

July 2021

Investment Policy Statement

for

**The James Blackstone Memorial
Library Association**

SCOPE OF THIS INVESTMENT POLICY

This Investment Policy Statement ("Statement") reflects the investment policies, objectives and constraints for the investment portfolio ("Portfolio") of The James Blackstone Memorial Library Association ("Blackstone Library"). The Statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio investment program and for evaluating the contributions of investment managers, consultants, advisors, custodians and specialists such as attorneys, actuaries and accountants (collectively, "Investment Managers") hired by the Blackstone Library.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This Statement is set forth by The James Blackstone Memorial Library Association Board of Trustees ("Board") to establish the objectives, distribution policies and investment guidelines for the Portfolio. The purpose of the Statement is to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Portfolio.
3. Offer guidance and limitations to all Investment Managers regarding the investment of the Portfolio.
4. Establish a basis for evaluating investment results.
5. Manage the Portfolio according to prudent standards as established under applicable law.
6. Establish the relevant investment horizon for which the Portfolio will be managed.

This Statement is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Finance Committee of the Board ("Finance Committee") acts on behalf of the Board and is responsible for directing and monitoring the investment management of the Portfolio on behalf of the Blackstone Library. The Finance Committee is authorized to delegate certain responsibilities to Investment Managers.

By so delegating its responsibility for directing and monitoring Portfolio management, the Finance Committee does not reserve any control over investment decisions, except insofar as it has set specific limitations described in this Statement and established criteria for monitoring Investment Managers.

Investment Managers will be held responsible and accountable for achieving the objectives stated herein. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager is responsible for requesting any modifications to this Statement which s/he deems necessary or appropriate. By signing this Statement, an Investment Manager agrees to this delegation of responsibility.

Investment Managers are deemed to be fiduciaries. All expenses incurred by such experts must be customary and reasonable, and will be borne by the Portfolio as deemed appropriate and necessary.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Portfolio and its beneficiaries, keeping in mind the public purpose of the Blackstone Library.
2. The Portfolio shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. The Portfolio shall be invested with the safeguards that a prudent person would employ.
4. The Portfolio shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
5. The Portfolio shall be managed to assure the highest possible return, commensurate with a medium level of risk, as defined in the Definition of Risk section below.
6. Cash is to be employed productively at all times, by investment in short-term cash equivalents, to provide safety, liquidity and return.

INVESTMENT MANAGEMENT POLICY

The Portfolio is to be invested with the primary goal of the preservation of capital and the secondary goal of preservation of real purchasing power, while providing a relatively predictable and growing stream of annual distributions in support of the Blackstone Library.

Distributions from the Portfolio may come from net investment income, net realized capital gains and proceeds from the sale of investments.

The distribution of Portfolio assets will be permitted to the extent that such distributions are reasonably likely not to erode the value of the Portfolio over time. The Finance Committee will seek to reduce the variability of annual Portfolio distributions by factoring

past spending and Portfolio asset values into its current spending decisions. The Finance Committee will work with staff to review its spending assumptions regularly for the purpose of deciding whether any changes therein necessitate amending the Portfolio's spending policy, its target asset allocation, or both.

DEFINITION OF RISK

The Finance Committee realizes that there are many ways to define risk and that some risk is necessary to produce long-term investment results that are sufficient to meet the Portfolio objectives. The Finance Committee believes that any person or organization involved in the process of managing the Blackstone Library's assets should define risk so that the Portfolio assets are managed in a manner consistent with the Portfolio's objectives and investment strategy as set forth in this Statement. The Finance Committee considers the tolerance for risk to be classified as medium: that is, balance oriented, with the goals of principal preservation and capital growth, and moderate levels of volatility that would be consistent with growing the Portfolio over time.

SPECIFIC INVESTMENT GOALS

Over the investment horizon of 30 years, it is the goal of the aggregate Portfolio assets to exceed:

an average annual rate of return (net of fees and inflation adjusted) of 6%

The investment goal above is the objective of the aggregate Portfolio, and is not meant to be imposed on each investment account (if more than one account is used).

The goal of each class of investment within the Portfolio is to:

1. Exceed the relevant market index as specified below:
 - a. Russell 1000 Growth
 - b. Russell 1000 Value
 - c. Barclays Aggregate Bond Index
 - d. MSCI World Ex US
2. Display an overall level of risk in the Portfolio that is relatively consistent with the risk associated with the relevant benchmark specified above. Risk shall be measured by the standard deviation from the benchmark on quarterly returns.

SPENDING POLICY

The Portfolio is a critical source of revenue for the Blackstone Library. The Finance Committee will cause a Monte Carlo analysis of the Portfolio to be conducted every four years using design parameters consistent with those used in the analysis conducted in the Fall of 2020, but updating investment return assumptions. The analysis will determine a withdrawal rate that will have, approximately, an 80% likelihood that the starting Portfolio balance will remain after 30 years (the "Rate").

The Average Portfolio Balance is the average of the Portfolio balances at December 31 for the three years preceding the date of calculation. Each year, the then-effective Rate will be applied to the Average Portfolio Balance and the resulting figure will be used in the Blackstone Library's budget. Generally, spending will not exceed the resulting figure.

(By way of illustration only: for the 2022-2023 fiscal year, if the most recent Monte Carlo analysis shows that a 3.25% withdrawal rate meets the above criteria, we will take the average of the Portfolio balances at December 31, 2019, 2020 and 2021, and include that amount in the annual budget.)

LIQUIDITY

The Blackstone Library requires the ability to deposit and withdraw funds from the Portfolio. The Finance Committee and Library finance personnel will periodically provide Investment Managers with a forecast of estimated cash requirements. In order to maintain the ability to meet cash needs, the Finance Committee requires that at least two percent (2%) of Portfolio funds be maintained in cash or cash equivalents. Investment Managers should make decisions that will maximize returns through short term investments, while understanding the need for liquidity.

ASSET ALLOCATION

The acceptable range for Portfolio asset allocation is as follows:

	<u>Lower Limit</u>	<u>Upper Limit</u>
Domestic Large Cap Equities	30%	50%
Growth Style	15%	25%
Value Style	15%	25%
International Equities	5%	20%
Small/Mid Cap Equities	0%	20%
Fixed Income	30%	60%

Cash & Equivalents 2% 20%

ALLOWABLE ASSETS

Allowable investments may include the following:

1. Cash Equivalents (Treasury Bills; Money Market Funds; Certificates of Deposit)
2. Fixed Income Securities (US Government and Agency Securities; Corporate Notes and Bonds; Mortgage-Backed Bonds; Preferred Stock; Planned Amortization Class Collateralized Mortgage Obligations)
3. Equity Securities (Common Stocks; Convertible Notes and Bonds; Convertible Preferred Stocks; American Depository Receipts of Non-US Companies; Ordinary Shares of Stocks of Non-US Companies)
4. Mutual Funds or their Equivalents (Mutual Funds as allowed in this Statement; Exchange Traded Funds)

PROHIBITED ASSETS

Prohibited investments include, but are not limited to, the following:

1. Physical Commodities and Futures Contracts
2. Private Placements
3. Options (except for Covered Calls and Protective Puts)
4. Limited Partnerships that are not publicly traded on any exchange
5. Venture-Capital Investments
6. Real Estate Properties
7. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs

PROHIBITED TRANSACTIONS

Prohibited transactions include, but are not limited to, the following:

1. Short selling
2. Margin transactions

GUIDELINES FOR FIXED INCOME INVESTMENTS AND CASH EQUIVALENTS

1. Fund assets may only be invested in investment grade bonds rated BBB (or the equivalent) or better.
2. Fund assets may only be invested in commercial paper rated A1 (or the equivalent) or better.

3. Fixed income maturity restrictions are as follows:
 - A. Maximum maturity for any single security is thirty (30) years.
 - B. Weighted average Portfolio maturity may not exceed fifteen (15) years.
4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's or Moody's.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Manager shall be compiled at least semi-annually and communicated to the Finance Committee for review. The investment performance of the Portfolio, as well as asset class components, will be measured against commonly accepted performance benchmarks and indices. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement. The Finance Committee intends to evaluate the Portfolio over at least a three-year period. The Board, upon recommendation from the Finance Committee, reserves the right to terminate an Investment Manager with or without cause. Reasons for such termination may include, but are not limited to, the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

STATEMENT OF INVESTMENT POLICY REVIEW

The Finance Committee will review this Statement of Investment Policy periodically to assure that the guidelines, goals, asset allocation and capital markets expectations set forth herein are relevant and up to date. Any recommended changes will be submitted to the Board for its consideration and approval.

Approved by the Board of Trustees of The James Blackstone Library Association on July 7, 2021.

Janice Kochanowski
TREASURER
Janice Kochanowski
Board of Trustees
The James Blackstone Library Association

7/10/2021
Date

INVESTMENT MANAGER ACCEPTANCE

The undersigned hereby acknowledges receipt, review and acceptance of all of the provisions contained in this Statement.

[Signature]
INVESTMENT MANAGER

7/12/2021
Date

Robert A. DeLuca C.O.O.
The Andriole Group
HighTower Advisors