National Association of Watch & Clock Collectors, Inc.
Statement of Investment Policy
Objectives & Guidelines
11/17/2015

INVESTMENT POLICY INTRODUCTION

This Statement of Investment Policy is set forth by the Finance Committee and approved by the Board of Directors of the National Association of Watch and Clock Collectors, Inc. Its purpose is to communicate the policies, objectives, and guidelines applied to investments and is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

A. DEFINITIONS

1. "Long Term Accounts" shall mean the following funds:
    - Museum and Library Investment Fund
    - NAWCC Heritage Fund
    - Library and Research Center Endowment Fund
    - National Watch and Clock Museum Endowment Fund
    - NAWCC Education Endowment Fund
    - NAWCC Endowment Fund
    - Pritchard Fund
    - Midwest Scholarship Fund
    - Other funds designated by the Board of Directors to be a Long Term Account
2. "Short Term Accounts" shall mean the following funds:
    - NAWCC Investment Fund
    - Museum Acquisition Fund
    - Symposium Fund
    - Library Acquisition Fund
    - Other funds designated by the Board of Directors to be a Short Term Account
3. "Investment Accounts" shall mean Long Term Accounts and Short Term Accounts
4. "Finance Committee" shall have the meaning defined by Article III Section 2(d) of the NAWCC Bylaws

B. ROLE OF FINANCE COMMITTEE AND DELEGATION OF AUTHORITY

Specific to investment funds, the responsibilities of the Finance Committee include:

1. Ensure that Investment Accounts are managed in a manner consistent with this Statement of Investment Policy.
2. Review this Statement of Investment Policy once per year and recommending changes if appropriate to the Board of Directors.
3. Recommend professional investment managers for Board approval

4. Delegate certain responsibilities to one or more professional experts as follows:
    a. Investment Manager(s) shall perform custodial duties and have sole discretion to purchase, sell or hold securities, and rebalance Investment Accounts consistent with anticipated financial needs, and objectives and guidelines contained in this policy. To avoid doubt, with the exception of specific guidance documented in this Policy or communicated in writing by the Finance Committee to the Investment Manager, the Finance Committee will not reserve any control over individual investment decisions.
    b. Consultants may be hired by the Finance Committee to assist the Finance Committee in establishing investment policy, objectives and guidelines; assist in the selection or evaluation of Investment Manager performance; perform audits or other tasks as deemed appropriate by the Finance Committee in support of this Policy, subject to approval of the Board of Directors.
5. Evaluate Investment Manager annually, or more frequently as determined by the Finance Committee, against the following standards:
    a. Achievement of Long Term Accounts and Short Term Accounts objectives.
    b. Adherence to Policies and Guidelines.
    c. Performance against comparable market-based indexes.
    d. Performance against other investment managers having similar investment objectives, provided such data is readily available.
6. Monitor annual key performance and risk indicators as determined by the Finance Committee and prepared by the controller including:
    a. Distributions equal to a maximum of 4% of the portfolio value based on a three year average as of December 31.
    b. Actual annual distributions compared to prior 3 years.
    c. Actual annual contributions compared to prior 3 years.
    d. Return on investments compared to prior 3 years.

C. RESPONSIBILITY OF INVESTMENT MANAGER(S)

Investment Manager shall perform custodial duties and have sole discretion to purchase, sell or hold all securities, and rebalance Investment Accounts consistent with anticipated financial needs, objectives and guidelines contained in this Policy. Additional responsibilities of the Investment Manager include:

1. Reporting: The format of performance and risk-based reports shall be agreed and provided on a calendar quarterly basis or more frequently as requested by the Finance Committee. Investment Manager shall deliver electronic reports to the Controller and Finance Committee within 5 business days of the end of the reporting period, and within 10 business days for hard-copy mailed reports.
2. Meetings: Investment Manager will be available to discuss investment performance, market conditions, and other appropriate topics quarterly, or more frequently if requested by the Finance Committee. Such meetings will take place in person or via telephone or teleconference.
3. Change Management: Investment Manager will inform the Finance Committee of any qualitative changes to the management of the Investment Accounts, for example, changes

in Investment Manager personnel, ownership structure, investment philosophy, report format, contact information, etc., in a reasonable time frame.

4. Voting proxies: The Investment Manager will execute voting proxies in the best interest of the objectives of the Investment Accounts or as directed by the Finance Committee.
5. Disbursements: Investment Manager will facilitate periodic cash flow, either into or out of respective Investment Accounts as directed by the Controller or Treasurer of the National Association of Watch and Clock Collectors, Inc.

D. INVESTMENT OBJECTIVES

Short Term Accounts are primarily used to fund operations and other budgetary needs during the NAWCC fiscal year, ending March 31st. Therefore, predictable and steady income and capital preservation is required to maintain purchasing power over the long term. The investment objectives of the Short Term Accounts are to:

1. Meet or exceed the comparable market index, or blended market index as documented and agreed between the Finance Committee and Investment Manager.
2. Attain portfolio income and timing of income in a manner that best supports the funding requirements (disbursements) of the NAWCC.
3. Manage overall portfolio risk consistent with these investment objectives.

Long Term Accounts are primarily used to fund operations, capital projects and strategic initiatives. Therefore, capital appreciation over economic cycles is required. The investment objectives of the Long Term Accounts are to:

1. Exceed the comparable market index, or blended market index as documented and agreed between the Finance Committee and Investment Manager.
2. Attain capital appreciation in a manner that best supports the requirements of the NAWCC to fund operations, strategic initiatives and capital projects.
3. Manage overall portfolio risk consistent with these investment objectives.

E. GENERAL INVESTMENT POLICY

1. Investment decisions must be made solely in the interest of the beneficiaries of the Investment Accounts.
2. Investment Accounts should be diversified to minimize the risk of losses, unless under the circumstances it is prudent not to do so. The Investment Manager shall maintain an overall asset allocation to strike a balance between portfolio stability and portfolio appreciation. This strategy should include a balance of equity investments to maximize the longer term real growth of assets, and fixed income investments to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of equity investments.
3. Cash must be employed productively at all times by investment in short term cash equivalents to provide safety, liquidity, and return.

4. For the purpose of making distributions, Investment Accounts shall make use of total-return-based spending policy, meaning that distributions will be funded from net investment income, net realized capital gains, and proceeds from the sale of securities.
5. To ensure marketability and liquidity, all Investment Account securities must be listed on a major stock exchange.

F. PROHIBITED AND PERMITTED SECURITIES POLICY

Unless expressly authorized in writing by the Finance Committee, Investment Manager is expressly prohibited from:

1. Purchasing or selling securities on margin or executing short sales.
2. Purchasing or selling derivative securities for any purpose.
3. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected.
4. Pledging or hypothecating securities.
5. Purchasing or selling high risk assets including but not limited to:
    - Private Placements
    - Limited Partnerships
    - Venture-Capital Investments
    - Real Estate Properties
    - Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMO
    - Commodities
    - Equity options purchased or sold as an investment instrument is prohibited; however, equity options purchased or sold as part of a risk management strategy is permitted

Unless expressly prohibited in writing by the Finance Committee, Investment Manager may purchase or sell the following securities:

1. Cash Equivalents, examples include:
    - Treasury Bills
    - Money Market Funds
    - STIF Funds
    - Commercial Paper
    - Banker's Acceptances
    - Repurchase Agreements
    - Certificates of Deposit
2. Fixed Income Securities, examples include:
    - U.S. Government and Agency Securities
    - Corporate Notes and Bonds
    - Guaranteed Investment Certificates (GIC’s)
    - 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

3. Equity Securities of domestic and foreign companies, examples include:
    - Common Stocks
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks
    - American Depository Receipts (ADRs)
4. Mutual Funds, Index Funds, Exchange Traded Funds (ETFs) and REITs

G. TARGET DIVERSIFICATION GUIDELINES

Diversification across and within asset classes is the primary means by which the Finance Committee expects the Investment Manager to avoid undue risk of large losses over long time periods, therefore Investment Manager will take reasonable precautions to avoid excessive investment concentrations.

The following three diversification guidelines shall be separately measured and managed for Long Term Accounts (in aggregate), and Short Term Accounts (in aggregate):

Policy	Definition	**Maximum**
Single Investment Guidance: this guidance applies to an individual security, for example, a stock, a mutual fund, or bond.	With the exception of fixed income securities guaranteed by the U.S. government or cash equivalents, no single investment shall represent more than 5% of the total value.	**5%**
Security Pool Guidance: this guidance applies to pools of securities, including exposure to a single corporation's securities, and sovereign debt.	With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single pool of assets shall comprise more than 10% of the total value.	**10%**
Industry Classification Guidance: this guidance applies to industry concentration.	With the exception of passively managed investment vehicles seeking to match the returns on a broadly industry-diversified market index, no single industry classification shall comprise more than 20% of the total value.	**20%**

H. TARGET ALLOCATIONS GUIDELINES

Investment accounts under normal circumstances should be allocated across broad asset and sub-asset classes in accordance with respective Investment Accounts objectives.

The following allocation guidelines shall be separately measured and managed for Long Term Accounts (in aggregate), and Short Term Accounts (in aggregate):

Long Term Accounts	**Maximum**
U.S. Equities	**80%**
Non-U.S. Equities	**50%**
Fixed Income Investment Grade	**50%**
Fixed Income Below Investment Grade	**30%**
Cash Equivalents	**30%***
Short Term Accounts	
U.S. Equities	**80%**
Non-U.S. Equities	**30%**
Fixed Income Investment Grade	**50%**
Fixed Income Below Investment Grade	**20%**
Cash Equivalents	**20%***

* During short term periods of 90 days or less, cash and cash equivalent holdings may increase to facilitate transfers as part of executing rebalancing or diversification strategies.

I. REBALANCING GUIDELINES

Investment Manager may rebalance at any time at Investment Manager's discretion to achieve Investment Objectives. In addition, Investment Manager will perform the following procedure to ensure adherence to the Diversification and Allocation Guidelines:

1. Actual weightings will be calculated on a calendar quarterly basis (March 31, June 30, September 30, and December 31) and compared to Guidelines.
2. Incoming cash flow and outgoing disbursements will be considered to realign actual weightings closer to target weightings as deemed appropriate by the Investment Manager.
3. The respective Long Term Accounts and/or Short Term Accounts will be rebalanced within a reasonable period of time, not to exceed 90 days, If actuals exceed the Diversification Guidelines **Maximum** and/or the Allocation Guidelines **Maximum**.