

Aspen Santa Fe Ballet Endowment, Inc.
Finance Committee
Endowment Fund
Rules and Procedures

Purpose:

Administer and Execute the Investment Policy Statement (IPS) of the Aspen Santa Fe Ballet Endowment, Inc. (ASFBE).

Responsibilities:

There are fourteen (14) identified responsibilities in the IPS.

1. Review and understand all investments to ensure that a total loss in any one will not materially damage the long-term viability of the Endowment Fund (EF).
2. Select one or more Investment Advisors.
3. Verify the fees charged on the accounts are competitive and appropriate.
4. Verify the investments are liquid.
5. Verify there is adequate diversification in the EF.
6. Verify that none of the investments use leverage.
7. Monitor the overall risk profile in the EF.
8. Report quarterly to the ASFBE board on the performance of the EF.
9. Alert the ASFBE board at its next regular scheduled meeting whenever there has been a material loss [any loss greater than or equal to twenty percent ($\geq 20\%$) from the total value at the end of the previous fiscal year end].
10. If a material loss occurs, review the investment strategy with the Investment Advisor to confirm it is appropriate and consider any options/alternatives that might be used to recoup the loss.
11. Calculate and recommend to the ASFBE board the annual distribution from the EF.
12. Ensure that an amount equal to the maximum allowable annual 6% cash distribution is available for possible distribution on September 1st of each year.
13. Review the performance of the Investment Manager annually to ensure that the EF returns are competitive and consistent with the risk tolerance and time horizons identified in the IPS.
14. Review the IPS on a three-year cycle to ensure it meets the needs and investment objectives of the ASFBE.

In addition, the Finance Committee has the responsibility to establish any procedures necessary to administer the fiduciary responsibilities of the ASFBE Board associated with the EF.

Administration:

The Chair of the Finance Committee is the only member authorized to communicate with and give instructions to the Investment Advisor. In the event the Chair is unable or it is impractical to expect normal communication between the committee and the Chair, the ASFBE Treasurer may assume this responsibility after consultation with the ASFBE President.

The Finance Committee will meet at least quarterly to review the performance of the various investment accounts. These meetings will be held in conjunction with the four regularly scheduled ASFBE board meetings.

Decisions will be made by a simple majority of voting members of the committee.

The committee will select one or more Investment Advisors to manage the EF.

All members of the committee have equal access to the investment records held at the ASFBE.

Performance will be measured based on the net total return of the EF.

Investment Strategy EF:

The EF is intended as a long-term growth asset fund. The ASFBE has stated it is willing to accept relatively high volatility commensurate with the potential for a better than average total return. The fund however has an annual distribution requirement of 1% to 6% based on a moving average of the twelve (12) most recent fiscal quarters ending values. To ensure this amount is available for possible distribution on September 1st of each succeeding year, the committee will calculate what the maximum (6%) distribution might have been at the end of every fiscal year. This amount will then be held in short term (12 months or less) investments for possible distribution the following fiscal year end. This amount may also be funded by the accumulation of regular dividends and interest income from the fund's investments. Whichever method is used (or a combination of the two), this calculation will be separate from the committee's responsibility to identify and recommend to the board an actual amount for distribution at the end of each fiscal year.

All remaining funds may be invested for long-term growth. This committee understands long-term growth to mean that the investment horizon is from five (5) to ten (10) years. During that time, the committee must have easy access to reliable independent (3rd party) market valuations. The committee must also plan for its annual cash distributions and therefore should consider cash flow from its investments and their ease of liquidation.

The investment portfolio should be diversified. The committee has interpreted this to mean that funds should not be concentrated in one asset category, sector or investment vehicle. Because the EF is intended for long-term growth and the board has accepted the potential for relatively high volatility in its total value, the committee will consider exceptions on a short-term basis.

All investments must be sufficiently transparent in their administration to allow the committee to verify that leverage is not used and each offers an appropriate level of liquidity needed to meet the requirements in the IPS.

Both Investment Grade and High Yield (low quality) fixed income investments are appropriate for the EF.

Both domestic and non-US domiciled publicly traded companies may be used in the EF.

The EF should not be directly exposed to non-US dollar currency fluctuations in the form of sovereign debt. The committee is aware of and will allow exposure to individual company earnings being derived from non-US dollar denominated currencies.

Other investment vehicles may include, but are not limited to, Exchange Traded Funds (ETF), mutual funds and limited partnerships.

The combined investments in the portfolio must be such as to allow the committee to assess, that in its judgment, the overall risk profile is moderate to aggressive growth.

Investment Manager

The committee will use an investment manager to make all direct investments in the EF.

It is anticipated that the investment manager will be granted full discretionary authority to make all investment selections.


Manager selection will be based on experience, reliability and responsiveness to the committee's needs. The committee is aware of the depth of management responsibility it is requesting of any potential investment manager and therefore will consider all aspects of the business relationship.

Historical performance will be reviewed. The committee is aware however that historical performance cannot be used as an indication of future performance. The committee will therefore not use historical performance as the primary criteria for the selection of an investment manager.

The fee structure must be transparent. The committee is responsible for verifying that all expenses are competitive and appropriate for the level of sophistication and requirements of the EF. To do this, it must have complete and accurate data to determine its total costs.

Authentication

These Finance Committee Endowment Rules were accepted by the Aspen Santa Fe Ballet Endowment Board Finance Committee on November 16, 2017



Jay Lerner, Finance Committee Chair

A. Charles Forte, ASFBE Secretary