

	POLICIES AND PROCEDURES	INDEX NO. 2012	APPROVAL LEVEL GB
	SUBJECT Statement of Investment Policy	EFFECTIVE 7/2021	SUPERSEDES 8/12
	SPECIAL DISTRIBUTION Finance Committee		

POLICY

This is to provide a Statement of Investment Policy, objectives, and guidelines for Family RV Association, Inc. and Family Motor Coaching, Inc. for the purpose of investing cash reserves.

The Executive Board selects the outside investment manager(s) with the recommendation of the National President, National Treasurer, Finance Committee, and Executive Director.

INVESTMENT POLICY

The Executive Director will advise employed investment manager(s) when investing our funds to make every reasonable effort to:

- Adhere to the Investment Discipline stated in this policy
- Preserve Capital
- Control Risk
- Invest in Mutual Funds, Exchange Traded Funds (ETFs), and Real Estate Investment Trusts (REITs), the latter being limited to 5% of the manager’s equity investment value.

OBJECTIVES

To achieve a moderate growth of principal and to generate investment income to assist in meeting the immediate and long-term needs of Family RV Association, as reviewed and approved by the Executive Board, which are:

- to realize and retain one year’s cash flow needs
- to establish a capital improvement fund and set aside funds for future expansion
- to receive a rate of return of 5 years at 7% or better.
- to emphasize long-term growth of principal while avoiding excessive risk.

SPECIFIC INVESTMENT POLICIES AND PERFORMANCE STANDARDS

Investment Policies

1. The portfolio will be suitably diversified among Mutual Funds/ETFs, which include equities and fixed income and/or cash. Individual stocks are allowed if they are part of the overall diversification strategy. They will not be used as a timing tool, and turnover will be kept at a minimum to keep transaction costs and capital gains taxes low. Also, ETFs will be broadly diversified. Normally, Mutual Funds purchased will be no-load funds.
2. The rate of return required to achieve the objectives defined herein is not without risk. Risk is defined by the loss which may be experienced in the portfolio in any given year or over several years.

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3. Meeting the established goals and controlling risk and market exposure is deemed to be an important consideration. To the extent that the defined goals are being achieved, it is appropriate to reduce market exposure and therefore reduce market risk in the process.

Asset Class	Long-Term Target Allocation	Acceptable Range
Cash	1%	0%-5%
Bonds	40%	35%-50%
Domestic Equities	50%	40%-60%
Foreign Equities	9%	5%-15%

Performance Standards

4. The total rate of return will form the basis for the evaluation of investment performance. The goal of the investment strategy will be to equal or exceed the average annual return of five (5) years at 7% or better. The following benchmarks, which are based on asset class:

Asset Class	Current Allocation	Benchmark	Benchmark Allocation
Cash	1%	30 Day Taxable Money Market	1%
Bonds			
Short Term	7%	BBGBarclays Muni 3 Year	7%
Inter Term	28%	BBGBarclays Muni 5 Year	28%
Long Term	5%	BBGBarclays Muni TR	5%
Domestic Equities			
Large	27%	S&P 500	27%
Mid	10%	Russell Mid Cap	10%
Small	11%	Russell 2000 SmallCap	11%
Foreign Equities			
Developed	9%	MSCI EAFE Index	9%
Emerging	3%	MSCI Emerging Index	3%

5. The investment account is a taxable account. Therefore, tax sensitivity should be a consideration in the management of the portfolio and selection of investment managers. Any decision to sell a security should take into consideration not only the investment merits of the decision, but also the tax ramifications.

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INVESTMENT GUIDELINES

Allowable Assets

Cash and Equivalents

- Treasury Bills
- Money Market Funds
- Certificates of Deposit

Mutual Funds/ETFs

Fixed Income Securities

- U.S. Government Bonds
- Corporate Notes and Bonds
- State and/or Municipal Bonds
- Commercial Paper

Equity Securities

- Common Stock
- Convertible Preferred Stocks
- International Common Stock
- Real Estate Investment Trusts (REITs), which are limited to 5% of manager’s equity investment value.

Asset Allocation Guidelines

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

1. Total Investment Account Asset Allocation Guidelines (at market value)

Mutual Funds/ETFs

- A. Cash and Equivalents and/or Fixed Income Securities shall be no less than 40% of the total investments and no more than 60% of the total investments.
- B. Equity Securities shall be no more than 60% of the total investments and no less than 40% of the total investments.

2. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Executive Director, with the concurrence of the National President, National Treasurer, and Finance Committee, will instruct the investment manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.

Prohibited Assets

Prohibited investments include but are not limited to the following:

1. Futures Contracts
2. Private Placements

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3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Direct Purchase of Real Estate Properties
7. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
8. Single Sector, Industry or other narrowly focused Exchange Traded Funds (ETFs)
9. Hedge Funds
10. Commodity Funds

Prohibited Transactions

Prohibited transactions include but are not limited to the following:

1. Short Selling
2. Margin Transactions

Guidelines for Fixed Income Investments and Cash and Cash Equivalents

1. Plan assets will normally be invested only in investment-grade bonds rated A (or equivalent) or better. However, in some phase of the economic cycle, investing in High Yield Mutual Funds is permissible, but not to exceed 10% of Fixed Income Securities.
2. Investment Account assets may be invested only in commercial paper rated A (or equivalent) or better.
3. Fixed income maturity restrictions are as follows:
 - Maximum maturity for any single security is 20 years.
 - Weighted average portfolio maturity may not exceed 10 years.

Duties of and Relationship with Investment Manager(s)

1. It will be the responsibility of the investment manager(s) to invest the Family RV Association funds assigned to them in Mutual Funds, ETFs, and/or REITs as the manager(s) select, in accordance with this policy.
2. The President, Executive Board members, Executive Director, National Treasurer, or Finance Committee members may have suggestions or opinions regarding certain investments but it will be the investment manager(s) final decision as to the equities and fixed income securities selected.
3. For bonds, the manager(s) should choose funds with maturity dates appropriate for economic conditions.
4. For equities, the manager(s) should establish a balanced portfolio of funds containing large, medium and small capital US stocks and international equities, the latter not to exceed 20% of equity investment value.
5. The manager(s) shall issue quarterly reports by the second week following the quarter's end. The reports will include by-line listing of each Mutual Fund/ETF showing, but not limited to, year-to-date performance for each line item and asset class along with appropriate benchmarks. Major analyses should be made based on yearly results.
6. The manager(s) may re-balance the portfolio as deemed necessary based upon the acceptable asset allocations under #4 on page #2.

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7. FMCA is very cognizant of the fee charged by the manager(s) and shall from time-to-time check other investment managers to ascertain the fee being paid is competitive.
8. The Finance Committee members should not directly contact the investment manager(s). Questions or comments should be directed to the Executive Director or National Treasurer.

PERFORMANCE REVIEW AND EVALUATION

Progress toward the goal previously defined shall be monitored by the investment manager(s) and reported quarterly to the Executive Director and the National Treasurer of Family RV Association. Consideration will be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement; however, the primary measurement of the manager(s)' performance will be based on full business cycle results compared with the appropriate benchmarks.

Note: The business cycle refers to a period that starts with an economic recovery from a recession, highlighted next by a period of expansion, followed by another recession and then ending with the start of the next recovery. Using the business cycle to evaluate performance allows us the evaluate managers based on a similar set of economic conditions that cover both full good economic conditions and bad economic conditions.