



# INVESTMENT POLICY

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**Statement of Investment Policy**

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## Statement of Purpose

The purpose of the Investment Policy Statement (the Statement) sets forth in writing the operational plan of the Zanesville Museum of Art (the Museum) and its Board of Directors (the Board) for the management, investment and spending of the Edward M. and Clara K. Ayers Founders Trust (the Trust) and other funds administered by the Museum (the Funds). While strategic in approach and long-term (perpetual) in scope, the investment policy statement also sets forth ranges within which tactical asset allocation actions may be taken by the Trustees of the Trust (the Trustees) or the Board.

## Current Portfolios Covered By This Policy

North Valley Bank, The Anne Wright Education Fund:

**Investment Objective:** Growth, followed by income.

**Investment Strategy:** The portfolio is invested in a manner that corresponds to the investment objective and is managed to correlate to the objective and to the standards set forth in the Investment Policy. The performance of the portfolio will be measured against the corresponding benchmarks over various durations to ensure optimal performance within the designated allocations.

Huntington National Bank, Investment Account "Cash Reserve", Ayers Collection Fund, Ayers Founders Trust

**Investment Objective:** Moderate Growth

**Investment Strategy:** The investment strategy utilizes the overall stated objectives of the Trust or Fund and incorporates the investment philosophy of acknowledging the importance of preserving capital while maintaining an acceptable level of risk to fund future operations. The Trust and Funds' investment objective is considered total return with an emphasis on short-term preservation and long-term growth of assets.

## General Principles

- The investments of the Trust and Funds shall be diversified unless the Board or Trustees reasonably determine that because of special circumstances the purposes of the Trust and Funds are better served without diversification.
- The Trust and Funds shall be managed in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations.
- Standards for return, asset allocation and diversification shall be determined from a strategic perspective and measured over successive market cycles.

## Roles and Responsibilities

The Trustees and Board shall implement the management process and monitor the Trust and Funds in accordance with this Investment Policy Statement.

The Trustees and Board, acting pursuant to this Statement and to the instructions provided, shall have direct responsibility for the oversight and management of the Trust and Funds and for the establishment of investment policies and procedures.

As more fully described below, the Trustees shall oversee the Trust and the Board shall oversee the Funds via a set of asset allocation targets and ranges for the portfolio.

In fulfilling its responsibilities under this Statement, the **Trustees and Board** shall **make recommendations on** the hiring and dismissal of investment managers, fiscal agents, and other advisors.

### **Policy Review**

This Statement shall be reviewed annually by the **Trustees and Board** and any recommendations for changes shall be presented to the Board for consideration at the annual meeting.

### **Goals and Objectives**

#### **Objectives of the Trust and Funds**

The **Trust and Funds** have a long-term investment horizon. The primary investment objectives of the **Trust and Funds** are to:

- Maintain the real purchasing power of the **Trust and Funds** after inflation, costs, and spending (i.e., achieve “intergenerational equity”); and
- Provide a stable source of liquidity and financial support for the mission of the Zanesville Museum of Art.

#### **Investment Philosophy**

While acknowledging the importance of preserving capital, the **Board of Directors and Trustees** also recognize the necessity of accepting risk if the **Trust and Funds** are to be able to meet their long-term investment goals. It is the view of the **Board of Directors and Trustees** that choices made with respect to asset allocation will be the major determinants of investment performance. The **Board and Trustees** shall seek to ensure that the risks taken are appropriate and commensurate with the **Trust and Funds'** goals.

### **Investment Policies and Procedures**

#### **Operating Guidelines**

The **Trust and Funds** shall be managed in accordance with the Operating Guidelines described in this section, a template for which is set forth in Appendix A. Once the Operating Guidelines have been approved by the **Board of Directors**, the **Trustees and Board** shall have the authority to manage the **Trust and Funds** within the Operating Guidelines without further authorization from the **Board of Directors**.

#### **Investment Policy**

##### **Targets and Ranges**

Asset allocation shall be implemented using a portfolio as set forth in Appendix A, with target allocations and ranges for each investment strategy. Due to the need for diversification and the longer funding periods for certain investment strategies, the **Board and Trustees** recognize that an extended period may be required to fully implement the asset allocation plan. It is expected that market value fluctuations will cause deviations from the target allocations to occur.

##### **Definition of Risk**

The Board and Trustees realize there are many ways to define risk. Anyone managing the **Trust and Funds** shall be made aware of how the Board and Trustees define risk. This way, the

assets are invested in a manner consistent with the objectives and investment strategy as indicated in this statement of investment policy. The Board and Trustees define risk as follows:

- The probability of losing money or purchasing power over the specified time horizon
- The probability of not meeting the specified goal of returns
- High fluctuations on investment returns in relation to appropriate benchmark

#### Risk Tolerance

The Board and Trustees are willing to accept appropriate levels of risk/return in line with the benchmark to meet Trust and Funds objectives.

#### Rebalancing

The purpose of rebalancing is to maintain the Trust and Funds' policy asset allocation within the targeted ranges, thereby ensuring that the Trust or Fund does not incur additional risks as a result of having deviated from the policy portfolio. Rebalancing will take place on a portfolio basis to reduce risk as far as practicable. More frequent tactical rebalancing of asset classes within their ranges will also be permitted in order to take advantage of shorter-term market conditions, as long as, in the opinion of the Board and Trustees, such changes or reallocations do not cause undue risk or expense to the Trust and Funds.

#### Illiquid Investments

Because of their long-term nature, investments in and commitments to illiquid investment strategies, including but not limited to private capital, private equity real estate, natural resources, distressed debt, and other similar private investments, shall be utilized infrequently and analyzed and discussed by the Board and Trustees separately.

#### Liquidity Needs

Investment Managers should assume that funds may be withdrawn from the Museum's investments from time to time to meet the Museum's operational needs as well as specified capital projects. Appropriate liquidity, as set forth in Appendix A, should be maintained within the Trust and Funds to allow withdrawals without impeding the investment process. Appropriate liquidity can change and will be discussed annually to determine what needs may be upcoming. The Board or Trustees will give appropriate notice of any withdrawal requests.

#### Prohibited Transactions

The following transactions are deemed prohibited by the Board and Trustees:

- Specialized investments including, but not limited to short selling, securities lending, financial futures, margins, or options
- Non-marketable securities
- Speculative real estate
- Private placements or letter stock
- Bitcoin and similar cryptocurrencies

#### Standard of Conduct

In managing and investing the Trust and Funds, the Board and Trustees shall:

- Act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances;
- Incur only costs that are appropriate and reasonable in relation to the assets and the purposes of the Museum;

- Make a reasonable effort to verify facts relevant to the management and investment of the **Trust and Funds**; and
- Consider the following factors, if relevant:
  - (a) General economic conditions
  - (b) The possible effect of inflation or deflation
  - (c) The expected tax consequences, if any, of investment decisions or strategies
  - (d) The role that each investment or course of action plays within the overall investment portfolio of the **Trust and Funds**
  - (e) The expected total return from income and the appreciation of investments
  - (f) Other resources of the Museum
  - (g) The needs of the Museum and the **Trust and Funds** to make distributions and to preserve capital.
  - (h) An asset's special relationship or special value, if any, to the charitable purposes of the Museum.
- Make management and investment decisions about an individual asset not in isolation, but rather in the context of the **Trust and Funds** portfolio of investments as a whole and as a part of the Museum's overall investment strategy, including the risk and return parameters set forth in this Statement.

#### Allocation of Received Donations and New Capital

Newly received funds shall be invested within the guidelines outlined in this document. Except where specified by the donor, new funds will be managed for long-term total return and in-line with the stated objectives of the Fund.

#### Delegation

Subject to any specific limitation set forth in a gift instrument, the **Board and Trustees** may delegate to an external agent the management and investment of all or part of the **Trust and Funds** to the extent that the **Board and Trustees** could prudently delegate under the circumstances. In this regard, the **Board and Trustees** may engage qualified external professional investment managers that have demonstrated competence in their respective investment strategies. These managers shall have such discretion and authority for determining investment strategy, security selection and timing of purchases and sales of assets as granted by the **Board and Trustees** and subject to these guidelines.

#### Investment Manager Reporting and Evaluation

The investment manager(s) shall report quarterly on their performance. The investment manager shall be responsible to the **Board and Trustees** for maintaining detailed records of all invested funds and for carrying out the investment policies and procedures established by the Board and the Trustees.

Reports shall include, at a minimum, the following information:

- Comparative returns for the **Trust and Funds**' assets under management against their respective benchmarks.
- A complete accounting of all internal fees involving the **Trust and Funds** during the quarter as well as external fees associated with individual managers.

Each investment manager shall review the portfolio with the **Board and Trustees** at least annually; these review meetings may be supplemented by such other meetings as the **Board and Trustees** may think necessary.

The **Board and Trustees** shall periodically review the manager's actions in order to monitor the manager's performance and compliance with the scope and terms of the delegation.

When possible, the **Board and Trustees** shall monitor and may compare the **Trust and Funds'** performance relative to:

- Absolute return objectives for the **Trust and Funds**
- The respective benchmarks for each asset class or strategy in which the **Trust and Funds** are invested, as set forth in the asset allocation table in Appendix A.
- A representative group of peer institutions identified by the **Board and Trustees**.
- A representative group of peer investment managers

### **Spending**

#### Policy Spending Rate

The policy spending rate for the **Trust and Funds** shall be 5 percent.

#### Spending Formula

The amount available for appropriation during each fiscal year shall be calculated by applying the policy spending rate to the average of the previous three fiscal years' beginning period endowment values.

#### Special Appropriations and Decisions not to Spend

Any special appropriation or decision not to spend the amount indicated by the spending formula must be approved in advance by the **Board of Directors**.

#### Standard of Conduct

Subject to the intent of a donor expressed in a gift instrument, the **Board or Trustees** may appropriate for expenditure or accumulate so much of the **Trust and Funds** as the **Board and Trustees** determine to be prudent for the uses, benefits, purposes, and duration for which each of the separate endowments in the **Trust and Funds** are established. In making a determination to appropriate or accumulate, the **Board and Trustees** shall consider, if relevant, the following factors:

- Duration and preservation of the **Trust and Funds**;
- Purposes of the Museum and the **Trust and Funds**;
- General economic conditions;
- Possible effect of inflation or deflation;
- Expected total return from income and the appreciation of investments;
- Other resources of the Museum; and
- Investment policy.

## Appendix A: Operating Guidelines Tactical Target Asset Allocation

	Min.	Target	Max.	Benchmark
<b>Equity-Like Securities</b>				
Domestic Equity	40%	45%	50%	Russell 3000 Index
International Equity Developed	10%	15%	15%	MSCI/EAFE Index (net)
International-Emerging	10%	10%	15%	MSCI Emerging Mkts Index
<b>Fixed Income Securities</b>				
Investment Grade Fixed Income Index	15%	20%	25%	Barclays Intermediate Gov/Corp
High Yield	5%	8%	15%	Merrill Lynch High Yield Index
<b>Real Assets (Inflation Hedging)</b>				
TIPS	0%	0%	7%	Barclays US TIPS Index
Commodities	0%	0%	5%	Goldman Sachs Commodities Index
Real Estate Investment Trusts	0%	0%	5%	Dow Jones US Select REIT Index
<b>Cash and Equivalents</b>				
Cash Allocation	1%	2%	10%	

### Investment Strategies, Guidelines and Restrictions

#### Equity Like Securities

The purpose of equity investments, both domestic and international, is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depositary Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the counter markets. Public equity securities shall be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ, and have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to manager discretion, subject to the standards of fiduciary prudence. However, investments in securities of issuers representing a single major industry (as determined by the Board and Trustees) shall not at any time exceed 10 percent of the Trust and Funds' total market value, and investments in securities of any one issuer shall not at any time exceed 5 percent of the Trust and Funds' total market value, unless approved by the Board or Trustees. Within the above guidelines and restrictions, the Trust and



**Funds'** investment managers shall have complete discretion over the selection, purchase, and sale of equity securities.

#### High-Yield Debt

Debt securities issued by governments, and corporations, both domestic and foreign, that are rated non-investment grade (BB/Ba1 or lower) as well as mutual funds and exchange traded funds that invest in these securities.

#### Fixed-Income Securities

Domestic and international fixed income investments are intended to provide diversification and a dependable source of current income. Fixed income investments should reduce the overall volatility of the **Trust and Funds'** assets and provide a deflation or inflation hedge, where appropriate. The fixed income asset class includes the fixed income markets of the U.S. and the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, non-U.S. dollar denominated securities, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. The investment managers shall take into account credit quality, sector, duration and issuer concentrations in selecting an appropriate mix of fixed income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. Within the above guidelines and restrictions, the **Trust and Funds'** investment managers shall have complete discretion over the selection, purchase, and sale of fixed income securities.

#### Real Assets (Inflation Hedge)

The following alternative strategies shall be permitted investments for the **Trust and Funds'**, subject to the respective guidelines set forth in each section. Investments in alternative strategies shall **not at any time exceed 17 percent** of the **Trust and Funds'** total market value, unless approved by the **Board and Trustees**.

#### U. S. Treasury Protected Securities (TIPS)

Debt securities issued by the U. S. government that are linked to inflation, as well as mutual funds and ETF's that invest in these securities.

#### Commodities

Mutual funds and ETF's that invest in broad commodity indexes and the futures of single commodities.

#### Real Estate Investment Trusts (REITS)

Investments may include securities issued by companies, both domestic and foreign, that are organized as either equity focused real estate investment trusts or real estate operating companies. They may include professionally managed mutual funds and exchange traded funds.

#### Cash and Equivalents

The **Trust and Funds'** investment managers may invest in the highest quality commercial paper, repurchase agreements, U.S. Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the **Trust and Funds'**

principal value. Investments in the obligations of a single issuer shall **not at any time** exceed 5 percent of the **Trust and Funds'** total market value, with the exception of the U.S. Government and its agencies. Since the **Board and Trustees** do not consider short-term cash equivalent securities to be appropriate investment vehicles for long-term portfolios, uninvested cash reserves shall be kept to a minimum except where needed to comply with the Trust and Funds' liquidity parameters. However, such vehicles are considered appropriate (i) as a depository for income distributions from longer-term investments, (ii) as needed for temporary placement of funds directed for future investment to longer-term investment strategies and (iii) for contributions to the current fund or for current operating cash. Within the above guidelines and restrictions, the investment managers shall have complete discretion over the selection, purchase and sale of cash equivalent securities.

#### Investment Restrictions

The **Board and Trustees** may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification shall be made only after a thorough review of the investment manager and investment strategy involved. An addendum supporting such waiver or modification shall be maintained as a permanent record of the **Board and Trustees**. All such waivers and modifications shall be reported to the **Board of Directors** at the meeting immediately following the granting of the waiver or modification. Adherence to the restrictions in these guidelines shall be measured as of the time of initial investment. It is recognized that subsequent market action may result in the investment or strategy ceasing to adhere to these restrictions, through no fault of the **Board and Trustees** or the respective outside manager. In such a situation, the **Board and Trustees** and the manager shall make reasonable attempts to bring the investment or strategy back within adherence to these restrictions, bearing in mind the long-term interests of the Museum and the **Trust and Funds** and the desirability of avoiding harmful forced sales of assets. Investments in mutual funds or commingled funds shall be reviewed and approved by the **Board and Trustees** on a case-by-case basis and, if approved, may vary from this Statement. For each such mutual or commingled fund, the prospectus, offering memorandum or Declaration of Trust documents of the respective fund will govern the investment policies of the fund investments. While the **Board and Trustees** understand that such funds have their own stated guidelines which cannot be changed for individual investors, those guidelines should be similar in principle and spirit to the stated guidelines. To the extent that a mutual or commingled fund departs from any or all such guidelines, the **Board and Trustees** shall make themselves aware of the possible consequences and be confident that the investment manager thoroughly understands the risks being taken, has demonstrated expertise in such investment strategies and has guidelines in place for monitoring their risk-adjusted performance.