

**THE JONES LIBRARY, INC.  
INVESTMENT MANAGEMENT POLICIES**

**I. SCOPE**

These policies are intended to govern the investment of all gifts and funds received for or held by The Jones Library, Inc.

The Jones Library is referred to by several different names: The Jones Library, The Jones Library, Inc., The Town Library, and The Jones Library System. These all refer to the same library system and all of these entities are managed by the same elected Trustees. For the purposes of these policies, "The Jones" is the institution and its resources, regardless of the legal title, and "the Trustees" are the elected Trustees, who act collectively as the Board of Trustees (the "Board"), with full authority to decide and act on behalf of The Jones.

The Endowment is the property of The Jones Library, Inc.. The Woodbury Fund is owned and under the fiscal management of The Jones Library, Inc., but disbursements from the Woodbury Fund are determined by the Friends of the Jones Library.

**II. JONES FUNDS IN OTHER HANDS**

Funds which are held by the Town of Amherst, such as the Herbert B. Adams Trust and the R.J.D. Westcott Trust, are not subject to these policies. The Jones receives annual interest payments from these funds.

The Walter E. Dickinson Trust is held by Bank of America. Interest is paid to The Jones quarterly for the purchase of books for the North Amherst branch.

**III. RESTRICTED GIFTS**

Restricted use gifts, grants and contributions may be put into segregated accounts to ensure that the restrictions are honored and for simplification of management. To the maximum extent permissible, such funds shall be invested in conformity with the objectives of safety, liquidity and yield. A current list of such funds shall be maintained at all times and the principal and earnings shall be reported at least quarterly.

**IV. ENDOWMENT INVESTMENT POLICIES**

**A. PURPOSE**

The Board adopts this Investment Policy to direct the management of The Jones Library, Inc. Foundation Account (the Endowment).

The Board hereby assigns to its Investment Committee the regular oversight of the Endowment and such other accounts as the Board may designate. The Investment Committee reports regularly to the Board. The Investment Committee may include members who are not on the Board.

**B. INVESTMENT POLICY**

This Investment Policy is to:

- Set forth the Board's philosophy and its investment objectives for the Endowment to guide its Investment Committee and Investment Manager;
- Inform the Amherst public as well as donors to and supporters of The Jones, Munson Memorial, and North Amherst libraries, both in Amherst and elsewhere; and to
- Provide the basis for monitoring and assessing the Investment Manager's progress and performance.

This Policy applies to the assets included in the Endowment.

C. FIDUCIARY DUTY

In pursuing the Investment Policy's objectives, the Board, the Investment Committee, the Investment Manager, and any employees of any of these are fiduciaries of The Jones and must act with the care, skill, prudence, and diligence that applicable law requires.

The Board observes and the Investment Manager must observe the "prudent investor rule" (Massachusetts Prudent Investor Act, Chapter 203C) which states in Section 3 that, "A trustee shall invest and manage trust assets as a prudent investor would, considering the purposes, terms, and other circumstances of the trust, including ... [other relevant circumstances]. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution."

All investment actions and decisions must be based solely on the best interest of The Jones, Munson Memorial, and North Amherst Libraries.

Fiduciaries have a duty to provide timely, full and fair disclosure to the Board, in writing, signed and dated, of all material facts regarding any actual or potential conflicts of interests.

D. INVESTMENT OBJECTIVES

In keeping with the intention of Jones Library founder Samuel Minot Jones, of other donors to the Endowment, and of the founding Trustees, the Board intends the Endowment to endure in perpetuity. The Board accordingly believes that future gifts and grants are as important as those already made. It expects future additions to the Endowment to be inconsistent and unpredictable. The objectives for the Endowment are to preserve the real purchasing power of the principal in perpetuity, while providing a predictable, stable, and growing stream of income to help fund ongoing operations. To this end the spending policy shall be based on the long term (defined as rolling 3-5 year periods) total return (meaning investment income, realized capital gains, and proceeds from the sale of investments net of investment fees and expenses), and aim for a return 3 - 6% above the rate of inflation (as measured by the Consumer Price Index).

*The Woodbury Fund is not restricted by a perpetual timeframe, but is designed to provide resources for such activities and projects as are approved by the Friends of the Jones Library. Consequently, while returns are strongly desired, it will be invested somewhat more conservatively.*

The Investment Manager has complete discretion over the investment and management of the Endowment, subject to applicable fiduciary standards, and to the objectives set forth in this Policy and any written agreements between the Library and the Investment Manager. This policy is intended to ensure that the endowment is managed in ways consistent with the short-term and long-term financial goals of the Fund, while providing sufficient investment flexibility to respond appropriately to changes in capital market conditions and in the financial circumstances of the Library.

The Board or, by agreement, its Investment Committee will promptly provide the Investment Manager with a copy of this Policy and with copies of any subsequent revisions to it. The Investment Committee will review this policy at least once per year. Changes to it may be made only by the Board.

## E. STRATEGY

The strategic allocation of the Endowment assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and value stability. Actual returns and valuations may vary substantially over shorter periods of time.

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Inflation is a key component in measuring investment performance. The Board accepts that the long-term risk of not investing in equity securities generally outweighs their short-term risk of volatility. As a result, a large portion of the Endowment may be invested in equity or equity-like diversified securities (see section on Allowable Assets, below).

Fixed income securities will be used to lower the Endowment's short-term volatility, to provide stable income, and some protection against a prolonged decline in the market value of the Endowment equity investments.

The Board recognizes that the proportion of the Endowment allocated to fixed income instruments may include money market instruments, and that these can be a strategic asset. They will normally be minimized and used for liquidity needs, or to permit gradual securities purchases to achieve dollar cost averaging into equity and/or fixed income investments.

The Investment Manager shall maintain the allocation between asset classes in accordance with the terms of this policy, and the performance of the portfolio shall be measured against a benchmark set forth in Section I below. Notwithstanding the above, in order to minimize transaction costs, the Investment Manager shall not be required to rebalance the portfolio to the benchmark more often than once a quarter.

The Investment Manager shall diversify the Endowment's investments to a prudent degree. To that end, the Endowment shall not buy or hold individual company stocks. Commingled investment vehicles such as mutual funds and exchange-traded funds (ETFs) may be used.

The Endowment's investments shall be diversified by both asset class (e.g., equity investments, fixed income securities) and within each asset class (that is, by sector, such as, consumer durables, industrial, technology, telecommunications; geographic area; quality; size).

## F. MARKETABILITY OF ASSETS

After giving consideration to the Endowment's longer-term liquidity requirements, which may include planned and unforeseen net distributions, the Investment Manager shall maintain the entire portfolio in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment with minimal impact on market prices.

Notwithstanding the above principle, the Board may elect to receive and keep physical assets such as artwork or historic artifacts.

## G. ALLOWABLE ASSETS

Mutual funds and exchange traded funds (ETFs) that hold the following securities are considered allowable assets:

- Cash Equivalents: Treasury bills, money market funds, commercial paper, repurchase agreements, certificates of deposit.
- Fixed Income Securities: US government and agency securities, corporate notes and bonds, preferred stock, fixed income securities of foreign governments and corporations, high yield bonds.
- Equity Securities: Common stocks, convertible notes and bonds, convertible preferred stocks, American Depository Receipts (ADRs and GDRs of non-US companies, stocks of non-US companies (ordinary shares).
- Other Assets:
  - Uninvested cash may be held temporarily in insured or fully collateralized accounts with an approved custodian.
  - Mutual funds and exchange traded funds (ETFs) may have minor positions in currencies, commodities, real estate investment trusts, or futures. Funds held may use derivative instruments, provided that those instruments are used only for the purpose of eliminating or moderating investment risk and not for speculative purposes.

Each fund used is expected to operate within the parameters of its Prospectus. The Investment Manager is responsible for monitoring a fund's compliance with its Prospectus.

Unless this statement of Investment Policy allows for investment in a specific type of derivative security, the Investment Manager may NOT invest Endowment assets in derivative investments.

#### H. PROHIBITED INVESTMENTS

The following types of assets or transactions are expressly prohibited:

- Direct Real Estate
- Venture Capital
- Private Placements
- Purchasing securities on margin
- Non marketable securities
- Hedge Funds The Investment Manager may not purchase securities on margin or execute short sales; pledge or hypothecate securities, except for loans of securities that are fully collateralized; purchase or sell derivative securities for speculation or leverage; or engage in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of this Endowment.

#### I. ASSET ALLOCATION GUIDELINES

The Board believes it more important to generate consistent total return than to outperform the market in any given year. Exposure to equities in the aggregate should target 60% of the portfolio, but should not normally exceed 70% or fall below 50%. Similarly, fixed income investment levels should target 40%, but remain within the range of 30-50%.

The acceptable long-range asset allocation will generally be as follows, subject to temporary override during rebalancing or the phasing in and out of certain investments: the Investment Manager shall generally invest cash in funds that complete the allocations shown below within 30 days. Unusual market conditions may require the Investment Manager, exercising prudent judgment, to reinvest cash over a longer, but reasonable, period of time.

- ASSET ALLOCATION OVERVIEW - ENDOWMENT

Asset Class	Target Allocation	Acceptable Range	Relevant Benchmark
<b><u>EQUITY PORTION</u></b>			
<b>TOTAL EQUITY</b>	60%	50-70%	
<b>Domestic Equities</b>	36%	30-42%	Wilshire 5000 or equivalent with prior approval
<b>International Equities</b>	24%	18-30%	FTSE Global All Cap Ex US Index or equivalent with prior approval
<b><u>FIXED INCOME PORTION</u></b>			
<b>TOTAL FIXED INCOME</b>	40%	30-50%	
<b>Domestic Fixed Income</b>	28%	22-34%	BarCap (Barclays Capital) US Aggregate Float Adjusted Bond Index or equivalent with prior approval
<b>International Fixed Income</b>	12%	8-16%	Barclays Global Aggregate ex-US Float Adjusted RIC Capped Index or equivalent with prior approval
<b>Cash and Equivalents</b>	0%	0-5%	Citigroup 3-month T-Bill Index  Cash and cash equivalents will be kept at least at a level necessary to cover short-term spending and expenses.

- ASSET ALLOCATION OVERVIEW - WOODBURY FUND

Asset Class	Target Allocation	Acceptable Range	Relevant Benchmark
<b><u>EQUITY PORTION</u></b>			
<b>TOTAL EQUITY</b>	50%	40-60%	
<b>Domestic Equities</b>	30%	25-35%	Wilshire 5000 or equivalent with prior approval

<b>International Equities</b>	20%	15-25%	FTSE Global All Cap Ex US Index or equivalent with prior approval
<b><u>FIXED INCOME PORTION</u></b>			
<b>TOTAL FIXED INCOME</b>	50%	40-60%	
<b>Domestic Fixed Income</b>	35%	28-42%	BarCap (Barclays Capital) US Aggregate Float Adjusted Bond Index or equivalent with prior approval
<b>International Fixed Income</b>	15%	10-20%	Barclays Global Aggregate ex-US Float Adjusted RIC Capped Index or equivalent with prior approval
<b>Cash and Equivalents</b>	0%	0-5%	Citigroup 3-month T-Bill Index  Cash and cash equivalents will be kept at least at a level necessary to cover short-term spending and expenses.

- CASH**  
 ENDOWMENT: Annually in June, the Library Director will set the anticipated draw scheduled for the following fiscal year and give this schedule to the Investment Manager. *WOODBURY FUND: Funding needs are set annually. Usually the draw will be made once or twice during the year. Larger projects may be decided at any time, but timely notice will be given, and draws will be as needed.*

All remaining cash shall be held at the Investment Manager’s discretion per the above “Cash and Equivalent” direction. We anticipate that the Investment Manager will minimize cash except where the Investment Manager, exercising prudent judgment, feels short-term market conditions warrant such holding of cash.

- GUIDELINES FOR FIXED INCOME INVESTMENTS**  
 With the exception of U.S. Government and agency securities, no more than 10% of the total fixed income component shall be invested in securities of any one issuer.

Investment grade bonds are defined as holding the minimum S&P quality rating (or equivalent) of BBB (lower medium grade) or better at the time of purchase. High yield bonds are those with a rating below BBB.

J. PERFORMANCE TIME HORIZON

The Board seeks desired investment results over a full market cycle, three to five years.

It does not expect that all investment objectives will be attained in each year, and recognizes that over one or another cycle the Investment Manager may produce significant over or under performance relative to the broad markets. The Board will therefore measure long-term investment returns using three and five year moving averages, and will compare performance to such broad, unmanaged indices as those referenced above in the Asset Allocation section. The use of an alternative benchmark must be approved by the Investment Committee.

The Investment Manager will be expected to match relevant indices over a full market cycle of three to five years. The Board reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter term, using the criteria established under Evaluation of Investment Managers below.

K. IMPLEMENTATION

The Board intends the Investment Manager to achieve this Policy's objectives by using diversified portfolios of multiple, style-specific managers, mutual funds, and exchange-traded funds (ETFs).

The Board regards diversification among various management styles, industries, market capitalizations, lines of business, equity, and fixed income sectors as essential.

The Board has selected and retained a qualified Investment Manager with which the Board intends to maintain a long term, mutually beneficial relationship, in the belief that, over time, an Investment Manager who understands The Jones Library's long-term goals and operations will be better able to contribute to its investment goals.

The Investment Manager may expect the Board, or by assignment, the Investment Committee to communicate:

- The Amherst Public Libraries' projected annual financial needs.
- The risk tolerance level for the Endowment.
- Reasonable investment objectives, and sound and consistent investment policy guidelines.
- Any material changes in the Endowment's status that could affect its management in the future.
- After reviewing the activity reports, whether the Endowment's investment strategy comports with this Policy and whether the Investment objectives and policies set forth herein continue to be appropriate. While both the Board and the Investment Manager expect changes in the Policy to be infrequent, changing market conditions, the development of new investment products, and other factors may suggest that this Policy be revised from time to time.
- The expectation that the Investment Manager shall attend Investment Committee meetings periodically and to make a formal presentation to the Board annually.
- The results of monitoring and evaluating the Investment Manager's performance according to the guidelines set out below.
- Any other projects referred to it by the Board.

L. EVALUATION OF INVESTMENT MANAGERS

The Investment Committee will review investment results quarterly. It will evaluate the Investment Manager annually, or as needed, based on the following criteria:

- Ability to meet or exceed the performance objectives stated in this Investment Policy.
- Adherence to his/her firm's Investment philosophy and style.
- Continuity of personnel and practices.
- Avoidance of regulatory action against the Investment Manager, principals of his/her firm, or any of its employees.
- Compliance with this Investment Policy.

- Provision of timely and accurate reporting at least quarterly.
- Provision of high quality customer service.

The Investment Manager will be expected to match relevant indices over a full market cycle, three to five years. Indices may include a “custom-blended” index with the approval of the Investment Committee.

The Board has the sole discretion to replace an Investment Manager. If an Investment Manager is to be replaced, the Investment Committee will evaluate potential managers on their investment objectives, investment style, performance, risk assessment, and account service, and make a recommendation to the Board.

## V. ENDOWMENT SPENDING POLICY

### A. GENERAL POLICY *(Adopted by the Trustees on December 15, 2009; amended on January 5, 2010.)*

In keeping with its fiduciary duty, the Board intends the Endowment to exist in perpetuity. The Board expects income from the Endowment to contribute to the Libraries' operating budget without depleting the Endowment.

Overall spending policy is flexible and is currently set, beginning in FY 2016 (July 1, 2015), to be at 4% of the Endowment portfolio's total market value, using the following formula: withdrawals from the Endowment will be based on a portfolio value calculated as a twelve quarter (three year) moving average through the year before the prior fiscal year (e.g., twelve quarter ending June 30 2014 for the year beginning July 1, 2015).

Board approval is required for a spending rate in excess of 4%.

### B. DRAW RATE *(Adopted by the Trustees on September 5, 2012.)*

- 5% in FY 2014
- 4.5% in FY 2015
- 4% in FY 2016 and thereafter.

*Adopted October 16, 2003.*

*Amended January 5, 2010.*

*Amended March 13, 2013.*

*Amended August 6, 2013.*

*Amended June 4, 2015.*