the IOC in accordance with a systematic allocation process derived from IOC policy.

ASSOCIATION PORTFOLIO:

The Association Portfolio will be implemented and managed as a growth-oriented portfolio composed of two major components: an equity portion and a fixed income portion. It is possible that an allocation to alternative investments may also be considered.. The equity allocation is expected to provide the long-term real growth of the Portfolio assets. The fixed income portion is expected to generate current income and provide for more stable periodic returns.

Outlined in the table below are the strategic asset allocation guidelines for the Association’s Portfolio as determined by the IOC to be appropriate to meet the long-term financial goals and objectives, of the Association:

<u>Major Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Strategic Target</u>
Alternative Investments	0%	20%	10%
Equity	50%	70%	60%
Fixed Income	20%	50%	26%

B. INVESTMENT CONSIDERATIONS:

The target allocations to the major asset classes set within the minimum and maximum ranges detailed above are viewed as long term neutral weightings also known as “strategic asset allocations”. Actual asset allocations will be reviewed by the IOC at its regularly scheduled meetings, which generally occur quarterly, or reviewed more frequently by the IOC, at the discretion of the IOC Chair, should unusual circumstances arise between the scheduled meetings. As part of this process, the IOC may make changes to the asset allocation (and or sub asset classes) based on cash flow needs, the market environment etc; as this is considered “tactical asset allocation”.

After establishing the target allocations, the IOC will select the specific qualifying investment funds within major and sub asset classes. The IOC may also engage an Investment Advisor who will make recommendations as to target allocations and selection of funds. Furthermore, the IOC may engage an Investment Advisor who would make such decisions on a discretionary basis all in keeping within the policies set forth in this document.

The equity portion of the portfolios shall consist of broadly diversified domestic and global securities held in no-load mutual funds (including broad indexed funds), exchange traded funds (ETFs), diversified separately managed investment strategy, and similar listed funds.

The fixed income portion of the portfolio should consist of domestic and global fixed income securities (including bonds convertible into equities) held in no-load mutual funds, ETFs, diversified separately managed investment strategy, and similar listed funds. No more than 10% of either portfolio is to be invested in bonds rated below investment grade. Additionally, no more than 35% of either portfolio is to be invested in Non US bonds.

It is anticipated that the Portfolio will not invest in illiquid alternative assets initially. As many any of these investments do not meet the liquidity, risk and return, and low-cost investment management fee objectives of the IOC. However, as the Portfolio increases in size over time, the IOC will monitor the performance of the alternative assets class through publicly available information.. Should alternative investments be considered an emphasis will be on investments that are relatively low volatility and less correlated to stock and bond markets and may be through ETF’s, mutual funds or limited partnerships. The IOC will be under no obligation to maintain allocations to any alternative asset and may sell, reduce and eliminate such investments from the Portfolio as permitted by liquidity events, redemptions, and contractual terms and provisions of such alternative investments

Furthermore, the IOC should give preference to investments that have the lowest cost or investment fees. While not excluding actively managed equity or fixed income funds, the IOC should ensure that the extra costs involved have a strong probability of being offset by higher returns from such a fund.

C. DISTRIBUTION POLICY

Periodically as required by the activities of the Foundation, the Board will inform the IOC of the amount needed to fund Foundation and/or US Sailing initiatives. The IOC will set the procedures by which some or all of the Portfolio is liquidated in order to meet the needs of the Foundation and US Sailing. Should an Investment Advisor be engaged, the IOC will aim to give such Advisor as much advance notice as possible as to any upcoming distributions.

D. REBALANCING

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of varying returns earned on its investments in different asset and sub asset classes. The Portfolio may be rebalanced to or towards its approved target asset allocation under the following procedures:

Incoming cash for investment and outgoing money movements for capital expenditures may be used to realign the current weightings closer to the target allocations for the Portfolio.

The IOC will review the Portfolio at each of its scheduled meetings to assess the deviation from target allocations. In the event that any asset class (equity or fixed income) in the Portfolio is +/- 5 percentage points from its target weighting then the IOC may consider rebalancing towards the set targets. Rebalancing is not mandatory and factors such as upcoming cash inflows and outflows should be taken into consideration. However absent any extenuating circumstances the spirit of the +/-5% rule is to encourage a discipline of adding to an asset class after market selloffs and trimming back positions after big runs up.

The IOC may provide a rebalancing recommendation at its scheduled meetings or at any time between meetings. Pursuant to majority approval of the IOC, the IOC Chair shall undertake a rebalancing of the Portfolio, or direct the Investment Advisor accordingly.

The IOC will act in a timely manner to address deviations in which the equity and fixed income asset classes are above their stated maximums or below their stated minimums in the asset allocation guidelines set forth above.

E. DIVERSIFICATION OF INVESTMENTS

In recognition of the prudence required of fiduciaries, reasonable diversification will be sought at all times. Experience has shown financial markets and inflation rates are cyclical and therefore, control of volatility will be sought through diversification of asset classes and selection of investments that are diverse in nature.

The IOC will take reasonable precautions to identify and avoid excessive investment concentrations in the Portfolio. Specifically, no single underlying investment security shall represent more than 5% of the total Portfolio assets, with the exception of fixed income

investments explicitly guaranteed by the U.S. government. No single investment pool or mutual fund shall comprise more than 25% of total Portfolio assets, with the exception of passive managed investment funds seeking to match the returns of a broadly diversified market index (for example an S&P500 Index fund).

F. INVESTMENT MANAGEMENT

Investment managers (“Managers”) are defined as: mutual funds, ETF’s, other pooled accounts, and separately managed accounts (“SMA’s”).

An Investment Advisor may or may not be part of a bank or securities firm but will generally provide custodial and sometimes banking and other related services. An Investment Advisor will typically provide assistance with investment and spending policies, asset allocation, selection of Managers and oversight of the portfolios.

Managers should be selected based on a number of qualitative and quantitative measures, including performance, risk, fees, manager tenure and adherence to a desired style.

The IOC is delegated the responsibility of choose in Investment Managers and or to engage an Investment Advisor for guidance pursuant to this IP.

In the selection of an Investment Advisor, the IOC will take into consideration, costs, array of services, experience in working with other non-profit organizations and reputation.

The IOC further recommends that index funds be used where practical, due to their low cost, superior long-term performance, low turnover and fully invested position.

G. PERFORMANCE MEASUREMENT

Investment performance for both portfolios will be viewed on a “total return” basis. Meaning that dividends, interest and net appreciation or depreciation will be combined when evaluating investment performance and when considering the expenditure of funds in pursuing the objectives of the Foundation and US Sailing. Investment performance of the Portfolios will be measured net of investment management fees and transaction costs, taking into consideration investment policy and total return objectives. The investment performance measurement technique shall be consistent with generally accepted practices within the investment industry.

The IOC will evaluate the composite performance of each Portfolio against (a) the short- and long-term return objectives for the Portfolio, and (b) such benchmarks established by the IOC, comprised of unmanaged market indexes alone or weighted into a composite benchmark, as to be representative of the Portfolio’s composition.

DRAFT – April 2021

While the IOC will mostly focus on the total return of each portfolio compared to an index benchmark, they will also evaluate each Manager relative to an appropriate benchmark or benchmarks.

While absolute performance is key, consideration will also be given to risk adjusted returns when looking at total portfolio and individual Manager performance.

The IOC shall be responsible for periodically reviewing the performance measurement process.

H. LIMITATIONS AND RESTRICTIONS

As a general matter, individual equity or fixed income securities shall not be selected by the IOC, with the exception of FDIC Certificates of Deposit, U.S. Government securities and Corporate Bonds rated “AA” or better.

Certain categories of investments that are not approved for use by the IOC for use in the Portfolio are set forth in Appendix A: List of Restricted Investments to this IP.

IP: APPENDIX A

LIST OF RESTRICTED INVESTMENTS

The IOC will not be permitted to invest directly in the investments below without the express approval of the Board, and may do so only after receipt by the Board of a written recommendation from the IOC setting forth the reasons justifying the exception:

- Unregistered or restricted securities
- Venture Capital funds or direct investments in early stage companies;
- Leveraged buy-out or illiquid private equity funds
- Uncovered options and options used for speculative purposes or leverage;
- Short sales or margin purchases or purchases with debt;
- Transferable certificates of participation in business trusts and limited partnerships;
- Securities of the investment managers or their respective parents, subsidiaries or affiliates;
- Commodities and Futures Contracts- including energy, precious and other metals, currency, cryptocurrency, and agricultural and other commodities;
- Private placement debt - except as may be positioned in a commingled fund which does not specifically emphasize private placements;
- Tax exempt securities issued by states or municipalities;
- Conditional sales contracts and mortgages;
- Trust Deeds;
- Collectibles- including but not limited to: art, coins, precious gems, and stamps;
- Securities in violation of California law
- Any investment that would give rise to Unrelated Business Income Tax “UBIT” as defined by the Internal Revenue Code; and
- Any investment that could lose more than its principal value

Last IOC Review/Approval: August 11, 2020
Last Board Approval: _____