

NATIONAL REINING HORSE ASSOCIATION

Statement of Policy

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SUMMARY

Investment Policy: This statement of Investment Policy outlines the investment objectives, guidelines, performance expectations, and administrative expectations for the management of the National Reining Horse Association (hereinafter referred to as the “NRHA”) investments.

The specific responsibilities of the National Reining Horse Association (hereinafter referred to as the NRHA) Commissioner, NRHA Chief Financial Officer, and the NRHA Board in the investment process include and are limited to:

1. Determining and communicating NRHA financial needs to the Investment Advisor in a timely manner.
2. Develop the asset mix for investment limitations.
3. Developing and monitoring sound and consistent long-term investment policy guidelines.
5. Selecting and retaining qualified investment managers.
6. Communicating the major duties and responsibilities of the investment manager.
7. Monitoring and evaluating performance results to assure that the policy guidelines are being adhered to and those objectives are being met.
8. Taking appropriate action to replace investment managers for failure to perform as expected over reasonable market cycles (3-5 years).
9. Ongoing monitoring of the Investment Policy Statement to assure its consistency and relevance with current activities and the financial condition of the NRHA.

The NRHA Finance and Audit Committee recognizes that their role is advisory to the NRHA Board for investment strategy and policy, but the determination and selection of specific investments and securities must be delegated to the investment manager and advisor.

Responsibilities of the Investment Advisor

1. Monitor overall implementation and adherence to the Investment Policy Statement.
2. Ensure proper Due Diligence on each Investment Manager or Investment vehicle (i.e. Mutual Fund).
3. Implement specific asset allocation (Fixed Income Issues, Equity issues, etc.) for each fund when approved and appropriate.
4. Perform ongoing risk analysis with NRHA Chief Financial Officer; ensure allocation is appropriate for current condition of each specific NRHA account.

5. Continually monitor all parts of the investment portfolio and alert and advise when either market conditions or portfolio conditions warrant modification.
6. As needed, work with NRHA Commissioner and NRHA Chief Financial Officer to develop and implement a Short Term Cash Management Schedule to correspond with the cash flow needs of the NRHA.
7. Regular (Monthly, Quarterly and Annually) reporting to the NRHA Board as well as the NRHA Chief Financial Officer when required and or requested (via conference call). A quarterly meeting with the Chief Financial Officer will take place to assess such issues as portfolio performance and rebalancing. The Commissioner and Chief Financial Officer are given the authority to review and approve the recommendations of the Investment Advisor to rebalance the account as needed in order to meet the investment strategies defined under "3. Investment Strategies" of this policy.
8. Provide, as needed, ongoing assistance to NRHA on all aspects related to the overall management and monitoring of the investment assets.
9. Generate quarterly reports to the NRHA Board of Directors.
10. At a minimum, make an annual presentation to the NRHA Board and the NRHA Chief Financial Officer.

Investment Philosophy and Objectives

1. **Investment Philosophy.** The Board of Directors of the NRHA desires to invest the assets of the Association for both long-term development purposes as well as for responding to current and changing needs arising from the Association's mission.

These circumstances require a growing asset base as well as a growing annual return on that base and dictate the following general philosophy guiding the Association's investments:

- a. Primary emphasis shall be placed on the safety of the investment principal by minimizing risks from either market or credit factors, and
- b. Moderate growth of the investment principal and total return consistent with maintaining the safety of the principal.

2. **Investment Objective.** The objective of the Association's investment management is to earn a real total rate of return (interest and dividend payments plus realized and unrealized capital appreciation, expressed as a percent of market value and adjusted for inflation) averaging at least 6 percent per annum measured over a full market cycle (usually three to five years). The total fund objective is to compare favorably with the upper end (e.g., top 30%) performance of balanced fund managers, averaged over a full market cycle.

Allowable Investments: As authorized by the NRHA (in consultation with the NRHA Chief Financial Officer) include:

1. Interest bearing checking accounts in Federally insured banks
2. Money market funds invested in government backed securities
3. Federally insured certificates of deposit (not to exceed \$100,000 per institution unless approved by the NRHA Chief Financial Officer)
4. Commercial Paper--portfolio average rated A or better
5. Corporate Bonds--portfolio average rated A or better
6. Asset backed Government Issues, Agencies, or Treasuries
7. Growth and Income focused Equity Mutual Funds

8. High yield or Convertible Bond Mutual funds
9. Professionally managed High Yield Bond portfolio
10. Only publicly traded securities are permitted
11. Any other investment approved by the NRHA Board of Directors (in consultation with the NRHA Chief Financial Officer)

Prohibited Investments and/or Transactions:

1. Floating Rate notes with maturities less than two (2) years with reset features, floors, caps, etc.
2. Floating rate notes with maturities over two (2) years
3. Structured notes including Collateralized Mortgage Obligations (“CMO”)
4. Swaps
5. Derivatives of any type
6. Letter stock
7. Short sales
8. Margin purchases

3. Investment Strategies

a. In order to obtain economies of scale of management costs, the Association shall manage any restricted funds on a co-mingled basis. The Association will maintain the necessary sub-accounting on all co-mingled funds. Exceptions to this policy shall be: Separate funds totaling more than \$100,000 in assets may be treated as separate investment entities with separate investment strategies and/or managers, should this be desired by either the individual donor or the Association; and, donations of any assets not freely traded or covered by a request from the individual donor that the assets be retained.

NRHA will invest 20 percent of revenues over expenses into the investment fund each year.

b. Investments of the Association will be diversified to prevent adverse effects of any given investment from unduly penalizing the overall portfolio performance. Diversification is interpreted to include different types, characteristics, and numbers of investments along the following allowable ranges:

Equity	<70 %
Domestic Large Cap stocks	20-40%
Domestic mid-cap stocks	20-30%
Domestic Small-cap stocks	5-20%
International Equity	5-15%
Emerging Markets	<15%
Real Estate Investment Trusts	<10%
Fixed income	<50%

Core Taxable Bonds	<30%
High-yield corporate bonds	<10%
Alternative	<5%
Cash	<25%

c. Asset allocation between equities and fixed income instruments shall be one method of diversification of the invested assets. The portfolio shall be structured to consist of 40% to 80% equity securities and 60% to 20% fixed income securities. The desirability of deviation from the norm can be determined from current market conditions.

APPROVED BY BOARD OF DIRECTORS: April 09, 2010