



# Maine Justice

FOUNDATION

*Because fairness matters*

## **Investment Policy** **Revised August 2010**

### ***Purpose***

Investments of the Maine Justice Foundation (Invested Funds) will be made for the exclusive purpose of supporting the Maine Justice Foundation's charitable, educational or other exempt purposes.

The funds are to be invested with the care, skill and diligence that a prudent person acting in a like fiduciary capacity would exhibit, and in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act, 13 MRSA Sec.4100, as amended and any other applicable state or federal law.

The Board has designated a portion of the Maine Justice Foundation Invested Funds, including all of the Maine Fellows' contributions and any other donor-restricted funds, such as the Wernick Fund, to be held for the long term (Restricted Funds). The balance of the Invested Funds (Reserve Fund) may be withdrawn from time to time to cover shortfalls in funding for programs which the Foundation supports and to honor grant obligations of the Maine Justice Foundation.

### ***Objectives***

**Return Requirements** - The objectives of the Maine Justice Foundation Endowment are to preserve the real (inflation adjusted) purchasing power of assets and to add to the Restricted Funds through long-term capital growth. The Restricted Funds are intended to increase in size with the ultimate goal of providing sufficient income so that the Maine Justice Foundation can be self-sustaining. The Reserve Fund should be invested to preserve capital and earn a market-rate of interest.

**Risk Tolerance** – With regard to the Restricted Funds, the Maine Justice Foundation would be characterized as a long-term investor. The focus of our equity portfolio is on capital preservation while increasing the size of the Restricted Fund through growth in capital and returns. The desire for some current income and a concern for capital preservation suggest that the Foundation has a moderate tolerance for risk. With regard to the Reserve Fund, preservation of principal is the highest priority, with income as a secondary goal.

### ***Constraints***

**Liquidity** - The Foundation's liquidity requirements for the Reserve Fund are very high and relatively immediate. Maine Justice Foundation staff, in consultation with the

Investment Committee, shall provide the manager with rolling 24-month estimates of the cash needs of the Foundation at least twice a year. The liquidity requirements of the Restricted Funds are relatively modest.

**Horizon** – The Restricted Funds are not necessary for liquidity requirements and have, essentially, an unlimited time horizon. These Restricted Funds can be included in the allocation with the highest risk within the portfolio, generating income and adding to the potential increase in size of the fund through capital appreciation and dividend growth. This approach to horizon should be consistent with the goal of financial self-sufficiency while keeping pace with inflation. The Reserve Fund should be invested in securities with lower risk and shorter maturities in view of the projected liquidity needs of the Maine Justice Foundation.

**Regulations** - The Maine Justice Foundation is a tax-exempt corporation. The investment process and the ultimate guidelines employed by the Maine Justice Foundation must be consistent with the charitable purposes of the organization and Board members must consider their fiduciary responsibilities in the process of setting investment policies. The mission of the Maine Justice Foundation is to support and enhance the delivery of legal services to low-income Maine citizens now and in the future.

Investment decisions for assets other than the Reserve Fund will be made using a long-term approach. Frequent trading, trading on margin, use of options, futures or other derivative securities are not expected to be a part of the investment strategy for Maine Justice Foundation without specific Board approval. Private placements shall not be purchased for the account.

### ***Policies for Implementation by the Investment Manager (s)***

**Asset Allocation** - Asset allocation, being the most critical element in the policy-making process, involves directing the proportion of assets invested in broad categories of equities, fixed income and cash or cash equivalents. It is also the primary determinant of the level and variability of returns, either through income or principal appreciation.

**Reserve Fund** - Funds held in the short-term portion will be invested primarily to preserve principal and secondarily to produce income. The asset mix should consist primarily of fixed income securities and money market vehicles, with few, if any, equity securities. It would be the goal to have funds available for transfer to the operating account as scheduled without loss of principal, unless the manager consciously determines to purchase fixed income securities above “par value” in order to obtain above-market income returns over a relatively short period.

**Restricted Funds** - The Board seeks an asset allocation of 65% equities and 35% fixed-income investments for the Restricted Funds. A manager may deviate from these percentages by up to 10% in either direction. Up to 10% of the Restricted Funds in cash or cash equivalents is tolerable.

### ***Invested Fund asset characteristics & qualities***

**Fixed Income** - The fixed-income, or bond portfolio, must have an overall dollar weighted average maturity of ten years or less. Acceptable investments will be United States Treasuries, Federal Agencies, federally guaranteed mortgage-backed securities or investment grade corporate debt. Securities which are purchased while investment grade, but which are “down graded,” can be held at the discretion of the manager for no longer than 3 years.

**Stock - Diversification and Quality** - To provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total endowment, the fund shall be diversified both by asset class (per the allocations set forth above) and within asset classes. No security shall be purchased representing more than 5% of the total assets of the Restricted Funds in a single entity. Equity investments should be readily marketable securities and those permitted in the account are shares listed and actively traded on national exchanges regulated by the United States Securities and Exchange Commission.

No investment shall be made in any one industry if such investment would cause the industry to be represented by more than 25% in the portfolio. The exception to both the asset class and industry limitations are United States Treasuries, Federal Agencies, or federally guaranteed mortgage-backed securities. Up to 20% of the portfolio's assets may be invested in securities issued by companies domiciled outside of the United States.

Mutual funds are acceptable vehicles to meet the investment goals of the endowment fund should they meet the terms of these provisions in all respects. Use of mutual funds should be regularly reviewed by the manager to ensure that funds within the portfolio continue to match the fund's objectives.

The portfolio shall be actively managed and any manager shall seek to execute all transactions within the portfolio on the most favorable terms and in the most effective manner possible.

**Performance** - The performance of the Maine Justice Foundation Endowment Fund and its manager(s) shall be reviewed at least semi-annually by the Investment Committee. Performance of the Restricted Funds shall be measured by the manager against the benchmarks that reflect the actual composition of the fund's assets. Performance of the Reserve Fund shall be measured by the manager against returns on 30-day Treasury bills. The performance figures provided by the manager shall be net of fees. Return reports shall be AIMR Compliant. Written performance reports shall be provided to the Maine Justice Foundation quarterly at the end of each quarter and the manager shall provide a copy to the Chair of the Investment Committee and to the Executive Director of the Maine Justice Foundation. Reports shall also include receipts, disbursements, including fees, returns for the equity portion and for the fixed-income portion as well as combined returns for the period. Managers will advise the Finance Committee of any material change in ownership, personnel or investment style or fees of the manager.

Performance shall be considered acceptable when it exceeds the inflation rate and is on par or exceeding market indices. Significant deviations from market indices shall require a reevaluation of the investment program and manager. Meetings between the Manager and the Investment Committee or other Maine Justice Foundation board members shall be held at least once per year.

***Investment Policy Review***

This policy shall be reviewed at least annually by the Investment Committee to determine its continuing compliance with applicable laws, regulations, board policy and the realities of the marketplace.

Approved – Board of Directors – September 17, 2010