NATIONAL ASSEMBLY of STATE ARTS AGENCIES

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National Assembly of State Arts Agencies
Investment Policy Statement

1) This policy refers to the NASAA Board-Designated Operating Reserve fund (the Fund).
2) The purpose of the Fund is to provide an internal source of funds for unanticipated needs of the agency; for capital expenditures; for one-time projects; or other uses as designate by the Board of Directors of NASAA (Board).
3) The Chief Executive Officer (CEO), in conjunction with the Executive Committee of the Board, is responsible for the investment decision-making for the Fund. The CEO may employ one or more investment managers to manage the Fund in a discretionary manner. The CEO ultimately gives direction to any managers or investment professionals on behalf of the Board.
4) The CEO may seek outside advice in the selection of investment managers. Guidelines for the selection of one or more managers may be agreed upon at the time the selection process ensues.
5) Any investment managers shall be responsible for:
   a) Investing the Fund in accordance with the guidelines and restrictions described herein;
   b) Periodically reporting the performance results for the Fund, along with comparisons to appropriate indices;
   c) Providing no less than quarterly an appraisal of the Fund's holdings;
   d) Investing the funds prudently and acting in a fiduciary capacity;
   e) Meeting no less than annually with the CEO to review the Fund's investments and results.
6) The investment objective of the Fund is to maintain its "real" value over any three- to five-year rolling period. "Real" is defined as a return greater than inflation, investment management fees and reasonable expectations for withdrawal potential (generally in the 4% - 5% range) based on the prior rolling twelve quarters' average value.
   a) Results of the portfolio will be measured against appropriate, agreed-upon indices. The Fund's assets classes should meet or exceed those indices' results over a market cycle.
   b) Risk shall be defined as variability in valuations relative to the agreed-upon indices. Avoidance of the permanent loss of principal will be considered the primary goal.
7) Investment Guideline and Restrictions:
   a) Asset allocation: allocations will be met by the manager(s) in accordance with the outline below. Should there be multiple managers, either the CEO or the CEO's designee shall be responsible for tracking the asset allocation for the overall Fund.
   b) Manager guidelines: the manager(s) are expected to have broad discretionary authority to operate within the guidelines below. It will be agreed upon at the time of contracting a manager as to whether or not discretionary authority is designated to each manager.
   c) Investor constraints: No positions greater than 5% of the Fund's value shall be held with the exception of US Government guaranteed securities or money market funds.
   d) Asset allocation:
      i) Cash 0 – 20%
      ii) Fixed Income Investments 80 – 100%

[Approved by NASAA Board May 8, 2025]