



Rotarian Foundation of Livermore STATEMENT OF INVESTMENT POLICY

It is the policy of the Board of Directors (Board) to treat all assets of the Rotarian Foundation of Livermore, including funds that are legally unrestricted, as if held by the Rotarian Foundation of Livermore in a fiduciary capacity for the sake of accomplishing its mission and purposes. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. In that regard, the basic investment standards shall be those of a prudent investor as articulated in applicable state laws.

Investment Assets

For purposes of these policies, investment assets include, but are not limited to, those assets of the Rotarian Foundation of Livermore that is available for investment in the public securities markets such as stocks, bonds, cash, or cash equivalents, either directly or through intermediate structures. In addition, private securities, hedge funds and other alternative investments may be made. Alternative investments including hedge funds are not to be considered until assets available for investment exceed \$5 million. Alternative investments are not to exceed 15% of the total equity investment. Asset allocation for each Rotarian Foundation of Livermore Fund will be described herein under Asset Allocations as well as under Investment Objectives in a separate Appendix A.

INVESTMENT COMMITTEE

The Investment Committee ("Committee") is comprised of the chief financial officer with appropriate financial expertise, two Rotarian board members from each club, to include president elect and treasurer. It shall be the responsibility of the Committee to:

1. Supervise the overall implementation of the Rotarian Foundation of Livermore investment policies;
2. Meet quarterly to review and evaluate the investment performance and allocation of the Rotarian Foundation of Livermore funds;
3. Monitor and Report regularly on the Rotarian Foundation of Livermore investment matters to the Board of Directors;

4. Grant exceptions as permitted in these policies and recommend changes in approved policy, guidelines, and objectives as needed; and,
5. Execute such other duties as may be delegated by the Board of Directors.

Whenever these policies assign specific tasks to the Committee, the policies assume that work may be performed by any designated member of the board, subject only to the Committee's overall supervision.

INVESTMENT CONSULTANT, ADVISORS, AND AGENTS

The Committee is specifically authorized to retain one or more investment advisors (Advisors) as well as any administrators, custodians, or other investment service providers required for the proper management of the Rotarian Foundation of Livermore funds. The committee may utilize an Advisor as an investment consultant (the "Consultant") to advise and assist the Committee in the discharge of its duties and responsibilities. Consultant should have a Certified Investment Management Analyst (CIMA) designation, and his or her U-4 will be reviewed by the committee. In that regard, a Consultant may help the Committee to:

1. Develop and maintain investment policy, asset allocation strategies, risk-based fund objectives, and appropriate investment management structures;
2. Select, monitor, and evaluate Investment Advisors and/or investment entities;
3. Provide and/or review quarterly performance measurement reports and assist the Committee in interpreting the results;
4. Review portfolios and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each fund; and,
5. Execute such other duties as may be mutually agreed.

In discharging this authority, the Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, enter into agreements with, and delegate discretionary investment authority to such Advisors. When delegating discretionary investment authority to one or more Advisors, the Committee will establish and follow appropriate procedures for selecting such Advisors and for conveying to each the scope of their authority, the organization's expectations, and the requirement of full compliance with these Policies.

Objectives

The Rotarian Foundation of Livermore's primary investment objective is to preserve and protect its assets by earning a total return for each category of assets (a "Fund"), which is appropriate for each Fund's time horizon, distribution requirements, and risk tolerance. The Rotarian Foundation of Livermore

maintains short-term operating funds and intermediate Operating Reserves, and may add other funds in the future. These policies apply to all Rotarian Foundation of Livermore Funds, although the specific objectives, risk parameters, and asset allocation will vary, as appropriate, from Fund to Fund.

ASSET ALLOCATIONS

Actual asset allocations for each Rotarian Foundation of Livermore Fund will be established and maintained by the Rotarian Foundation of Livermore on the advice of its Consultant and/or Advisors, within the ranges provided in the Rotarian Foundation of Livermore Investment Objectives in Appendix A. The Committee with the approval of the Board can modify such Investment Objectives.

REBALANCING PROCEDURES

The Committee will monitor the asset allocation of each Fund based on reports provided by the Rotarian Foundation of Livermore Consultant and/or Investment Advisors. Unless otherwise decided by the Committee, each Fund will be rebalanced semi-annually. To achieve rebalancing, the Rotarian Foundation of Livermore may either move money from one asset class to another or may direct future contributions and expenditures from particular classes as is most convenient.

Investment Guidelines

TO ACCOMPLISH ITS INVESTMENT OBJECTIVES, THE ROTARIAN FOUNDATION OF LIVERMORE IS AUTHORIZED TO UTILIZE ANY LEGAL INVESTMENT STRUCTURE INCLUDING SEPARATELY MANAGED PORTFOLIOS, MUTUAL FUNDS, EXCHANGE TRADED FUNDS, LIMITED PARTNERSHIPS, AND OTHER COMMINGLED INVESTMENT ENTITIES. THIS AUTHORITY IS SUBJECT TO THE REQUIREMENTS AND RESTRICTIONS CONTAINED IN THESE POLICIES.

When utilizing mutual funds or other commingled entities, the committee shall see that the Rotarian Foundation of Livermore's staff, Consultant, and/or Investment Advisors have selected the investment entity appropriately based on the strategies and provisions contained in the entity's prospectus. In that event, the terms and conditions of the prospectus are deemed to control the entity's internal asset allocation, asset quality, diversification, and other requirements.

For separately managed portfolios, the following additional requirements shall apply:

ASSET QUALITY

1. Common stocks – The Advisor may invest in any unrestricted, publicly traded common stock that is listed on a major exchange or a national,

over-the-counter market, and that is appropriate for the portfolio objectives, asset class, and/or investment style of the Fund that is to hold such shares.

2. Convertible preferred stock and convertible bonds – The Advisor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be A or better, as rated by Standard & Poor's or Moody's. The common stock into which both may be converted must satisfy the standard of Section 1, above.
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 with maturity dates at the discretion of the money manager. The Investment Committee will select money managers based upon maturities within that manager's portfolio.
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.
5. *OTHER SECURITIES – THE ADVISOR MAY INVEST IN REAL ESTATE INVESTMENT SECURITIES (REITS), INTERNATIONAL SECURITIES TRADED IN THE UNITED STATES DIRECTLY OR AS DEPOSITARY SHARES, INTERNATIONAL SECURITIES TRADED ON RECOGNIZED FOREIGN EXCHANGES, AND ANY OTHER PUBLICLY TRADED INVESTMENTS THAT THE COMMITTEE DETERMINES TO BE APPROPRIATE.*

ASSET DIVERSIFICATION

The Advisor will maintain reasonable diversification at all times. The equity securities of any one company should not exceed 5 percent of the portfolio at the time of purchase and the combined debt and equity securities should not exceed 10 percent of the portfolio at any time. The Advisor shall also maintain reasonable sector allocations. In that regard, the maximum allocation to any one economic sector shall be 150% of the sector's weighting, as defined in the published index used for measuring the portfolio's performance (e.g., S&P500, Russell 1000, etc.). These restrictions do not apply to U.S. Government securities.

PROXY VOTING

Subject to any specific instructions received from the Rotarian Foundation of Livermore each Advisor shall vote proxies according to their firm's established

procedures and shall provide a copy of such procedures to the Committee upon request.

CUSTODY AND SECURITIES BROKERAGE

The committee will establish such custodial and brokerage relationships as are necessary for the efficient management of the Rotarian Foundation of Livermore Funds. Whenever the Committee has not designated a brokerage relationship, then Rotarian Foundation of Livermore Investment Advisors may execute transactions wherever they can obtain best price and execution.

CASH FLOW REQUIREMENTS

The Rotarian Foundation of Livermore will be responsible for advising the Consultant and each Advisor in a timely manner of the Rotarian Foundation of Livermore cash distribution requirements from any managed portfolio or Fund. Each Advisor is responsible for providing adequate liquidity to meet such distribution requirements.

Investment Restrictions

The Rotarian Foundation of Livermore investment assets are to be managed with regard to the following restrictions risk or mission purposes:

Risk-Based Restrictions

The Rotarian Foundation of Livermore will not engage in commodities transactions or option strategies (puts, calls, straddles) nor will it invest in any non-publicly traded securities including but not limited to managed futures funds, hedge funds, private equity funds, or other alternative investments unless approved by the Committee as provided below.

Exceptions to the Investment Restrictions

The Board recognizes the evolving nature of the investment world and that, under some circumstances, the Rotarian Foundation of Livermore may wish to utilize newer or more complex investment strategies. Therefore, the Investment Committee is authorized to grant exceptions to the foregoing restrictions. When granting exceptions, the Committee must determine that the potential rewards outweigh the incremental risks. All such exceptions shall be made in writing and shall be communicated to the Board as part of the next regular Investment Committee report.

Reporting Requirements

1. Monthly – The Rotarian Foundation of Livermore chief financial officer will obtain written monthly custodial statements. Such statements should contain all pertinent transaction details for each account that holds all or a portion of any Rotarian Foundation of Livermore investment Funds. Each monthly statement should include:

- The name and quantity of each security purchased or sold, with the price and transaction date; and,
- A description of each security holding as of month-end, including its percentage of the total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income (yield) at market.

In addition, if not included in the custodial reports, the Consultant and/or the Investment Advisor(s) should provide a report for each Fund or portfolio showing the month-end allocation of assets between equities, fixed-income securities, and cash.

2. Quarterly – The Committee should obtain from its Investment Consultant and/or Investment Advisors, a detailed review of the Rotarian Foundation of Livermore investment performance for the preceding quarter and for longer trailing periods as appropriate. Such reports should be provided as to each Fund and as to the Rotarian Foundation of Livermore investment assets in the aggregate. As to each Fund, the Committee should establish with its Investment Consultant and/or Investment Advisors the specific criteria for monitoring each Fund’s performance including the index or blend of indices that are appropriate for the objectives of each Fund and for the investment style or asset class of each portfolio within a Fund. The Committee shall meet with the Consultant to conduct such reviews to the extent it deems necessary.
3. Periodically – The Committee should meet with its Investment Consultant at least annually to review all aspects of the Rotarian Foundation of Livermore investment assets. Such a review should include (1) strategic asset allocation, (2) manager and investment entity performance, (3) anticipated additions to or withdrawals from Funds, (4) future investment strategies, and (5) any other matters of interest to the Committee.

Appendix A

Investment Objectives

Investment Objectives for Short-term Operating Reserve Funds

The primary Short-term Operating Reserve Investment Objective is to maintain adequate liquidity without taking excessive principal risk. Short-term Operating Reserves should equal one month's average of the Rotarian Foundation of Livermore's current operating cash expenditures.

Asset Allocation

Equities	Fixed Income	Cash & Cash Equivalents
0%	0%	100%

Investment Objectives for Long-term Operating Reserve Funds

The intermediate operating reserve equals the excess of total operating cash over the short-term operating reserve. This portion of the operating reserve portfolio is designed to maximize return, consistent with safety of principal. Liquidity is a secondary objective. Fixed income maturities should be reasonably laddered out to a maximum of 60 months. It is acceptable for there to be some principal fluctuation and risk in this tier in an effort to earn a greater total return.

Asset Allocation

	Equities	Fixed Income	Cash & Cash Equivalents
Range	55%-75%	25%-45%	0%-20%
Target	65%	35%	0%