# MONADNOCK COMMUNITY HOSPITAL

# ENDOWMENT FUNDS

# Updated 1-16-15

# INVESTMENT OBJECTIVE

 Our investment objective is to increase, with minimum risk, the inflation adjusted principal and income of the endowment funds over the long term. Endowment funds are identified as permanent in nature, intended to provide support for current or future operations and other purposes identified by the board or donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

The investment criteria which we use to obtain that objective is as follows:

 **Fixed Income**:

1. Fixed-income investments will be US Treasury, Federal Agency, and corporate bonds having call protection and investment grade ratings no lower than Moody’s or Standard & Poor’s “A.” Maturities should be no longer than 10 years, with a uniform diversification of maturity dates to reduce the impact on portfolio income (and market value) from interest rate fluctuations.
2. Bond mutual funds are not acceptable due to their lack of maturity dates with the resulting potential loss of principal in periods of rising interest rates. Also, some of the underlying holdings in many of the bond funds we see do not meet our investment quality criteria.

**Equities:**

1. The primary emphasis must be placed on (a) safety of principal requiring ownership of securities of high investment quality and (b) reasonable and increasing dividend and earnings appreciation in excess of the rate of inflation.
2. Because of the risk of continued inflation over the long-term, the endowment fund’s capital should be balanced between fixed dollar assets with a greater stability of income and equities with superior prospects for growth offsetting the possible declining purchasing power of the dollar. The percentage of equities should be 70% although we would accept a range between 65% and 75%.
3. The endowment funds are to be managed for long-term results. As such, for the most part, capital will be invested in high-grade dividend paying securities in accordance with the “Prudent Investor Rule,” and will not engage in frequent trading of securities, which could result in an excessive portfolio turnover rate. The capital may be invested in non-dividend paying securities up to 10% of the cost or 15% of the market value of the portfolio.
4. Emphasis in the selection and retention of equities should favor issues, which combine reasonable market valuations with superior long-term operating characteristics. The companies selected and held should have a sufficiently superior total return to that expected of the S&P 500 to permit their retention. Equities should not be selected which require a bargain purchase combined with a sale at fuller valuation to validate their investment contribution. Emphasis should be placed on financially strong companies of trust quality with dominant market positions and pricing power which produce high returns on equity.
5. All new recommendations should carry an S&P rating of B+ or higher. The committee has a strong preference for “A” or better rated common stocks. Un-rated securities should have a record of rising dividends with no annual declines in a preceding ten-year period and which have not more than two earnings decline years in the preceding ten years.
6. The Investment Management Committee prefers a buy/hold strategy of strong superior companies and hopes to maintain positions in them as long as the companies’ favorable fundamentals remain intact. The committee is not interested in buying and selling shares in companies based on economic cycles, matching an index or other short-term objectives.
7. Notwithstanding the aforementioned criteria, it is suggested (but not required) that the manager of the endowment invest up to 10% of the cost or 15% of the market value of the portfolio equity allocation, as described in these policy guidelines under **Equities** paragraph #2, in one or more international exchange traded or mutual funds of the manager’s choosing.
8. The Investment Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the advisors investment strategy involved (example, stocks below B+ rating). Approval can be obtained in between meetings by a unanimous vote via e-mail or a polling via phone by the Chief Financial Officer. Documentation supporting all waivers and modifications will be maintained as part of the permanent records of the Investment Committee. All waivers and modifications will be reported to the Finance Committee at the meeting immediately following the granting of the waiver or modification.

*Source*: Monadnock Community Hospital. Used with permission.