

Proposed Changes to the ASIANetwork Investment Policy
ASIANetwork Business Meeting
April 7, 2018

The ASIANetwork Board of Directors has approved the following changes to the Investment Policy (Article VII of the organization’s By-laws). Because changes in the By-laws require approval of the membership (see Article V below), the Board will ask for a vote of approval for these changes at the Business Meeting to be held on April 7, 2018 at the spring conference.

Please send any questions or concerns prior to the business meeting to Chris Herrick <herrick@muhlenberg.edu>, Chair, ASIANetwork Board of Directors, with Investment Policy Question in the subject line of your email.

A complete copy of the By-laws is at:

<http://www.asianetwork.org/wp-content/uploads/2011/12/By-laws-with-Investment-Policy-9-10.pdf>

#1. CURRENT POLICY

Investment Program Strategy

Allocation of the Fund shall be across a number of investment classes to provide diversification and achieve the Fund’s investment objectives. The Board realizes that although this strategy will under normal market conditions meet the spending goals of the Fund, there is no guarantee of this result. The following table defines the Fund’s target asset allocation and range for each asset class:

Target Asset Allocation Table

| Asset Class | Min. Wt. | Target | Max. Wt. | Representative Index |
|---------------------------------------|----------|--------|----------|-------------------------------------|
| U.S. Equities | 25% | 30% | 35% | S&P 500 |
| Non-U.S. Equities | 5% | 10% | 15% | MSCI World Ex-U.S. |
| Fixed Income and Cash and Equivalents | 55% | 60% | 65% | Lehman Aggregate and 90-Day T-bills |

The Board will place assets with qualified external Investment Managers of index mutual funds and money market funds who show competence in each asset class.

#1. PROPOSED REVISION

Investment Program Strategy

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|--|-----------------|---------------|-----------------|---|
| U.S. Equities | 20% | 30% | 40% | S&P 500 |
| Non-U.S. Equities | 0% | 10% | 20% | MSCI World Ex-U.S. |
| Fixed Income and Cash and Equivalents | 50% | 60% | 70% | U.S. Aggregate Bond Index & 90-Day T-bills |

The Board will place assets with qualified external Investment Managers of active and passively managed mutual funds, exchange traded funds, FDIC-insured CDs and money market funds who show competence in each asset class.

#1. RATIONALE FOR THE REVISION

A. The expanded target range for each investment class gives the Investment Manager more flexibility in investing the Fund in response to market conditions.

B. The U.S. Aggregate Bond Index has changed sponsorship since the collapse of Lehman Brothers. Currently it is sponsored by Bloomberg and Barclays and is formally known as the Bloomberg Barclays U.S. Aggregate Bond Index.

C. The brief closing description of Fund investments is too narrow and is inconsistent with what other Investment Policy sections say about acceptable investment instruments.

#2. CURRENT POLICY

Spending Policy

The Board anticipates, upon realization of \$1,000,000 threshold, distribution annually of 5% of the Fund over a rolling five-year period with the understanding that this spending

rate will not normally exceed the total return from the investment. Any change in spending policy should be voted on by a majority of the Board.

#2. PROPOSED REVISION

Spending Policy

The Board anticipates, upon realization of \$1,000,000 threshold, distribution annually of up to 5% of the Fund over a rolling five-year period with the understanding that this spending rate will not normally exceed the total return from the investment. Should the Fund drop below the \$1,000,000 threshold, distributions will cease until the Fund balance exceeds \$1,000,000. Any change in spending policy should be voted on by a majority of the Board.

#2. RATIONALE FOR THE REVISION

This change allows for a more flexible and conservative drawing policy with a withdrawal rate of 0% to 5%. It also clarifies that distributions cease should the Fund drop below the \$1,000,000 threshold.

#3. CURRENT POLICY

Performance Goals

On an annualized, net-of-fees basis the Board expects the total return of the portfolio

- to equal or exceed the projected spending rate of 5% of the Fund plus inflation (CPI) over a rolling five-year period.

#3. PROPOSED REVISION

Performance Goals

On an annualized, net-of-fees basis the Board expects the total return of the portfolio

- to equal or exceed the projected spending rate of the Fund plus inflation (CPI) over a rolling five-year period.

#3. RATIONALE FOR THE REVISION

This change follows from revision #2.

#4. CURRENT POLICY

Roles and Responsibilities

The Board of Directors acting directly or through the Executive Director of ASIANetwork with the possible assistance of a professional financial services advisor, and in view of any recommendation from a Financial Advisory Committee of the Board, shall have responsibility for the oversight and management of the Fund within the framework of investment policies and procedures set by the Board. The Board shall have the power to employ or discharge fiscal agents or advisors.

The **Executive Director of ASIANetwork** shall be responsible to the Board for maintaining detailed records on all investment funds and for directing the implementation of the investment policies and procedures established by the Board. The **Executive Director** will supervise the provision of quarterly reports on the Fund for review by the Board.

#4. PROPOSED REVISION

The Board of Directors acting directly or through the Executive Director of ASIANetwork with the possible assistance of a professional financial services advisor, and in view of any recommendation from a Financial Advisory Committee of the Board, shall have responsibility for the oversight and management of the Fund within the framework of investment policies and procedures set by the Board. The Board shall have the power to employ or discharge fiscal agents or advisors.

The **Financial Officer of ASIANetwork with oversight from the Executive Director** shall be responsible to the Board for maintaining detailed records on all investment funds and for directing the implementation of the investment policies and procedures established by the Board. The **Financial Officer** will supervise the provision of quarterly reports on the Fund for review by the Board.

#4. RATIONALE FOR THE REVISION

This change results from having split the responsibilities of the Executive Director into two positions: Executive Director and Financial Officer.

#5. CURRENT POLICY

External Investment Manager(s): Reporting and Evaluation

The external Investment Manager(s) responsible for the Fund's assets shall report quarterly on the performance of the portfolio, including comparative returns for the funds and their

respective benchmarks. Included in each report will be a complete accounting of all transactions involving the Fund during the quarter and a statement of beginning market value, fees, capital appreciation, income, and ending market value for each account. The external Investment Manager(s) should review the portfolio with the Board via the Executive Directorship of ASIANetwork annually, with supplemental reviews as necessary.

#5. PROPOSED REVISION

External Investment Manager(s): Reporting and Evaluation

The external Investment Manager(s) responsible for the Fund's assets shall report quarterly on the performance of the portfolio, including comparative returns for the funds and their respective benchmarks. Included in each report will be a complete accounting of all transactions involving the Fund during the quarter and a statement of beginning market value, fees, capital appreciation, income, and ending market value for each account. The external Investment Manager(s) should review the portfolio annually with the Board via the Financial Advisory Committee and the Executive Director of ASIANetwork, with supplemental reviews as necessary.

#5. RATIONALE FOR THE REVISION

This change results from having split the responsibilities of the Executive Director into two positions: Executive Director and Financial Officer.

ARTICLE V Changes in By-Laws

These By-Laws shall go into effect immediately, following ratification by a majority vote of representatives present and voting. Changes in the By-Laws may be proposed by the Board of Directors to representatives at the annual meeting. Proposed changes will be stated in writing and sent to representatives at least sixty (60) days prior to the annual meeting. Changes may also be proposed by representatives at the annual meeting provided they are circulated in writing.

Proposals for By-Law changes made by representatives at the annual meeting may not be voted on until the next annual meeting of the organization.

Changes in the By-Laws are put into effect immediately by a two-thirds (2/3) majority vote of the authorized representatives present and voting.