Trustees of the Newton Free Library
Investment Policy Statement
Adopted 12.20.2012 / Amended 01.24.2018 / Amended 01.22.2025

The Trustees of the Newton Free Library (the "Library") are responsible for managing funds that have accumulated over the years from gifts, bequests, contributions, support from the Friends of the Newton Free Library, and various fund-raising efforts and events, as well as investment income generated by those funds (the "Funds"). For purposes of this policy, the Funds include investments at outside investment advisers and managers and certificates of deposit at banks, but exclude operating cash accounts held at banks.

Consistent with their fiduciary responsibility, the Trustees have adopted this Investment Policy Statement by unanimous votes on the above dates, in order to set down in writing the objectives, policies and procedures by which the Funds are to be managed for the benefit of the Library and by which the performance of the investments and outside investment advisers and managers will be monitored and evaluated.

Investment Objectives

The investment objectives for the Funds are as follows:
1. To grow the Funds, in order to maintain and enhance the real dollar purchasing power of the Funds over the long term.

2. To generate an absolute return, including both capital gains and investment-generated income, but net of investment fees and inflation (as defined by the consumer price index), sufficient to permit the disbursement of funds for discretionary expenditures consistent with the authorized spending guidance documented in this policy.

3. To invest the Funds prudently in a diversified portfolio of designated asset classes and security types, so as to reduce volatility, minimize the risk of principal loss, and to balance investment fees, in order to grow the overall value of the Funds such that they meet or exceed a broad range of appropriate market indices over the long term.

4. The Trustees may entrust some or all of the Funds to one or more outside investment managers selected and evaluated by the Trustees. Any such investment managers will manage the investment of the Funds on a discretionary basis in accordance with the objectives, policies and procedures in this document as it may be revised from time to time by the Trustees in fulfillment of their goals and responsibilities. Any investment actions taken by the Treasurer on behalf of the Trustees, whether in response to outside investment advice or otherwise, shall similarly comply with the objectives, policies and procedures in this document unless a formal vote of the Trustees authorizes an exception.

General Investment Policies

1. At all times the Funds shall be invested in a generally high quality and broadly diversified set of investments.

2. Diversification, however, should not require that the investments be scattered in an unnecessarily large number of distinct investments. The Trustees believe that a portfolio of no more than 25-30 distinct investments is appropriate.

3. All the Funds, whether in cash or securities, shall be held in Federally-insured banks and/or by reputable registered third-party custodians, each of whom shall provide formal monthly statements and receipts of any transactions as evidence of the Funds' safekeeping.

4. The focus of the investments shall be long term growth. The managers, within the bounds of their assignments, and the Trustees, more generally, shall strike a balance between making prudent periodic changes in the investment portfolio to react to long-term changes in market conditions, on the one hand, and not overreacting to short-term market fluctuations and investment industry fads, on the other. It is expected that changes to the investment portfolio will be infrequent and undertaken only with serious consideration.

5. The Trustees understand that the pursuit of long-term growth entails some degree of volatility and risk of principal loss. The goal shall not be growth at all costs, but rather a reasonable growth target at a moderate level of risk, over the long term.

Specific Investment Policies: Asset Classes, Allocations, Withdrawals

1. The permitted asset classes and investment vehicles shall be as follows, subject to the further restrictions described below:

Cash, Certificates of Deposit, US Treasuries, Money Market Funds, Cash Equivalents
Fixed-income securities of government and large corporations:
    Individual securities meeting quality ratings as described below
    Mutual Funds, Index Funds & ETF's managed by reputable firms
Equities of U.S. and Foreign corporations:
    Mutual Funds, Index Funds & ETF's managed by reputable firms

2. The Funds shall not be invested in any of the following, or similar:

Individual stocks (except through managed funds permitted above)
Limited partnerships
Hedge funds
Private equity

Venture capital
Margin transactions
Short sales
Commodities or futures contracts
Options
Derivatives
Non-registered securities of any kind

3. In general, the investment portfolio shall be allocated approximately 50-75% to equities and 25-50% to fixed income and cash. This balance shall be maintained through prudent periodic adjustments.

4. The investment in equities shall be allocated in these ranges (as percentages of the equity portfolio):

U.S. Large Cap	35-75%
U.S. Small to Mid Cap	0-30%
International Developed	0-25%
Emerging Markets	0-15%

5. At no time should the combined value of investments in the equity and debt securities of one issuer exceed 5% of the total Funds, with the exception of obligations of the U.S. Government, mutual funds, and ETFs. Investments in certificates of deposit shall be diversified among issuing banks that are FDIC insured such that the FDIC or comparable account protection limits are not exceeded for an extended period of time.

6. The investment portfolio shall maintain reasonable sector allocations and diversification. At no time should more than 20% of the portfolio be invested in any one sector of the economy.

7. The Trustees authorize prudent spending from the Funds of not more than 5% of the moving average of the last 3 years' investment market value. The exact amount to be spent each year will be determined by the Trustees during the budget process and will allow for regular monthly withdrawals. This amount can be adjusted by vote of the Trustees and shall be reviewed on an annual basis in conjunction with the annual investment review.

8. Independent of the authorized budgeted spending amount, the Trustees retain the right to approve, by formal vote at properly organized meetings, special disbursements from the Funds to fund specific Library projects, to fulfill the express wishes of a Library donor in connection with donated funds, and for other legitimate purposes in support of the Library as approved by the Trustees within their purview. The Trustees understand that such special disbursements may reduce principal below the level contemplated in the investment objectives. The Treasurer shall have the responsibility of explaining to the full Board of Trustees the impact on the Trustees Funds and investment returns at the time such disbursements are under discussion.

9. Cash equivalents may include demand deposits, certificates of deposit, or commercial paper rated A1 or better by S&P and/or P1 or better by Moody's, with the lower rating prevailing, as well as U.S. Government treasury bills. Assets in money-market mutual funds or ETF's must comply with the quality provisions for fixed-income or cash equivalents.

10. Individual fixed Income securities (bonds or notes) must be rated Baa1 or better by Moody's or BBB+ or better by S&P, with the lower rating prevailing. Assets in fixed-income mutual funds or ETF's must comply with the quality provisions for fixed-income and cash equivalents. High-yield fixed-income securities shall be limited to 15% of the fixed income portfolio.

11. Conflict of interest: No investments shall be allowed that may provide either a direct or an indirect monetary benefit to any member or family member of the Board of Trustees, the Library staff, any outside investment adviser or manager or any employee or affiliate of outside investment advisers or managers.

Reporting, Monitoring and Control

The Trustees are responsible for the selection and evaluation of investment advisers and managers. Selection must be based on prudent care and due diligence procedures. Evaluation must be based on the Trustees annual assessment of performance and compliance with this policy. In general, selection and evaluation will be based on:

- Superior relative risk-adjusted performance
- Strong reputation
- Interests aligned with their clients
- Experience of the responsible professional team
- Reasonable level of assets under management or advisory services

1. The Treasurer shall be responsible for supervising the investments and the performance of any outside investment advisers or managers and reporting on the status and performance of the Funds at each monthly Trustees Meeting, such reporting to include the distribution to each of the Trustees of the required monthly, quarterly and annual reports furnished by the outside advisers, managers and custodians.

2. Each outside investment adviser and manager shall provide the Trustees, through the Treasurer, with regular periodic statements as follows:

Monthly:

(a) a statement with a description of each security purchased or sold, with the price and date of each transaction;

(b) a holdings report detailing each holding's quantity, average cost basis, purchase date, current market value, unrealized gain/loss, annual income and yield at cost;

(c) an analysis of the current asset allocation by investment category and by sector

Quarterly:

(a) detailed information about asset allocation;

(b) investment performance, both absolute and in comparison with appropriate benchmarks, for various time periods including YTD, 1 year, 3 year, and 5 year;

(c) analysis of portfolio characteristics, including risk and volatility measures, standard ratios, and portfolio ratings by a reputable third-party such as Morningstar;

(d) a quarterly review with the Treasurer by teleconference to discuss performance, market conditions, and any recommendations for changes to the portfolio or strategy;

Annually:

(a) all of the above on an annualized basis;

(b) summary reports of transactions and holdings for the year;

(c) a face to face meeting with the entire Board of Trustees to review investment performance both absolute and comparative, market conditions, compliance with this policy, and any recommendations for changes to the portfolio, investment strategy, or policies and procedures.

3. To assure continued relevance of the investment objectives, policies and procedures in light of possible changes in market conditions, investment options and/or the Library's needs, the Trustees will review this Investment Policy Statement annually. Any proposed revisions will be submitted to the full Board of Trustees for review and discussion at a regularly scheduled meeting prior to formal adoption by vote.