

INVESTMENT POLICY (SOP) FOR THE AMERICAN LEGION WILLIAM R. WITTY POST 37 DEPARTMENT OF MINNESOTA

I. Introduction

Section 1. The Post 37 Institution Nonprofit Fund (hereinafter referred to as the “Fund”) was created to provide perpetual financial support to Post 37 Institution (the “Institution”). The purpose of this Investment Policy Statement is to establish guidelines for the Fund’s investment portfolio (the “Portfolio”). The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio’s investment program and for evaluating the contributions of manager(s) hired on behalf of the Fund and its beneficiaries.

II. Role of the Investment Committee

The Investment Committee (the “Committee”) is acting in a fiduciary capacity with respect to the Portfolio and is accountable to Post 37 and the Post 37 Executive Committee, for overseeing the investment of all assets owned by, or held in trust for, the Portfolio. The Committee is formed per ARTICLE VII of the Post 37 By-Laws.

Section 1. This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.

Section 2. The investment policies for the Fund contained herein have been formulated consistent with the Institution’s anticipated financial needs and in consideration of the Institution’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.

Section 3. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio’s investments are managed consistent with the short-term and long-term financial goals of the Fund. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Institution.

Section 4. The Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

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III. Investment objective and spending policy

Section 1. The Fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Institution.

Section 2. For the purpose of making distributions, the Fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

Section 3. The distribution of Fund assets will be permitted to the extent that such distributions do not exceed a level that would erode the Fund's real assets over time. The Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Fund's spending policy, its target asset allocation, or both.

Section 4. Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy in section IV Section 1 herein.

IV. Portfolio investment policies

Section 1. Asset allocation policy

- a. The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
- b. The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
- c. Fund assets will be managed as a balanced portfolio composed of two major components; an equity portion and a fixed income portion. The expected role of equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of equity investments.
- d. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings and will be used for Fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.

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- e. Outlined below are the long-term strategic asset allocation guidelines determined by the Committee to be the most appropriate, given the Fund’s long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub asset classes in accordance with the following guidelines:

Asset Class	Sub Asset Class	Target Allocation
Equity	US and Foreign	70% (+/-10%)
Fixed Income	Investment Grade (or Non)	30% (+/-10%)
Cash	US Dollar	0%

- f. To the extent the Portfolio holds investments in nontraditional, liquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative investments for purposes of measuring the Portfolio’s asset allocation. While not specifically considered within this policy, alternative investments may comprise no more than 15% of the total Portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the three primary asset classes itemized above.

Section 2. Diversification policy

- a. Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:
1. With the expectation of fixed income investments explicitly guaranteed by the U.S. Government, no single investment security shall represent more than 10% of the total Portfolio assets.
 2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 25% of total Portfolio assets.
 3. With respect to fixed income investments, the Portfolio may not allocate more than 5% to investments that are not investment grade (Standard & Poor’s, etc.)

Section 3. Rebalancing

It is expected that the Portfolio’s actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub

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asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

- a. The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.
- b. The investment manager will review the Portfolio semiannually (June 30 and December 31) to determine the deviation from target weightings. During each semiannual review, the following parameter will be applied:
 1. If any asset class (equity or fixed income) within the Portfolio is +/- 5 percentage points from its target weighting, the Portfolio will be rebalanced.
- c. The investment manager may provide a rebalancing recommendation at any time.
- d. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

Section 4. Other investment policies

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

- a. Purchasing securities on margin or executing short sales.
- b. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- c. Purchasing or selling derivative securities for speculation or leverage.
- d. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their Portfolio.

v. Monitoring portfolio investments and performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee, it will formally assess the Portfolio and the performance of its underlying investments as follows:

Section 1. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:

1. The Portfolio's absolute long-term real return objective.
2. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines:
 1. US Equity: CRSP US Total Market TR USD
 2. Non-U.S. Equity: FTSE Global All-Cap ex-US Index
 3. Investment Grade Fixed Income: Bloomberg Barclays US Corporate High Yield Index
 4. Non-Investment Grade Fixed Income: Bloomberg Barclays US Corporate High Yield Index
 5. Cash: Citigroup 3-Month U.S. Treasury Bill Index

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Section 2. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:

1. A market-based index appropriately selected or tailored to the manager's portfolio.
2. The performance of another investment managers having similar investment objectives.

Section 3. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

Section 4. Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to meet with the Investment Committee twice per year to review portfolio structure, strategy, and investment performance.

Section 5. The Institutions Executive Committee shall have final say over the Investment Committee's actions as well as those actions of the investment manager appointed by the Portfolio. At any time, the Institutions Executive Committee (by majority vote) may halt all investments and redistribute funds as it deems fit for the sake of the Institution.

This Investment Policy (SOP) for the William R. Witty Post 37, The American Legion, Department of Minnesota supersedes all previous Investment Policies of this Post.

Note: All investing is subject to risk, including the possible loss of money that is invested – diversification does not ensure a profit or protect against a loss.

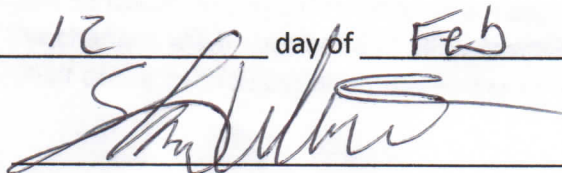
Adopted by a majority vote of the Executive Committee members,

Dated this 12 day of Feb, 2024



Post Commander

Subscribed and sworn before me this 12 day of Feb, 2024



Post Adjutant