



**NANOG™**

## **INVESTMENT POLICY STATEMENT**

**v1 1/15/2021**

### **1. Purpose**

This Investment Policy Statement is intended to reflect the guidelines and philosophy, established by the NANOG Board of Directors, which is consistent with the approved NANOG Internal Financial Reserve Policy and will guide its investment advisors toward the performance of desired fund investments. Policies contained in this statement are intended to provide boundaries for ensuring that the investments are managed in a way that is consistent with the organization's short term and long term financial goals. The policies are at the same time intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the organization.

*This Investment Policy Statement is intended as a guideline rather than a rigid statement of policy from which there can be no deviation. However, it is anticipated that any important deviations, and the reasons therefore, will be brought to the immediate attention of the Executive Director, and on a timely basis, the Board of Directors.*

### **2. Investment Objectives**

The investment objective to support the [Financial Reserve Policy](#) is to provide sufficient capital to cover a minimum of three years of operating overhead, and all contractual obligations (hotels and paid sponsorships). The target is currently \$5,000,000, which will be reviewed annually by the NANOG Board of Directors.

The Financial Reserve capital asset targets are:

- a) Operating reserve daily liquidity (combined checking and savings accounts) should be one year's worth of operational overhead (currently \$1,200,000). Operational overhead includes: contracted services; salaries and benefits; liability insurances; software licensing; IT maintenance;

legal; audit and tax filings; supplies and equipment; investment, bank and credit card fees.

- b) Investment assets for future fiscal years and contractual obligations (currently \$3,800,000).

### **3. Policy on Distributions to Fund Projects**

The Board of Directors, via the Executive Director, shall communicate with the investment advisor on a timely basis the anticipated cash flow requirement for the Financial Reserve Assets. As part of the NANOG monthly financial reports, the investment reports to the NANOG Board shall be provided.

### **4. Return Objectives and Measurements**

Assets will be invested in a prudent manner consistent with the objectives stated in Section 2 above, "Investment Objectives". The investment goal is to preserve capital in the Operating Reserve while ensuring the Investment Assets provide sufficient capital for future fiscal years.

The annual total return performance of the Operating Reserve and Investment Assets will be measured using a dollar weighted or internal rate of return methodology. Performance will be measured against an appropriate weighting of standard industry indices that fall within the NANOG Board of Directors approved asset allocation investment guidelines (such as Barclays 1-3 year Government/Credit Index and Barclays Aggregate Bond Index). Individual managers will be measured against the appropriate index or composite index benchmark that most closely approximates their investment directive on a time weighted basis. Performance will be measured net of investment costs and advisory fees.

### **5. Risk Objectives and Measurements**

Assets will be diversified in a prudent manner to avoid excessive investment concentrations in order to protect the portfolio against unfavorable outcomes within an asset class. The Board of Directors will on an annual, or as needed basis, review the risk profile of the portfolio as measured by standard industry portfolio metrics. The investment metrics will be presented/measured versus the appropriate indices, and the Board of Directors, in concert with our investment firm, will take the

necessary action to ensure an appropriate risk level for the portfolio.

## 6. Investment Guidelines

**Asset Allocation** – Total Fund Assets will be invested within the following ranges:

<b>Asset Class</b>	<b>Policy Target</b>	<b>Allowable Range</b>
Cash/Cash Equivalent	20%	10% - 30%
Fixed Income	55%	45% - 65%
Public Equities	20%	10% - 30%

NANOG’s investment advisor may, in response to market conditions, make tactical shifts away from NANOG’s policy target, provided that the shift falls within the Allowable Ranges stated above. This shift will be referred to as the Tactical Allocation Target. Note that the Tactical Allocation Target could be equal to the Policy Target at any time.

The following subclasses of Equities and Fixed Income investments are permissible via either a mutual fund or exchange traded fund vehicle, provided they are consistent with the other requirements of this Policy. No individual equities or fixed income securities will be purchased.

Fixed Income:

- Cash equivalents
- Domestic bonds (including high-yield bonds)
- Foreign bonds

Public Equities

- U.S publicly traded securities
- Non – U.S. publicly traded securities

### **Rebalancing**

The purpose of rebalancing is to maintain the long-term policy asset allocation within the targeted ranges while contributing to controlling portfolio risk. The assets will be rebalanced within the stated ranges on a uniform basis to reduce portfolio expenses as far as practicable as defined in the Asset Allocation Table (target). The portfolio will be rebalanced as follows:

- 1) Incoming contributions or outgoing disbursements to/from the portfolio will be

- utilized to realign the weightings closer to the Tactical Allocation Target.
- 2) The investment advisor will review the portfolio monthly to determine deviations from the Tactical Allocation Target. During each review, the following parameters will be applied:
    - a) If either category (Equities or Fixed Income) is +/-2.5 percentage points from its Tactical Allocation Target, 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.
  - 3) The investment advisor may in its discretion rebalance the portfolio outside of the parameters described above at any time informing immediately the Executive Director of this decision, who would in turn inform the Board of Directors.
  - 4) The investment advisor may only permanently change the rebalancing parameters described above with the prior written approval of the Board of Directors.
  - 5) The investment advisor shall act within a reasonable period of time to evaluate deviations from these ranges.

## **7. Professional Money Management**

The Board of Directors may select professional investment managers to manage the Operating Reserve and Investment Assets, and it may engage professional investment consultants or advisors for the purpose of advising the Board of Directors.

Professional investment consultants or advisors selected must exercise prudent judgment within the guidelines of this Policy Statement. Professional investment consultants or advisors will be allowed to independently determine the investment strategy and tactical asset allocation of the funds under management, with an understanding of the goals and subject to the limitations outlined in this NANOG Investment Policy Statement.

## **8. Investment of Incremental Funds**

Additional funds that increase the portfolio's assets by any dollar amount are to be invested immediately in order to have the Investment and Operating Assets' allocation rebalanced and in alignment with the then-current Tactical Allocation Target.

## **9. Liquidity**

Sufficient liquidity shall be maintained to meet the distribution requirements set forth by NANOG Management and the NANOG Board of Directors. Minimum liquidity in the current market would be \$900,000 to sustain NANOG for one meeting.

## **10. Custodial Arrangements**

Operating Reserve and Investment Assets may be held by registered broker-dealers, banks or trust companies with established reputations as custodians and/or the Federal Reserve Bank.

## **11. Responsibilities of the Board of Directors**

The Board of Directors is responsible for the approval of asset allocation ranges for the funds and approval of this Investment Policy Statement and any future revisions.

The Board of Directors will supervise the investment of the Operating Reserve and Investment Assets, in accordance with this Policy, by the selection, monitoring and performance evaluation of professional investment consultants or advisors. Professional investment consultants or advisors will provide portfolio analysis consistent with the objectives outlined in this Investment Policy Statement, recommend investment vehicles, execute investment decisions and provide detailed performance analysis of the investment results to the Board of Directors. The Executive Director, or their designee, shall communicate with the investment consultant or advisor on a timely basis changes in asset allocation ranges or targets, anticipated cash flow requirements from the Operating Reserve and Investment Assets and revisions to the Investment Policy Statement or any other matters that may bear upon the fund's assets.

The Operating Reserve and Investment Assets must be invested in compliance with this Investment Policy Statement unless an exception is approved by a majority of the Board of Directors.

The Board of Directors shall review the overall portfolio performance of the Operating Reserve and Investment Assets and investment consultants or advisors, if any, at least annually.

The primary and constant standard for making investment decisions for the Grant Assets is the "Prudent Person Rule" which states that "the members of the governing board shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the institution" in compliance with [UPMIFA](#) guidelines of prudent management.

## **12. Reporting**

Each professional investment consultant or advisor will provide investment performance reports to NANOG on a quarterly basis and initiate other communications that the investment consultant or advisor feels are necessary to facilitate achievement of the Operating Reserve and Investment Asset's objectives and goal. We expect to have 3-4 quarterly updates annually, with one to be conducted in person or over the phone. Performance will be reported, at a minimum, in compliance with the methodology specified in section 4. Return Objectives and Measurements.

HISTORY OF REVIEW/REVISIONS				
Date	Version	Action	Description	Approved By
3/29/17		Adopted		Board of Directors
1/15/2021	v1	Revisions	Name change, clarification of Financial Reserve Policy,eliminate appendix A+B	Board of Directors