

**United States Masters Swimming, Inc.**  
**Statement of Investment Objectives, Goals and Policy Guidelines**  
**for the Investment Assets of the USMS**

**I. Overall Philosophy**

The investment assets of the United States Masters Swimming (USMS) are intended to support an ever-broadening array of activities in support of the USMS mission. The Board of Directors, ever mindful of their stewardship, has caused this statement to be prepared as a policy framework for a disciplined process in managing these resources. USMS has adopted an investment philosophy with a primary goal to invest the financial assets of the organization, in excess of funds needed for current operations, and to provide maximum earnings growth, based on a total return approach, consistent with a policy of prudent investment and protection of assets. The Board has delegated to an **Investment Committee (“Committee”)** the responsibility for overseeing its investment program within the general principles enumerated herein.

**II. Investment Objectives and Liquidity Requirements**

Careful management of these investment assets is designed to ensure a total return (income plus capital change) necessary to preserve and enhance (in real dollar terms) the principal of the funds and at the same time, provide a dependable source of support for current operations and programs. The specific objective for these investments is to attain an average annual nominal return (net of investment fees) of approximately 5-7%. Actual returns in any given year may vary from this target range.

With this long-term investment horizon combined with relatively low cash flow needs, the Funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. To ensure adequate liquidity for operational needs and to facilitate rebalancing, the Committee will conduct a periodic review of total fund liquidity.

**III. Diversification of Investments**

In recognition of the prudence required of fiduciaries, reasonable diversification is an important investment objective. Experience has shown financial markets and inflation rates are cyclical and therefore, control of volatility will be mitigated through diversification of asset classes and selection of managers of diverse investment styles.

**IV. Investment Management Structure**

Various parties will contribute to the successful management of USMS Investment Assets. The **Committee** will be responsible for setting strategic direction, with Board of Directors approval, and for overseeing the investment of the assets. An **Investment Advisor (“Advisor”)** will provide advice to the Committee regarding investment strategy and determination of the **Selected Investment** vehicles (“**investments**”) and assist in the performance evaluation process. The **USMS Treasurer** working with the Advisor will oversee the movement of the funds to and from the investments. The **Custodian(s)** will be responsible for holding and accounting for the investments. More specifically, the following two key parties have these extended responsibilities:

## **Investment Committee**

The Committee is responsible, subject to Board of Directors approval, for developing investment objectives, asset allocation targets, and performance measurement standards that are consistent with the overall fund investment goals. The Committee will evaluate and select an Advisor. With recommendations from the Advisor they will select several investment vehicles. The investments will be maintained by a qualified custodian. The Advisor will not maintain custody of any of the investments. The Committee will review and evaluate investment results at least quarterly and take whatever action is deemed prudent when the Advisor or any Selected Investment fails to meet performance expectations. At least once every three years the Committee will conduct a formal request for proposal process for the Advisor role. The Committee is also responsible for ensuring compliance with all relevant federal and state regulations.

The Committee will consist of five USMS members that have a finance and/or investment background and will be expected to serve at least three consecutive years. Members of the Committee will be required to be familiar with the USMS Conflict of Interest (CoI) Policy and submit an annual response to a CoI Questionnaire.

## **Investment Advisor**

The Advisor is responsible for providing proactive advice and education to the Committee on investment guidelines, asset allocation and the structure of the investments. The Advisor will assist in the selection of new Selected Investments and will alert the Committee to any important developments at the current Selected Investments. The Advisor will provide performance evaluation reports to the Committee on a quarterly basis. Reports will include the performance of each of the investments and the total fund compared to appropriate market indices and peer groups. Annually, the Advisor will also provide a comparison of each investment advisory fee and total expense ratio to those of comparable funds using independent data. The Advisor will confer with the Committee at least quarterly to discuss fund performance and other pertinent matters.

## **V. Asset Allocation**

To achieve USMS investment objectives, a long-term strategic asset allocation among several asset classes will be determined. Since long-term higher returns are very important in meeting the objectives of the USMS investments, the asset allocation shall contain a mixture of equities and fixed income that subject the portfolio to the potential of moderate, but not devastatingly large short-term losses, and provide the potential for higher long-term returns. The equities shall be diversified among international and domestic, as well as large, mid and small cap investments. The fixed income funds shall be in domestic, investment grade securities (generally considered to be rated BBB or better by a nationally recognized statistical rating organization). The Committee, with approval of the Board of Directors, will periodically set the underlying asset allocations. The following factors will be adhered to regarding the portfolio make-up:

## **Investment Vehicles**

In implementing the asset allocation only readily marketable mutual funds, money market funds, and FDIC insured certificates of deposits shall be utilized.

## **Rebalancing**

The asset allocation shall be rebalanced to the target asset allocations by the Treasurer and Advisor after any quarter in which the allocation strays more than 10% from the selected asset allocations. Furthermore, in the event of a sudden or significant change in the asset allocation attributable to market conditions, the asset allocation may be rebalanced between quarters.

## **Costs**

The costs associated with the management of each asset class, including the investment advisory fee and total expense ratio, shall be reviewed at least annually. It is the Committee's objective that the total expense ratio of any mutual fund invested in will be average or below average when compared to fees for similar funds. Comparative industry data from Lipper, Morningstar or a similar provider of independent investment research will be provided by the Investment Advisor for this purpose.

Likewise, the Committee will review the fees charged by the Advisor on an annual basis. It is the Committee's goal to limit the Advisor's fees to no more than 1% per annum.

## **VI. Conflict of Interest**

If any member of the Committee, USMS staff, or the Advisor shall have, or appear to have, a conflict of interest that impairs or appears to impair the respective party's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties, he or she shall disclose such conflicts prior to meaningful discussion and reclude themselves from voting on that particular investment action.