

# 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 Chair of the Board, a Vice Chair and the CEO, 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 Board.



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. assure that USUO endowment assets and operational funds are invested in accordance with the Investment Committee Charter and this IPS. It can do so either by directly authorizing investments allowed by this IPS and/or delegating certain investment decisions to one or more board-approved investment advisors.
- B. review this IPS at least every two years and recommend to the Executive Committee for adoption by the Board changes, as warranted;
- C. 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;
- D. 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;
- E. determine the investment strategy and asset allocation targets and ranges expected to achieve objectives while mitigating portfolio risk;
- F. recommend to the Board the appointment and/or discharge of investment advisors, custodians, and any other service providers related to prudent management of funds;
- G. adopt performance measurement standards, review and evaluate investment results, and implement corrective action as needed;
- H. provide periodic reports to the Executive Committee and the Board on investment objectives, policies and procedures and the status and performance of Investment Funds;
- I. consider and approve or disapprove special investment requests received from investment advisors, the Executive Committee or the Board;
- J. arrange for the management or liquidation of non-cash assets contributed to the USUO in accordance with its Gift Acceptance Policy, including such items as real estate, gifts in kind, illiquid securities, etc.; and
- K. 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. ENDOWMENT FUNDS

Endowment Funds of the USUO are comprised of donor restricted funds and unrestricted 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:

- a. Endowment funds held for which the donor has restricted the use.

##### 2. Guidelines and Restrictions:

- a. Except as permitted by 2.b. below, the assets of this endowment fund shall be invested in “Investment Funds” in accordance with Section VI. Investment Advisor Guidelines of this Board-approved Investment Policy Statement and as directed by the Committee.
- b. The Committee may hold, at its discretion, some or all of new gifts, bequests or similar contributions in the “Liquid and Short-term Endowment Funds” category (see Section VI below), and move the funds into “Investment Funds” over a period of up to three years.
- c. Except as permitted by III-D below, the assets 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.

#### B. Unrestricted Endowment Funds – Investment Funds

##### 1. Qualifying Funds:

- a. All other endowment funds donated to the USUO which are not specifically restricted by the donor.
- b. Other funds designated by the board for long-term investment.

##### 2. Guidelines and Restrictions:

- a. Except as permitted by III-D below, the assets of these endowment funds shall be invested in “Investment Funds” in accordance with Section VI. Investment Advisor Guidelines of this Board-approved Investment Policy Statement and as directed by the Committee.
- b. Upon approval by two-thirds of the voting members of the Board, loans may be made from the Unrestricted Endowment Funds – Investment Funds to the Annual



Operating Fund. Unless otherwise determined by approval of two-thirds of the voting members of the Board, such loans shall be repaid without interest within five years from future annual operating surpluses of the USUO. Any change in the terms of repayment of such loans or any forgiveness of such loans must be approved by two-thirds of the voting members of the Board.

C. Unrestricted Endowment Funds – Liquid and Short-Term Endowment Funds

1. Qualifying Funds:

- a. The Committee may hold, at its discretion, some or all of new gifts, bequests, other contributions, or other funds that may be designated by the Board in the “Liquid and Short-term Endowment Funds” category (see Section VI below), and may move them into “Investment Funds” over a period of up to three years.

2. Guidelines and Restrictions:

- a. The assets of these funds shall be invested in accordance with this Investment Policy Statement, and as directed by the Committee.
- b. Subject to approval of the Executive Committee, up to \$4 million of Unrestricted Endowment Funds may be held in the “Unrestricted Endowment— Liquid and Short-term Endowment Funds” category. These funds are to be invested in cash and cash equivalents for the purpose of securing short-term borrowing at favorable terms, or to support transfers as permitted by C.1.c below.
- c. The Executive Committee may authorize, upon recommendation by the Finance Committee, transfers of up to \$1 million from “Unrestricted Endowment— Liquid and Short-term Endowment Funds” funds to meet liquidity needs for operations believed by the Finance Committee to be temporary.
- d. Any transfers pursuant to C.2.c above will be treated as a non-interest bearing loan from the “Unrestricted Endowment- Liquid and Short-term Endowment Funds” to the Annual Operating Fund of the USUO. Any such loan not repaid to the endowment within 180 days of the initial draw will be reported to the Board at its next meeting. Any such loan may only be forgiven upon approval of two thirds of the voting Board members present at a meeting at which a quorum is established.
- e. Any borrowings under a line of credit pursuant to C.1.b above not repaid to the endowment within one year of the initial draw will be reported to the Executive Committee and to the Board at their next meetings. Such report will include an assessment of the risk of collateral being seized by the lender to repay the loan.

D. Types of Assets

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
- g. Preferred Stocks, rated A or equivalent, or higher
- h. Convertible debt or equity securities convertible into Common Stocks
- i. Rights to purchase common stock
- j. Publicly Traded Common Stocks
- k. American Depositary Receipt Shares (“ADRs”)
- l. Real estate investment trusts, real estate investment limited partnerships via mutual funds
- m. Publicly Traded commodity and commodity derivative funds
- n. Mutual Funds, including Index Funds, and Exchange Traded Funds that invest substantially in the assets listed above
- o. Hedge Funds, private equity funds, venture capital 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.



USUO assets may not be invested in the following types of securities or instruments:

- a. Direct investments in commodities
- b. Futures and forward contracts (with the exception of forward currency contracts, commodities futures as a part of a publicly traded fund)
- 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.

#### 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. ENDOWMENT SPENDING

Unless otherwise designated by donor, an annual draw from the Endowment Funds for operations 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 Endowment Funds on the 12 completed calendar quarters before budget approval, i.e., the quarter ending September 30. In 2007 Utah 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, unless the Board, upon recommendation of the Investment and Executive committees, finds a larger draw to be needed and documents that the presumption of imprudence has been rebutted.

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.

## V. INVESTMENT ADVISORS

The Committee, with approval of the Board, 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 advisers 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 adhere to the following long-term asset allocation ranges in managing the Investment Funds:

<u>Asset Class</u>	<u>Ranges</u>
<u>Liquid and Short-term Endowment Funds</u>	
Cash, Cash Equivalent & Short Term Fixed Income	\$0 - \$4 million
<u>Investment Funds</u>	
Total Fixed Income	25.0% - 45.0%
Total Common Equity	55.0% - 75.0%
Other	0.0% - 10.0%

Investment advisors and the Committee will jointly determine and agree on written guidelines to govern management of Investment Funds. Those guidelines shall seek to assure further diversification and risk management within the above ranges.

## 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.

Staff shall prepare and review quarterly reports of endowment assets, compliance with guidelines and targets, performance, expenses and such matters as may be specified by the Investment Committee. Reports prepared by the Custodian and/or by an independent advisor 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: April 5, 2022