Twin Cities American Guild of Organists

Investment Policy

01/09/12

Introduction

The Twin Cities American Guild of Organists Investment Fund (hereafter referred to as the "Fund") is created to provide perpetual financial support to the Twin Cities Chapter of the American Guild of Organists (the "TCAGO"). The purpose of this Investment Policy Statement is to establish guidelines for the Fund's investment portfolio (the "Portfolio"). This statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions of the manager(s) hired on behalf of the Fund and its beneficiaries.

The Role of the Investment Committee

The Investment Committee (the "Committee") is acting in a fiduciary capacity with respect to the Portfolio, and is accountable to the Board of the TCAGO for overseeing the investment of all assets owned by, or held in trust for the Portfolio. This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.

The investment policies for the Fund contained herein have been formulated consistent with the TCAGO's anticipated financial needs and in consideration of the TCAGO's tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.

The policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Fund. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the TCAGO.

The Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Committee and the TCAGO Board. Written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

Investment objective and spending policy

The Fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the TCAGO.

For the purpose of making distributions, the Fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

The distribution of Fund assets will be permitted to the extent that they do not exceed 5% of the total assets, or $5,000, whichever is less. Such distributions should not exceed a level that would erode the Fund's real assets over time. The Committee will review its distribution assumptions annually for the purpose of deciding whether any changes necessitate amending the Fund's distribution policy, its target asset allocation, or both.

Portfolio investment policies

Asset allocation policy

The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset and subset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.

The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.

Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.

Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub asset classes in accordance with the following guidelines:

	Minimum	Target	Maximum
Cash	0%	0%	0%
Inflation Protected Instruments	10%	10%	10%
Domestic Fixed Income	20%	20%	25%
Domestic High Yield	5%	10%	10%
Emerging Market Debt	5%	10%	15%
Total Fixed Income	40%	50%	60%
Domestic Equity	35%	40%	45%
International Equity	5%	10%	15%
Total Equity	40%	50%	60%

The Portfolio is not allowed to hold investments in nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and direct real estate investments.

Diversification policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

a) With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets, with the exception of mutual funds.

b) With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of total Portfolio assets.

c) With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

1. The investment manager will review the Portfolio monthly to determine the deviation from target weightings. During each review, the following parameters will be applied:

a) If any asset class (equity or fixed income) within the Portfolio is +/–1 percentage points from its target weighting, the Portfolio will be rebalanced.

b) If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.

c) Available cash should be used for rebalancing before liquidating other investments in the portfolio.

2. The investment manager may provide a rebalancing recommendation at any time.

3. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

Other investment policies

Unless expressly authorized by the Committee, the Portfolio and its investment manager is prohibited from:

1. Purchasing securities on margin or executing short sales.

2. Pledging or hypothecating securities.

3. Purchasing or selling derivative securities for speculation or leverage.

4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of the Portfolio.

Monitoring portfolio investments and performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee, but at least annually, it will meet to formally assess the Portfolio and the performance of its underlying investments as follows:

A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:

1) The Portfolio's absolute long-term real return objective – 6% per year.

2) A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines.

> a) Inflation Protected Instruments: Barclays Capital US Treasury Inflation Protected (TIPS) index (Series- L)
>
> b) Domestic Fixed Income: Barclays Capital Aggregate Bond Index
>
> c) Domestic High Yield: B of A Merrill Lynch High Yield Master Trust B
>
> d) Emerging Market Debt: JP Morgan EMBI Global
>
> e) Domestic EMSCI EAFE Index

B. The performance of professional investment manager hired on behalf of the Portfolio will be judged against the following standards:

1) A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.

2) The performance of other investment managers having similar investment objectives.

In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate the Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

Investment reports shall be provided by the investment manager on a (calendar) quarterly basis or more frequently as requested by the Committee. The investment manager is expected to be available to meet with the Investment Committee at least once per year to review portfolio structure, strategy, and investment performance.