

UTAH SYMPHONY | UTAH OPERA  
INVESTMENT POLICY STATEMENT

I. INTRODUCTION AND PURPOSE

This Investment Policy Statement (“IPS”) provides a framework for the management of investable assets (the “Investment Funds”) of Utah Symphony | Utah Opera (“USUO”). This policy will assist the Board of Trustees in supervising and monitoring the Investment Funds. In accordance with the IPS, a standing committee of the Board, the Investment Committee (the “Committee”), has been authorized to establish, implement, monitor and revise the policies and practices that govern the Investment Funds. The IPS addresses the goals and objectives of the Investment Funds and the investment strategy, including asset allocations, spending policy, and investment guidelines.

This IPS is set forth to:

- A. define the responsibilities of the Committee, USUO staff, investment advisors, investment managers, and custodian;
- B. establish guidelines agreed to by the investment managers and investment committee;
- C. articulate the investment goals, policies, and guidelines designed to support the USUO mission and overall financial objectives;
- D. provide investment advisors, appointed by the Committee, with specific investment guidelines;
- E. create a framework for the Committee to evaluate investment performance, monitor policy compliance, explore new opportunities and revise investment strategies; and
- F. ensure that Investment Funds are managed according to applicable laws, standards of fiduciary responsibility, and in accordance with prudent investment practices.

II. INVESTMENT COMMITTEE

The Committee is responsible for the oversight of the investments of the USUO. The Committee reports to the Board through the Executive Committee. Committee members shall discharge their duties solely in the interest of advancing the mission of USUO.

Committee members and its Chair will be appointed by the Board in accordance with the Bylaws. Normally, the Committee will have a minimum of four and a maximum of ten members, including the Chair and one musician. The Chief Executive Officer and the Chief Financial Officer will serve as ex-officio members of the Committee. Members usually will be expected to serve for a minimum of three one-year terms. The Chairman of the Committee normally will be expected to serve in that capacity for a minimum of two one-year terms. However, such term may be extended at the election of the Executive Committee.

The Secretary of the Committee will be the Chief Financial Officer of the USUO. While the Committee will oversee investment strategy development and performance evaluation, the CFO will be responsible for investment strategy implementation and communication between investment advisors, investment managers and the custodian.

The responsibilities of the Committee are as follows:

- A. review this IPS at least every two years and recommend to the Executive Committee for adoption by the Board changes, as warranted;
- B. develop investment objectives that support the long-term financial sustainability of the USUO and consideration of its annual financial plan and operating budget, including maintaining adequate liquidity to meet projected draws;
- C. establish investment policies and procedures which should be set forth in writing and reviewed annually to ensure ongoing support for USUO financial objectives and mission;
- D. determine the investment strategy and asset allocation targets and ranges expected to achieve objectives while mitigating portfolio risk;
- E. appoint and/or discharge investment advisors, investment managers, custodians, and any other service providers related to prudent management of funds;
- F. adopt performance measurement standards, review and evaluate investment results, and implement corrective action as needed;
- G. provide periodic reports to the Executive Committee and the Board on investment objectives, policies and procedures and the status and performance of Investment Funds;
- H. consider and approve or disapprove special investment requests received from investment advisors, the Executive Committee or the Board;
- I. arrange for the management or liquidation of non-cash assets contributed to the USUO, including such items as real estate, gifts in kind, illiquid securities, etc.; and
- J. set policies for and determine the acceptance of charitable gift annuities and the segregation of funds within the General Fund to back the annuities.

### III. INVESTMENT FUNDS

Investment Funds of the USUO are comprised of donor restricted endowment fund(s) and unrestricted endowment funds. Cash for current operations and liquid contingency reserves are administered by USUO management and are not overseen by the Investment Committee.

#### A. Donor Restricted Endowment Funds

1. Qualifying Funds: Endowment funds held for which the donor has restricted the use of principal.

2. Guidelines and Restrictions:

- a. The principal of this endowment fund shall be invested in accordance with this Board-approved Investment Policy Statement and as directed by the Committee.
- b. Except as provided in paragraph III. A. 2. c. below, the principal of this endowment fund shall not be used as part of the Annual Operating Fund of the USUO, nor shall loans to the Annual Operating Fund be made from this endowment fund.
- c. Unless otherwise designated by donor, an annual draw from the Donor Restricted Endowment Funds for operations shall be calculated as follows. This annual draw will be determined annually by the USUO Board upon recommendation by the Investment and Executive Committees. The draw normally shall equal 4.0% to 5.0% of the average fair market value of the Donor Restricted Endowment Funds on the 12 completed calendar quarters before the commencement of a new Symphony Fiscal Year, i.e. the quarter ending December 31. In 2007 the Utah legislature adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). Under UPMIFA, any expenditure (draw) over seven percent (7%) of the fair market value of an endowment fund creates a rebuttable presumption of imprudence. Therefore, USUO’s annual draw for operations from its endowment funds is restricted under Utah law to a maximum of 7% of the fair market value of the funds.

USUO management will be responsible for annually calculating the amount of the draw and working with the Investment Account Custodian on the timing of the fund transfers to achieve the draw.

B. Unrestricted Endowment Funds

1. Qualifying Funds:

- a. All other endowment funds donated to the Utah Symphony which are not specifically restricted by the donor as to the use of principal.
- b. Other funds that may be designated by the board for long term investment.

2. Guidelines and Restrictions:

- a. The principal of these funds shall be invested in accordance with this Investment Policy Statement, and as directed by the Committee.
- b. Except as provided in paragraph III. A.2. c. above the principal of this endowment fund shall not be used as part of the Annual Operating Fund of the USUO. However, with the approval of 90% of the voting members of the Board, loans to the Annual Operating Fund may be made from these funds. Such loans shall be repaid without interest within five (5) years from future annual operating surpluses of the USUO.

### C. Temporarily Restricted Assets

Temporarily Restricted Assets are primarily donations or other revenues that are restricted to a future fiscal year for special projects such as future period sponsorships of concerts or tours, and grants from the Board of Education and Utah Arts Council that are related to the next fiscal year. Unless otherwise donor or Board restricted, any income from Temporarily Restricted Assets may be used for current operations.

## IV. INVESTMENT PERFORMANCE OBJECTIVES

The investment of funds is intended to support the long term financial viability of USUO. Investment objectives encompass (1) producing steady distributions to support current operations, (2) providing liquidity to meet near term cash forecast needs while minimizing “cash drag” on portfolio returns, and (3) preserving capital by avoiding significant and sustained loss in market value.

Investment performance objectives are to achieve a maximum total rate of return consistent with a prudent degree of risk, which rate of return is to include all earnings, capital appreciation or depreciation, less fees charged by the investment advisors and custodians and embedded fund fees. However, non-marketable assets, as defined and agreed upon by the Committee, will be excluded in this calculation;

- A. Passively managed index mutual funds and exchange traded funds’ performance will primarily be measured by “tracking error”, that is, how closely the fund tracks the performance of its comparative benchmark index, after expenses.
- B. Active investment manager returns (net of management and imbedded fund fees) are expected to exceed the comparative benchmark index performance over three and five-year periods. Such index is to be agreed upon by the investment committee and the manager. Additionally, beginning after 3 years, each manager's standard deviation of returns will be compared to a benchmark volatility as represented by the index or indices chosen.

Returns for active managers will also be measured versus a comparative peer universe. Over three and five-year periods investment managers are expected to perform in the top half of their comparative peer universe.

- C. Invested assets should be prudently diversified with regard to the concentration of holdings in individual issues, corporations, industries, sectors, or geographies, with the intent of minimizing the risk of concentrated investments; and
- D. No more than 10% of invested assets, may be invested in illiquid investments for which an immediate market does not exist.

## V. INVESTMENT ADVISORS

The Committee, with approval of the Executive Committee, is empowered to appoint investment advisors and/or investment managers to whom will be delegated the

responsibility of daily management of funds assigned to them according to the following terms and conditions:

- A. Investment advisors and any sub-advisors and fund managers hired by the advisor must be registered with the Securities and Exchange Commission pursuant to the Investor Adviser's Act of 1940, as amended, or be legally exempt from such registration.
- B. Investment advisors may be given the discretion to execute trades without prior approval, subject to pre-established policies and guidelines; and
- C. Agreements with investment advisors and/or investment managers and sub-advisors are to be in writing and should be drawn so that the manager can be terminated without prior notice, with or without cause. The Committee shall review annually Investment Advisor Agreements and any reports advisors are legally required to submit to the Committee.
- D. Investment advisors will serve in a co-fiduciary capacity with the Committee and the USUO Board.

#### VI. INVESTMENT ADVISOR GUIDELINES

Investment advisors and the Committee will jointly determine and agree on written guidelines to govern management of Investment Funds.

#### VII. LIQUIDITY

The Committee will be responsible for providing the investment advisors with an estimate of planned cash withdrawals from Investment Funds on an annual basis in order to avoid forced sales of securities. However, as overall portfolio liquidity is considered to be important to facilitate the portfolio changes necessary to adapt to changing economic conditions, marketable securities for which a ready market exists are expected to be the most suitable type of investment for Investment Funds. Illiquid investments should not be acquired except with the expressed written approval, in advance, of the Committee.

#### VIII. ACCOUNTING AND REPORTING

The USUO staff is responsible to provide and maintain a complete set of accounting records, recording all transactions relating to Investment Funds in accordance with Generally Accepted Accounting Principles.

A report prepared quarterly by USUO staff for review by the Committee shall contain the following:

- A. itemized listing of Investment Funds by investment category showing both cost and current market value and current dividend and interest income;
- B. summary of changes in the fund balance showing contributions added, withdrawals, fees and expenses, etc. for the current period and year-to-date;
- C. investment performances of total Investment Funds and each component of the portfolio, identifying both the current income yield and the total rate of return;

- D. purchases and sales;
- E. itemized listing of any income past due; and
- F. itemized listing of investment assets not included in professionally managed portfolios.

Reports prepared by the Custodian and/or by an independent evaluator of the investment performance of Investment Funds may be submitted in lieu of quarterly reports by the USUO staff to the extent the above required information is included in such externally prepared reports.

IX. BROKERAGE

All transactions are to be governed on a “best execution” basis. The lowest commission rate need not mean the best realized price. Execution capability, price, and overall effectiveness shall be considered, along with the commission rate.

X. CUSTODIANSHIP

All assets under management of the investment advisors are to be maintained in a custodial account at a major bank or brokerage designated by the Committee.

XI. REVIEW MEETINGS

The Committee or representatives there from, are to meet at least annually with the USUO’s investment advisors to evaluate compliance with established guidelines, review investment performance, respond to investment advisor inquiries and on an overall basis evaluate the investment advisor relationship.

XII. NON-CASH CONTRIBUTIONS

Non-cash contributions must be approved by the Committee. Acceptance of non-cash contributions should be evaluated carefully and normally be accepted only when a ready market for disposition exists, or a certain future disposition date exists, which warrants the acceptance of the gift. Under the direction of the Committee, the USUO staff shall dispose of non-cash contributions according to the following guidelines:

- A. Marketable Securities: Marketable securities should be sold promptly and the proceeds added to the endowment or general funds to be invested in accordance with this Investment Policy Statement.
- B. Non-marketable Assets: Acceptance of a donation of any assets that are not readily marketable will be subject to specific approval of the Committee, in its sole discretion. The disposition of non-marketable assets should be determined individually by the Committee. Normally such property should be converted to cash as soon as possible, unless special conditions warrant holding the property.
- C. Valuation of Non-Cash Assets: Neither the Committee, the Board, or the USUO is empowered to provide the donor of a non-cash gift with an appraisal of value. However, for record keeping purposes such gifts will be valued on USUO’s books half way (1/2)

between the high and low appraisals prepared by external appraisers. Such appraisals are to be provided to the donor upon acceptance of the gift by the USUO from the most qualified available appraiser without undue expense.

- D. Real Property Contributions: The decision to accept any donation of real property is in the sole discretion of the Committee, and is subject to the receipt of a Phase 1 Environmental Assessment report and indemnification from the donor concerning any and all liability associated with ownership of said property that are satisfactory to the Committee in its sole discretion, unless specifically waived by the Committee.

### XIII. PROCEDURES FOR THE DISPOSITION OF MARKETABLE SECURITIES

- A. Securities delivered in physical form: All securities delivered to the Custodian by the USUO in physical form must be accompanied by:

1. stock or bond power;
2. current corporate authorization, and
3. written instructions to sell, hold or transfer the securities.

- B. Securities delivered electronically to the USUO's custody account: Upon receipt of any securities received electronically, the Custodian shall immediately advise the USUO's Chief Financial Officer and shall dispose of the securities as directed in writing.

### XIV. GIFTS SUBJECT TO LIABILITIES

The Committee is to carefully evaluate any gift subject to liabilities or other commitments to ascertain that there is sufficient value in the gift to more than offset obligations to be assumed by the USUO.

Board Approved: May 23, 2017

UTAH SYMPHONY | UTAH OPERA  
INVESTMENT ADVISOR GUIDELINES

Until amended in writing, investment advisors are to manage the funds of the Utah Symphony | Utah Opera (“USUO”), which are assigned to them, according to the following guidelines and instructions:

1. Discretionary Account: Investment advisors shall have full discretion in the purchases and sales of investment securities subject to adherence to this Investment Policy Statement and other direction that may be given by the Investment Committee.
2. Nature of Portfolio: The investment objective for the USUO’s portfolios is to obtain the maximum total return, including both current income as well as capital appreciation, consistent with a prudent degree of risk.

INVESTMENT PERFORMANCE OBJECTIVES

3. Types of Assets. In order to provide investment advisors with freedom to make investments of various types, the following types of securities are expressly approved for investment:
  - a. Money Market Funds
  - b. Obligations of the U.S. Government and the U.S. Government guaranteed agencies
  - c. Deposits in federally or state-chartered Bank and Savings and Loan Association
  - d. Commercial Paper, rated A/1 or P/1 or better
  - e. Corporate Bonds, rated BBB-/Baa3 or equivalent, or higher, unless by expressed authorization by the investment committee for an allocation to High Yield
  - f. Mortgage-backed securities and other asset-backed securities BBB-/Baa3 or higher
  - f. Preferred Stocks, rated A or equivalent, or higher
  - g. Convertible debt or equity securities convertible into Common Stocks
  - h. Rights to purchase common stock
  - i. Publically Traded Common Stocks
  - j. American Depository Receipt Shares (“ADRs”)
  - k. Mutual Funds, including Index Funds, and Exchange Traded Funds that invest substantially in the assets listed above
  - l. Hedge Funds, private equity funds and similar alternative investments, not to exceed 10% in the aggregate of Investment Funds. Each such investment must be approved in writing by the Committee prior to purchase.

Securities selected for the portfolio should be readily marketable and have an easily ascertainable market value.

Investment manager(s) shall be prohibited from investing in any of the following securities or instruments, except to the extent such securities or instruments are expressly permitted pursuant to written investment manager guidelines approved by the Committee

- a. Commodities
- b. Futures and forward contracts (with the exception of forward currency contracts)



- c. Derivatives (with the exception of Exchange Traded Funds (ETF's), ADR's, GDR's, convertible bonds and foreign exchange hedging)
  - d. Securities purchased on margin
  - e. Shorted securities
  - f. Private placements
  - g. Limited partnerships
  - h. Mutual funds and ETF's that invest in more than immaterial amounts of the above assets.
4. Diversification: Investment advisors are expected to diversify Investment Funds to take advantage of current and anticipated economic conditions as well as to control risk. In so doing, they may determine the appropriate weighting of funds to be invested in the various types of investments enumerated above. Unless otherwise directed by the Committee, the target for common equity investments is 60%, plus or minus 5%, of the Investment Funds. In no event, however, should more than 70% nor less than 50% of Investment Funds be maintained in common stocks or securities convertible into common stocks without the written approval of the Committee.
5. Limitation of Investments: The following specific limitations shall apply to the invested funds:
- a. Commercial Paper, rated A/1 or P/1 or better, not to exceed 5% of total portfolio assets for any single entity.
  - b. Corporate debt instruments, rated BBB/Baa (any sub-grade) or equivalent, or higher, not to exceed 3% of total Investment Funds, and not to exceed 5% for corporate debt instruments rate A (any sub-grade), or equivalent.-.
  - c. Common stocks, not to exceed 5% of the portfolio at market value in the common stock of any one company, unless the issue is held in a passive index fund or ETF and constitutes more than 5% of the index. Common stock investments must be readily marketable and have a readily determined market value.

## ASSET ALLOCATION TARGETS

The manager shall invest the portfolio subject to the following asset allocation parameters.

The Long-Term Targets represent long-term strategic asset allocation targets that are designed to maintain the purchasing power of the investment portfolio through periods of moderate inflation.

The Permitted Ranges represent lower and upper limits that must be observed at all times.

The manager may make tactical asset allocation changes within the Permitted Ranges. Tactical asset allocation changes will depend upon the manager's evaluation of the risk/return profile of the approved asset classes within the context of the goals of the Plan.

The manager should not engage in any short-term trading for the purpose of exploiting short-term movements in security prices and should not make any material portfolio changes with short-term market timing objectives in mind.

<u>Asset Class</u>	<u>Long-Term Targets % of Total Portfolio</u>	<u>Permitted Ranges % of Total Portfolio</u>
<u>Fixed Income</u>		
Cash & Cash Equivalents	3.00%	0.0% - 5.0%
U.S. Investment Grade Fixed Income	37.00%	27.0% - 47.0%
International Investment Grade Fixed Income	0.00%	0.0% - 5.0%
Total Fixed Income	40.00%	27.0% - 47.0%
<u>Domestic Equity</u>		
U.S. Large Cap Core	12.60%	6.6% - 19.8%
U.S. Large Cap Growth	9.60%	6.6% - 12.4%
U.S. Large Cap Value	9.60%	6.6% - 12.4%
U.S. Mid Cap	8.40%	6.2% - 10.9%
U.S. Small Cap	4.80%	3.5% - 6.2%
<u>International Equity</u>		
Developed Markets	15.0%	11.2% - 19.4%
Emerging Markets	11.25%	8.4% - 15.3%
	3.75%	2.8% - 4.7%
Total Common Equity	60.00%	50.0% - 70.0%
<u>Other</u>	N/A	0.0% - 10.0%

### Performance Measurement

The performance benchmarks for the various portions of the portfolio are listed below:

<u>Asset Class</u>	<u>Index</u>
Cash & Cash Equivalents	90-day Treasury Bill Return
U.S. Investment Grade Fixed Income	Barclays Aggregate Bond Index
<u>Domestic Equity</u>	
Large Cap Core	S&P 500 Stock Index
Large Cap Growth	Russell 1000 Growth
Large Cap Value	Russell 1000 Value
Small Cap	Russell 2000
Mid Cap	Russell Midcap
<u>International Equity</u>	
International Equities	MSCI ACWI ex US, Net Return
<u>Alternate Index for International Equity</u>	
Developed Markets	MSCI EAFE. Net Return
Emerging Markets	MSCI Emerging Markets Net Return

6. Brokerage Purchases and Sales: All transactions are to be governed on a “best execution” basis. The lowest commission rate need not mean the best realized price. Execution capability, price, and overall effectiveness shall be considered, along with the commission rate.
7. Investment Reports: Investment advisors are expected to make a written report to the Committee at least quarterly, unless otherwise noted, containing the information listed below:
  - a. Listing of securities reflecting cost and current market value.
  - b. Purchases and sales during reporting period.
  - c. Investment performance for the quarter, year-to date, and for the past three and years (if applicable). Performance for each component of the portfolio and for the portfolio as a whole should be reported in absolute terms, and in comparison to benchmarks approved by the Committee. Advisors and managers should be prepared to report on and discuss market trends and major drivers of portfolio performance.
  - d. Long-term capital market expectations and their impact on portfolio performance, at least annually.
  - e. Recommendations about changes in asset and fund allocation, as appropriate.
  - f. Topics of special interest to the Committee.

Reports prepared by the Custodian and/or by an independent evaluator of the investment performance of the funds may be submitted in lieu of the quarterly reports by the investment advisors to the extent the above required information is included in such externally prepared reports.

8. Manager Visits:  
The Committee may require that the Investment Advisor be available to meet with the Committee in person or by phone at least quarterly. The Advisor is expected to be available for meetings or calls during periods of economic or market distress or if extraordinary conditions exist at USUO. The Advisor should be proactive in reaching out to USUO in times of extraordinary market turmoil.
9. Custodianship: All assets relating to the USUO’s investment funds are to be held in a custodial account in a bank designated by the Committee.

Board Approved: May 23, 2017