

The Statue of Liberty – Ellis Island Foundation Endowment

New York, New York

Investment Policy
Policy 6-1

Revised:

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(With Revisions of 2008)

**Investment Policy Statement for the Management of
the Assets of The Statue of Liberty – Ellis Island Foundation Endowment**

I. Statement of Purpose

This statement is set forth to govern the management of The Statue of Liberty – Ellis Island Foundation, Inc.'s (the "Foundation") Endowment (the "Endowment"). This is an area of particular responsibility for the Board of Directors, and more specifically its appointed Investment Committee (the "Committee"), which is designated to exercise appropriate oversight with respect to the prudent investment of the Endowment's assets in accordance with the long-term objectives of the Foundation.

The Endowment's Investment Policy ("The Policy") has been established to provide a general framework for the management and investment of the Endowment's assets. The Committee, in turn is authorized to adopt specific investment objectives (See Investment Objectives & Guidelines) to help ensure that the Endowment's assets are financially managed in the best interests of the Foundation, at an economical cost.

II. Investment Philosophy

The overall philosophy concerning the investment of the Endowment's assets is to achieve investment returns sufficient to meet its current spending target (currently set at a target 5.0%) while seeking to preserve principal, both in absolute terms and real terms (adjusted for inflation).

Because the Endowment has anticipated future spending needs, it is important for the assets to generate not only sufficient returns to meet current needs, but sufficient future returns as well. This can only be accomplished by achieving asset growth equal to, or in excess of, the Endowment's real (i.e. after inflation) spending rate. As part of this philosophy, the Committee is expected to diversify the investment portfolios among multiple asset classes, consisting of equities (stocks), fixed income (bonds), and money market securities. In doing this, the Committee acknowledges that history has demonstrated that equity and fixed income returns can at times be somewhat volatile, a fact which the Committee may take into consideration when making its total allocation decisions. However, the Committee still expects that although there may be interim periods of negative returns, the Endowment's overall investment strategy and implementation will attempt to preserve the principal of the assets under management.

III. Overview

The Endowment's objective is to provide an annual earnings cashflow to assist in covering the costs of items related to improving or maintaining the visitors' experience at Liberty and Ellis islands. The current spending target is set at 5.0% of assets (the assets are valued using a trailing three year average). Though the earnings of the Endowment are needed to meet short-term spending needs, the Endowment itself should be long-term in nature.

The Endowment's assets will be allocated to a diversified portfolio of equity investments, fixed income securities, and cash equivalents. Though the overall fund will be long-term in nature, a limited amount of liquidity should be maintained to meet near-term needs. (see Investment Guidelines)

The management of the Endowment shall follow "the "prudent investor" rule. This rule reads in part:

All that can be required of a trustee is that he/she shall conduct himself/herself faithfully and exercise sound discretion. He/She is to observe how men and women

of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds.¹

This rule may be observed through the use of what is referred to as the "total return concept". In essence, a prudent person will seek high total returns from investments by means of both cash income and capital gains.

IV. Endowment Management

The responsibilities regarding the investment of the assets will be as follows:

1. **Board of Directors:** The Board is responsible for the investment policies of the Endowment. To effectively carry out its responsibilities, a board committee, the Investment Committee, has been established to, among other things, recommend investment guidelines and objectives for the Board's approval.
2. **Investment Committee:** The Committee, with Board approval, shall establish broad guidelines for the investment of Endowment's assets, select the investment managers, and determine asset allocations that achieve the Endowment's objectives. Quarterly, the Committee will review the Endowment's performance and activity in regard to compliance with the stated guidelines and objectives.
3. **Staff:** Though the Committee will oversee the management of the Endowment investment assets, the Vice President/Controller will communicate with the investment manager(s) and investment consultant(s) on regular and routine matters and will communicate with the Committee as developments dictate throughout the year.
4. **Investment Managers:** The Endowment has decided to utilize one or more professional asset managers (*qualified in terms of federal registration with the SEC, experience with similar responsibilities, and a proven performance history*) for the management of the investment assets. These assets are to be managed in a manner that would comply with the "Prudent Person" rule concerning fiduciary oversight of assets. The investment managers will have discretion to manage the assets within the guidelines stated in this policy.
5. **Custodians:** One or more custodians will be used to provide safekeeping for the investment assets, collect income and proceeds, assist in the timely and accurate filings of all corporate actions involving the assets under its control, and to provide timely and accurate accounting statements.
6. **Investment Consultants:** The Endowment may at times utilize an independent consultant to assist in the oversight of the investment assets. The Consultant will advise the Committee in setting investment objectives, asset allocation targets and investment constraints. Additionally, the Consultant will provide performance and risk measurement, evaluating the efficiency of the Endowment's investment structures, perform ongoing evaluations of the suitability of the investment managers and custodians, and be proactive in making recommendations that are intended assist the Endowment in meeting its investment objectives. It is expected that the Consultant will assist the Vice President/Controller in the day to day oversight of the investments, and provide advice and counsel to the Staff and Committee as needed.

Manager Evaluation: The basis by which the Committee evaluates the performance of the manager(s) will be the manager's success in achieving the Endowment's investment objectives, as well as evaluations of the managers' performance in comparison with their peers. In addition, the Committee may from time to time reevaluate whether a particular manager's investment style (e.g., core, growth, value) is best suited to achieving those objectives. Although the manager(s) will be monitored and reviewed on a quarterly basis, the long term nature of the funds dictate that the manager(s) should ordinarily be evaluated on their contribution to achieving the Endowment's objectives over a three-year time horizon. If, however, the manager(s) should deviate from the Endowment's guidelines, and/or significantly under-perform versus similar asset managers and/or their benchmark index, an interim evaluation may be appropriate. Additionally, if a management firm changes ownership, management personnel, investment philosophy, investment style, or any factor that could materially affect the firm's performance, an interim evaluation may be necessary. The Committee will meet with each management firm at least annually. More frequent meetings may be necessary if the Committee becomes concerned with a manager's performance or operations.

This policy recognizes that it may be necessary or justified to allow the manager(s) of the investments to exceed the strict parameters of this policy. In this situation, it is only the Committee that may approve such divergence from the policy.

V. Management Fees and Related Costs

The costs of managing the Endowment's assets should be competitive within the marketplace of similar investment portfolios. All fees, be they management related or custody related, should be negotiated and monitored to insure that the Endowment is not overpaying for services. Transaction fees, brokerage commissions, and security mark-ups should be within the norms for institutional accounts of similar trading volume. Though the allocation of trades will be left up to the Endowment's manager(s), it should be understood that best execution, at the lowest reasonable cost, is expected.

VI. Review

This investment policy should be reviewed at least annually. If any material changes occur within the portfolio or regarding the needs for the funds, a review of the investment policy should be conducted immediately.