

William B. Ogden Free Library
INVESTMENT POLICY

The William B. Ogden Free Library is an association library and as such, subject to various New York State laws and regulations. It is recognized returns in the form of interest, dividends or capital appreciation (“total return”) derived from investments of funds may be relied upon to supplement Library revenues, however the library is limited by law in the types of investments it can make with public funds. Therefore, public funds will be carefully segregated and this investment policy will apply only to private unrestricted gifts, bequests, and donations which the Board of Trustees has and will in the future set aside for this purpose.

The Board of Trustees desires to delegate the investment function of its investment portfolio to agents outside of the Library (external agents), who shall be referred to hereafter as “Investment Manager.” In doing so, the Board will act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in:

1. selecting, continuing or terminating an agent, including assessing the agent’s independence including any conflicts of interest such agent has or may have;
2. establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of the institution and the institutional fund; and
3. monitoring the agent’s performance and compliance with the scope and terms of the delegation.

It is expected that the Investment Manager will manage the portfolio to seek to achieve the objectives at all times. The Board of Trustees does not desire a high risk, high-volatility approach which produces large gains as well as large losses. Rather, we seek a more consistent approach limited to equity investments, and intermediate-term fixed income securities.

INVESTMENT OBJECTIVES

The primary objectives of the portfolio are generation of income and appreciation in portfolio value over time which enables the Library to maintain its spending in accordance with its policy and purchasing power at or above the rate of inflation.

Selection of growth and income investment objectives implies a desire to keep portfolio risk below that of common stocks but to pursue a return greater than that provided by bonds.

It is expected that the dividend and interest income will comprise a significant part of the total return earned by the portfolio.

GUIDELINES

In performing a delegated function, the Investment Manager owes a duty to the institution to exercise reasonable care, skill, and caution to comply with the scope and terms of the delegation. The Board of Trustees and Investment Manager agree that the following consideration will be evaluated in establishing and carrying out the investment strategy set forth in this document or any subsequent recommendations for modifications hereto:

1. general economic conditions;
2. the possible effect of inflation or deflation;
3. the expected tax consequences, if any, of investment decisions or strategies;
4. the role that each investment or course of action plays within the overall investment portfolio of the fund;
5. the expected total return from income and the appreciation of investments;
6. other resources of the institution
7. the needs of the institution and the fund to make distributions and to preserve capital; and
8. an asset's special relationship of special value, if any, to the purposes of the institution.

Cash equivalent securities are viewed as a viable alternative to equity or fixed income securities as a strategy for reducing portfolio volatility, and as an alternative to a more permanent commitment to equity or fixed income securities, depending upon the Investment Manager's view of the markets.

Based on the account objectives, it is prudent that a strategic asset allocation comprised on 60% equities and 40% fixed income with ranges for each asset class further defined in respective sections below.

FIXED INCOME GUIDELINES

1. The Investment Manager shall target 40% exposure to fixed income with an allowable lower limit of 30% and an upper limit of 50%. These limits are subject to periodic review and adjustments by the Investment Manager with the Board of Trustees' approval.
2. The fixed income allocation shall be primarily comprised of highly-rated issues (rated as better than "AA" by S&P or "Aa2" by Fitch) or funds of which the underlying issues are primarily highly-rated.

For purposes of diversification within an asset class, exposure to high-yield fixed income is permitted with the following constraints: 1. Exposure is only permissible

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through the use of mutual funds/ETF (Exchange Traded Fund); 2. When aggregated, high-yield exposure may not exceed 5% of the portfolio value.

EQUITY GUIDELINES

1. The Investment Manager shall target 60% exposure to equities with an allowable lower limit of 50% and an upper limit of 70%. These limits are subject to periodic review and adjustments by the Investment Manager with the Board of Trustees' approval.
2. Equity holding in any one corporation shall be limited to 5% of total market value of the account.
3. At no point will equity ownership in a corporation exceed 1% of the outstanding common equity of the subject corporation.
4. Equity exposure may be achieved through direct investment in shares of a corporation, use of mutual funds/ETFs, or some combination thereof.

RESTRICTIONS

In addition to the Fixed Income and Equity Guidelines, the Board of Trustees has set forth the following restraints:

- no direct investment in gold or other commodities
- no direct investment in real estate REITs or real estate partnerships
- no short sales, trading on margin
- no options including puts or calls or futures contracts
- no private placements

COMMUNICATION AND REPORTING

There is to be an open line of communication between the Board of Trustees and the Investment Manager.

The Investment Manager is expected to provide quarterly reports detailing all asset information and performance results. Investment results will be evaluated and compared against appropriate indices. Any benchmarks are intended as targets only and not as an assurance or guarantee of performance of any investment or of the portfolio. In addition to the required written and statistical information, the Investment Manager will be available to meet with the Board of Trustees or Finance Committee in person at least annually and more often, as appropriate.