

Investment Policy Statement

For

Martin House

Approved on 18 May 2016
by the Board of Directors

Any change to this policy should be communicated in writing on a timely basis to all interested parties.

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Executive Summary

Martin House aims to provide a nurturing community where individuals of limited income who have been alone, alienated, fearful, and dispossessed can develop healthy relationships, new dignity, and a renewed life. Our community will include people recovering from mental illness, addictions, homelessness and poverty.

This mission is accomplished by providing dignified housing, nutritious food, a safe, caring environment, and supportive services for 55 men and women who seldom experience any of these. To assist in the funding of these activities, the Investment Committee will establish a **Liquid Account** to be utilized to support current financial requirements and an **Investment Account** to facilitate future activities. Hereinafter together known as the **Investment Fund**.

The purpose of this Investment Policy Statement (IPS) is to assist the Investment Committee in effectively supervising, monitoring and evaluating the management of Martin House's Investment Fund. Martin House's investment program is defined in the various sections of this IPS by:

1. Stating in a written document Martin House's attitudes, expectations, objectives and guidelines in the management of their Investment Fund.
2. Setting forth a structure for managing Martin House's Investment Fund. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification.
3. Establishing formal criteria to evaluate and compare the performance of money managers on a regular basis.
4. Encouraging effective communications between Martin House and other interested parties.
5. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations that may impact Martin House's Investment Fund.
6. Utilizing care, skill, prudence, and due diligence in accordance and compliance with the Uniform Prudent Investor Act and all applicable laws, rules, and regulations.

Liquid Account

Statement of Objectives

The objectives of Martin House Liquid Account have been established in conjunction with funding current financial requirements. The objectives are to:

1. Maintain sufficient access to funds for the purpose of maintaining the level of programs and services currently provided.
2. Seek to provide preservation of capital and produce current income to the extent possible.

Risk Tolerances

Martin House recognizes and acknowledges that in exchange for liquidity, a high aversion to risk must be maintained. The chief drawback is that investments utilized to achieve liquidity have little protection against inflation.

Time Horizon

The investment guidelines for producing liquidity with current income are based upon an investment time horizon of no more than one year. Short-term liquidity needs are expected to be significant.

Asset Class Guidelines

To address the need for liquidity and current income, the following asset classes have been selected:

- ❖ Cash Equivalents
- ❖ Fixed Income

Investment Fund

Statement of Objectives

The objective of Martin House Investment Fund has been established to perpetuate future activities. The objective is to maintain the purchasing power of the current funds and all future contributions and reinvest and add new funds to keep pace with cost increases and program expansions.

Risk Tolerances

Martin House recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with contemporary investment markets.

In establishing the risk tolerances for this Investment Policy Statement, Martin House's ability to withstand short and intermediate term market value fluctuations were considered. Martin House's prospects for the future, current financial condition and level of funding in the portfolio suggest collectively some interim fluctuations in market value and rates of return may be tolerated within the portfolio in order to achieve longer-term objectives.

Time Horizon

The investment guidelines for the portfolio are based upon an investment horizon of two to five years; therefore short term fluctuations should be viewed with appropriate perspective.

Asset Class Guidelines

Martin House believes that long-term investment performance, in large part, is primarily a function of asset class mix. Martin House has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History shows that while interest-generating investments, such as bond portfolios and/or bond mutual funds, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks and/or stock mutual funds, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making

point of view, this year-by-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long.

The following asset classes have been selected:

- ❖ Cash Equivalentsⁱ
- ❖ U.S. Fixed Income (Domestic Government, Investment Gradeⁱⁱ, and High Yieldⁱⁱⁱ)
- ❖ U.S. Equities (Domestic Large Cap, Mid Cap, and Small Cap)
- ❖ International and Emerging Market^{iv} Equities
- ❖ Real Estate Equities

Rebalancing of Strategic Allocation

The Investment Manager shall maintain the appropriate asset allocation ranges as follows:

- | | |
|---|--------|
| ❖ U.S. Small-Cap Equity - Midcap | 0-25% |
| ❖ U.S. Large-Cap Equity | 15-45% |
| ❖ Foreign and/or Emerging Market Equities | 0-35% |
| ❖ Real Estate Equities | 0-15% |
| ❖ High-Yield Bonds and/or High-Yield
Bond Mutual Funds | 0-15% |
| ❖ Investment Grade Bonds and/or Investment Grade
Bond Mutual Funds | 20-60% |
| ❖ Cash Equivalents | 0- 25% |

The allocations may, at times, drift outside the ranges due to portfolio performance, or, in unusual cases, for tactical reasons. The limits suggest when portfolio rebalancing be considered in order to bring the allocations closer to the Investment Policy Statement targets. Individual stock position should be limited to 5%. Industry concentration should not exceed 25%.

Duties and Responsibilities

The Investment Committee is a standing committee comprised of representatives from the Board of Directors, members of the community appointed by the Board, and staff. They are responsible for overseeing the management of the Martin House Investment Fund as determined by the Board of Directors. They shall act solely in the best interest of Martin House and in concert with the mission of Martin House. They are responsible for recommending the selection of investment managers.

The Investment Committee will meet with selected investment managers on at least a quarterly basis.

Control Procedures

The Investment Committee will review this Investment Policy Statement annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy Statement.

Reviewed and accepted by:

Theresa Madonna-President

Date

ⁱ Cash Equivalents are highly liquid investments which can be easily converted into cash, such as U.S. Treasury Bills, money market funds, and Certificates of Deposit (CDs).

ⁱⁱ Investment Grade Bonds are those bonds whose Standard & Poor's credit ratings range from BBB-AAA. Their Moody's credit ratings range from Baa-Aaa.

ⁱⁱⁱ High Yield Bonds are non-investment grade bonds with a low credit rating, usually BB or lower; as a consequence, they usually have a higher yield. These are to be held only in open-end mutual funds, closed-end funds and/or index shares.

^{iv} Emerging Market is a financial market of a developing country, usually a small market with a short operating history.