

**INVESTMENT POLICY STATEMENT**  
**for**  
**Los Angeles County High School**  
**for the Arts Foundation (LACHSA)**

Revised from original: March 8, 2000

Updated: \_\_\_\_\_

The purpose of this investment policy statement is so that both the LACHSA Foundation and Mellon Private Asset Management have a clear picture of the LACHSA Foundation's current financial situation, goals and objectives as they pertain to this portfolio.

As of the preparation of this statement, the LACHSA Foundation portfolio with Mellon Private Asset Management is invested in a diversified portfolio of stocks and bonds with a current market value of \$1,087,000.

**INVESTMENT OBJECTIVES:**

**PRIMARY:** The primary objective for this portfolio is capital appreciation. The Foundation seeks an 8% real return on its investments.

**SECONDARY:** The secondary objective of this portfolio is protection of purchasing power without the assumption of undue risk.

**RISK TOLERANCE:** The LACHSA Foundation recognizes that the long term risk of reduced purchasing power from inflation is as important as the short term risk of capital loss from market swings. They understand that to achieve their long-term goals, some interim volatility must be tolerated.

**ASSET MIX:** The portfolio should be invested in a broadly diversified portfolio of high quality common stocks with a target allocation of 70% and investment grade bonds with a target allocation of 30%. The equity component will consist of large cap, small cap, International and emerging markets equities consistent with MPAM's long-term asset allocation recommendations. Portfolio allocations will be reviewed quarterly and adjusted if they deviate from the target allocations by +/- 10%.

**BENCHMARK:** The benchmarks for this portfolio will be the Standard & Poors 500 Index for large cap, the Russell 2500 for small cap, the MSCI EAFE index for International and the MSCI EMF for emerging markets. The benchmark for the bonds will be the Lehman Aggregate Bond Index. The goal for the portfolio will be returns in excess of the respective benchmarks with lower than index volatility over a market cycle. While a full market cycle cannot be quantified in advance, five years is a widely accepted proxy.

**OTHER CONSIDERATIONS:**

**TIME HORIZON:** The LACHSA Foundation is expected to exist in perpetuity. For purposes of planning, the time horizon for these investments is to be in excess of 10 years. Capital values do fluctuate over shorter periods and the investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of at least five years can be minimized with the long-term investment mix employed under this Investment Policy Statement.

**UNIQUE NEEDS:** None specified at this time.

**TAX CONSIDERATIONS:** The LACHSA Foundation is a tax-exempt organization. Therefore, investments will be made on their own merit without regard to tax consequences.

**LIQUIDITY:** The Foundation will advise of any liquidity needs.

**LEGAL CONSTRAINTS:** No special concerns.

Agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

By:

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