

**THE STORAGE NETWORKING INDUSTRY ASSOCIATION**  
**INVESTMENT POLICY**  
**December 2009**



## SNIA Investment Policy

### REVISION HISTORY

<b>Date</b>	<b>By:</b>	<b>Comments</b>
19/07/2005	Robin Glasgow	Original Draft based on template submitted by Kurt Peterson at Smith & Barney
31/07/2005	Vincent Franceschini	Minor changes + introduction of investment tiers + SIC definition
8/08/2005	Robin Glasgow	Minor Changes+ formatting + criminal activity statement page 13.
11/01/2006	Phil Mills	Eliminated Investment Committee
2/7/2006	Robin Glasgow	Insert changes from 1-19 Board meeting
3/9/2006	Robin Glasgow	Insert changes from 3-8 meeting with Kurt Peterson
11/1/2007	Wayne Adams	Change Reserve Fund, Investment Fund amounts reflecting August board decisions for 2007 budget reforecast and cash flow, reflect Oct board vote of 2008 budget, and insert description to calculate amount of Reserve Fund.
11/17/2008	Wayne Adams	Change Reserve Fund amount per Pass 4 Budget passed 11/13/2008. Change from \$1.8M to \$1.5M
5/8/2010	Michael Meleedy	Change Reserve Fund amount per Budget passed 12/15/2009. Change from \$1.5M to \$1.2M

# SNIA Investment Policy

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# SNIA Investment Policy

## EXECUTIVE SUMMARY

<b>Type of Plan</b>	<b>SNIA Reserve Fund</b>	
<b>Current Assets</b>	<b>\$1,200,000 [to be set before the start of each fiscal year]</b>	
<b>Time Horizon</b>	<b>Indefinite</b>	
<b>Risk Tolerance</b>	<b>Conservative (Overall)</b>	
<b>Spending Policy</b>	<b>Years 1-to-3</b>	<b>4% of market value</b>
	<b>Year 3 onwards</b>	<b>5% of trailing 3 years average market value</b>

### Asset Allocation

	<u>Lower</u>	<u>Target</u>	<u>Upper</u>
Government Agencies	20%	35%	50%
Corporate Bonds	10%	30%	50%
CD's	5%	33%	30%
Cash & Equivalent	2%	2%	5%

### Evaluation Benchmark:

A total return to exceed the performance of a policy index based upon the strategic asset allocation of the Fund distributed in broad asset classes. Specifically the policy index will be a weighted index comprised of:

- Solomon Broad Investment-Grade Index
- 1 to 10 year Government/Agency Index

<b>Type of Plan</b>	<b>SNIA Designated Investment Fund(s)</b>	
<b>Current Assets</b>	<b>varied based on available surplus &amp; idle Capital</b>	
<b>Time Horizon</b>	<b>1 to 10 years</b>	
<b>Risk Tolerance</b>	<b>Conservative/Moderate</b>	
<b>Spending Policy</b>	<b>Years 1-to-3</b>	<b>4% of market value</b>
	<b>Year 3 onwards</b>	<b>5% of trailing 3 years average market value</b>

### Asset Allocation (Investment Advisor to provide asset allocation percentages)

	<u>Lower</u>	<u>Target</u>	<u>Upper</u>
Government Agencies	5%	20%	25%
Corporate Bonds	10%	20%	30%
CD's	5%	20%	25%

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Cash & Equivalents	2%	5%	5%
Equities	20%	45%	70%

### **Evaluation Benchmark:**

A total return to exceed the performance of a policy index based upon the strategic asset allocation of the Fund distributed in broad asset classes. Specifically the policy index will be a weighted index comprised of:

- Solomon Broad Investment-Grade Index 1 to 10 year Government/Corporate 1-10 Year
- Standard & Poors 500 Index

## **SCOPE OF THIS INVESTMENT POLICY**

This statement of investment policy reflects the investment policy, objectives, and constraints of the SNIA Reserve Fund and the Designated Investment Fund. The SNIA By-laws and Policies and Procedures documents should guide and will supersede any part of this document.

## **PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This statement of investment policy is set forth by the SNIA Board of Directors in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all parties involved of the investment goals, objectives, and allocations of the assets in the SNIA Reserve Fund and the SNIA Designated Investment Fund.
3. Offer guidance and set limitations to all Investment Management Firms or Consultants regarding the investment of assets in the SNIA Reserve Fund and the SNIA Designated Investment Fund
4. Establish a basis for evaluating all investments results on a regular basis.
5. Manage all Fund assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the assets of both the Reserve Fund and the Designated investment Fund will be managed

In general the purpose of this statement is to outline the philosophy that will guide the investment management of the overall SNIA Investment Funds toward the desired results. It is intended to be specific enough to be meaningful, yet flexible enough to be of practical use to Investment Management Firms or Consultants.

## SNIA Investment Policy

### DELEGATION OF AUTHORITY

The SNIA Board Treasurer is primarily responsible for managing SNIA's investments. The Executive Committee is tasked with assisting the Treasurer in this activity as needed. The SNIA Board authorizes the Treasurer, with approval from the Executive Committee, to delegate certain responsibilities to professional experts in various fields. Neither the Treasurer nor the Executive Committee will reserve any control over investment decisions, **with the exception of specific limitations as described in this document.** Investment Management Firms and Consultants will be held responsible and accountable to achieve the objectives herein stated.

### DEFINITIONS

1. "Fund" shall mean either the SNIA Reserve Fund or the Designated Investment Funds as approved by the SNIA Board of Directors
2. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management of, disposition of, or administration of, the Fund assets.
3. "Investment Management Firm" or "Consultant" shall mean any individual or organization employed by the SNIA to provide advisory services, including advice on investment objectives, asset allocation, manager search, performance monitoring, or other task involved in administration of the investment fund.
4. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this policy.
5. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this policy are expected to be met.
6. "Capital" shall mean the funds contributed to the SNIA Investment and Reserve accounts. In addition, returns of income and capital gains will become additions to Capital.

### ASSIGNMENT OF RESPONSIBILITY

#### (Responsibility of the Investment Management Firm or Consultant)

1. Investment management decisions to buy, sell, or hold securities, and to alter asset allocation within the guidelines of this policy.
2. Reporting, on a monthly basis, of transactions and positions. Comparative investment performance results, will be reported quarterly or as requested by the SNIA Board of

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Directors

3. Communicating major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or progress of the Fund's investment objectives.
4. Informing the Treasurer regarding any qualitative change to investment management organization: Examples include but are not limited to, change in portfolio management, personnel, ownership structure, investment philosophy, major asset re-allocation.
5. Voting proxies, if requested by the Treasurer, on behalf of the Fund, and communicating such voting records to the Treasurer on a timely basis.
6. Assistance in the development and periodic review of this investment policy.

## **GENERAL INVESTMENT PRINCIPLES**

1. SNIA investments shall be made solely in the interest of the beneficiaries of the Fund.
2. Assets in the SNIA Reserve Fund and the SNIA Designated Investment Fund shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a 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 both Funds shall be so diversified as to minimize the risk of large losses, unless the circumstances clearly indicate that it is not prudent to diversify the Fund's assets.
4. Cash is to be employed productively at all times, by investment in short-term cash equivalents, to provide safety, liquidity, and return.

## **INVESTMENT MANAGEMENT POLICY**

### ***Preservation of Capital***

Consistent with respective management styles and philosophy investment management firms or consultants should make reasonable efforts to preserve capital.

### ***Risk Aversion***

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Understanding that risk is present in all types of securities and investments, the SNIA recognizes that some risk is necessary to produce long term investment results that are sufficient to meet the objectives of the SNIA Reserve Fund and the SNIA Designated Investment Fund. However, the Investment Management Firm or Consultant will make reasonable efforts to control risk, and will be evaluated on a regular basis to ensure that the risk assumed is commensurate with the given investment style and the written objectives and guidelines of this policy.

### **DEFINITION AND GOAL OF THE SNIA INVESTMENT FUND**

The SNIA Investment Fund is constituted by the following funds:

- SNIA Reserve Fund
- SNIA Designated Investment Fund(s)

#### The SNIA Reserve Fund

The SNIA Reserve Fund should exist in perpetuity, and is designed to provide financial resource for the shut-down of the association or to fund special projects that benefit the storage networking industry and the members of the SNIA. Definitions stand as long as Board designated reserve limits are not invaded, and any project will be deemed by the SNIA Board of Directors to support the Vision and Mission of the SNIA.

The Capital amount of the Reserve Fund is to be set by the Board of the Directors as a part of each fiscal year budget setting process. Once a budget is approved or adjusted during the course of a fiscal year, the Reserve Fund Capital amount is calculated and a plan is set forth by the Treasurer to achieve the Fund amount before the end of the fiscal year.

The Fund Capital amount is calculated as  $[(4 \text{ months}/12 \text{ months}) * (\text{Adjusted Revenue})]$ . Adjusted Revenue is the net amount in the SNIA Budget reflecting cash and cash equivalents only. Other forms of revenue in the SNIA Budget such as internal SNIA cross-department allocations and non-cash donations are not included. The Adjusted Revenue does include all Forum and Initiative revenues.

#### The SNIA Designated Investment Fund(s)

The SNIA Designated Investment Funds are specifically approved by the SNIA Board of Directors to strengthen the SNIA investment strategy. The risk associated with the Designated Investment Funds may be slightly higher than the risk associated with the investment of the SNIA Reserve Funds, unless specifically advised by the SNIA Board.

The SNIA Board of Directors will determine all Investment Fund structure in accordance with SNIA By-laws and Policies and Procedures. Investment policy documents will be reviewed on a yearly basis, with possible revision as required.

The overriding objective of the Designated Investment Fund is to maintain the Association's purchasing power and to grow the resources available for industry projects and programs. In

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order to have this purchasing power, net of spending the objective is to grow the aggregate portfolio at the rate of 4.5% to 6.5% over the Fund's investment horizon.

The Capital amount in the Fund will vary throughout the course of any given year. Before Capital is placed into this Fund, the Reserve Fund Capital amount needs to be satisfied, and there must be enough cash in the SNIA Bank to meet 3-6 months cash flow projections. Capital can also be drawn from this Fund to meet seasonal cash flow needs and to fund special Board approved projects.

### SNIA SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this document it is the goal of the aggregate Fund assets to exceed:

- **An absolute return of 4.5% to 6.5% after fees and expenses.**

The absolute return described above is the objective of the aggregate SNIA Reserve Fund and the Designated Investment Fund, and is not meant to be imposed on each investment account or instrument. The goal of the Investment Management Firm or Consultant over the investment horizon shall be to:

1. Meet or exceed the market index, or blended market index, selected by and agreed upon by the Treasurer and Executive Committee.
2. Display an overall risk level in the portfolio which is consistent with the absolute return target outlined above, and with the definition of risk as described in this document.
3. Provide for Long Term Growth of Capital, while avoiding excessive risk.

### DEFINITION OF RISK

The SNIA recognizes that there are many ways to define "Risk". It believes that any Investment Management Firm or Consultant involved in the management of the Fund should understand how the committee defines risk so that the assets in the Fund can be managed in a manner consistent with the Funds objectives and the investment strategy provided in this document. **For the purposes of this Investment Policy risk is defined as "Risk to Capital".**

### LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of an asset in either Fund, the Treasurer will periodically provide the Investment Management Firm or Consultant with an estimate of cash flow needs for the SNIA. The Treasurer will strive to notify the Investment

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Management Firm or Consultant in a timely manner to allow sufficient time to build up any liquid reserve that might be necessary. To maintain the ability to deal with unplanned cash requirements that might arise, the SNIA requires that a minimum of 2% of all assets in both the Reserve Fund and the Designated Investment Fund shall be maintained in cash or cash equivalents, including money market funds or short term U.S. Treasury Bills.

## **MARKETABILITY OF ASSETS**

The SNIA requires that all Reserve Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the fund, with minimal impact on market price. The SNIA requires that all assets in the Designated Investment Fund be invested only in allowable assets as defined below.

## **INVESTMENT GUIDELINES**

### ***ALLOWABLE ASSETS***

#### **1. Cash Equivalents**

- Treasury Bills
- Money Market Funds
- Bankers Acceptances
- Repurchase Agreements
- Certificates of Deposit (only to FDIC insurable limits)

#### **2. Fixed Income Securities**

- U.S Government and Agency Securities
- Corporate Notes and Bonds Class A or better
- Fixed Income Securities of Foreign Governments and Corporations (Investment Advisor to provide rating, S&P, etc.)

#### **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**

- Mutual Funds that invest in securities as allowed in this statement.

#### **5. Other Assets**

- Guaranteed Investment Contracts, (GIC's)

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## ***PROHIBITED ASSETS***

- Derivative Investments
- Individual securities or equity debt of any SNIA member company
- Commodities and Futures Contracts
- Private Placements
- Options
- Limited Partnerships
- Venture Capital Investments
- Real Estate Properties
- Interest-Only (IO), Principal-Only (PO), and Residential Tranche CMO's
- Anything not specifically mentioned in permitted investments

## ***PROHIBITED TRANSACTIONS***

- Short Selling
- Margin Transactions

## ***Evaluation Benchmark***

1. This Benchmark shall be the total return to exceed the performance of a policy index based on the strategic asset allocation of both Funds to various broad asset classes. Specifically the policy index will be a weighted index comprised of:

- Smith Barney 1 to 10 year Government/Agency Index
- Standard & Poors 500 Index

2. In the event that the above aggregate asset allocation guidelines are violated, for reasons including (but not limited to) market price fluctuations, the Treasurer will instruct the Investment Management Firm or Consultant to bring the portfolio(s) into compliance with these guidelines as promptly and as prudently as possible. In the event that any individual portfolio is in violation of these specific guidelines, for any reason including market price fluctuations, the SNIA expects that the Investment Management Firm or Consultant will bring the portfolio into compliance with the guidelines as promptly and as prudently as possible without instruction from the SNIA.

## **Guidelines for Fixed Income Investments and Cash Equivalents:**

1. SNIA Reserve Fund or Designated Investment Fund assets may be invested only in bonds rated A (or equivalent) or better by one or more of the major credit rating agencies.
2. SNIA Reserve Fund or Designated Investment Fund assets may be invested only in commercial paper rated A1 (or equivalent) or higher.

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3. Fixed income maturity restrictions are as follows:
  - Maximum maturity for any single security is 10 years
  - Weighted average portfolio maturity may not exceed 5 years
4. Money Market Funds selected shall contain securities whose sponsor's credit rating at the minimum will be rated AA or better by Standard and Poor's, and/or Moody's.
5. All certificates of deposit must be insured to their full amount by the Federal Deposit Insurance Corporation.

## **SELECTION OF AN INVESTMENT MANAGEMENT FIRM OR CONSULTANT**

In the event that there is a vacancy in the defined role of Investment Management Firm or Investment Consultant, the SNIA Board of Directors through its Treasurer will be responsible for filling that vacancy. A minimum of three (3) proposals will be reviewed from qualified firms.

While consideration will be given to overall past performance (in terms of aggregate return) as a benchmark this will not be the only criteria for selection. Other factors taken into account when choosing an investment advisor are outlined below. This list is not meant to be all inclusive:

- Size of portfolio(s) under management
- Experience both in the SNIA's organization and SNIA's personnel
- Financial stability of the Firm or Consultant
- References from current and past clients
- Responsiveness and quality of presentation
- Available resources
- Geographic location
- Interview scores

## **PERFORMANCE REVIEW AND EVALUATION**

Performance reports must be generated by the Investment Management Firm or Consultant on a monthly basis and communicated to the Treasurer for review. Investment portfolio results will be measured against commonly accepted performance benchmarks. The SNIA reserves the right to terminate an Investment Management Firm or Consultant for any reason or no reason. Examples of areas that would be of concern would be:

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

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5. Investment Management Firm or Consultant's engagement in criminal or questionable activity

### INVESTMENT POLICY REVIEW

To assure continued relevance to the SNIA, the guidelines, objectives, financial status, growth expectations, capital market changes, and asset allocation as outlined in this Investment Policy will be reviewed annually by the Executive Committee.

The SNIA Investment Policy was adopted by the SNIA Board of Directors, and ongoing tactical oversight of the SNIA's investment portfolio is vested in the Treasurer and the Executive Committee.

#### SIGNATURES:



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**Wayne M. Adams**  
**SNIA Treasurer**  
*on behalf of the SNIA Board of Directors*

***November 17, 2008***

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**November 17, 2008**