



Clan Henderson Society

Investment Policy

Introduction

This statement of investment policy was approved by the Board of Directors of Clan Henderson Society (CHS) on October 26, 2024 and accepted at the Annual General Meeting on November 2, 2024, to provide for the creation of and guidelines for the management of various funds held by CHS.

- CHS Operating Fund
- CHS Sort-Term Operating Reserve Fund
- Restricted Funds
 - CHS Genealogy Fund
 - CHS Scholarship Program Endowment Fund

Procedures

1. The following procedures will be followed to ensure the investment policy statement is consistent with the mission of Clan Henderson Society and accurately reflects current financial conditions:
 - a. The CHS Executive Committee shall review this investment policy at least annually.
 - b. The CHS Executive Committee may recommend any changes in this policy to the CHS Board of Directors.
2. The following procedures will be used to determine the dollar amounts to be placed in each of the various funds.
 - a. The CHS Treasurer and the CHS VP for Operations will recommend the dollar amounts to be held in the Operating Fund. Early each year, after the new budget has been prepared and approved, the CHS Treasurer and the CHS VP for Operations ensure that the Operating Fund contains approximately 75% of the

year's budgeted expenses. Funds in excess of 75% of the year's budgeted expenses may be moved to the CHS Short-Term Operating Reserve Fund.

- b. The Executive Committee will recommend the dollar amounts to be held in the Restricted Funds including the CHS Genealogy Fund and the CHS Scholarship Program Endowment Fund.

Delegation of Authority

The Finance Committee is a fiduciary and is responsible for directing and monitoring the investment management of the various fund assets on behalf of Clan Henderson Society. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include but are not limited to investment management consultants, investment manager custodians and additional specialists.

The Executive Committee will approve members appointed to the Finance Committee. Appointments to the Finance Committee will be for a two-year term. There is no limit to the number of terms that an individual can serve.

Operating Fund

Purpose

The purpose of the Operating Fund is to provide sufficient cash to meet the day-to-day financial obligations of Clan Henderson Society in a timely manner.

Investment Objectives

- Preservation of capital
- Liquidity

Investment Guidelines

The CHS Treasurer and the CHS VP for Operations are allowed to invest the CHS Operating Fund as follows:

- Checking account
- Interest bearing savings account.

Reporting

The Treasurer shall prepare the following reports for presentation on at least a annual basis to the Executive Committee:

1. Schedule of investments
2. Interest income year to date

CHS Short-Term Operating Reserve Fund

Purpose

The purpose of the CHS Short-Term Operating Reserve Fund is to meet the expenses occurring because of unanticipated activities and to improve the return on the funds held for expenditure.

Investment Objectives

- Preservation of capital
- Liquidity

Investment Guidelines

The Finance Committee is authorized by the Executive Committee to invest the CHS Short-Term Operating Reserve Fund as follows:

1. Interest bearing savings account
2. Certificates of deposit at federally insured commercial banking institutions
3. Money market funds that invest in government backed securities
4. Reputable Mutual funds managed for growth
5. Reputable Mutual funds containing high quality bonds

Reporting

The Chairman of the Finance Committee shall prepare the following reports for presentation on at least semi-annually to the Executive Committee and annually to the Board of directors.

1. Schedule of Investments which includes schedule of performance since purchase or for the last 5 years.
2. Interest income year to date.
3. Current yield.

CHS Genealogy Fund

Purpose

The purpose of the CHS Genealogy Fund is to meet the expenses occurring because of genealogical research as directed by the CHS VP for Genealogy/DNA.

Investment Objectives

The investment objectives of the CHS Genealogy Fund are:

- Preservation of capital
- Liquidity

- Optimize the investment return with the goal of achieving returns consistent or in excess of the rate of inflation.

Investment Guidelines

The Finance Committee is authorized by the Executive Committee to invest the CHS Genealogy Fund as follows:

1. Interest bearing savings account
2. Certificates of Deposit at insured commercial banking institutions
3. Money market funds that invest in government backed securities
4. Reputable Mutual funds managed for growth
5. Reputable Mutual funds containing high quality bonds

Specific investment Goals

Over the investment time horizon established it is the goal of the CHS Genealogy Fund to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index.

Diversification

Investment management of the assets of the CHS Genealogy Fund shall be in accordance with the following asset allocation guidelines

Asset Class	Minimum	Maximum
Equities	30%	70%
Fixed Income	30%	70%
Cash equivalents	0	20%

The Finance Committee will meet annually to monitor and reevaluate investment allocation in the CHS Genealogy Fund.

CHS Scholarship Program Endowment Fund

Purpose

The purpose of the CHS Scholarship Program Endowment Fund is to provide permanent funding for the Clan Henderson Society Scholarship Program. The assets of the Endowment Fund shall be managed in such a way as to meet the objectives of the CHS Board of Directors and CHS Executive Committee. The fund principal is permanent and irrevocable; thus it can never be spent. At the recommendation by the CHS Executive Committee and the discretion of the CHS Board of Directors up to 100% of the yearly total return may be utilized to support the CHS Scholarship Program.

Investment Objectives

In order to meet its needs, the investment strategy of the Endowment Fund is to emphasize total return, that is the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management of the Endowment Fund shall be:

- Long-term growth of capital – To emphasize the Long – term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, through management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power. Risk control is an important element in the investment of Endowment assets.

Investment Guidelines

1. Investments shall be made solely in the interest of Clan Henderson Society and support of the CHS Scholarship Program.
2. The assets shall be invested with care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund.
3. Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. Clan Henderson Society may employ one or more investment managers of varying styles and philosophies to attain the funds objectives.
5. Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return.

Specific investment Goals

Over the investment time horizon established it is the goal for the Endowment Fund assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index.

The goal of the investment manager shall be to meet or exceed the market index selected and agreed upon by the Finance Committee.

Diversification

Investment management of the assets of the Endowment Fund shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum
Equities	30%	70%

Fixed Income	30%	70%
Cash Equivalents	0%	20%

(Investment guideline 5 above is in conflict with the last item in this table.)

The Finance Committee shall meet semi-annually to monitor and reevaluate investment allocation in reference to the Endowment Fund Asset Classes.

Allowable assets

The Endowment Fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Endowment Fund, with minimal impact on market price. (Consider reversing the order of 1-4 below in light of the table order above.)

1. Equity Securities
 - a. Common stocks
 - b. Convertible notes and bonds
 - c. Convertible preferred stocks
 - d. American Depository Receipts of non-US Companies (ADRs)
2. Fixed Income Securities
 - a. US Government and Agency securities
 - b. Corporate notes and bonds (investment grade, at least BBB)
 - c. Mortgage-backed bonds
 - d. Preferred stock
3. Cash Equivalents
 - a. Treasury bills
 - b. Money market funds
 - c. Commercial paper
4. Certificates of deposit Mutual Funds that invest in securities as allowed in this statement. (This investment is not listed in the table above.)

To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

Minimum Endowment Fund balance

The CHS Scholarship Program Endowment Fund should have a minimum balance of \$250,000 before yearly returns can be used to support CHS Scholarships. If the balance is less than \$125,000, yearly returns should be reinvested.

If the CHS Scholarship Endowment Fund is >\$125,000 and <\$250,000 a maximum of 3% of the principal can be used to fund CHS Scholarships but not to exceed that year's annual return.

If the CHS Scholarship Endowment Fund is >\$250,000 and <\$400,000, a maximum of 3.5% of the balance can be used to fund CHS scholarships but not to exceed that year's annual return.

If the CHS Scholarship Program Endowment Fund has a balance >\$400,000, all annual returns can be used to fund CHS Scholarships.

In all cases, if in any given year, the annual return is not used to fund CHS Scholarships the unused portion will be reinvested and will become part of the principal.

Performance Reporting

The Endowment Fund will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year to date. The report will be prepared by the Finance Committee with the assistance of the CHS Treasurer. The Finance Committee will present a report to the Board of Directors at least annually.

Authority to Transfer Restricted Funds

The CHS Board of Directors is authorized to transfer any and all restricted funds to a foundation or other entity established to invest, manage, maintain and distribute those funds in support of the purposes of the Clan Henderson Society. Any such transferred funds may be comingled with other funds and they shall retain their restricted status and purpose.