

# GULF OF MAINE RESEARCH INSTITUTE INVESTMENT POLICY

Adopted as of January 19,  
2007 Amended November 21,  
2014 Amended July 12, 2017

**Purpose** The purpose of this Investment Policy Statement is to provide guidance to the Gulf of Maine Research Institute (GMRI) Board of Directors and its investment manager(s) regarding the investment of GMRI funds and the use of investment income. The Investment Committee is charged with the responsibility of implementing the Board approved investment policies and overseeing their implementation. Any amendments to this policy statement will require approval by the Board of Directors.

The Investment Policy Statement is designed to address the following:

1. State in a written document the investment objectives and management guidelines for the appointed Investment Committee to implement and monitor.
2. Establish an investment framework for the management of GMRI's various investment accounts. This framework includes guidelines as to asset class, investment styles and asset allocation ranges which are expected to produce a sufficient level of diversification and investment return over the long-term.
3. Establish formal criteria to monitor, evaluate and compare performance results on a regular basis.

**Key Information** Account Holder: Gulf of Maine Research Institute

Tax Identification Number: 01-0504905

Authorized Persons to Approve of Portfolio Changes (e.g. any cash flows to or from individual managers):

1. Investment Committee, at a meeting held in person or by conference telephone call.
2. For interim portfolio changes, recommendations can be approved by any two of the following: Investment Committee Chairperson, Treasurer, or President of GMRI.
3. Movements of funds between the Endowment and Reserve Accounts must be approved by the Board of Directors.

**Investment Objectives** GMRI's investment objectives have been established in conjunction with a comprehensive review of the current and projected financial requirements. GMRI has four different investment accounts, each with its own funding needs and investment requirements. Funds received for these separate uses have different investment requirements due to the expected term of their investment and the acceptable risk and volatility during their term. Moreover, individual donor specifications or restrictions may create additional investment requirements. GMRI currently receives or may receive contributions for:

#### a. Operations Account

- To fund program and to provide unrestricted income for support services.
- Investment horizon: short, with cash required within 0-12 months.
- Risk/return profile: low risk. Protect the value of principal while earning a modest rate of return.
- Income distribution: Investment income shall be used for unrestricted support services, unless otherwise restricted by donors. Investment grade securities required.

#### b. Capital Account

- To provide funds designated for capital programs.
- Investment horizon: medium term with funds expected to be used within 1-4 years.
- Risk/return profile: low risk. Protect the value of principal as a priority. Invest in short to medium-term, liquid instruments that maximize investment earnings while protecting principal. Investment grade securities required.
- Income distribution: Investment income shall be reinvested until required by capital projects.

#### c. Reserve Account

- The Reserve Account and any future asset replacement reserves shall be managed as medium term investments but shall remain available for GMRI financing needs (loan collateral, annual funding shortfall, strategic financial need, etc.).
- Investment horizon: short to medium term, 3 years or less.
- Risk/return profile: medium. Invest in short to medium-term, liquid instruments that maximize investment earnings while protecting principal. Investment grade securities required.
- Income distribution: 100% of income derived from the Reserve Fund may be distributed to fund operations.
- d. Endowment Account
- To support the long term operations and programs of the organization.
- Investment horizon: long (in excess of ten years).
- Risk/return profile:

1. Seek growth of the real (inflation-adjusted) market value of endowment assets, in order to meet spending policy outlined below. 2. Manage volatility in endowment asset value through an investment portfolio, which shall be diversified by market geography, investment style, and asset class).

- Distribution Policy: The Board of Directors has approved the distribution of 4% of the trailing 12-quarter average value of the endowment fund to support current operations. However, during endowment-building campaigns, distributions may be calculated on the ending balance of the endowments in lieu of the average value over the trailing 12 quarters, in order to maximize immediate program impact. Other amounts may be distributed, but not before advance

approval by the Board of Directors and not before the long-term repercussions of such additional distributions have been carefully weighed.

### **Allowable Range**

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**Strategic Target** Cash & Cash Equivalents 0% to 10% 0% Debt Securities 20% to 50% 30% Equity Securities 40% to 80% 70% Note: All allocations stated as percentage of total portfolio

- The equity and equity-like securities may include large and small-cap stocks listed in domestic U.S., developed non-U.S. and emerging markets, among other components. GMRI's investment manager(s) may fulfill investment requirements through individual equities, mutual funds, exchange traded funds, or market index funds.
- Debt instruments purchased as individual securities by GMRI investment managers (with the exception of mutual funds and exchange traded funds) shall be investment grade with downgraded securities sold as soon as practical.

### **Performance Measurement for Endowment Funds**

- The overall endowment will be measured against a benchmark of 45% of the S&P 500 Index, 25% of the MSCI EAFE index, and 30% of the Lehman Brothers Intermediate Government Bond Index. Individual managers shall be measured against an appropriate benchmark specific to the manager's stated approach. The performance evaluation of the endowment or individual managers shall be considered over a long period of time, generally 3 years or more.

### **Approvals by the Board of Directors**

- The above policy was accepted and approved by vote of the Board of Directors on January 19, 2007.

Amendments:

- On November 21, 2014, the Board of Directors voted to change the endowment spending policy from 5% to 4% of the trailing 12 quarters average value of the endowment.
- On July 12, 2017, the Board of Directors voted to allow annual distributions up to 4% of ending endowment balances during endowment-building campaigns.