

**Investment Guidelines
for the Investment Advisor and Board of Managers
New England Yearly Meeting Pooled Funds**

The purpose of the Pooled Funds is to provide an investment vehicle to New England Friends' organizations or to other organizations serving Friends' purposes which:

- A. Affirms Friends' testimonies;
- B. Provides professional long-term investment management;
- C. Distributes income monthly, and
- D. Offers participation in a diversified portfolio to individual organizations that may not be able to achieve adequate diversification by investing their funds alone.

II. Investment Objectives

For the benefit of the constituents, the Board of Managers manages the portfolio primarily to produce and distribute income and, through principal appreciation, increase the level of income distributed at a rate equal to or greater than the rate of inflation over the long term. Secondly, the Board seeks to increase the value of the principal invested. The Pooled Funds are invested in companies that are making a positive contribution to the world's need for goods and services and are providing work in a healthy, equal opportunity environment.

The Board of Managers follows these guidelines in making investments for the Pooled Funds.

- A. The Board manages the investments in compliance with the fiduciary nature of the funds, with primary concern as to the quality of the investments and adequate diversification to minimize risk.
- B. The Board of Managers avoids investments that are inconsistent with Friends' testimonies, including companies that depend upon war materials, alcoholic beverages, tobacco or gambling, and companies that conduct unfair employment practices or pollute the environment.
- C. The Board of Managers invests with a focus on long-term rather than short-term objectives.

III. Asset Allocation

- A. The funds are to be diversified to include stocks, fixed income, and, when necessary or advisable, cash or money market funds.
- B. The common stock allocation guideline is 60% of the market value of the portfolio, and the fixed income allocation guideline is 40% of the market value of the portfolio. The primary purpose of the stock allocation is to produce a level of appreciation equal to or greater than the rate of inflation over the long term. The primary purpose of the fixed income allocation is twofold: to ensure that a significant part of the portfolio produces current income and to control the risk of the portfolio. For purposes of monitoring the allocation, the Board considers a range of +/- 7 1/2 % to comply with the allocation guideline.

C. In keeping with industry practice, for the purposes of asset allocation, fixed income includes bonds, preferred stocks, cash and cash equivalents. Stocks include common stocks, real estate investment trusts, convertible preferred stocks and convertible bonds.

D. The Investment Advisor is responsible for monitoring the asset allocation and the production of income in the portfolio, for recommending adjustments to the asset allocation if necessary, and for recommending securities to purchase or sell.

IV. Characteristics of the Stock Portfolio

A. The stock portfolio will consist primarily of common stocks but may include other equity type investments such as convertible preferred stocks, convertible bonds and real estate investment trusts.

B. No single stock holding at the time of purchase shall exceed 5% of the market value of the stock portfolio, except that preferred stocks and real estate investment trusts may comprise up to 10% of the market value of the stock portfolio at time of purchase.

C. No single issuer shall represent more than 15% of the stock portfolio. D. The stock portfolio shall be diversified across economic sectors.

E. The Investment Advisor is responsible for presenting purchase candidates to the Board and recommending either immediate purchase or addition to the Approved List. The Approved List shall consist of stocks which the Board has approved for purchase based upon favorable characteristics of the issuer, including compliance with Friends' values as well as a strong financial record and forecast. Additionally, these issuers shall reflect established earnings ability rather than speculative new ventures.

F. The Investment Advisor is responsible for the selection and timing of purchases within the constraints listed above.

G. Holdings in the portfolio will be reviewed by sector in a cycle that assures all holdings are rescreened on a biennial basis after initial inclusion on the Approved List.

V. Characteristics of the Fixed Income Portfolio

A. Fixed Income will consist primarily of bonds but may include preferred stocks.

B. No single bond holding at the time of purchase shall exceed 15% of the bond portfolio.

C. No single issuer, except agencies of the federal government, shall represent more than 15% of the bond portfolio.

D. The minimum rating for a bond to be acceptable to the portfolio is Baa or BBB. No more than 30% of the bond portfolio may be invested in Baa or BBB issues.

E. The bond portfolio shall be diversified across economic sectors and maturities.