

Investment & Reserves Policy

3/May/2019

I. Purpose

This policy statement provides guidance to CFA Society Chile, regarding the Short-Term and Long-Term Reserves (collectively “Reserves”) in accordance with the investment goals and objectives established by the Board of Directors (“Board”).

The Reserves are intended to support the financial stability of the organization in times of distress. During such periods of distress, the reserves are expected to contribute important contingency funds to cover operating and unexpected strategic initiative costs to ensure our mission is sustained into the future. The Reserve can also serve to provide select business investment to support/enhance service to our mission. In this way, the Reserves can also serve to advance business opportunities in support of strategic initiatives by contributing important assets to ensure our mission is sustained into the future. The Reserves will ensure the Society’s ability as a going concern and will necessarily grow in line with the growth of the organization.

Short Term Reserve Target Amount Guidelines: At the start of each fiscal year (Sept 1st) reserves should total approximately two times the difference (in absolute value) between projected overhead and projected dues.

The Long-Term Reserves is the residual portion of the Society’s Investment portfolio after meeting Short Term operating reserve requirements. The Board will earmark these reserves for future investment in member education and services, and Society operations.

The investment objectives of the Reserves recognize these stated purposes and they are described in this policy statement. The Treasurer oversees the application of this investment policy statement and the CFA Society Chile Board provides ultimate oversight responsibility for this Investment Policy Statement.

II. Objectives

A. Return Objective

The goals of the Reserves are based upon their respective purpose and time horizon. The first and foremost goal of the Reserves is to provide a potentially significant contribution to operating funds in the event of a negative cash flow from operations, this is particularly important for the Short-Term Reserves. Secondary consideration is to maintain the purchasing power of the Reserves. While not a primary focus, final consideration is given to contributing to the growth of the Reserves through capital appreciation. The Long-Term Reserves seek to balance these three goals

B. Risk Objective

The critical obligation of the Reserves is to support business needs in times of financial distress. Such stress could correlate closely to stress in the overall economy. Thus, of primary importance is the preservation of capital and availability of liquidity. A properly diversified portfolio should serve to

manage and mitigate risk appropriately while offering the opportunity for future growth of the overall Reserves. The Short-Term Reserves will maintain a low risk profile that allows the Long-Term Reserves a moderate risk profile.

Short-Term Reserves: Low risk profile

Long-Term Reserves: Moderate risk profile

III. Constraints

A. Time Horizon

Short-Term Reserves: have a time horizon of less than one year given its focus of supporting short-term budget shortfalls at any given time.

Long-Term Reserves: have a long time horizon, because their purpose is to support the ongoing, perpetual operations of the organization.

B. Liquidity Needs

Short-Term Reserves: High

Long-Term Reserves: Moderate. However, private equity and other highly illiquid investments are not permissible investments.

C. Unique Circumstances

The Board and the Treasurer meet infrequently throughout a fiscal year and therefore actively managing the Reserves through asset allocation and security selection is difficult. Given these circumstances, the Treasurer focuses on selecting a well-diversified multi-sector mutual fund for the Long-Term Reserves that allows the fund manager to invest and rebalance the assets in a prudent and disciplined manner on CFA Society Chile's behalf. The Short-Term Reserves will be kept in cash or cash equivalent and invested in money market funds, time deposits and the checking account to maintain liquidity.

IV. Investment Strategy

A. Asset Allocation

For the constraints discussed above, the Treasurer will allocate the Short-Term Reserves to a money market fund, time deposit and checking account, and the Long-Term Reserves to a multi-sector mutual fund. The Treasurer will decide upon a multi-sector mutual fund that will allocate the assets in a manner consistent with the Objectives of the Reserves

B. Fund Selection

The Treasurer will recommend to the Board which funds the Reserves will be invested in while taking into account the Objectives and Constraints mentioned above. The fund managers of the funds should, at a basic level, exhibit proper skill and prudence in investing and be reputable firms.



The funds will have a reasonable fee level within their peer group and performance consistent with their intended strategies.

V. Governance

The Board of Directors will review the Investment Policy annually (prior to the Annual Meeting) and the portfolio not less than semi-annually.