



Statement of Investment Policy

American Society of Animal Science and American Society of Animal Science Foundation

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Executive Summary

The ASAS Board, the ASAS Investment Committee and the ASAS Investment Consultants (Patrick Donnelly & Jeffrey Palmer) work together to determine the appropriate investment policy. Please, it was understood by all groups, that the policy would be governed in a fairly conservative manner, between 2012-2017, to ensure availability of liquid assets, which would be needed to allow ASAS to invest in the ASAS infrastructure. Although ASAS constantly evaluates our investment policies, it is likely that the policy will be fully reworked in 2018 to guarantee that it aligns with the new strategic plan.

| | Lower <u>Limit</u> | <u>Strategic Allocation</u> | Upper <u>Limit</u> |
|--|-----------------------|---------------------------------|-----------------------|
| Total Equity Investments | 35.0% | 46.0% | 65.0% |
| Total Alternatives | 10.0% | 20.0% | 30.0% |
| Total Fixed Income and Cash | 20.0% | 34.0% | 45.0% |
| | | | |
| Domestic Large Cap Equities | 20.0% | 27.0% | 50.0% |
| <i>Large Growth Style</i> | <i>10.0%</i> | <i>13.0%</i> | <i>30.0%</i> |
| <i>Large Value Style</i> | <i>10.0%</i> | <i>14.0%</i> | <i>30.0%</i> |
| Domestic Small Mid Cap Core Equities | 0.0% | 5.0% | 15.0% |
| International and Emerging Market Equities | 5.0% | 15.0% | 30.0% |
| <i>International</i> | <i>0.0%</i> | <i>10.0%</i> | <i>30.0%</i> |
| <i>Emerging Markets</i> | <i>0.0%</i> | <i>5.0%</i> | <i>15.0%</i> |
| Alternative Investments | 10.0% | 20.0% | 30.0% |
| Global Fixed Income | 20.0% | 26.0% | 45.0% |
| Cash | 5.0% | 8.0% | 25.0% |

Evaluation Benchmarks:

| | |
|-------------------|---------------------------|
| Large Cap Growth: | Russell 1000 Growth Index |
| Large Cap Value: | Russell 1000 Value Index |
| Mid Cap Core: | Russell 2000 Index |
| Small Cap Core: | Russell 2500 Index |
| International: | MSCI EAFE |
| Emerging Markets: | MSCI Emerging Markets |
| Alternatives: | HFRI Aggregate |
| Fixed Income: | Barclay's Aggregate Index |
| Cash: | 90 Day T-Bill |

The indices stated above in Evaluation Benchmarks will comprise a Composite Benchmark Index, of which the overall portfolio is evaluated against. This Composite is determined by a weighted average of indices relative to the strategic allocation listed in the Asset Allocation.

1. Rebalancing of the investment pool will occur when:
 - a. Contributions or withdrawals are made to the investment pool
 - b. Any style element moves above its upper limit or below its lower limit
 - c. Rebalance annually to strategic allocation
2. The Finance Committee may adjust the strategic allocation limits (lower and upper limits) in accordance with market conditions.

Background

The name of this organization is the American Society of Animal Science (hereinafter the "Society" or "ASAS").

Established in 1908, the American Society of Animal Science (ASAS) is a professional organization for animal scientists designed to help members provide effective leadership through research, extension, teaching and service for the dynamic and rapidly changing livestock and meat industries.

Mission Statement

The American Society of Animal Science fosters the discovery, sharing and application of scientific knowledge concerning the care and responsible use of animals to enhance animal and human health and well-being.

These core principles and beliefs are the foundation for ASAS and will guide the implementation of this 5-year strategic plan.

1. Animals are essential to human life and well-being.
2. The care and use of animals are held to the highest standards of integrity and professional ethics.
3. Research and scientific information are communicated in an open, transparent, and dynamic manner.
4. Career development for animal scientists, educators, and producers is essential to the viability of the allied and animal industries.
5. Animal science and the production of animal-sourced foods must continually evolve to meet the needs and values of society.

Investment Philosophy

This investment policy statement is designed to be a guideline for the assets of American Society of Animal Science. Assets of the American Society of Animal Science will be invested in a combination of equities and bonds (Fixed Income), invested for long-term growth of capital.

In understanding that risk is present in all types of securities and investment styles, the members recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the ASAS long-term objectives. However, the investment managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style

and objectives.

Equities

The primary objective of these funds is long-term growth. The time horizon for these assets should be 10+ years. Liquidity is not a consideration for these assets other than in an emergency situation. Allowable investments are: Stocks traded on a National exchanges and Mutual Funds provided that the underlying securities within the fund meet all objectives, and Convertible Securities.

The use of a Registered Investment Advisor is allowed provided that the advisor meets all qualifications under the registered Investment Advisor Act. If employed, the advisor may have full discretion to buy and sell securities on behalf of the ASAS. Rebalancing of the investment asset classes will be reviewed annually by the investment advisor and officers. Consideration will also be given to rebalancing of the allocation with contributions or withdrawals that are made to the investment pool. Prohibited transactions and investments for the Investment Account include: short selling, margin transactions, borrowing, buying or selling of options or leveraging of its assets.

Alternatives

The primary objective of these funds is long-term growth. The time horizon for these assets should be 10+ years. Alternatives are in the portfolio due to historically low to moderate correlation with traditional asset classes (equities and fixed income). Liquidity is not a consideration for these assets other than in an emergency situation. Allowable investments are: Separately Managed Accounts and Mutual Funds that invest in alternatives such as commodities and hedging strategies, provided that the underlying securities within the fund meet all objectives.

Fixed Income and Cash

The primary objective of these funds is threefold -- liquidity, income and safety. The allowable investments for this category are: Certificates of Deposit, Money Market Funds, Bank Deposits, US Treasury Bonds and other Government issued bonds, U.S. Corporate Bonds rated A or better by Moody's or S&P, Mutual Funds provided that the underlying securities within the fund meet all objectives, and Convertible Securities.

Investment Guidelines

ALLOWABLE ASSETS

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- 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

- 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 which invest in securities listed above.
- Alternative Investment Mutual Funds that may invest in commodities, real estate investment trusts, hedging strategies, or flexible portfolio strategies

PROHIBITED ASSETS

Prohibited investments include, but are not limited to the following:

1. Directly Held Commodities and Futures Contracts
2. Directly Held Options Contracts
3. Venture-Capital Investments
4. Real Estate Properties
5. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs

Illinois Prudent Investor Rule

The Society is committed to the general principles of the Illinois Prudent Investor Rule that set forth standards to which members are expected to adhere in administering Funds, and will follow those standards.

The standards of the Prudent Investor Rule can be summarized as:

1. This standard requires the exercise of reasonable care, skill, and caution and is to be applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy that should incorporate risk and return objectives reasonably suitable to the investment portfolio.
2. No specific investment or course of action is, taken alone, prudent or imprudent. Investments may be made in every kind of property and type of investment. Investment decisions and actions are to be judged in terms of reasonable business judgment regarding the anticipated effect on the portfolio as a whole under the facts and circumstances prevailing at the time of the decision or action. The prudent investor rule is a test of conduct and not of resulting performance.
3. There is a duty to diversify the investments unless, under the circumstances, it is reasonable to believe that it is in the best interests of the beneficiaries and furthers the purposes of the Society not to diversify.

Communication and Reports

A statement of the American Society of Animal Science investment portfolio shall be sent at least quarterly to the Director and bookkeeper of the ASAS; the Investment Consultant and the Society Finance Committee will review investments either quarterly or semi-annually via conference call. In addition, the Investment Consultant shall make a report semi-annually to the Board of the Society. All interested parties shall receive statements at their request.

In addition to monthly statements, a statement of the American Society of Animal Science investment portfolio shall be sent at least quarterly to the ASAS Office of the Executive Director. These quarterly monitors will include:

1. Investment performance over the past quarter
2. Trailing twelve month performance
3. Prior three years average annual return
4. Benchmarks appropriate for holdings in the ASAS's portfolio

Annually, the investment consultant shall also provide a reporting of:

1. Performance relative to goal
2. Market and economic conditions and any changes to asset allocation or investment strategy
3. Asset allocation

The investment consultant shall meet with and make a report to the AAHS Board of Directors and/or Finance Committee annually.

The Board, Finance Committee or the Executive Director shall inform the consultant of any changes in the goals, financial condition or needs of the ASAS. This investment policy should be reviewed at least every five years to make sure that it is in accord with the ASAS's goals and objectives as well as with market and economic conditions.

Finance Committee

Selection of investments and continuing supervision of the investment portfolio shall be the primary responsibility of the Finance Committee and/or Executive Director. The ASAS Board authorizes the ASAS Executive Committee to function as the ASAS Finance committee. This committee may employ outside money managers whose actions will then be subject to on-going review by the Finance Committee, Investment Consultants and the Board.

This statement of investment policy is adopted on _____ by the American Society of Animal Science.