

National Society Sons of the American Revolution

Investment Policy Statement

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I. Mission and Purpose

Our Mission

Our mission is to educate the public about the American Revolution and foster patriotism. The National Society Sons of the American Revolution is the leading male lineage society that perpetuates the ideals of the war for independence. As a historical, educational, and patriotic, non-profit corporation organized under section 501(c)(3) of the Internal Revenue Code, we seek to maintain and expand the meaning of patriotism, respect for our national symbols, the value of American citizenship, and the unifying force of “*e pluribus unum*” that was created from the people of many nations – one nation and one people.

Statement of Purpose

The National Society of the Sons of the American Revolution (the “NSSAR” and the “Society”) has received donor restricted, donor temporary restricted, and unrestricted donations to be used for the expressed purposes of the Society. These investible assets are hereafter referred to as the Fund”. The purpose of this Investment Policy Statement (together with its Appendix, the “Statement”) is to establish asset allocation guidelines for the Fund’s investment portfolio (the “Portfolio”). The Statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio’s investment program and for evaluating the investment managers’ performance as measured by generally accepted benchmark indexes.

II. Roles and Responsibilities

Roles and Responsibilities of the Board of Trustees

The NSSAR Board of Trustees, the members of which are fiduciaries of the Society, establishes the guidelines for managing the investment portfolio. The Board of Trustees delegates authority to the Investment Committee to prepare the Investment Policy Statement, review the Investment Policy Statement periodically, and recommend to the NSSAR Executive Committee changes in the Investment Policy when warranted; to implement the management process and to monitor the Fund in accordance with this Statement. The Board of Trustees approves the Investment Policy Statement.

Roles and Responsibilities of the Executive Committee

Members of the NSSAR Executive Committee should be involved with the creation of the Investment Policy Statement and possess the knowledge and experience to make informed investment decisions. The NSSAR Executive Committee will recommend to the NSSAR Board of Trustees changes in the Investment Policy when warranted. The Executive Committee may delegate to an external agent or agents the management and investment of the Fund.

Roles and Responsibilities of the Investment Committee

The Investment Committee is accountable to the Board of Trustees and to the Executive Committee for overseeing the investment of all assets owned by, or held in trust for, the Portfolio. The Investment Committee is responsible for formulating the Investment Policy Statement and for establishing investment guidelines in furtherance of that statement.

- A. *Objectives.* This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Investment Committee and any other parties to whom the Investment Committee has delegated investment management responsibility for Portfolio assets.
- B. *Risk.* The Investment Committee, through direct access to and complete and open communications with the Executive Committee and the NSSAR Board of Trustees, will confirm that the investment policies for the Fund contained herein have been formulated consistent the Society's anticipated financial needs and in consideration of the Society's tolerance for assuming investment and financial risk.
- C. *Goals.* Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Society. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Society.
- D. *Policy Review.* The Investment Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Investment Committee. The Investment Committee will present recommendations for changes in the Investment Policy Statement to the Executive Committee. Written confirmation of the changes approved by the Executive Committee will be provided to all Investment Committee members, to the Board of Trustees, to vendors hired on behalf of the Portfolio, and to other NSSAR committees upon request as soon thereafter as is practical.
- E. *Investment Managers.* In fulfilling its responsibilities under this Statement, the Investment Committee shall recommend to the Executive Committee the hiring and dismissal of investment managers, fiscal agents and other advisors.

Roles and Responsibilities of the NSSAR Staff

The NSSAR Director of Finance acts as the liaison between the Investment Committee and the Investment Advisor, Investment Managers and Custodian Bank. Reports on the Fund shall be provided monthly to the Investment Committee. The Director of Finance will provide the Custodian Bank with the properly authorized directive for the transfer of Fund assets into and out of specified accounts. When the transfer of Fund assets will cause the weightings of the Portfolio to exceed the target range weightings for the Portfolio, the Director of Finance will inform the Investment Committee.

Roles and Responsibilities of the Investment Advisor

- A. *Recommendations for Changes.* Make recommendations, when deemed necessary, as to changes in the investment objectives, guidelines, or standards, based upon material and sustained changes in the capital markets, or changes in the goals of the Fund.
- B. *Asset Allocation.* Make recommendations, with supporting materials, as to the appropriate portfolio weightings among the Fund's various major asset classes, e.g. stocks, bonds, alternative investment strategies, and cash. This recommendation will include a plan for periodic rebalancing of asset weightings as capital market movements cause the actual weightings to diverge from the target weightings.
- C. *Selection of Investment Vehicles or Managers.* Assist the Investment Committee by identifying and screening candidates for appropriate portfolio and Fund characteristics. This includes due diligence checks, quantitative measurement of expected risk/return relationship among various alternatives, participation in the interview process and serving as an overall information gathering conduit for the Investment Committee (including drafting and summarization of request for proposals).
- D. *Monitor Investment Performance.* A detailed evaluation of the Fund's performance and component parts will be conducted quarterly. A written report will be provided to the Investment Committee within 4-6 weeks following the close of the quarter. The written report will cover three basic areas:
- Returns - Total time-weighted returns over various time periods
 - Comparisons – Returns compared to appropriate benchmark indices and U. S. college and university endowments and affiliated foundations with assets under 25 million per the annual NACUBO-Commonfund Study of Endowments.
 - Diagnostics – Identification of issues or concerns with any manager(s) in the portfolio and a recommended plan of action, as necessary.
- E. *Participate in Meetings.* At the request of the Investment Committee, the investment advisor will provide quarterly reports, organize and participate in meetings, the agenda to include:
- A review and re-appraisal of the investment program.
 - A commentary on investment results in light of the appropriate standards of performance.
 - A discussion of any appropriate key policy issues facing the Board of Trustees.
 - Offering proactive recommendations to enhance the investment program.
 - Any other matters as deemed appropriate by the Board of Trustees.

Roles and Responsibilities of the Investment Managers

The investment managers, in recognition of their role as fiduciaries of the Fund, must assume the following responsibilities as they pertain to:

A. *Investment Program.*

- Acknowledge in writing acceptance of the objectives, guidelines, and standards of performance as defined in this investment policy statement, and invest assets in accordance with those objectives, guidelines and standards.
- Exercise full discretionary authority as to all buy, hold, and sell decisions for each security under management, subject to the guidelines as defined in this investment policy statement.
- Make recommendations, when deemed necessary, as to changes in the objectives, guidelines, or standards, based upon material and sustained changes in the Fund's situation or the capital markets.
- Respond timely to all requests in regard to cash additions, withdrawals, and any other matter.

B. *Reporting.*

- Provide a monthly reconciliation statement detailing differences between custodian and manager assets held, if requested.
- Provide requested portfolio data to the investment consultant on a timely basis.
- For commingled assets, the statement will show unit position and unit value.

C. *Review Meetings.* At the request of the Investment Committee or Executive Committee each investment manager may be asked to participate in a review meeting, the agenda to include:

- A review and re-appraisal of the investment program.
- A commentary on investment results in light of the appropriate standards of performance.
- A synopsis of the key investment decisions made by the manager, its underlying rationale, and how those decisions could affect future results.
- A discussion of the manager's outlook, what specific investment decisions this outlook may trigger and how these decisions could affect future results.

D. *Communication.* The investment managers are responsible for frequent and open communication with the Investment Committee and the Executive Committee on all material matters pertaining to investment policies and the management of the investment portfolio. In particular, the investment managers will:

- Provide notice immediately, and in writing, of any material changes in their investment outlook, strategy, and portfolio structure.
- Notify the Investment Committee and Executive Committee immediately, and in writing, of material changes in an investment manager's firm ownership, financial condition, senior staffing and management.

E. *Proxy Materials.* The decision of an investment manager in voting a proxy shall be made in its sole discretion. A summary of the investment managers' process and philosophy of

voting proxies shall be provided to the Investment Committee with the annual summary and explanation of actual votes upon request.

- F. *Notification of Investment Committee.* The Manager must notify the Investment Advisor and Investment Committee, in writing within 24 hours if the portfolio does not comply in any way with the guidelines and restrictions set forth above in the Investment Policy Statement of the NSSAR. As part of the notification, the Manager must indicate to the Advisor and Investment Committee whether or not it would be advisable to hold the security in question for a period of time. If approved, the Manager must provide an estimate of the period of time they anticipate holding the security and must regularly update the Advisor and Committee on its status.

The policy is intended to provide the Manager some flexibility in managing the portfolio in the event some expected change occurs in a security held in the portfolio. However, this does not allow the Manager to purchase any security that, at the time of purchase, falls outside of the restrictions set forth in the Investment Policy Statement.

Roles and Responsibilities of the Custodian Bank

The custodian bank, in recognition of its role as a fiduciary of the Fund, must assume the following responsibilities as they pertain to:

- A. *Safekeeping of Securities.* Hold all Fund deposits in the appropriate accounts, and when applicable, provide highly secure storage of stock certificates and bonds, such that there is essentially no risk of loss due to theft, fire, or accident.
- B. *Settlement of Trades.* Arrange for timely and business-like settlement of all purchases and sales made for the Fund, in coordination with the Administrator. Transactions shall be on a delivery versus payment basis.
- C. *Collection of Income.*
- Provide receipt and prompt crediting of all dividend and interest payments received as a result of the Fund's portfolio holdings. Monitor income receipts to ensure that income is received when due and institute investigative processes to track and correct late or insufficient payments, including reimbursement for any interest lost due to tardiness or shortfall. Account for accrued interest on bonds purchased, sold or held in the portfolios.
 - Respond in a timely manner to requests in regard to cash additions, withdrawals, cash transfers and any other matter communicated by the NSSAR Executive Director and another signatory authorized by the SAR Foundation Bylaws.
- D. *Cash Sweep.* Sweep excess cash daily into interest bearing accounts featuring a high degree of safety of principal and liquidity.

E. *Reporting.*

- Provide monthly reports by the seventh working day of the following month showing individual asset holdings with sufficient descriptive detail to include units, unit price, cost, market value, CUSIP number (where available), and any other information requested.
- Principal cash transactions, including dividends and interest received, deposits and withdrawals, securities purchased, sold, and matured, accrued interest and fee payments will also be listed.

F. *Transfer.* At the direction of any two signatories, other than the NSSAR executive director, authorized by the NSSAR or SAR Foundation Bylaws, expeditiously transfer Fund assets into and out of specified accounts.

G. *Proxy Materials.* Promptly forward all proxy materials received to the Investment Managers for voting.

III. Investment Objectives

The Fund has a long-term investment horizon not to exceed 10 years. The primary investment objectives of the Fund are:

Target Rate of Return

The Portfolio is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Society. The Fund's target rate of return is to earn 5% plus 1% for administrative costs, plus inflation (i.e., a 6% real rate of return) over the long-term in order to cover expenditures and to maintain the real value of the corpus. Ideally, investment returns will exceed this target and the Fund's real market value will grow.

Liquidity

Provide a stable source of liquidity and financial support for the mission of the Society.

Risk

While acknowledging the importance of preserving capital, the Board of Trustees also recognizes the necessity of accepting risk if the Fund is to be able to meet its long-term investment goals. It is the view of the Board of Trustees that choices made with respect to asset allocation will be the major determinants of investment performance. The Investment Committee shall seek to ensure that the risks taken are appropriate and commensurate with the Society's goals.

IV. Portfolio Investment Policies

Operating Guidelines

The Fund shall be managed in accordance with the Operating Guidelines described in Section IV Portfolio Investment Policies and set forth in Appendix A Operating Guidelines. Once the Operating Guidelines have been approved by the Board of Trustees, the Investment Committee shall have the authority to manage the Fund within the Operating Guidelines without further authorization from the Board. The Operating Guidelines contain the Fund's target asset allocation and range for each asset class or investment strategy, together with the applicable guidelines and restrictions. Taken together, these constitute a framework to assist the Society and its investment managers in achieving the Fund's investment objectives at a level of risk consistent with the parameters set forth in this Statement.

Asset Allocation Policy

- A. *Returns and Value Stability.* The Investment Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset and subasset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
- B. *Returns and Return Volatility.* The Investment Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Investment Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
- C. *Role of Equity and Fixed Income Portions.* Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.
- D. *Role of Cash.* Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.
- E. *Strategic Asset Allocation.* Outlined in Appendix A Operating Guidelines are the long-term strategic asset allocation guidelines, determined by the Investment Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints.

- F. *Illiquid Investments.* Because of their long-term nature, investments in and commitments to illiquid investment strategies, including but not limited to private capital, private equity real estate, natural resources, distressed debt and other similar private investments, shall be analyzed and discussed by the Investment Committee separately.
- G. *Targets and Ranges.* The asset allocation shall be implemented using a policy portfolio as set forth in Appendix A, with target allocations and ranges for each investment strategy. Due to the need for diversification and the longer funding periods for certain investment strategies, the Investment Committee recognizes that an extended period of time may be required to fully implement the asset allocation plan. It is expected that market fluctuations will cause deviations from the target allocations to occur.
- H. *Risk/Return Optimization.* On a yearly basis an optimization process should be run on the long-term strategic asset allocation weights to ensure the portfolio is positioned to minimize the risk needed to meet the objectives of the organization. Among others, the following key metrics should be examined: Standard Deviations of returns on all asset categories, the Correlation among asset categories, and the Capital Market Assumptions for the next market cycle. The goal of the optimization process is to recognize the risks in the portfolio and build the most efficient asset allocation while considering current market/investment conditions.

Diversification Policy

Diversification across and within asset classes is the primary means by which the Investment Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Investment Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

- A. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
- B. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.
- C. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

Rebalancing

The purpose of rebalancing is to maintain the Fund's policy asset allocation within the targeted ranges, thereby ensuring that the Fund does not incur additional risks as a result of having deviated from the policy portfolio. The investment manager, in consultation with the NSSAR

Director of Finance and the Investment Committee, will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio. Rebalancing will take place on a portfolio basis to reduce expenses as far as practicable. More frequent tactical rebalancing of asset classes within their ranges will also be permitted in order to take advantage of shorter-term conditions, as long as such changes or reallocations do not, in the opinion of the Investment Committee, cause undue risk or expense to the Fund. The investment manager will review the Portfolio at least semiannually in preparation for the spring and fall Board of Trustees meetings to determine the deviation from target weightings. The investment manager shall act within a reasonable period of time to evaluate deviation from these targeted ranges.

Spending Policy

- A. *Policy Spending Rate.* The policy spending rate for the Fund shall be 4 percent. The rate will be determined each year after considering the Standard of Conduct factors identified in Section D below. The Society will seek to sustain the purchasing power of the previous year's spending by adjusting for the inflation rate within a band of plus or minus 2 percent such that the spending rate will be between 2 percent to 6 percent.
- B. *Spending Formula.* The amount available for appropriation during each fiscal year shall be calculated by applying the policy spending rate to the average of the previous three years' beginning-period endowment values.
- C. *Special appropriations and decisions not to spend.* Any special appropriation or decision not to spend the amount indicated by the spending formula must be approved in advance by the Board of Trustees.
- D. *Standard of Conduct.* Subject to the expressed intent of a donor in a gift instrument, the Society may appropriate for expenditure or accumulate so much of the Fund as the Board of Trustees determines to be prudent for the uses, benefits, purposes and duration for which each of the separate endowments in the Fund is established. In making a determination to appropriate or accumulate, the Society shall act in good faith, with the care of an ordinary prudent person in a like position would exercise under similar circumstances and shall consider, if relevant, the following factors:
 - The duration and preservation of the Fund;
 - The purposes of the Society and the Fund;
 - General economic conditions;
 - The possible effect of inflation or deflation;
 - The expected total return from income and the appreciation of investments;
 - Other resources of the Society; and
 - The Society's investment policy.
- E. *Source of Funds for Distribution.* For the purpose of making distributions, the Fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income and net capital gains both realized and unrealized.

- F. *Distribution of Assets.* The distribution of Fund net assets will be permitted to the extent that such distributions do not exceed a level that would erode the Fund's inflation adjusted or real assets over time. The Investment Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and Portfolio asset values into the current spending decisions. The Investment Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Fund's spending policy, its target asset allocation, or both.
- G. *Cash Flows.* Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy provided herein.

Investment Strategies

- A. *Equity Securities.* The purpose of equity investments, both domestic and international, in the Fund is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depositary Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ, and have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to manager discretion, subject to the standards of fiduciary prudence. However, investments in securities of issuers representing a single major industry (as determined by the Investment Committee) shall not at time of investment exceed 10 percent of the Fund's total market value, and investments in securities of any one issuer shall not at time of investment exceed 5 percent of the Fund's total market value, unless approved by the Investment Committee.

Within the above guidelines and restrictions, the Fund's investment managers shall have complete discretion over the selection, purchase and sale of equity securities.

- B. *Fixed Income Securities.* Domestic and international fixed income investments are intended to provide diversification and a dependable source of current income. Fixed income investments should reduce the overall volatility of the Fund's assets and provide a deflation or inflation hedge, where appropriate.

The fixed income asset class includes the fixed income markets of the U.S. and the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, non-U.S. dollar denominated securities, public and private

corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Also included are money market instruments such as commercial papers certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. The investment managers shall take into account credit quality, sector, duration, and issuer concentrations in selecting an appropriate mix of fixed income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Within the above guidelines and restrictions, the Fund's investment managers shall have complete discretion over the selection, purchase and sale of fixed income securities.

- C. *Cash and Equivalents.* The Fund's investment managers may invest in the highest quality commercial paper, repurchase agreements, U.S. Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. Investments in the obligations of a single issuer shall not at time of investment exceed 5 percent of the Fund's total market value, with the exception of the U.S. Government and its agencies.

Since the Investment Committee does not consider short-term cash equivalent securities to be appropriate investment vehicles for long-term portfolios, uninvested cash reserves shall be kept to a minimum except where needed to comply with the Fund's liquidity parameters. However, such vehicles are considered appropriate (i) as a depository for income distributions from longer-term investments, (ii) as needed for temporary placement of funds directed for future investment to longer-term investment strategies and (iii) for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the investment managers shall have complete discretion over the selection, purchase and sale of cash equivalent securities.

- D. *Alternatives.* The following alternative strategies shall be permitted investments for the Fund, subject to the respective guidelines set forth in each section. Investments in alternative strategies shall not at time of investment exceed 20 percent of the Fund's total market value, unless approved by the Committee.
- Absolute Return - Investments may include equity-oriented or market-neutral hedge funds (i.e. directional hedge fund strategies include long/short equity hedge funds and global macroeconomic event driven hedge funds, convertible arbitrage, and fixed income strategies), which can be both domestic and international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.
 - Energy & Natural Resources – Investments may include oil, gas, and timber investments, typically held in the form of professionally managed pooled limited partnerships, as well as commodity-based investments. All such investments must be made through funds offered by professional investment managers.

Investment Restrictions

Unless expressly authorized by the Investment Committee, the Portfolio and its investment managers are expressly prohibited from:

- A. Purchasing securities on margin or executing short sales.
- B. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- C. Purchasing or selling derivative securities for speculation or leverage.
- D. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of the Portfolio.
- E. Engaging in alternative investment strategy Private Capital where investment allocations may include venture capital, private equity and international private capital investments, typically held in the form of professionally managed pooled limited partnerships.
- F. Engaging in alternative investment strategy Private Equity Real Estate where investments may include equity real estate, held in the form of professionally managed, income producing commercial and residential property.
- G. Engaging in alternative investment strategy Distressed Debt where investments may include the debt securities of companies undergoing bankruptcy or reorganization.

V. Monitoring Portfolio Investments and Performance

The Investment Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Investment Committee, it will formally assess the Portfolio and the performance of its underlying investments as follows:

Investment Performance Standards

The Portfolio's composite investment performance (net of fees) will be judged against the following standards:

- The Portfolio's absolute long-term real return objective.
- The respective benchmarks for each asset class or strategy in which the Fund is invested, as set forth in the asset allocation table in Appendix A Operating Guidelines.

Investment Managers' Performance Standards

The performance of professional investment managers hired on behalf of the Portfolio will be judged against agreed upon objectives between the NSSAR and the investment managers.

Performance Time Horizon

In keeping with the Portfolio's overall long-term financial objective, the Investment Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

Reporting Frequency

Investment reports shall be provided by the investment manager(s) on a monthly basis or as more frequently requested by the Investment Committee. Each investment manager is expected to be available to meet with the Investment Committee at the spring and fall Board of Trustees meetings to review portfolio structure, strategy, and investment performance.

Appendix A: Operating Guidelines

Target Asset Allocation

Objective: 60% equity and 40% fixed income risk/return profile seeking long-term total return by utilizing a broadly diversified portfolio of individual securities, mutual funds, exchange traded funds and limited partnerships. Markets and parameters are detailed as follows:

Strategies	Minimum	Target	Maximum	Benchmark
Equity Strategies	35%	59%	89%	MSCI World Index (1)
Large Company Domestic	5%	15%	25%	S&P 500
Mid/Small Cap Domestic	0%	8%	18%	Russell 2500
International Developed	0%	7%	17%	MSCI EAFE
International Emerging	0%	8%	18%	MSCI EEM
Real Estate Domestic/International	0%	4%	10%	S&P US REIT (1)
Absolute Return	7%	17%	27%	CPI + 3% (1)
Energy and Natural Resources	0%	0%	0%	CPI + 3% (1)
Fixed Income Strategies	31%	41%	61%	BC Int. Govt/Credit (1)
Cash as Money Market	0%	0%	10%	BofAML 91 Day T Bill (1)
Domestic	8%	18%	28%	BC Int Govt/Credit
International	0%	9%	19%	BC Global Agg
High Yield	4%	14%	24%	BC High Yield
Inflation-Indexed (TIPS)	0%	0%	0%	BC US TIPS

(1)Performance Objective: Exceed strategic blend of benchmarks over 5-year rolling periods with volatility of returns less than or equal to 105% of strategic benchmark (strategic benchmark components noted with “1” in table above).

Benchmarks:

BC Int. Govt/Credit: Barclays Capital U.S. Intermediate Government/Credit Bond Index

BC Global Agg: Barclays Capital Global Aggregate Bond Index

BC High Yield: Barclays Capital High Yield Very Liquid Index

BC US TIPS: Barclays Capital U.S. Treasury Inflation-Protected Securities Index

BofAML 91 Day T Bill: Bank of America Merrill Lynch 91- Day U.S. Treasury Bill Index

CPI: Consumer Price Index

MSCI EAFE: Morgan Stanley Capital International Europe, Australasia and the Far East Index

MSCI EEM: MSCI Emerging Markets Index (over 2700 securities in 21 emerging market countries)

MSCI World Index: (large and mid-cap securities across 24 developed market countries)

Russell 2500: Russell 2500 Index (2500 small to mid-size securities by market capitalization)

S&P 500: Standard and Poor’s 500 Index (500 large market capitalization securities)

S&P US REIT: Standard and Poor’s U.S. Real Estate Investment Trust Index