

# **Special Needs Trust Foundation**

## **Investment Policy Statement**

**Dated January 18<sup>th</sup>, 2013**

**Most Recent Amendment February 8, 2023**

**Reviewed May 17, 2019, October 6, 2021 and February 8, 2023**

**This investment policy statement should be reviewed annually. Any change to this policy should be communicated in writing on a timely basis to all interested parties.**

## **Purpose**

The purpose of this Investment Policy Statement (IPS) is to assist the Trustee and Investment Advisor (Advisor) in effectively supervising, monitoring and evaluating the investment of the Trust's Portfolio (Portfolio). The Trust's investment program is defined in the various sections of the IPS by:

1. Stating in a written document the Trustee's attitudes, expectations, objectives and guidelines for the investment of all assets.
2. Setting forth an investment structure for managing the Trust's Portfolio. 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 and total investment return over the investment time horizon.
3. Encouraging effective communications between the Trustee and the Advisor.
4. Establishing formal criteria to select, monitor, evaluate and compare the performance of money managers on a regular basis.
5. Complying with all applicable fiduciary, prudence, and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Trust's assets.

## **Statement of Objectives**

This IPS describes the prudent investment process the Advisor deems appropriate for the Trust's situation. The Trustee desires to maximize returns within prudent levels of risk and to meet the following stated investment objectives:

### **Time Horizon**

In general, the investment guidelines are based upon an investment horizon of greater than five years; therefore interim fluctuations should be viewed with appropriate perspective. In most cases, short-term liquidity requirements are anticipated to be minimal.

### **Risk Tolerances**

The Trustee recognizes and acknowledges some risk must be assumed in order to achieve long-term investment objectives, and there are uncertainties and complexities associated with contemporary investment markets.

In establishing the risk tolerances for this IPS, the Trust's ability to withstand short and intermediate term variability was considered. The Trust's prospects for the future, current financial conditions, and several other factors collectively suggest that some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

### **Investment Objectives**

The primary investment objective for plan assets and managers is capital preservation, while at all times maintaining reasonable liquidity to fund any required distributions. The Trustee is willing to forgo greater upside potential in order to protect the principal value.

### **Rebalancing of Strategic Allocation**

Each portfolio will be assigned an acceptable range for each asset class, based on economic and capital market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Portfolio. If there are no cash flows, the allocation of the Portfolio will be reviewed quarterly.

## **Duties and Responsibilities**

### **Investment Advisor**

The Trustee has retained an objective, third-party Advisor to assist the Trustee in managing the investments. The Advisor will be responsible for guiding the Trustee through a disciplined and rigorous investment process. As a fiduciary to the Trust, the primary responsibilities of the Advisor are:

1. Prepare and maintain this investment policy statement.
2. Provide sufficient asset classes with different and distinct risk/return profiles so the Trustee can prudently diversify the Portfolio.
3. Prudently select investment options.
4. Control and account for all investment expenses.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

### **Custodian**

Custodians are responsible for the safekeeping of the Portfolio's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration.
2. Value the holdings.
3. Collect all income and dividends owed to the Portfolio.
4. Settle all transactions (buy-sell orders) initiated by the Investment Manager.
5. Provide monthly reports that detail transactions, cash flows, securities held and the current value, and change in value of each security and the overall portfolio since the previous report.

### **Other(s)**

The Trustee has appointed additional officers/administrators/Professional Fiduciary's to assist in the day to day administration of each Special Needs Trust. The Trustee authorizes the following:

#### **Authorized Individual(s)**

***Meredith Adams, CLPF***  
Executive Director  
Special Needs Trust Foundation

***Leslie Autry, CLPF***  
SNTF Fiduciary  
Special Needs Trust Foundation

#### **Authorized Activities**

Account administration, including but not limited to, cash management, death reporting tax reporting, etc...

Platform selection, Platform Reviews, cash flow analysis

## **Investment Selection**

The Investment Advisor will apply the following due diligence criteria in selecting each ETF, money manager or mutual fund.

1. *Regulatory oversight:* Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor.
2. *Correlation to style or peer group:* The product should be highly correlated to the asset class for the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involved comparisons of the manager to the appropriate peer group..
3. *Performance relative to a peer group:* The product's performance should be evaluated against the peer group's median manager return, for 1-, 3- and 5- year cumulative periods.
4. *Performance relative to assumed risk:* The product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.
5. *Minimum track record:* The product's inception date should be greater than three years.
6. *Assets under management:* The product should have at least \$75 million under management.
7. *Holdings consistent with style:* The screened product should have no more than 20% of the portfolio invested in "unrelated" asset class securities. For example, a Large-Cap Growth product should not hold more than 20% in cash, fixed income and/or international securities.
8. *Expense ratios/fees:* The product's fees should not be in the bottom quartile (most expensive) of their peer group.
9. *Stability of the organization:* There should be no perceived organizational problems – the same portfolio management team should be in place for at least two years.
10. *No Propriety Funds.*

## **Control Procedures**

### **Performance Objectives**

The Trustee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Advisors intend to evaluate manager performance from a longer-term perspective.

The Trustee is aware the ongoing review and analysis of each investment is just as important as the due diligence implemented during the investment-selection process. The performance of each investment will be monitored on an ongoing basis and it is at the Investment Advisor's discretion to take corrective action by replacing an investment or reducing/increasing the allocation percentage (within the acceptable ranges dictated by this IPS) of an investment if they deem it appropriate at any time.

On a timely basis, but not less than annually, the Advisor will meet with the Trustee to review whether each portfolio continues to conform to the search criteria outlined in the previous section; specifically:

1. The manager's adherence to the Portfolio's investment guidelines;
2. Material changes in the manager's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the managers.

The Advisor has determined it is in the best interest of the Trust that performance objectives be established for each investment Platform. Benchmarks<sup>1</sup> have been assigned to each Platform as *guidelines* for the composition of the portfolio. There are two objectives for the portfolios on which the performance of the portfolios will be evaluated: 1) Primary Objective, achieving the corresponding annual rate of return goal assigned to each portfolio<sup>2</sup>. 2) A secondary objective, meeting the assigned benchmark, Gross of fees.

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<sup>1</sup> For example, Standard and Poors 500 Index, for Large Cap Blend US Stocks, United States T-bills, for cash, etc...

<sup>2</sup> See Investment Platforms section of this Investment Policy Statement

## **The Investment Platforms (Portfolios)**

### **Accounts Funded with Cash**

Four Platforms have been established by the Trustee's. All accounts are to begin with Platform One for the first 6 months (longer or shorter based on the discretion of the Trustees). The Objective of this Platform is Capital Preservation. After this inception period, the assets are to be invested based on the need of the individual Trust itself. There are three primary needs that will need to be accomplished within the guidelines herein this document. 1) Income and Capital Preservation. 2) High Income and Conservative Growth. 3) High Income and Moderate Growth. Based on market conditions, the Trustee's reserve the right to Dollar Cost Average (DCA) into Platform Four over 3 to 6 months.

### **Accounts that are transferred to the SNTF with existing securities**

In the event that an account transfers over from one Custodian to the next and has pre-existing security positions the transfer process will go as follows. 1) An attempt to transfer over the entire account "in Kind" will be made. 2) Should an existing position(s) not be allowed to transfer "in kind" the position(s) will be liquidated at the Custodian from which the account is transferring, and the proceeds will transfer over as cash. *The Advisor, the Special Needs Trust Foundation and any of its employees do not give tax advice. The SNTF suggests all clients consult a tax professional about any potential tax implications that may result in the sale of securities.*

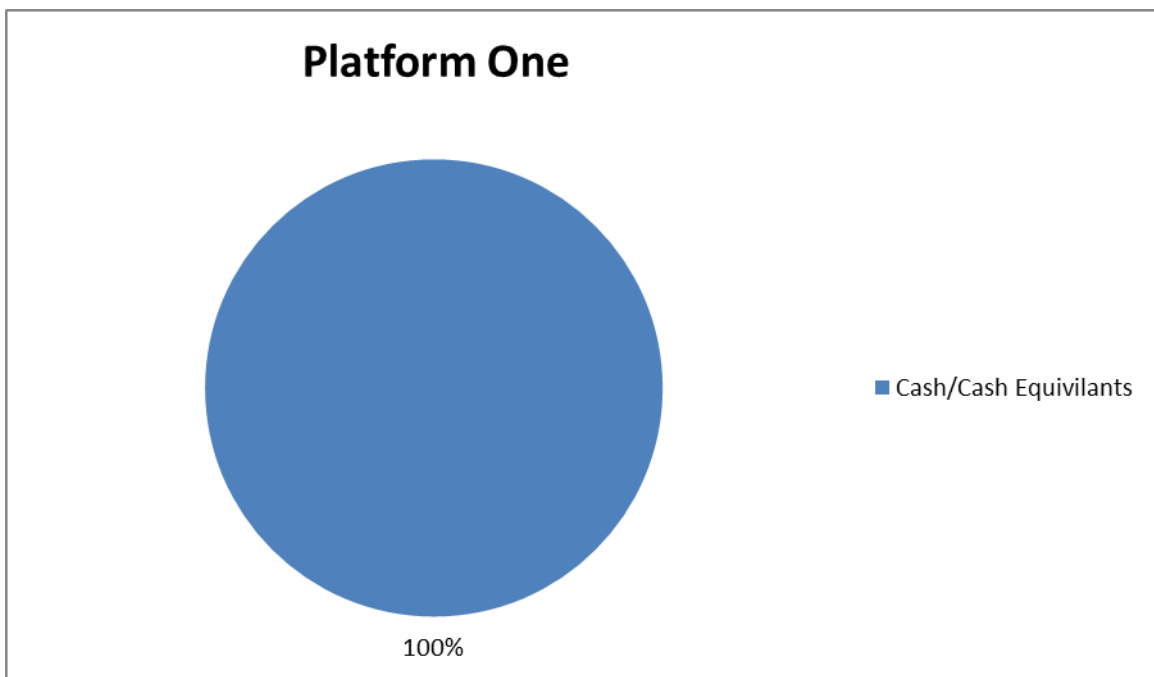
Once the account has been fully transferred, the existing Trustee(s), Fiduciary and Advisor will prudently recommend a Platform that suits the needs of the client. Unlike accounts that are funded with 100% cash, the 6 month inception period of having the account in Platform One will not occur unless the Trustee feels it most suitable. The Advisor will rebalance the account to suit its corresponding chosen Platform in regards to asset allocation, acceptable ranges of cash, fixed income, and equities. Additionally, a rebalance may occur to meet the investment guidelines under *Investment Selection* on page 6 of this IPS.

Performance of these portfolios will use the same benchmarks as the corresponding Platforms and will have the same "long term" rate of return goal, however, over the short term it is understood that these portfolios may carry a varied rate of return (when compared to the accounts funded with cash) as the composition and investment holdings may be different.

## **Platform One:**

I. Investment Objective: Capital Preservation

The investment objective places emphasis on safety of principal and maximum liquidity with minimal consideration for potential capital appreciation and minimal amount of income from interest. This platform contains no investment fees and all investments are FDIC insured.



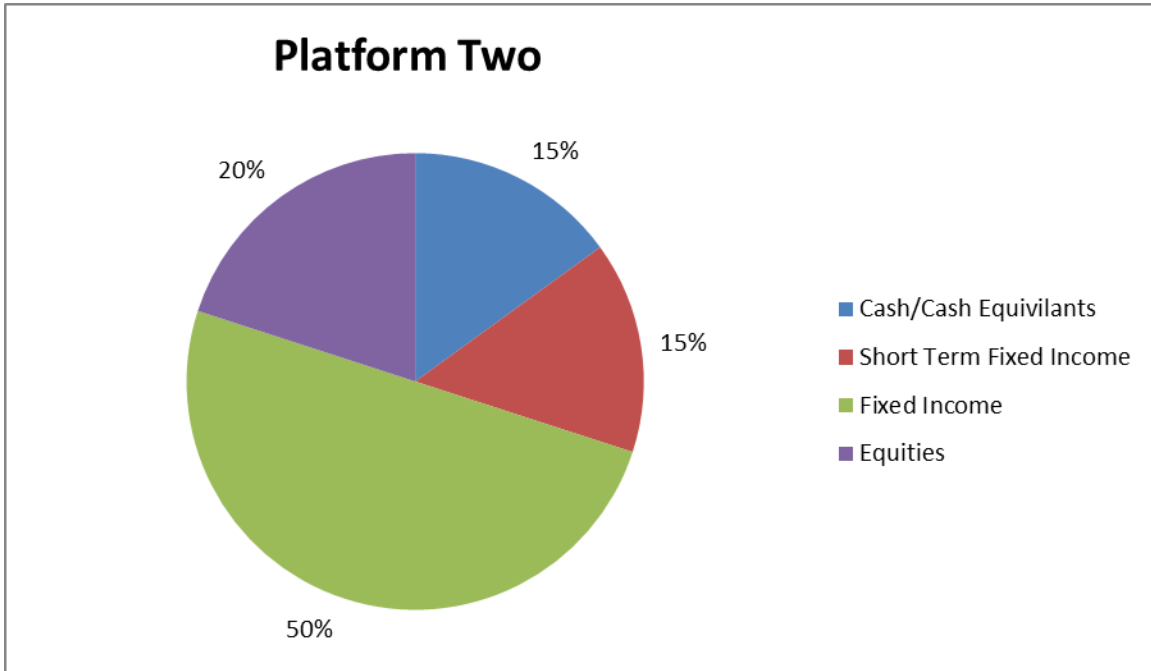


**Platform Two: Suspended on February 8, 2023**

- I. Investment Objective: Income and Capital Preservation (annual return goal 2-4%)
- II. Time Horizon to achieve this average: greater than 5 years
- III. Benchmark for Platform two: 25% S&P 500, 50% Barclays Aggregate Bond, 25% T-Bill

The investment objective places emphasis on achieving a higher level of current income and safety of principal with some consideration for potential capital appreciation.

IV. Asset allocation



**Target and Acceptable Range**

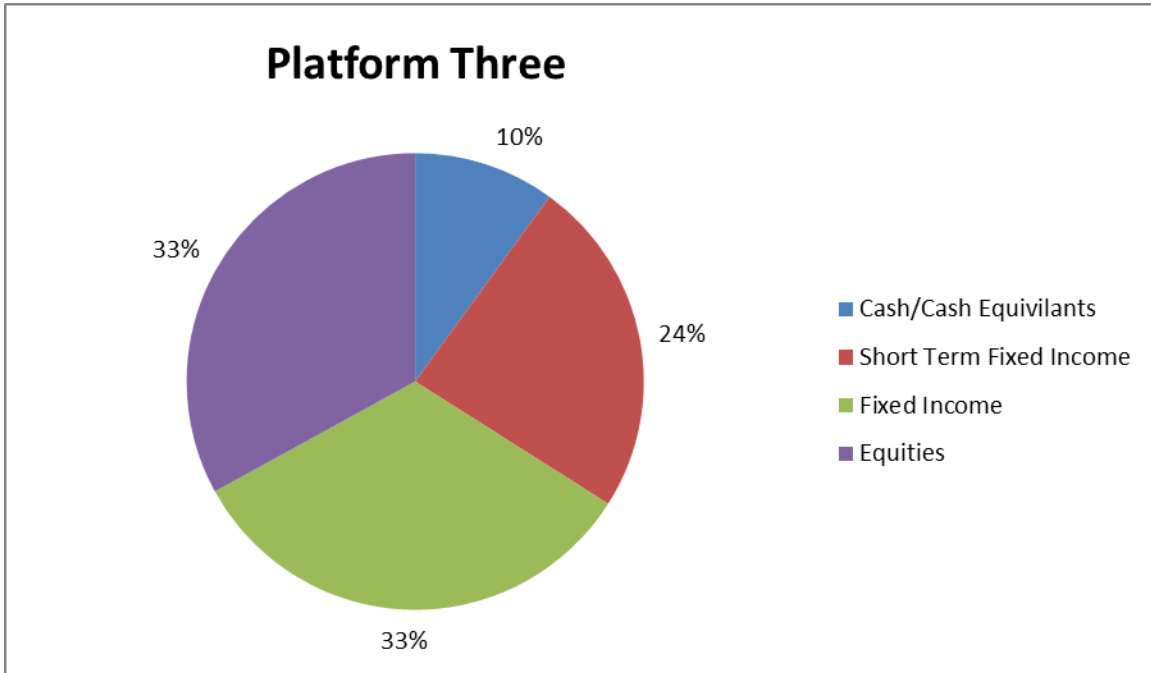
Asset Class	Ranges	Target
Cash and Cash Equivalents	5 – 50%	15%
Short Term Fixed Income	5 – 50%	15%
Fixed Income:	20 – 60%	50%
Equities	0 – 30%	20%
Alternatives	0 – 30%	5%

**Platform Three:**

- I. Investment Objective: Growth and Income (annual return goal 3-5%)
- II. Time Horizon to achieve this average: greater than 5 years
- III. Benchmark for Platform three: 30% S&P 500, 40% Barclays Aggregate Bond, 30% T-Bill

The investment objective places emphasis on achieving a high level of current income and safety of principal with a consideration for modest potential capital appreciation.

IV. Asset allocation



**Target and Acceptable Range**

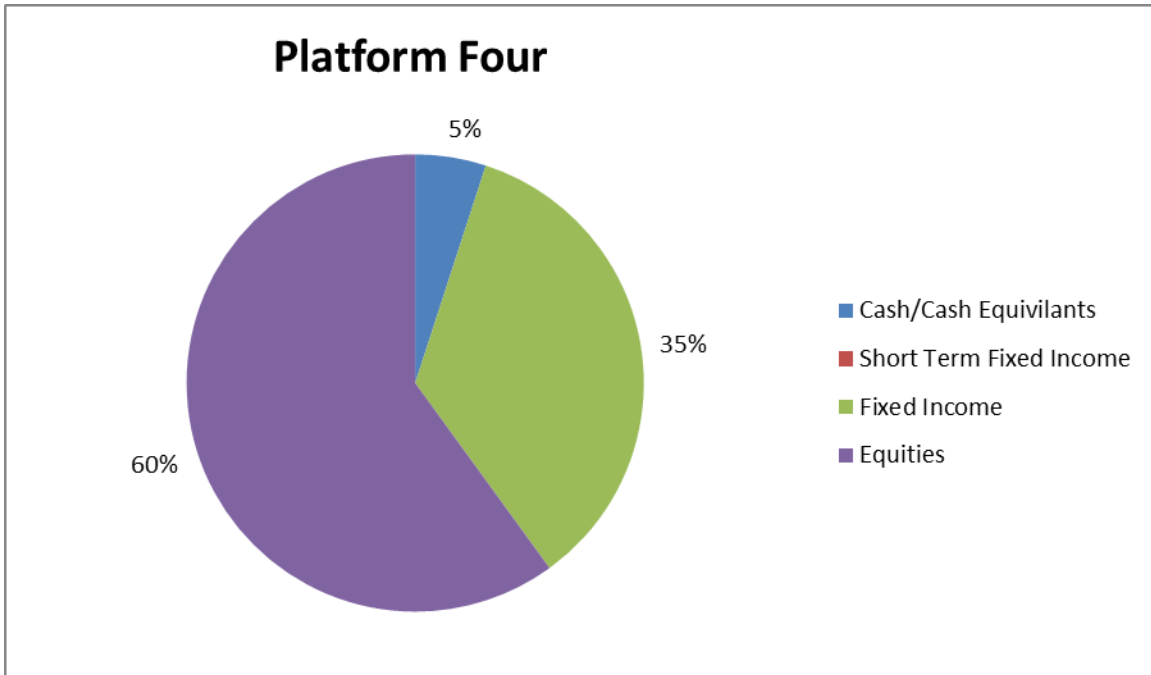
Asset Class	Ranges	Target
Cash and Cash Equivalents	5 – 50%	10%
Short Term Fixed Income	0 – 50%	24%
Fixed Income	20 – 50%	33%
Equities	10 – 50%	33%
Alternatives	0 – 30%	10%

**Platform Four:**

- I. Investment Objective: Growth (annual return goal of 4-6%)
- II. Time Horizon to achieve this average: greater than 5 years
- III. Benchmark for Platform four: 60% S&P 500, 35% Barclays Aggregate Bond; 5% T-Bill

The investment objective places emphasis on achieving a modest level of current income and moderate safety of principle with highest consideration for potential capital appreciation over time.

IV. Asset allocation



**Target and Acceptable Range**

Asset Class	Ranges	Target
Cash and Cash Equivalents	1 – 10%	5%
Fixed Income	20 – 50%	35%
Equities	40 – 75%	60%
Alternatives	0 – 30%	15%

Investment Policy Review

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

The guidelines, objectives and investments of the IPS will adhere to the Uniform Prudent Investor Act, Probate Code §16045, et seq.

Approved:

Reidley Roberts 2-10-23  
Trustee I Date

Prudence Hill 2/10/2023  
Trustee II Date

Laurie Moss 2/10/23  
Trustee III Date

Kimmit 2/14/2023  
Trustee IV Date