

Putnam History Museum

Statement of Investment Policy

Objectives & Guidelines

Adopted April 2008

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(Effective May 12, 2023)**

Statement of Investment Policy, Objectives, and Guidelines

INVESTMENT COMMITTEE MISSION STATEMENT (the "Mission Statement")

The Putnam History Museum (the "Museum") investments are a result of the continuing generosity of members, friends, and our community. Our mission is to support inspired and transformational acquisitions and events that will further the Museum's mission, while contributing to the on-going needs of the organization.

The Investment Committee mission and policy balances the complementary objectives of Promoting and Preserving History:

1. Contributing to operational needs now and for generations to come ("Preserving").
2. Providing funding for inspirational and transformative acquisitions and events ("Promoting").

The Investment Committee has the dual mission of producing investment results to meet growth and spending needs for monies earmarked for the first objective, while protecting the purchasing power of monies earmarked for second objective.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy (the "Policy") reflects the investment policy, objectives, and constraints of the entire Museum.

DEFINITIONS

1. "Custodian" shall mean any individual or organization that physically (or through agreement with a sub-custodian) maintains possession of financial assets owned by the Fund.
2. "Fund" shall mean the financial assets of the Museum held in one or more accounts with a Custodian.
3. "Investment Management Company" shall mean any nationally recognized investment advisor registered under the Investment Advisors Act of 1940 (such as The Vanguard Group) that manages mutual funds, fund of funds or other investment funds.
4. "Investment Committee" shall refer to the governing board established to administer the Fund as specified by applicable ordinance.
5. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this Policy, are expected to be met. The Investment Horizon for this Fund is five to ten years.

6. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring. The term Investment Management Consultant shall include Investment Management Companies and their representatives that provide advice to the Investment Committee on investment objectives and/or asset allocation of investment funds.
7. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments (excluding investment managers that manage investment funds of Investment Management Companies) of all or part of the Fund.

PURPOSE OF THIS INVESTMENT POLICY

This Policy is set forth by the Investment Committee of the Museum in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Fund.
3. Offer guidance and limitations to all Investment Managers and the Investment Committee regarding the investment of the Fund.
4. Establish a basis for evaluating investment results.
5. Manage the Fund according to prudent standards as established in common trust law.
6. Establish the relevant Investment Horizon for which the Fund will be managed.

In general, the purpose of this Policy is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Investment Committee of the Museum is a fiduciary, and is responsible for directing and monitoring the investment management of the Fund. As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The Investment Management Consultant may assist the Investment Committee in establishing investment policy, objectives, asset allocations, and guidelines, selecting investment managers, reviewing such managers over time, measuring and evaluating investment performance, and other tasks as deemed appropriate.

2. Investment Manager. The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives. Investment Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications which they deem appropriate.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.
4. Co-Trustee. The Investment Committee may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of the Fund.
5. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer the Fund prudently.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to the economic outlook, investment strategy, or any other factors which affect implementation of the investment process, or the investment objective progress of the Fund's investment management.
4. Informing the Investment Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Investment Committee, on behalf of the Fund, and communicating such voting records to the Investment Committee on a timely basis.

Responsibility of the Investment Management Consultant(s) and Investment Management Companies

The Investment Management Consultant's role is that of a non-discretionary advisor to the Investment Committee of the Museum. Investment advice concerning the investment management of the Fund will be offered by the Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the Investment Management Consultant may include one or more of the following:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Investment Committee.
3. Monitoring the performance of the Investment Manager(s) to provide the Investment Committee with the ability to determine the progress toward the investment objectives.
4. Communicating matters of policy, manager research, and manager performance to the Investment Committee.
5. Reviewing Fund investment history, historical capital markets performance and the contents of this Policy to any newly appointed members of the Investment Committee.
6. In the case of Investment Management Companies, advising the Investment Committee on investment objectives, investment fund performance, asset allocation and other similar advice in connection with investment funds of the Investment Management Company.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Investment Committee may employ one or more Investment Managers of varying styles and philosophies to attain the Fund's objectives.
5. The Investment Committee may invest Funds in investment funds of an Investment Management Company and may rely on the investment expertise of the fund managers employed by the Investment Management Company that manage those investment funds; *provided* the Investment Committee review fund performance at least quarterly, conduct fund performance reviews with the Investment Management Company at least annually, and manage those investments in accordance with the terms of this Policy.

6. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.
7. All single shares of stock, fixed income instruments or other securities that are donated to the Museum will be sold upon receipt through a market order and the proceeds will be deposited into the Museum's cash account. The Investment Committee will decide whether to reinvest the proceeds in other funds held by the Museum based upon market conditions and the Museum's financial needs at the time.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, Investment Managers (and the Investment Committee if no Investment Manager exists) should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. Notwithstanding the foregoing, Funds earmarked for Promoting history shall be used to support acquisitions and events for the Museum in accordance with the Mission Statement.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives of both Promoting and Preserving history in accordance with the Mission Statement. However, the Investment Managers (and the Investment Committee if no Investment Manager exists) are to make reasonable efforts to control risk. Investment Managers will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment Managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated regularly for adherence to investment discipline.

GOAL OF MUSEUM FOR GROWTH OF FUND

The overriding objective of the Museum is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate Fund portfolio value at the rate of inflation over the Museum's Investment Horizon. The Museum's specific investment objectives will be established later in this document.

If unreimbursed withdrawals from the Fund are outstanding, income will be used to reimburse the Fund up to the amount withdrawn and outstanding before income is used for (x) non-essential capital expenditures, or (y) other non-essential expenses that are not offset by income. Non-essential expenses will be determined by the Museum's Executive Director and the Treasurer, with input from the Board of Trustees of the Museum, if needed.

10% of all donations over \$1000 shall be invested in the Fund, excluding funds received from the Annual Year End Appeal and donations that are designated by the donor for a specific purpose. Such amounts will be allocated first to replenish the cash/cash equivalents account until such account equals 10% of the Fund. If the cash/cash equivalents balance of the Fund is less than 10%, at least 3% of positive net

revenue as of the end of the year will be deposited to the Fund at the end of each calendar year until the 10% cash/cash equivalents threshold is satisfied. In addition, based on the budget for the following calendar year, at the end of each year, any remaining net revenue in excess of cash flow needs for the following calendar year will be deposited to the Fund.

ATTITUDE TOWARD GIFTS

Future giving (contributions) to the Museum is expected to be inconsistent, and therefore, unpredictable. As a result, the Investment Committee has set an investment strategy with the objective of maintaining purchasing power of Fund assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power.

SPENDING POLICY

The Investment Committee regards spending in dollar terms from year to year as inflexible. While spending is inflexible, and therefore relatively consistent and predictable, expected investment returns from "riskier" portfolios are not consistent and predictable. Therefore, in order to reduce the likelihood of underperformance and excessive deterioration of real principal during such periods, the Museum must tend toward a "conservative" investment strategy.

The Investment Committee may contribute up to 4% of the Prior Years' Average of the Fund to operating expenses annually. The Prior Years' Average will be based on the Fund balances as of December 31st for the prior 5 years and will be calculated by eliminating the highest Fund balance over the 5-year period and taking a 4-year average of the remaining Fund balances. (For example, if the prior 5-year balances on December 31st of each year are: Year 1 \$10, Year 2 \$20, Year 3 \$30, Year 4 \$20, Year 5 \$15, the balance in Year 3 will be eliminated and the Prior Years' Average will be the 4-year average of Years 1, 2, 4 and 5.) Any amount over 4% must be approved by at least 80% of the members of the Board of Trustees of the Museum.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Museum is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for the Fund shall be:

Income and Growth - To achieve a balanced return of current income and modest growth of principal.

The secondary objective in the investment management of the Fund shall be:

Preservation of Purchasing Power After Spending - To achieve returns in excess of the rate of inflation plus spending over the Investment Horizon in order to preserve purchasing power of the Fund. Risk control is an important element in the investment of the Fund.

SPECIFIC INVESTMENT GOALS

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Over the Investment Horizon established in this Policy, it is the goal of the aggregate Fund assets to strive to meet or exceed the rate of inflation plus 1%.

The investment goal above is the objective of the aggregate Fund, and is not meant to be imposed on each investment account (if more than one account is used). The goal of each Investment Manager, over the Investment Horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Investment Committee that most closely corresponds to the style of investment management of such Investment Manager.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above.

Specific investment goals and constraints for each Investment Manager, if any, shall be incorporated as part of this Policy. Each Investment Manager, if any, shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Fund.

DEFINITION OF RISK

The Investment Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Museum assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in this Policy. The Investment Committee defines risk as:

The probability of losing money over any 12-month time period.

LIQUIDITY

To hedge against market fluctuations and to minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will periodically provide the Investment Management Consultant with an estimate of expected net cash flow. The Investment Committee will notify the Investment Management Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee requires that a minimum of 10% of the Fund shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills. If such cash or cash equivalents are used for operating or other expenses of the Museum, the funds should be replenished promptly through revenue generation, development funds, donations, or by sale of other non-cash assets of the Fund, provided other non-cash assets of the Fund are not required to be sold when the market value of the Fund has dropped significantly, but should be sold to replenish the Fund (if no revenue is available) when the market is reasonably strong.

MARKETABILITY OF ASSETS

The Investment Committee requires that all of the Fund be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - Short Term Investment Funds (STIF)
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit

2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
 - Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs or similar collateralized obligations

3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)

4. Mutual Funds and other Investment Funds
 - Mutual Funds, Index Funds, Exchange Traded Funds, Funds of Funds and other similar investment funds that invest in securities allowed in this Policy.

5. Other Assets
 - Guaranteed Investment Certificates (GIC's)
 - Options and derivatives for hedging purposes only

Stock Exchanges

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To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange; NYSE American (formerly known as AMEX); and NASDAQ over-the-counter market. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this Policy, written approval is required from the Investment Committee.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options (other than for hedging purposes only)
4. Limited Partnerships
5. Venture-Capital Investments
6. Real Estate Properties
7. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
8. Derivative Securities for speculative purposes
9. Virtual Currencies

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions
3. Swaps or other similar Hedging Transactions for speculative purposes

Asset Allocation Guidelines

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

1. Aggregate Fund Asset Allocation Guidelines (at market value):

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	50%	70%	60%
Fixed Income	28%	48%	38%
Cash and Equivalents	1 %	20%	2%

2. The Fund shall be reviewed for rebalancing within the asset allocation guidelines at least annually.
3. Dividends and interest paid on Fund assets shall be automatically reinvested in such Fund assets.

4. The Investment Committee may employ Investment Managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this Policy. Such Investment Managers will receive written direction from the Investment Committee regarding specific objectives and guidelines.
5. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Investment Committee will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Investment Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Investment Committee.

Diversification for Investment Managers

The Investment Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 10% of the total fund should be invested in any one industry. Individual treasury securities may represent 10% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate fixed income position.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Fund assets may be invested only in investment grade bonds rated A (or equivalent) or better.
2. Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.
3. Fixed income maturity restrictions are as follows:
 - Maximum maturity for any single security is 30 years.
 - Weighted average portfolio maturity may not exceed 10 years.
4. Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

SELECTION OF INVESTMENT MANAGERS

The Investment Committee's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Investment Committee requires that each Investment Manager provide, in writing, acknowledgment of fiduciary responsibility to the Museum.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Management Consultant shall be compiled at least quarterly and communicated to the Investment Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Policy. The Investment Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate an Investment Manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this Policy, the Investment Committee plans to review this Policy at least annually.