STATEMENT OF INVESTMENT POLICY

FOR

STUYVESANT HIGH SCHOOL ALUMNI ASSOCIATION, INC.
ENDOWMENT FUND

(Effective as ratified by the Trustees as of November 27, 2017)

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1. INTRODUCTION

Pursuant to Article VI of the Stuyvesant High School Alumni Association (the “Association”) Bylaws the Association’s endowment fund (the “Fund”) is managed by no less than seven Trustees, who are determined in accordance with the Bylaws. The Trustees have been designated by the Association with the responsibility for structuring and supervising the prudent investment management, administration, and distribution of the assets held in the Fund.

This Investment Policy Statement (“IPS”) describes the objectives and policies for the investment program for the Fund. Those objectives and policies are intended to provide a framework for a disciplined, consistent investment program that will enable the Association to meet the long range goals of the Association in accordance with applicable law.

2. THE FUND – FUNCTION AND ORGANIZATION

The Fund is comprised of restricted funds and unrestricted funds, as determined in the gift instruments received by the Association, as applicable, and in accordance with the accounting procedures of the Association and applicable law. Any restricted funds are maintained appropriately in accordance with the relevant restrictions. As desirable or appropriate, the Trustees may separate the Fund into separate “accounts” and adjust the investment return goals and related risk tolerance as appropriate for the particular “account.” Such “accounts” may include: a pool related to the (a) operating fund,[1] (b) short-term reserve fund,[2] (c) long-term reserve fund[3] and (d) endowment fund.[4] The parameters set forth herein are intended to apply to the endowment fund. Policies with respect to an operating fund, short-term reserve fund and/or long-term reserve fund may be considered on a case-by-case basis by the Trustees.

This ISP outlines the objectives, goals and guidelines for the Fund and is set forth in order that:

- The Trustees and the Association have a clear and mutual understanding of the investment policies, objectives and options of the Fund.
- A clear understanding is established between the Trustees and any and each investment manager that the Trustees select to manage assets of the Fund (each, an “Investment Manager”) concerning the investment policies and objectives of the Trustees (such Investment Managers considered an “External Agent” under the New York Not-for-Profit Corporation Law (the “N-PCL”)).
- Each Investment Manager is given guidance and limitations in the investment of the Fund’s assets.
- The Trustees have a meaningful basis for the evaluation of the portfolio management by each Investment Manager and the performance of the aggregate of all Fund investments.
- The Trustees meet their fiduciary responsibility to prudently monitor the investments of the Fund and the performance of each Investment Manager.

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1 Intended to provide sufficient cash to meet day-to-day financial obligations of the Association.

2 Intended to meet the expenses occurring as a result of unanticipated activities and for anticipated major expenditures in the next 2-3 years.

3 Intended to provide secure long-term funding for the activities of the Association. By way of explanation, this is differentiated from the endowment as funds that could be spent in whole, if desired, whereas the endowment comprises funds for which only earnings are to be available for expenditure.

4 Intended to provide perpetual funding for the activities and purposes of the Association and for which the principal amount is not to be subject to expenditure without further (and mutual) action by the Board of Directors and Trustees, generally under emergency or dire conditions.

Any and each Investment Manager will be selected by the Trustees at such times as the Trustees believe it is desirable to do so. Initially, the Trustees plan to select a single Investment Manager to manage the Fund's investment portfolio.

The Fund shall be managed at all times in accordance with the Association's Bylaws and Article V of the N-PCL, including in compliance with N-PCL's standards of prudent investment related to endowment funds.

- The investment of the Fund's assets shall be in compliance with the N-PCL's fiduciary standards and shall be for the exclusive purpose of supporting the Association and its tax-exempt purposes.
- The investments shall be prudently selected, monitored, and properly diversified so as to reduce the risk of large losses.

The Trustees have responsibility for the day-to-day oversight of the Fund's assets. Policy guidelines and objectives will be reviewed and may be adjusted from time to time by the Trustees. The Trustees may use the analysis, support and advice of others in the review process.

3. OBJECTIVES AND GOALS

The Trustees recognize that the primary objective of the Fund is to provide a predictable stream of funding to programs supported by the Fund's assets while also obtaining an appropriate long-term total return. The investment process seeks, unless otherwise determined by the Trustees on a case by case basis, to achieve an after-cost real rate of return, including investment income as well as capital appreciation, which exceed the annual distribution with acceptable levels of risk.

With that objective in mind, the Trustees, working together with the Investment Manager(s), if applicable, will structure an investment program seeking to achieve the following goals:

- Maximize the Fund's real return for an acceptable level of risk with a targeted minimum return in the Fund in the range of 5-10% (which target will be evaluated by the Trustees together with the Investment Manager(s), if any, periodically);[5]
- Avoid excessive risk;
- Avoid excessive volatility; and
- Preserve capital and, in doing so, seek to avoid significant losses that would negatively impact the Association and its ability to carry on its activities.

To meet these goals, the Trustees have formulated the following investment policies:

- Assets of the Fund will be invested with the care, skill and diligence that a prudent person acting in this capacity would exercise to comply with the objectives outlined in this IPS, the Internal Revenue Code of 1986, as amended (the "Code"), the N-PCL and all other governing statutes and regulations.
- Investments will be managed in a manner designed to meet the Fund's investment goals set forth above.
- Sufficient liquidity will be maintained to fund distributions of 1-5% annually as may be required by the Bylaws or otherwise deemed desirable in light of the planned activities of the Association, and to pay Fund administrative expenses, all without depletion of principal if possible.

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5 Reflecting a goal of achieving an average rate of return of approximately 7-8% over time. Actual returns in any given year may vary.

4. RESPONSIBILITY

The Trustees believe that they can best exercise their duties through actively monitoring the Fund investments and, as applicable, supervising the overall practices of the Investment Manager(s).

The Trustees will meet their responsibilities through:

- Complying with the Bylaws, the Code, and the N-PCL, as applicable;
- Establishing policy guidelines with specific objectives that will be reviewed periodically;
- Making determinations of individual investment choices in accordance with these guidelines;
- Retaining one or more qualified Investment Managers, as determined as desirable or necessary by the Trustees;
- Monitoring and evaluating the results achieved by each Investment Manager to assure that objectives are being met;
- Communicating with each Investment Manager;
- Taking appropriate action if objectives are not being achieved; and
- Utilizing and directing the staff of the Association, as appropriate, to implement the above objectives, including delegating duties where appropriate.

If the Trustees choose to utilize the services of one or more Investment Managers, each will have such investment discretion over the assets placed under its management as delegated to it by the Trustees. Each Investment Manager is expected to follow these general guidelines:

- Acknowledge in writing its recognition and acceptance of its responsibility (as delegated to it by the Trustees) as an “External Agent” of endowment funds under the N-PCL including that it has a duty to the Association;
- Discharge its duties in a manner consistent and in compliance with any applicable rules to which the Investment Manager is subject, including, as applicable as an investment advisor under the Investment Advisors Act of 1940;
- Discharge its responsibilities with respect to the Plan consistent with Article V of the N-PCL with reasonable care, skill and caution to comply with the scope and terms of the duties delegated to it by the Trustees;
- Avoid any conflicts of interest in respect of the interests of the Fund and the Association;
- Avoid any “self-dealing” transactions or “excess benefit” transactions, as may be applicable, to the Association under Sections 4975 and 4958 of the Code;
- Manage its portfolio prudently and on the basis for which it has been retained; and,
- Respect and observe the specific limitations, guidelines, attitudes and philosophies contained in this IPS, including whatever specific written instructions and guidelines the Trustees may deem prudent and advisable.

The Trustees have the authority, with the assistance of the Board of Directors and staff of the Association, as necessary or appropriate, to screen, interview and select the investment management organization(s) to be retained for the benefit of the Fund and Association. The primary criterion for the selection of the investment management organization(s) retained to manage the Fund’s assets is a demonstrated capability to achieve above average results within the investment philosophy the Trustees desire to implement. In the selection process, the Trustees will consider the potential Investment Manager’s competence, experience, past performance, and proposed compensation. Trustees will also consider the independence of each potential Investment Manager and will review a retained Investment Advisor’s independence on a regular basis, which review will include but will not be limited to reviewing the relationship between the Association, the Trustees and Investment Manager in accordance with the Association’s conflict of interest policy. Each Investment Manager engaged by the Fund must be a registered investment advisor, insurance company or investment company. Each contract, if any, pursuant to which an Investment Manager performs services for the Fund shall be negotiated such that it may be terminated by the Trustees upon no more than ninety (90) days’ notice, without penalty.

5. COMMUNICATIONS AND REPORTING

The Trustees believe that communication with each Investment Manager, if any, is essential to promote the understanding, implementation and achievement of all Fund objectives and written guidelines. Accordingly, the Trustees encourage each Investment Manager to communicate with the Trustees and its delegates, including the Board of Directors and/or staff of the Association, as appropriate, openly and frequently in connection with all significant matters pertaining to investment policies and the management of Fund assets.

Evaluations of each Investment Manager's performance and the progress of the investment program will be conducted periodically. The evaluations will include not only measurements of performance, but also qualitative evaluations.

On a regular basis (at least quarterly and more frequently if requested by the Trustees), each Investment Manager is expected to provide a written investment report, including a detailed analysis of portfolio valuation and characteristics, performance comparisons, economic outlook, and such other information as the Investment Manager, or Trustees deem appropriate for appraising and evaluating the portfolio. Unless waived by the Trustees, the Investment Manager will maintain the portfolio in compliance with this IPS (which shall include a reasonable action plan for returning to compliance, if necessary).

6. ASSET CLASSES

Each Investment Manager, unless otherwise set forth in the agreement with the Trustees, and the Trustees (if investing without utilizing an Investment Manager) have full discretion and are free to select investment securities that the Investment Manager or Trustees believe best fit the Fund's investment objectives. To ensure marketability and liquidity, unless otherwise authorized by the Trustees, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange and NASDAQ.

If utilized, each Investment Manager will be evaluated in the context of the investment philosophy and style for and under which it was retained by the Trustees (defined by relevant market indices and style-specific databases). When results fall below the relevant benchmarks without acceptable justification, the Investment Manager will be viewed critically. Unless otherwise determined by the Trustees It is not the intention of the Trustees to become involved in the selection process for individual securities or investments.

The following categories of transaction and investments are permitted:

1. Cash and Cash Equivalents including (a) treasury bills, (b) money market funds, (c) commercial paper, (d) repurchase agreements, and (e) certificates of deposit;
2. Fixed Income Securities, including (a) U.S. Government and Agency securities, (b) corporate notes and bonds (of an investment grade at least BBB), (c) mortgage-based bonds; and (d) preferred stock; and
3. Equity Securities, including publicly traded (a) common stocks, (b) convertible notes and bonds, (c) convertible preferred stocks, and (d) American Depository Receipts of non-US companies (ADRs).

The following categories of transactions and investments are <u>not</u> permitted unless otherwise stated in an agreement between the Association or Trustees and the Investment Manager or with specific written authorization from the Trustees:

1. Margin buying
2. Short selling
3. Investment in commodities
4. Real Estate (other than publicly traded real estate-related securities)
5. Purchasing interests in gas, oil, mineral exploration or other development programs
6. Derivatives and swaps

7. Non-publicly traded securities or venture-capital or similar investments
8. Other alternative asset strategies

Specific optimum, preferable, and appropriate asset allocation percentages, and rebalancing guidelines, as well as diversification within asset classes, will be discussed and agreed between the Trustees and, as applicable, each Investment Manager, and reviewed at least annually.

7. PERFORMANCE MEASUREMENTS AND STANDARDS

The Trustees recognize their continuing responsibility for measuring the performance of the Fund's assets and each Investment Manager. The objectives of the ongoing measurement process include:

- Comparing the Fund's return to the performance of representative market benchmarks for the various asset classes included in the Fund (based on information to be provided by each respective Investment Manager);
- Evaluating the performance of each Investment Manager; and
- Assessing the overall risk profile of the Fund's and each Investment Manager's portfolio.

Performance will normally be judged over a market cycle, although the Trustees may in their discretion consider each Investment Manager's, or each investment's, performance over other periods. The Trustees will regard with considerable concern an Investment Manager's, or investment's, consistent and/or significant underachievement relative to the average return of representative market indices.

8. PROXY VOTING

The Trustee recognizes that the Fund may have the right to vote proxies on stocks or other securities held in the Fund, and doing so may be viewed as part of the Trustees' fiduciary responsibility. The Trustees believe that proxy-voting decisions are properly delegated and are part of the investment management process. Therefore, when engaged, each Investment Manager will have the fiduciary responsibility for the voting of any and all proxies pertinent to the assets held under its management.

In connection with the voting of proxies, each of the Trustees and each Investment Manager, as applicable, should follow the following guidelines:

- Each proxy should be voted in the best interest of the Fund and the Association, taking into account the Association's tax-exempt status and activities;
- Proxy voting should not be dictated or influenced by the position of others;
- Each proxy should be voted, unless it is clearly prudent not to do so; and
- Each proxy should be reviewed on a case-by-case basis.

9. EXPENDITURE CONSIDERATIONS[6]

In determining whether to approve expenditures from the Fund, the Trustees will act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances. In this regard, the Trustees will consider, if relevant, the following factors:

1. The duration and preservation of the Fund;
2. The purposes of the Association and the Fund;
3. General economic conditions;
4. The possible effects of inflation or deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the institution;
7. Where appropriate and circumstances warrant, alternatives to expenditure of the Fund, with consideration to the effect any such alternatives may have on the Association; and
8. This investment policy.

Expenditures shall be considered and approved in accordance with the Bylaws of the Association and any other duly authorized and approved policy of the Trustees, as well as in consideration of the long-term needs of the Association, in accordance with any applicable gift instrument and in light of the Association's objectives and goals in furtherance of its tax-exempt purposes.

10. REVIEW AND AMENDMENT

This Statement of Investment Policy will be reviewed by the Trustees periodically and may be amended at any time by action of the Trustees. All modifications of this policy shall be in writing.

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[6] This section is not always included in an investment policy but may be helpful. The guidelines included reflect the rules under the N-PCL regarding endowment fund expenditures for which the organization has the right to spend (as opposed to gifts where expenditures were restricted by an underlying gift instrument.