



KKNC Endowment Investment Policy

Introduction

The Kannada Koota of Northern California (KKNC) is a non-profit charitable organization whose mission is to strengthen the Kannada community of Northern California by providing a forum to pursue religious, literary, cultural, educational, community development and charity/service activities. The Board of Trustees (BoT) has a fiduciary responsibility to protect KKNC financial assets to meet current needs while also preserving assets into perpetuity. To support long-term goals, the KKNC BoT has developed an 'Endowment Investment Policy' based on fundamental financial principles that include prudent asset allocation, risk assessment and long term planning.

Policy Statement

The KKNC endowment fund ("Fund") shall be invested in a diversified portfolio with the objective of seeking long-term capital appreciation, while generating enough income and maintaining the liquidity necessary to meet KKNC's near-term obligations. The Fund shall be managed in a cost-effective manner, and Fund investment decisions should be made in a manner consistent with the KKNC constitution and bylaws and Investment Management Code of Ethics.

The BoT will adopt a total return investment policy, which offers KKNC the advantage of designing long-term investment and spending strategies rather than reacting to volatile short-term returns. This policy allows KKNC to utilize not only current income, but also over time, to spend a portion of capital appreciation. A total rate of return spending policy based on a rolling 3 year average will be implemented. The payout range is expected to be between 4-5%. Starting in 2011, cash will be disbursed to the executive committee to assist in their operating budget and help them kick-off programs for the calendar year. Liquidation of more than 20% of the portfolio in a year will require simple majority in a general body meeting. Earnings pay-out from the endowment fund MUST be used for charitable causes approved by the board.

Investment Management Guidelines

The overall return of the Fund, net of fees, should equal or exceed an appropriate blend of capital market benchmarks constructed by the BoT with reference to the long-term strategic ("normal") allocation measured over rolling periods of three and five years.

The approved asset classes are:

- Money Markets (including short duration fixed income)
- Fixed Income, including High Yield, US treasuries, MBS, TIPS and non-U.S. Fixed Income
- U.S. Equity, including small, mid, and large capitalization equities as well as REITs
- Non-U.S. Equity, including REITs and Emerging Markets

The “normal” allocations and recommended ranges, after the value of the fund exceeds \$100k, are as follows:

	“Normal” Allocation	Recommended Ranges
Money Markets	10%	0-15%
Fixed Income	30%	20-45%
U.S. Equity	40%	30-55%
Non-U.S. Equity	20%	10-30%

Until the fund reaches \$100k, investments will only be in highly liquid money market instruments.

Equities

The purpose of the equity portion of the Fund is to provide principal appreciation that exceeds inflation and to provide growth of capital in support of spending needs. It is recognized that equities carry greater market risk than other asset categories, and that small cap equities and non-U.S. equities may present greater risks than U.S. large cap equities.

Fixed Income and Cash

The purpose of the fixed income portion of the Fund is to provide a hedge against deflation and inflation (TIPS), to produce current income in support of spending needs, to minimize the overall volatility of the Fund, and to provide liquidity in adverse market conditions.

Types of Approved Assets

- Equity and Bond Mutual Funds
- Exchange Traded Funds (ETFs)
- Direct investment in U.S. Government securities
- Liquid/short-term cash equivalents (money market instruments)

Prohibited Transactions

Prohibited transactions include: Currency trading (including currency futures contracts); purchasing of individual or restricted stock or other non-marketable securities; purchasing on margin; swaps; selling uncovered options or entering into any derivative or leveraged transaction.

Liquidation

Once the plan is in place, liquidating an amount greater than 20% of the portfolio can be done only after acquiring a simple majority at the general body meeting.

Administration

Board of Trustees (BoT)

The Board of Trustees of KKNC is responsible for the overall investment policy. The BoT must approve any modifications to the investment policy. On at least an annual basis, the BoT will approve all mutual funds, ETFs or other investment vehicles used by KKNC. The BoT will also annually approve the strategic asset allocation target among the approved asset classes.

The BoT may at any time change the strategic asset allocation target, approved asset classes, and mutual fund provider by majority vote.

Investment Advisory Committee (IAC)

The Chairman and Vice-Chairman of the BoT will be members of the Investment Committee. The KKNC President is an ex-officio member of the Committee. The IAC will also select two KKNC members in good standing who will monitor the investments and suggest changes to asset allocation. These members will be familiar with investment strategies, philosophies and policies.

The IAC is responsible for designing the overall investment policy in consultation with the BoT, and will oversee KKNC investments. The Committee will recommend strategic asset allocation targets and policy ranges to the BoT for approval at least annually. The Investment Committee will also present recommended providers (including mutual funds, ETFs and other commingled vehicles) to the BoT for approval at least annually.

Subject to the approvals described in the preceding paragraph, the Investment Committee shall implement the investment policy by determining tactical target allocations (within policy guidelines), investing Fund assets with approved providers/investment vehicles, and rebalancing to asset allocation targets at its discretion.

The Committee will meet as necessary, and will present performance reviews to the BoT at least on a quarterly basis.