**FOOD BANK OF THE SOUTHERN TIER**

**INVESTMENT POLICY**

A. POLICY

The Food Bank of the Southern Tier (FBST) Board of Directors will prudently invest endowment, reserve and other long term funds. The Board delegates the responsibility for implementing and monitoring this policy to the FBST Finance Committee.

B. PROCEDURES

1. The Communis Fund of the Diocese of Rochester, Inc. shall be the default Investment Manager for FBST investment funds. As such, the Communis Fund IPS Objectives and Guidelines are accepted.
2. When the FBST Finance Committee elects to use an investment manager other than Communis, it will conduct an orderly process to select (an) Investment Manager(s).
3. Investments shall conform to The Investment Objectives, Goals and Guidelines in Sections D, E and F of this Policy.
4. Annually, the Finance Committee will meet with each Investment Manager for a thorough review of performance.

C. MONITORING

The Finance Committee shall review Investment Performance quarterly and report performance results annually to the Board of Directors. The Finance Committee will review this Investment Policy every two years.

D. INVESTMENT OBJECTIVES

The primary objectives of this policy are as follows:

1. To preserve purchasing power so that asset growth, exclusive of contributions and withdrawals, exceeds the rate of inflation.
2. To generate income to help accomplish the FBST mission.

E. INVESTMENT GOALS

1. To exceed the rate of inflation (as measured by the Consumer Price Index) by at least 300 basis points on an annualized basis.
2. To exceed the return of a Market Index comprised of the Standard and Poor’s 500 Stock Index (S&P 500), Shearson Lehmen Aggregate Bond Index and U.S. Treasury Bills, weighted to match the long term asset mix of this policy.
3. If the weighted “Market Index” identified in item #2 above is not representative of the invested asset mix at any given time, the Finance Committee is authorized to choose an appropriate benchmark for the specific funds invested in accordance with this policy.

F. INVESTMENT GUIDELINES

While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory long term results consistent with the objectives and fiduciary character of the fund.

1. Types of Assets

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. In order to provide the Finance Committee with flexibility to invest in various types of assets, the following list of types of assets is among those approved for investment:

Equities:

* Common stocks
* Preferred stocks
* Convertible securities
* American Depository Receipts (ADR’s) of Foreign Cos.

Fixed Income Investments:

* U.S. Government and Agency Securities
* Commercial Paper
* Certificates of Deposit
* Corporate Bonds

The following types of assets or transactions are expressly prohibited:

* Unregistered or restricted stock
* Commodities, commodity ETF’s or commodity funds
* Private placements
* Conditional sales contracts
* Uncovered options
* Short sales, synthetic short positions, inverse return securities or margin purchases
* Transferable certificates of participation in business trusts and limited partnerships
* Securities of investment managers or their respective parents, subsidiaries or affiliates
* Securities in violation of New York State law
* Leverage

1. Asset Allocation

The Investment Portfolio shall be managed in accordance with the maximum and minimum range for each asset category as stated below:

Asset Category Minimum Target Maximum

Equities 0% 60% 70%

Fixed Income 25% 35% 70%

Short term invest. 5% 5% 100%

The asset mix target and acceptable minimum and maximum ranges established by the Finance Committee represents a long-term view. As such, rapid and significant market movements may cause the fund’s actual asset mix to occasionally fall outside the target range, but it is expected any divergence should be of a short-term nature. Rebalancing of the fund should be undertaken, as necessary, by the Finance Committee.

1. Equities
2. Diversification: The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group or individual security. This includes any individual mutual funds or family of mutual funds.
3. Quality and marketability: Common and convertible preferred stocks should be of good quality and listed on either the New York or American Stock Exchange or traded in the over-the-counter market with the requirement that such stocks have adequate market liquidity relative to the size of the investment.
4. Concentration by issuer: No more than 5% of total equity fund assets shall be invested in any one equity security.
5. Fixed Income Investments
6. Quality: Marketable bonds at the time of purchase must be rated “A” or better. No fixed income security shall have, at any time, a credit rating lower than BBB – by S&P or Baa3 by Moody’s
7. Maturity: No fixed income security should have duration of longer than 10 years at the time of purchase.
8. Concentration by issuer: The debt of any single issuer (other than the U.S. Government) shall not represent more than 5% of the total fixed income assets.
9. Portfolio Mix: Any Fixed Income investments constituting a greater than 40% concentration of the overall portfolio mix must be in U.S. Government Obligations.
10. Short Term Investments
11. Definition: Investments that will expire/mature within one year and are FDIC insured, SPIC insured and/or U.S. Government backed.
12. Vehicles: Checking Accounts, Savings Accounts, Money Market Accounts, Money Market Funds, Certificates of Deposit and Treasury Securities.

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