

**WISCONSIN CONSERVATORY OF MUSIC
INVESTMENT POLICY
Approved September 2005**

I. PURPOSE

To establish policies for investment of Wisconsin Conservatory of Music endowment funds. Funds will be managed in accordance with prudent principles and will be invested with care, skill, and diligence. This Investment Policy is directed toward long-term performance, total return rather than specific income generation goals, and preserving purchasing power, consistent with allowing the Conservatory to withdraw an amount equal to 5% of the average of the previous three years' ending market value, to support appropriate Conservatory activities.

II. STATEMENT OF OBJECTIVES

The overall Investment Policy objective is to preserve and increase the assets of the Investment Fund. Assets should be invested in a quality portfolio which balances a number of important objectives (in order of relative importance):

1. Provide for some growth of capital to help ward off inflation and provide for future growth of income.
2. Avoid imprudent asset concentration.
3. Provide a reasonable level of current income.
4. Assure sufficient liquidity to meet anticipated needs.
5. Provide for preservation of principal on an inflation adjusted basis.
6. Out-perform various appropriate market indices over a full market cycle.

III. PORTFOLIO GUIDELINES

To achieve the stated objectives, the Wisconsin Conservatory of Music will:

A. Diversify asset mix to:

1. Obtain improved results for the overall fund while reducing risk versus a concentrated portfolio.
2. Reduce exposure to substantial downturns in investment value in any one asset category

B. Allocate assets

To meet the stated objectives, investments may be made in individual securities or appropriate mutual funds

Fixed Income

Fixed income securities are to be composed of U.S. Treasury notes, bonds, and other instruments directly guaranteed by the U.S. Government, and notes, bonds, debentures, and of corporate issuers of investment grade as determined by Standard and Poor's rating services (AAA, AA, and A).

Equities

Equity investments may be comprised of common stock, preferred stocks, and convertible securities. Major investment emphasis will be given to equities of companies which appear to have favorable prospects for long-term growth. Investment in equities shall not exceed 70% of the total investment portfolio. To support the goal of asset diversification, equities should not fall below 30% of the total investment portfolio under normal market conditions. Any move to reduce equity exposure below the 30% range due to market concerns should be discussed with and approved by the Wisconsin Conservatory Board Executive Committee prior to such action.

Cash and Cash Equivalents

Funds remaining may be invested in cash and cash equivalents consisting of deposits in commercial banks, money market accounts, high quality corporate commercial paper, and/or money market mutual funds. There is no limit on the amount of investment that may be made in cash equivalents based on the liquidity needs of the Conservatory, or as defensive cash reserves to protect against a severe market decline.

- C. Maintain sufficient cash reserves to provide liquidity, to meet cash needs without loss of capital value of assets.**

Investment Restrictions

- a. The Wisconsin Conservatory of Music may not invest in options, derivatives, real estate, investment trusts, limited partnership ventures, commodities, margin investments, short sales, gas, oil, or mineral exploration development programs, venture capital companies or any similar types of investments.
- b. All bonds should be of investment grade.
- c. All securities and investments will be readily marketable.
- d. High turnover is not encouraged.
- e. No private investments, such as mortgages, shall be made.