



MARKET DATA

CURRENCIES

CURRENCY			DOLLAR		EURO		POUND	
Currency	Closing mid	Day's change	Closing mid	Day's change	Closing mid	Day's change	Closing mid	Day's change
Argentina (Peso)	3.0537	-0.0025	3.7764	+0.0054	5.4428	-0.0041	51.9315	-0.0330
Australia (A\$)	1.3451	+0.0018	1.6634	+0.0056	2.3974	+0.0029	52.785	-0.0610
Bahrain (Dinar)	0.3770		1.6674	+0.0057	2.3996	+0.0031	3.1227	-0.0195
Bolivia (Boliviano)	8.0000		1.7079	+0.0053	2.4252	+0.0017	3.1227	-0.0195
Brazil (RS)	2.1199		0.4663	+0.0011	0.6720	+0.0017	3.0884	-0.0194
Canada (C\$)	1.1390	+0.0024	9.8932	+0.0011	14.2588	+0.0001	2.7978	-0.0188
Chile (Peso)	1.1381	+0.0012	2.6216	+0.0224	3.7784	+0.0012	27.4445	-0.0084
Colombia (Peso)	1.1361	+0.0012	1.4086	+0.0089	2.0302	+0.0046	3.7508	+0.0025
Costa Rica (Colon)	514.350	+0.0012	1.4102	+0.0048	2.0293	+0.0025	3.7497	+0.0003
Czech Rep. (Koruna)	2333.20	+0.0012	1.4233	+0.0048	2.0278	+0.0024	3.7511	-0.0001
Denmark (DKr)	507.235	-2.55	636.071	-1.7370	2.0278	+0.0025	6869	-0.0019
Egypt (Egypt £)	22.9612	-0.0258	2885.35	+3.38	9.7752	+0.0019	16	-0.0099
Estonia (Kroon)	22.9055	-0.0258	627.272	+1.4200	48.58	-4.61	3.7511	-0.0001
Hong Kong (HK\$)	22.3307	-0.0213	28.3950	+0.0325	40.841	+0.0325	3.7511	-0.0001
Hungary (Forint)	6.0331	-0.0213	28.3804	+0.0325	40.841	+0.0325	3.7511	-0.0001
India (Rs)	6.0221	-0.0144	28.1909	+0.0325	40.841	+0.0325	3.7511	-0.0001
Iran (Rial)	6.0001	-0.0141	7.4608	+0.0357	40.841	+0.0325	3.7511	-0.0001
Israel (Sheqel)	5.918	-0.0142	7.4615	-0.0009	40.841	+0.0325	3.7511	-0.0001
Japan (Yen)	5.7515	-0.0139	7.4630	-0.0004	40.841	+0.0325	3.7511	-0.0001
Korea (Won)	12.6524	-0.0287	7.1126	-0.0006	40.841	+0.0325	3.7511	-0.0001
Malaysia (Ringgit)	7.7533	-0.0013	15.6465	+0.0161	40.841	+0.0325	3.7511	-0.0001
Philippines (Peso)	7.7501	-0.0013	9.5881	+0.0201	40.841	+0.0325	3.7511	-0.0001
Singapore (Dollar)	7.7429	-0.0014	9.6025	+0.0200	40.841	+0.0325	3.7511	-0.0001
Taiwan (Dollar)	7.7078	-0.0022	9.6306	+0.0200	40.841	+0.0325	3.7511	-0.0001
Thailand (Baht)	212.405	-0.0033	9.7305	+0.0191	40.841	+0.0325	3.7511	-0.0001
Turkey (Lira)	212.595	-1.6850	9.7305	+0.0191	40.841	+0.0325	3.7511	-0.0001
USA (Dollar)	1.0000		1.0000		1.0000		1.0000	

Investment Policy Statements – Blueprints for Prudent Investing

© ISTOCKPHOTO.COM/ANDREI TCHERNOV

All foundations, associations and other non-profit institutions with assets to invest should have a written investment policy statement (IPS). An IPS is a lot like a blueprint for the management of a portfolio; it spells out the various parties' roles and the process for managing and monitoring the invested assets. A good IPS helps foster communication between advisor and client, and helps everyone understand their duties and responsibilities.

In most states, the Uniform Prudent Investor Act, or similar legislation, obligates non-profit and charitable organizations' boards of directors to invest their organizations' funds in a reasonably prudent manner or to delegate those investment responsibilities to

a manager who will act in a like capacity. A properly crafted IPS can help board members discharge their investment obligations and thus protect themselves from personal liability. In addition, a well-written IPS can aid fundraising efforts by providing a means for easily communicating the organization's investment policies to others.

To properly fulfill the board's investment obligations, the investment policy statement should:

1. Identify the organization's goals, needs, risk tolerance, and time horizon;
2. Establish portfolio composition, asset allocation targets, and relative performance objectives for the invested assets;

A well-written IPS can aid fundraising efforts by providing a means for easily communicating the organization's investment policies to others.

3. Provide guidance for monitoring and evaluating investment manager and portfolio performance; and
4. Assign responsibilities among all parties involved with the investments.

A written IPS commonly begins with a statement of purpose, which acknowledges the board's investment obligations with respect to the portfolio as well as the mission and objectives of the organization itself. The IPS next identifies the parties, generally the board, investment committee, consultant (if any) and investment manager, their responsibilities in the investment process, the designated contact persons, and other related matters. A separate IPS for each portfolio manager is ideal, describing the specific portfolio composition requirements, asset allocation targets, and performance measures applicable to that manager and the assets under management.

Many organizations include a spending policy in their IPS. Liquidity needs affect risk tolerance, asset allocation targets and performance, all of which should be identified in the IPS. Keep in mind, however, that asset allocation and security selection drive returns only so far. If the organization's spending needs exceed reasonable long-term net return expectations, fundraising targets must be increased to ensure perpetual existence.

Asset allocation targets should be presented in a range, with the board or investment committee empowered to determine the exact allocation. This enables the board or investment committee, in consultation with the investment manager, to alter the mix of stocks, bonds and cash within the range without amending the IPS.

The IPS should address the investment strategy for each portfolio separately, and include discussion of diversification, risk/return expectations, asset classes, rebalancing and prohibited securities, if any. Establishing the benchmarks and criteria for reviewing both

portfolio and manager performance is also an important function of the IPS. Benchmarks should be realistic and a good fit for the investment portfolio or for the different asset classes within the portfolio. For example, the S&P 500 Index is not a meaningful measure of performance of a diversified portfolio invested in large, medium and small cap domestic stocks, bonds and international securities, although the index may be a good benchmark for the domestic large cap stock portion of the portfolio.

In addition to the broader concepts discussed in this article, the IPS can also address more specific issues, such as handling cash balances, investing large lump sums, socially-responsible investing, and selecting an investment manager. To be most effective, the IPS should allow as much flexibility as possible, yet also require that the board of directors or investment committee formally approve all investment policy changes *before* any changes are made to the association's investment portfolio.

If your organization does not have an IPS or if you are uncertain whether your organization's IPS is sufficient, an investment advisor experienced in providing investment counseling and portfolio management services to non-profit organizations can assist you.

Robert Seaman, a member of the CalSAE Membership Committee, serves as Business Development Manager for Towneley Capital Management, Inc., a registered investment advisor providing investment counseling and asset management services to associations, foundations and individual investors. He can be reached at 800-545-4442 or rseaman@towneley.com.

