Investment Management Code of Conduct

For Endowments, Foundations, and Charitable Organizations

Presented By:

Bruce C. Fernandez, CFA
bruce.fernandez@InvestingByNumbers.com

InvestingByNumbers, LLC
www.InvestingByNumbers.com

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Investment Management ***Code of Conduct***

- ✓ Derived from CFA Institute Code of Ethics and Standards of Professional Conduct
- ✓ Aimed at individuals responsible for the oversight of invested financial assets
- ✓ Principle-based standards, supplemented by best practice guidance and examples
- ✓ Applicable globally and across all nonprofit structures
- ✓ The Code is available from the CFA Institute here: **http://www.cfapubs.org/toc/ccb/2010/2010/15**

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Who Should ***Adopt the Code?***

Adoption is encouraged for organizations that manage long-term financial resources to support operational needs or beneficiary grant commitments, including:

- ✓ Charitable Trusts
- ✓ Endowments
- ✓ Independent Foundations
- ✓ Non-governmental Organizations
- ✓ Philanthropies
- ✓ Public Funds

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*What Does **the Code Cover?***

The Code contains specific standards for each of the following principals, supplemented by best practice guidance and examples.

A. Act with loyalty and proper purpose

B. Act with skill, competence, prudence, and reasonable care

C. Abide by all laws, rules, regulations, and founding documents

D. Show respect for all stakeholders

E. Review investment strategy and practices regularly

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Principle A and ***Standards***

A. Act with loyalty and proper purpose

1. Establish ***sound investment management practices*** that seek to maximize impact of the organization's activities

2. Understand the ***organization's mission*** and appropriately consider its impact within the investment strategy

3. Place the ***interest of the organization, its donors, and its beneficiaries*** above their own

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Principle A and ***Standards***

4. Avoid ***conflicts of interest*** pertaining to the implementation of the organization's investment strategy whenever possible. ***Disclose annually*** and manage actual and perceived conflicts of interest that realistically cannot be avoided

5. Not solicit, offer, or accept any gift, benefit, or consideration personally that could ***reasonably be expected to affect their loyalty*** to the organization

6. Not place ***unreasonable constraints*** on future Governing Body members in the management of the endowed resources

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Principle B and ***Standards***

B. Act with skill, competence, prudence, and reasonable care

1. Dedicate sufficient time to ***prudently implement*** the organization's investment objectives and policies
2. Maintain an ***appropriate level of knowledge*** of investment markets, products, and strategies in order to fulfill their duties
3. Have a ***reasonable and adequate basis*** for investment decisions supported by active and thorough due diligence of the investment strategies of the organization

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Principle B and ***Standards***

B. Act with skill, competence, prudence, and reasonable care (continued)

4. Appropriately ***manage the financial risks*** of the organization and the endowed resources

5. Utilize ***external professionals when appropriate*** in the development, implementation, and review of the organization's investment strategy

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Principle C and ***Standards***

C. Abide by all laws, rules, regulations, and founding documents

1. Understand and ensure ***compliance with the laws, regulations, and governing documents*** pertaining to the organization's investment practices

2. With regard to the organization's financial resources, ***report any suspected illegal, unethical, or financial irregularities*** to the appropriate parties

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Principle D and ***Standards***

D. Show respect for all stakeholders

1. Take actions to maximize benefits from the endowed resources for the ***intended lifespan*** of the organization

2. Ensure a ***proper balance*** of all applicable stakeholders' interests in the operations of the organization while respecting the intention of the organization's donors

3. Seek to ***minimize the volatility*** of beneficiary and operational budgetary support through prudent financial management

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Principle D and ***Standards***

D. Show respect for all stakeholders (continued)

4. ***Maintain confidentiality*** and establish policies and procedures that address retention and/or redistribution of information.

5. ***Communicate with stakeholders*** in a timely, accurate, and transparent manner.

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Principle E and ***Standards***

E. Review investment strategy and practices regularly

1. Assess the ***performance and integrity of investment managers*** in stewardship of the endowed resources by an agreed upon set of standards, benchmarks, and metrics

2. Review the ***actions of the investment committee*** regarding performance in implementing and adherence to the principles of the organization's investment strategy and policies

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Principle E and ***Standards***

E. Review investment strategy and practices regularly (continued)

3. Review and adjust ***investment practices and strategies*** to best meet the organization's objectives and to maximize benefits available from the endowed resources

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What Does the Code ***Hope to Accomplish****?*

- ✓ Create a global standard of professional conduct through organized best practices for those overseeing the financial resources
- ✓ Take a principle-based approach that allows flexibility in implementation
- ✓ Widespread acceptance may reduce the need for additional direct regulations
- ✓ Enhanced trust in the organization for achieving its mission

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InvestingByNumbers' ***HealthCheck***^{SM}

HealthCheck^{SM}

- ✓ Validates "things are being done the right way"
- ✓ Provides a comprehensive assessment of your existing investment program with a summary report showing overall compliance with industry best practices
- ✓ Is an easy way to ensure your investment program is sound and you are fulfilling your fiduciary responsibilities

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*Time for a **HealthCheck**SM?*

Features

- ✓ Conduct study of existing investment program
- ✓ Practical application of investment standards
- ✓ Recommend actions compliant with industry norms
- ✓ Serve as independent, objective subject matter expert

Benefits

- ✓ Repeatable investment process
- ✓ Better investment decisions
- ✓ Successful outcomes
- ✓ Insulation from potential future liability

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HealthCheck℠ ***Deliverables***

- ✓ Provides a comprehensive assessment of your existing investment program
- ✓ Features a dashboard style summary report showing overall compliance with industry best practices
- ✓ Identifies high priority issues and can be used as a roadmap to address any areas of concern
- ✓ Establishes the foundation of a sound investment program

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HealthCheck[SM] **Summary**

HealthCheck[SM] is a comprehensive assessment that:

- ✓ Validates "things are being done the right way"
- ✓ Demonstrates a proactive review process
- ✓ Finds deficiencies before problems develop
- ✓ Provides a roadmap to resolve areas of concern

HealthCheck[SM] is an easy way to ensure an investment program is sound and you are fulfilling your responsibilities

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*Experience, **Expertise**, Independence*

As an investment practitioner for almost 30 years, Bruce Fernandez has a deep appreciation and understanding of the investment decision-making process and the importance of having a sound, well-managed investment program. He draws from his experience as an "industry insider" and brings with him a broad knowledge of the financial services industry, its products, and its services.

Fernandez served for over twenty years in a number of capacities for A.G. Edwards and its affiliates, including Chief Investment Officer for A.G . Edwards Trust Company, FSB. Most recently he was a Managing Director with Scout Investments. He began his career with General American Life Insurance Company.

A CFA charterholder, Fernandez is on the Board of the CFA Society of St. Louis and has served on several Investment Company Institute committees including Money Market Funds, Fixed Income and Municipal Securities Advisory. Fernandez earned both his BSBA and MBA from Washington University.

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