

May 2024

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’s investment program and for evaluating the contributions of prudent experts 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 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 prudent experts in various fields. These include, but are not limited to

1. Investment Consultant. The investment consultant may assist the Finance Committee in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such investment managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager. The investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the Portfolio's investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Blackstone Library, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Portfolio's accounts.
4. Co-Trustee. The Board may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The co-trustee will assume fiduciary responsibility for the administration of the Portfolios' assets.
5. Additional specialists such as attorneys, auditors, actuaries, and others may be employed by the Board to assist in meeting its responsibilities and obligations to administer the Portfolios' assets prudently.

By so delegating 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.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses incurred by such experts must be customary and reasonable and will be borne by the Portfolio as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Finance Committee

The Finance Committee is charged with the responsibility for the management of the assets of the Portfolio. The Finance Committee shall discharge its duties solely in the interest of the Portfolio, with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Finance Committee relating to the investment management of the Portfolio assets include:

1. Adhering to the guidelines set forth in the State's special act of incorporation.
2. Adhering to the spirit of ERISA and any other applicable regulations.
3. Projecting the Portfolio's financial needs and communicating such needs to the investment managers on a timely basis.
4. Determining the Portfolio's risk tolerance and investment horizon and communicating these to the appropriate parties.
5. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Portfolio's assets.
6. Prudently and diligently select qualified investment professionals, including investment manager(s), investment consultant(s), and custodian(s).
7. Regularly evaluating the performance of the investment manager(s) to ensure adherence to policy guidelines and monitor investment objective progress.
8. Developing and enacting proper control procedures: For example, replacing investment manager(s) due to fundamental changes in investment management process, or failure to comply with established guidelines.

Responsibility of the Investment Consultant(s)

The investment consultant's role is that of a non-discretionary advisor to the Blackstone Library. Investment advice concerning the investment management of the Portfolio assets will be offered by the investment consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the investment consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Finance Committee.
3. Providing "due diligence", or research, on the investment manager(s).
4. Monitoring the performance of the investment manager(s) to provide the Finance Committee with the ability to determine the progress toward the investment objectives.
5. Reviewing the Portfolio's investment history, historical capital markets performance and the contents of this Statement to any newly appointed members of the Finance Committee.

6. Communicating to the Finance Committee those items set forth in subparagraphs 1-5 of this section.

Responsibility of the Investment Manager(s)

Each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the investment manager(s) include:

1. Discretionary investment management decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Portfolio's investment management.
4. Informing the Finance Committee regarding any qualitative change to investment management organization: examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

Notwithstanding the foregoing to the contrary, in the event that the Finance Committee directs the investment of all or a portion of the Portfolios' assets in a pooled investment vehicle such as a mutual fund, a collective investment fund an Exchange Traded Fund or a separately managed account directed via model based delivery, the investment manager for such fund will only be obligated to acquire and maintain units in the fund in accordance with the Finance Committee's direction and to manage such fund as provided in the governing prospectus, trust agreement or other relevant documents. Any such investment manager will have no duty to question any such direction of the Finance Committee, or to make any suggestions to the Finance Committee as to the investment or reinvestment of such Portfolio assets and will not be subject to the specific responsibilities provided in paragraphs 1 through 5 hereinabove, nor the investment guidelines hereinafter set forth.

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 moderate 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 preservation of real purchasing power, while providing a relatively predictable and growing stream of annual distributions in support of the Blackstone Library, and the secondary goal of preservation of capital.

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 Portfolios' 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 moderate: that is, balance oriented, with the primary goal of preservation of real purchasing power, while providing a relatively predictable and growing stream of annual distributions in support of the Blackstone Library, and the secondary goal of preservation of capital.

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) consistent with the Historical Policy Benchmark Composite as listed in Addendum A.

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 that is comparable to the asset class for which the investment manager was hired.
2. Display an overall level of risk in the Portfolio that is relatively consistent with the risk associated with the comparable asset class. Risk shall be measured by the standard deviation from the benchmark that is selected in comparison to the investment manager on quarterly returns.

SPENDING POLICY

The Portfolio is a critical source of revenue for the Blackstone Library. A Monte Carlo analysis of the Portfolio is conducted as needed to determine an appropriate withdrawal rate. 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”).

Based upon the last Monte Carlo analysis and conversations with the Town of Branford, the James Blackstone Memorial Library will employ a sustainable withdrawal method to determine the withdrawal from the endowment. The sustainable withdrawal should be less volatile and will promote efforts to enhance the sustainability of the endowment.

The current rate in effect is 2.25% and is applied against the previous year’s withdrawal. The resulting figure will be employed in the Blackstone Library’s budget.

LIQUIDITY

The Blackstone Library requires the ability to deposit and withdraw funds from the Portfolio. The Finance Committee and the Blackstone 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:

Main Fund

	<u>Lower Limit</u>	<u>Upper Limit</u>
Equity	45%	65%
Fixed Income	32%	60%
Cash & Equivalents	2%	20%

Creative in Residence

	<u>Lower Limit</u>	<u>Upper Limit</u>
Equity	50%	70%
Fixed Income	25%	60%
Cash	2%	20%

ALLOWABLE ASSETS

Allowable investments may include the following:

1. Cash Equivalents (Treasury Bills; Money Market Funds; STIF Funds, Commercial Paper; Banker's Acceptances; Repurchase Agreements; Certificates of Deposit)
2. Fixed Income Securities (US Government and Agency Securities; Corporate Notes and Bonds; Municipal Bonds; Mortgage-Backed Bonds; Preferred Stock; Fixed Income Securities of Foreign Governments and Corporations; Planned Amortization Class Collateralized Mortgage Obligations; Asset Backed Securities)
3. Equity Securities (Common Stocks; Real Estate Investment Trusts (REITs); 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 including commingled funds and Exchange Traded Funds which invest in securities in a manner consistent with the applicable prospectus and/or offering memorandum as allowed in this statement.)

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 INVESTMENT GRADE FIXED INCOME AND CASH EQUIVALENTS

1. Fund assets may only be invested in investment grade bonds rated BBB- (or the equivalent) or better. This restriction does not apply to the high-yield fixed income allocation. High yield fixed income investments shall be made in a dedicated account and not co-mingled with the core fixed income portfolio.
2. 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 consultant 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, 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 periodically to ensure 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.

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

6/30/2014
Date

ADDENDUM A
Main Fund
Historical Policy Changes

3/1/2024 to Present

39.00	Bloomberg Intermediate Government/Credit
17.00	S&P 500
10.00	FTSE Developed ex US All Cap
9.50	Russell 2500
9.00	Russell 3000
5.50	41% MSCI ACWI (Net) / 59% MSCI Emerging Markets (Net)
4.00	FTSE NAREIT All Equity REITs
3.00	ICE BofA High Yield Constrained
3.00	FTSE 3 Month Treasury Bill

ADDENDUM A
Creative in Residence
Historical Policy Changes

3/1/2024 to Present

34.50	Bloomberg Aggregate Bond
19.00	S&P 500
11.00	FTSE Developed ex US All Cap
10.00	Dow Jones US Completion Total Stock Market
9.50	Russell 3000
6.00	41% MSCI ACWI (Net) / 59% MSCI Emerging Markets (Net)
4.50	FTSE NAREIT All Equity REITs
3.00	ICE BofA High Yield Constrained
2.50	FTSE 3 Month Treasury Bill