

## Subject: **Investments**

Date Approved/Last Revised: June **2000**

Responsible Committee: **Finance**

References:

### **Background**

The Board and membership of SNFC are grateful for the resources to carry out their daily operations and mission goals. We recognize our serious fiduciary responsibility to provide wise stewardship over these resources. SNFC must both pursue an adequate and reasonable rate of return on its investments and give deliberate consideration to the ethical and moral standards of those firms in which we invest. The Board of Directors must emphasize its duty to provide leadership in prudently using the resources entrusted to the Board by the membership.

### **Purpose**

The purpose of this policy is to establish investment guidelines for the financial resources of SNFC. This policy has been adopted by the Board of Directors and is relevant to the Finance Committee, SNFC management, and investment managers overseeing any portion of these funds.

### **Investment Objectives**

The primary objectives of this investment policy are to safely preserve principal through investment diversity and other means while securing a reasonable rate of total return on investment capital (being cognizant of the effects of inflation).

### **Social Investment Goals**

SNFC seeks to invest its resources in a way that is consistent with the mission statement and contributes to the satisfaction of any legitimate, peaceful commercial need. So far as possible, our investments should contribute to the common good. Realistically, we recognize that we cannot have perfect information about corporate behavior. Therefore, we must rely on investment advisors and other available sources of information to determine if investment vehicles meet our social investment goals.

When possible, and commensurate with reasonable investment returns, SNFC will attempt to invest in environmentally, socially, and financially responsible entities. SNFC will not invest in issuers that produce tobacco products or in those with a continuing history of environmental abuses or employment discrimination.

### **Authority and Responsibility**

Through its approval of this policy, the Board of Directors directs the Finance Committee to monitor this policy. The committee is directed to make recommendations regarding any changes to the policy or any material changes to the way it is implemented.

External investment advisors shall submit proposed investment recommendations to the Finance Committee for its review. The committee will submit the strategy to the Board of Directors for approval. The advisor shall then report the results on a regular basis to the Financial Controller.

### **Investment Parameters**

The following set of investment guidelines will provide direction to the Board of Directors for its investment decisions. However, the Board is not bound by these guidelines. These guidelines emphasize the reduction of risk through prudent use of investment diversification and of investment quality standards. These guidelines also specify what types of investments are recommended for purchase and the maximum percentage of total investment capital that should be invested in each type of recommended investment.

### **Diversification**

The total of investments in the various portfolios shall be diversified.

- SNFC will not invest more than \$100,000 in certificates of deposit in any one institution.
- Investments in any one industry may not exceed 20 percent of total investment assets at the time of purchase.
- Investments in any single issuer may not exceed 10 percent of total investment assets at the time of purchase when that issuer is not secured by FICA or the federal government.

### **Portfolio Performance Measurement**

SNFC will measure the performance of its financial resources portfolio annually. The Finance Committee will receive quarterly written performance reports. The committee will make an annual presentation to the Board of Directors. External investment advisors will be expected to follow this reporting and presentation schedule.

### **Review Process**

SNFC will manage its financial resources internally. Service providers will be reviewed annually at the same time the investment performance is presented to the Finance Committee. Custodians will be reviewed for errors, responsiveness, and financial stability. The custodian bank is expected to retain capital in excess of \$10 million.

This investment policy will be reviewed annually by the Finance Committee at the same time that the investment performance is presented to the Committee.

### **Investment Strategy**

SNFC will maintain three categories of investment characterized by potential return, length of term, and risk. All investments will conform to social and ethical policies and conditions established by the Board of Directors.

On an annual basis, the Finance Committee will bring a recommendation to the Board for allocation of the initial investment of resources for the following year within the following guidelines:

(1) Individual equity investments:

Not more than 5 percent of SNFC's annual profit may, upon vote of the Board of Directors, be invested in individual equities that promote the social, business, or financial goals of the membership consistent with SNFC's Mission Statement, and that also have the potential of generating net economic benefits to SNFC. Particular emphasis will be placed on promoting independent enterprise, the local and regional economy, and strategic business alliances.

(2) Diversified investments of unspecified term:

Not more than 20 percent of SNFC's above mentioned initial annual investment may be diversified equity investments with a potentially higher rate of return. These assets shall be invested in mutual funds administered by firms regulated by the Securities and Exchange Commission. The investment horizon of such investments shall be no less than five years and made so as not to impact the ongoing financial operations of SNFC.

(3) Insured investments of limited term:

The balance of SNFC's above mentioned initial annual assets shall be invested in insured and government-backed investment vehicles; such as, but not limited to, treasury bonds, municipal bonds, housing bonds, local government agency bonds, and certificates of deposit. The term of such investments shall be limited to no more than three years and appropriately staggered so a portion of the principal comes due quarterly.

**Investment Guidelines**

Investment guidelines will provide direction to the Board of Directors for its investment decisions; however, the Board is not bound by these guidelines. These guidelines emphasize the reduction of risk through prudent use of risk, investment diversification, and through the utilization of investment quality standards. These guidelines also specify which types of investments are recommended for purchase and the maximum percentage of total investment capital that should be invested in each type of recommended investment. These guidelines are only applicable when the investments are not secured by the federal government.

Prior to making an investment decision SNFC will evaluate the risk of investing in any investment vehicle. The risk of any vehicle will be compared to investments commonly made by cooperative businesses. Unusually risky investments will be avoided.

Type of Investment or Security	Rating	Maximum Maturity	Limit per Type of Investment
Certificates of Deposit	>=C	5 years	25%
Money Market	>=C	5 years	25%
Bankers Acceptances	Not applicable	1 year	25%
Commercial Paper	A2, P2, or D2	270 days	50%
Treasury Bills	Not applicable	1 year	100%
Treasury Notes	Not applicable	7 years	100%
Treasury Bonds	Not applicable	7 years	100%
Agencies	Not applicable	30 days	50%
Corporate Bonds	>=Investment grade	7 years	25%
Municipal Bonds	>=Investment grade	7 years	25%
Asset-Backed Securities	AAA/AAA	%-year WAL	25%
Mortgage-Backed Securities	AAA/AAA	%-year WAL	25%
Mutual Funds	>=C	3–5 years	25%
Repurchase Agreements	Not applicable	30 days	50%