

# **INVESTMENT POLICY OF PACIFIC NORTHWEST RAILROAD ARCHIVE (PNRA)**

## **PURPOSE OF INVESTMENT POLICY**

The purpose of this Investment Policy is to provide a clear statement of the PNRA's investment objective, to define the responsibilities of the Board of Directors and any other parties involved in managing PNRA's investments, and to identify or provide target asset allocations, permissible investments and diversification requirements.

## **INVESTMENT OBJECTIVE**

The overall investment objective of PNRA is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

## **GENERAL PROVISIONS**

- All transactions shall be for the sole benefit of PNRA.
- The Directors shall consider updating PNRA's investment policy on an annual basis.
- The Directors shall conduct an annual review of PNRA's investment assets to verify the existence and marketability of the underlying assets or satisfy themselves that such a review has been conducted in connection with an independent audit (if any) of PNRA's financial statements.
- Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Directors.
- The Directors will endeavor to operate PNRA's investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment.
- Investments shall be diversified with a view to minimizing risk.

## **DELEGATION OF RESPONSIBILITY; RELIANCE ON EXPERTS AND ADVISORS**

The Board of Directors has ultimate responsibility for the investment and management of PNRA's investment assets.

- The Board may delegate authority over PNRA's investments to a properly formed and constituted Investment Committee, being a Board Committee comprised only of directors.
- The Board or Board Committee may hire outside experts as investment consultants or investment managers.
- The Board may also establish an advisory committee (which may include non-directors) to provide investment advice to the Board or to the Board Committee. Advisory committees have no authority to act for the Board, but may monitor compliance with the investment policy, recommend changes, and assist the Board or Board Committee in selecting and retaining outside Investment Managers to execute this Investment Policy.

### **RESPONSIBILITIES OF THE BOARD, OR IF AUTHORITY IS DELEGATED, THE INVESTMENT COMMITTEE**

- The Board, or if authority is delegated, the Investment Committee, is charged with the responsibility of managing the investment assets of PNRA. The specific responsibilities of the Board or the Investment Committee, as applicable, include:
  1. Communicating PNRA's financial needs to the Treasurer and/or Executive Director (Investment Managers) on a timely basis.
  2. Determining PNRA's risk tolerance and investment horizon and communicating these to the appropriate parties.
  3. Establishing reasonable and consistent investment objectives, policy guidelines and allocations which will direct the investment of the assets, to be reviewed by the Board on an annual basis.

### **GENERAL INVESTMENT GUIDELINES**

- PNRA is a tax-exempt organization as described in section 501(c)(3) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making Organization investments.
- PNRA is expected to operate in perpetuity; therefore, a 10 year investment horizon shall be employed. Interim fluctuations should be viewed with appropriate perspective. A cash account shall be maintained with a zero to very low risk tolerance to keep cash available for operating expenses, tax obligations and other anticipated expenses.

- Transactions shall be executed at reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker.
- Permitted investments include: Cash and cash equivalents, and marketable securities including equities, exchange traded mutual funds and fixed income securities.
- No fixed income security shall have an equivalent credit quality below investment grade at the time of purchase.
- The following transactions are prohibited: Purchase of non-negotiable securities, derivatives, high risk or junk bonds, private placements, precious metals, commodities, short sales, any margin transactions, straddles, warrants, options, life insurance contracts, leverage or letter stock.

## **DIVERSIFICATION**

- PNRA will maintain a reasonable diversification of investment assets between asset classes and investment categories at all times.
- Investments in the equity securities of any one company shall not exceed 5% of the portfolio nor shall the total securities position (debt and equity) in any one company exceed 10% of the portfolio.
- Reasonable sector allocations and diversification shall be maintained. No more than 25% of the entire portfolio may be invested in the securities of any one sector.
- Investments within the investment portfolio should be readily marketable.
- The investment portfolio should not be a blind pool; each investment must be available for review.

## **ASSET ALLOCATION**

- The asset allocation policy shall be predicated on the following factors:
  1. Historical performance of capital markets adjusted for the perception of the future short and long-term capital market performance.
  2. The correlation of returns among the relevant asset classes.
  3. The perception of future economic conditions, including inflation and interest rate assumptions.

4. The relationship between the current and projected assets of PNRA and projected liabilities.

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