The primary goals of the Kalamazoo Public Library Endowment Fund are to:
1. provide funds to support projects as designated by the donor or as identified by the Library Board; and
2. to insure the continuing availability and growth of such funds in the future.

Investment Objective
Fund investment is intended to preserve principal while investing in a manner that a prudent individual would construe to be appropriate for long-term growth through managed allocation and diversification. Fund performance will be evaluated annually based on a rolling five (5) year evaluation period.

Permitted Investment Vehicles
The portfolio may purchase and hold:
- Individual equity securities traded on U.S. exchanges.
- U.S. dollar denominated fixed income securities.
- Real Estate Investment Trust (REITs) traded on U.S. equity exchanges.
- Diversified mutual funds that invest in the equity and fixed income securities.
- Diversified exchange traded funds (ETFs) that invest in the equity and fixed income securities.

Excluded Investment Vehicles
The portfolio is prohibited from investing in:
- Master Limited Partnership (due to potential tax liabilities)
- Derivatives
- Futures
Options
Commodities
Any strategy which employs leverage

Portfolio Guidelines

Cash Equivalents
Money market funds investing in government and agency debt, repurchase agreements and commercial paper rated A1/P1.

Fixed Income

Diversification
Diversification should be maintained to guard against default, credit and sector risks. With respect to issuers other than the U.S. Government, its Agencies or FDIC insured CDs, no more than 5% of the total portfolio should be invested in any one (1) issuer.

Permitted Investments:
- Direct U.S. Government debt issues.
- Direct U.S. Agency or Instrumentality debt issues.
- Direct Corporate debt issues with either a credit rating of A or better by Moody's or Standard & Poors at the time of purchase.
- At least 30% of the fixed income allocation will be invested in direct U.S. Government or Agency obligations (or funds holding only such securities) and FDIC fully insured CDs.
- Up to 30% of the fixed income allocation may be held in high yield bond or bank loan mutual or exchange traded funds provided the underlying investment vehicle is liquid and broadly diversified.

Equity

Diversification
Diversification should be maintained. Excessive business sector concentrations should be avoided and no more than 5% of portfolio market value at time of purchase shall be held in the stock of one company.
Permitted Investments
Securities traded on major U.S. exchanges
- Up to 30% of the equity allocation may be held in international stocks through mutual or exchange traded funds provided the underlying investment vehicle is liquid and broadly diversified.

Asset Allocation

<table>
<thead>
<tr>
<th>Target</th>
<th>Target</th>
<th>Permitted Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>50%</td>
<td>40%–60%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>45%</td>
<td>40%–60%</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>5%</td>
<td>0%–10%</td>
</tr>
</tbody>
</table>

Performance Benchmarks
- Equities: S&P 500 Index
- Fixed Income: Merrill Lynch 1–10 year Government / Corporate Index
- Total Portfolio: 50% S&P 500 50% Merrill Lynch 1–10 year Government / Corporate Index

Evaluation of Manager
The investment manager will be evaluated based on their performance and a five (5) year rolling average comparison to the designated benchmark prior to assessment of fees (i.e., gross return). Until five (5) years of history are available, the actual time of the account evaluation will be the contract period to date.

The Endowment Committee must approve any change in the benchmarks utilized for manager evaluation in advance. The Endowment Committee is also charged with the responsibility of monitoring the performance of the investment manager and recommending any changes regarding the investment manager to the board.

Distribution
The Library, whenever possible, will provide the investment manager written notice of projected cash flow requirements from the portfolio for the next twelve (12) months.

Communications
At any time, should a fixed income investment held in this portfolio drop below what is considered investment grade, the investment manager will
notify the library of this change within 2 business days of the investment’s change in status.

The investment manager will provide quarterly evaluations, comparing performance to the established benchmarks.

The investment manager shall be available to meet at least quarterly with the Endowment Committee.

**Policy revised May 22, 2017.**